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THE INFLUENCE OF BUSINESS FOREIGN FUNDING ON FINANCIAL PERFORMANCE OF LISTED MANUFACTURING COMPANIES IN NIGERIA

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Abstract

A firm's decision to expand operations to international markets has far reaching implications that can shape operations for many years and impact its future profitability and growth opportunities due to the dynamism in global market. The internationalization of a company means that its activities go beyond the boundaries of its home country, or are undertaken chiefly abroad. International expansion can enhance a firm's knowledge base and capabilities through the experiential learning it gets from operating in foreign markets. This include not only sourcing for market globally, but also sourcing for finances from the internationally. This study sought the influence of business foreign funding on financial performance of listed manufacturing companies in Nigeria. The study adopted a Correlational survey research. The study's target population was 74 seventy-four listed manufacturing companies in Nigeria. The study used 30% of the target population as the sample size which was 22 listed manufacturing companies in Nigeria. Through stratified random sampling a sample of 22 companies from the list of 74 listed manufacturing companies was selected. The study targeted the top management of the companies. The secondary data was collected from the company's financial reports in order to inquire about business foreign funding and financial performance of listed manufacturing companies. Descriptive and inferential statistics were used to analyse the data in this research. Specifically, descriptive statistics related to means, minimum, maximum and standard deviation. The study used multiple linear regression models to show the influence of business foreign funding on financial performance of the listed Nigerian manufacturing companies. The study finding show that there was a direct positive relationship between foreign investment and financial performance of the manufacturing companies. The study concluded that companies that invest outside their origin countries enjoy increased profits margins and high returns on assets through their foreign operations. The study concluded that listed manufacturing companies that are struggling to finance their operations must seek international partners to partner with. The study recommended that efforts should be made by the management of the listed manufacturing companies to make the sector attractive in order to attract more foreign direct investment, engage in foreign trade and seek for foreign funding into the listed manufacturing companies in Nigeria in order to increase their financial performance.

Keywords: *financial performance, business foreign funding, internationalization*

1.0 Introduction

A firm's decision to expand operations to international markets has far reaching implications that can shape operations for many years and impact its future profitability and growth opportunities (Altuntas & Berry-Stölzle, 2010). The internationalization of a company means that its activities go beyond the boundaries of its home country, or are undertaken chiefly abroad. Such a company operates either both in its domestic and foreign market, or only in the latter one. Internationalization is equated with a company's foreign expansion, which may comprise of any kind of business activity undertaken abroad or with a foreign partner (Wach, 2014). According to Johanson and Mattsson (2015) company internationalization (regardless of adopted strategy of performing this process) requires obtaining capital, a competent manager, choosing appropriate product offer, then analysing the target market (analysis of foreign markets), entering the foreign market (canvassing, sales, marketing) and developing operations (logistics, after-sales service, realization of payments, responsibility for sold products, intercultural communication in a team of employees). Each enterprise develops its own strategy of internationalization and in accordance with the adopted strategy it must provide a set of factors vital for the internationalization process and individually establish the level of these factors.

International expansion can enhance a firm's knowledge base and capabilities through the experiential learning it gets from operating in foreign markets. Industrial organization arguments have also been used to postulate that firms can gain greater market power over suppliers, distributors, and customers by expanding overseas. Some researchers have suggested that firms can diversify risks by operating across several international markets (Crick, 2009). The benefits of firm internationalization include the improvement of a firm's financial position by generating more revenues and funds that could be used for reinvestment and growth, efficiently allocating and utilising production capabilities and improving management skills (Arteaga & Fernández, 2010).

1.1 Business internationalization

Previous studies (Graves & Thomas, 2007; Alkaabi, & Dixon, 2014; Senik, 2010; Zahra, 2003) have been conducted on internationalization in different countries such as the US, China, and Europe show divergent results foreign direct investment have positive impact on companies, foreign funding improve financial performance of companies while delivery of foreign raw materials have significant negative effect on the companies and product export increase the financial return of companies. The studies on foreign trade reveal that Foreign funding of operation improves financial performance of manufacturing companies (Kareem, Bakare & Ologunla, 2013).

