FIRM CHARACTERISTICS AND FINANCIAL PERFORMANCE

BY

KPALUKWU CHIMENE

MGS1911463

DEPARTMENT OF ACCOUNTING

FACULTY OF MANAGEMENT SCIENCES

UNIVERSITY OF BENIN

BENIN CITY

JUNE, 2025

FIRM CHARACTERISTICS AND FINANCIAL PERFORMANCE

BY

KPALUKWU CHIMENE

MGS1911463

A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF BENIN, BENIN CITY

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE (B.Sc.) DEGREE IN ACCOUNTING

JUNE, 2025

DECLARATION

I declare that:

I. This project is based on a study undertaken by me in the department of accounting, University of Benin, under the supervision of Dr Godstime Osarobo Ikhu-Omoregbe

II. This work has not been previously submitted for the award of any degree elsewhere.

III. All ideas and views are product of my personal research and where the views of others have been expressed, they have been duly referenced and acknowledged.

IV. Any liability arising from this work is to be wholly borne by me.

KPALUKWU CHIMENE

MGS1911463

Date

CERTIFICATION

This is to certify that this project work was carried out by KPALUKWU CHIMENE with Matriculation Number MGS1911463 in the Department of Accounting, University of Benin, Benin City and is Adequate in Scope and Quality in Partial Fulfilment of the Requirements for the award of Bachelor of Sciences (B.Sc.) Degree in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City.

---------- ----------

Dr. Godstime Ikhu-Omoregbe **Date**
Project supervisor

---------- ----------

Dr. Uyi Obazee **Date**
Project coordinator

---------- ----------

Dr. Osasu Obaretin **Date**
Head of Department

DEDICATION

I dedicate this project work to the Lord who is the God of all Knowledge and the Giver of Strength, to him be all the Glory.

ACKNOWLEDGEMENTS

I like to give all Thanks to God Almighty whom in his infinite Mercy and Grace has made it possible for me to successfully roundup this Academic journey. I wish to acknowledge my supervisor, **Dr. Godstime Ikhu-Omoregbe** for being available and also giving me the platform to carry out this research work.

I will not forget to acknowledge Dr Akogo, Prof. Odia, Dr Edosa, Dr Uyi Obazee, Dr Duru Ferdinand and many others whom in various ways contributed to making this journey a reality.

My profound gratitude goes to my Lovely Wife and my Beautify Children for their Sacrificial Patience and Support. I will always remember people who went out of their ways to encourage me financially, mentally, spiritually and otherwise, Pst. Mrs Hope Sunny-Ibeh, and Pst. Sunny Ibeh, Mike Ahachukwu, Opeyemi Kareem, and all my colleagues in 7up Bottling Co Ltd. Especially Account's Department. I am also grateful to my Pst. Joseph Edet and his Wife and the entire members of Iguosa District in Adolor Region. Deeper Life Bible Church.

I also appreciate all the lecturers in the Department of Accounting as well as Faculty of Management Science for their intellectual contributions. I want to Appreciate all my friends and course mates (Apex Achiever Accounting Class of 2024) more especially FYB Committee Members my Amazing Team Members it was indeed a great time working together to make the Class the Best Graduating Accounting Sect. May the Lord Bless You All. AMEN

TABLE OF CONTENT

ABSTRACT

This study explores the relationship between firm characteristics and financial performance such firm size, firm age, firm financial leverage, firm complexity and firm ownership structure. Understanding these relationships is essential to stake holders like investors, analysts and policymakers as it provides valuable insights on the financial health and wellbeing of firms.

This study provides evidence on the relationship between firm characteristics and the financial performance of listed consumer firms in Nigeria using panel data for five years (i.e 2020 - 2024). The multiple regression model was adopted in this study to evaluate the impact of firm size, firm age, firm complexity, firm financial leverage, and firm ownership structure on the financial performance of listed consumer firms in Nigeria. This study shows that the relationship between firm size, firm financial leverage and financial performance is positive. Similarly, this study has revealed that firm age, firm complexity, and financial performance have a negative relationship. This study also proves that the ownership structure of firms can positively impact its financial performance. while financial performance of firms can be influenced by the characteristics of the firm as stakeholders like investors and analysts consider these characteristics when assessing the potentials of firms as it affects making investment decisions.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Profit maximization is the most significant aim of businesses which is also the most important aspect of the economy. The performance of a firm plays a vital role in increasing its market share/value which in turn enhances the growth of the industry and the economy in general. High performance in firms reflects management effectiveness and efficiency in using the resources available to them and its contributions to the economy of such organization (Naser & Mokhtar, 2004).

The financial performance of a firm is the total evaluation of a company's overall standing in categories such as assets, liabilities, equity, expenses, revenue and profitability (Corporate Finance Institute, 2021). The financial performance of a firm shows the financial capacity and wellbeing of that firm. Financial performance of a firm can be measured through various metrics such as revenue, net income, profit margins and return on investments. These metrics measure the solvency, liquidity and profitability of the firm. Financial

performance is the assessment of the company's financial condition for a certain period covering the allocation of finance measured by capital adequacy, liquidity, solvency, leverage, efficiency and profitability (IAI, 2016).

Firms also known as companies or businesses have been in existence for a long time. Starting out as small family run businesses and gradually progressing to larger and more complex entities as the years went by. Kenton, (2022) describes a firm as a for-profit business enterprise that provides services.

Prior to technological, communicational and transportation advancements, firms were focused on trading goods and providing services for their local community but with the advent of these advancements, firms became exposed to the world outside their communities and expanded their reach to operate on a global scale.

The industrial revolution that lasted from 1760 to 1840 played a significant role in the evolution of firms as it brought about mass production and rise in large scale manufacturing companies. The internet further enhanced the operations of the firms. Today, there are various forms of firms, sole proprietorships, partnerships, limited liability companies, national and multi-national corporations. Firms also exist in different sizes, small scale, medium

scale and large-scale enterprises. They are also various industries including technology, finance, healthcare, retail and many more.

Irrespective of the changes in firms' over the years, the primary objective of a firm remains maximizing its profits. Firms generally aim at achieving profitability and sustainable growth therefore the financial performance of a firm is paramount. Over the years, firms have experienced remarkable financial success while others have faced serious financial challenges. It is important to note that a firms' financial performance can be influenced by the characteristics of the firm.

The study of firm characteristics and financial performances of firms aims at determining how characteristics of a firm such as firm size, firm age, firm complexity, firm financial leverage and firm ownership structure influences the financial output of the firm.

1.2 Statement of Research Purpose

The subject of financial performance of firms has been an area of interest for business and strategic management scholars. It has also been a primary concern to business practitioners as it affects the organizations health and survival.

Research has been carried out over time to examine how factors like prevailing market conditions, competition, economic cycles and government policies influence the financial performance of the firm. Several studies have examined the impact of corporate governance on the firms' financial performance. (A. Ali & Mohamed Yassin & Rania AbuRaya, 2020)

The purpose of this research is to understand the relationship between various firm characteristics and its impact on the financial performance of the firm. This study aims to examine how specific firm characteristics like size, age, complexity, financial leverage and ownership structure influence financial performance.

By carrying out this research, we seek to answer the following questions:

I. What is the relationship between firm size and the firm's financial performance
II. What is the relationship between a firm's age and the firm's financial performance
III. What is the relationship between firm complexity and the financial performance of the firm

IV. What is the relationship between the financial leverage of a firm and its financial performance

V. What is the relationship between the ownership structure and the firm's financial performance

1.3 Research Objectives

This research work is carried out to investigate whether the characteristics of a firm can positively influence its financial performance. The objectives of this research are as follows:

I. To assess the relationship between firm size and firm's financial performance;

II. To investigate the relationship between firm age and financial performance of a firm;

III. To evaluate the relationship between firm complexity and financial performance;

IV. To examine the relationship between the financial leverage of a firm and its financial performance;

V. To determine the relationship between the ownership structure of a firm and the financial performance.

1.4 Research Hypotheses

The null hypotheses that guide this research are as follows:

I. There is no significant relationship between firm size and firms' financial performance.

II. There is no significant relationship between the age of the firm and its financial performance.

III. There is no significant relationship between firm complexity and the firm's financial performance.

IV. There is no significant relationship between the financial leverage of a firm and its financial performance.

V. There is no significant relationship between the ownership structure of the firm and the financial performance.

1.5 Scope of the Study

This study will focus on private firms in Nigeria, including small, medium, and large enterprises. The study will examine the characteristics and financial

performance of private firms in Nigeria This study would investigate the financial performance of five (5) consumer firms listed under the Nigerian Exchange Group (NGX) over a period of five (5) years.

1.6 Significance of the Research

This study is significant because it will provide insights into the characteristics and financial performance of private firms in Nigeria. The findings of this study will be useful to policymakers, entrepreneurs, and investors who are interested in understanding the factors that affect the financial performance of private firms in Nigeria. Furthermore, this study will contribute to the existing literature on the financial performance of private firms in Nigeria.

The study tends to analyzing the various firm characteristics such as size, age, complexity, financial leverage and ownership structure. Researchers analyze these characteristics and how they impact the firms' financial output to gain knowledge and understanding that can help them make informed business strategy, investment decisions and policy making. Studying firm characteristics allows for benchmarking and comparison across different companies and industries providing valuable insights into best practices and areas for

improvement. The study of firm characteristics in relation to financial performance improves our understanding of the drivers of success and guides decision making in businesses. There are however stakeholders who would use information regarding the impact of firm characteristics on financial performance. These stakeholders include:

I. Management of Firms: Managers and executives of companies need information on the impact of firm characteristic on the financial performance of the firm so as to monitor and evaluate the company's performance, identify areas that need improvement and make strategic decisions. It helps them assess the effectiveness of their strategies and effectively allocate their resources.

II. Inventors: potential or existing investors use information relating to financial performance to evaluate the financial health and stability of a company before making investment decisions. They assess the characteristics of a firm and its financial performance to determine the potential return on investment and manage their risks.

III. Regulators and Government Agencies: firm characteristics and financial performance data are used by regulators and government agencies to

monitor the firms' compliance with regulations, assess market stability, make polices and determine tax rates.

IV. Lenders and Creditors: Information on firm characteristics and financial performance is used by lenders and creditors to evaluate the creditworthiness of a company when considering loans. They assess the ability of the firm to repay its debts based on its financial performance.

V. Researchers and Academics: Researchers and academics use firm characteristics and financial performance data to conduct studies, develop theories and contribute knowledge in fields like finance, business management, economics and accounting.

1.7 Limitations of the Research

Data gathering is a basis for comparative analysis in evaluating the role of analysts across various economic spheres. In the course of carrying out this research, certain challenges were encountered and they include:

- Scarcity of historical and analytic data and materials to carry out the research work.
- Limited time frame to carry out an in-depth study on the research topic.

- Limited funding available to carry out a comprehensive research on the topic.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, related literatures with respect to the factors that affect the financial performance of companies are reviewed. Firm characteristics and financial performance are closely related. Characteristics of a firm such as firm size, age complexity, financial leverage, ownership structure can impact the financial performance of the firm. The financial performance of the firm refers to the financial well-being of the firm which includes its profitability, liquidity, and efficiency. In this chapter, we will analyze the relationship between firm characteristics and financial performance.

