

Firms Attributes and Financial Performance of Quoted Conglomerates Companies in Nigeria



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ABSTRACT: The study examined the effect of firms specific attributes and financial performance of quoted conglomerates companies in Nigeria. Secondary data were sourced through the published annual reports of the sampled companies for the period under review 2015-2021. Panel data extracted were analysed using multiple regression technique after conducting series of robustness checks to ascertain validity. Findings from the study reveal that firm size has a positive and significant effect on financial performance. While liquidity has positive and insignificantly effect on financial performance, on the other hand leverage has a negative but insignificantly effect on financial performance. The study recommends that management should try as much as possible to increase their total asset level as this will serve as a guarantee in generating future economic benefit. Management should also watch out for their leverage level so as to keep it at optimum point, because leverage level negatively influence performance for conglomerate firms in Nigeria based on the findings of these study, within the period under review

KEY WORDS: Firm Size, Leverage, Liquidity, Return on Asset.

1. INTRODUCTION

The advent of globalization has changed the landscape of world economy, and business world is at the Centre of this global chain curve. In an attempt to meet up with the global challenges and highly competitive business climate, companies are forced to diversity operations to create values that can compete globally with their competitors so as not to lose out of the market and to maximize shareholders wealth maximization objective. Diversification is a growth strategy employed by corporations to dive into new industries and expand their scope of operation (Velnampy, 2013).

The principal benefit of conglomerate is often the diversification of business risk. Participating in different markets, which can be achieved through the ownership of controlling stakes in a number of smaller companies that conduct business separately, offers protection from sector specific risks, and sometimes geographical shocks to the group as more often than not, only a section of the revenue generating channel is affected. Conglomerate structure also offers the group substantial economies of scale especially in relation to administrative cost through a centralized management and distribution system. And in the process, at least theoretically, the parent company does maximize the per-subsidary profit for any given subsector level operational cost (Hasan & Butt, 2009).

This study places greater emphasis on the specific attributes and performance of conglomerates quoted in the Nigeria Stock Exchange. The core characteristics of a conglomerate business plays a key role especially in the area of decision making, exercising control and exciting expertise in strengthening operations, perfecting sales and marketing campaign, also in ensuring actualization of shareholders wealth maximization objective (many that conglomerates are mostly seen as large corporation or companies in nature that are composed of several small independently run companies which occur partly because of the need to diversity the business). Financial performance is a measure of efficient utilization of firm's resources towards attaining stated goals using return on asset, return on investment, return on equity, and sales growth amongst others as parameters (Jang & Park, 2011). Specific attributes can be envisioned in the perspectives of firm's size, leverage, liquidity level, board size, institutional among others.

Many studies have been conducted on the above subject matter (Brennan, 2006; Brown & Caylor, 2004; Daniel, Miguel & Beatriz; 2012). Most of these study have been overtaken by events and time. Previous studies have looked at conglomerate in the aspect of merger and acquisition only, but none have been able to conduct a comprehensive research on conglomerate as a whole and how their specific attributes affects performance. The few studies like that of (Kwaltomma et al (2019); Efuntade and

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Akinola (2020); Musa (2019), Abubakar & Isah, 2018) which seems to be recently carried out in this regard, has however used a less robust technique of analysis such as simple regression model, which this study intends to improve upon by using a multiple regression model. Hence, it is in line with the above that it becomes pertinent to evaluate empirically the effect of firms attributes on the financial performance of quoted conglomerates firms in Nigeria as at 2021. The study seeks to analyze the underlying firm attributes such as firm size, leverage and liquidity and how they affect financial performance of firm focusing only on the quoted conglomerates companies in Nigeria.

The overall objective of this study is to examine the impact of firm specific attributes on the financial performance of quoted conglomerate companies in Nigeria. Specifically however it seeks to:

- i. Examine the extent to which firm size affects the financial performance of quoted conglomerate companies in Nigeria.
- ii. Examine the extent to which liquidity affects the financial performance of quoted conglomerates companies in Nigeria.
- iii. Examine the extent to which leverage affects the financial performance of quoted conglomerate companies in Nigeria.

In line with the research objectives stated above, the hypotheses proposed to be tested in this study are as follows;

H₀₁: Firm size has no significant impact on the financial performance of quoted conglomerate companies in Nigeria.