In USA, the internationalization of hospitality industry began after World War II (Dunning & McQueen, 1982). Initiated by the rapid increase in international travel in the 1950s, US hospitality organizations began to expand overseas operations in the 1960s. Economic depression and overdeveloped domestic markets between the 1970s and 1980s led US hospitality corporations to become increasingly involved in hotel and restaurant operations around the world (Graves & Thomas, 2004). By 2012, major US publicly traded restaurant corporations have aggressively entered foreign markets. For example, McDonald has owned and franchised more than 33,500 restaurants in 119 countries, and Burger King International invested in or managed 12,604 restaurants worldwide (Yang, 2012). Beverage service company, Starbucks Coffee owns or franchises 17,651 store locations in nearly 60 countries (Welch, & Welch, 2009). Internationalization can have either positive or negative effects on corporate performance. On the positive side, as mentioned by Tallman and Li (1996) internationalized operations can distribute management and overhead costs to different countries, thereby leveraging the economies of scale. In addition, profits can be maximized by allocating cheaper resources and labour costs in host countries through foreign expansion. The uncontrollable factors affecting the operating environment of international business according to Shikwe (2014) are physical forces, economic forces, socio-cultural forces, financial forces, political forces, legal forces, labour forces and ecological forces. The controllable forces are the factors of production and the organizational activities. Management of organizations has some command over the controllable elements unlike the uncontrollable ones.

Internationalization in Nigeria just began a few years ago with the advent of democracy when organizations realized international market would offer them more opportunity and unlimited scope for growth. At the early 2000s some ambitious service firms, especially Banks, manufacturing industries and Insurance institutions, began their first experiment abroad, which means internationalization is still at its early stage in Nigerian (Ezeoha, 2007). According to Nigeria Stock Exchange (2014) the following industrial sectors which are conglomerates, natural resources, industrial goods, health care, and consumer goods are classified as listed Manufacturing companies in Nigeria. There are seventy-four (74) listed manufacturing companies as at 2015. Adenikinju and Chete (2002) in their research on empirical analysis of the financial performance of the Nigerian manufacturing sector over a 30-year period revealed that the Nigerian manufacturing sector performed with satisfactory growth levels from 1970 to 1980.

1.2 Statement of the problem

Internationalization is considered one of the most important strategies for firms' growth and expansion (Graves & Thomas, 2008). Manufacturing firms play an increasingly significant role in Nigeria economy, and are expected to grow fast given the growth prospects and the various internationalization policies of the federal government (Awolusi, 2013). The Nigeria manufacturing companies began internationalization of their operations more recently when they realized world market would offer them more opportunity and unlimited scope for growth; some ambitious service firms, especially Banks and Insurance institutions, began their first experiment abroad, which means Nigerian internationalization, is still at its early stage (Onafowora & Owoye, 2006; Ezeoha, 2007). According to Onafowora and Owoye (2006) despite the significant investments in internationalization initiatives by manufacturing firms around the world, formal efforts to determine their success and the underlying critical decision factor have been very limited. Foreign funding of operation improves financial performance of manufacturing companies (Kareem, Bakare & Ologunla, 2013). Ofili (2014) study on international proprietary rights protection and economic development in Nigeria found that IPRs protection has negative and insignificant relationship with the rate of innovation in developing countries notwithstanding whether the developing country is within the low or high GDP band.

According to Ehinomen and Oguntona (2012) unemployment rate in Nigeria is very high at 15% and manufacturing companies with international presence in other continents can be catalyst through foreign trade and export thereby reducing the unemployment rate in Nigeria economy. Also, Odi (2013) posit that Nigeria economy is experiencing stagnation due to low demand of goods within Nigeria and listed manufacturing companies can only increase demand through foreign trade and export majorly within the West African region. Manufacturing companies can produce optimally and profitably with the aid of research and development (Jegede, Egbetokun & Siyanbola, 2012). Foreign and cheap source of funding will aid the rapid development and internationalization of Nigerian listed manufacturing companies to

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advantage of the opportunities in African market (Olusegun, 2012). Review of previous theoretical and empirical literature revealed that there is a knowledge gap on the effects of internationalization on firm performance since the findings presented are contradictory to theoretical arguments.

1.3 Objectives of the study

The objective of this study was to determine the influence of business foreign funding on financial performance of listed manufacturing companies in Nigeria.