2.2 Financial Performance

There is no universally recognised definition of performance; the concept of performance has many meanings, as it is perceived by different users. There are still debates among several disciplines regarding how the performance of a firm can be measured and the factors that affect financial performance of companies (Liargovas & Skandalis, 2008). Performance is success, performance is the result of an action, and performance is a state of competitiveness of the

company, achieved through a level of effectiveness and efficiency that ensures a sustainable market presence. Performance also depends on the level of achievement of a company's strategic objectives, Financial performance is the ability of a firm to achieve a financial goal over a given period of time covering the collection and allocation of finance (Fatihudin, 2018). Verma, (2023) described financial performance as the extent to which the financial objectives of the firm have been achieved. The financial performance of a firm refers to the degree to which the financial objectives of the firm have been achieved. It measures the firms overall financial well-being over a given period. Financial performance measures the financial health of the firm based on its assets, liabilities, equity, revenue, expenses and profitability (Vaidya, 2023). It refers to the company's ability to generate profit and create value for its shareholders. Erasmus, (2008) describes financial performance as the process of measuring the results of a firm's policy and operation in monetary terms. The financial performance of a firm is generally analyzed based on the balance sheet, the cash flow statement, the income statement and for publicly listed companies, the annual report (Luther, 2023). Financial performance can be measured

by various financial indicators and financial ratios that provide insight to the company's profitability, efficiency, liquidity and solvency.

2.2.1 Profitability

Profit maximization is a very important objective of a firm as the profits realized keeps the firm in business and helps it to withstand competition from firms operating in similar industries. It is necessary for the long-term survival and success of the firm and it is also necessary for the achievement of the financial goals and objectives of the firm (Gitman & Zutter, 2012). The profitability of a firm is an important measure of the performance of the firm and it is an essential part of its financial reporting. It reveals the firm's ability to generate funds at a rate of sales, level of asset and stock of capital over a specified period of time (Margaretha & Supartika, 2016). Series of studies have been carried out on the financial performance of firms in Nigeria and findings have remained mixed and inconclusive. Most of the studies on Nigerian firms are based on selected sectors of the economy (Akintoye, 2008; Olutunla & Obamuyi, 2008; Dare & Funso, 2010, Onimisi, 2011; Angahar & Ivarave, 2016). The profitability of a firm can be measured by set of financial ratios called the profitability ratio. Profitability ratios

are ratios that evaluate the performance of firms at the end of an accounting year. They show how companies are able to make profits from operating the business.

Profitability ratios include gross profit ratio, net profit ratio, earnings per share ratio, return on investment and return on total assets ratio**.**

- **Gross Profit Ratio**

  Gross profit ratio is a type of profitability ratio that measures the relationship between the gross profit and net revenue. Gross profit ratio can also be known as gross profit margin. When it is expressed in percentage it is called gross profit margin. Gross profit ratio is calculated by dividing the gross profit by the net revenue multiplied by 100.

- **Net Profit Ratio**

  Net profit ratios show the relationship between net sales and net profit after tax. It is also known as net profit margin ratio. It is an important profitability ratio. It is calculated by dividing the net profit after tax by net sales.

- **Earnings per Share (EPS)**

  This is a profitability ratio that measures the degree to which a firm earns profit. EPS is derived by dividing the net profit earned by the total number

of outstanding shares. When the earnings per share of a company is high, the company is considered to be more profitable.

- **Return on Investments (ROI)**

  Return on investment also known as return on capital employed measures how well a firm can generate profit from its capital. This ratio is very important to investors as it shows the viability of the company. ROI is calculated by dividing the earnings or profits before interests and taxes by capital employed and multiplied by 100. The capital employed is derived by deducting the current liabilities from total assets.

- **Return on Total Assets (ROTA)**

  Return on total assets shows the relationship between the total assets of a company and its net earnings or profit. It is calculated by dividing the net profit by the total assets of the company. ROTA reveals how much after-tax profit a firm generates for every asset it holds.

2.2.2 Efficiency

Efficiency is the measure of how resources used were able to achieve established goal (Fraser, 1994). Erlendsson, (2002) defines efficiency as the ability to carry out tasks with reasonable efforts. Efficiency ratios are financial metrics used to analyze

a firm's capability to employ the resources of a firm effectively. Efficiency of a firm can be measured by using the efficiency ratios like the inventory turnover ratio, accounts receivable turnover ratio, and accounts payable turnover ratio

- **Inventory Turnover Ratio**

  Inventory turnover ratio expresses the number of times a business sells out its inventory during a business cycle. This ratio is calculated by dividing the cost of goods sold by the average inventory (that is, the opening stock plus closing stock divided by 2) over a specified period of time.

- **Accounts Receivable Turnover Ratio**

  Accounts receivable turnover ratio is a type of efficiency ratio that measures how long it takes for the firm to collect its accounts receivable. It is calculated by dividing net credit sales by average accounts receivable where net credit sales are sales collected at a later date (it is, sales on credit – sales returns – sales allowance) while average accounts receivable is the addition of accounts receivable at the beginning of the period and at the end of the period divided by 2. It evaluates the efficiency of revenue collection.

- **Accounts Payable Turnover Ratio**

  Accounts payable turnover ratio measures the number of times a firm pays off its debts during an accounting period or how long it takes a firm to pay its debt during a business period. It is calculated by dividing net credit purchases by average account payable where the net credit purchase is derived by adding the cost of goods sold to closing inventory balance then deducting opening inventory balance while average accounts payable is derived by dividing the

  sum of accounts payable at the beginning of the accounting and the end of the accounting year by 2. The higher the accounts payable ratio, the more favourable it is for the firm.

2.2.3 Liquidity

The liquidity of a firm refers to the firm's ability to convert assets to cash easily (Mueller, 2022). It measures the firm's ability to meet up its short-term obligations. It examines how easily a firm can convert its assets to cash in order to cover its liabilities. The liquidity of firm is very important for its financial stability and operational flexibility. It enables the firm handle unexpected expense, maintain healthy cash flow and seize investment opportunities. Thus, liquidity management

has become an important in assessing the performance of firms (Bardia, 2004). The liquidity of a firm should not be excessive or inadequate as excessive liquidity means that there is an accumulation of idle funds while inadequate liquidity affects the credit worthiness of the firm, slows down the production process thereby reducing the earning capacity of the firm (Ehiedu, 2014). The liquidity of a firm can be measured through the use of liquidity ratios. Liquidity ratios are a set of ratios used to determine the ability of a debtor to pay back its debts without external funding. Liquidity ratios include current ratio and quick ratio.

- **Current Ratio**

  Current ratio measures the ability of the firm to pay up its current liabilities (liabilities that are to be paid off within a year) with its total current assets such as cash, inventories, and trade receivables. It measures how much the current assets can cover the current liabilities. The current ratio of a firm is calculated by dividing its current assets by its current liabilities. The higher the firm's current ratio the betters the firm's liquidity position.

- **Quick Ratio**

  Quick ratio is also known as acid test ratio. It measures the ability of the firm to meet up with short term debts with its most liquid assets. When

calculating quick ratio, the inventory is often deducted from current assets. Quick ratio is calculated by deducting inventory from current assets and dividing it by current liabilities.

2.2.4 Solvency

Solvency is the ability of firms to meet up with its financial obligations and long-term debts (Hayes, 2020). Solvency is the firm's ability to pay its long-term debts on time. If the firm cannot do so as a result of limited resources, then the firm will not be able to continue in business, and might be sold or even liquidated. The solvency of a firm is used by lenders and creditors to assess the ability of a potential borrower to pay back its debts. When management is deciding how the operations of a firm will be financed, the risk of insolvency is usually a major consideration. Businesses that operate in low profit environment are at a greater risk of insolvency. Solvency is an important measure of the financial health of a firm as it demonstrates the capability of a firm to manage its operations in the foreseeable future. The solvency of a firm can be measured through the use of solvency ratios. Hayes, (2023) defined solvency as ratio as a financial metric used to evaluate the ability of businesses to meet long term debts and it is often used by prospective lenders.

- **Interest Coverage Ratio**

  The interest coverage ratio of a firm is used to measure the number of times a company can cover its current interest payment with its current earnings. It measures the margin of safety of the firm that is the grace period a firm has to pay interests on its debt during a given period. The interest coverage ratio of firms can be calculated by dividing earnings before interests and taxes by interest expenses. The higher the interest coverage ratio, the better. If the ratio of the firm is below 1.5, it means that the firm may find it difficult to pay the interest on its debts.

- **Debt-To-Assets Ratio**

  A firm's debt-to-assets ratio determines the total debt of a firm to its total assets. It measures the financial leverage of firms and how much of the firm is funded by debt compared to how much of the firm is funded by assets and its ability to pay the debts with its available assets. It is calculated by dividing the debts of the firm by its assets. A higher debt-to-asset ratio means that the company is funded by debts and might not be able to pay back its debts especially when the ratio is above 1.0.

- **Equity Ratio**

  Equity ratio also called equity-to-assets measures how much of a firm is financed by the equity of shareholders as opposed to debt. It is calculated by dividing the total shareholder equity by total assets. The higher the equity ratio the healthier the firm is and the lower its equity ratio, the more debts the firm has in relation to equity.

- **Debt-To-Equity Ratio**

  Debt-to-Equity ratio and debt-to-assets ratio are very similar as they both show how the firm is funded but in the case of debt-to-equity ratio, it focuses on how much of the company is financed by debt. It is derived by dividing the outstanding debt of the firm by its equity. The ratio examines how much debt the equity of the firm can cover if the firm needs to be liquidated. The higher

  the ratio, the more debt the firm has which increases the chances of the firm to default in paying the interests on its debts.

2.3 Firms

A firm, is a for profit business that provides services (Kenton, 2022). A firm, also known as a business, company or organization, is an entity that engages in economic activities with the aim of generating profits. A firm is a system of subsystems where people invest their capital which could be in equity shares, preference shares, debentures, and loans on inputs such as land, labour, capital, and entrepreneurship (by paying the rent for the land, the salaries of the workers, contributing the capital and paying interests on capital) owned by people to be converted into good and services by the employees for consumers to be sold at prices that can cover the cost of production and earn profits ethically for the survival of mankind (Chendroyaperumal, 2008). Under CAMA 2020, a firm is founded by one, two or more people. It can be described as a body formed and incorporated as a legal entity apart from the individual partners that make up the firm. Firms can vary in size, structure and industry, but they all share a common goal which is value creation and wealth maximization for their stakeholders. The roles of firms in the economy can't be overemphasized. Firms are responsible for producing goods and services, creating employment opportunities, and contributing to economic growth and development.

