



Asset Valuation and Financial Performance of Multinational Firms in Nigeria

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ABSTRACT

Asset valuation is a critical factor in determining the financial performance of corporate entities, yet the impact of various asset types of multinational firms remains underexplored in emerging markets like Nigeria. This study examines the effect of asset valuation and financial performance among listed multinational firms in Nigeria between 2014 and 2023. Specifically, the study investigates the effect of inventory, equipment, building, and receivable valuation, on financial performance using return on assets (ROA), while the control variable of choice is the firm size. Through a purposive sampling technique, data were drawn from the annual reports of 20 listed multinational firms in the Nigerian Exchange Group. The study employs robust regression techniques to provide a comprehensive understanding of asset management practices. Findings reveal that inventory and receivable valuations have significant positive effects on financial performance, implying that firms with well-managed inventories and receivables tend to exhibit better financial outcomes. However, equipment valuation does not show a significant effect on financial performance, while building valuation is negatively correlated with the firm financial performance, indicating inefficiencies linked to overvalued 'real estate' in Nigeria reporting climate. These results emphasize the importance of optimizing the management of inventory and receivables for enhanced liquidity and financial stability. The study recommends that listed firms should prioritize efficient inventory turnover management and receivables collection systems while avoiding overvaluation of physical assets such as buildings. This research offers valuable insights for corporate managers, investors, and analysts in assessing financial health of corporate establishments based on asset valuation strategies.

Keywords: Building valuation, equipment valuation, inventory valuation, multinational firms, receivables valuation, return on asset

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INTRODUCTION

Financial performance is fundamental to evaluating a firm's sustainability and profitability globally. The International Accounting Standards Board (IASB) highlights its importance as a primary determinant of a firm's ability to continue as a going concern, especially when distress signals are missed or overlooked. Accurate performance evaluation is essential for decision-makers and stakeholders, provided it is backed by sound asset valuation methods, which improve strategic and operational decisions (Olaniran & Onakoya, 2020). Without such evaluations, firms risk misjudging their financial stability, potentially undermining their long-term viability.

Failing to prioritize financial performance can have dire consequences for organizational stability and growth. Unaddressed signs of distress, like poor risk management, can escalate into issues such as bankruptcy and liquidation. Although, metrics like return on assets (ROA) are commonly used to measure strong financial performance, traditional asset valuation models often focus solely on the health and potential income generation of assets. These models tend to miss critical warning signs of financial distress, which could threaten the firm's survival (Srouf & El-Maghawry, 2021). Overcoming these limitations requires the incorporation of advanced methodologies that consider risk factors in financial assessments.

This growing concern has propelled asset valuation models into the forefront of discussions among Valuers, Accountants, Regulators, and financial information users (Bahaa & Bahaa, 2021). In Nigeria, challenges surrounding financial performance and asset valuation have led to diverse approaches to improve decision-making. Asset valuation model has emerged as a vital tool, providing early warnings of financial distress and helping firms avoid financial instability (Chimezie & Osho, 2018; Olaoye & Ayodele, 2019). This approach highlights the need to incorporate advanced methodologies for protecting financial health in a rapidly changing economic environment.

The ability to predict financial failure has become a key concern for multinational firms and researchers, given the substantial consequences such failures can have on investors, stakeholders, and the broader economy (Razia et al., 2017). Accurate forecasting of a firm's financial future—whether it remains a going concern or faces liquidation—requires advanced framework, which assesses the firm's capacity to optimize resources and maintain stability. Assets, defined as resources that generate future benefits, are essential for assessing financial health (Olowookere & Inneh, 2020). While management teams sometimes argue that asset valuation failures are beyond their control, research shows that integrating distress indicators into valuation models can significantly enhance predictions of financial performance (Srouf & El-Maghawry, 2021).

Despite significant research on asset valuation, gaps remain, particularly regarding multinational firms in Nigeria. Most studies such as Afeef (2021) and Siele (2018) focus on broader asset categories like current assets and overlook specific assets like inventory, equipment, buildings, and receivables in their analysis of financial performance. While researchers such as Adetiloye and Eke (2014), Afeef (2021), Siele (2018), and Mbula et al. (2020) underscore the importance of accurate asset valuation, the studies neglect the interplay between specific asset types and financial performance in Nigerian multinational firms. Additionally, study such as Ajewole et al. (2023) did not consider the role of timely evaluations in predicting financial distress. These gaps underscore the need for a focused research on asset valuation practices in Nigeria's multinational firms.

In response, this study investigates the effect of asset valuation on financial performance among listed multinational firms in Nigeria. The study explores how valuations of inventory, equipment, buildings, and receivables impact financial performance in these firms. This research fills a crucial gap by providing practical insights into the role of individual asset categories on financial stability, offering valuable implications for managers, investors, and policymakers.

2 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Financial Performance

Financial performance refers to the evaluation of a firm's profitability, operational efficiency, and overall financial well-being, often measured by metrics such as revenue growth, return on assets (ROA), return on equity (ROE), and solvency ratios. It is a key indicator of a company's ability to meet its financial goals and maintain a competitive edge in ever-changing markets. Recent research highlights the importance of efficient resource allocation, strong corporate governance, and effective market strategies in improving financial performance, especially for firms in complex settings like developing economies (Mensah et al., 2023; Oliveira & Basso, 2024). In addition, financial performance is increasingly assessed through predictive models, like the financial ratio analysis, which predicts the potential for financial distress, offering valuable insights into a firm's ability to withstand challenges (Kusi et al., 2023; Uchenna & Olayemi, 2022). This measure remains crucial for stakeholders, including investors, policymakers, and managers, in making decisions that support long-term strategic goals (Akter et al., 2022; Wright et al., 2023).

2.1.1.1 Return on Asset

The ability to make a profit and the wealth of shareholders are determined by the success of the company (Salami et al. 2023). Although there are many ways to gauge a company's success, including productivity, profitability, expansion, creation of jobs, and customer happiness, the return on assets was the main emphasis of this investigation. According to Wang and Liu (2024), stakeholders can assess a company's resource management and value creation for shareholders by looking at its financial performance. Financial performance is a gauge of an organization's internal and external actions and operations' efficacy and efficiency, according to (Ali, 2018). A company's profitability in relation to its total assets is shown by its return on assets (ROA), which provides insight into how well management uses its resources to turn a profit (Nuhu et al. 2020). Jabbary, et al. (2013) and Olagunju et al. (2021) have used ROA as proxy of financial performance in past research.

