DETERMINANTS OF FINANCIAL PERFORMANCE OF LISTED FOODS AND BEVERAGES COMPANIES IN NIGERIA

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BEING A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES , AHMADU BELLO UNIVERSITY,ZARIA IN PARTIAL FULFILLMENT OF THE RQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M.Sc) DEGREE IN ACCOUNTING AND FINANCE

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Declaration

I declare that this Dissertation titled ''Determinants of Financial Performance of listed Foods and Beverages Companies in Nigeria '' is a product of my research effort, carried out under the supervision of Dr. M.S Tijjani (Chairman, supervisory committee) and Mal. Lawal Muhammad (member). Acknowledgements were duly observed in the references in respect of all sources from which information were generated. Also, this research work has not been presented anywhere for the award of any educational certificate.

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OSEMEN HOPE EITOKPA **DATE**

Certification

This Dissertation titled ‘‘**DETERMINANTS OF FINANCIAL PERFORMANCE OF LISTED FOODS AND BEVERAGES COMPANIES IN NIGERIA**” by Osemen Hope EITOKPA meets the requirement governing the award of Master of Science (M.Sc.) Degree in Accounting and Finance of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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Dedication

This research is dedicated to God Almighty for His help and mercy all the way. To my lovely parents, Elder and Mrs. Joseph Eitokpa and my siblings; MrItua, Mr Francis, Miss Franca and Miss Lovelyn, for your love and support for the successful completion of this programme, God bless you all… Amen.

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Abstract

This study seeks to find out the factors that influence financial performance of listed foods and beverage companies in Nigeria. The dependent and independent variables of the study were searched out from literatures of previous works. ROA measured as EBIT to total assets, firm size as natural logarithm of total assets, leverage as total debt to total assets, intangibles is the total sum incurred to acquire the assets, while liquidity ratio is measured as current assets to current liabilities and firm age is the number of firm's years in existence. The study used correlation research design, as data on ROA, firm size, firm age, leverage, intangible assets and liquidity ratio were sourced from published annual report of five (5) out of nine (9) of these firms from 2004 – 2013.The result obtained from fixed effect regression model, documented that firm age, leverage and liquidity ratio are determinantsof financial performance of listed foods and beverages companies. Therefore, the study recommends, among others that managers of these firms should never compromise but always maintain reasonable level of liquid assets in order to meet immediate needs of the firm, the option for leverage should be considered for only profitable ventures and for a lower cost of returns.

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CHAPTER ONE
INTRODUCTION

1.1 Background to the study

The question of firm performance is very important for different group of people. This is because all agents that have to make any financial decision about a company are concerned with its financial position (Vira2008). Thus, owners, managers, potential investors, banks, other financial institutions, creditors, business partners, employees, and government are always interested in models that help to analyse and predict the performance of the companies.

Little wonder, the primary motive of most business organizations is profit maximization, wealth creation and other secondary objectives that are deemed important to such organizations(Pathirawasam&Adriana, 2013). On this note, Kolawole (2013) opined that, organizations seek to improve performance, create value in terms of additional wealth for their shareholders and increase satisfaction to their customers and other stakeholders. This view was further confirmed by Nousheen&Arshad (2013) that maximizing the profit of a firm is one of the major objectives of managers.

Therefore, the profitability of a firm is a key concern as it has the ability to absorb market shocks and contribute to the stability of the system in general and the firm specifically. Hence, profitability of a firm has become the major criterion in determining its financial performance, since investors and other stakeholders pay most of their attention on profitability before dealing with firms.However, some of these businesses have experienced the opposite of their stated objectives, thus for organizations to achieve their set objectives.They must employ different types of firm performance management systems (Kolawole, 2013), considering the fact that, a firm's performance is likely to be determined by different factors.

A firm is a legal fiction which serves as a nexus for a set of contracting relationship among individuals. Regardless of this analysis, firms are no longer viewed as identical black boxes in any given market structure but as dynamic collections of specific capabilities influenced by distinctive organizational structures and specific decisions (Hawawini, Subramaniam&Verdin 2003).

To determine the factors that influence performance of business organizations, (Capon, Farley &Hoeng, 1990) as cited by Bala&Matthew (2005), suggest that performance of firms can be explained by various characteristics that could be firm specific or and industry specific alike. Consequently, certain factors are likely to either improve or impair a firm performance. Therefore, emphasis of corporate performance cannot be over looked to a reasonable extent since the performance of firms could be and are most often used as yardstick or benchmark as well as comparison measures to know if the motives behind the establishment of these business organizations have been achieved or not.

In the same vein, the business world will always require management to be creative in an effort to improve their performance; they should have the ability and take advantage of opportunities to improve company's performance. To improve the company's performance is to create strategies, techniques and business tools that are appropriate and suitable for the company as high firm performance will increase the company's stock market prices and investors will respond positively.

The concept of performance has become more prominent because of its application to everything and everywhere, thus serving as basis for comparison. Firm performance is a core concept in the business world, as it is one essential tools of business management (Francoise, Gerald &Mansi, 2005). Performance is used as a measure to dictate organizational growth and development. The performance of an organization shows the level of improvement made by a firm within a period of time that is, firm performance serves as a barometer that measures the success of the company, hence used as a bench mark for investors to invest their funds.

Furthermore, performance has been described by Sabine and Michael (1990), to be a multi-dimensional concept. It is also seen to be a complex phenomenon and this has consequently increased the studying of firm performance and its determinants globally. According to Andreas (2009), determinants of firm performance are considered as a well addressed research topic in the field of Industrial organization however, there seems to be no consensus as to the actual proxy and measurement of firms' performance.

More so, firms' performances over time have been measured differently by researchers' fewer than three major groupings: profitability ratios, growth rates and margins. Based on this, Kemp, De dong &Wubben (2003) &Costae (2006), concluded that performance can be defined and measured in several ways depending on the goals and context of the research.

However, Mark, Susan &Randall (1997), kolawole (2013) and Yana (2010) have suggested that, the use of modern financial ratios as performance measures are best because they consider some degree of market risk and create more value as against classical financial ratios that provide information of performance from the past. So, modern financial ratios are regarded more relevant when compared to the classical financial ratios. Nevertheless, the recent development and use of proxies like ; quality of management and quality of intellectual capital, environmental factors and others are considered and seen to be more efficient (Costea, 2006) in determining the performance of a firm .

Again, literatures on business policy have considered two major streams of research on the determinants of financial performance. One is based primarily upon an economic tradition, emphasizing the importance of external market factors in determining firm success. The other line of research builds on the behavioral and sociological paradigm and sees organizational factors and their fit with the environment as the major determinants of performance. In this school of thought, little direct attention is given to the firm's competitive position and advantage and hence drives firm profitability (Noel, Sebastian &Eduardo, 2009). Similarly, economics traditionally have disregarded factors internal to the firm and of these internal factors will be enumerated and discussed adequately.

Firm size as an internal factor of a company has been considered a very important determinant of performance. This is because the size of a firm determines its level of economic activities and the possible economics of scale enjoyed by the firm.When a firm becomes larger it enjoys economics to scale and its average cost of production is lower and operational activities are more efficient. Hence, larger firms generate larger returns on assets. However, if the top management loses control over certain strategic and operational activities the reverse might be the case (Pathirawasam& Adriana, 2013).

On the other hand, smaller firms do not enjoy economics of scale of which their average production cost could be higher than the larger firms but the flexibility in the system and the fewer top management; provides opportunity to make quick decision, adapt to changes in the environment that result to larger average returns or profits for the firms. Firm size can be measured by the total asset of a firm, hence it is believed that the larger the firm's total asset, the larger the size of the firm. Although, studies like Pavlos (2007), Owen and Paul (2003) used number of employees, natural resources and economic resources as a measure for firm size.

Most scholars have agreed that firm age determines growth as well as performance (Muhammad &Shahimi 2013). They believethat the hazard rate of a firm will fall with time and firm survival increases with age of the firm. Thus, this statement can be considered true because new firms are perceived unable to achieve economies of scale and they rarely have the sufficient managerial resources and expertise.While, some scholars made a conflicting remark stating that old firms are not flexible enough to make rapid adjustment, indicating barriers to innovation and profit making. Their organizational rigidities limit their growth by inhibiting change as they become harder to change over time, since most of the firms still own and use outdated machines, plants and equipment that limit their capability to innovate.

However, studies on firm age did not give conclusive evidence on the relationship between performance and the measurement of age. Several studies like Muhammad and Shahimi (2013) used different variables to measure firm age. Though, most literatures definedfirm age as the length of time a firm has been in existence. It could also be the number of years in existence after listing on the stock exchange.

Leverageconsists of various financial instrument or borrowed capital such as margin used to increase the potential return of an investment of a firm. It is that amount of debt used to finance a firm's assets. It is assumed and expected that, the greater the amount of debt, the more stringent is the monitoring of managers and therefore firms' performance will be superior. Thus, firms with a significant level of debt than equity is said to be highly levered.

A firm is the amalgamation of the various assets and liabilities (tangibles, intangibles, financial, fictitious and current assets; current and long term liabilities) that comprise the totality of the firm. The physical assets of a firm can be valued on a similar basis to the firm itself. But, the distinguishing features of 'current assets" and ''current liabilities'' (liquidity position) is that a firm cannot operate effectively and efficiently without them being present, thus, we could say that they are not separable from the firm itself.

Finally, intangible assets can be considered as a variable likely to influence financial performance. Our attention is been drawn to this factor because economies are becoming knowledge and technology-based, more so the intangible elements of firms are becoming fundamental determinants of firm current and future competitiveness as well as firm value and growth. Similarly, Bernard (2005) identified that it is impossible to navigate a business to success without the necessary performance information (intangibles inclusive) to guide your strategic decision making. Intangible assets include research and development expenditures, the acquisition of human resource, advertisement, patient right, goodwill and so on.

In view of the basic challenges facing business enterprises in this period of extensive innovation and modernization in business, it becomes pertinent to examine the factors that impact performance of firms in order to enable business enterprises concentrate on their competitive advantage. This study is aimed at determining financial performance of foods and beverages companies in Nigeria, using some internal variables of firms.

1.2 Statement of the Research problem

Over the last few years, the Nigerian economy has experienced a series of reforms and restructuring of its key sectors. The size of the Nigerian economy as measured by the Gross Domestic Product (GDP) has increased with the high contribution from non-oil sector particularly agriculture and manufacturing sector which food and beverages industry is one of. Yet,in today's modern world, for traditional sectors like the food and beveragesindustry to increase its competitiveness and survive in the global economy, there is the need to change from labor-intensive to mechanical and knowledge-intensive production. Also, it is imperative that firms focus on products with more value-added, thereby making constant investments in both current and non-current resources (Owen & Paul, 2003).

The analysis of corporate performance has a special significance for management in their attempt to maintain the company's stability and to increase its market share (Costea, 2006). Similarly, the modernization of today's economy and industries are becoming more and more tumultuous and the tussle among firms for market share is becoming increasingly fierce. The growing relevance of innovation in particular, has been responsible for this (tussle among firms for greater market share). Likewise, the development of financial institutions has enabled firms to accelerate their performance in projects with the support of external finance.

On the other hand, globalization has required firms to become aware of their overseas markets, as the struggle for customers can no longer be confined within national borders (Alexander, 2007). Generally, the fast pace of the information age has changed the way firms operate, bringing customers closer to their suppliers. All of these reasons and more have led us to believe it is necessary to take a look at the performance of food and beverages firms quoted on Nigerian stock exchange.

Furthermore, the factors that determine corporate performance are an important issue in corporate finance which requires a thorough study;Frederiek&Cynthia(2003). For this reason, it is pertinent to find out which factors are associated with firm's performance. The current research intends to gain deeper understanding about determinants of firm performance of listed food and beverage firms in Nigeria.

Nevertheless, while there are a good number of researches on the determinants of firms'performance in developed economies, most notably the United States, Russia and France (Conyon& Peck, 1998; Hossain&Prevost &Raa2001) but, this is not the case in Nigeria. Hence, findings from these studies mentioned cannot be applied in Nigeria's economy given the disparities in nature of economies and the market structure levels across nations. Since these studies were carried out on already advanced market and economy with a different geographical location, their recommendations cannot be practically used in our economy which is still at its prime stage and so considered as an economy operating in an emerging market.

Though a few literatures exist on the determinants of performance, most of them have not included some of these selected variables in this study. Even when there are literatures which have discussed performance factors in other industries, for example banking, oil and gas, pharmaceuticals (Chander&Aggarwal 2008; Agustinus et al 2008; Andreas 2010) and so others. One cannot confidently say they have exhausted possible factors that determine performance particularly in food and beverages firms both in advanced economies and listed firms in Nigeria. Consequently, there is a need for us to carry out this research which will be applied to our own economic situation and geographical location.