Firms can be classified based on their legal structure such as sole proprietorships, partnerships, and corporations or limited liability companies. The ownership structure of a firm can also be a basis for classification. A firm can be owned privately owned, owned by the government, or owned by the public. They can also be classified based on their sizes such as large scale, medium scale and small-scale enterprises. The size of a firm determines the financial and human capital of the firm as well as its physical assets. The success of a firm is based on its ability to manage its resources effectively and make strategic decisions on production, marketing, finance and other aspects of the firm. The resources of a firm consist of all the assets, capabilities, and intangible elements that the company owns and uses for its business operations. The resources of a firm can either be tangible or intangible. Tangible resources are physical resources that the firm owns or controls. They include: financial resources like the firm's monetary assets such as cash, investments, and credit lines; physical resources such as land, buildings, equipment, inventory, and vehicles; human resources like the skills, knowledge, expertise and experience of employees of a firm; technological resources such as the firm's technological infrastructure, hardware, software and intellectual property. Intangible resources on the other hand refer to the non-physical resources

of the firm which gives them a competitive edge or advantage. They include: intellectual property of the firm such

as the firms patents, copyrights, trademarks, and trade secrets; brand reputation of the firm, the way the public perceives the firm, the trust the public has in the brand and the recognition the customers have for the products or services provided by the firm; the organizational structure of the firm which encompasses the beliefs, values, norms, and practices shared by the firm which shapes its decision making; relationships and networks of the firm such as its partnerships, collaborations, alliances made with suppliers and customers. Effective management and utilization of these resources enables firms to distinguish themselves from their competitors, create value and achieve long-term success. Firms operate in a competitive environment and must consistently keep of up with the trends and find innovative ways to adapt to changes in market conditions to remain relevant in the industry. Changes in market conditions may include technological changes, market fluctuations, change in consumer preferences, and regulatory changes which must be addressed as quickly as they occur. The ethical practices of firms are also

significant in the operations of the firm. Ethical practices ensure that the firm operates in a responsible manner, taking into consideration the interests of its stakeholders including employees, customers, suppliers, and the community.

The essential aim of a firm is to create wealth and contribute to the development of the society. Firms operate in a dynamic landscape, requiring effective management, innovation and ethical practices to thrive. The success of a firm is greatly influenced by the characteristics of the firm and the effective management of its resources.

2.4 Firm Characteristics

It is important to have a clear understanding of what the term the firm characteristics entail. According to Dogan, (2013) firm characteristics are factors under the control of management. They include firm size, firm age, firm complexity, firm financial leverage, and firm ownership structure.

2.4.1 Firm Size

The firm size is the total number of employees that work in a firm (Karlsson, 2020). Jiang (2003), defined firm size as the number of employees an establishment has, sales made by a firm, and the value added per firm. The firm

size refers to the scale of the firm's operations which is usually measured by factors such as revenue, assets, market share, or number of employees. The size of a firm can be measured based on the number of employees, the amount of revenue, the market share, the assets or the capital structure of the firm. The size of a firm affects its performance and profitability. The firm size plays a significant role in determining or shaping the structure, capabilities and overall performance of the firm. Firm size affects various aspects of its operations such as its resource allocation, market presence and competitiveness. The definition of what makes up a small, medium or large firm can vary from country to country, or industry to industry. For example, in the United States, small businesses are businesses that have less than 500 employees while in Europe, small and medium scale businesses are businesses that have less than 250 employees and have lower than €50 million and €43 million respectively in turnover. Under section 394(3)(b) & (c) of CAMA 2020, a small company is a company with a turnover of not more than N120 million and a net asset value of not more than N60 million. The finance act of 2020 also defined small companies as companies with an annual gross turnover of less than N25 million; medium size companies as companies with annual turnover of N25 million and above but less than N100 million, while large companies are

companies with annual gross turnover of N100 million and above. Smaller firms usually have a smaller workforce, have limited resources and often operate in specific areas of the market. Smaller firms tend to be more agile and flexible which makes it easy for them to adapt to changes in market conditions quickly. Smaller firms have a personalized service and a stronger customer relationship with their customer base unlike larger firms. Larger firms have more extensive access to resources such as financial capital, human capital, and technological capabilities. They often have larger clientele, greater market presence and broader geographical reach. Larger firm usually benefit from economies of scale. Firm size is an important contributor to a firm's functional atmosphere and external environment as it enables an organization obtain a competitive edge over its rivals through the creation of opportunities and reduction of cost mechanism enjoyed by larger firms due to economies of scale (Dogan, 2013). Kenton, (2022) describes economies of scale as cost advantages benefits gained by companies when production becomes efficient, as costs can be spread over a large amount of goods. Economies of scale is the cost advantage that a company can gain when goods and services are produced in large quantities. Economies of scale can lead to lower cost of production as a result of higher production volume and increased profitability.

Larger firms have the ability to invest heavily in research, development, innovation and marketing. The size of a firm can influence its ability to attract and retain skilled labour. Larger firms offer better career opportunities, higher salaries and better employee benefits making them more attractive to job seekers than smaller firms. They also may have more resources to invest in the training and development of employees thereby fostering a skilled and knowledgeable workforce. Larger firms often have the ability to diversify its operations across different markets, variety of products, or geographies. This diversification can help work against risks associated with specific markets or industries thus enabling financial stability and performance. As firms expand and become larger, they tend to become more complex and face difficulties in management operations and making decisions. However, the firm size is not a guarantee for success. Smaller firms are often more responsive to changes in market trends and innovative. They have closer customer relationships allowing for personalized services and specific market focus. Smaller firms can benefit from lower bureaucratic overhead. The size of a firm and its financial performance can be influenced by the dynamics of the industry the firm operates, the market conditions, the capabilities of management, and other factors.

Studies have shown that the firm size positively influences the financial performance of the firm as larger firms have more resources, specialized and skilled workers and qualified management staff (Magaritis & Psillaki, 2010; Wu & Chan, 2009; Liargovas & Skandalis, 2010; Zeitun & Tian, 2014). Studies have also shown that there can be a negative relationship between firm size and financial performance (Lopez-Valeiras et al., 2016).

2.4.2 Firm Age

The age of a firm is the number of years a company has been incorporated (Ilaboya & Ohiokha, 2016). The firm age is the number of years that the firm has experienced from the point of establishment to the point of investigation (Wang, 2011). The age of a firm is the length of time the firm has been in operation or the stage of its life cycle. Firm age affects its structure, culture, and strategy. Younger firms tend to have higher growth rates, higher risks and lower profits. Firms that are young have the advantage of been more innovative, agile and entrepreneurial than older or mature firms. Older firms may enjoy benefits like stable brand reputation and experience but they also face challenges like innovation inertia, organizational rigidity, and decreasing market shares. The older a firm gets, the more access it has to resources, such as capital, talent and technology. Younger

firms may face more difficulty in obtaining funds, developing proprietary technology or attracting skilled labour. Mature firms also face challenges like adapting to new technology, retaining skilled workers, and competing with new competitors. How firms relate with stakeholders such as customers, employees, suppliers and investors can be influenced by the age or maturity of a firm. Young firms need to build trust and credibility and create a customer base while older or mature firms need to maintain loyalty, manage expectations and ensure shareholders receive their returns. Older firms have gone through various market cycles and have learnt from past experiences. These experiences can enable them adapt to changes in market conditions, identify opportunities and make strategic decisions that may lead to better financial performance. The social and environmental impact of a firm such as community engagement and labour practices can be affected by the age of the firm. The general perception is that the older the firm gets the higher its financial performance (Coad et al., 2013) but with age comes challenges which can affect the financial performance of the firm (Barron et al., 1994). Studies have however shown that younger firms have faster growth rates (Ouimet & Zarutskie, 2014).

2.4.3 Firm Complexity

Firm complexity refers to the degree of intricacy in the organizational structure and operations of a firm. Complex firms are firms with large hierarchies and many departments, firms with complex supply chains, and multinational corporations with operations in different countries. It encompasses factors such as the number of business units, product lines, supply chain, geographical reach, and the diversity of stakeholders. It captures the degree of intricacy and sophistication present in the operations and structure of a firm.

When trying to understand the complexity of a firm, there are certain things we can consider such as the organizational structure of the firm, the global operations of the firm, the product and service portfolio of the firm, regulatory framework or environment of the firm, the degree of technological integration of the firm. The organizational structure of the firm refers to the way the firm is organized, the line of reporting that exists in the firm and the decision-making processes of the firm. This includes the number of departments in the firm, and the presence of decentralized or centralized structures. All these intricate details contribute to the complexity of a firm. The global operations of firms refer to how firms involved in international business face complexities as a result of its cross-border operations,

differences in legal framework, cultural differences and varying market conditions. The product and service portfolio of the firm discusses to the range, diversity and variety of products and services offered by the firm. A firm with extensive product lines or those with operations in multiple industries may be referred to as complex and face challenges in coordinating and managing their offerings effectively. The regulatory environment of the firm talks about the firm's compliance with an array of laws, regulations, and industry standards which can add to the complexity of firms. Adapting to changes in regulatory landscapes and ensuring adherence to ethical and legal guidelines is crucial for the sustainability of the firm's operations. Technological integration refers to the ability of a firm to adopt and integrate technologies such as artificial intelligence, block chain analysis which can increase the complexity of the firm in relation to data management, cyber security, and digital transformation.

While firm complexity can present challenges, it also offers opportunities for growth and innovation. The firm's complexity can influence the financial performance of the firm. As a firm becomes more complex, managing and coordinating various aspects of the business can become challenging. This can potentially lead to an increase in costs, difficulties in decision making, and

inefficiencies. However, it's important to note that the relationship between the firm's complexity and firm's financial performance is not always straight forward. Some firms thrive and succeed irrespective of their complexity, while others may struggle. Effective management of a firm's complexity is a factor that plays a crucial role in ultimately determining how the complexity of a firm an impact or influence its financial performance. Effective management of firm's complexity requires strategic planning, streamlined processes, agile decision making, and robust communication. Organizations that manage complexity successfully can gain a competitive edge, foster innovation, and adapt to changes in market conditions quickly.

2.4.4 Firm Financial Leverage

Leverage refers to the proportion of debt to equity in the capital structure of a firm. The financing or leverage decision is a significant managerial decision because it influences the shareholder's return and risk and the market value of the firm. Financial leverage results from using borrowed capital as a source of funding when

a firm wants to invest in expanding its assets base and generate returns on risk capital. Leverage also refers to the amount of debt a firm uses to finance its operations (Hayes, 2023). According to CFI 2023, Financial leverage is the use of

borrowed money to finance the acquisition of assets with the expectation that income or capital gain from the new asset will exceed the borrowing cost. Financial leverage refers to the use of borrowed funds (debt) to finance investments or operations of a company. It involves using debt capital alongside equity capital to generate higher returns for shareholders of the firm. By taking on debt, the firm can access additional funds that can be used to expand the operations of the firm, acquire new assets, or invest in new projects, which in turn has the potential to increase the company's revenue and profitability. Financial leverage works by leveraging the assets of the firm and using them as collateral to secure loans or issue bonds. The funds borrowed are invested to generate income or increase the firm's value. If the returns on the investments are more than the cost of borrowing, the firm can benefit from the leverage and increase the profits of shareholders. However, financial leverage also increases the risk for the firm. If investments do not yield expected returns or the firm's earnings decrease, the burden of the debt repayment may become challenging. High levels of debts can lead to financial distress, increased interest expenses, and potential difficulties in meeting financial obligation. The use of financial leverage involves a trade-off between potential higher returns and increased financial risk. It is crucial for firms

to manage their firms carefully considering factors like interest rates, profitability, cash flow and overall financial well-being of the firm. The financial leverage of a firm can have both positive and negative impact on a firm's financial performance. Financial leverage has the potential to increase a firm's return on equity. Through the use of borrowed funds to finance operations or investments, firms can generate more profits and returns for its shareholders. If the returns on the investments exceed the cost of borrowing, the firms return on equity may increase. When a firm employs financial leverage effectively, it can increase its profitability. By using debt capital along with equity capital, the firm can access extra funds that can be used for various purposes, such as expansion or investing in new projects. If these investments generate higher revenue and profit and the firm's profitability may improve. Research carried out by Booth et al., (2001); Wald, (1999); Rajan & Zingales, (1995) has shown that there is a positive relationship between financial leverage and financial performance. Akhtar et al., (2012) also concluded that there is a positive relationship between the financial leverage of a firm and it's financial. On the other hand, financial leverage can also be harmful to the financial performance of the firm. Taking on debts increases the risk obligation of the firm. It means that the company has to make regular payments and repay the principal

amount. If the earnings of the firm decline or the investments do not yield the expected returns, it can become challenging to meet up with these financial obligations. High debt level can result in financial distress and negatively influence the financial performance of the firm. When a company uses financial leverage, it incurs interest expense on the funds borrowed. If the interest rates increase or the company has a high debt burden, the interest expenses can become a significant burden financially as it reduces the firm's net income and profitability. Excessive leverage can affect the cash flow of the firm as most of it would be directed to paying outstanding debts and interests. This can affect the firm's financial performance negatively as the firm would lack residual cash flow to invest in prevailing business opportunities (Chen, 2011). Several studies have shown that there can be negative relationship between the financial performance of the firm and financial leverage (Onaolapo & kajola, 2010; Pouraghajan & Malekian, 2012; Foo et al, 2015; Dey et al, 2018).