Furthermore, it is frequently used in literature to determine a company's success, conditions, and compliance. Return on assets compares earnings to all of the assets used by the company to generate those earnings, it is widely regarded as a strong internal management ratio. Thus, it serves as a means of assessing the effectiveness, performance, and profitability of the company. It also offers useful data regarding how well a business uses its assets to generate revenue. It displays the percentage of profit that a business makes in comparison to all of its resources. It is therefore also regarded as an efficiency metric (Nuhu et al., 2020). A business that has a high return on assets is likely adept at turning assets into earnings. Return on assets (ROA) is commonly seen as a steady measure of financial success; a rising ROA suggests higher profit margins, while a falling ROA suggests lower profit margins. Recent studies highlight its relevance in assessing financial stability in both developed and developing economies, making it an essential tool for evaluating the resilience of multinational firms in asset-intensive sectors (Mensah et al., 2023; Oliveira & Basso, 2024; Akter et al., 2023). By linking asset valuation with financial distress, firms' strategic decisions are data-driven and aligned with sustainable financial performance (Kusi et al., 2023; Uchenna & Olayemi, 2022).

2.1.2 Asset Valuation

Asset valuation determines the fair market value of a company's assets, including tangible and intangible items like stocks, bonds, buildings, and goodwill (Suleiman, 2023). Methods such as discounted cash flow, option pricing, and comparable are used for both tangible and intangible assets (Abiodun, 2022). It is crucial for purposes like loan applications, financial reporting, and credit analysis. Valuation of fixed assets is often based on book values and replacement costs (Okwo & Eze, 2022). In

sectors like manufacturing, asset management ensures the preservation of key assets (Mutungi, 2020). Regular asset valuation helps maintain profitability and manage risks as asset values fluctuate (Aker & Rahman, 2023). While many valuations focus on physical health, comprehensive valuations consider performance goals and risk signals (Kusi & Mensah, 2024). Oliveira and Basso (2024) suggest that the return on asset at the short run can help identify early distress signals that may surface at the long run.

2.1.2.1 Inventory Valuation

Inventory valuation is crucial for determining a company's inventory value; impacting cost of goods sold, balance sheets, and financial performance (Matsumoto & Nakamura, 2023; Zhao & Liu, 2024). Accurate valuation influences profitability, liquidity, and asset management by reflecting true costs and revenues. It also affects financial ratios like gross margin and return on assets (Lee & Park, 2022). Methods like FIFO, LIFO, and weighted average cost yield different financial outcomes (Chen et al., 2023). Proper valuation enhances cash flow, reduces waste, and builds investor trust, while inaccuracies distort financial statements (Singh & Gupta, 2024). Studies have shown varied impacts: Ofoegbu et al. (2023) found improved Z-scores in Nigerian firms with efficient valuation, while Ayodele et al. (2023) noted poor management reduced Z-scores in Africa. Chukwu et al. (2024) observed inflated valuations lowered Z-scores in developed economies. Ekwoaba et al. (2024) linked poor valuation in Nigeria to declining Z-scores, signaling vulnerability. These findings highlight the complexity of inventory valuation's role, prompting a null hypothesis stated thus;

H₀₁: Inventory valuation has no significant effect on the financial performance of listed multinational firms in Nigeria.

2.1.2.2 Equipment Valuation

Equipment valuation determines the fair market value of tangible assets, essential for financial reporting and performance analysis (Nguyen & Tran, 2022). Techniques like cost-based, market-based, and income-based methods provide unique insights. Accurate valuation influences working capital, total assets, and asset turnover, aiding financial distress predictions (Altman & Hotchkiss, 2023). Misvaluation distorts stability assessments, while proper valuation enhances profitability and resilience (Smith & Brown, 2024; Ahmed et al., 2023). Studies show varied impacts: Nengsih (2024) found accurate valuation improved Z-scores in Indonesia, while liquidity issues caused declines. Pangemanan et al. (2023) observed positive impacts of high market-to-book ratios, but noted that errors increased distress. Smith and Jones (2023) found outdated valuations distorted Z-scores, while updated ones improved financial health. Chen et al. (2022) showed proper depreciation boosted solvency, while aggressive valuations harmed reliability. Kieschnick et al. (2023) noted strategic valuation improved Z-scores in technology, but poorly optimized investments hurt performance. These findings inform the proposed null hypothesis that;

H₀₂: Equipment valuation has no significant effect on the financial performance of listed multinational firms in Nigeria.

2.1.2.3 Buildings Valuation and Financial Performance

Building valuation estimates a property's economic value using methods like the cost, income, and sales comparison approaches. The cost approach values based on replacement costs, the income approach evaluates income potential, and the sales comparison approach compares similar properties. Accurate building valuation is crucial for assessing financial performance and asset management. Research shows varied impacts: Zhang and Xu (2023) found it improved Z-scores in China, Piero et al. (2023) observed benefits for European real estate firms, and Malik and Ali (2024) reported positive

effects in Africa. Santos et al. (2024) highlighted its role in financial resilience in South America. Miss-valuation, however, has adverse effects: Patel and Khan (2023) linked it to lower Z-scores and financial distress in Asia, Olayemi et al. (2023) to declining asset reliability in Nigeria, and Kadir et al. (2023) to financing challenges in the Middle East. These inconsistencies necessitate further investigation, leading to the formulation of the hypothesis that;

H₀₃: Building valuation have no significant effect on the financial performance of listed multinational firms in Nigeria.