1.4 Research Hypothesis

The study sought to test the hypotheses that;

H_{01} Business foreign funding has no significant effect on financial performance of listed manufacturing companies in Nigeria

1.5 Scope of the Study

The study covered the influence of business foreign funding on financial performance of listed manufacturing companies in Nigeria. The study was anchored on resourced based theory, internalization theory and internationalization process theory to expound on the relationship between business internationalization and financial performance of listed manufacturing companies in Nigeria. The study reviewed previous literature related to the effect of business internationalization on firm performance. The study population was all listed 74 manufacturing companies in Nigeria. The scope of the study covered the period of 2006 to 2015. The study focused on this period since the concept of business internationalization is increasingly being adopted by many manufacturing companies in Nigeria with the view to explore international markets.

2.1 Theoretical Review

2.1.1 Resource Based Theory

Resource based theory was initiated in the mid-1980s by Wernerfelt (1984), Rumelt and Lamb (1984) and Barney (1986) the Resource-Based View (RBV) has since become one of the dominant contemporary approaches to the analysis of sustained competitive advantage. The resource-based view suggests that valuable firm resources comprising tangible and intangible elements are usually scarce, imperfectly imitable, and lacking in direct substitutes (Brouthers & Hennart, 2007). It is about producing the most value from one's existing capabilities and resources by combining these with others' sources of advantage and, in this, ensuring complementarily is paramount (Johanson & Vahlne, 1990). The resource-based view suggests that firms develop unique resources that they can exploit in foreign markets or use foreign markets as a source for acquiring or developing new resource-based advantages (Luo, 2002). Luo (2002) suggests that firms develop resource-based advantages by developing or acquiring a set of firm-specific resources and capabilities that are valuable, rare and imperfectly imitable and for which there are no commonly available substitutes. According to Barney (1991), a firm resource must, in addition, be valuable, rare, and imperfectly imitable and substitutable in order to be source of a sustained competitive advantage. Barney (1991) introduced the Resource Based View (RBV) which suggests that characteristics of firm's resources may contribute to sustainable competitive advantage. However only if these resources are rare, valuable, non-substitutable and difficult to imitate the company can have a competitive edge compared to its competitors (Barney, 1991). Multinational companies have better resources as compared to local companies. Globalization has enabled these companies to reach markets overseas because of their superior marketing strategies influence by better resources.

2.1.2 Internalization Theory

The theory was developed by Buckley and Casson (1976) and followed by Hennart (1982). The origin of this theory was by Coase (1937) in a national context and Hymer (1976) in an international context. Hymer (1976) established two major determinants of FDI. The first were the advantages, which some firms possess in a particular activity while the second was the removal of competition. Buckley and Casson 1976) state that transnational companies organize their internal activities to benefit from specific advantages, which are to be exploited. The Internalization theory lies on why companies do not prefer to sign contract with a subcontractor in a foreign country instead of engaging in Foreign Direct Investment themselves. Denisia (2010) illustrates Internalization theory on the concept that transnational companies arrange their activities internally to achieve specific advantages that they can exploit. This theory explains the growth of multinational enterprise (MNE) and the reasons why countries venture into foreign direct investment. If companies contract out with a subcontractor, such companies may use the technology to compete with the agency company by interrupting the contract or the agent may damage the brand reputation of the company. Hymer (1976) demonstrates that FDI take place, only if the benefits of exploiting these specific advantages are more than the cost of the operations in foreign country.

2.1.3 Internationalization Process Theory

Internationalization Process (IP) theory acknowledges two approaches to the Uppsala Model also called U-Model and the innovation – related model also refers to I- model, both referred to the stage model based on firm behaviour. This theory was first proposed by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) and states that internationalization is a staged process and firms gradually progress from early to latter stages of internationalization. The stages of internationalization were defined based on resource commitments made by the organisation with lowest resource commitment defining the first stage of internationalization and highest resource commitment defining the last stage of internationalization. Thus, stages of internationalization ranged from no export activity to setting up a subsidiary in another country of interest. The increased level of globalization in many industries may further lessen the perceived risk of entering foreign markets and partly explains the observed increase in the speed of internationalization. Technological innovation aside, the presence of an increasing number of people with international business experience has established new foundations for multinational enterprises (Oviatt & McDougall, 1994).