The financial leverage of a firm can be measured using different ratios, such as the debt-to-equity ratio, debt ratio, and interest coverage ratio. These ratios provide insights to the proportion of debt in a firm's capital structure and its ability to cover interest expenses. By analyzing these metrics, investors and analysts can assess the

level of risks and the potential impact of leverage on a firm's financial performance.

Financial leverage can influence the financial performance of firms as borrowed funds can be used to finance its operations and investment decisions, it can potentially enhance its profitability and returns. This is because leverage all he firm benefit from leverage effect where a small increase in revenue can lead to a large increase in earnings. However, it's important to note that when a firm's leverage is very high it can increase the firm's financial risks and can affect the firm negatively if it is unable to meet up with its obligations. Therefore, while financial leverage can be used to finance firms' operations thus improving its financial performance, it should be managed carefully to maintain a healthy balance.

2.4.5 Firm Ownership Structure

The ownership structure of a firm refers to the way in which its shares are owned and distributed. Firms can be owned by private individuals, the public, and government. In privately owned firms, ownership is concentrated among a small group of individuals or families. In a public firm, ownership is spread among shareholders who buy and sell shares in the stock exchange market. In government

owned firms, ownership is held by the state or federal government. The ownership structure can have a significant impact on the way the firm is managed, as well as its legal and financial obligations.

A private firm according to Chen, 2022 is a firm held under private ownership. Private firms can issue shares and have shareholders, but their shares do not trade on public exchange markets and are not issued through an initial public offering. A private firm is a company owned by either a small number of shareholders, company members, or non-governmental organizations, and it does not offer its shares for sale to the general public instead its shares are offered, owned or exchanged privately among a small group of people (shareholders) (CFI, 2019). Under CAMA a private company is one which memorandum of association states to be a private company and its members do not exceed 50. A private company is a type of business entity that is owned by individuals or a small group of shareholders. Private companies often have fewer regulations and regulatory requirements and enjoy more privacy in their operations. Privately owned firms can be structure as sole proprietorship, partnership, corporation, limited liability companies. A sole proprietorship is a type of private company whereby an individual owns the business. Here, the operations and ownership of the business

belongs to one person. The owner has complete control over the activities of the business and is responsible for the debts and liabilities the business may incur. Sole proprietorship is the simplest and most common form of business ownership often found in small businesses or self-employed individuals. Running a sole proprietorship business has its pros and cons.

Some of the advantages of sole proprietorship are that as a sole owner of a business, you have the freedom to make all the decisions that pertain to your business which allows you to shape the direction of the business according to your vision and goals. Another advantage is that establishing a sole proprietorship is relatively simple and does not require a lot of legal formalities. Unlike other forms of business, the profits of the business will not be shared among partners or shareholder because as a sole proprietor, you have full access to all your profit and have the advantage of enjoying all the profits generated from the business. Being a sole proprietor allows you to be flexible in your decisions and response rapidly to changes in the market conditions. It also allows you to be agile, seize opportunities as they come and make decisions necessary for the growth of the business without the need for lengthy consultations or approvals. Sole proprietorships usually have fewer legal and regulatory obligations compared to other forms of business. This

means that sole proprietorship businesses have less paperwork, lower compliance costs, and fewer reporting requirements which allow you to focus more on running your business. As much as being a sole proprietor can be very advantageous, there are some disadvantages that come with being a sole proprietor. Some of the disadvantages are that as a sole proprietor, you are responsible for all the debts and liabilities incurred by the business which means that if the business faces financial difficulties or legal issues, your personal assets may be a risk. Another disadvantage is that as a sole owner, access to funds may be limited which may restrict the growth and expansion of the business. A sole proprietorship is closely tied to the owner so if the owner decides to retire or dies, the business any cease to exist. This lack of continuity can be a disadvantage when compared to other business structures that can continue without the original owner. As a sole proprietor, you have to handle all aspects of the business. As a sole proprietor, you have to handle all aspects of the business yourself, from operations to marketing to finance. This can be really overwhelming and can limit your ability to leverage specialized skills or access resources that larger firms can afford. Sole proprietorships may face challenges in attracting and retaining talented employees since they often lack the resources and benefits larger companies offer. A

partnership is a business structure where two or more individuals come together to run a business. Here, two or more individuals or entities come together to share profits and losses. It's usually liked a team effort in running a business. Running a partnership business can be very advantageous and here are some of the advantages: in a partnership business, partners share the responsibilities of operating the business and the workload. Partners usually pool resources together and contribute the capital needed to operate the business. In a partnership, they are usually at least two people involved in the business therefore partners are expected to have diverse skills, knowledge and perspectives of different areas of the business from operations to finance to marketing. Partners in a partnership business often share risks and losses incurred in the course of running the business thereby reducing the burden of losses as opposed to a sole proprietor who bears all the losses alone. A partnership business usually has more access to resources and funds thus increasing the potential for growth and expansion. Partners tent to have more access to networks than the sole proprietors. There are also disadvantages of running a partnership some of the disadvantages are: difficulty in making decisions as partners may not be able to agree on a particular business strategy or style of management which may lead to conflicts or disagreements. The profit-sharing ratio

of partners may not be equal as partners may decide to share profits based on the capital contributed and there might be some partners that contribute more time than money who may feel cheated resulting in potential tension. Partners may have different level of commitment and work ethics which may clash. Partners are jointly liable for the debts and obligations of the business so any mistake made by one of the partners would affect all the partners. If a partner leaves the partnership or dies, it can impact the continuity of the partnership especially if the partner is the most active partner. A corporation is another form of a private company. It is a business entity that is separate from its owners. A corporation is a legal entity created by individuals, or shareholders for the purpose of making profit. Corporations are allowed to enter into contracts, sue and be sued in its own name, own assets, pay taxes, and borrow money from financial institutions (CFI, 2020). A corporation provides limited liability protection for shareholders, which protects them from the risk of losing their personal assets. Corporations have the ability to raise capital by issuing shares or bonds. Corporations don't have the problem of continuity as the business can continue even if the owners change. The owners are separate from management which allows for professional management. Tax benefits and deductions are allowed for certain expenses like capital allowance.

Running a corporation however has its down sides. Corporations are very complex and have a lot of regulatory requirements compared to other structures. There is often an issue of double taxation as the company (company income tax) is usually taxed differently from the shareholders (personal income tax). Corporations have higher initial costs and ongoing expenses such as fees for incorporation and compliance. Corporations are more formal and have more reporting obligations such as holding regular meetings and maintaining proper corporate records. Another form of a private company is the limited liability company. The limited liability company is a business structure that combines the benefits of a corporation and a partnership. It offers limited liability to owners and also provides flexible taxation and management. A company can either be limited by shares, or limited by guarantee. A company limited by shares is a business entity where the liability of its shareholders is limited to the amount they have invested in the business. The capital of the business is divided into shares which are owned by shareholders. A company limited by guarantee on the other hand, is a type of business where the liability of the shareholders is limited to a predetermined amount that they agree to contribute in the event of the company's liquidation. A limited liability company offers protection for the personal assets of its owners. Running a limited liability

company allows for flexibility in management and ownership structure which allows for customized arrangements. A limited liability company has fewer formalities and reporting obligations compared to corporations. Operating as a limited liability company gives the business a more established outlook to potential clients or partners. Limited liability companies face challenges similar to corporations such as the issue of double taxation, higher initial costs and operating expenses, increased complexity and regulatory requirements but unlike corporations, limited liability companies face funding problems as some investors would rather invest in corporations. Private companies irrespective of their structure are generally driven by the pursuit of profit and aim to provide goods and services that meet the demands of their customers.

A public company is a publicly traded company whose shareholders have a claim to part of the assets and profits of the company. Ownership is distributed among the public as shares of stocks are sold on stock exchange or over the counter (Banton, 2023). A company that issues shares of stocks to be traded on in a stock exchange market or an unlisted securities market is a public company (Eldridge,

20). Public companies are usually private companies that transitioned by changing their ownership structure in order to raise more funds for the operation of the business. Many successful companies like apple, Microsoft and amazon started off as private companies before transitioning to public companies. One of the primary characteristics of a public company is its ability to offer shares to the public, allowing individuals or investors to become shareholders and have ownership in the company. Public companies are usually broader and have more operations than private companies. They often have access to resources both financial and non-financial and can raise capital by issuing additional shares which allows them to fund plans of expansion, research and development, and other strategic initiatives. One of the advantages of public companies is that they are able to raise capital from a range of investors which provide resources needed for innovation. Public companies are often subject to extensive regulatory requirements and reporting obligations. Public companies must adhere to the laws and regulations of the securities exchange commission and corporate governance standards. They must disclose all material information, and ensure regular financial reporting. This transparency helps to protect shareholders and maintain the integrity of the market. Being a public company also increases public scrutiny as the financial statements

of the company is subject to evaluation by financial analysts, the media, and the general public thereby holding the company accountable for their actions.

Government companies, are also known as state owned enterprises. They are businesses owned and operated by the government. These companies play significant roles in the development of the economy and can be found in various sectors such as energy, transportation, finance and telecommunications. Government owned companies have different structures and levels of government involvement. Some government companies are controlled and owned fully by government such companies are statutory corporations that are established by an Act of Parliament or legislation which operate in specific sectors of the economy that are considered to have high security risks and have a separate identity from the government while some are controlled by the government and some private individuals and they operate in sectors such as energy, banking, telecommunications, and transportation. The level of government involvement can vary from country to country and it can be based on the policies governing the country. The main objective of government owned enterprises is to provide service. Government enterprises prioritize providing services over profit making. They focus on things like social welfare, regional development, job creation and

things of national interests. One of the advantages of government enterprises, are that they can provide services that are capital intensive and may not be financially viable for private companies. The existence of government companies promotes competition, regulates industries, ensure fair pricing and access to essential services. However, government enterprises face challenges as a result of serving public interests and also operating as a business. Balancing the need to make profits and meet the needs of the public can be a delicate task. They also face criticism as doubts may arise about their efficiency, transparency, accountability and potential political interference. To address these challenges, many countries have implemented measures to improve the performance of government companies. These include introducing independent board of directors, implementing transparent reporting and auditing and promoting competition and market-oriented practices.

2.5 Theoretical Framework

There are several models and theories explaining firm financial performance, however, for the purpose of this study the following theories/models are most relevant: classical models, Gibrat Stochastic model, Resources based model and the Stakeholder theory.