2.1.2.4 Receivables Valuation

Receivable valuation determines the value of a company's accounts receivable, focusing on debt collection likelihood (Wasiuzzaman, 2022). Common methods include aging analysis, allowance for doubtful accounts, and net realizable value adjustments (Kumar & Sharma, 2023). Accurate receivable valuation influences liquidity, working capital, and profitability (Njeri & Kyalo, 2024), and affects financial stability indicators, which measures bankruptcy risk (Sarbanes, 2023; Li & Xie, 2023). Studies show varied outcomes: Elewa (2023) found accurate valuation improves liquidity and reduces bankruptcy risk, while Tshiamo and Motlogelwa (2023) noted poor management increases distress. In Nigerian firms, Olaoye and Oloyede (2023) highlighted the positive impact of efficient receivable valuation on Z-scores. However, Adeyemo and Adebayo (2024) found mixed results in Africa, with inefficient management deteriorating Z-scores. Nwogugu and Okereke (2023) noted that proper valuation improved financial performance for some Nigerian companies, but external factors like economic instability led to negative effects in others. These inconsistencies support the formulation of null hypothesis on the impact of receivable valuation on financial performance that;

H₀₄: Receivable valuation has no significant impact on the financial performance of listed multinational firms in Nigeria.

2.2 Theoretical Review

2.2.1 Resource-based Theory

Resource-Based Theory (RBT), developed by Wernerfelt in 1984, asserts that a firm's unique resources and capabilities are crucial for achieving a competitive advantage, with valuable, rare, inimitable, and non-substitutable (VRIN) resources driving superior financial performance. This theory positions assets like equipment, inventory, and receivables as strategic resources that significantly impact long-term profitability when valued correctly. The integration of the return on asset enhances this framework by allowing firms to assess risks associated with asset valuation and potential financial distress, ultimately improving financial decision-making and strategic alignment (Garcia & Fernandez, 2022; Miller & Johnson, 2023). Despite criticisms regarding its neglect of external market factors (Priem & Butler, 2001), Resource-based theory remains relevant, particularly in sectors where both tangible and intangible assets are key to sustaining financial health and performance.

2.2.2 Agency Theory

Agency Theory, introduced by Jensen and Meckling in 1976, explores the dynamics between principals (owners/shareholders) and agents (managers), highlighting potential conflicts arising from differing goals, information asymmetry, and varying risk preferences. Agents may act in their self-interest, leading to practices like misreporting asset values or manipulating financial statements, which can distort asset valuation and financial performance. Asset valuation mitigates agency risks by providing an independent assessment of a firm's financial health, thereby reducing information asymmetry and ensuring accurate asset valuation. Although critics argue that Agency Theory focuses

too heavily on conflicts at the expense of trust and collaboration (Donaldson, 1990), it remains relevant in contexts where managers must make subjective judgments about long-term assets. By integrating asset analysis, principals can better assess financial and asset distress risks, encouraging agents to follow appropriate asset valuation methods and enhancing overall financial integrity and performance (Smith & Jones, 2022).

2.3 Empirical Review

Several studies have been conducted both at the global level as well as local level to investigate the impact of asset valuation on financial performance. This study examined the empirical studies on the basis of evidence from developed countries, developing countries and Nigeria based context. These are discussed below:

2.3.1 Empirical Evidence from Developed Countries

Smith et al. (2022) conducted a quantitative study investigating how inventory valuation methods impact financial distress prediction in U.S. manufacturing firms. Using a sample of 150 firms selected through stratified random sampling, they applied Z-score model to assess financial performance. The results revealed that firms employing the FIFO (First-In, First-Out) valuation method demonstrated higher Z-scores, suggesting a lower risk of financial distress. This underscores the role of inventory valuation in maintaining financial stability. Also, Bendig et al. (2022) explored the influence of operational leanness, specifically inventory and property valuation, on firms' credit ratings in the U.S. manufacturing sector. They analyzed a sample of 150 firms from a population of 250 using stratified random sampling, applying the Z-score model. The study revealed that excessive property, plant, and equipment (PPE) valuation negatively impacted financial performance, emphasizing the need for firms to optimize asset deployment to avoid financial distress.

Smith and Johnson (2023) assessed the effect of equipment valuation on the financial health of multinational technology firms in the U.S. They employed a longitudinal research design with a sample of 30 firms, selected using stratified random sampling. The study found a positive relationship between accurate equipment valuation and strong financial performance, attributed to the adoption of advanced valuation techniques and regular asset reappraisal. From another geographical context, Tanaka and Yamamoto (2023) examined the impact of building valuation on the financial health of multinational real estate firms in Japan. Using a mixed-method research design, they analyzed a sample of 50 firms. The results showed a positive relationship between precise building valuation and financial performance, attributed to Japan's stringent real estate appraisal standards and AI-powered valuation technologies.

Altman and Hotchkiss (2023) revisited the Z-score model across 100 publicly traded U.K. firms. Using purposive sampling and analysing data from 2018 to 2022, the study found that overvaluing receivables led to lower Z-scores, increasing bankruptcy risk and emphasizing the importance of conservative asset valuation practices. Furthermore, Williams and Chang (2024) focused on the effects of building valuation on financial performance among Canadian real estate firms. Through a longitudinal design with a sample of 120 firms, they found that regular revaluation of properties resulted in higher Z-scores, indicating strong financial performance.

Brown and Li (2024) assessed the combined effects of multiple asset valuations on financial performance in Australian mining firms. Using cluster sampling and multivariate regression, they found that firms using comprehensive asset valuation methods showed enhanced financial stability and higher Z-scores. In addition, Kim and Lee (2024) investigated how building valuation impacts financial performance among 80 technology-driven manufacturing firms in South Korea. The study, using stratified sampling, revealed a negative correlation between high building valuation ratios and financial performance, suggesting the importance of aligning asset allocation with core business activities. Also, Harris and Green (2024) explored the relationship between inventory valuation and financial

performance in multinational retail corporations in the U.K. Using a descriptive design and systematic random sampling, the study showed that accurate inventory valuation strongly correlated with financial stability, with advanced inventory management systems, like JIT and RFID technology, significantly enhancing financial performance.

2.3.2 Empirical Evidence from Developing Countries

Mbatha and Tshabalala (2022) investigated the impact of equipment valuation on the financial performance of construction firms in Kenya. Utilizing a longitudinal research design over five years (2017-2022) and a sample of 85 firms selected through purposive sampling, the study found a negative relationship between equipment valuation and financial performance. The results revealed that overvaluing equipment inflated balance sheets, leading to liquidity issues and decreased financial stability. Regression analysis confirmed that equipment overvaluation contributed to poor financial performance, reflected by declining Z-scores.