More so, the few researchers in Nigeria like kolawole (2013), have not captured the impact of liquidity ratio on firm performance even though other factors like firm size, firm age and leverage have been considered in the literature. Again, even though several studies have been carried out in other countries using this domain, no research have been carried out in food and beverage industry with the composition of these variables here in Nigeria. There is a need for an extensive research, to consider these other selected variables for these firms.

In conclusion, we knowthat findings from similar studies conducted outside may not be applicable to Nigeria because of variation in economic condition, time frame and variable makeup, hence the need for a study that can be applied in Nigeria. It is also not known whether the existing differences in performance measures and other traditional economic factors internal to the firm that have been disregarded would also translate into differences in factors that could impact performance. Therefore, there is a need to cover these gaps noticed, by conducting this study.

The likely questions are: Would the determinant of financial performance in foods and beverages firms be different? Does liquidity enhance financial performance in Nigerian foods and beverages firms? Do intangible assets increase financial performance?This study to this end, seeks to find out the factors that determine financialperformance of listed foods and beverages companies in Nigeria considering the above selected variables.

1.3 Objectives of the study

The overall objective of the study is to empirically find out the internal determinants of financial performance of listed foods and beverages firms in Nigeria. The specific objectives are to;

i. examine the impact of firm size on financial performance of listed foods and beveragesfirmsin Nigeria.
ii. examine the impact of firm age on financial performance of listed foods and beveragesfirms in Nigeria.
iii. examine the impact of leverage on financial performance of listed foods and beveragesfirmsin Nigeria.
iv. examine the impact of liquidity ratio on financial performance of listed foods and beveragesfirmsin Nigeria.
v. examine the impact of intangible assets on financial performance of listed food and beverages firms in Nigeria.

1.4 Hypotheses of the study

Based on the above objectives, the following hypotheses were formulated in null form;

$H0_1$: Firm size has no significant impact on financial performance of listed foods and beveragesfirms in Nigeria.

$H0_2$: Firm age has no significant impact onfinancial performance listed foods and beveragesfirms in Nigeria.

$H0_3$: Leverage has no significant impact on financial performanceof listed foods and beveragesfirms in Nigeria.

$H0_4$: Liquidity ratio has no significant impact on financial performanceof listed foods and beverages firms in Nigeria.

H05: Intangible assets have no significant impact on financial performanceof listed foods and beveragesfirms in Nigeria.

1.5 Scope of the study

The study covers listed food and beverages firms in Nigeria. The period of study is ten years (2004 - 2013), whilethe choice for the period is to capture recent yearsof operations of these in Nigeria, when compared to other foreign works conducted within these years. Data on ROA, firm age, firm size, leverage, intangible assets and liquidity ratio are collected thus, in order to examine the determinants of financial performance in listed food and beverages firms in Nigeria. The choice for the use of this industry under the manufacturing sector was that even though several studies; Nousheen and Arshad (2013), Zahid et al 2013 have been carried out in other countries using this domain, none with the composition of these variables have been studied in Nigeria.

1.6 Significance of the study

The determinant of financial performance in food and beverages industry is of particular interest to all its stakeholders considering their stake and interest position. The findings of this study contributes to the understanding of corporateperformance mechanisms of food and beverages industry and recommends ways by which food and beveragesfirms in Nigeria can improve performance to align with shareholders' and stakeholders' interest.

The results of this study will be beneficial to investors and lenders as it will provides insight into the effect of certain operational style of firms management in covering the interest of the managers and the shareholders, since the capital market set securities' prices based on reported firm performance. Similarly, creditors and other providers of finance would be able to draw a line as to the recovery of their fund or otherwise through firms' performance indicators. Thus, both investors and creditors can rely on the information drawn from this research to access and make informed decision on their investment position.

Although, a few literatures exist in Nigeria on the determinants of financial performance, however, not with the inclusion of some of these selected variables; liquidity, and intangible assets. The study is significant in the field of research as it adds to existing literatures. However, more research would be ignited and ventured into by academicians to test the variable mix of the study in other industries. More so, other likely factors not used in this study could be considered in conducting several researches. Further research could also be motivated to help us understand if these performance factors cut across other industries of the manufacturing sector.

The outcome of this study will help listed food and beverages firms in Nigeria in understanding the factors that impact their performance, as such make better decision on these factors as well as concentrate on them in order to improve performance in the industry and the sector at large. Policy makers will also be guided on the formulation of rules and regulations proposed to help this industry perform better and even the sector in general.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The basic and fundamental duty of every financial manager is to maximize shareholders wealth, and to increase firm's value which is possible and achievable when the firm's financial performance can be increased. Hence, it is the management's responsibility to improve the financial performance of a company as stakeholders are concerned about the corporate financial performance because higher financial performance leads to the increase in wealth of these stakeholders (Hasan, Goran&Azhar, 2010). Consequently, investors and potential investors will be obliged to invest their hard earned savings in a company that promised to make a return (performance) that will change their wealth at a particular point in time (Aliu,2010). However, as sound as this objective is, it will be illusive if the hard earned resources are not combined for optimum utilization.

This section contains a review of relevant literatures to the study. The main issues discussed include: the concept of firm financial performance, performance proxies, classification of performance proxies, concept of return on asset, the factors of firm performance, measurement of firm factors, types of leverage, review of empirical literatures and theoretical framework adopted for the study.

2.2 Concept of Firm Financial Performance

The concept of performance or financial performance has not been defined in any specific manner by any study. To this end, it could be said that firm performance can be define depending on the focus of the study. This is based on the fact that performance is a multi - dimensional concept and its explanation continues to occupy a prominent place in literature, (Theiri&Ati, 2011).

The outcome of management process from the point of strategic planning to the implementation of such plans, support the measurement of corporate performance. Corporate performance is an important issue in corporate finance considering the recent levels of financial scandals and various degrees of firms' failures. The concept of corporate performance in accounting literature refers to profit, return on assets and economic value (Hasan et al, 2010).

Corporate profit is one of the most closely followed economic indicators. Profits are source of retained earnings, providing much of the funding for investment in plant and equipment that raises productive capacity. Profits are also frequently used in measuring the rate of return on investment and the relationship between earnings and equity valuation. Profits may also be used to evaluate the effects of changes in policy on corporations or profits or in economic conditions.

Profitability is the primary goal of all business ventures, without profitability the business will not survive in the long run. Therefore, the measurement of current or past profitability and projecting future profitability is very important. Profitability is the most important measure of the success of the business and a business that is not profitable cannot survive. Consequently, profitability of firm plays an important role in the structure and development of firm because it measures the performance, success of the firm and enhances the reputation of the firm (Nousheen&Arshad, 2013). Profitabilityprovides a summary measure of corporate success or failure and thus serves as an essential indicator of economic performance. Consequently, a business that is highly profitable has the ability to reward its owners with a large return on their investment.

Profitability of a firm is the ability to generate revenue in excess of cost in relation to the company's capital base (Victor, Samuel &Eric, 2013). Owolabi and Obida (2010) defined profitability to mean; the ability to make profit for all business activities of an organization. They further described it as management efficiency in the use of organizational resources in adding value to the business.Profitability is a way of measuring economic success of a firm in terms of capital invested in the firm Roxana, 2010. Profitability is determined by the extent of the net accounting profit (return on asset, return on capital employed, return on equity and others). Hence, a sound and profitable company is best able to absorb negative shocks and contribute to the stability of the nation's economy in general.

Corporate performance or firm's performance refers to the result of management process in relation to corporate goals. It is a product of the activities and return on investment in a given period (Mohammad &Ebrahim, 2010). Firm performance helps to reveal the result of investment activities of the organizations thus informs and send out signals to the public in relation to their worth/value to help investors make valuable economic decisions.

The concept of performance is a controversial issue in finance largely due to its multidimensional meanings as opined by (Jegers, 1987).

In analyzing financial performance, emphasis should be made in formulating an adequate description of the concept of a firm's performance which will uncover the different dimensions upon which firm's performance should be evaluated. Webster's (1990) defines performance as "what is accomplished", Venkatraman and Varadarajan (1986) defines performance as "the time test of any strategy". To this end the definition of firm performance, vary from one study to another. In conjunction with these definitions of performance, this study takes a position that performance of a firm can be defined as the outcome of a firm's strategy or an assessment of how well a firm has succeeded in reaching its objectives.

2.2.1 Measurement of firmfinancial performance

Firm performance is used as a measure to dictate an organization's growth and development. It shows the level of improvement made by an organization or firm within a period of time. There is no specific measure to employ in order to arrive at performance; however, the measure of corporate performance could be arrived at by the use of a number of indices or variables which include productivity, profitability, growth or even customer satisfaction are most likely used (Aliu, 2010). Consequently, several studies have measured firm performance using different performance proxies.

Sumit (1997) measured performance of Indian firms using productivity and profitability. Whereas, Juliet, William &Robat (2001) studied performance using: profitability, real sales, operating efficiency and capital expenditure as performance measures. Subsequently, Frederiek&Cynthia (2003) measured performance as product market competition, financial pressure and ownership identity on Belgian firms. While, Alex, Augusti& Mercedes (2006) considered performance as sales, value added, profits, equity, and short and long term debt in Spanish manufacturing firms. On another hand,Mohd, Rohaizat, Kamaruzzaman&Norhayati (2011) proxy performance using increased number of client, comparison of annual income and comparison of annualprofit in Malaysian firms. Nousheen&Arshad (2013), proxy performance as net income ratio measured as net income after taxes divided by total sales.

However, the use of return on assets (ROA), return on equity (ROE), return on sales (ROS), earnings per share (EPS), market capitalization growth, gross and net profit margin, economic profit, and Tobin's Q as measure of performance are commonly employed, by most the studies reviewed on performance. The study conducted by Muhammad, Ammar&Muhammad (2013), examines the impact of capital structure on banking performance using ROA, ROE and EPS. Mesut (2013) examines firm size effect on ROA in his study "Does firm size affect the firm profitability" in Turkish firms. A study by Harold, Jooh&Berhe (2006), investigates the impact of major marketing factors on ROE and ROA in US pharmaceutical industry. Similarly, Aliu (2010) determine the effect of capital structure (leverage) on performance (ROA, ROE and investment) of quoted manufacturing firms in Nigeria.

Another study by Humera, Maryam, Khalid, Sundas& Bilal (2011), studied the relationship between corporate governance and firm's performance (ROA, ROE and Tobin's Q) of Pakistan firms. Claudio and Urs (2009), study the impact of firm age on performance using ROA and Tobin's Q. Jeffrey et al (2005) investigate the joint determinants of managerial ownership, board independence on performance (Tobin's Q, accounting profit, stock return and debt return). Other studies include: Pino&Henrich (2003), Renée & Hamid (2011); Emil (2011);Lum (2008) and Mark et al (1997).

In addition, certain studies have used both financial (modern and classical) and non-financial ratios as measures for firm performance. Agustinus, Prasetyantoko&Rachmadi (2008) used return on assets and market capitalization growth while studying corporate performance of companies in Indonesia. Kemp, De dong&Wubben, (2003) considered total number of employees, turnover, export share in total turnover and net profit or loss as performance measures in their work title innovation and firm performance. Awoyemi (2011), in his study titled "firm growth dynamics in Nigeria manufacturing industry" used Tobin's Q as proxy for performance. Similarly, firm growth and productivity were used to measure performance by Adeel, Francis &Simon (2006), while undertaking a research under UNIDO, performance of Nigerian manufacturing firms. Yana (2010), studied the factors that determine firm performance of listed companies in New Zealand, considering return on assets, economic profit and Tobin's Q as measures of performance.

2.2.2 Classification of Performance proxies

For a long time, performance of firm has been perceived through its ability to obtain profit alone i.e. financial indicators (Costea, 2006). But this has changed over time, as non-financial indicators like; investments in intangible assets may be better predictors of future financial performance than historical measures and subsequently that these predicators should be reported by firms (Andrea's 2010). As the concept of performance is been defined differently, various measures have emerged, classified and are been used differently in as much the information provided satisfy the interest of all stakeholders.

Financial measurement is one of the tools which indicate financial strength, weakness, opportunities and threats (Tian&Zeihim, 2007). Also, company's management use financial indicators (such as ROA, ROE, ROI, RI, EPS, and Dividend Yield) to measure, report and improve its performance status. More so, it could be assumed that in order to obtain a global situation of an economic entity at a specific time, it is important that evaluation of performance is based on a balanced multidimensional system that includes both financial and non-financial measures.