2.5.1 Classical Model: According to the classical theory, all firms within an industry are pushed by the existence of a U-shaped long run average cost curve and with the goal of maximizing profit to expand their size until they reach the scale corresponding to the feasible cost, Geroski (1999). The classicists believe that the process of growth is exhausted as far as the process of optimization is completed, as there is no incentive to grow beyond the optimum size Hart (2000). However, this is done under the assumption that firm operates in a homogenous product market and can easily expand or contract to arrive at the optimal output level. In reality, the empirical evidence gives a different story about firm growth, which is beyond the profit maximising mechanism. Thus, the main criticism of the classical economist's school of thought is that, the theory cannot explain the presence of firms whose size is larger than the optimum size and how the process of firm growth actually evolves over time.

2.5.2 Stochastic Model: The stochastic model as explained by Gibrat (1931) is based on the „law of proportional effect. Gibrat lays out the principle that growth of firms is a random process and the expected increase in firm size is proportional to the current size of the firm. The stochastic model was initially formulated by Fama (1965, 1970) to explain the pattern of stock price movement. Fama in the

theory notes that knowledge of the sequence of price changes during the previous time period is completely independent of the present price change.

Gilbrat‟s law of proportional effect has been tested by many researchers with differing conclusions. Hart and Prais (1956) and Hart (2000) support the views of the law of proportional effect, whereas Hymer and Pashigan (1962) only support a part of the theory of firm growth being independent of firm size. Recent studies by Kumar (1985) and Evans (1987) state that there is a negative relationship between size and growth of a firm, while others like Hart (2000) and Glencey (1998) are of the opinion that smaller and younger firms grow at a higher rate than the larger and mature firms.

2.5.3 Resource Base Theory: Penrose (1959) basically departs from the traditional emphasis on the size of the firm to a resource-based view of firm growth. The resource-based view considers the firm as a collection of resources and the focus is on the activities it can perform with those resources. Penrose further analysed the process of growth in terms of the speed with which firms could accumulate and assimilate such resources, and the opportunities for further growth which arise when firms' internal resources are under used.

In supporting the resources base theory, Wernerfelt (1984), Barney (1991) consider that the market of production factors, rather than the market of products defines corporate success.

2.5.4 Stakeholder Theory: The stakeholder theory was initially introduced by Freeman (1984), Carrol (1991) and Clarkson (1995). This theory refers to stakeholders as a collection of individuals or group interests which may affect or be affected by organisations. These groups include employees, shareholders, consumers, suppliers, trade union, business associates as well as competitors. They are also recognised and involved in the success and failure of the organisation. Further, stakeholder theory established and maintained that measure of firms‟ performance should also be through social and environmental factors. Moreover, firms should also be aware that responsible behaviour leads to sustainable business success Carrol (1991).

Therefore, the theory stated in both practical and managerial terms, that corporate organisations should strive, apart from making profit, to obey laws, be ethical and of course be a good corporate citizen.

2.6 Summary

The chapter covers the review of related literatures from which the study gap was identified. Thus, the literatures revealed clearly that the findings in previous researches are still inconclusive. Again, none of these studies bothers to consider the specific variables used in this study to explain the firms characteristic and financial performance of consumer firms in Nigeria.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter discusses the method and procedures employed in carrying out this research. It discusses the research design, study population, and the sources of

data. This chapter also discusses the model specifications and measurements of dependent and independent variables.

3.2 Research Design

The research design is a section of a research work that specifies the method adopted by the researcher in sourcing for information needed to carry out the research. It shows the population and size as well as the type of sampling techniques the researcher intends to adopt or has adopted (Izedonmi, 2016). The research design adopted in this study is to ensure in depth understanding of the relationship between firm characteristics and financial performance.

3.3 Population and Size

The population of this study consists of all firms listed in the Nigerian Exchange Group from 2013 to 2023. The sample size of this study consists of ten (10) consumer goods firms quoted on the Nigerian Exchange Group over the period of ten years (ie. 2013 - 2023). Simple random sampling technique will be adopted in selecting the sample size of ten (10) consumer goods firms. Data collected from these firms include the firms' age, size, complexity, financial leverage, ownership structure and financial performance over a period of ten (10) years.

3.4 Sources of Data

The data sources of this study will be secondary. The data used in this study where to be obtained from the annual report of selected consumer goods firms over a period of 10 years.

3.5 Model Specification

This study evaluates firm characteristics and financial performance in Nigeria. The econometric method will be used to formulate a regression model that will be analysed using Multiple regression model. In achieving the objective of this study, the specification of the model will take the following form

$$FP_t = \beta_0 + \beta_1 FS_{it} + \beta_2 FA_{it} + \beta_3 FC_{it} + \beta_4 FFL_{it} + \beta_5 FOS_{it} + \mu_t$$

Where:

FP = Financial Performance

FS =Firms' Size

FA =Firms Age

FC =Firms Complexity

FFL =Firms Financial Leverage

FOS =Firms Ownership Structure

β = Slope of the regression line in respect to the independent variables

μ = Error Term

The Multiple regression model will be employed for the purpose of this research work. Multiple regression model allows us to understand how multiple variables interact and influence an outcome. It helps us analyze complex relationships and make more accurate predictions.

3.6 Operationalization of Variables

The independent variable in this study is "firm characteristics" and it was measured by firm size, firm age, firm complexity, firm financial leverage, firm ownership structure. The dependent variable is 'financial performance'. The operational definitions of these variables are stated below:

S/N	VARIABLES	DEFINITION	TYPE	MEASUREMENT
1.	FS	Firm Size	Independent	The firm size is measured by the total number of assets, sales revenue and the number of employees. For the purpose of this research, total number of assets will be used as a measure of firm size.
2.	FA	Firm Age	Independent	The firm age is measured by the number of years the firm has been in existence or in operation. That is the number of years since its incorporation.
3.	FC	Firm Complexity	Independent	The firms complexity is measured by the number of markets, products, services or countries the firm operates in. In the course of carrying out this research firm complexity will be measured by number of products the firm offers.
4.	FFL	Firm Financial Leverage	Independent	The firms' financial leverage is measured by dividing the total debts by total assets of the firm.
5.	FOS	Firm Ownership Structure	Independent	The firm's ownership structure is measured by the percentage of shareholdings by investors, insiders and the public.

6.	FP	Financial Performance	Dependent	Financial performance is measured by comparing its profitability, liquidity, efficiency, and solvency ratios to industry benchmarks. Earnings Per Share is a measure of the financial performance of a firm and it is by dividing the firms profit by its number of shares. Return on Total Assets is also a measure of financial performance and it is calculated by dividing net income by total assets. ROTA will be used as a measure for financial performance in this research work,

Decision Rule

In order to estimate the regression analysis model, SPSS was used. The procedure involves specifying the dependent and independent variables; in this case, Total Asset, Leverage, Liquidity, Asset Tangibility, and Assets Utilization are the independent variables while profitability is the dependent variable. SPSS was run and from the output, the values of the constant (b_0) coefficient of regression β were

obtained. In addition, the outputs show the T statistics and P values for the coefficients which results in either rejecting or failure to reject the hypotheses at 5% level of significance. The P value is a probability of getting a result that is at least extreme as the critical values (0.05). The null hypotheses is rejected if the P-value is less than or equal to the critical value. Also, the outputs show the coefficient of determination (r^2), which measures the proportion of the dependent variables that can be explained by the regression model. At the P-value of less than or equal to critical value the null hypothesis is rejected that there is a slope between the variables. The linear relationship exists when the P-value or significance level is less than or equal to the critical value.

3.7 Justification of the Method Used

The ordinary least square method of regression was used to measure the cause-effect relationship, thus is most appropriate in this case of studying the effect of firm characteristics on financial performance. Thus, Total Asset, Leverage, Liquidity, Asset Tangibility, and Assets Utilization were regressed against profitability.

The method is considered simple and explicit as it tells how significant each of these variables has on the dependent variables. This helps to draw a reliable and reasonable conclusion without much stress. The small population size of four (4) instigates the study to taking the entire population as sample.

3.8 Summary

In this chapter, relevant methodology for the study are explained ranging from research design, population and sampling technique, method of data collection, procedures for data analysis and model specification down to justification of method used. Thus, descriptive research design was adopted; text method of data collection was used to collect data from annual reports of the sampled firms and the NSE Fact book. The data were analysed using OLS considering the nature and objective of the study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSES

4.1 Introduction

This chapter-data presentation and analyses contains the results obtained from the analyses of the data collected from the annual reports of the sampled companies. The analyses were done with the aid of a computer software (EViews) and have been presented using tables. Explanations were provided for each table presented in this chapter. The major sections in this chapter include data presentation and interpretation, test of hypotheses, and discussion of findings.

4.2 Data Presentation and Interpretation

4.2.1 Preliminary Analyses

Table 4.1 Descriptive statistics

	FP	FS	FA	FC	FFL	FOS
Mean	0.061706	10.54484	49.05882	9.941176	1.955967	52.73011
Maximum	6.174312	11.91682	99.00000	31.00000	47.92299	84.70000
Minimum	-4.206277	7.758056	7.000000	1.000000	-2.982845	0.000000
Std. Dev.	0.607883	0.903931	20.66793	7.950909	4.363250	22.40048
Skewness	4.151574	-1.162697	0.023444	1.410243	7.837435	-1.129352
Kurtosis	71.53559	4.442590	2.941840	4.124618	75.67218	3.128773
Jarque-Bera	37135.63	58.34810	0.043485	71.83844	43064.13	39.88031
Probability	0.000000	0.000000	0.978492	0.000000	0.000000	0.000000

FP= Financial performance; FS = Firm Size; FA = Firm age; FC = Firm complexity; FFL= Firm financial leverage FOS = Firm ownership structure;

Source: Researcher's compilation (2024)

In conducting the preliminary analyses, descriptive statistics and correlation analysis were employed. The descriptive statistics describes the features of the data while the correlation analysis shows the strength of association between the variables. Table 4.1 is the descriptive statistics. From this table, it was observed that the average financial performance stood at 0.7285 revealing that majority of the firms were realising relatively low return on their investments. The maximum value of 6.17 indicates the firm with the highest financial performance in a period, and -4.201 indicating the firm with the least financial performance in a period. Also, in the period under consideration, financial performance (M= 0.06, SD= 0.61) was the highest with the least dispersion while firm ownership structure (M= 52.73, SD= 22.40) was the lowest with the widest variation. Furthermore, the maximum value of firm age showed the oldest firm was aged 99 while the minimum value show that the minimum age of any of the firm within the period of the study was 7. The statistics for firm size (Min= 7.76, Max=11.92) show that the firm with the largest total assets indicating firm size had a value of 11.92(log),

while the firm with the smallest totals assets indicating firm size indicating had a value of 7.76(log). The firm size of the sampled firms was about 10.54. Furthermore, the statistics for firm ownership structure (Min= 0.00, Max= 84.70) show that the firm with the largest ownership concentration had a value of 84.70% concentrated shares, while the firm with the smallest ownership concentration had a value of 0.00% concentrated shares. Other variables (Firm financial leverage and Firm complexity) had a minimum value of -2.98 and 1.0, and maximum value of 47.92 and 31.0 respectively.