H₀₂: Liquidity has no significant impact on the financial performance of quoted conglomerate companies in Nigeria.

H₀₃: Leverage has no significant effect on the financial performance of quoted conglomerate companies in Nigeria.

2. LITERATURE REVIEW

Firm Attributes

Firm attribute is one of the major factor and driver that enhance the success or failure of any company. A company that have a good and sound specific attributes stands a chance of performing better than a company with a slapdash specific attributes. This means that specific attributes plays a substantial role towards ensuring success or failure of business operation in any organization. For the purpose of this study, firm attribute: firm size, leverage and liquidity and will be briefly conceptualized.

Firm Size

Firm size is the amount and variety of production capacity and ability a firm possess or the amount' and variety of services a firm can provide concurrently to its customers (Niresh & Velnampy, 2014). Firm size reflects how they evolve and adapts to its environment. Changes in size are therefore extremely important event in firm demography (Wissen, 2002). Classical economist explained that changes in firm size depend on economies of scale. These economies of scale are due to diminishing cost when the firm increases. Therefore, the higher the economics of scale, the larger the optimum firm size.

Leverage

Leverage refers to effective application of borrowed fund (debt financing) to increase profitability. It is measured by total liabilities to equity (Alkhatib, 2012). According to Ramanakumar (2014), when we say "Leverage", it means that the business has borrowed money to finance the purchase of asset. The other way to purchase asset is through the use of owners' funds or equity. One way to determine leverage is to calculate the debt-to-equity ratio, showing how much of asset of the business are financed by debt and how much by equity.

Liquidity

Liquidity is the measure of the relative amount of asset in cash or which can be quickly converted into cash without any loss in value available to meet short term liabilities. Nwabueze (2008) define liquidity as degree of convertibility to cash or the ease with which any asset can be converted to cash (sold at a fair market price). Liquidity asset comprises of cash and bank balances, debtors and marketable securities.

2.1 Review of Empirical Studies

Using the ex-post factor research design with a population and sample size of 6 quoted conglomerate companies listed on the in Nigerian Exchange covering the period between 2008 and 2017. Musa (2019) examines the effect of Corporate Governance and Financial Performance of Listed Conglomerates in Nigeria. Finding from the study revealed that board size has a significant positive effect on financial performance, while board composition and board ownership have a significant negative effect on financial performance. The study under review use board size, board composition and board ownership as its variable, while this study uses leverage and liquidity in addition to board size, which variables are different from the reviewed study. The gap in variable difference is what the current study was able to address.

Similarly Okewale, Mustapha and Aina in (2020) investigate the effect of Ownership Structure and Financial Performance of quoted Food and Beverage Firms in Nigeria. The study used secondary data on managerial ownership (MO), employee ownership (EO), private ownership (PO) and return on equity (ROE). These were sourced from the annual report and accounts of

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the firms used for the study. Data collected were analysed using pooled regression, fixed and random effect regression. The result showed that managerial ownership had an insignificant (positive) effect on return on equity. Employee ownership had significant positive effect on return on equity. Private ownership had significant effect on return on equity. Managerial ownership, employee ownership and private ownership had a significant combined effect on return on equity. Why the study under review use return on equity as its dependent variables, the current study adopted return on asset, which is a more objective process of determining financial performance. There is also a sectorial difference as the current study is focus of conglomerates companies in Nigeria as against the food and beverage firm used by the review study.

On his part Efuntade and Akinola (2020) using Panel least square regression model to test its formulated hypothesis, examine the effect of Firm characteristics and financial performance of quoted manufacturing companies in Nigeria. The study adopted descriptive and cross sectional research design were to investigate the relationship between variables of firm characteristics and financial performance of quoted manufacturing firms in Nigeria over a period of 14 years. Secondary Data were obtained from annual reports of five selected quoted manufacturing firms. Findings showed that all the independent variables jointly and strongly have impact on the financial performance of manufacturing firms in Nigeria measured by return on assets. It was concluded the explanatory variables (Firm Age, Firm Size, Sales Growth, Liquidity and Leverage) were significantly associated with the dependent variable (Return on Asset). Again sectorial differences is sported between the study under review and the current study. While the current study focus of conglomerates companies in Nigeria the review study is on the manufacturing companies.

