UNILAG JOURNAL OF BUSINESS VOL. 10 NO. 1, APRIL 2024, 82-92
https://doi.org/10.52968/11206713

IMPACT OF FIRM CHARACTERISTICS ON FIRM VALUE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract
Firm value of money deposit banks in Nigeria has been an issues of concern among the depositors. There could be some factors that hinders such value. As such, this study aim is to investigate the firm characteristics on firm value of 13 Deposit Money Banks that are listed on the 31st December, 2023 under the umbrella of regulatory Nigeria Exchange of Stock. The period covered in the course of this study is 10 years which consist of 2014-2023. In measuring, firm value was connected to value of market equity plus debts of total divided by the summation all assets. Firm characteristics measured are as follows; firm size, (natural log of total assets), firm leverage, (total debt/total assets), firm age, (the number of years when firms are listed in Nigeria stock exchange and start operation). The research design of Ex-post facto was employed in this study. During data analysis the following were obtained because of the nature of the study; descriptive statistics, regression analysis, random effect, fixed effect and hausman test analysis. After testing the hypotheses, firm age was found to have a strong relationship with firm value. Meanwhile, other variables which include leverage and firm size are negatively related to firm value. Therefore, the study recommends the managers of these industries to effectively utilize the industries resources by investing the shareholder's money into profitable ventures and to ensure better returns.
Keywords: *Firm value, firm size, leverage, firm age.*

1.0 Introduction

One of the most important areas of concern among organizational theorists and practitioners is firm value. A good mechanism for achieving it is through proper working of the employees which will protect the shareholders interest. Firm value is a yardstick for investors to assess the success of a company in terms of financial well-being. In fact, it has attracted great attention among different researchers in the world. This is because it can tell a lot about the effectiveness of an organization and reflect the growth of that organization in the long-term (Sampurna & Romawati, 2020; Shamsuddeen & Ibrahim, 2022). Rational investors look at this indicator as a signal for making investment decisions because of the significant correlation between firm value and earnings (Odo & Udodi, 2022). Firm value is the investor's perception towards the degree of success of a company. For example, public companies commonly linked to their share price because firm value is reflected on their share price. In addition, market price of shares also reflects investor valuation over total equity that the company had. For companies that have been go public, maximizing firm market value is equal to maximizing market price of shares. Therefore, if the

https://doi.org/10.52968/11206713

market price of shares increases, then firm market value will increase as well (Ki & Adhikari, 2022).

However, looking at it from the history antecedent, money deposit banks in Nigeria and firm value have generated a serious issue and that has paved way for the researchers to have interest in the subject area. Unlike firm value, size of the firm, leverage, age of the firm are the characteristics that translates to effective value of the firm if put into consideration. Indeed, firm value is important for money deposit banks in Nigeria, which within the COVID-19 outbreak firms especially in Nigeria face obstacles in meeting up with the investors' investment. Thus, this has gone all the ways to affect the activities of banks operation in Nigeria. By implication, when banks are affected it will have a negative effect as the banks concern cannot receive any deposits from the prospective customers before the disbursement to those that will like to execute one of business or the other. Specifically, more problems were encountered of firm value of banks in Nigerian as the said banks lost eighty profit to the tune of 80 out of hundred (Abosede & Ibrahim, 2022). Again, it was demonstrated that within April, 2016 cash holding in the whole business of the banks drop with the tune of 17% to 16.5%. Surprisingly, the sudden Profit before Tax (PBT) of the organization was not really promising as the value was reduced to N222billion in the month of April 2015 to N198 billion for the month ended April 2016. However, to crown it all, both return on assets and return on equity that decides the financial strength of any firm remained 2.17 and 16.17 respectively. In sum, all these inconsistencies happens within the time frame of February 2016 which were less than 2.42 and 19.39 in the same period of 2015 accounting year.