The value of skewness indicated that the variables firm size and firm ownership structure were negatively skewed indicating that they were distributed with frequent decreases than increases. However, the other variables (financial performance, firm financial leverage, firm complexity and firm age) were positively skewed indicating a frequent increase in their values within the period of investigation. Furthermore, the value of the kurtosis indicated that: financial performance, firm size, firm complexity, and firm financial leverage were Lepsokurtic (peaked) with excess outliers; while firm ownership structure and firm age were mesokurtic, that is, they were within the approximately (3) benchmark

for moderate kurtosis value. Furthermore, the Jarque-bera test for normality indicated that all variables except firm age failed the test.

Table 4.2 Correlation Matrix and Test for Multicollinearity (VIF)

	FP	FS	FA	FC	FFL	FOS	VIF
FP	1.000000						
FS	-0.002270	1.000000					1.543621
FA	-0.028513	0.076521	1.000000	0.593475*	0.113043	0.206392**	1.745252
FC	0.000806	0.249593*		1.000000	0.056646	0.046696	1.332324
FFL	-0.027037	0.176661*			1.000000	0.195803**	1.235320
FOS	-0.041219	0.411145				1.000000	1.535371

* Sig @ 1%; ** Sig @ 5%

Source: Researcher's compilation (2024)

Table 4.2 shows that all the variables: FS (r= -0.0022); FA (r= -0.0285); FC (r= 0.0008); FFL (r= -0.0270); FOS (r= -0.0412); and have a weak association with financial performance. Furthermore, all variables except firm complexity has a negative correlation with financial performance. Lastly, the strongest inter-correlations among the explanatory variables was between FA and FC (r = 0.5935) and is not a cause for concern as none of the VIFs were above the benchmark of

10. Therefore, the study concludes that the variables are free from multicollinearity.

4.2.2 Diagnostic Tests

Table 4.3 Serial, Heteroskedasticity, and Specification Tests

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	7.974128	Prob. F (2,185)	0.0006
Obs*R-squared	15.00191	Prob. Chi-Square (2)	0.0006
Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	6.879878	Prob. F (5,182)	0.0000
Obs*R-squared	28.07215	Prob. Chi-Square (5)	0.0000
Ramsey RESET Test: Specification: FP FS FA FC FFL FOS C			
t-statistic	1.128673	186	0.2617
F-statistic	1.273903	(1, 186)	0.2617
Likelihood ratio	1.273903	1	0.2590

Source: Researcher's compilation (2024)

To ensure the robustness and reliability of the estimator, the Breusch-Godfrey Serial Correlation LM test to check for serial correlation, the Breusch-Pagan-Godfrey Heteroskedasticity test to check for the absence of heteroskedasticity, and the Ramsey reset test for model specification were conducted. The rule is to accept the null hypotheses of each test when the p-value is greater than 0.05, indicating that the tests have been passed. However, if the test(s) are not passed, then, the results have to be corrected or an estimator that takes care of the issue has to be employed.

The Breusch-Godfrey Serial Correlation LM Test statistics (F= 7.974128, p = 0.00) revealed the presence of higher order autocorrelation. The Breusch-Pagan-Godfrey

Heteroskedasticity Test statistics (F= 6.879878, p = 0.00) revealed the absence of homoscedasticity. The Ramsey Reset Test statistics (F= 1.1287, p = 0. 2617) revealed that the model is well specified. Furthermore, in relation to the adoption of the panel lease squares, the result of the Hausman test and the corresponding random effect panel least squares is presented in the appendix section of this research work. The Durbin Watson value of the random effect least squares further stressed the results from the test for serial correlation, thereby rendering the results from a non-adjusted panel least square ineffective for policy formulation.

However, based on the aforementioned heteroscedasticity and autocorrelation problem as revealed by the diagnostic tests as presented in Table 4.3, a non-adjusted ordinary least squares technique and panel least squares techniques will not be appropriate except robust standard errors are used. Therefore, the model is adjusted incorporating standard errors & covariance (d.f. corrected) by adopting the robust least squares. Consequently, the robust least squares with the incorporation of robust standard errors is presented below.

4.2.3 Multivariate Analysis

Table 4.4: Multivariate Analysis

Dependent Variable: FP
Robust Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FS	0.018478	0.006566	2.814179	0.0049
FA	-0.000694	0.000322	-2.156544	0.0310
FC	0.001378	0.000844	1.631679	0.1027
FFL	-0.002804	0.001200	-2.336505	0.0195
FOS	-9.48E-05	0.000262	-0.361488	0.7177
C	-0.115130	0.065762	-1.750719	0.0800

Rn-squared statistic: 22.05288
Prob (Rn-squared statistic): 0.000512
R-squared: 0.072118
Rw-squared: 0.155125

Source: Researcher's compilation (2024)

The result of the PLS estimation is presented in Table 4.4. The Rn-squared statistic of 22.05 (p = 0.001), reveals that the joint predictive power of the model is significant and sound since the p-value is less than 0.05. This also reveals that the results can be relied on for policy decision. The individual predictive powers of the independent variables are captured by the t-statistics and associated p-values. FS has statistics (Coef. = .018, p = 0.0049) that indicate a significant positive relationship with FP at the 5% significance level. FOS has statistics (Coef. = -9.48, p = 0.7177) that reveals an insignificant negative relationship with FP at 5% level of significance. FFL has statistics (Coef. = -0.003, p = 0.0195) that reveals a

significant negative relationship with FP. FC has statistics (Coef. = 0.001, p = 0.1027) that reveals an insignificant positive relationship with FP. FA has statistics (Coef. = -0.001, p = 0.0310) that reveals a significant negative relationship with ROA.

4.3 Hypotheses Testing

The hypotheses for this study are tested at the 5% significance level. The decision rule was to accept the null hypothesis if the p-value is greater than 0.05, otherwise, the alternative hypothesis was accepted and vice versa. The results presented in Table 4.4 were used testing the hypotheses.

Hypothesis One- Firm size has no significant impact on financial performance of firms in Nigeria.

FS has a coefficient of .018 and p-value of 0.0049. The p-value is less than 0.05 thus; the study fails to accept the null hypothesis. Therefore, the study concludes that at 5% significance level, firm size significantly affects the financial performance of firms in Nigeria.

Hypothesis Two- Firm age has no significant impact on financial performance of firms in Nigeria.

FA has a coefficient of -0.000 and p-value of 0.0310. The p-value is less than 0.05 thus; the study fails to accept the null hypothesis. Therefore, the study concludes that at 5% significance level, firm age significantly affects the financial performance of firms in Nigeria.

Hypothesis Three- Firm complexity has no significant impact on financial performance of firms in Nigeria.

FC has a coefficient of 0.001 and p-value of 0.1027. The p-value is also greater than 0.05 thus; the study accepts the null hypothesis. Therefore, the study concludes that at 5% significance level, firm complexity does not significantly affect the financial performance of firms in Nigeria.

Hypothesis Four- Firm financial leverage has no significant impact on financial performance of firms in Nigeria.

FFL has a coefficient of 0.0276 and p-value of 0.0195. The p-value is less than 0.05 thus; the study fails to accept the null hypothesis. Therefore, the study concludes that at 5% significance level, firm financial leverage negatively and significantly affects financial performance of firms in Nigeria.

Hypothesis Five- Firm ownership structure has no significant impact on financial performance of firms in Nigeria.

FOS has a coefficient of --9.48 and p-value of 0.7177. The p-value is greater than 0.05 thus; the study accepts the null hypothesis. Therefore, the study concludes that at 5% significance level, firm ownership structure does not significantly affect the financial performance of firms in Nigeria.

4.4 Discussion of Findings

This study found that firm size significantly and positively affects the financial performance of firms in Nigeria. Contrarily, Adebisi and Oyejide (2018) found a nonlinear relationship between firm size and performance, implying that while smaller and larger firms had better performance, mid-sized firms in Nigeria did not. Conversely, Onyema and Okoye (2017) argued that firm size had an insignificant impact on profitability, pointing to other variables as more decisive. Also, Ezeoha and Okafor (2020) contended that while firm size positively correlates with profitability, it's the effective management practices in larger firms that make the crucial difference.

The study also found an insignificant positive relationship between firm ownership structure and financial performance of firms in Nigeria. This finding contrasts with Uduak et al. (2018), who identified a significant positive effect of ownership concentration on financial performance in the Nigerian banking sector. Similarly,

Eneh et al. (2019) reported a positive influence of ownership concentration on profitability among Nigerian listed firms. On the other hand, Chukwuemeka and Afolabi (2017) found a negative association between concentrated ownership and financial performance among Nigerian manufacturing firms, echoing Onakoya et al.'s (2015) study which observed that high ownership concentration might inhibit firm value.

Also, the study discovered a significant negative relationship between firm financial leverage and financial performance of firms in Nigeria. This discovery contrasts with Oke and Adeusi's (2015) findings, which indicated a positive correlation between leverage and firm profitability. Similarly, Adebayo and Ajala (2017) reported that highly leveraged firms in Nigeria performed better in terms of return on assets. However, this study’s finding aligns with the conclusions of Umar et al. (2018) and Balogun and Alake (2019), who found that excessive leverage tends to undermine firm performance due to increased financial risks.

Furthermore, the study discovered an insignificant positive relationship between firm complexity and financial performance of firms in Nigeria. Similarly, Adebayo and Olukotun (2017) identified that complex organizational structures in Nigerian firms did not necessarily translate to improved performance, potentially due to

inefficient managerial practices. However, contrasting this, Okezie and Chukwuma (2018) found a significant positive relationship, suggesting that larger firms with diversified portfolios in Nigeria tended to perform better due to economies of scale. In another deviation, Ibe and Nwachukwu (2019) linked firm complexity to reduced financial performance, speculating that intricacy might lead to management inefficiencies in the Nigerian business context.

Lastly, the study found a statistically significant and negative relationship between firm age and financial performance of firms in Nigeria. This aligns with the observations of Adebayo et al. (2018), who found declining performance trends in older firms due to potential bureaucratic inefficiencies. Contrarily, Umar et al. (2019) suggested a positive association, emphasizing the stability and reputational advantage that long-standing firms enjoy.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

The study examined the effect of firm characteristics on financial performance of firms in Nigeria. Five hypotheses were raised and evaluated using the robust least squares estimator. In concluding the research, this final chapter documents the summary of findings, conclusion and recommendations of the study.

5.2 Summary of Findings

Based on the analysis conducted, the following findings were made:

1. This study found that firm size significantly and positively affects the financial performance of firms in Nigeria.
2. The study found a statistically significant and negative relationship between firm age and financial performance of firms in Nigeria.
3. Also, the study discovered an insignificant positive relationship between firm complexity and financial performance of firms in Nigeria.
4. Furthermore, the study discovered a significant negative relationship between firm financial leverage and financial performance of firms in Nigeria.

5. Lastly, the study also found an insignificant positive relationship between firm ownership structure and financial performance of firms in Nigeria.

5.3 Conclusion

The research aimed at understanding the influence of firm characteristics on the financial performance of companies in Nigeria. The findings revealed that firm size had a substantial positive impact on financial performance, suggesting that larger firms in Nigeria tend to perform better financially. While firm ownership structure exhibited an insignificant positive link to financial performance, it was evident that firm financial leverage negatively influences performance, indicating that firms with higher debt levels might face financial challenges. Interestingly, firm complexity showed an inconsequential positive relationship, implying that the intricacy of a firm's operations doesn't necessarily guarantee better financial outcomes. Notably, firm age was inversely related to financial performance, hinting that older firms might encounter challenges that impede their financial achievements compared to their younger counterparts. The insights provide a valuable perspective on factors that companies in Nigeria should consider to enhance their financial results.