Opeyemi, Popoola and Yahya (2020) examined the effect of insurance specific attributes on financial performance of listed insurance firms in Nigeria. The study covered a period of eleven years from 2008 to 2018. The research used correlation research design and secondary data obtained from the annual reports and accounts of firms from 2008-2018. The population of the study is all the 27 insurance firms listed on the Nigerian Stock Exchange as at 31st December 2018, eighteen (18) of these firms were selected as sample. Multiple regression analysis was used in estimating the research model. The result of the study shows that underwriting risk and operating expenses have negative and significant impacts on financial performance and Premium growth reveals a positive and significant impact on financial performance of the study firms. The study concludes that underwriting risk and operating expenses inversely affect the financial performance of listed insurance firms.

Abdulkareem, et al. (2019) investigates how the complexity of business, firms' dependence on external finance and growth opportunity affects the financial leverage decision among quoted diversified companies in Nigeria. The study took a census of six diversified firms quoted on the Nigerian capital market over the period of 10 years (2008-2017). Descriptive statistics and correlation matrix were employed with panel data analysis using Ordinary Least Square (OLS) robust model to analyse the data. The results from the study revealed that the complexity of business and growth opportunity is positive and significantly influencing the financial leverage of quoted diversified companies in Nigeria, while dependence on the external finance revealed a significantly negative effect on the financial leverage.

Kwaltommai et al (2019) examine the impact of firm characteristics and financial performance of consumer good firms in Nigeria. The study uses both financial and non-financial data from annual reports of the 5 listed consumer good firms in Nigeria from 2007-2016. The data was analyzed using descriptive statistics, Pearson correlation and multiple regressions with the help of STATA version 13. The result shows that the firm size, has a positive relationship with financial performance, firm age also have a positive relationship with financial performance and leverage too has a positive relationship with financial performance. The current study is a departure from the previous study because it examines firms attribute in the conglomerates companies and not the consumer goods firms.

Egbunike and Okerekeoti (2018) explore the interrelationship between macroeconomic factors, firm characteristics and financial performance of quoted manufacturing firms in Nigeria. The study used the ex post facto research design. The population comprised all quoted manufacturing firms on the Nigerian Stock Exchange. The sample was restricted to companies in the consumer goods sector, selected using non-probability sampling method. The study used multiple linear regressions as the method of validating the hypotheses. The study finds no significant effect for interest rate and exchange rate, but a significant effect for inflation rate and GDP growth rate on ROA.

Abubakar, Suleiman and Hauwa (2018) study examines the Effect of Firms Characteristics and Financial Performance of Listed Insurance Companies in Nigeria. The data for the study were collected from the annual reports and accounts of Insurance companies quoted in the Nigeria Exchange (NE) within the period of 2007 and 2016. Regression analysis was used to test the hypothesis in addition to some diagnostic tests conducted on the data. The results of the study revealed that liquidity and Age have significant negative impact on financial performance of insurance companies in Nigeria. This study is limited to listed insurance companies in Nigeria. The outcome of the study in other sector like listed conglomerates companies may not be the same. The use of other variables like the age of the firms may have no significant effect on the findings.

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Onyekwelu, Nwajei and Ugwu (2017) appraised the effect of firms' characteristics on the financial performance of firms in Nigeria using the oil and gas firms in Nigeria. Sales growth and firms' leverage are the proxies for firms' characteristics while Return on Assets was the measure for financial performance. The study adopted the ex-post facto research design. Data were sourced from the financial statement of firms studied. Multiple regressions were used for analysis. Results show that sales growth and leverage have significant a negative and insignificant effect on Return on Assets. The differences in the period under review between both studies have opened a time gap, because of changes in policy. Therefore, findings from previous study may not be effective in making conclusions on the effects of firm attributes on the financial performance of conglomerates companies in Nigeria.

2.2 Theoretical Framework

There are various theories that explain firm specific attributes and financial performance, for the purpose of these study, two of these theories will be discussed.