Financial ratios are the oldest, simple and practical financial planning analysis tools, (Majed, Abdel&Firas2010). They are used by both internal and external financial data users for economic decisions. Improvement and increase in firm performance will be reflected by such factors as increased profitability, efficiency improvements and increased output (Alan, Saul &Mark, 1999). These classifications and factors are thus measured through the use of either financial or non-financial ratios as well as variables. Financial performance variables include widely used measures embracing levels, growth and variability in profit which relate to assets, investment and owner's equity, (Noel, John &Scott, 1990). Examples of these ratios include; market value, assets, cash flow, equity, sales and others. These financial ratios are further classified as classical and modern ratios. While the non-financial ratios, are considered and measured as environmental, strategic, formal and informal factors. Examples include; human resource capabilities, human resource management effectiveness.

Although, financial accounting indicators (classical ratios) are seen to be subject to numerous bias (negative opinions) not present in market – based measures (modern ratios), considered to be generally accurate to reflect firm's financial health. However, accounting measures help to provide information not found in the market based measures. Yana (2010), also criticized accounting ratios that it is not a good proxies and measures for a firm's operating performance, since it does not consider the replacement cost of assets rather their historical value. Finally, Andreas (2009) came up with the conclusion that despite their criticisms, they are useful measures to approximate for firms profitability and are used by firms for internal decision making.Classes of performance proxies are:

1. **Financial ratios**: it is further classified into classical and modern financial ratios. They include return on assets, return on equity, return on investment, dividend yield, earning per share, Tobin's q and others.
2. **Non-financial ratios**: Examples are quality of management, customers' satisfaction, quality of employees, human resource capabilities and others.

2.3 Concept of Return on Asset

Today, manufacturers work constantly to increase assets utilization and reduce loss in the ongoing effort to achieve high performance. This is as a result of pressure from shareholders which is greater now than ever and thus, the funds available for investment that would lead to improvements are often limited. To remain competitive, companies must get more from their assets while keeping costs down (Carlos &Rodrigo, 2010)· Return on assets (ROA) is one example of the classical financial indicators or accounting ratios used by firms to measure performance. This concept has been perceived and applied differently. ROA is an indicator of how profitable a company is, relative to its total assets. It gives an idea as to how efficient management is at using its assets to generate earnings.

Bambang, Elen&Andi (2012) defined return on assets,as the measurement of performance. It tells the investor how well a company uses its assets to generate income. And that a higher ROA denotes higher level of management performance. To Emil (2011), ROA is an indication of the operating efficiency of the firm. According toPanagiotis&Konstantinos

(2005), ROA can be viewed as the firm's ability to make use of its assets, thus, it is one of the world's easiest calculations of performance aside return on sales and return on equity.

On the other hand, Yana (2010) defined ROA to be a measure of how effectively assets are used to create profits. Hence, the higher the ROA measure the more favorable the company is because it is earning more from what it has invested. Contrary to this, Huijun and Jianeng (2013) report that firms with low ROA are less risky than firms with high ROA leading to the profitability premium. Consequently, this study view return on assets as a tool to appraise management effectiveness and efficiency of a firm's assets for generating income, that is, a profitability ratio that expresses net income as a ratio of the assets used to earn the income.

The concept return on assets has been used in several researches to reflect financial performance, although measured differently. For Renato (2010), return on assets is obtained by dividing the net profit of the period by the total assets of the company. Unlike the return on equity, return on assets is not a measure of firm's efficiency to generate profit from the invested capital, thus it cannot be used to compare the company's performance against other kinds of investments. Also return on assets is not the best indicator in order to compare the performance of companies in different industries, since the scale factors and capital requirements may differ, however this ratio is good to compare the profitability between companies in the same sector.

Umoren&Olokoyo (2001) measured ROA as gross earnings divided by total assets. Manan, Daniel &Dalia (2012) measured ROA as the ratio of the operating results and the employed capital. For Adegbaju&Olokoyo (2008), it is net income after tax divided by total asset. Meanwhile, Victor et al (2013) measured ROA as profit after tax over total assets. Likewise, Lorpev&Kwanum (2012) measured ROA as profit after tax divided by total assets. Mesut (2013) measured ROA as total sales and number of employees by total assets. Yana

(2010), measured ROA as earnings before interest and tax divided by total asset of the firm. Bala et al (2005), ROA is earnings before tax divided by total assets employed multiplied by 100. Also Tih (1998) measured ROA as annual net income over total assets.

2.4 Conceptual Explanations of Independent Variables

2.4.1 The Concept of Firm Size

To this present date, firm size remains a poorly defined concept (Duarte, 2000), that is no clear cut on the conceptual definition for firm size in most studies (Kengo, 2006). However, the definition for firm size in literatures seem to be arrived at base on the measurement proxy for the variable adopted in that study, that is measurement of a firm size helps to describe it and as such is considered as a definition for firm size.

The size of a firm plays an important role in determining the kind of relationship the firm enjoys within and outside its operating environment. The larger a firm the greater the influence it has on its stakeholders. Again, the growing influence of conglomerates and multinational corporations in today's global economy and in local economies where they operate are indicative of the role firm size plays within the corporate environment (Abel, 2006). The size of a firm affects its performance in many ways (Sumit, 1997), for this reason, Bala, Darry&Matthew (2005) consider firm size as an important determinant of financial performance. Similarly, Beard &Dess (1981), documents firm size as one of the most acknowledged determinants of a firm's profit in terms of its effect on competitive market power in a given industry.

In addition, shareholders and managers like to see their business grow and prefer it becomes thebiggest in the industry (Bjarni, 2007) .The assumption is that large firms have many advantages over their smaller rivals. Large firms can benefit from economies of scale and scope and from specialization and they have stronger bargaining power. Consequently, bigger firms must be more profitable than smaller firms. So, theissue of whether larger firms are superior in performance to smaller firms or vice versa and if older firms are superior in performance to younger firms or vice versa? Have, generated large number of theoretical and empirical researches like that of Sumit (1997) and Claudio &Urs (2009) in the field of economics, management and sociology disciplines. Although, both are equivocal at best to the true relationship.

However, Economics theory prescribes that increasing firm size allows for incremental advantages because the size of the firm enables it to raise the barriers of entry to potential entrants as well as gain leverage on the economies of scale to attain higher profitability (Chrystal &Lipsey, 1997). This implies that the higher the barrier to entry the lower will be the threats of potential competition and the higher the profits that existing firm can earn without inducing entry. Furthermore, literatures of earnings behavior postulated that firm size is an intervening variable in the relationship between the level and variability of return on equity: larger firms tend to have higher levels of profitability and smaller variations in profitability (Michael, 1980).

Despite the importance of firm size on performance, surprisingly there seems to be no clear cut base on findings reported by various literatures, if the size of a firm does matter? That is if firm size impacts firm performance. However, most of the early works that tried to prove that size does matter were based on markets in the U.S. and the U.K. in the early 1960s and 1970s. Consequently, different firm size measures have been used for this variable as mentioned earlier. Other examples include: Elisabeth &Alexander (2012), measured firm size using natural log of number of employees while studying the effect of managerial ownership on firm performance.

For Alena&Eva (2012) firm size is measured by the average number of employees while considering the determinants of innovation of Czech firms. However, Erasmus (2013), measured firm size as total assets to number of borrowers and total assets to number of staff. But, Chander&Aggarwal (2008) used total assets as firm size in determining the corporate profitability of Indian drugs and pharmaceutical companies.

In addition, Owen &Paul (2003) opine that firm size can be measured using total assets, total sales and number of employees. Pavlos (2008) denoted firm size by an index which accounted for human capital, economic resources and natural resources available to the firm. Muhammad et al (2013), measured firm size as book value to total assets. Similarly, Staffan, Philip &David (2006) suggested firm size can be measured using the number of employees or total assets, but most manufacturing firms use natural log of total assets. Consistent with this view, Bala et al (2005), Windsor &Cybinski (2009), Tanveer&Safdar (2013), Zahid, Ali, Shahid&Muhammad(2013) , Makoto &Pascal (2011), Humera et al (2011) all measured firm size using natural log of total assets. To this end, firm size will be measured using natural log of total asset in our study.

2.4.2 The Concept of Firm age

The prior belief would seem to be that age enhances performance (Claudio and Urs, 2009), since firms learn about their abilities and how to do things better as they get older. Furthermore, for Muhammad and Shahimi (2013), firm age represents the experience and knowledge accumulated since its establishment. Thus, it’s considered to have influence on firm performance. Hence, the age of a firm is considered a factor that improves firm’s performance. But contrary to this view, Muhammad and Shahimi (2013), Claudio and Urs (2009) believe that older firms are not flexible enough to make rapid adjustment, reduce barriers to innovation and make profit owing to the fact that their organizational rigidities limit their growth by inhibiting change as they become harder to change over time. Consequently, the firms deteriorate as they grow older.

Based on these views, the arguments haveraised the interest for researchers to further study the issue as to whether firm or financial performance declines as firms get older or the performance improves with their age .That is, if older firms are better performer than newly listed firms (Claudio &Urs, 2009).The possible explanation for this could be that, firms are likely to lose momentum as they age and thereby seem increasingly unable to solve collective action problem. They are also assumed to own outdated machines, plants and equipment that limit their capability to innovate. But the findings of Alex et al (2006), counter this assertion with their view that firms improves with age that is, ageing firms experience rising level of productivity since they are able to understand their strength over time.

The measurement for age may not always be straight forward, because of the presence of mergers and relisting of firms. Though, there are many ways used by previous researchers to measure firm age; depending on the objective of their study (Muhammad &Shahimi, 2013). Some researchers measured firm age as the number of years a firm has engaged in operating activities, while others measured age as the number years of international joint formation. Alex et al (2006) defines firm age as the difference between the current year and the year of firm creation according to the registration of the firm. Claudio &Urs (2009), sees it alternatively from the time of listing and from that of incorporation and adding one year to avoid zero ages.

While Makoto &Pascal (2011), defines firm age as the number of years after listing. In addition, it is measured by the number of years a firm has existed since incorporation or after its listing on the stock exchange market. But for Muhammad &shahimi (2013), firm age was measured after the firms were divided into young firms and matured firm; where young firm refers to firm that is operating less than five years and matured firm is those operating equal to or more than five years.Firm age however, will be measuredin this study as the number of years a firm attains after listing.

2.4.3 The concept of Leverage

The theory of capital structure and its relationship with a firm's performance has been an issue of great concern in corporate finance and accounting literature since the seminar work of Modigliani &Miller (1958). They argued that under very restrictive assumptions of perfect capital market, investors' homogenous expectations, tax-free economy and no transaction costs, capital structure is irrelevant in determining firm value. But, the study by Jensen and Meckling (1976) found that the amount of leverage in a firm's capital structure affects the agency conflicts between managers and shareholders and thus, can alter manager's behaviors and operating decisions.

Lorpev&Kwanum (2012) recommend in their study on capital structure and firm performance of manufacturing companies in Nigeria that those managers should be careful while using debt as a source of finance since a negative relationship exists between the capital structure and performance. As a result firms should opt to finance their activities with retained earnings and use debt as a last option as supported by the pecking order theory.

Leverage is that part of capital structure used to finance the activities of firm, most times referred to as debt. According to Champion (1999), the use of leverage is one way to improve the performance of the firm. Aliu (2010) defines leverage as the sensitivity of the value of equity ownership with respect to changes to the underlying firm value. That is, firm's mix of its financial liabilities. Sumit (1997) refers to leverage as debt equity and reports that the greater the amount of debt, the more stringent is the monitoring of mangers and therefore firms' performance will be superior. Leverage is further defined as the measure of how much firm uses equity debt to finance its assets. Consequently, it reflects the debt amount used in the capital structure of the firm.

According to David (1952), increasing leverage in capital structure will increase firm's value as well as the market price of share, though he was not able to justify this assumption. But, Jensen (1986) was able to confirm that higher leverage improves firm performance. His explanation was that debt financing raise the pressure on managers to perform because it reduces the moral hazard behavior by reducing free cash flow by mangers. However, leverage increase agency costs because of diverging interest between shareholders and debt holders.

Leverage has been defined differently. In the same vein, it has also been measured in many such as; Bala et al (2005), proxy leverage as total long term debt to shareholders fund multiplied by hundred. Humera et al (2011) considered leverage as book value of debt to book value of total asset. But to Fabrizo, Nigel, Sarmistha and Isabella (2011), leverage is equal to total long and short term debt to total asset and total liability to total asset, while Tih (1998), measured leverage as long term debt divided by total asset. Abdullah et al, (2011) measured leverage as total debt to total asset. To this end, total debt to total asset used by Abdullah et al, (2011), would be employed in this study.