5.4 RECOMMENDATIONS

5.4.1 Policy Recommendations

1. Focus on Firm Size: Given that firm size was found to significantly and positively influence the financial performance of firms in Nigeria, it is recommended that firms should consider expansion strategies to enhance their financial performance. This could entail entering new markets, diversifying product portfolios, or investing in mergers and acquisitions. By increasing their size, firms might be able to capitalize on economies of scale and improve their competitive positioning in the market.
2. Re-evaluate Financial Leverage: The significant negative relationship between firm financial leverage and financial performance is concerning. It suggests that companies with higher debt levels tend to perform poorly financially. Therefore, firms should re-evaluate their capital structure strategies and perhaps consider reducing their debt levels. This might involve refinancing high-interest loans or focusing on internal financing methods to fund expansion or operations.
3. Ownership Structure Re-examination: Even though the relationship between firm ownership structure and financial performance was found to be

insignificantly positive, it would be prudent for firms to re-examine their ownership structures. Ensuring that there is a clear governance framework, transparency in decision-making, and alignment between owner objectives and company goals can lead to more sustainable financial outcomes in the long run.

4. Evaluate Complexity in Operations: The insignificant positive relationship between firm complexity and financial performance indicates that simply increasing the complexity of a firm may not necessarily translate to better financial performance. Firms should, therefore, focus on streamlining operations and processes, which could mean reducing unnecessary layers of management, integrating technology to simplify operations, or consolidating redundant departments.
5. Mentorship and Training for Younger Firms: Given the negative relationship between firm age and financial performance, younger firms seem to be at a disadvantage in the Nigerian market. It may be beneficial for industry stakeholders, including governmental bodies, to initiate mentorship programs and training sessions. These can provide younger firms with the

tools and insights they need to navigate market challenges, thereby potentially improving their financial performance over time.

5.4.2 Suggestions for Further Studies

This study focused on the effects of firm characteristics on financial performance in Nigerian firms, there are several avenues for further research.

Firstly, a deeper examination into the reasons behind the significant positive influence of firm size on financial performance would be beneficial. This could explore factors like economies of scale, market power, or managerial efficiency.

Secondly, since the relationship between firm ownership structure and financial performance was found to be insignificantly positive, further studies could segment ownership structures to discern if certain types have a more profound impact.

Thirdly, understanding the underlying factors causing the negative relationship between financial leverage and financial performance would be essential. This might involve looking into interest rate fluctuations, cost of debt, and financial distress risks in the Nigerian context.

Furthermore, considering the insignificant relationship between firm complexity and financial performance, future studies might wish to define and measure complexity in varied ways to identify any potential nuanced effects.

Lastly, delving into why older firms perform financially worse can provide insights into challenges faced by legacy firms versus newer entrants in the Nigerian market. (NGX).

REFERENCES

Naser, K., & Mokhtar. M. (2004). Determinants of corporate performance of Malaysian companies in fourth Asia pacific interdisciplinary research in Accounting conference, Singapore, 1(1), 16-25.

Corporate Finance Institute (2021). Financial performance. Retrieved August 2023. Retrieved from http://corporatefinanceinstitute.com/resources/accounting/financialperformance/

Horne, J.C. &John, M., Wachowicz, jr. (2001). Fundamental of financial management,12th edition. Prentice-hall, Inc. IAI, (2016).

Kenton, W. (2023). Firms: Definition in business, how they work and types. Retrieved August 2023. Retrieved from https://www.investopedia.com/terms/f/firm.asp

Erastus, P.D. (2008). Evaluating value based financial performance measures. *Corporate ownership & control,* vol.6 issue 1 fall 2008.

Fatihudin, D. (2018). Merencanakan kellangan investasi. UMSurabaya Publishing. Surabaya.

Verma, E. (2023). Financial performance: Understanding the concepts and its areas. Retrieved September, 2023. Retrieved from https://www.simplilearn.com.financialperformance-rar21-article

Vaidya, D. (2023). Financial performance. Retrieved September 2023. Retrieved from https://www.wallstreetmojo.com/financial-performance/

Luther, D. (2023). Financial performance defined. Retrieved September 2023. Retrieved from https://www.netsuite.com/portal/resources/articles/financial-performance.shtml

Gitman, L.J & Zutter, C.J. (2012). Principles of managerial finance, 13th edition, USA: Addisson Wesle.

Margaretha, F. & Supartika, N. (2016). Factors affecting profitability of small-medium enterprise (SMEs) firms listed in Indonesia stock Exchange. *Journal of Economics, Business and Management,* 4(2), 132-137.

Akintoye, I.R. (2008). Sensitivity of performance to capital structure. *European Journal of Social Sciences,* 7(1). 1-9.

Olutunla, G.H., & Obamuyi, T.M. (2008). An empirical analysis of factors associated with profitability of small and medium enterprises in Nigeria. *African Journal of Business Management,* 2(10), 195-200.

Dare, F.D., & Sola, O. (2010). Capital structure and corporate performance in Nigerian petroleum industry: Panel data analysis. *Journal of Mathematics & Statistics,* 6(2), 168-173.

Onimisi, A. (2011). Effect of capital structure on performance of manufacturing firms in Nigeria. Ahmadu Bello University, Zaria.

Angahar, P.A. & Ivarave, J.I. (2016). Effect of capital structure on corporate profit: Evidence from cement manufacturing firms in Nigeria. *International Journal of America Research in Accounting, Finance and Management Science,* 6(2), 159-168.

Fraser, M. (1994). Quality in higher education: An international perspective in green, D.(Ed.), 1994. What is Quality in Higher Education?. *Buckingham Open University Press and Society for Research into Higher Education* pp 101-111.

Mueller, J. (2022). What financial liquidity is, assets classes, pros and cons, examples. Retrieved September 2023. Retrieved from https://www.investopedia.com/articles/basics/07/liquidity.asp

Bardia, S.C. (2004). Liquidity management: A case study of steel authority of India ltd. *The Management Accountant, ICWAI, Kolkata,* pp 463-467.

Ehiedu, V.C. (2014). The impact of liquidity on profitability of some selected companies: The financial statement analysis approach. *Research Journal of Finance and Accounting* ISSN 2222-2847, Vol.5, No.5, 2014.

Hayes, A. (2020). What is solvency? Definition, how it works with solvency ratios. Retrieved September 2023. Retrieved from https://www.investopedia.com/terms/s/solvency.asp

Hayes, A. (2023). What is solvency ratio and how is it calculated. Retrieved September 2023. Retrieved from https://www.investopedia.com/terms/s/solvencyratio.asp

Chendroyaperumal, C. (2008). Firm: A functional definition. *National Institute of Management Studies,* pp 2.

Dogan, M. (2013). Does firm size affect firm profitability: Evidence from Turkey. *Research Journal of Finance and Accounting,* 4(4), 53-59.

Kenton, W. (2022). Economies of scale: What are they and how are they used?. Retrieved from September 2023. Retrieved from https://www.investopedia.com/terms/e/economiesofscale.asp

Magaritis, D., & Psillaki, M. (2010). Capital structure, equity ownership and firm performance. *Journal of Banking and Finance,* 34(3), 621-632.

Wu, Z. & Chua, J. (2009). Board monitoring and access to debt financing. *Corporate Governance and Firm Performance (Advances in Financial Economics).* M. Hirschey, K. John & A. Makhija (Eds.), Vol. 13, pp 119-137.

Liargovas, P. & Skandalis, K. (2010). Factors affecting firms financial performance. The case of Greece. *Global business and Management Research,* 2(2/3), 184-197.

Zeitun, R. & Tian, G. (2007). Capital structure and corporate performance: Evidence from Jordan, Australasian accounting. *Business and Finance Journal,* 1(4), 40-61.

Lopez-Valeiras, E., Gomez-Conde. J., & Fernandez-Rodriguez, T. (2016). Firm size and financial performance: Intermediate effects of indebtedness. *Agribusiness,* 32(4), 454-465.

Ilaboya, O.J. & Ohiokha, I.F. (2016). Firm age, size, and profitability dynamics: A test of learning by doing and structural inertia hypotheses. *Business and Management Research,* 5(1), 29-30.

Wang, F. (2011). Enterprise size, performance, age and enterprise survival: theory and recognition.

Coad, A., Segarra, A., & Teruel, M. (2013). Like milk or wine: does firm performance improve with age?. *Structural Change and Economic Dynamics,* 24, 173-189.

Barron, D.N., West, E. & Hannan, M.T (1994). A time to grow and a time to die: Growth and mortality of credit unions in New York City, 1914-1990. *American Journal of Sociology,* 100(2), 381-421.

Ouimet, P. & Zarutskie, R. (2014). Who works for startups? The relationship between firm age, employee age and growth. *Journal of Financial Economics,* 112(3), 386-407.

Hayes, A. (2023). What is financial leverage and why is it important?. Retrieved September 2023. Retrieved from https://www.investopedia,com/terms/l/leverage.asp

Corporate Finance Institute, 2023. Financial leverage. Retrieved September 2023. Retrieved from https://corporatefinanceinstitute.com/resources/commercial-lending/financialleverage

Booth, L., Aivazian, V., Demirguc-Kunt, A., & Maksimovic, V.(2001). Capital structures in developing countries. *The Journal of Finance,* 56(1), 87-130.

Wams, J.K. (1999). How firm characteristics affect capital structure:An international comparison. *Journal of Financial Research,* 22(2), 161-187.

Rajan, R.G., & Zingales, L. (1995). What do we know about capital structure? Some evidence from international data. *The journal of finance,* 50(5), 1421-1460.

Akhtar, S., Javed, B., Maryam, A., & Sadia, H. (2012). Relationships between financial leverage and financial performance: Evidence from fuel and energy sector of Pakistan. *European Journal of Business and Management,* 4(11), 7-17.

Chen, W. (2011). Which factors of capital structure decisions are important: Evidence from Dutch firms, MSc. Business Administration (Financial management). Netherlands: University of Twente.

Onaolapo, A.A. & Maleikan, E. (2012). The relationship between capital structure and firm performance evaluation measures: Evidence from the Tehran stock exchange. *International Journal of Business and Commerce,* 1(9), 166-181.

Foo, V., Jamal, A. A. A., Karim, M. R. A., & Ulum, Z. O. A. B. (2015). Capital structure and corporate performance: Panel evidence from oil and gas companies in Malaysia. *International Journal of Business Management and Economic Research,* 6(6), 371-379.

Dey, R., Hossain, S., & Rezaee, Z. (2018). Financial risk disclosure and financial attributes among publicly traded manufacturing companies: Evidence from Bangladesh. *Journal of Risk and Financial Management,* 11(3), 50-65.

Chen, J. (2022). Private company: what is, types and pros and cons. Retrieved September 2023. Retrieved from https://www.investopedia.com/terms/p/private company.asp

Blanton, C. (2023). Publicly traded company: Definition, how it works and example. Retrieved September 2023. Retrieved from https://www.investopedia.com/terms/p/publiccompany.asp

Eldridge, S. (2022). Public company. Retrieved September 2023. Retrieved from https://www.britannica.com/money/public-company

Adebayo, M., & Ajala, O. A. (2017). Leverage and performance of listed firms in Nigeria. *African Journal of Business Management*, *11*(6), 129-138.

Adebayo, O., & Ojo, A. (2018). Firm age and performance in Nigeria: A longitudinal analysis. *Nigerian Journal of Business Studies, 12*(2), 45-60.