Precisely, the overall banking Profit derived after tax deduction for the first quarter of 2016 was a deficit at N90.7billions which contradict 100.59billions for the matching period in 2015. That is to say that all these will have a bearing factor on the firm value as the shareholders interest is on their return on their investment. From these scenario, it has been demonstrated from inquiry that firm value in the Nigerian deposit banks have been a major concern to investors and other business participants. The problem which have been affecting firm value while carrying out their operation is connected to profitability, sales growth and asset growth. However, special attention has to be given to the above variables such that they will shape the value of organization concerned. Unlike other studies before it, the present study major aim is to investigate the effects of firm size, leverage, firm age, board size and value of firms' relationship among the money deposit banks in Nigeria.

2.0 Concept Review

In every study, conceptualization of study variable will give the study the direction. Therefore, the concept to be discussed are firm value, firm size, leverage, firm age, board size.

2.0.1 Concept of Firm Value

By definition, firm is said to have value when the share price and return on investment of the shareholders are appreciating. That is to say that, if the share price goes up, then the firm value will goes up too. Investors' will presume that this company will give them high return in the future. If the demand increases, there is every tendency that, more investors would be attracted to invest on that company (Alkhataybeh, AISmadi, Shakhatreh & Khataybeh, 2022). Firm value is the investor's perception of the success of a company. The increase in stock prices shows investor confidence in the company. They are willing to pay more to get a higher

https://doi.org/10.52968/11206713

profit. High stock prices can provide a good signal to attract investors' interest in making investment decisions (Chang & Yang, 2022). In this study, value of the firm is measured as the ratio of the market value of a company's shares (share price) over its book value of equity.

2.0.2 Firm Size

Size of the firm can be expressed differently as a result of their assets base or capital structure. By virtue of conceptualization, firm size is defined in terms of total assets, sales, and market capitalization that a company possess within a period of time. It is the total reflection of the assets owned by a company. Large companies can finance their investments easily because they have high sales growth rates and little asymmetric information occurs. This is by the Trade-Off theory, the greater the company, the company can use more debt because the risk of bankruptcy of large companies is lower. Large corporate debt is lower than that of small companies, thus encouraging companies to increase the use of more debt, so it can be said that the size of the company influences capital structure (Davidson & Rasyid, 2020: Salas-Molina, Rodriguez & Guillen, 2023). This will attract investors because they will impact the company's value later, so it can be said that the size of a company directly affects the value of the company (Pietrucha & Maciejewski, 2020). It is measured as book value of total assets.

2.0.3 Leverage

Leverage refers to the degree to which a firm's capital structure consists of long term debt and equity. As on one of the characteristics that shape the value of the firm, it can viewed that the leverage of the firm constitute to the use of fixed costs in an attempt to increase profitability (Senan, Ahmed, Anagreh, Tabash & Al-Homaidi, 2021). It is the degree to which a company uses debt or external funding in its operation. In addition, leverage ratios measures the relationship between the funds provided by the owners (shareholders) of a firm and funds provided by the creditors of the firm (Saona & Martín, 2018). It is measured as the long-term debt to total equity.

2.0.4 Age of the Firm

Age of the firm is defined as the length of time a firm has been in operation. By extension, a firm age is seen as a concept that attract customers to patronize such company because of their longevity in the business (Ryu & Won, 2022). For example, companies like peak-milk industry and first bank of Nigeria have both stayed for a longer period of time and are considered as the blue chip companies. It is measured as the time between the initial creation of a firm and the present time when the firm is still in operation (Yang, Hua & Hua, 2022).

2.1 Theoretical Review

In this study, theory of agency cost is used to underpin the study. (TOAC) will underpin this study as it explains the relationship between firm characteristics and firm value. According to the agency theory, managers who have separate ownership and control over a business are more likely to act selfishly and self-centeredly, which means they will pay less attention to the interests of the shareholders. Because ownership and control are separated in an organization, managers may pursue goals unrelated to the company's, such as obtaining perks, selecting inputs or outputs based on personal preferences, or otherwise failing to maximize firm value. Importantly, Bandyopadhyay and Barua, (2016) described the agency cost theory of ownership as it is equivalent to the value that is lost when professional managers prioritize their own utility over the firm's worth. Increased financial leverage could have an impact

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on managers and lower agency costs by posing a risk of liquidation, which would result in salary losses for managers personally.