2.2 Empirical Literature review

2.2.1 Business Foreign Funding and Financial Performance

Harash, Al-Timim and Alsaadi (2014) states that access to foreign capital is essential to the survival and performance of international firms. Access to external foreign finance is a key determinant of a firm’s ability to develop, operate and expand internationally (Galí, López-Salido & Vallés, 2007). No international company can survive without enough funds for working capital, fixed assets investment, employment of skilled employees, development of markets and new products. Young (2012) posits that short term foreign capital finance is for a shorter period of time, usually less than one year. It is required for the purchase of working capital assets, for meeting day to day working requirements and financing operations of the companies. Long term capital finance is available for an extended period of time of over one year. Long term capital finance is needed for investment in fixed assets such as land and buildings, plant and machinery and for financing expansion programmes. Sources of long-term finance include shares, foreign grants, retained profits, long-term loans and sale of assets (Kalantzis, 2015). Manova, Wei and Zhang (2015) examine the effects of foreign capital on financial performance of publicly listed manufacturing companies in Egypt. Using sampling technique and the study used secondary data, which was obtained from the companies’ statistics and journals at the

Cairo stock Exchange. The results from this research suggested that in most of the manufacturing firms listed on CSE, there is a direct positive relationship between foreign capital and the dependent variable, Profitability and Liquidity. Similar studies on foreign source of capital and firm performance.

Extant studies on the effect of foreign funding on financial performance reveal that access to foreign capital by manufacturing companies influences performance. Samarina and Bezemer (2016) investigate the impact of foreign source of financing on performance of companies in Ghana, the result reveal that foreign source of financing has positive effect on financial performance of companies in Ghana. Foreign source of financing operations was mostly, foreign equity shares, bank loans due their repayment structure which were structured in line with the business cash flows the funds were mainly used for financing working capital and to source raw materials for production. Vanacker, Manigart, Meuleman and Sels (2011) examine the impact of foreign lease financing on the financial performance of Nigerian oil and gas companies. Data for the study was collected from annual reports and accounts of 6 sampled companies in the Nigerian Oil and Gas industry, that are engaged in foreign lease financing and were also listed on the Nigerian Stock Exchange (NSE) not later than January, 2010. Robust OLS regression analysis is used to analyse the impact of foreign lease financing on return on assets (ROA). The results of the study revealed that foreign lease financing has significant impact on the ROA of oil and gas companies in Nigeria. Therefore, the research recommends that firms should embrace foreign lease financing as a method of financing their operations as evidence suggests that value is added through the use of foreign lease financing.

Benigno, Converse and Fornaro (2015) that foreign source of financial leverage had a significant negative relationship with performance as measured by return on assets (ROA) and return on equity (ROE); Caballero (2014) the study investigate the relationship between manufacturing companies and performance of listed companies in Italy. The findings revealed that there was an inverse relationship between foreign source of capital and financial performance of listed firms; Gopinath, Kalemli-Ozcan, Karabarbounis and Villegas-Sanchez (2015) found that foreign sources of debt and equity were major determinants of financial performance of firms listed at the NSE and there was evidence of a negative and significant effect of foreign source of capital on all measures of performance. Furthermore, Gbandi and Amissah (2014) examine the impact of foreign capital on the performance of manufacturing companies in Nigeria. Sample of 15 manufacturing companies listed on the Nigeria Stock Exchange were used for this study which covers a period of five years from 2005-2009. Multiple regression analysis was applied on performance indicators such as return on asset and profit margin as well as short-term debt to total assets, long term debt to total assets and total debt to equity as capital structure variables. The results show that there is a negative relationship between foreign source of capital, ROA and profit margin.

Buster (2012) examine effects of foreign source of debt on firm performance: a survey of commercial banks listed on Nairobi securities exchange the study use a longitudinal research design in collection of data. Sample of 11 commercial banks was considered in the study. The data was analysed using Statistical package of social studies. The data was analysed using inferential statistics; correlation and regression model. The study reveals that foreign debt negatively affects firm performance. The study concludes that the use of foreign source of debt in a firms' capital structure negatively affects the performance of commercial banks in Kenya. Owino (2015) examine the effect of foreign capital on the financial performance of investment and banking firms listed at the Nairobi Securities Exchange in Kenya this study therefore sought to examine the extent to which foreign capital influences financial performance, secondary data were collected from investment companies and banking institutions listed on the Nairobi Securities Exchange (NSE). Investment companies and banking institutions were evaluated through the analysis of their published financial statements for the period 2009 to 2013. Descriptive analysis and post estimation tests were conducted to adhere to the assumptions of regression analysis. Regression results for the influence of foreign source of capital on ROE revealed that foreign capital have a positive a significant relationship with ROE.