Nkomo et al. (2023) explored the relationship between inventory valuation and financial performance of South African firms using the Z-score model. With a sample of 120 manufacturing firms selected through stratified random sampling, the study revealed that overvaluing inventory negatively affected financial performance. The regression analysis showed that high inventory levels led to lower Z-scores and greater financial distress, emphasizing the need for improved inventory control mechanisms.

Zongo and Diarra (2023) examined asset valuation practices in the construction industry in Burkina Faso, focusing on building and equipment valuation. Using a cross-sectional design, a sample of 45 firms was selected from a population of 70 construction firms. The study found a positive relationship between accurate asset valuation and improved financial stability, reflected by higher Z-scores. This highlights the significant role asset management plays in enhancing financial performance in the Burkina Faso construction sector.

Ouma and Obiero (2023) studied the relationship between asset valuation and financial performance in Tanzania's non-financial sector. Using a descriptive research design and a sample of 90 firms selected through simple random sampling, the study found a negative correlation between asset misvaluation (especially of inventory and receivables) and financial performance. Overvaluation of assets led to inflated financial reports, which in turn affected liquidity and solvency, resulting in negative Z-scores and increased financial risk.

Juma and Mutiso (2024) assessed how receivables valuation influences the financial performance of Ugandan retail firms. The study used a cross-sectional design with a sample of 150 firms, selected via stratified random sampling. The Z-score model indicated a negative correlation between receivables valuation and financial health. Firms with high receivables often faced cash flow problems, reflected in lower Z-scores, indicating a higher risk of insolvency.

Banda and Ndhlovu (2024) studied the influence of asset valuation on financial performance in Zambia's mining sector, focusing on building and equipment valuation. A quantitative design was used, with 40 mining companies selected randomly from a population of 60. The study found a positive correlation between accurate building and equipment valuations and improved financial performance, evidenced by higher Z-scores. The authors highlighted the gap in understanding asset management in Zambia's mining sector and called for further research into the role of asset valuation in reducing financial distress in the industry.

2.3.3 Empirical Evidence in Nigeria

Olawale and Akinyemi (2022) explored the relationship between building valuation practices and financial performance in multinational oil and gas firms in Nigeria. The study, using a longitudinal design over five years and data from 10 firms, revealed a negative correlation between inaccurate building valuation methods and financial performance. The findings, based on Z-Score analysis,

indicated low Z-Scores, suggesting financial distress in most firms. The study attributed this to outdated valuation techniques and poor integration of local regulatory standards into global valuation frameworks.

Chukwu and Nwachukwu (2023) investigated the impact of asset valuation, focusing on receivables and inventory valuation, on financial performance in Nigeria's industrial goods sector. Using a descriptive design and a sample of 15 firms, the study found a strong positive relationship between proper asset valuation and improved financial performance. Z-Score analysis showed higher Z-Scores, indicating financial stability. The study emphasized the importance of accurate asset valuation in preventing financial crises.

Ogunyemi and Ilesanmi (2023) examined asset valuation's influence on the financial performance of Nigerian manufacturing firms, focusing on inventory, receivables, and equipment valuation. Using a longitudinal design and a sample of 30 firms, the study found that accurate valuation of these assets positively impacted financial performance. The findings, indicated lower financial distress risks, suggesting the need for further research into asset valuation as a predictor of financial stability.

Adedeji and Owolabi (2023) analyzed asset valuation in Nigerian consumer goods firms, focusing on inventory and equipment valuation. A mixed-methods approach was used, with a sample of 50 firms. The Z-Score model revealed that proper asset valuation significantly improved financial stability, reflected in higher Z-Scores. The study underscored the limited research on asset valuation in the consumer goods sector and called for further investigation into its role as a determinant of financial performance.

Adebayo and Onuoha (2023) studied the impact of receivable valuation on the financial performance of multinational manufacturing companies in Nigeria. Using a cross-sectional design and a sample of 20 firms, the Z-Score model showed a negative relationship between poor receivable valuation practices and financial performance. Low Z-Scores suggested increased financial distress, which was linked to inconsistencies in receivables management and the firms' failure to adapt to local market conditions. The study recommended improved receivables policies tailored to Nigeria's business environment.

Sulaimon and Alabi (2024) examined asset valuation's impact on financial performance in the Nigerian oil and gas sector, focusing on equipment and building valuation. A quantitative design and a sample of 30 firms were used, with data analyzed using the Z-Score model. The study found a positive relationship between accurate asset valuation and improved financial performance, as evidenced by higher Z-Scores. The results suggested that effective asset management practices helped reduce financial distress risks.

Okonkwo and Balogun (2024) investigated the effect of inventory valuation on the financial health of multinational retail companies in Nigeria. Using a descriptive design and a sample of 15 firms, the study found a negative relationship between inventory mismanagement and financial performance, with low Z-Scores in most companies. The negative outcomes were attributed to difficulties in adapting global inventory standards to Nigeria's economic conditions, including inflation and currency fluctuations.

2.4 Gap in Literature

The extant empirical studies reviewed highlight the importance of asset valuation in determining financial performance, with varying outcomes across regions and asset types. For instance, Smith et al. (2022) found that FIFO inventory valuation improved financial stability in U.S. manufacturing, while Harris and Green (2024) made similar findings for U.K. retail firms. However, Nkomo et al. (2023) in South Africa and Mbatha and Tshabalala (2022) in Kenya reported negative relationships, showing that overvalued assets like inventory and equipment can lead to inflated financial statements, liquidity issues, and greater financial distress. While these results differ between developed and developing economies,