In a different scenario, highly leveraged companies can enhance their performance and lower the agency cost of outside equity, both of which raise firm value. According to Can and Demiraj, (2023), highly leveraged companies can lessen disagreements over investment decisions between managers and shareholders. It suggests that the capital structure decision affects business performance by reducing agency costs (Bandyopadhyay & Barua, 2016). In addition to having an impact on the choices made regarding leverage when agency conflict arises, this theory also contributes to the understanding of the function that the board of directors plays in corporate governance when it comes to overseeing the firm's managers. As a governance tool, the board of directors assists in monitoring managers who prioritize their own interests.

2.2 Empirical Studies and Hypotheses Formulation

This section focused on the reviewed literature and the formulation of hypotheses in relation to the impact of money deposits banks on the value of their firms and firm characteristics. In particular, the variables include the company value, which is the dependent variable, and the firm size, leverage, firm age, which are the independent variables and board size as control variable.

2.2.1 Firm size and Firm Value

The moderating effect of firm attribute on the relationship between capital structure and financial performance of medium-sized and large enterprises in Kenya was studied by Adegboyegun and Igbekoyi (2022). By time frame, it was noted that the period of their study was six years, from 2011 to 2016. Regressions with several variables were used. The study used a sample of thirty medium-sized firms and secondary data. The study found that enterprise characteristic significantly moderated the association between capital structures and financial performance. However, whilst size and age raised the explanatory powers for return on assets (ROA), they decreased the explanatory powers for explaining the variability in return on equity (ROE).

In a similar vein, Farouk, Magaji and Egga (2019) investigated the influence of firm attributes on the financial performance quality of quoted industrial goods companies in Nigeria. The research covering the years 2011–2018. As an analysis tool, the multiple regression technique was employed. Twenty industrial commodities make up the study population, of which 11 were used as a sample. Agency theory was applied to the study along with secondary data. The dependent variable is the quality of financial performance, while the independent variable is the corporate attribute. Board meetings, firm age, firm size, and leverage are used as stand-ins. The study's conclusions show that, while growth, ownership structure proxies, liquidity, and board meetings have a little but beneficial impact on a company's financial success, profitability and board meetings have a considerable but favorable influence.

H1: The value of the Nigerian deposit money bank industry is not significantly impacted by the firm size.

2.2.2 Leverage and Firm Value

In a research on company leverage, agency costs, and firm performance in Turkey, Bİlen and Kalash (2020) used the OLS method to analyze statistical data for 52 enterprises spanning the years 2008–2017. The study's findings suggested that leverage had a detrimental impact on a company's profitability. In order to close the methodological gap found in this study, the current study will utilize a causal

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research design that focuses on examining a specific instance to describe trends of the link among the studied variables.

Adeniyi and Aderobaki (2021) investigated the impact of financial leverage on the performance of listed Nigerian Conglomerates companies. This study used longitudinal research designs in conjunction with the ex-post factor, and it was conducted from 2005 to 2016. The study found a statistically substantial positive correlation between financial success and debt levels. The current study will address the methodological inadequacies in the previous study, which were ex post factors and longitudinal research designs. The study will use a causal descriptive research methodology to establish correlations among Kenyan banking sector.

In a similar spirit, Farajimakin and Abiodu (2020) conducted research on the management of business attributes and liquidity in West African firms. The research spans a ten-year period, from 2009 to 2018. Panel data Collected and an ex-post facto design were employed in the study. The population consists of 14 industrial goods enterprises as a sample and all the listed industrial goods firms on the Nigerian Stock Exchange between 2009 and 2018. Using firm size, leverage, and age as proxies, liquidity management is the dependent variable and firm characteristic is the independent variable. According to the study, a firm's attribute influences the degree of liquidity management by roughly 36%. That is, a firm's characteristic can account for roughly 36% of the liquidity management practiced by enterprises in Ghana and Nigeria.