2.4.4 The conceptof Liquidity

The ultimate goal for any firm is to maximize profit. However, too much attention on this goal may lead the organization into a pitfall by reducing the liquidity position of the firm. Liquidity is one of the most important goals of working capital management and central task of cash management (Sanna&Sandra, 2009).Therefore, for a firm to survive and make profit, it must remain liquid as failure to meet its obligation in due time results in bad credit rating by the short term creditors, reduction in the value of growth in the market and may lead to liquidation. A good firm financial management policy seeks to maintain adequate liquidity in order to meet its short term maturing obligations without affecting profitability (Ben, Olubukunola&Uwuigbe, 2013).

According to Sunday &Obida (2010), the concept "liquidity" is one that is receiving serious attention all over the world especially in the current financial situations and the state of the world economy. Since, liquidity plays a crucial role in the success of the functioning of a business firm. This implies that business concerns, owners and managers must devise strategies of managing their day to day operations in order to meet their obligations as they fall due and increase profitability and shareholders wealth.

Contrary to this, most businesses focus more on the profitability of the firm while the need for efficient management of liquid asset is overlooked. Though, it is base on the fact that both are conflicting goals to a firm. Thus, a firm can pursue one at the expense of the other. But, a firm is expected to maintain a balance (trade off of one for another) between profitability and liquidity considering that either an adequate or inadequate situation affects profit (Ben et al, 2013).

Liquidity is the ability of a firm to fund increase in assets and meet obligations as they fall due, Amengor (2010). Ben et al (2013), defined liquidity to be equal to the working capital of a firm, which is the management of current assets to current liabilities of an enterprise. This view however, was base on the fact that working capital ratios are the most commonly used measures of liquidity. But for Victor, Samuel and Eric (2013), liquidity is the ability of a firm to meet its needs for cash. That is, a company being able to fund its contractual obligations as they fall due. Hence, where the firm is not able to meet its needs, it results into liquidity risk.

The impact of liquidity position in management offinancial institution and other economic unit have remained fascinating and intriguing. Yet, very difficult to understand and analyze during investment process, (Abang, 2012). However, corporate liquidity is one of the most important goals of working capital management and central task of cash management. Consequently, several authors have expressed various views in their definitions of liquidity,but in general sense, “a firm is considered liquid when it can pay bills on time without undue cost. Thus, liquidity can be measured using some financial ratios referred to as liquidity ratios. These ratios measure the ability of the firm to meet its current obligations and commitments (Owolabi&Obida, 2012).

More so, the analysis of liquidity needs the preparation of cash budget and cash outflow. But liquidity ratio establishes a relationship between the cash and other current assets to current liabilities Again, the measurement of liquidity as observed by several literatures shows that, the working capital ratios are the mostly used measures of liquidity. Therefore, we could conclude that liquidity measurement is a function of working capital management indices.

Ben et al (2013), measured liquidity using cash conversion cycle (CCC) as adopted by Elyeely, 2004. Furthermore, they added that, other variables that could be used for the measurement of liquidity are current ratio and the quick acid ratio. While Zehra&Azam (2012), proxy corporate liquidity using the difference between current assets to current liabilities. Studies by Qasim&Ramiz (2011); Sunday &Obida (2010); Aloy (2008), measured liquidity using these ratios: current ratio which is current assets divided by current liabilities; quick ratio which is current assets minus inventories divided by current liabilities and liquidity ratio arrived at as cash plus investments divided by current liabilities.

But for Abang (2012), liquidity can be measured using current ratio which is current assets divided by current liabilities while studying the impact of liquidity on commercial banks. Amarjit&Neil (2011)measured liquidity as current ratio and quick ratio (cash plus marketable securities to book value of assets).while for Victor et al (2013), liquidity is considered as temporary investment ratio(TIR). Hence, TIR is measured as cash and cash equivalent over total assets.

Finally, considering the wide range of measurement for liquidity by various literatures reviewed, current ratio (current assets divided by current liabilities) was found to be used majorly over other liquidity measures. Consequently, this study will measure liquidity ratio using current ratio measure.

2.4.5The concept of Intangible Assets.

The value of business increasingly lurks not in physical and financial assets that are on the balance sheet but also in intangibles (brands, patents, franchises, research programmes and so on), the economist 1999. But, only very few firms try to measure these assets, let alone publish information on them. Yet, they are often what underlie a firm's success. This explains the view of Jovan &Milica (2010), intangible assets have become one key determinants of entrepreneurial values which has completely changed the panorama of economic activities for modern enterprises.

Intangible assets are assets that have no physical existence .They are long lived non-material rights which may generate future revenues. Intangibles are fast growing and crucial to the survival and growth of business enterprises and national economy, Baruch (2008). That is, the provision of relevant information about intangible assets is one of the preconditions needed to determine the real financial and profitable position of an enterprise. More so, economists have argued that intangible assets represent the main performance drivers of firms (appraisal economist international, 2014).

An asset is a resource controlled by the entity at the date of acquisition as a result of past events and from which future economic benefits are expected to flow to the entity (Erik, lorinm&shinkyu, 2002). Assets of a business can be grouped into fixed, current, intangible, fictitious and wasting and financial assets. Thus, intangible assets can be described asidentifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

For Phil (2002), an intangible asset is an idea, concept or legal right that has some monetary value, but is not physical in nature. In essence, an intangible asset is a piece of valuable property that you cannot touch, see, hear, smell or taste. It has real value and existence, but it has no physical embodiment. Intangible assets include intellectual property, licenses and approvals, and business good will.

In addition, any monetary outlays made by a firm in the expectation of future profit that are not immediately embodied in tangible form, constitute intangible investment. Intangible assets are of increasing importance for the corporate value creation processes of all kind of organizations. Therefore, there is great need to develop a uniform measurement procedure for these assets. As they are likely to have serious effect on internal and external reporting and hence for the decision making processes. More so, since intangibles are treated as resources of distinctive value, such assets should then be developed and allocated according to objective measures and according to excepted economic criteria.

Furthermore, the simple mechanism of using only tangible assets in an organization is no longer sufficient in the knowledge based economy, since an increasing share of a company's (market) value is not representing inventory or physical assets, but intangibles in a broad sense. Especially industries with considerable investments in research and development such as the chemical, pharmaceutical, aviation industry as well as IT-oriented businesses find themselves in a position, where they create high value added by developing innovative methods, processes and business-models to perform more production relative to their competitors.

According to kenan (2007), the measurement of intangibles is not new. This is because humans have been measuring intangibles for long time for example when a teacher assigns a grade; they are measuring intangibles (student's knowledge). Despite this, there is no one universal measurement of intangible assets; the reason for this is based on the fact that these assets are of differing nature and use. But recently, macro economics treated intangibles as residuals with the rise of endogenous growth theory and the recognition of the importance of intangibles as drivers of economic value and more attempt to specifically measure the value of intangibles.

As part of the effort to come up with a measurement value, intangibles are seen to be stocks (assets) as well as expenditures (flows) kenan (2007). However, before a measurement value is assigned and managed, there is need to categorize intangible assets. For example, is the coming up with a popular differentiation of intellectual capital into human capital, structural capital and some sort of relational capital. For easy measurement of intangible assets, certain works have classified intangibles into different forms. This is because, some intangibles are self developed and their costs cannot be determined objectively, while some do not have definite lives and are not capable of being amortized over their indefinite lives.

However, most of the works that tried to consider intangible assets as determinant of firm performance, focused on the effect of specific components of intangible assets. Because it is difficult to measure intangibles at firm level, only few exceptions were identified. Corrrado, Hulten&Sicheal (2009), classified intangible assets into three; computerized information, innovative property and economic competencies. Rindu (2015) measured intangible assets as the sum of three main elements; human capital, structural capital and customer capital. Tsutomu, Miho &Kazuman (2010) proxy intangibles using five classifications; software, research and development, brand equity, firm specific human capital and organizational change. But for Yana (2010), intangibles are proxy as research and development, marketing and advertisement, patent, brand good will and intellectual capital. The figure is taken from the balance as a whole sum expended to get these assets. This will be adopted for this study.

2.5 Review of Empirical Research on Determinants of Financial performance

Several researcheshave sought to empirically establish the factors and variables that affect and determine the success of firms using various financial and non-financial indices, these studies have been conducted in different countries and at different times.

2.5.1 Firm size and financial performance

Abdullah et al (2011) investigated the association between firm size and financial performance in the kingdom of Saudi Arabia, considering data of 392 listed companies on firm size and return on assets were collected from the Saudi stock exchange from 2007 to 2010, using multiple regression analysis. The result of the study showed that firm size was associated with firm performance. Firm size was found to be negatively correlated with ROA but was statistically significant. Hence, it has a degree of importance in the model referring to the strongest contribution that explains ROA. They conclude that smaller firms are more creative, innovative and tend to change more rapidly. Supported by this finding is Banz (1981), who found that as firms grow up, it becomes more difficult for them to sustain impressive performance. Thus, smaller firms are more creative, innovative and change more readily to enhance performance.

Pavlos (2008) examined the firm size relationship with performance and built his argument on the assumption that small firms in emerging economies are likely to contain firm growth and so perform well. He documented that firm size has a positive but a decreasing effect on firm efficiency (performance) in German firms, covering the period 1990 to 2007. His finding suggest that firm growth potential is not necessarily a limiting factor as both firms in small and large economies can operate efficiently. Though, higher growth potential is considered more important for firms operating in smaller than in larger economies.

Erasmus (2013) examined the impact of firm size on performance of Microfinance institutions in Tanzania. The study employed the use of panel data for five years and 30 Microfinance institutions operating in the country. Firm size from the study was measured using total assets to numbers of borrowers and number of staff. The findings from the study reveal a positive impact of firm size measured by total asset and number of borrowers on the performance of Microfinance institutions in the country. On the other hand, the study also found out that firm size measured by the number of staff was negatively related to the efficiency sustainability and profitability of Microfinance institutions reviewed.

On the other hand, Staffan et al (2006) conducted a confirmatory study to find out if economies of scale impact firm size and performance on 784 US manufacturing firms. He documented that diseconomies of scale influence the growth and profitability of firms negatively, while economies of scale and the moderating factors have positive influence, in US large manufacturing firms. This implies that large manufacturing firms are better performers than small firms. Also, Andreas (2010) carried out a research to identify the determinants of firm profitability and quantifying their relative importance. This was done by analyzing 961 large Australian firms using unbalanced panel data since some data were missing over the period 1995 to 2005. His findings showed that firm profitability is predominantly determined by firm level characteristics and that sector effects are relevant but to a small extent.

Yana (2010) studied the factors that determine firm performance of New Zealand listed companies during the recession period 1996 to 2007. Data on firm size and return on assets were collected and regressed thereafter. He found firm size to be positively and significantly related with ROA. Also the finding showed that firm size is the most important factor, but leverage has a weak relationship and other factors appeared to be marginally related. In the same vein, Agustinus&Rachmadi (2008) reviewed determinants of corporate performance of listed companies in Indonesia. The study used panel data of 238 firms from 1994 to 2004. The result found firm size to be positive and significant relationship with ROA.

The findings also revealed macro factors to be important variables inducing firm performance rather than firm specific factors.

Windsor &Cybinski (2009) examined the link between firm size and firm performance in Australian companies. The study grouped firms into large, medium and small firm sizes, while considering data of 123 firms. The result showed that firm size is a determinant having a significant positive association with ROA. But an insignificant relationship was found between medium and small firms and performance. Consistent with findings, is the research of Ownen&Paul (2003). They studied the impact of firm size on export performance of 4000 Australian firms, from eight different industries from 1994 to 1998. Firm size was found to be generally positively related to export performance and that firm specific factors are important to industries.

In conclusion, while it was found that firm size was positive and significant related with performance in the studies of: Windsor &Cybinski (2009),Agustinus&Rachmadi (2008), Yana (2010),Ownen&Paul (2003). A significant negative relationship was found between firm size and performance in the work of Bala et al (2005), who studied firm size and performance of 30 Malaysian firms, using panel data covering a period of 2001 to 2003, concluding that a firm with a relatively low asset base tends to perform than it counterpart.

Similarly, Gray &Birger (1989) tried to see if economic and organizational factors determine firm performance. Found a negative significant relationship on over 1000 firms in more than 300 business lines. The findings showed that organizational factors explain twice as much variance in firm profit rate as economic factors. The same result was found in the study of Pawan&Shuangi (2014).