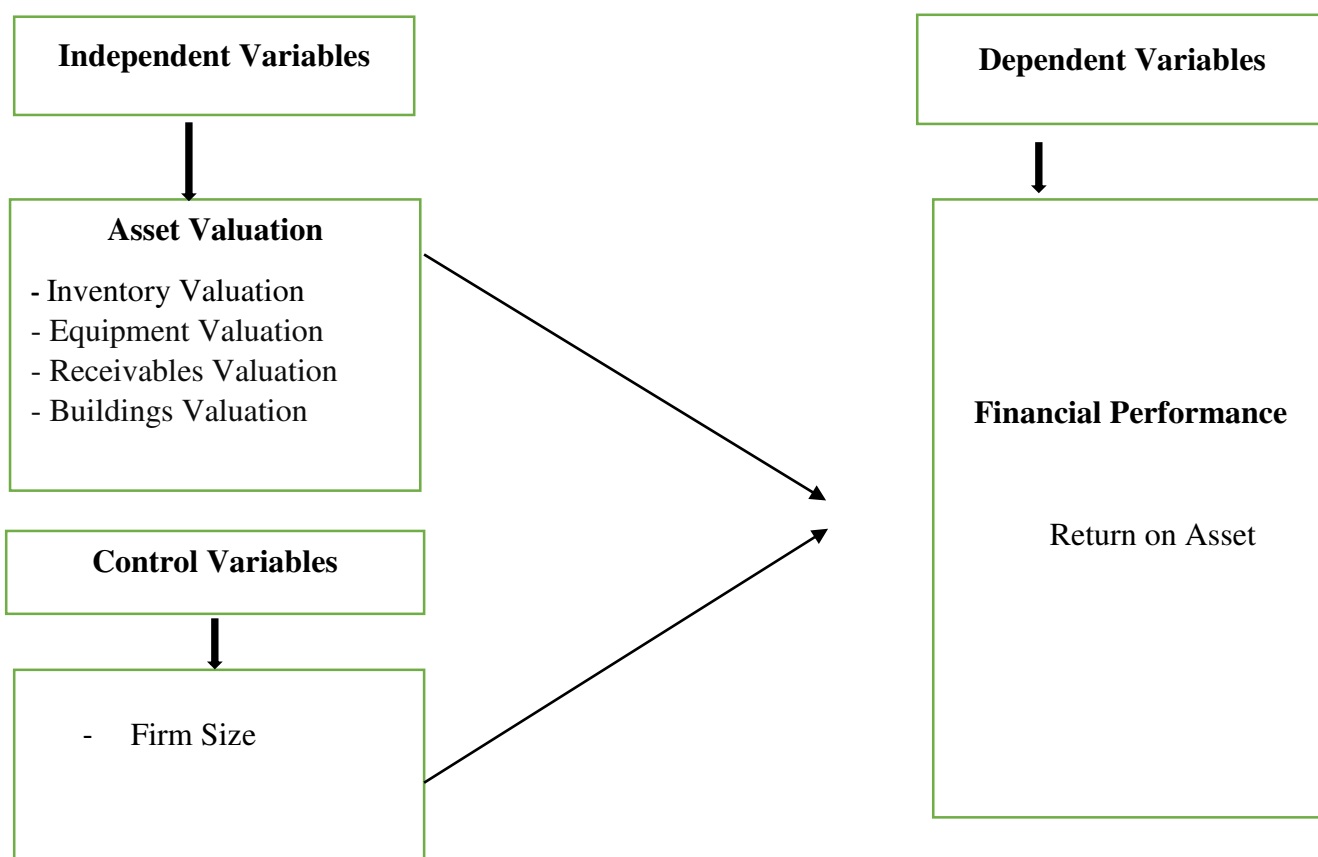
all studies stress that accurate and conservative asset valuation is critical for financial health, and excessive overvaluation typically leads to poor outcomes. Studies in Nigeria by Ogunyemi and Ilesanmi (2023) and Olawale and Akinyemi (2022) also highlight the importance of precise receivable and inventory valuations in preventing financial crises.

Despite consistent findings, gaps remain, especially regarding the disaggregation of asset classes and reliance on traditional valuation methods like weighted average cost. Few existing studies adopt advanced models like the Z-Score as financial performance measure which could better identify risks in asset valuation. These gaps underscore the need for more comprehensive and comparative analyses, especially in emerging markets like Nigeria, where recent studies are limited. Moreover, this study will examine how asset classes interact across industries. Also, the impact of market dynamics on asset valuations, and the use of the Z-Score in various economic settings. In addition, this study will explore the influence of control variable such as firm size and firm listing age on the relationship between asset valuation and financial performance.

2.5 Conceptual Framework

A visual representation denoted as "Figure 1 Conceptual Framework" is designed to illustrate the interplay between asset valuation and the Financial Performance of multinational companies listed on the Nigerian Exchange Group.

Figure 2.1: Conceptual Model showing the relationship between asset valuation and Financial Performance



Source: Author's Design (2024)

3 METHODOLOGY

The study adopts the use of an *ex-post facto* research design base on secondary method of data collection. The study population consist of 42 multinational firms listed on the Nigerian Exchange Group as of 31st December, 2023. A purposive sampling technique was employed to select 20 listed multinational firms in Nigeria as it ensures adequate representation of key sectors in Nigeria's economy while allowing for a comprehensive analysis of the interplay between asset valuation and financial performance. The study covered a period of 10 years (i.e. 2014 to 2023). The year 2014 was considered as base year due to its significance as a pre-recession benchmark, capturing stable economic conditions before major global and local disruptions, while 2023 was used as the terminal year as it encompassed economic conditions and incorporate post-pandemic recovery dynamics. The Data for the study was retrieved from the annual reports of sampled multinational firms. The study employed the use of descriptive statistics, correlation analysis, panel corrected standard error regression techniques.

Table 3.1: Measurement of Variables

S/N	Variables	Description	Measurement	Source
1.	Inventory Valuation (INV) (Independent)	Estimation of the value of goods available for sale or use in production.	Logarithm of total value of closing inventory in the company statement of financial position.	Johnson & Larson (2023), Choi & Meek (2022).
2.	Equipment Valuation (EQV) (Independent)	Estimation of the value of machinery or equipment used in operations.	Logarithm of total depreciated cost or fair market value of machinery or equipment's in the company statement of financial position.	Thompson & Brown (2023), George & Yoon (2022).
3	Building Valuation (BDV) (Independent)	Estimation of the value of physical buildings.	Logarithm of total market value, replacement cost of buildings in the company statement of financial position.	Lee & Miller (2022), Taylor & Smith (2023).
4	Receivable Valuation (RCV) (Independent)	Estimation of the collectability of outstanding accounts receivable.	Logarithm of total net realizable value (NRV) of receivables in the company statement of financial position.	Baker & Kim (2023), Davis & Zhang (2022).
5	Firm Size (FSIZE) (Control)	Scale of the organization, impacting resource availability and valuation methods.	Logarithm of Total assets in the company statement of financial position.	Johnson & Adeyemi (2023), Nwosu et al. (2024)
6	Financial Performance (ROA) (Dependent Variable)	This refers to the after tax profit of the companies. (NGX).	Profitability is measured as the ratio of profit after tax to total asset (NGX).	Aliyu (2023), Imhanzenobe (2023)

