MULTINATIONALITY, EXCHANGE RATES EXPOSURE AND RETURN ON ASSETS: EMPIRICAL STUDY OF MULTINATIONAL MANUFACTURING COMPANIES IN NIGERIA

UMORU-OZAMAH, VERONICA
Department of Accounting,
Babcock University,
Ilishan Remo, Ogun State,
Nigeria

And

AJIBADE, AYODEJI T.
Department of Accounting,
Babcock University,
Ilishan Remo, Ogun State,
Nigeria

Abstract

Optimal utilization of organizational assets reveals corporate extent of competence of management and sustainability drive of multinational manufacturing companies. In meeting this expectation, multinationality becomes appropriately eminent, in a bit to achieve expansionary and competitive advantage beyond the domestic markets. The effect of multinationality has been controversial and brought vast debates. This study examined multinationality, exchange rates and return on assets of multinational manufacturing companies. The study explored ex-post facto research design. The population consisted of 22 multinational manufacturing companies listed on the Nigerian Stock Exchange as at 31st December 2019. Twelve multinational manufacturing companies were selected using purposive sampling technique. Data were extracted from published financial statements of the sampled companies, while the validity and reliability of the data were premised on the scrutiny and certification by the external auditors. Descriptive statistics and inferential statistics were used for the data analysis. The study revealed that firm value of the multinational manufacturing companies listed on Nigerian Stock Exchange was significantly affected by multinationality and exchange exposure Results showed that multinationality and exchange exposures had a positive significant effect on return on assets. The study advises that management should review and re-engineers the dynamics of operations of the foreign operations. The foreign exchange rates exerted negative effect on return on assets in this model
Keywords: Exchange rates, Exchange exposures, Foreign sales; Foreign assets, Multinationality, Return on assets.

Introduction

Return on assets of multinational manufacturing companies is vulnerable to empirical perforation, and scholarly debate because, there has been absence of adequate grip of firm-specific knowledge that provides a vibrant competitive advantage of the off-shore subsidiary companies who are exposed to unfamiliar capital markets beyond their host countries environments, the inability of the multinationals to align with the local politics to remain relevant and retain dominance that will reflect on its tagged stock price and return on assets. Return on assets is sustainable when corporate organization operation beyond its shores reflect its market share in foreign host countries, and this has been a problematic task to achieve (Abdi, Li & Xavier, 2020; Alexandar, Nemanja, Marko & Radmila, 2020). Inability to have competitive advantages over its domestic competitors,

difficulties of being accepted in the locality, cultural values acclimatization and assimilation are quite a big concern (El-Zein, Carolina, Segura & Gracia, 2019).

Beyond these challenges, high level of infrastructural decay, unavailability or epileptic electricity in the developing countries where the multinational manufacturing companies operates seem strange and quite frustrating that cost of power generation is one of the problems that influence performance. Incidentally, return on assets depends deeply on the performance and ability of the multinational to have a good control of the market share in their local host countries where they operate (Ferraris, Bresciani & Del-Giudice, 2016; Hunjra, Verhoeven & Zureigat, 2020). Lack of optimal utilization of corporate productive assets has deepened low returns on assets and this is significant sends inappropriate signal to existing and potential investors in the multinational manufacturing companies the efficiency and competence of the managers, especially in developing countries (Han, Yu & Kim, 2019; Hashim, Essia & Ng, 2019).

Multinationality and exchange rate exposure impact on firm values have been broadened from the spectrums of internationalization benefits: Corporations minimizing the costs related with adapting to new international and diversity of cultural environments of host countries, increase in diverse penetration into foreign markets, foreign opportunities and responsibilities leading to closing gaps widened due to geographical cultural diversities between countries (Hashim, Essia & Ng, 2019). Multinationality triggers and precipitates effective performance, when new opportunities are well harnessed leveraging from experiences acquired from the local markets on how to take investable opportunities. More so, multinationality increases level of business operational expansion, brace up to new realities, responsibilities and firm value.