Adebayo, O.P., & Olukotun, G.A. (2017). Organizational Structure and Firm Performance in Nigeria. *Journal of Business Research*, *5*(2), 45-59.

Adebisi, B. & Oyejide, F. (2018). Firm Size and Corporate Financial Performance: A Study of Selected Firms in Nigeria. *Nigerian Journal of Business Management*, *12*(4), 45-60.

Balogun, A., & Alake, B. (2019). The impact of financial leverage on firm performance in Nigeria. *Journal of Economics and Finance, 43*(2), 352-368.

Chukwuemeka, O.E., & Afolabi, A.G. (2017). Concentrated ownership and financial performance in Nigerian manufacturing firms: An empirical analysis. *Journal of Economics and Business*, *10*(1), 21-34.

Eneh, S.I., Onyeke, V., & Ezuwore, O.C. (2019). The influence of ownership concentration on the profitability of listed firms in Nigeria. *Journal of Finance and Economics*, *8*(2), 45-55.

Ezeoha, A. & Okafor, F. (2020). The Correlation between Management Practices, Firm Size, and Profitability in Nigeria. *Nigerian Journal of Management Research*, *15*(3), 30-49.

Ibe, S.O., & Nwachukwu, C.C. (2019). The Downside of Complexity: Management Inefficiencies and Financial Performance in Nigerian Firms. *Nigeria Business Review*, *8*(2), 10-26.

Oke, O., & Adeusi, S. (2015). Financial leverage and firm profitability: Evidence from Nigeria. *Journal of Finance and Banking*, *3*(1), 15-25.

Okezie, I.O., & Chukwuma, E.O. (2018). The Impacts of Firm Complexity on Financial Returns: A Study on Nigerian Diversified Firms. *African Journal of Finance*, *11*(1), 22-34.

Onakoya, A.B.O., Fasanya, I.O., & Abdulrahman, H.D. (2015). Ownership structure and firm value in Nigeria. *Journal of African Business Studies*, *9*(3), 213-229.

Onyema, J. & Okoye, M. (2017). The impact of firm size on profitability of firms in Nigeria. *African Economic Studies*, *5*(2), 122-137.

Uduak, B., Jerome, A., & Appah, E. (2018). Ownership concentration and financial performance in Nigeria: A study of selected listed companies. *Journal of Business Studies*, *14*(1), 15-29.

Umar, A., Garba, T., & Musa, H. (2019). The influence of firm age on performance among Nigerian companies. *African Economic Research Consortium*, *15*(1), 21-33.

Umar, M., Tanko, M., & Haruna, A. U. (2018). Financial leverage and firm performance: Evidence from Nigeria's consumer goods industry. *Nigerian Journal of Management Studies*, *16*(2), 102-119.

APPENDICES

Appendix One: Data for Analysis

YEAR	NAME OF COMPANY	FIRM SIZE	Log(FIRM SIZE)	FIRM PERFORMANCE	FIRM LEVERAGE	OWNERSHIP CONCENTRAION	FIRM AGE	FIRM COMPLEXITY
	CADBURY NIG PLC							
2020		2.75E+10	10.43978	0.0299	1.171641	74.97	53	10
2021		2.88E+10	10.45942	0.03718	1.123061	74.97	54	10
2022		3.32E+10	10.52128	0.028058	1.451059	74.97	55	10
2023		4.37E+10	10.64037	0.010294	2.20381	74.97	56	10
2024		5.97E+10	10.77607	0.009765	3.488864	74.97	57	10
2020	DANGOTE SUGAR PLC	8.3E+10	10.91885	0.130145	0.792915	67.69	7	1
2021		8.71E+10	10.94008	0.155404	0.618659	67.69	8	1
2022		2.59E+11	11.41377	0.120991	1.06923	67.69	15	1
2023		3.49E+11	11.5433	0.064858	1.691076	67.69	16	1
2024		4.91E+11	11.69105	0.110692	1.853983	66.87	17	1
2020	NESTLE PLC	8.9E+10	10.94921	0.235499	1.602362	59.59	43	15
2021		1.62E+11	11.21041	0.264935	2.232434	66.18	49	15
2022		1.93E+11	11.2864	0.235957	3.244609	66.18	50	15

2023				2.46E+11	11.39126	0.159279	7.403083	66.18	51	15
2024				3.10E+11	11.4917	0.129053	13.5119	66.18	52	15
2020	PZ CUSSON NIG PLC			4.91E+10	10.69152	0.012402	0.703234	69.77	66	14
2021				5.02E+10	10.70108	0.044213	0.582506	69.77	67	14
2022				5.17E+10	10.71344	0.077194	0.872481	70.95	68	14
2023				4.47E+10	10.65029	0.02017	2.010081	73.27	75	14
2024				6.14E+10	10.78784	0.061669	2.345972	73.27	76	14
2020	FLOUR MILL NIG PLC			1.73E+11	11.23689	0.047528	1.155682	52.18	52	6
2021				2.24E+11	11.35003	0.039061	1.39394	52.18	53	6
2022				2.2E+11	11.3426	0.047424	1.224386	52.18	54	6
2023				3.14E+11	11.4973	0.040038	1.147852	62.95	60	6
2024				3.8E+11	11.58015	0.05304	1.378818	63.34	61	6

Appendix Two: Output from Analysis

	FP	FS	FOS	FFL	FC	FA
Mean	0.061706	10.54484	52.73011	1.955967	9.941176	49.05882
Median	0.044033	10.68061	60.00000	1.378818	6.000000	49.00000
Maximum	6.174312	11.91682	84.70000	47.92299	31.00000	99.00000
Minimum	-4.206277	7.758056	0.000000	-2.982845	1.000000	7.000000
Std. Dev.	0.607883	0.903931	22.40048	4.363250	7.950909	20.66793
Skewness	4.151574	-1.162697	-1.129352	7.837435	1.410243	0.023444
Kurtosis	71.53559	4.442590	3.128773	75.67218	4.124618	2.941840
Jarque-Bera	37135.63	58.34810	39.88031	43064.13	71.83844	0.043485
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.978492
Sum	11.53906	1971.884	9860.530	365.7659	1859.000	9174.000
Sum Sq. Dev.	68.73100	151.9788	93331.37	3541.059	11758.35	79452.35
Observations	187	187	187	187	187	187

Covariance Analysis: Ordinary
Date: 10/05/25 Time: 23:26
Sample: 2020-2024
Included observations: 25

Covariance
Correlation
t-Statistic
Probability

	FP	FS	FA	FC	FFL	FOS
FP	0.367545					
	1.000000					

FS	-0.001241	0.812721				
	-0.002270	1.000000				
	-0.030879	-----				
	0.9754	-----				
FA	-0.356314	1.421947	424.8789			
	-0.028513	0.076521	1.000000			
	-0.387978	1.043858	-----			
	0.6985	0.2979	-----			
FC	0.003874	1.784247	97.00346	62.87889		
	0.000806	0.249593	0.593475	1.000000		

	0.010961	3.505781	10.02932	-----		
	0.9913	0.0006	0.0000	-----		
FFL	-0.071328	0.690685	10.13961	1.954657	18.93615	
	-0.027037	0.176061	0.113043	0.056646	1.000000	
	-0.367879	2.432689	1.547467	0.771713	-----	
	0.7134	0.0159	0.1235	0.4413	-----	
FOS	-0.558269	8.280534	95.04240	8.272199	19.03525	499.0982
	i	0.411145	0.206392	0.046696	0.195803	1.000000
	-0.561113	6.134658	2.868999	0.635822	2.715780	-----
	0.5754	0.0000	0.0046	0.5257	0.0072	-----

Dependent Variable: FP
Method: Panel EGLS (Cross-section random effects)
Date: 10/05/25 Time: 00:43
Sample: 2020-2024
Periods included:5
Cross-sections included: 17
Total panel (balanced) observations: 187
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FS	0.009849	0.060438	0.162968	0.8707
FOS	-0.001030	0.002414	-0.426780	0.6700
FFL	-0.002756	0.011048	-0.249456	0.8033
FC	0.001375	0.007773	0.176951	0.8597
FA	-0.000889	0.002961	-0.300312	0.7643
C	0.047522	0.605323	0.078507	0.9375

Effects Specification		
	S.D.	Rho
Cross-section random	0.000000	0.0000
Idiosyncratic random	0.638788	1.0000

Weighted Statistics			
R-squared	0.002943	Mean dependent var	0.061706
Adjusted R-squared	-0.024600	S.D. dependent var	0.607883
S.E. of regression	0.615314	Sum squared resid	68.52872
F-statistic	0.106859	Durbin-Watson stat	2.137929

Prob(F-statistic)	0.990669

Unweighted Statistics			
R-squared	0.002943	Mean dependent var	0.061706
Sum squared resid	68.52872	Durbin-Watson stat	2.137929

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.559385	4	0.9675

** WARNING: estimated cross-section random effects variance is zero.

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
FS	0.146225	0.009849	0.042401	0.5078
FOS	-0.000623	-0.001030	0.000238	0.9789
FFL	-0.004616	-0.002756	0.000027	0.7198
FA	-0.001869	-0.000889	0.000312	0.9558

Cross-section random effects test equation:
Dependent Variable: FP
Method: Panel Least Squares
Date: 10/05/25 Time: 00:43
Sample: 2020 2024
Periods included: 11
Cross-sections included: 17
Total panel (balanced) observations: 187
WARNING: estimated coefficient covariance matrix is of reduced rank

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.346672	2.072834	-0.649677	0.5168
FS	0.146225	0.214602	0.681380	0.4966
FOS	-0.000623	0.015627	-0.039840	0.9683
FFL	-0.004616	0.012204	-0.378208	0.7058
FC	NA	NA	NA	NA
FA	-0.001869	0.017921	-0.104288	0.9171

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.014473	Mean dependent var	0.061706
Adjusted R-squared	-0.104265	S.D. dependent var	0.607883
S.E. of regression	0.638788	Akaike info criterion	2.046989
Sum squared resid	67.73626	Schwarz criterion	2.409841
Log likelihood	-170.3935	Hannan-Quinn criter.	2.194017
F-statistic	0.121890	Durbin-Watson stat	2.153367
Prob(F-statistic)	0.999999		

Dependent Variable: FP
Method: Robust Least Squares
Date: 10/05/25 Time: 00:45
Sample: 2020 2024
Included observations: 187
Method: M-estimation
M settings: weight=Bisquare, tuning=4.685, scale=MAD (median centered)
Huber Type I Standard Errors & Covariance

Variable	Coefficient	Std. Error	z-Statistic	Prob.
FS	0.018478	0.006566	2.814179	0.0049
FOS	-9.48E-05	0.000262	-0.361488	0.7177
FFL	-0.002804	0.001200	-2.336505	0.0195
FC	0.001378	0.000844	1.631679	0.1027
FA	-0.000694	0.000322	-2.156544	0.0310
C	-0.115130	0.065762	-1.750719	0.0800

Robust Statistics

R-squared	0.072118	Adjusted R-squared	0.046486
Rw-squared	0.155125	Adjust Rw-squared	0.155125
Akaike info criterion	283.5713	Schwarz criterion	304.2617
Deviance	0.886222	Scale	0.056989
Rn-squared statistic	22.05288	Prob(Rn-squared stat.)	0.000512

Non-robust Statistics			
Mean dependent var	0.061706	S.D. dependent var	0.607883
S.E. of regression	0.616027	Sum squared resid	68.68745