Resource Based Theory

This theory addresses performance difference between firm using asymmetries in knowledge (Chen, 1996). At the corporate strategy level, the theoretical interest in economies of scope and transaction cost focus on the role of corporate resources in determining the industrial and geographical boundaries of the firms' activities. At the business strategy level, exploration of the relationships between resources, competition and profitability include the analysis of competitive limitation, the appropriability of returns to innovations, and the role of imperfect information in creating profitability difference between competing firms.

A firm's ability to earn a rate of profit in excess of its cost of capital depends upon the attractiveness of the industry in which it is located and its establishment of competitive advantage over rivals. Thus, a resource based of the firm entails a knowledge based perspective.

Agency Costs Theory

According to Agency cost theory a higher level of debt increases shareholders' value because of its disciplinary effect on manager behaviour. There are two types of inherent conflicts of interest in this theory: (a) Manager -to- shareholder conflicts, and (b) creditors-to shareholders conflict. In the first case, when debt increases, shareholders can bind managers to service the debt obligation. Thus, when the debt level is increased, a large portion of the free cash flow should be used to pay the debt obligation. In this case, shareholders or boards of directors effectively reduced the free cash flow in the company and prevent managers from investing in sub-optimal or excessive investments (Jang & Tang, 2009). The managers would also lose their large investments if they fail to fulfill the obligation of debt, and this result in insolvency (Jensen and Meckling, 1976). Based on the above theories; the theory of the costs theory underpins this study. The adoption of these theory is predicated upon the objective of the study, which is to evaluate the impact of firm specific attributes on financial performance of quoted conglomerate companies in Nigeria.

3. METHODOLOGY

The study adopted the descriptive research design approach in determining the effect of firms attribute on the financial performance of quoted conglomerates firms in Nigeria. The population of the study comprised all the eight (8) conglomerate firms quoted on the Nigerian Exchange as at 31st December, 2020.

The data used for this study were are derived from the audited financial statement of selected conglomerate firms quoted on the Nigeria Exchange between the periods of 2015 - 2020. As well as the Nigerian Exchange Fact book (2020). Multiple regression technique was also deplore for the purpose of data the analysis. The model used for the purpose of this study was derived from panel regression equation which combined both regular time- series and cross-sectional regression with the use of double subscript attached to each variable. The study therefore specified the general form of panel data model compactly as follows;

$$Y_{it} = \alpha_{it} + B_1X_{1it} + B_2X_{2it} + \dots + B_nX_{nit} + \mu_{it} \quad -$$

Subscript 'i' is used to denote the cross-sectional dimension and 't' to represent the time- series dimension. In this equation, Y, represent the dependent variables in the regression model; which is the financial performance proxied ROA ; X_{it} contained the set of explanatory variables in the regression model; and α_{it} is considered constant over time 't' and is specific to the individual cross- sectional unit 'i'. The final model for this study is designed with the expectation that it better explained the relationship and prediction of the study.

The model to be used to test the hypothesis formulated for this study is as follows:

$$ROA_{it} = \alpha_{it} + B_1FS_{it} + B_2LEV_{it} + B_3LIQ_{it} + \epsilon_{it} \quad -II$$

Where

$$a. \quad = \quad \text{Intercept}$$

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B_1 - B_3	=	Coefficient of the independent variables
ROA	=	Return on asset
FS	=	Firm size
LEV	=	Leverage
LIQ	=	Liquidity
ϵ_{it}	=	Residual or error term of firm 'i' in period 't'

The choice of the variables is considered appropriate given that the objectives of the study. The variables were preferred in view of their importance in the determination of quoted conglomerates in Nigeria.

4. RESULT AND DISCUSSIONS

Table 1: Descriptive Statistics of the Variables

Variable	Min	Max	Mean	Std.Dev	Skewness	Kurtosis	N
ROA	-3.97	24.68	.7296	11.224	-0.388	3.551	25
LIQ	0.41	4.45	1.7432	1.0339	-0.989	3.242	25
LEV	0.33	4.95	1.592	1.2201	1.4372	4.284	25
FS	5.74	7.33	6.3758	0.5906	2.2874	2.284	25

Source: Annual Report (2015-2021)

As can be inferred from the above presented descriptive result, ROA topped the chart with an average returns of 6.72% approximately ranging from a minimum of - 3.97% to a maximum value of 24.68% implying that the industrial ROA average rises marginally over the period. As for the predictors used; firm size had the highest industrial average of 6.3758 implying that at par level, the asset of the firms in this industry increase by approximately N6.38 per every cost Ni cost incurred ranging from a minimum of N5.74 to a maximum of N7.33.