Statement of the Problem

Inability of put to effective deployment of corporate assets implies possible inadequate return on productive assets of the multinational manufacturing companies due to overstretched domestic markets. However, multinational manufacturing companies' optimal utilization of corporate assets to full capacity is quite challenging and problematic. What is prevalent is underutilization of installed capacity, and in most cases under performance of supposedly productive capacity of the assets, in view of Nigerian dilapidated and improving electricity supply to empower some the heavy duty plants, equipment and machineries (Brida, Drilha, Rodriguez & Devesa, 2016). The high cost of production, and cost of providing non availability of essential infrastructures required for effective usage of the assets render some of the assets idle and this in the long run affects corporate performance and ultimately the companies' firm value. The studies of Ferraris, Bresciani and Del-Giudice (2016); Henriques and Sadorsky (2018) submitted that deepening cost of assets maintenance is negatively affecting adequate return on assets. In the Nigerian unstable environmental business terrain, capital budgeting seem impact and unstable, unless a strong financial strategies and coherent corporate policies from the perspective of the companies economic and financial position are put in place.

Consistencies have been reported of the extent of multinationality on return on assets, According to Henriques and Sadorsky (2018), market dull conditions can affect expected returns, especially when the companies are performing below expectations, incompetence and wrong investments decisions can equally have negative effect on assets utilization and consequently return on assets, while Rakhman, Heikal and Manda (2018) reported mixed results, the study found that foreign exchange rate (EXR) had a negative effect on return on assets (ROA). The study further revealed that cash flows turnover and

account receivables had a weak but positive significant effect on return on assets among the manufacturing companies engaged in food and beverages production in Indonesia.

Extant Literature

Return on Assets

Return on assets has been popular in literature as a one of the financial ratio to measure profitability, and how well a company has optimal generated income through its assets. Yen, Lee and arokiasamy (2019) defined return on assets as a measurement indicator of how effective the managers have put to productive use its productive assets. Return on assets is significantly an indicator of assets utilization by corporate organization, because productive assets are the enhancers of operational activities in every organization. A quality strategic policy is the one that guarantees optimal usage of corporate assets in order to maximize optimal cash flow and enhance adequate profitability for the company. Financial ratios like return on assets are employed for the aim of discovering vital information required based on assessment and appraisal of performance of the past decision and also as a guide for future policies, regulate the company' performance and control the shortfalls (Rakhman, Heikal & Manda, 2018). Return on assets as a ratio also provide a policy standard for comparing the performance of the assets and also assist define the company' performance with respect to its strength or weaknesses. According to Renhong, Yuganga and Alamgir (2019), return on assets is an effective ratio that is useful in measuring the corporations' financial strength and efficient usage of its resources.

Multinationality

Multinationality has been considered from different perspective by some studies. Ioulianou, Trigeorgis and Driouchi (2017) defined multinationality as being multinational by extending domestic operation beyond the shores of the home country operations for expansion and business expansion. Also, Garci, Raquel and Mauro (2017) defined multinationality as extending corporate business operational participation internationally by investing in assets and controlling business activities. Previous studies have equally considered multinationality from the perspectives of diversification beyond the domestic cycle. These are different diversification include the country diversification point of view, and the regional diversification (Yen, Lee and arokiasamy (2019; Zhou (2018). According to the study of Ferraris, Bresciani and Giudice (2016), country diversification explains corporate expansion into individual foreign nations, while regional diversification entails expansion into different global regions within the same continent. However, irrespective of the categories, the objective to expand beyond the host country. Multinationality in the literature has aligned with the objective of multinational when considering obtaining optimal means to overcome market imperfections across cross-border countries transactions.

Exchange Rates Exposures

Multinational manufacturing companies are faced more foreign exchange risks to which the multinational corporations may be sensitive to these unstable and volatility of foreign exchange rate due to political and economic unstable policies, high inflations, unemployment, high poverty level and poor and inadequate infrastructural facilities (Fides, 2018). On the other way, international diversifications of capital markets and production location may try in cushioning the multinational corporation from exchange rate shocks that are country and industry specific (Gautam, Singh & Bhowmick, 2016).

Foreign Sales to Total Sales

Foreign sale of a multinational manufacturing companies are made possible and enhanced when the corporation find its acceptance aligned with the host customers who are seeing the reality of its presence and making adequate mark in the new terrain. Foreign sales are defined as the percentage of foreign revenue accruable from the foreign environment to the global sales of the multinational manufacturing companies (Wang & He, 2019).