2.2.2 Financial Performance

Performance is the result of strategies the firm employs to achieve financial goals (Uotila, Maula, Keil & Zahra, 2009). The level of success of a firm within the manufacturing sector is measured through its financial performance based on a selected period of time. Financial performance literally refers to financial measures, such as return equity (ROE), return on investment (ROI), operating profit, and sales growth rate (Kuhle, Walther & Wurtzebach, 2009). Pratheepkanth (2011) claimed that these indicators are the best to identify whether an organization is doing things right and hence these indicators can be used as the primary measure of organization success. The financial performance of international manufacturing companies depends on the success of firms in the market, both locally and internationally. Information on financial performance is useful in predicting the capacity of the enterprise hence analysing how well or poorly an enterprise is doing against its set objectives. Financial performance is commonly used as an indicator of a firm's financial health over a given period of time. This puts financial performance as the dependent variable key issues of international firms. Therefore, in this study financial performance refers to return on equity, return on asset and return on investment.

2.4 Research Gaps

Manufacturing firms play an increasingly significant role in Nigeria economy, and are expected to grow fast given the growth prospects and the various internationalization policies of the federal government (Awolusi, 2013). The Nigeria manufacturing companies began internationalization when they realized world market would offer them more opportunity and unlimited scope for growth; some ambitious service firms, especially Banks and Insurance institutions, began their first experiment abroad, which means Nigerian internationalization, is still at its early stage (Onafowora & Owoye, 2006). Hsu and Pereira (2008) conducted a study on the effects of the degree of internationalization on firm performance. The results based on data from a cross-sectional set of U.S. multinational firms find evidence of positive relationship between degree of internationalization and firm performance. The rate of return on assets declines, then increases, and finally decreases slightly as the degree of internationalization increases. Based on the above mentioned research and knowledge gaps, this study sought to determine the influence of business foreign funding on financial performance of listed manufacturing companies in Nigeria.

3.0 Methodology

A descriptive research design was applied for this study. The target population for this study was a total of 74 seventy-four listed manufacturing companies in Nigeria. The study used both primary and secondary data. For Primary data, a single questionnaire was administered to all the 74 listed Manufacturing companies. The study targeted the top management of the companies. Data collected was analyzed with the help of the Statistical Packages for Social Sciences (SPSS) package. Pearson correlation was used to test the association between the international proprietary rights and the financial performance of manufacturing firms in Nigeria. Data collected was analysed by editing, coding and categorizing through the use of statistical package for social sciences (SPSS)

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version 20.0 computer software. Regression analysis was also used to determine the nature of the relationship between the two. The multiple regression model Equation shows the linear regression model of the independent variables against the dependent variable. The following model was used in this study;

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_4 X_4 + \varepsilon}$$

Where:

Y= Financial performance (ROA)

X_1= Business Foreign Funding

β_0= Regression Output the Constant

β_1 = the coefficient of independent variable

e = Error Term

4.0 Research findings and Discussion

4.1 Business Foreign Funding

The descriptive results for the effect of business foreign funding are presented in table 4.1.

Table 4.1 Business Foreign Funding Descriptive Results

Statements	SD	D	N	A	SA	Mean	Std Dev
The company has access to foreign capital from foreign partners and donors	11.4 %	1.4 %	35.7 %	32.9 %	18.6 %	3.46	1.16
The has a high proportion of foreign debts	5.7 %	4.3 %	27.1 %	21.4 %	41.4 %	3.89	1.17
A significant amount of the company's equity is provided by the foreign and international partners	7.1 %	7.1 %	21.4 %	32.9 %	31.4 %	3.74	1.19
Foreign source of financing has positive effect on financial performance of companies	7.1 %	7.1 %	28.6 %	30.0 %	27.1 %	3.63	1.17
The company has embraced foreign lease financing as a method of financing its operations	4.3 %	8.6 %	27.1 %	34.3 %	25.7 %	3.69	1.08
Foreign funding is essential to the survival and performance of performance of listed manufacturing companies in Nigeria	2.9 %	7.1 %	32.9 %	21.4 %	35.7 %	3.80	1.10

The study sought to establish whether listed manufacturing companies in Nigeria had access to foreign capital from foreign partners and donors. The results showed that 35.7% of the respondents were neutral, 32.9% agreed while 18.6% strongly agreed. The statement had a mean response of 3.46 and standard deviation of 1.16. Similarly, the study sought to establish the listed manufacturing companies had a high proportion of foreign debts. The results in Table 4.1 indicated that the statement had a mean of 3.89 and a standard deviation of 1.17. The finding indicated that majority of the respondents agreed with the statement and the responses varied slightly from the mean as shown by the standard deviation of 1.17.