What then is the reason for the difference in their findings even when the dependent and independent variables used were the same in all studies? The differences in the results could be as a result of different domain considered, number of years considered in the studies, number of firms used, complete data, tools of analysis used , different measures used for the variables, the countries under study, condition of economic situation prevailing in the countries and other macro factors that the country is facing. Supporting these likely reasons, Sumit (1997) concludes that firm size relationship with performance cannot be analyzed outside the institutional frame work that the firms operate within.

2.5.2 Firm age and financial performance

Sumit (1997) examined the impact of firm age on firm level performance in Indian firms. He found negative correlation between age and profitability (ROA) on 1020 Indian firms in the period 1992 to 1997. He concluded that older firms are more productive but less profitable, while younger firms are more profitable and less productive. Alex et al (2006) examined if firm performance improves with age in Spanish manufacturing firms. The regression analysis considered over 78,891 firms but was restricted to firms with more than 3 or more employees (62, 259 firms) for a period of 9years.The findings report negative relationship between firm age and profitability (ROA). Thus firm improves with age, which means ageing firms experience rising level of performance with respect to productivity as older firms are better able to convert sales growth into subsequent growth and performance in respect to profitability deteriorates with age.

Erasmus (2013) also investigated the impact of age and firm performance of microfinance institutions in Tanzania. The study used panel data of 30 Microfinance institutions operating in the country for five years. The findings of the study show that the age of the firms which indicates firm experience has a positive impact on firm performance measured as efficiency, sustainability and financial revenue levels but have a negative impact on the profitability of Microfinance firms that were considered.

Muhammad &Shahimi (2013) conducted a study using small and medium enterprises operating in Malaysia, to find out if the age of a firm matters for it to perform. They employed the use of both primary and secondary data for the study, measuring firm performance as intellectual capital, innovative capability and value production. The findings show that age improves the performance of firms.

Furthermore, Claudio &Urs (2009, 2010) investigated firm age and performance of listed firms in US. The results showed the existence of a significant age effect on performance, there is a negative link between firm age and performance over the range of ages observed in the sample. Secondly, only very few firms in the sample actually live long enough to experience the possible turning point in the age performance. Implying that, newly listed firms perform more than older firms. Hence, age progressively impairs performance.

Consistent with the above view, Christiana et al (2005) investigated the age structure of the work force and firm performance of Danish firms over a six-year period, while using an unbalanced data i.e. addressing the issue of whether firms with young rather than older employees are successful. The result reveals a high negative relationship between firm age and performance. The result is found to be driven by smaller size and medium firms rather than larger firms.

Conclusively, it is observed that the same result (negative relationship) cuts across all studies reviewed despite their differences in domain, country, and set of data used number of firms considered and other likely issues not noticed.

2.5.3 Firm leverage and financial performance

Several empirical researches have tried to explain the effect of leverage on financial performance. Tih (1998) empirically examined the financial distress and firm performance on firms from the Asian financial crisis. The findings of the result revealed a negative relationship between leverage and firm performance (ROA). Explaining that firm with low leverage outperforms those of high leverage, while high leverage firms experience worse performance during crisis.

Similarly, Heydar, Elham, Valid &Mohse (2009),investigated the capital structure and firm financial performance of Iranian companies. Data was collected from the Tehran stock market on ROA and leverage on a sample of 28 companies under the domain of vehicle and parts of manufacturing sector, covering the period of 2005 to 2009. A negative significant relationship between ROA and leverage was found from the study.

Tanveer&Safdar (2013) empirically investigated the determinants of leverage of automobile firms listed on the Karachi stock exchange. The study used panel data of 132 firms and OLS regression for analysis from 2005 to 2010. The result shows that leverage is negatively correlated with profitability but not significant. Thus, it is preferable to use internal source of financing to meet their long term investment decision and should use leverage by considering the size, tangibility and growth factor of these firms.

Lorpev&Kwanum (2012) explored the relation between capital structure and firm performance of manufacturing companies in Nigeria. A sample of 15 firms was used from 2005 to 2007 for the analysis. However, leverage in this study was considered using three measures: short term debt to total assets (STDTA), long term debt to total assets (LTDTA) and total debt equity (TDE). The finding of the result shows that STDTA and LTDTA have a negative relationship with ROA, while TDE is positively related to ROA. But on the overall, there is a negative and insignificant relationship between capital structure and firm performance. Hence, capital structure is not a major determinant of firm performance.

On the other hand, Humera et al (2011), examines corporate governance on firm performance using leverage as a control variable of the study. Data on ROA and leverage were collected from the Karachi stock market between 2005 and 2009 on 20 firms from different industries. They found a positive relationship between ROA and leverage, contrary to previous results. Yana (2010) studied factors that determine firm performance of New Zealand listed companies and obtained a positive and significant relationship with performance.

Consistent with this finding, Laurent (2000) examined the relationship between leverage and corporate performance on European countries using 16, 700 manufacturing firms from seven countries. Leverage was found to have a positive and significant relationship with performance (profitability) for five countries and a positive relationship with low significance in two countries. Further, explains that profitability cannot be strictly considered as a performance variable to explain leverage, since profitability is the source of internal financing. As a result, there exists a negative impact of profitability on leverage, as a higher profit means a reduced need for external financing such as financial leverage. Thus, concludes that institutional factors influence the relationship between leverage and performance and as such the result varies across countries.

2.5.4 Liquidity Ratio and financial performance

Qasim&Ramiz (2011) studied the impact of liquidity ratios on profitability of oil and gas firms of Pakistan. The study found that liquidity (current ratio) has no significant relationship and impact on ROA, only liquidity ratio impacts on ROA. Zehra and Azam (2012) investigated the relationship between working capital management and firm performance. They considered 56 companies in Tehran stock exchange on regression model and correlation method. Thus, the study found a positive and significant relationship between working capital management and corporate performance.

Similarly, Muhammad &Syed (2011) examined the impact of working capital management (WCM) on firm's performance of non- financial institutions of Karachi stock exchange. Using a panel data of 21 listed firms over 2001 to 2010. The result found after analysis based on the canonical correlation showed that WCM has significant impact on firm's performance. The study concluded that managers can increase value of shareholder and ROA by reducing their inventory size. Amarjit and Neil (2011), carried out a research on the impact of board size, CEO duality and corporate liquidity on the profitability of Canadian service firms. Considering a total of 75 firms listed on Toronto stock exchange for 3yeras (2008 -2010). The result reveals that corporate liquidity positively impacts on profitability of firms.

Sanna&Sandra (2009), investigatedif the changing ofliquidity strategy is related to the profitability measured by return on assets (ROA). The sample of the study consisted of companies listed on Stockholm Stock Exchange(Small and Medium firms), with some restrictions. A quantitative research strategy was employed and data wascollected by using telephone interviews and financial ratios from the financial statements.Statisticalanalysis was conducted by using regression analysis of the change scores and profitability.The findingson the overall suggested that the adaptation of liquidity strategies do not have asignificant impact on ROA. Only increased use of liquidity forecasting and short-termfinancing during financial crisis had a positive impact on ROA. Moreover, it was found thatthe importance of key ratios, which monitors companies liquidity have not changed betweenthe studied time points.

Victor et al (2013) sought to find out the relationship between liquidity and profitability of banks. The study used panel data of 7 out of 9 listed banks of Ghana from 2005 to 2010.Thefinding from the work shows that liquidity and profitability have a positive and significant relationship, although the relationship is a weak one. That is, both liquidity and profitability position of the banks were declining.

Renato (2010) analyzed the relationship between liquidity and profitability in a group of companies comprising the major airline carriers in the world between 2005 and 2008. The sought to find the relationship between liquidity and profitability overshort and medium term, and also to observe how this relationship was affected by the financial crises of 2008.Using the financial data published by the companies, the relationship was studied with the help of statistical procedures and also a two-dimensional analysis. The result revealed a significant positive correlation between liquidity and profitability on the short run, contradicting the main literature. For the medium run it was confirmed that the relationship is positive. It was observed that in almost two third of the cases companies with a bad indicator of profitability or liquidity faced a deterioration of the other indicator. Thus and equilibrium betweenliquidity and profitability seems to be a condition for financial stability over the medium run. Finally it was observed that during the year of 2008 companies with a high liquidity indicator had a much better performance than the less liquid companies

2.5.5 Intangible Assets and financial performance

Most works reviewed in relation to intangibles did not give as a specific effect of intangibles on performance. Studies that tried doing this, had to categorize intangibles into groups, hence studying them differently. Klaus (2009)analysed the effect between intangible assets and financial performance influenced by three critical factors; trust, strategic relevance and participation. The study collected data from the heads of management by means of written questionnaire for 100 German business networks.

The result shows an interrelation between intangible and financial performance that is mainly influenced by strategic relevance and participation, while trust was found to have an insignificant effect on intangible performance.

Dimas (2012)examined the impact of intangible assets invested in acompany’s health during the world crisis period.Company performance, solvency ratio, dividend payout and debt proportion were indicators of company’s health considered in the study. Analyses of this study were conducted from these perspectives; market value of company, intangible value of company, the dividend policy, and corporate financial structures. The research involved 158 Indonesian stock listed companies and data were collected from 2006 until 2011. The empirical evidence reveals a significant positive relationship between the amount of intangible asset and the market value of company (performance).

Rindu (2015) examined the effect of intangible assets on return on assets. The study was conducted for manufacturing companies listed on IDX over the period 2007 to 2009. Analysis was performed with cross sectional and time series data for variables in the form of proportional changes. The finding from the study shows that intangible assets have a positive significant effect on firm performance. Consistent with the finding, is the study of Tsutomu et al (2010). The result found a positive significant relationship between intangible assets (firm specific human capital, research and development, brand equity, software, organizational change) and firm value (performance).

Finally, the study by Yana (2010) sought to find factors that determine firm performance in New Zealand firms. The finding from the study in terms of intangible assets reveals a negative and significant relationship between intangibles and firm performance (ROA). Explaining that, decreasing firm’s intangibles diminishes the firm’s ability to compete in market.

2.6 Theoretical framework

Themodern firm can be seen as a nexus of contracts between resources holders (Charles &Thomas, 1992). And so, a firm is regarded as a system where there are various stakeholders and its objective is to maximize stakeholders' wealth. Consequently, it is considered a black box operated so as to meet the relevant marginal conditions with respect to inputs and outputs. There by, maximizing profits or more accurately firm's present value. Considering this, several studies (Abdullah et al 2011; Gray and Birger1989; Costea 2006) have adopted different theories to under pin researches carried out on factors that determines firm performance. Such theories employed in these literatures include; agency theory, shareholders' theory and stakeholders' theory.

Agency theory explains the relationship that exists between the principal (shareholders, stakeholders and others) and the agent as well as defines responsibilities of agents. The theory posits that as the representatives of the shareholders, the managers are expected to act in such a manner that conforms to the shareholders' interest. Consequently, the corner stone of this theory is on the assumption that the interests of principals and the agents diverge. Hence, the need to come up with a theory that will be used to help settle the interests' conflicts that might arise between these parties. Also, it is possible that when the interests' conflicts of these parties arises, management would not be able to perform their duties which include maximization of shareholders wealth which is been reflected in the performance of the firm.

Shareholders' theory according to Michael (2010)emanates from an economic perspective. That considers the creation of wealth for its owners and the minimization of both the importance of the firm's interaction with its other constituencies and its role in society as the major purposes for the establishment of any firm. Again, Michael (2001) sees shareholder theory as encompassing the idea that the main purpose of business lies in generating profits and increasing shareholder wealth.

Stakeholders' theory on the other hand, broadens the shareholders' perspective on the creation of a firm and its value. The stakeholders' theory is an extension of the agency theory in that corporate accountability is no longer restricted to shareholders but to a broad range of stakeholders (Abubakar, 2013). The theory provides an appropriate lens for considering a more complex perspective of the value those stakeholders seek as well as new ways to measure it (Jeffrey & Andrew, 2013). This implies that the firm and its managers have a special obligation to perform and ensure that shareholders have a fair return on their investment. This is in addition to satisfying the obligation of other stakeholders which goes beyond those required by law. As such, the theory recognizes the importance of wealth creation as well as the firm's relationships with its multiple constituent groups.

The stakeholders' theory was propounded by Edward Freeman in the 1984, in his first work, assessing the role of actors in the firm's environment, whose work suggested that "other internal and external actors impacted firm behavior besides stockholders as the economic model suggests". The theory is anattempt to explain the relationship of the firm to its external environment, and its behaviour within this environment(Susan,1999). A firm's stakeholders are all those diverse individuals and groups (direct and indirect) who affect or are affected by a firm's actions. Therefore, stakeholdersrefer to a group of constituents who have a legitimate claim on the firm. This legitimate right and ownership is acquired by those involve through an exchange relationship.