Source: Researcher's Compilation (2024)

3.1 Model Specification

The study's model was adapted from the study of Alfred and Smith (2023) on the impact of asset valuation on financial performance: An empirical analysis using the Z-Score model which is: $Z\text{-Score}_{it} = \beta_0 + \beta_1 INV_{it} + \beta_2 EQV_{it} + \beta_3 FSIZE_{it} + \varepsilon_{it}$ i

Where; Z-Score = representing financial stability, measured by the Z-Score.; β_0 = intercept; INV = Inventory Valuation; EQV = Equipment Valuation; FSIZE= Firm Size.

To enhance the model, this study incorporates building valuation and receivable valuation, capturing key tangible and financial assets that directly influence financial performance. Thus, we have: $ROA = f(AS\text{TV})$ ii

$ROA_{it} = \beta_0 + \beta_1 INV_{it} + \beta_2 EQV_{it} + \beta_3 BDV_{it} + \beta_4 RCV_{it} + \beta_5 FSIZE_{it} + \varepsilon_{it}$ iii

Where: ROA = Return on Asset; INV = Inventory Valuation; EQPV = Equipment Valuation; BLDV = Buildings Valuation and RCV = Receivables Valuation; FSIZE= Firm Size; ROA = Return on Asset measure of Profitability; β = Constant; i = of a particular firm; t = Time Series; β_1 - β_6 , = Regression of the Independent Variable; e = Error Term.

The *a priori* expectation of this study is that $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6 > 0$. The data were analysed using the descriptive statistics, unit root test and the correlation matrix in order to confirm the data for association and robustness. The regression analysis was conducted using a robust regression.

4. Data Analysis

4.1 Descriptive Statistics Analysis

In this sub-section, the study provides some basic information for both the explanatory and dependent variables of interest. Each variable is described based on the mean, standard deviation, maximum and minimum. Table 2 displays the descriptive statistics for the study.

Table 4.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
inv	200	18.048	16.154	0.000	82.700
eqv	200	35.602	23.738	0.000	90.820
bdv	200	43.047	22.481	0.000	90.820
rcv	200	19.541	12.842	0.000	58.550
roa	200	2.163	17.953	-179.920	108.900
fsize	200	7.410	0.801	5.240	8.760

Source: Researcher's computation (2024)

The descriptive statistics presented in Table 4.1 provide an overview of the variables used in this study. Financial performance, represented by ROA, has a mean value of 2.163 but displays a high standard deviation of 17.953, suggesting substantial fluctuations in profitability across the sample. The extreme minimum value of -179.920 highlights severe losses in some firms, while the maximum value of 108.900 indicates significant profitability in others, emphasizing the heterogeneous financial outcomes within the sector. Inventory valuation, represented by INV, has a mean value of 18.048 and a standard deviation of 16.154, indicating considerable variability in the levels of inventory among firms. The minimum value of 0.000 suggests the absence of reported inventory valuation in some firms, while the maximum of 82.700 points to the presence of firms with substantial inventory holdings, which might influence operational and liquidity dynamics.

Equipment valuation, represented by EQV, has a mean of 35.602 and a standard deviation of 23.738, reflecting a wide range in the investment and valuation of equipment assets among the firms. The minimum value of 0.000 indicates that some firms did not report equipment valuation, while the

maximum of 90.820 highlights the extent to which certain firms rely on or invest in equipment assets. Similarly, building valuation, represented by BDV, shows an average of 43.047 with a standard deviation of 22.481. The wide range, from 0.000 to 90.820, points to a significant disparity in the valuation of real estate assets among the sampled firms. Receivable valuation, represented by RCV, has a mean of 19.541 and a standard deviation of 12.842, indicating variations in the management and valuation of receivables. The range, with a minimum value of 0.000 and a maximum of 58.550, reflects differences in credit sales policies and collection efficiency across the firms, potentially impacting liquidity management. In the case of the control variables, the result shows Firm size, represented by FSIZE, shows a mean of 7.410 with a relatively low standard deviation of 0.801. The range, from 5.240 to 8.760, suggests that the firms included in the study are relatively comparable in size, reducing concerns about significant disparities in scale. These statistics underscore substantial variability in several variables, which may contribute to differences in financial performance. This highlights the importance of carefully addressing these variations in the regression analysis to derive meaningful insights and reliable conclusions.

4.2 Correlation Analysis

In examining the association among the variables, this study employed the Spearman Rank Correlation Coefficient (correlation matrix), and the results are presented in the table below.

Table 4.2: Correlation Analyses

Variables	(1)	(2)	(3)	(4)	(5)	(6)
(1) roa	1.000					
(2) inv	0.114	1.000				
(3) eqv	0.227	0.766	1.000			
(4) bdv	0.218	0.756	0.715	1.000		
(5) rcv	0.149	0.563	0.585	0.657	1.000	
(6) fsize	0.169	0.885	0.818	0.881	0.725	1.000

Source: Researcher's computation (2024)

The results of the Spearman rank correlation analysis presented in Table 4.2 reveal several important relationships among the variables under study. Profitability (ROA) shows weak positive associations with inventory valuation (INV) (0.114), equipment valuation (EQV) (0.227), building valuation (BDV) (0.218), receivable valuation (RCV) (0.149), and firm size (FSIZE) (0.169). These results suggest that firms experiencing higher asset valuations and larger sizes tend to exhibit slightly higher profitability, although the relationships are modest. Further, the correlation among asset valuation variables indicates strong and positive relationships. Specifically, inventory valuation (INV) exhibits robust positive correlations with equipment valuation (EQV) (0.766), building valuation (BDV) (0.756), and receivable valuation (RCV) (0.563). Inventory valuation also shows an especially strong correlation with firm size (FSIZE) (0.885), highlighting that firms with higher inventory valuations are typically larger and have higher valuations across other asset classes.