The study was further interested in establishing whether a significant amount of the company's equity was provided by the foreign and international partners. The results presented in the Table 4.1 showed that the statement above had a mean of 3.74 which indicated that majority of the respondents were in agreement with the statement. The standard deviation further showed that the response varied slightly from one respondent to another. The results also revealed that majority of the respondents agreed and strongly agreed that foreign source of financing had positive effect on financial performance of listed manufacturing companies as Nigeria as shown by the mean response of 3.63.

The study also intended to establish whether listed manufacturing companies in Nigeria had embraced foreign lease financing as a method of financing its operations. The findings presented in Table 4.1 indicated that 34.3% of the respondents agreed while 25.7% strongly agreed. Those who disagreed were the least at 4.3%. The results further showed the statements had a mean of 3.69 and a standard deviation of 1.08 which confirmed that majority of the respondents agreed and the response varied slightly as shown by the standard deviation of 1.08.

Finally the study sought to establish whether foreign funding was essential to the survival and performance of listed manufacturing companies in Nigeria. The resulted presented in table 4.8 showed that 35.7% of the respondents strongly agreed, 32.9% were neutral while 21.4% agreed. Those who disagreed were 7.1% with only 2.9% strongly disagreeing with the statement. The above statement was found a have a mean of 3.80 and standard deviation of 1.10 which confirmed that majority of the respondents agreed with the statement. The above findings implied that listed manufacturing companies were using foreign funding to internationalize their operations. Listed manufacturing companies borrowed from their international partners to finance their operations.

Access to external foreign finance is a key determinant of a firm's ability to develop, operate and expand internationally (Galí, López-Salido & Vallés, 2007). No international company can survive without enough funds for working capital, fixed assets investment, employment of skilled employees, development of markets and new products. Manova, Wei and Zhang (2015) examine the effects of foreign capital on financial performance of publicly listed manufacturing companies in Egypt. The results from this research suggested that in most of the manufacturing firms listed on CSE, there is a direct positive relationship between foreign capital and the dependent variable, Profitability and Liquidity.

4.2 Correlation Analysis Results

4.2.1 Business Foreign Funding and Financial performance

The final objective of the study was to determine the effect of business foreign funding on financial performance of listed manufacturing companies in Nigeria. The study also used correlation analysis to ascertain the association between business foreign funding and financial performance of listed manufacturing companies in Nigeria. The findings are presented in Table 4.2.

Table 4.2 Business Foreign Funding and Financial performance

		Business Foreign Funding	ROA
Business Foreign Funding	Pearson Correlation	1	.587**
	Sig. (2-tailed)		.000
	N	70	70
ROA	Pearson Correlation	.587**	1
	Sig. (2-tailed)	.000	
	N	70	70

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

The results in table 4.3 showed that business foreign funding had a Pearson correlation value of 0.587 and significance value of 0.000. The finding implied that business foreign funding had a significant association with financial performance of listed manufacturing companies in Nigeria. The results implied that when foreign funding for listed manufacturing companies goes up, their financial performance is likely to increase. The result agreed with most of the previous literatures such as Benigno, Converse and Fornaro (2015) who reported that foreign source of financial leverage had a significant negative relationship with performance as measured by return on assets (ROA) and return on equity (ROE). Caballero (2014) study investigated the relationship between foreign cost of capital and performance of listed companies in Italy. The findings revealed that there was an inverse relationship between foreign source of capital and financial performance of listed firms.