In addition, from the definitions of stakeholders as those group who are vital to the survival of the corporation and those who can affect or its affected by the corporation (Freeman & Reed, 1983).The study believes stakeholders' theory explicitly considers the expectations and impacts of different stakeholders on a firm. This is so because, the long-term survival and success of a firm requires the support of all its stakeholders (which comprises of shareholders, creditors, employees, customers, suppliers, regulators, and local communities and impact on society at large).Implying that, the management of a corporation or a firm most often must respect the interests of its stakeholders as well as requires their support and approval for better performance.

Comparatively, both shareholders' and stakeholder' theories recognize and see the importance of the firm's financial success, the purpose of the firm and strategies to improve its competitive position; they just advocate different approaches to that end. Both theories are concerned with value creation and they are both built on the predication and assumption that firms should create as much value as possible within the boundaries of the law they operate. However, the stakeholders' theory differ from the shareholders' theory, in that the stakeholders' theory recognizes that a firm can maximize value by understanding how it affects and is affected by all its numerous constituencies. But, the shareholders' theory is in some way hostile toward actions not directly impacting the firm's main purpose of its establishment, whereas stakeholders' theory revolves around human decision-making.

The study however is underpinned by the stakeholders' theory. This theory is considered appropriate for the study as it considers all and sundry of a firm very important to the survival, success and improvement of the firm performance. As the theory explicitly spells out the special obligations of the managers to perform to ensure that stockholders have fair return on their investments in additions to satisfying other stakeholders beyond what the law requires. More so, since the performance measure (return on assets) used by the study is arrived at from the additions of all funds made available to the firm through different means and sources, the stakeholder' theory is able to cover these various parties interest points.

CHAPTER THREE
STATEMENT OF METHODOLOGY

3.1 Introduction

This chapter consists of details on the research design and methodology to be applied in this study. It discusses the methods of investigations; the population and sample size of the study, method of data collection, sources of the data, techniques for data analyses and its justification were also discussed adequately.

3.2 Research Design

This study adopts the use of correlation research design in examining the determinants of firm performance of listed food and beverage firms in Nigeria. The choice for this design was informed by the research paradigm which is of the positivist philosophical research paradigm. The study uses historical data independent of the researcher as such it fits into the objectivity stance of positivism. Thus, the researcher follows the ontological and objective view, which gives no room for any form of biasness. As such, the design is considered appropriate for finding out factors that determine firms' performance and establishing meaningful relationships between variables as well as understanding the impact made by these factors on performance.

3.3 Population and Sampling

The population for this study is the listed foods and beverage industry in Nigeria as at 31st December 2013.Foods and beverages industry is all companies involved in the processing raw food materials, packaging and distributing them. They include fresh, prepared foods as well as packaged foods and alcoholic and non- alcoholic beverages. Therefore, any product meant for human consumption aside from pharmaceuticals passes through this industry.

The food and beverage industry was chosen for this research because of the sizeable growth of the industry as a whole, its sustained profitability and the possible change of the industry.

In addition, the rapid growth and development that is on-going in the industry as a result of high priority given by the government to the manufacturing sector is also a reason for this industry choice.

The industry consists of nine (9) firms quoted in Nigeria stock exchange. These firms include: Nestle plc, 7up bottling company plc,Cadbury plc, UTC Nigeria plc, Flour mills of Nigeria plc, Nigeria bottling company plc, National salt, P.S mandries and company and Tantalizers.

The sample sizeconsists of firms that have available data for the period of the study which is 2004 – 2013. Therefore, this will be the basis on which inference would be drawn for the study as well as the industry in Nigeria. Hence, only five out of the total population nine (9) quoted companies was sampled for the study. This number was arrived at through the use of filters, as follows;

a. Sample firms must have complete data for the number of years under consideration.

b. Only firms listed as at 2004 were included.

3.4. Sources and Methods of Data Collection

Secondary source of data was employed for this research, using financial and statistical formulas as methods to arrive at figures for further statistical computation and analysis. Historical data of return on assets, firm size, firm age, firm leverage liquidity ratioand intangible assetswere sourced from published annual report of firms concerned. Other secondary data and financial reports were also extracted from fact book, websites, and Nigeria stock Exchange. The justification for the use of secondary datais based on the reason that this study is a quantitative research, which tries to find out an after math effect, as such data historical in nature were analyzed.

3.5 Techniques of Analysis

The study employs multiple regression as the technique of analysis, the independent variables (firm size, firm age, leverage, liquidity ratio and intangible assets) were regressed against one independent variable (ROA). Regression is widely used to determine the association between independent and dependent variables. In order to check for endogeneity, the study employs the Hausman specification test. This test is necessary given that there is a tradeoff between fixed effect and random effect model. Hausman test is used to differentiate between the fixed and random effect models in a panel data of which fixed effect is preferred for the alternate hypothesis while the random effect is preferred under the null hypothesis.

The test evaluates the significance of an estimator versus an alternative estimator; and was used to test the linear regression model developed for the study. Additional robustness tests adopted in this research includes the test for multi-colinearity using the Variance Inflation Factor (VIF) and the Breutsch-Pagan test for heteroskedasticity, to check for the fitness of model and reliability of findings

3.6 Variable Definition and Measurement

Dependent variable

Dependent variable used for this research is financial performance proxy by return on asset (ROA) measured as earnings before interest and tax scaled by total asset (Yana 2010; Bala et al 2005).

Independent variables

The independent variables for this study are firm size, firm age and leverage and liquidity ratio. Firm size measured as natural log of total assets, firm age is the difference between the current year and the year of incorporation. While firm leverage is the total debt to total assets, intangibles measured as the total sum incurred to acquire such assets and liquidity ratio is measured as the total current assets divided by the sum of current liabilities.

Table 1: Variable Definition and Measurement

S/N	VARIABLE	MEASUREMENT	SOURCES
1	Return on assets	Earnings before interest and tax scaled by total assets	Yana (2010)
2	Firm size	Natural log of total assets	Zahid et al (2013); Tanveer and Safdar (2013);Humera et al (2011)
3	Firm age	Current year minus year of incorporation	Makato and Pascal 2011
4	Leverage	Total debt/total assets	Abdullahi et al (2011)
5	Liquidity ratio	Current asset/ current liability	Abang (2012); Zehra and Azam (2012) ; Qasim and Ramiz (2011);Sunday and Obida (2010); Aloy (2008)
6	Intangible assets	Total sum incurred to acquire intangible assets.	Yana (2010)

3.7 Model specification

In order to find the determinants of performance of listed food and beverages firms in Nigeria, the study considered a linear regression model. This equation is hereby formulated to test the hypotheses in order to get the multiple regression results.

ROA_{it}= f ($\beta_1 SIZE_{it}$, $\beta_2 LEV_{it,}$ $\beta_3 AGE_{it,}$ $\beta_4 LIQ_{it}\beta 5INTAN$)

ROA_{it}= α+ $\beta_1 SIZE_{it}$+ $\beta_2 LEV_{it}$ +$\beta_3 AGE_{it}$ + $\beta_4 LIQ_{it}$ +$\beta 5INTAN$ + e_{it}

Where:-

ROA_{it} (RETURN ON ASSET) = earnings before interest and tax by total assets of firm *i* at time *t.*

$SIZE_{it}$ (FIRM SIZE)= natural log of total assets of firm *i* at time *t*.

LEV_{it} (LEVERAGE) = total debt to total assets of firm *i* at time *t*.

AGE_{it}= the difference between the current year and the year of incorporation of firm *i* at time*t*.

LIQ_{it}= current assets divided by current liabilities of firm *i* at time *t*.

$INTAN_{it}$= Total sum incurred to acquire the intangible assets of firm *i* at time *t*.

3.8 Justification of Methodology

For the purpose of determining the factors that impact firm financial performance of listed foods and beverages firms in the Nigeria stock exchange, secondary data was needed since it was difficult to get first-hand information on the variables used. Model specification is as justified the numbers of independent variables are regressed againstthe dependent variable. The study of Abdullah et al (2011) considered similar model specification; though firm age, intangible assets and liquidity ratio were not considered at all when conducting their studyon determinants of firm performance.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter deals with the presentation of data, the robustness test which includes test for multi-colinearity and heteroskedasticity test. The chapter also presents the result of multiple regressions, discussion of findings in relation to previous results, test of research hypothesis and policy implication of findings. Using stata 13 to analyze the result,the presentation comprises of descriptive statistics, correlation matrix, heteroskedasticity test, multi-colinearity test and followed by fixed effect regression result.

4.2 Data Presentation

The data of returns on assets, leverage, firm age, liquidity, firmsize and intangible assets are presented in this section. See appendix A.

4.3 ResultPresentation

The presentation of result comprises of descriptive statistics, correlation matrix, heteroskedasticity test, multi-colinearity test and followed by fixed effect regression result.

4.3.1 Descriptive Statistics

This section contains the description of the properties of the variables ranging from the mean of each variable, minimum, maximum and standard deviation.

Table 1

Variables	**Mean**	**Minimum**	**Maximum**	**Std deviation**
ROA	0.1402	-0.2111	0.4336	0.1362
Firm size	2.8892	2.7642	3.0215	0.6996
Fage	50.68	40	62	6.0893
Leverage	0.6617	0.125	1.1182	0.1505
Intangible assets	2.2748	0	16.2749	4.6718
Liquidity	1.1051	0.1456	1.8841	0.4168

Source: output of descriptive statistics using STATA 13

Table 1 describes the data of the study. It shows that ROA has a mean score of 0.1402;this implies that the average score of return on asset in this domain is 0.14. ROA has a standard deviation of 0.1363, showing that the deviation from the mean is quite minimal hence; the data are clustered around the mean. The minimum value of ROA for the firms is -0.2111 and a maximum value of 0.4336. This statistics reveals that the level of deviation of the minimum from the maximum value is high. Thus, indicating that some firms has very high return on assets, while others experience low returns.

Firm size has a mean score of 2.8892, which implies that the average total asset of firms in the industry is 2.8892. It further shows that firm size has a standard deviation of 0.6996, indicating a minimal deviation from the expected mean. This implies that the data is clustered around the mean. The result also shows a minimum value of 2.7642 and a maximum value of 3.0216. This explains a reasonable level of difference in the investment and acquisition of firms' total assets.

Leverage has an average score of 0.6617, which indicates that firms' total debt is able to cover total asset to about 0.66 times approximately. It further shows a standard deviation of 0.1505, which was found to be on the high side implying a low impact on performance. Similarly, leverage has minimum value of 0.125 and a maximum value 1.1182. This explains that some firms use high level of debt (highly levered) to operate and run their activities and some others do not and or consider low debt in financing their activities.

Liquidity from the table has an average score of 1.1051; which explains that firms in the industry are able to meet their short term obligations (current liabilities) up to 1.11 times. The statistics further shows a standard deviation of 0.4168which was observe to be relatively high. The result also shows that liquidity ratio has minimum value and maximum value of 0.1456 and 1.8841 respectively.

The statistics of firm age from the table reveals that the mean value is 50.68, which implies that the average age of the firms in the industry is approximately 51 years, standard deviation is 6.0893, which is the high and implies that firm age is widely scattered around the mean. The table also shows that firm age has a minimum value of 40, explaining the minimum age of the firms in the industry and a maximum value of 62, indicating that most of the sampled firms and other firms of the industry are not above age 62 after listing on the stock exchange.

Finally,Intangible assets from the table has a mean value of 2.2748; which implies that the average value of intangible assets of the firm is 2.2748 which does not substantially differ from the standard deviation of 4.6718, indicating that the variation is not too high. Hence, data can be sad to be clustered. Furthermore, intangible assets from the table have a minimum value of 0 and a maximum value of 16.2749 respectively.Reflecting the lowest and highest amount used to acquire intangible assets by firms in the industry. The original figures for the intangibles were scaled using the STATA 13.

4.3.2 Correlation Matrix

This section is meant to explain the level of relationship that exists ordinarily among the variables under investigation. It helps to reveal high relationship among variables which is surmountable to multicolinearity.