Similarly, equipment valuation (EQV) demonstrates strong positive correlations with building valuation (BDV) (0.715) and receivable valuation (RCV) (0.585), indicating considerable interdependence among these asset valuations. Additionally, the relationship between equipment valuation and firm size (FSIZE) is notably strong (0.818), reflecting that firms with substantial equipment valuations generally have larger overall sizes. Building valuation (BDV) also presents strong positive associations with receivable valuation (RCV) (0.657) and firm size (FSIZE) (0.881), suggesting that firms with significant investments in building assets typically have higher receivable valuations and larger overall sizes. Receivable valuation (RCV), in turn, shows a moderate positive correlation with firm size (FSIZE) (0.725), further reinforcing the interconnectedness of asset valuations and firm size. Overall, these strong positive correlations among the asset valuation variables and firm size suggest a

potential risk of multicollinearity. Consequently, it is recommended that further diagnostic tests, such as Variance Inflation Factor (VIF) analysis, be conducted to confirm whether multicollinearity poses any significant issues for subsequent regression analyses.

4.3 Regression Analyses

Specifically, to examine the cause-effect relationships between the dependent variables and independent variables as well as to test the formulated hypotheses, the study used a robust regression analysis since the result reveal the presence of heteroscedasticity. The robust regression and an OLS pooled results obtained are presented and discussed in Table 4.3.

Table 4.3: Regression Results

Variables	(1) OLS Regression	(2) Robust Regression
inv	0.010*** (0.001)	0.004 (0.046)
eqv	0.001 (0.810)	0.004 (0.142)
bdv	-0.015*** (0.000)	-0.016** (0.000)
rcv	0.005 (0.199)	0.006 (0.039)
roa	0.055*** (0.000)	0.069** (0.000)
fsize	0.140** (0.010)	0.056 (0.147)
Intercept	0.617 (0.131)	1.117*** (0.000)
Observations	200.000	200.000
R ²	0.794	0.850
Hettest	6.02(0.009)	
VIF	2.56	

Notes: *p-values are in parentheses.* *** $p < .01$, ** $p < .05$

Source: *Regression Analysis, (2024)*

Table 4.3 represents the results obtained from the estimation of the models using the OLS regression method. The results indicate that the dependent variable, as captured by the regression model, has an R-Square value of 0.794. This suggests that the independent and control variables in the study account for approximately 79.4% of the systematic variation in the dependent variable during the period under study. The remaining 20.6% of the variation is explained by other factors not included in the model, as indicated by the error term. This underscores the relevance of the model in explaining the dependent variable. However, to further validate the estimates of the pool OLS results, this study also tests for multicollinearity and heteroscedasticity.

The analysis includes a test for multicollinearity using the Variance Inflation Factor (VIF). The mean VIF for the variables in the OLS regression model is 2.56, which is well below the commonly accepted threshold of 10. This indicates that there is no severe multicollinearity among the independent variables, suggesting that they do not have high inter-correlations that would necessitate their exclusion from the model. The absence of multicollinearity enhances the reliability of the estimated coefficients. The assumption of homoscedasticity was tested using the Breusch-Pagan test, with the results showing a significant p-value (Hettest = 6.02, $p < 0.009$). This indicates that the assumption of homoscedasticity

is violated, implying the presence of heteroscedasticity in the OLS regression model. As a result, the standard errors of the estimates may be unreliable, potentially leading to biased statistical inferences.

To address the issue of heteroscedasticity, the study re-estimated the model using robust regression techniques, as recommended by Wooldridge (2010). The results from the robust regression are presented in the second column of Table 4.3. The robust regression model shows an R-Square value of 0.850, indicating that approximately 85.0% of the systematic variation in the dependent variable is explained by the independent variables. This substantial improvement suggests that the robust regression provides a more accurate and reliable estimation of the model, accounting for the heteroscedasticity observed in the OLS results. The robust regression results confirm the statistical significance of several variables, further validating the findings of the study and ensuring more robust statistical inferences.

4.4 Discussion of Findings

The results obtained from the robust regression model presented in Table 4.3 reveal that inventory valuation [coef. = 0.004 (0.046)] has a significant positive effect on the financial performance of listed multinational firms in Nigeria during the period under study. The result implies that an increase in inventory valuation will positively affect the financial performance of the firms in Nigeria during the period under study. Hence, the null hypothesis that inventory valuation has no significant effect on the financial performance of listed multinational firms in Nigeria is rejected. The findings on inventory valuation reveal a significant positive effect on the financial performance of listed multinational firms in Nigeria. An increase in inventory valuation appears to be a driver for improved performance, which aligns with earlier studies on the relationship between asset management and financial outcomes. For instance, Sulaimon and Alabi (2024) highlighted how proper inventory management could streamline operational efficiency and foster higher profitability in Nigerian firms. This view is corroborated by Chukwu and Nwachukwu (2023), who argued that firm performance enhances with strategic asset valuation, where inventory plays a key role in this regard. However, this outcome differs from the findings of Olawale and Akinyemi (2022), who observed that an overemphasis on inventory could lead to inefficiencies, especially in environments where product turnover rates are unpredictable.

The results are significant in indicating that well-managed inventory levels may be instrumental for financial performance in multinational corporations within Nigeria, supporting Mbatha and Tshabalala (2022), who suggested a similar positive influence of asset valuation on firm performance in African markets. Thus, this study affirms that inventory valuation, when aligned with market demand and supply trends, is essential for enhancing financial outcomes.

On the other hand, the findings related to equipment valuation indicate that this factor does not have a statistically significant effect on the financial performance of the firms studied. The results obtained from the robust regression model revealed that equipment valuation [coef. = 0.004 (0.142)] does not have a significant effect on the financial performance of listed multinational firms in Nigeria, as the p-value is greater than the 0.05 significance level. Therefore, the null hypothesis that equipment valuation has no significant effect on the financial performance of listed multinational firms in Nigeria is not rejected. These results suggest that equipment valuation alone might not directly influence the financial performance of multinational firms in Nigeria, challenging the expectations from earlier research, such as Williams and Chang (2024), which posited that well-valued equipment could streamline production processes and hence boost overall performance. Nkomo et al. (2023) argued similarly that tangible assets like equipment contribute largely to productivity in the long term. However, the current study suggests that such a direct connection might be weaker or influenced by other moderating factors, such as operational efficiency or market conditions.