On the other hand, liquidity and leverage as part of firm specific attributes indicates that liquidity across the industry was averaged at 1.74% approximately which ranges between 0.4 1% to 4.45% signifying that the firms in the industry potentially have the capacity to convert its current assets into liquid cash easily while leverage was averaged at 1.592% ranging between 0.33% to 4.94% implying that the firms in this industry are averagely levered across the period.

The most prominent among the result in the descriptive statistics was the higher standard deviations of performance (0.049) relative to the standard deviation of other independent variables used in the study model when compared with their mean value. The high standard deviation of performance indicates that our sample firms were of varying performances.

Finally, the skewness and kurtosis statistics revealed that the data obtained for all the variables including dependent and independents were not abnormal. Then, the study is considered valid when it is based on valid data or information, and this information is considered valid if obtained from the data quality. Therefore, the result from the normality test signified the normality of the data and further substantiated the validity of the regression result.

Table 2: Correlation Matrix

	ROA	FS	LIQ	LEV
ROA	1			
FS	0.3779	1		
LIQ	0.1224	-0.2813	1	
LEV	-0.401**	0.0177	-	1
				0.461**

Source: Correlation Matrix Results Using STATA

*. Correlation is significant at 0.01 level (2-tailed)

**. Correlation is significant at 0.05 level (2-tailed)

Table 2 indicates that performance is positively correlated with firm size and liquidity as firm specific attributes proxies at 37.79% and 12.24% which are both not statistically significant at level 1% and 5%. Among the firm attributes proxies, only leverage has negative and significant relationship with performance at -40.1%. This implies a unit change in any of the firm specific attributes can influence positively or negative up to 37.79%, 12.24% and -40.1% respectively. The relationship between the independent variables themselves were found to be insignificantly related except for LEV, though this may not be enough to

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conclude that multicollinearity exist among the independent variables of the study until the variance inflation factor and tolerance values are far and above the limits expected. Therefore, the tolerance value and the variance inflation factor (VIF) are two advanced measures of assessing multicollinearity between the explanatory variables which would be conducted in the long-run to show the appropriateness of fitting the study model with three independent variables.

Table 3: Variance Inflation Factor (VIF)

Variables	VIF	Tolerance
FS	1.40	0.712813
LIQ	1.29	0.773810
LEV	1.11	0.904965

Source: Stata Output, 2022

The tolerance value and the variance inflation factor (VIF) are two advanced measures of assessing multicollinearity between the explanatory variables. The variance inflation factor and tolerance are computed using STATA and were found to be consistently smaller than ten and one respectively, indicating absence of multicollinearity. This shows the appropriateness of fitting the study model with three independent variables. In addition, the absence of multicollinearity between the explanatory variables were further substantiated by the tolerance values which were consistently smaller than 1.00.

Table 4: Hausman test

Variables	(b)	(B)	(bB)
	Fixed	Random	Difference
FS	8.815284	7.629132	1.186152
LIQ	-0.1925496	0.6505058	-0.8430554
LEV	-3-300238	-3.498806	0.1985681
Chi ²	0.52		
Prob chi ²	0.9155		

Source: Stata Output, 2022.

In order to decide the more effective model between the fixed effect and Random effect researchers often rely on the Hausman (1978) specification test. The Hausman test is designed to detect violation of the random effects modeling assumption that the explanatory variables are orthogonal to the unit effects. If the Hausman test does not indicate a significant difference ($p > 0.05$), then, it does not necessarily follow that the random effects estimator is "safely" free from bias, and therefore to be preferred over the fixed effects estimator. Therefore, the result obtained from the Hausman specification test conducted indicates, that ($p > 0.05$) which is (0.9 155) and as such the random effect model should be used in favour of the fixed effect model as it is shown above