Table 2

	ROA	**FSIZE**	**FIRM AGE**	**LEVERAGE**	**INTANGIBLE ASSETS**	**LIQUIDIY**
ROA	1.0000					
FSIZE	-0.2427	1.0000				
FIRM AGE	-0.0653	0.5157	1.0000			
LEVERGE	-0.1388	-0.3795	-0.3374	1.0000		
INTANGIBLES	0.0453	0.0916	0.1162	-0.1660	1.0000	
LQUIDITY	0.3861	-0.3662	-0.3966	-0.1842	0.0666	1.0000

Source: output of correlation matrix using STATA 13.0

Table 2 reveals the degree of relationship between the dependent and independent variables and among the independent variables as well as the level of their significance. ROA from the table has a negative correlation with firm size of -0.2427. ROA also has a negative relationship of -0.1388 with leverage. Furthermore, the relationship between ROA and liquidity is 0.3861, explaining a positive relationship. While firm age and ROA, has a negative relationship of - 0.0653.Finally, intangible assetsand ROA has a positive correlation of 0.0453. Generally, the result from the table shows that problem of multicolinearity is not anticipated. Though, a further test will be carried out to ascertain this condition.

4.3.3 HeteroskedasticityTest

This test is used to check the normality of residuals in the result. From the table however, the chi has a value of 0.00 and a probability of 0.9980. This gives us prove that there is absence of heteroskedasticity in the study, since it is not significant at 5%. Thus, the null hypothesis that states that the residuals have no constant variance and zero mean is rejected.

4.3.4 MulticolinearityTest

Table 3

Variable	**VIF**	**TV**
FIRM SIZE	1.71	0.5840
FIRM AGE	1.65	0.6048
LEVERAGE	1.55	0.6463
INTANGIBLE ASSETS	1.09	0.9206
LIQUIDITY	1.54	0.6478
MEAN VIF	1.51	

Source: output of VIF test using STATA 13.0

Multicolinearity test is used to test the absence of multicolinearity among independent variables of the study. Table3 shows that firm size, firm age,intangibles, leverage and liquidity have Variance Inflator Factor (VIF) of 1.71, 1.65, 1.09, 1.55 and 1.54 respectively.

With firm size, having the highest VIF .This implies that, the VIF of the variables are within the acceptable range of higher than 1 but less than 10 that is, zero multicolinearity among regressors which is further confirmed by the overall mean VIF of 1.51. Similarly, the Tolerance Values (TV) of 0.5840, 0.6048,0.9206,0.6463 and 0.6478 for firm size, firm age, intangible assets, leverage and liquidity respectively fall within the accepted range of not less than 0.10.

4.3.5 Hausman Specification Test

Considering that a panel data is involved in this analysis, the hausman specification test was conducted to give us an insight into the actual test to be performed. Hausman specification test evaluates the significance of an estimator versus an alternative estimator; it helps to differentiate between fixed effect model and random effect model in a panel in order to determine a more effective model.From the hausman test, the chi value in the result showed a significant probability therefore the fixed effect regression will be preferred as against the use of a random effect regression which would have been considered if the probability of the chi value turns out to be insignificant.

Table 4 Fixed Effect Regression Result

Variable	Coefficient	t- value	p- value
Firm size	-0.4605764	-1.50	0.141
Firm age	0.0076319	2.04	0.048*
Leverage	-0.1514684	-2.02	0.050*
Intangibles assets	-0.0025139	-1.28	0.209
Liquidity	0.0898102	3.30	0.002**
F- statistics		8.53	0.0000**
R- squared		0.1430	

Source: output of robust linear regression using STATA 13.0 (*****and ** represent significant levels at 5% and 1%)

ROA = 1.091- 0.461fsize - 0.151lev + 0.089liq + 0.007 fage- 0. 003 intangibles

From the table, firm size has a coefficient of – 0.4606, t- value of -1.50 and p- value of 0.141 which explains a negative non significant relationship with ROA. This implies that any 1% increase in firm size results to 0.4606 % change in ROA that is, as firm size increase, there is a reduction in ROA holding all other variables constant, even though there is no statistical significant evidence. This finding contradicts that of Abdullahi et al (2011) who documented a negative correlation between firm size and return on asset and considers firm size as the strongest contributor that explains ROA in their model. While the studies by Yana (2010) and Pavlos (2008) contradict this finding, as their studies found a positive and significant relationship between firm size and return on asset. Therefore, this study fails to reject the null hypothesis which states that firm size has no significant impact on return on asset.

The coefficient of leverage reveals a negative but significant impact on return on assets since the coefficient is -0.1515, t- value is -2.02 and p- value is 0.050. This implies that for every 1% increase in leverage there is a resulting 0.1515% decrease in return on asset with statistically significant evidence. This implies that the returns on assets reduces with increase in leverage all other variables held constant and the result is convincing since t-value is statistically significant. This result is in tandem with the findings ofHeydar et al (2009); Tih (1998) who found a positive and negative significant relationship respectively between leverage and ROA (performance). But, contradicts the studies of Laurent (2000); Yana (2010); Humera et al (2011). Thus, the study rejects the null hypothesis; leverage has no significant impact on return on assets.

The liquidity coefficient shows a positive significant impact on return on assets since the coefficient is 0.0898, t- value of 3.30 and p- value of 0.002. This implies that for every 1% increase in liquidity, there is resulting 0.09% increase in return on asset and significant at 1% holding all other variables constant. This result confirms the work of Ben et al (2013);

victor et al (2013), while it contradicts the findings of Qasim and Ramiz (2011).The study therefore, has enough evidence to reject the null hypothesis that states liquidity as a determinant of firm performance has no significant impact on return on assets.

For firm age as a determinant of firm performance, the result reveals that firm age has a significant positive impact on return on asset with coefficient of 0.0076, t- value of 2.04 and p- value of 0.048. It implies that every 1% increase in firm age leads to a 0.008% increase in return on asset holding other variables constant. This result confirms the study of Erasmus (2013); Muhammad and shahimi (2013) who found positive significant effect on firm performance and negates the studies of Sumit (1997); Alex et al 2006; Claudia and Urs (2009) that foundfirm age has a negative significant impact on return on assets. Therefore, the study has enough evidence to reject the null hypothesis; firm age has no significant impact on return on assets.

The intangible assets coefficient shows that intangibles has a negative insignificant impact on return on asset with coefficient of 0.0025, t- value of -1.28 and p-value of 0.209. This explains that for every 1% increase in intangible assets causes a decrease on return on asset by 0.0025% and it is not statistically significant. This finding contradicts the works of Tsutomu et al (2010) that revealed a positive and significant impact on firm performance and that of Yana (2010) that showed a significant negative impact on firm performance. Therefore, the study has sufficient to conclude on the hypothesis, hence wefail to reject the null hypothesis; intangible assets have no significant impact on return on asset.

The aggregate value impact on return on assets shows that firm size, leverage, firm age, liquidity and intangible assets explain an overall variation in return on assets of 14% as indicated by the R-squared (0.1430). While 86% variation in return on assets, is caused by other factors not captured in the model of this research. The table further reveals that F-statistics is 8.53 and F-significance is 0.0000 which shows that the model is fit and significant at 1%.

4.4 Discussion of Findings

In this section of the study, the findings of this research will be discussed in line with expectations of the studyand in comparison with the findings of past researches.

4.4.1 Firm size and ROA

The expectation is a positive significant impact that is, as total asset increases there should be a corresponding increase in ROA. But it was a contrary result from this study. Firm size has a negative- non significant impact on ROA. This means that, an increase in the total asset of a firm leads to decrease in ROA, but not statistically significantand as such not a determinant of performance. The findings of Bala et al (2005); Abdullahi et al (2011); Gray and Birger (1989); Pawan and Shuangi (2014) contradicts the finding of this study as they found that firm size has a negative significant impact on firm performance. Also, the studies of Yana (2010); Agustinus and Rachmadi (2008); Pavlos (2008); Owen and Paul (2003); contradicts the finding of this study as they found a positive significant impact of firm size on firm performance.

The variation in findings of this study from others could be explained as possible where the use of total assets of a firm were not maximized. This is so because, if the total assets of food and beverage firms where effectively used, it would have led to a significant increase in return on assets which is the proxy for firm performance in this study. Similarly, the previous researches that contradict the findings of this work are all foreign based researches which could be the reason for the differences. Another reason for the contradiction of the findings of this study form other works could be as a result of the time frame, geographical location, number of firms studied and economic stability as at the time these studies were conducted.

4.4.2 Leverage and ROA

The result reveals that leverage is a determinant of performance as it has a negative significant impact on return on asset, though contradicts our expectation of a positive significant impact on return on assets. Since it is believed that when extra funds (leverage) are sourced, they should be invested to produce high profit to meet creditors' expectations (interest) and likewise that of the shareholders. However, this study is in line with the findings of Lorpev and Kwanum (2012); Tih (2008) but not in line with the findings from the studies of Humera et al (2011); Laurent (2000) that found a positive significant impact of leverage on ROA.But the findings on the overall,confirm that leverage cannot not be strictly considered as a variable that explains profitability since profitability is a source of internal financing. Consequently, higher profit means a reduction in the need for external financing such as financial leverage (Laurent, 2000), that is internal source of financing is preferable to meet firms' long term investment. Thus, investment decision should be used by considering size, tangibility and growth factor (Lorpev and Kwanum, 2012).

The difference in the findings from this study and other literatures considered, could be possibly explained from measurement variable of leverage, the domain considered data type and others .While this study used total debt (long term and short term debt) to total asset as it measurement, Lorpev and Kwanum (2012) used (STDTA, LTDTA and TDE) and these measurement gave similar findings, which could be as a result of the same country of study, hence country specific characteristics is considered to be very effective. But Tih (1998), measured leverage using long term debt to total asset and produced a different result.

4.4 3 Firm age and ROA

The result reveals that firm age has a positive significant impact on return on assets which meets our normal expectation. This implies that, as firm grows in age, it should be able to understand its strength, weaknesses, threats and opportunity. Consequently, such firm is expected to work on its opportunities to do better. The result from this study is supported by the study of Erasmus (2013), but this result contradicts the works of Sumit (1997); Alex et al (2006) whose studies reported a negative significant impact on return on assets. Even though, they have studied a larger number of firms, different domain but almost the same time period.

The finding of a negative significant impact of age on return on assets by the above studies confirms the assumption that firm deteriorates as it grows older. That is, firm declines in its performance as it grows older as it is unable to solve collective action problem (Claudio and Urs, 2009). This assertion is further explained that why some firms will do better and improve their ROA as they age, others might not survive the future hence; they will go out of existence.

4.4.4 Liquidity and ROA

Liquidity relates to the management of current assets and current liabilities of a firm. The normal expectation is that a firm should always be liquid to meet financial obligations as they arise in order not to negatively affect performance. Yet, a firm cannot make profit and improve its performance if it keeps cash and its equivalent without investing such fund into profitable ventures.

The result of this study reveals a positive significant impact of liquidity on return on assets. This finding is affirmed by the result and finding of Ben et al (2013); Victor et al (2013) and Zehra and Azam (2012). While the result of the present study, contradicts the findings of Qasim and Ramiz (2011); Amarjit and Neil (2011) and Abang (2012). Again, the differences in the findings could be as a result of variation in time frame, domain, economic position of the country and others factors.

4.4.5 Intangible assets and ROA

The value of business increasingly lurks not in physical and financial assets that are on the balance sheet but also in intangibles. This means that the normal expectation will be that increase in intangible assets of a firm should result to an increase in performance (ROA). But, the result reveals that intangible assets have negative insignificant impact on return on assets. This finding contradicts the studies of Yana (2010) and Tsutomu et al (2010) that found a negative and positive significant impact on return on assets respectively.

4.5 Test of Hypothesis

The following were hypothesized, firm size has no significant impact on financial performance of listed foods and beverages firms in Nigeria, firm age has no significant impact on financial performance of listed foods and beverages in Nigeria, leverage has no significant impact on financial performance of listed foods and beverages firms in Nigeria, liquidity ratio has no significant impact on financial performance of listed foods and beverages firms in Nigeria and intangible assets has no significant impact on financial performance of listed foods and beverages firms in Nigeria.

Consequently, base on the discussion offindings from the results presented in table 4, the study therefore test the null hypotheses as enumerated ealier that firm size does not significantly impacts financial performance, hence fails to reject the null hypothesis. Firm age was found to be statistically significant, we therefore rejects the null hypothesis. Furthermore, leverage was also found to be statistically significant so we reject the earlier assumption. Similarly, liquidity ratio was found to be significant and the null hypothesis is rejected.

Lastly, intangible assets was found to not to be significant, thus we fail to reject the null hypothesis.