Zongo and Diarra (2023) noted in their study that in some African markets, including Nigeria, the effect of equipment valuation might be overshadowed by factors like innovation or technology adoption, thus lessening the immediate impact of physical assets on financial performance. This finding

is consistent with the study's results, as it underscores the importance of considering broader factors beyond equipment valuation.

The findings regarding building valuation provide a contrasting result, as they show a significant negative effect on financial performance. The results obtained from the robust regression model revealed that building valuation [coef. = -0.016 (0.000)] has a significant negative effect on the financial performance of listed multinational firms in Nigeria during the period under study. The result implies that an increase in building valuation will significantly decrease the financial performance of the firms in Nigeria. Hence, the null hypothesis that building valuation has no significant effect on the financial performance of listed multinational firms in Nigeria is rejected.

The implication is that an increase in building valuation may lead to a reduction in the firm's financial performance. This aligns with earlier observations by Ouma and Obiero (2023), who discussed the potential drawbacks of overstating real estate assets, especially in the face of economic fluctuations. Their findings suggested that an inflated building valuation could tie up capital in non-liquid assets, which may not be conducive to improved firm performance. Similarly, Ogunyemi and Ilesanmi (2023) explored how excess emphasis on property investments without concurrent returns might harm a firm's financial health, further supporting the current findings. Contrastingly, Williams and Chang (2024) observed that investments in real estate often serve as collateral, thus boosting firm liquidity and performance, which directly contradicts the results found in this study. This discrepancy highlights the complex dynamics of asset valuation in financial performance, where the broader market conditions and firm strategy might influence whether such assets translate into enhanced financial outcomes.

Lastly, the results obtained from the robust regression model revealed that receivable valuation [coef. = 0.006 (0.039)] has a significant positive effect on the financial performance of listed multinational firms in Nigeria during the period under study. The result implies that an increase in receivable valuation will significantly improve the financial performance of the firms in Nigeria during the period under study. Hence, the null hypothesis that receivable valuation has no significant effect on the financial performance of listed multinational firms in Nigeria is rejected. The significant positive effect of receivable valuation on financial performance concurs with findings from other research in the Nigerian context. Ouma and Obiero (2023) suggested that high receivables are indicative of strong business operations and customer loyalty, thus reflecting positively on a firm's performance. This is supported by Zongo and Diarra (2023), who emphasized that firms with better receivable management are likely to exhibit healthier cash flow, facilitating investment and growth. While some studies have raised concerns about the potential for high receivables to signal poor collections or high credit risk (Chukwu and Nwachukwu, 2023), this study highlights that effective management of receivables can serve as a performance booster, especially if aligned with sound credit policies. Therefore, it concurs with the notion that receivables, if managed carefully, can enhance liquidity and profitability, aligning with Ogunyemi and Ilesanmi (2023), who identified receivable management as one of the critical drivers of financial health in Nigerian businesses.

5 Summary, Conclusion and Recommendations

5.1 Summary

This study examines the impact of asset valuation on the financial performance of listed multinational firms in Nigeria during the period of 2014-2023. The key objective was to understand how various aspects of asset valuation, including inventory, equipment, building and receivables, affect firm performance in the Nigerian context. Through rigorous analysis using robust regression methods, the study found that while inventory valuation and receivable valuation had significant positive effects on financial performance, equipment valuation showed no significant impact, and building valuation was negatively and significantly related to financial performance of the multinational listed firms. These results underscore the crucial role of managing certain asset types, such as inventory and receivables, in

enhancing firm performance. The study highlighted several key findings. The most significant revelation was the positive effect of inventory valuation and receivable valuation on financial performance, indicating that firms with well-managed inventories and receivables tend to experience better financial outcomes. Conversely, equipment valuation did not demonstrate a significant direct effect, challenging assumptions about its importance as a performance driver. The negative effect of building valuation pointed to potential inefficiencies associated with overvalued real estate in the context of Nigerian firms.

5.2 Conclusion

The study concluded that the importance of asset valuation may vary depending on the asset type and market conditions. Key submission from this study include the importance of managing inventory and receivables efficiently for enhancing firm performance. Managers and directors must focus on effective asset management strategies to improve liquidity and financial outcomes. The study also cautions against overvaluing certain assets like buildings, as these may have a negative impact on performance. Analysts, investors, and other stakeholders should focus on a company's asset management practices, specifically in terms of inventory and receivables, to assess the company's financial health and long-term sustainability. These findings provide a clear pathway for corporate managers to align asset strategies with overall financial performance objectives, optimizing resource allocation for better financial health.

5.3 Recommendations

Given the key findings, firms should ensure that their inventory is regularly audited and aligned with real-time demand trends. Effective inventory turnover management systems should be implemented, and inventory should be valued realistically to prevent excessive carrying costs. As for receivable valuation, corporate managers need to optimize credit policies and develop robust receivables collection systems to minimize the risk of non-collection while fostering good customer relations. In contrast, firms are advised to review their equipment valuations and consider adjusting investment in equipment based on technological advances rather than traditional asset valuation practices. Lastly, with respect to building valuation, firms should avoid over-investing in real estate and aim for a more balanced approach between liquid and fixed assets. Property investments should be made with a keen understanding of market trends, with real estate assets accounting for a smaller portion of total firm value.

5.4 Contribution to Knowledge

This study contributes to knowledge by shedding light on the contextual relationship between asset valuation and financial performance in the Nigerian multinational firms. It specifically addresses the Nigerian market dynamics, where firm valuation practices may differ from those in other regions due to the unique economic conditions. Future studies could examine the broader implications of asset valuation on firm performance across different sectors of the Nigerian economy or even other African economies. Further studies might explore the long-term impact of asset valuation practices, particularly concerning fluctuating market conditions, as well as potential moderating factors such as economic crises or regulatory changes. Additionally, research could investigate how different dimensions of asset valuation like intangible assets may contribute to the performance outcomes of multinational firms operating in emerging markets.

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