Table 5: Heteroscedasticity Test

H0: Constant variable	
Fitted values of ROA	
Chi ²	1.99
Prob chi ²	0.1518

From the result obtained on the heteroscedasticity test conducted in this work, the chi-square value (1.99) is less and the p-value (0.15 89) is high, indicating absence of heteroscedasticity and this shows support of assumption number three of classical linear regression model which states that there must be constant variance, that is, the disturbances u appearing in the population regression function are homoscedastic. This is further presented below;

Table 6: Summary of Regression Result

Variables	Coefficient	Z-Statistics	P-values
Constant	-37.47668	-1.47	0.141
FS	7.629132	2.11	0.035
LIQ	0.6505058	0.28	0.780

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LEV	-3.498806	-1.87	0.065
R ² Within			0.3773
R ² Between			0.0157
R ² Overall			0.3115
Wald Chi ²			9.50
Wald-Significance			0.0233

Source: Result output from STATA 10 (2022)

The cumulative R² Overall value of (0.3115) which is the multiple coefficient of determination gave the proportion of the total variation in the dependent variable explained by the independent variable jointly. Hence, it signified that 31.15% of the total variation in performance of quoted conglomerate firms in Nigeria was caused by firm specific attributes given by Firm size, liquidity and leverage assuming all other factors are held constant.

The Wald chi² of 9.50 which is significant at 0.05 significance level indicates that the performance and firm attributes model is fit. This indicates that the independent variables are properly selected, combined and used. It implies that for any change in firm specific attributes would influence performance directly. The value of Wald Chi² which is statistically significant at a level of 0.0233 means that there is a 99.08 percent probability that the relationship among the variables was not due to mere chance.

From the Table 4.3, it was observed that the z-value for firm size (FS) was 2.11 with a coefficient value of 7.629132 is significant at of 0.05 significance level. This signifies that firm size positively and significantly influences performance of firms in this industry meaning that for every unit change in firm size performance will increase by 7.62% being that all other factors are held constant.

The regression results revealed that liquidity with a z-value of 0.28 and a coefficient value of 0.6505058 insignificantly influences performance at both 1% and 5% significance level. This implies that despite the positive influence, it is not statistically significance to induce a change individually.

As for leverage as one of the determinant of firm specific attributes, a negative relationship can be inferred as depicted by the negative coefficient and z-value of - 3.498806 and -1.87 respectively and at the same time not statistically significant at 5% significance level. This means that how levered the firms are cannot significantly influence performance in the short-run assuming all other factors are held constant.

4.4 Test of Hypothesis and Discussion of Findings

This section presents the analysis carried out in order to test the hypotheses stated in chapter one. The regression result used for the hypotheses test is presented in Table 4.4.

Table 4.4: Variable Coefficients

Variables	Z-Values	P. Values	Tolerance/VIF
FS	2.11	0.035	0.712813/1.40
LIQ	0.28	0.780	0.773810/1.29
LEV	-1.85	0.065	0.904965/1.11

Source: Result output from STATA 10

Table 4.4 shows that majority of the variables are positive, while one of the predictors (leverage) is negative. Only one predictor is significantly impactful at 1% and 5% level. This revealed that all firm attributes explain the attitude of performance of conglomerate firms in Nigeria to a large extent.

The results for each hypothesis are presented below:

Hypothesis 1

H0₁: Firm size has no significant effect on financial performance of quoted conglomerate companies in Nigeria.

As can be inferred from the above presented result under hypotheses testing, drawing inference from the result shows that firm size significantly influences financial performance for reason being that computed p-value of 0.035 is less than 5% significance level. Therefore, the first null hypothesis is rejected.

H0₂: Leverage has no significant effect on financial performance of quoted conglomerate companies

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Also, gathering from the table above, though leverage showed a negative impact on financial performance though not statistically significantly at 5% significance level due to the fact that the p-value of 0.065 which is higher than 0.05. We therefore draw inference here by failing to reject the second null hypothesis. This means there that leverage has no significant impact on performance.

H0₃: Liquidity has no significant effect on financial performance of quoted conglomerate.

As for liquidity, though a positive impact can be inferred from the table, it tends not to be significant at 0.05 significance level with a p-value of 0.780. here, we fail to reject the third null hypothesis as well.