The study "Effect of Firm Attributes on Firm Performance: An Interaction Approach" was conducted by Uzoka & Anichebe in 2020. It encompasses the ten-year period from 2009 and 2018. Regression analysis with ordinary least squares was used to examine the data. There are 60 firms in the study's population, and 50 firms make up the sample. The independent variable is the firm attribute, and the dependent variable is the firm performance. Using proxies, we may look at asset tangibility, corporate attributes, size, leverage policy, growth, and age. The outcome shows that while operating efficiency has a negative and significant impact on performance, assets tangibility and leverage policy do as well. The study makes the following assumptions based on ongoing research:

Regarding leverage, the research postulates that Qazi and Aspal's (2021) findings will have a detrimental effect on financial performance. The study postulates that the results of (Eneh, 2019), which showed that the number of years in seven years of operation was significantly linked to company success, will show a favorable relationship between firm age and financial performance. Mature companies have a positive relationship because they are positioned at the top of the life cycle curve, have positive cash flows and profits, and have established contacts and market knowledge. They have also been able to reduce their average total fixed costs per unit through the learning curve effect. The study postulates that similar results will be found in further trials.

H_2: The value of the Nigerian deposit money bank industry is not significantly impacted by the firm leverage.

2.2.3 Age of the Firm and Firm Value

Yitayaw (2021) conducted an empirical research using data from 2013 to 2015 to examine the impact business qualities have on the performance of Kenya. Descriptive statistics were used in this study to investigate the nature of the relationship between firm attribute and financial performance in Kenyan. The study's conclusions showed a strong positive correlation between Kenyan cooperative financial performance and

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their asset quality, capital adequacy, operational effectiveness, and liquidity. This work aims to introduce and apply financial performance-influencing business qualities, such as solvency, interest rate, and financial leverage, to Kenyan commercial banks that are listed on the NSE. However, the researcher did not take these factors into account.

Similarly, Kolawole, Oladunni and Jimoh researches from 2021 examined the firm attributes and financial performance quality of Nigerian listed consumer products companies. The information was taken from the 2014–2019 annual financial reports of 13 carefully chosen Nigerian companies that produced consumable items. Panel least square regression analysis was employed in this work. There are twenty-one edible items in the population. Firm characteristic is the independent variable and financial performance quality is the dependent variable. Proxies include institutional shareholding, profitability, board composition, firm size, and leverage. The findings showed that institutional shareholding, liquidity, and board makeup all had a favorable and significant impact on the quality of financial performance.

In a similar line, Farouk, et al. (2019) studied the influence of firm attribute on the financial performance quality of quoted industrial goods companies in Nigeria. The research covering the years 2011–2018. As an analysis tool, the multiple regression technique was employed. Six firms were chosen as a sample and twenty firms as the population. There was usage of secondary data. Using firm structure and board structure as proxies, financial performance quality is the independent variable and financial performance quality is the dependent variable. It has been shown that the following factors significantly and negatively affect the real earnings manipulation of listed industrial products companies in Nigeria: company size, leverage, firm age, and the presence of women directors. These do suggest that the variables raise the value of a company's financial performance.

H3: The value of the Nigerian deposit money bank industry is not significantly impacted by the age of the firm.

3.0 Methodology

In empirical research where unit of analysis are study need to be justify the nature of research methodology. Therefore, in this study quantitative research is used because of its nature. Before testing the hypotheses of any study, Sugiyono, (2014) has the following observation that positivism is subjected to quantitative study as it requires the testing the observation to predict the relationship therein among the variables. As such, this study used positivism as it fulfill the requirements and among them are as follows; sample of the study, sampling techniques and collection of data. Importantly, the observations of the study are made within certain period of time and the data are analyze to show and represent the variables. The research design adopted in this study is ex-post-facto. In this study, multiple regressions, correlation, and descriptive statistics were therefore employed. In addition, the following choices were taken into consideration: ordinary lease square (OLS), fixed effect model (FEM), random effect model (REM), and hausman tests. Secondary data and the annual audited accounts of money deposit banks in Nigeria from 2012 to 2022 are used in this study. The justifications for chosen this period is because the data of such banks that constitutes to the unit of analysis are available during the study period

Thirteen money deposit banks were used through census sampling technique and whose financial records were available on the Nigerian Exchange as at 31st December, 2023. Specifically, independent variables in this study are as follows;

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profitability of the firm, growth of sales and growth assets. Meanwhile, total equity of the firm plus debts at that period divided by total assets of the firm measured the firm value as dependent variable. For data analysis effectiveness, the study employed STATA version of 15.0.