4.6 Policy Implications of Findings

This research is significant to all stakeholders of a firm, hence the findings from the study considers possible policy that could be set for foods and beverages industry to attain better financial performance position and meet the interests and expectations of all stakeholders . The policy implications that arise from the findings of this study includethe following;

1. Since it's evident from the studythat the liquidity of a firm improves and impacts on financial performance. However, sometimes high level of liquidity in a firm can limit performance, but this depends on the industries. It then means that policy on liquidity should be set base on the particular industry (industry specific). For example firms in the banking industry would be expected to be more liquid as they require liquid fund to meet customers' need than a service industry that will often required liquid fund. Likewise, foods and beverage firms would be requiredto maintain a reasonable level of liquidity when compared to the service industry (firms).
2. Though firm size from the study does not determine financial performance that is either a high or low value in total assets (intangibles inclusive) does not impact performance, which is not suppose tobe the case. As it is expected that when a firm invest significantly into total assets there should be a corresponding returns. But if otherwise is achieved, the implication is thatassets (including intangibles) were not properly maximized. Hence, a policy should be set that where by an asset is not in use, it should be disposed.

3. Finally, it is expected that debt should increase performance. If debt has not increased financial performance, it means firms have engaged in unprofitable ventures using debt or leverage was considered as extra way to raise funds without considering the cost of capital in comparison with the investment. The policy implication should be that only profitable projects should be encouraged otherwise, all benefits would accrue to the provider of capital who must always be settled at the due date for repayment of debt.

In conclusion, the aforementioned policies for the study are linked and built on the stakeholders' theory as propounded by Freeman, 1984 and used in the study that all variables considered in the research work must at all times be used and maximized by agents and managers of the firms to meet the expectations of all groups that have a stake directly or indirectlyin the financial performance of the firm.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5. 1 Summary

Performance is a controversial issue in finance, largely due to its multi-dimensional meanings as opined by Jegers (1987). However, in analyzing firm performance, emphasis should be made in formulating an adequate description of the concept of firm performance. This will help to uncover the different dimensions upon which firm performance should be evaluated. Consequently, firm performance is used as measure to dictate an organization's growth and development. Thus, it shows the level of improvement made by an organization within a period of time. Firm size, firm age, leverage, intangible assets and liquidity ratios are variables considered in this study as possible financial performance determinants.

The literatures related to this work were reviewed from conceptual issues as; firm performance, return on asset, empirical review as regards firm size, firm age, leverage, intangible assets , liquidity and theoretical issues of which agency and stakeholders theories were used to underpin the study. The research design employed was correlational design and secondary data on both dependent and independents variables were sourced from published annual reports of the firms form 2004 – 2013. Multiple regressions were employed in order to establish relationship between variables.

In order to test the fitness of the model of the study, heteroskedacity test was carried out to check for the presence or absence of constant variance and VIF test for multicolinearity which indicated that the model is fit and finally Hausman specification test in order to choose between the random and fixed effect regression. The test specified the use of fixed effect regression to further analyze and confirm the result, as to whether these variables are determinants of performance.

The study found out that firm size, intangible assets and leverage negatively impacts on return on assets, though the impact offirm size and intangible assets were found to be insignificant. While firm age and liquidity ratio, reveal a positive significant impact on return on assets at 5% significant level respectively.

5.2 Conclusions

A firm is a legal fiction which serves as a nexus for a set of contracting relationship among individuals. Despite this contracting relationship that exists among them, these individuals have various interest points and thus struggle that their interest points are met. Implying that, shareholders and others stakeholders of a firm always expect and look forward for high and better performance result. Hence, there is a need for managers of firms to be at their best to ensure that performance does not decline or the firm they oversee does not fail or go out of existence. The study therefore concludes based on the findings of the result that;

1. Firm size is not a determinant of financial performance of listed foods and beverages companies in Nigeria.
2. Leverage is a determinant of financial performance of listed foods and beverages companies in Nigeria.
3. Liquidity ratio is a determinant of financial performance of listed foods and beverages companies in Nigeria.
4. Intangible assets donot determine financial performance of listed foods and beverages firms in Nigeria.
5. Firm age is a determinant of financial performance of listed foods and beverages firms in Nigeria.

The conclusion from the study when compared tosome of the foods and beverages companies, for example UTC Nigeria, National salt, Tantalizers and others shows that the conclusions on firm size, intangible assets, firm age , leverage and liquidity are justified. Because, some of these firms are no longer in existence, which could be as a result of not effectively and efficiently maximizingthese variables for better output, giving us an explanation and a reason for their failures in operation.

However, the conclusions also does not in totality confirms nor justifies the reality of other foods and beverages companies who are currently operating well in Nigeria, for example 7UP bottling company, Nigeria bottling company, Cadbury plc and flour mills of Nigeria plc. The reasons could also be that the companies have understood the industry and have maximized all resources and variables under study to get them to the present state of their business operations.

5.3 Recommendations

Following the findings of this study, we therefore recommend that;

1. The study recommends that only needed assets should be invested and acquired by management of food and beverage firms in Nigeria which might likely impact financial performance.
2. The foods and beverages firms should borrow only for profitable ventures. Otherwise, alternative means of funding should be employed. Though, such condition is not what is obtainable inreality in the companies, howeverthese companies should not compromise in the future.
3. Foods and beverages firms in Nigeria should always maintain a reasonable level of liquidity ratio, which is the case. Since liquidity ratio if managed adequately, helps to meetfirms' obligations when they fall due and also able to increase returns on assets.
4. Intangible assets of foods and beverages firms must at no time,allowed to be under optimally used , since firms in other to compete favorably now acquire a large

proportion of intangible assets(human resource, invest huge funds on research and developmentand others) to allow them achieve desired result.

5. Foods and beverages firms in Nigeria should always and continue to maximize opportunities and advantages that align to older firms operating in the market for better improvement in operations and increase in performance, since older firms are able to enjoy larger economic of scales.

5.4 Limitations of the study

The study in its best way has tried to establish the determinants of financial performance of listed foods and beverages firms in Nigeria. However, the study is not completely lacking in limitations. The following are considered the possible limitations of the study;

1. The study concentrated on only listed foods and beverages firms, therefore its findings may not be extended to others firms in other industries, countries or time frame.
2. The study concentrated on internal or traditional factors, therefore the findings may not be conclusive when considering external or uncontrollable factors that could likely determine performance of a firm.
3. The study used only an industry of the manufacturing sector, thus the findings may not be used or considered as a generalization to other industries of the sector.
4. Finally, the study could be limited in the number of variables studied as the inclusion of more variables could give a differentresult for better inference and policy making.

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APPENDIX A

POPULATION OF THE STUDY

Food and beverages firms listed as at 31st December, 2013

1. Nestle plc

2. 7up bottling company plc
3. Cadbury plc
4. UTC Nigeria plc
5. Flour mills of Nigeria plc
6. Nigeria bottling company plc
7. National salt
8. P.S mandries and company
9. Tantalizers

SAMPLE OF THE STUDY

1. Nestle plc
2. 7up bottling company plc
3. Cadbury plc
4. Flour mills of Nigeria plc
5. Nigeria bottling company plc

```
  ___  ____  ____  ____  ____ (R)
 /__    /   ____/   /   ____/
___/   /   /___/   /   /___/   13.0   Copyright 1985-2013 StataCorp LP
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Notes:

1. (/v# option or -set maxvar-) 5000 maximum variables

. edit

. *(8 variables, 50 observations pasted into data editor)

. replacefsize=ln(fsize)

fsize was long now double

(50 real changes made)

APPENDIX B

DESCRIPTIVE STATISITICS

. summarizeroafsize leverage liquidity intangibles age

Variable | Obs Mean Std. Dev. Min Max

Roa	50	.14016	.1362643	-.2111	.4336
Fsize	50	2.889215	.0699554	2.764188	3.021548
Leverage	50	.661672	.1504996	.125	1.1182
liquidity	50	1.105104	.4167974	.1456	1.8841
intangibles	50	2.274831	4.67178	0	16.27493
age	50	50.68	6.089268	40	62

APPENDIX C

CORRELATION MATRIX

| roafsize leverage liquid~yintang~s age

-------------+---

roa | 1.0000

fsize | -0.2427 1.000

leverage| -0.1388 -0.3795 1.0000

liquidity | 0.3861 -0.3662 0.1842 1.0000

intangibles | 0.0453 -0.0916 -0.1660 0.0666 1.0000

age | -0.065 0.5157 0.3374 -0.3966 0.1162 1.0000

APPENDIX D

OLS REGRESSION

Source | SS df MS Number of obs = 50

-------------+------------------------------ F(5, 44) = 2.15

Model | .178928633 5 .035785727 Prob> F = 0.0766

Residual | .730901915 44 .016611407 R-squared = 0.1967

-------------+------------------------------ Adj R-squared = 0.1054

Total | .909830548 49 .01856797 Root MSE = .12889

----

roa | Coef. Std. Err. t P>|t| [95% Conf. Interval]

-------------+--

fsize | -.4943879 .3444196 -1.44 0.158 -1.18852 .1997442

leverage | -.1133771 .1521811 -0.75 0.460 -.420078 .1933237

liquidity | .1101201 .0548854 2.01 0.051 -.0004941 .2207344

intangibles | -.0011653 .0041075 -0.28 0.778 -.0094434 .0071129

age | .0036149 .0038882 0.93 0.358 -.0042212 .011451

_cons | 1.341327 1.035646 1.30 0.202 -.7458802 3.428534

APPENDIX E

HETEROSKEDASCITY TEST

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of roa

chi2(1) = 0.00

Prob>chi2 = 0.9980

APPENDIX F

MULTI-COLINEARITY TEST

```
   Variable |       VIF       1/VIF
-------------+----------------------
fsize |        1.71    0.583971
```

age | 1.65 0.604770

leverage | 1.55 0.646276

liquidity | 1.54 0.647808

intangibles | 1.09 0.920638

-------------+----------------------

Mean VIF | 1.51

APPENDIX G

FIXED EFFECT REGRESSION

. xtregroafsize leverage liquidity intangibles age,fe

Fixed-effects (within) regression Number of obs = 50

Group variable: id Number of groups = 5

R-sq: within =0.5160 Obs per group: min = 10

between = 0.0187 avg = 10.0

overall = 0.1430 max = 10

F(5,40) = 8.53

corr(u_i, Xb) = -0.0540 Prob> F = 0.0000

roa	Coef.	Std Err	t	P>|t|	[95% Conf. Interval]	
fsize	-.4605764	.306411	-1.50	0.141	-1.079856	.1587033
leverage	-.1514684	.0748829	-2.02	0.050	-.3028124	-.0001244
liquidity	.0898102	.027212	3.30	0.002	.0348128	.1448076
intangibles	-.0025139	.0019703	-1.28	0.209	-.0064959	.0014681
age	. 007631	.0037421	2.04	0.048	.0000689	.0151949
_cons	1.090771	.7974005	1.37	0.179	-.5208359	2.702377
sigma_u	.12901672					
sigma_e	.05381511					
rho	.85179831 (fraction of variance due to u_i)					

APPENDIX H

RANDOM EFFECT REGRESSION

F test that all u_i=0: F(4, 40) = 53.09 Prob> F = 0.0000

. est store fixed

```
. xtregroafsize leverage liquidity intangibles age,re

Random-effects GLS regression                    Number of obs      =       50
Group variable: id                               Number of groups   =        5

R-sq:  within  = 0.4799                          Obs per group: min =       10
between = 0.0960                                  avg =      10.0
overall= 0.1967                                   max =       10

Wald chi2(5)       =     10.77
corr(u_i, X)   = 0 (assumed)                   Prob> chi2        =    0.0561

------------------------------------------------------------------------------
roa |      Coef.         Std. Err.          z     P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
fsize |      -.4943879   .3444196    -1.44   0.151      -1.169438    .1806621
leverage |  -.1133771   .1521811    -0.75   0.456   -.4116466    .1848924
liquidity |   .1101201   .0548854     2.01   0.045    .0025467    .2176935
intangibles | -.0011653   .0041075  -0.28   0.777    -.0092159    .0068853
age |            .0036149   .0038882    0.93   0.353    -.0040058    .0112355
     _cons |   1.341327   1.035646    1.30   0.195    -.6885017    3.371155
-------------+----------------------------------------------------------------
sigma_u |          0
sigma_e|  .05381511
rho |          0   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

APPENDIX I

HAUSMAN SPECIFCATION TEST

---- Coefficients ----

| (b) (B) (b-B) sqrt(diag(V_b-V_B))

| fixed random Difference S.E.

-------------+--

fsize	-.4605764	-.4943879	.0338115	.
leverage	-.1514684	-.1133771	-.0380913	.
liquidity	.0898102	.1101201	-.0203099	.
intangibles	-.0025139	-.0011653	-.0013486	.
age	.0076319	.0036149	.004017	.

----

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B)

= 165.77

Prob>chi2 = 0.0000

(V_b-V_B is not positive definite)

. save "E:\RESULT STATA 13.dta"

file E:\RESULT STATA 13.dta saved

. save "E:\result.dta"