Summarily, from the analysis conducted, it can be seen that on the overall, firm specific attributes significantly influence performance. Coming to the specific, it was observed that among the three specific attributes used in our study, only firm size significantly influence financial performance positively, liquidity as well positively influence performance but not significantly while leverage negatively affect financial performance of conglomerate firms in Nigeria.

A firm with high leverage level tends to be negatively affected for reason being that finance cost is involved here. High leverage level is a potential to the existence of a corporation, therefore, it should be kept at bay and internal source of finance should be opted for through retained earnings to finance cost of operation as the retain earnings connotes a reservoir of firms existence. This further goes in line with Zhang and Li, (2008), who discussed that increase in leverage decreases the agency cost. In their study they also stated that if the leverage is increased from the optimal level then those results in the opposite put effect on the agency cost of free cash flow. They discussed that sometimes increase in debt causes bankruptcy. They said that the increase in the debt level reduces the agency cost but increases the bankruptcy cost.

Liquidity on the other hand though with a positive effect could be a threat also if left raising. This may differ for various industries. A high liquidity level is considered very good for the banking industry for reason being that it helps them meet their rising short-term obligations as they fall due but as for conglomerate firms, cash may be left idle and inventory would be tied down thereby posing a significant threat in the long run.

A firm with large asset base tends to perform better-off than those with fewer capacity in terms of assets. Assets are often time referred to as economic resources of which is expected to flow economic benefits to the owners for the next foreseeable future. By so doing, a firm with large asset base would receive higher economic benefit in both the short-run and the long-run. This reason accounts for the significant effect of firm size on performance. Findings from this study correlates with the findings of (Dogan, 2013). Firm size is considered to be one of the firm characteristic that is constantly associated to financial performance. Larger firms are associated with having more diversification capabilities, ability to exploit economies of scale and scope and also being highly formalized in terms of procedures. Bigger firms can seize a profitable opportunity that comes in their way since they have bigger capital resources than smaller sized firms. Another school of thought argues that due to organizational rigidity brought about by bigger firm size and a lot of unnecessary bureaucracies, profitable opportunities that may want urgent attention will easily pa the firm and thus making them less profitable in relative terms and thus negatively impact on firm performance (Banchuenvijit, 2012; Goddard et al., 2005).

Policy Implication of the Findings

The findings of this study have both practical and theoretical implications. Practitioners in the conglomerate sub-sector specifically managements amongst others can now trace specific performance drivers to some firm traits such liquidity, leverage and its size. The management can now see that the more levered the firm is, the more expose it is to certain risk while high liquidity is not good enough for corporations such as conglomerates but might be very good for banking corporation as it would help them meet present obligations as they fall due promptly. The bigger the size of the firm in terms of assets (property possession) the better would be it tendency to generate more profit as assets are good in producing future economic benefits for a corporation as they are put into use frequently.

Theoretically, the findings of this study demonstrate to academics and authors alike how that firm size is an enormous driver of entity performance. The larger the size of the firm, the more prospect it has in generating profit and vice versa. Also, theoreticians can inferred from the findings of this study that high levered firms are exposed to high risk which affects their profitability prospect while on the other hand optimum liquidity level bring about effective and efficient circulation of cash which guarantees performance in the long run. Therefore, theoretically, firm size significantly drives performance more than other firm attributes.

CONCLUSION AND RECOMMENDATIONS

Recommendations from these study is specifically based on the findings from the study;

Findings from the study revealed that firm size positively and significantly influence financial performance, hence, management should try as much as possible to increase its total asset level since assets have been defined in accounting as resources of the

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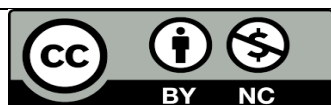
business in which is expected to flow long-term economic benefits for a long-period of time. The more the asset level, the more the companies worth and the more likely it is to generate more returns.

Also, this study recommends that the management should watch out for its leverage level so as to keep it at optimum point. High leverage level negatively influence performance for conglomerate firms. Therefore, the leverage level, (debt to equity ratio) should be 3 5:65 so as to avoid high cost of capital which guarantees performance.

Finally, high liquidity level is poisonous for conglomerate firms due to the fact that cash is tied down in the production process. Low liquidity level leads to inability to meet present obligations as they fall due. Therefore, an optimum liquidity level of 50% is recommended for optimal performance.

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