4.3 Regression Analysis Results

Table 4.3 Regression Coefficients for Business Foreign Funding and ROA

	B	Std. Error	Beta	t	Sig.
(Constant)	0.047	0.016		2.994	0.004
Business Foreign Funding	0.025	0.004	0.587	5.984	0.000

a Dependent Variable: ROA

To test the significance of regression relationship between the business foreign funding and financial performance measured by return on assets of the listed manufacturing companies in Nigeria, the regression coefficient (β) and the intercept (α), in the model were subjected to the t-test to test the null hypothesis that the beta is zero. The null hypothesis state that, β (beta) = 0, meaning there is no significant relationship between the foreign funding and financial performance as the slope β (beta) = 0 (no relationship between the two variables). The results on the beta coefficient of the resulting model in table 4.29 revealed that the constant α = 0.047 which is significantly different from 0, while the p-value = 0.004 which is less than 0.05. The coefficient $\beta = 0.025$ is also significantly different from 0 with a p-value=0.000 which is also less than 0.05 indicating that financial performance of listed manufacturing companies in Nigeria was significantly influenced by the business foreign funding.

This implies that the null hypothesis $\beta_1=0$ was rejected and the alternative hypothesis $\beta_1\neq0$ is taken to hold implying that the model *ROA*=0.047 +0.025 (*Business Foreign Funding*) +ε was statistically fit. The model Return on assets = α + β (Foreign Funding) holds as suggested by the above test. This confirms that there is a significant positive linear relationship between the foreign funding and company's return on assets. This confirmed that there is a significant positive linear relationship between the foreign funding and company's return on assets hence the null hypothesis was rejected.

The result supports most of the previous literatures. Benigno, Converse and Fornaro (2015) reported that foreign source of financial leverage had a significant negative relationship with performance as measured by return on assets (ROA) and return on equity (ROE); Caballero (2014) in a study that investigate the relationship between manufacturing companies and performance of listed companies in Italy, the findings revealed that there was an inverse relationship between foreign source of capital and financial performance of listed firms. Gopinath, Kalemli-Ozcan, Karabarbounis and Villegas-Sanchez (2015) also found that foreign sources of debt and equity were major determinants of financial performance of firms listed at the NSE and there was evidence of a significant effect of foreign source of capital on all measures of performance.

5.0 Conclusion and Recommendation

5.1 Conclusion

The objective of the study was to determine the influence of business foreign funding on financial performance of listed manufacturing companies in Nigeria. The study sought to test the null hypothesis that business foreign funding has no significant effect on financial performance of listed manufacturing companies in Nigeria. Business foreign funding was measured suing foreign debt and foreign equity. The results revealed that listed manufacturing companies foreign debt in millions USD was significantly high compared to foreign equity. The trend analysis further revealed that both the foreign debt and foreign equity have been increasing across the study period which could mean that Nigeria listed manufacturing companies have internationalize their operations. The results further showed that majority of the respondents agreed ad strongly agreed with most of the statements on the effects of business foreign funding on financial performance of listed manufacturing companies in Nigeria. The study established that business foreign funding positively and significantly influenced the financial performance of listed manufacturing companies in Nigeria. Business foreign funding is unexploited sources of capital that the listed manufacturing companies can adopt in order improve their financial performance. Manufacturing industry is capital intensive and any reliable and cheap mode of financing would definitely influence the performance in the positive way. The study concluded that listed manufacturing companies that are struggling to finance their operations must seek international partners to partner with.

5.2 Recommendation

The management and the board of directors of the listed manufacturing companies should intensify efforts on how the locally produced products will be able to penetrate into the foreign countries as it was discovered that majority of the goods produced by the manufacturing companies in Nigeria are consumed locally. Any company seeking to be an industry leader in the twenty-first century must not focus on domestic market leadership only, but must also focus on global market leadership.

The findings also revealed that the company with the highest percentage of foreign direct investment had about twenty two percent of its assets contributed by the foreign direct investors which is very low when it is compare with what is obtainable in other emerging economy. The negative relationship between foreign funding and return on assets is worrisome and posing a serious danger to the long term survival of the listed manufacturing companies in Nigeria. Therefore, the use of equity capital instead of debt capital should be embraced as a good alternative for the listed manufacturing companies in Nigeria.

5.3 Area for further research

This study examined the influence of business foreign funding on firm's financial performance, measured by return on equity. It may be useful to re-examine matter using other market based performance variables such as EVA and Tobin's *Q* and compare the relationship. The use of economic value added will enable the measurement of financial performance using both quantitative and qualitative data from the company. Another avenue for further research is to test additional internationalization variables not considered in this study that may influence firm performance.

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