Regression Model for the study

FV = F (FS, LEV, FA). The model was derived from the work of Cuong, Quan and Lan (2018).

By expression, the above variable can be expressed as the function of FV = α + β0 + β (FS) + β (LEV) + β (FA) + e……1

Where FV= the ratio of firm value for the firms in the industry is α = an intercepts. β = Coefficient variable-variable model FS=Firm size, LEV= Leverage, FA= Firm age and e= error term.

Variable	Measurement	Basis
Firm value	Total equity of the firm plus total debts/total assets	(Alkhataybeh, AISmadi, Shakhatreh & Khataybeh, 2022; Chang & Yang, 2022).
Firm size	Logarithm of total assets	(Adegboyegun & Igbekoyi, 2022; Farouk, Magaji & Egga, 2019).
Leverage	(Total debts/ to shareholders equity of the firm at the period of the study)	(Adeniyi & Aderobaki, 2021; Farajimakin & Abiodu, 2020).
Age of the firm	(Total asset - total assets in its previous period)/ total asset	(Kolawole, Oladunni & Jimoh, 2021; Yitayaw (2021).

Source: Researcher (2024)

4.1 Data Validation for the Study

Empirically, the choice of fixed effect and random effect in research is subjected to the outcome of hausman test. By so doing, the study has carried out hausman specification test. Upon the completion of this test, the result demonstrated the choice of random effect model as the result is not significant. Hence, a significant probability suggests that fixed effect model analyzed while a not significant probability suggests that Random effect model should be analyzed in every study. The benchmark for accepting hausman test specification is via the outcome of regression Generalized Least Square (GLS). That is, if the coefficient of probability (Prob>chi2) is less than 0.1 or greater than 0.1. In this study, random effect is chosen as the outcome Hausman specification result is not significant as Prob>chi2= 0.0171 which is not significant at 0.0000.

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FV	139	1.27e+08	2.49e+08	2.77e+08	9.87e+08
FS	139	7.335178	1.561967	3.040905	10.18841
LV	139	5.736712	5.098434	-3.168276	32.22566
AGE	139	1.2009	2.89e09	98.76682	1.5410

Source: STATA Version 15.0 output, 2024

In table 2, 139 observations were observed in this study. The degree of firm value as a dimension of total equity of the firm plus total debts/total assets ratio was accounted to be 1.27. This, indicating, that the profit generated by the companies has resulted in better firm value to the investors and there is a need to understand that, there investment are guarantee in the hand of money deposit banks that managed their funds (Adegboyegun & Igbekoyi, 2022). By extension, this will attract the shareholders to invest more money in the business as their return on investment is safe. The descriptive statistics further revealed that total assets of the firm and its logarithm that constitutes as the measure of fir size are 10.18 and 3.04 as their maximum and minimum respectively. This shows that the firm size is relatively

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important as one of the predictor of firm value (dependent variable). Hence, the firms are making enough profit which enhances firm value.

The leverage which is measured as total debts/ to shareholders equity of the firm show 32.22 as the maximum and -3.16 as the minimum value. By implication, it means the independent variable of leverage has a bearing impact with positive value of 32.22. Though, it was revealed from the descriptive result that the minimum value was negative.

Thus, on the part of age of the firm it was revealed that 1.54 and 98.76 serve as minimum and maximum values. It means that the joint efforts of all the independent variables in the study are connected to yielding more firm value as all maximum values are positive except that of leverage that is negative.

Table 3: Model Regression Results (OLS)

Variables	POOLED OLS	Random Effect	Fixed Effect
FS	1.3107 (0.255)*	-2.9207 (0.019) **	-4.4307 (0.001) ***
LEV.	-6255 (0.024) **	47056.35 (0.986) *	1169 (0.656) *
AGE	.07155 (0.000) ***	.07575 (0.000) ***	.07682 (0.000) ***
_cons	-1.1507 (0.888) *	2.5708 (0.006) **	3.6008 (0.000) ***
F-Statistics	71.33 (0.000) ***	(0.0000)	(0.0000)
R-Squared	0.6132	R^2=0.5275 (within)	R^2=0.5342(within)
Adjusted R^2	20.6046	R^2= 0.5746 (between)	R^2= 0.4889 (between)
		R^2= 0.5537 (overall)	R^2= 0.5046 (overall)

Source: STATA Output, Version 15.0, 2024

Table 3 above, shows that OLS random effect and fixed effect of regression analysis were conducted as the best analysis for this study. The (R^2) determination coefficient among the variables of the study indicates that 61.32% is for total equity of the firm plus total debts/total assets used as the measure of firm value. That means the total equity of the firm plus total debts/total assets can be explained as the variation on the explanatory variables in the model. Therefore, other factors not captured in the model constitute 38.68%. In addition, the random effect result is more efficient as the result is 55.37% which means 44.63% changes of firm value is explained by other variables. The model is statistically significant at 1% level and fit for the study.

The regression analysis results show that 47.05% was obtained in respect of leverage variable. However, the result confirmed the moderate relationship at 47.05% with firm value but the significant level is weak as the statistical value is at (0.986). The rationale behind such weakness of statistics value of leverage is because the benchmark for any significant level is 0.000 which the variable dose not conform with. The weak relationship between leverage and firm value indicates that the leverage is not a contributive factor of firm value. Though, the p-value is not significant at 0.000 but the coefficient is moderate at the level of 47.05%. The current study findings are in agreement with the study of Batchimeg (2017); Kariuki, Namusonge and Orwa, (2015) who also established negative relation between assets growth and firm financial performance.

After conducting the robust analysis test, it was confirmed the age of the firm and firm vale as dependent variable have positive relationship as the coefficient have is 71.55 with p-value of 0.000. Furthermore, the regression analysis result has demonstrated that, age of the firm is one of the major variable that predict the firm value as the dependent variable in the study. The study is conforms to the study of Kolawole, Oladunni and Jimoh, (2021); Yitayaw, (2021).

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Table 4: Hausman Specification Test for Fixed Effect and Random Effect

	---- Coefficients ----			
	(b) fe	(B) re	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
FS	-4.4307	-2.9207	-1.5107	4331447
LV	1169816	47056.35	1122760	375145.1
AGE	.0768271	.0757597	.0010674	.0014329

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(2) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 49.46, Prob>chi2 = 0.0000

As depicted, the Hausman test specification in table 4, was conducted for both fixed effect and random effect. The result of the Hausman test, indicated that probability chi2 in this study is 49.46. It is an indication that, the figure is above the benchmark for the Hausman test which is 0.0000. As such, this has shown that the best model for estimating the effect on firms' value is the random effect model. The condition for the selection between fixed effect and random effect is that, if the prob>chi2 is less than 0.05 or greater than 0.05. It is no surprise that the above table figure for the Hausman specification test is 49.46. Hence, the choice for selecting the random effect model is justified because the prob>chi2 is more than 0.05

5. 0 Conclusion and Recommendations

The study aims is to investigate the impact of firm characteristics on firm value of listed deposit money banks in Nigeria Stock Exchange. Given the findings, this study concludes that the independent variables have both positive and negative effects on the firm value of money deposit banks in Nigeria. Therefore, recommends that the management of industrial goods in Nigeria should improve on the following;

i. That, the management of money deposit banks in Nigeria should as a matter of fact use the firm age dimension to improve firm value to the shareholders. In addition, the managers of the companies should sustain the effective utilization of their age bracket towards improving firm vale not only to the companies but also to on part of shareholders' wealth. This can be achieved by avoiding investment in those assets that do not enhance firm value of the companies. This means disposing those assets that are not contributing to operational efficiency. In turn, it will reduce the cost of assets and thereby ensuring that assets are optimally utilize to increase company's value.
ii. Corporate managers should reduce the volume of their debt financing and should also device more ways of boosting their returns to attract firm value. This can be attained by increasing the amount of their company equity financing relative to its equity capital.
iii. Finally, the management should deploy the assets of the organization appropriately to enhance firm value. Hence, it was confirmed from the analysis that size of the firm does not impact positively. Therefore, management of the organization that are charge with the responsibility to oversee the affairs of the company to do the needful as the size of the firm is the function of assets.

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