Foreign Assets to Total Assets

In consideration of performance of multinational manufacturing companies effective performance in adding value through assets utilization, to assets acquired from the foreign operation would be considered in relation to total assets. Apparently, multinational manufacturing companies in most case transfer assets from one location to where the assets are needed or will be better put to more productive use. Difficulties and complex accounting issues do arise where the corporate are not sincere and the managers have the incentive to perfect discretionary earnings, thereby assets transfers are treated as new capital purchase or where new assets are treated as transfers with the purpose of achieving a predetermined objective (Mahfuja, Mamun & Amin, 2019).

Theoretical Framework

Theory of Firm Growth

Theory of firm growth was propounded by Penrose in the year 1959 otherwise known as father growth-and-growth of firm value (Meyer & Hollerer, 2014). The theory of firm growth suggested that corporate organization has the potentials to grow based on its ability to ensure adequate and effective control of its resources which will translate to profitability. In other words, positive profitability and effective control of corporate productive resources give room for firm growth. In addition, the theory suggested that effective cost savings is imperative since cost tend to increase as volume of production and business activities increases. To maintain competitive market share, effective and positive management of productive resources are prerequisites for firm growth Mousa, Judith-Sagi & Zeman, 2021). According to Muhammad (2018), the theory of firm growth proposed that firm growth is faster when there is optimal utilization of resources reflecting and that quick responsive to sustainability of profits, control of costs and effective identification and mitigation of related risks. The case of firm growth is significant as one of essence of multinationality.

This study is considered appropriate and relevant to this study since the critical part of this study shall be the impact on the profit-development frontier of company specific competitive advantages in order to understand the effects of multinationality on growth. While Meyer and Hollerer (2014) further posited that Downie and Penrose emphasized the position of these advantages and competitive rivalry within the industry, the subsequent literature often ignored firms' growth. We are rekindling an early trend in this respect, which Nelson took up similarly recently.

Empirical Studies

Rakhman, Heikal and Manda (2018) investigate the factors affecting return on assets of listed companies in Indonesia. The study considered food and beverage producing companies listed in Indonesia Stock Exchange for an unspecified period. Secondary data obtained from the published financial statements was used for the study. The study employed foreign exchange rate as factors of independent variables and return on assets

(ROA) was measured using cash turnover, account receivables turnover as proxies to support return on assets (ROA). Using purposive sampling techniques, an unspecified number of companies were selected for the study. Using ANOVA analysis method, the study found that foreign exchange rate (EXR) had a negative effect on return on assets (ROA). The study further revealed that cash flows turnover and account receivables had a weak but positive significant effect on return on assets among the manufacturing companies engaged in food and beverages production in Indonesia.

The implication of the study is that stable cash turnover; adequate receivables are capable of influencing positive return on assets. The study result is similar to the result obtained in the study of Diana and Santoso (2016) who examined the effect of cash receivables and foreign exchange rate of firm value and found that foreign exchange rate had weak but positive significant effect on profitability and firm values, however, the result was not similar to the result obtained in the study of Lee and Gongming (2017), who also revealed that low regional diversifications had negative significant effect on firm performance.

Diana and Santoso (2016) investigated the effect of cash receivable, and foreign exchange rate on profitability and firm values of cement industries in Indonesia. The study employed secondary data obtained from the financial statement of the some selected cement producing companies in Indonesia for a period of 5 years (2009-2013). Regression analysis was employed for the data analysis. The study found that cash turnover and foreign exchange rate had weak but positive significant effect on profitability and firm values among the cement producing companies selected for the study. The study also found that cash receivables had a weak but positive significant effect on firm values and corporate profitability of the companies for the period considered. The study concluded that cement companies had an average increase in account receivable revealing high credit sales, high volume of operational activity resulting to good performance capable of influencing firm values. The result obtained by Diana and Santoso, is found to be consistent with the result obtained in the study of Rakhman, Heikal and Manda (2018), who investigated the effect foreign exchange rate on return on assets (ROA) and found that foreign exchange rate (EXR) had a weak but positive significant effect on return on assets (ROA). However, on the inverse result, the study result is inconsistent with the result obtained in the study of Sartika, Feranika and Wahyudi (2018).

Batchimeg (2017) examined the effect of corporate profitability, assets growth, and corporate liquidity on financial performance using return on assets (ROA) and return on equity (ROE) as a proxy. The study employed secondary data and regression analysis of data obtained from financial statement of the selected companies in Mongolia County. The study then found that there was positive relationship between return on assets (ROA), return on equity (ROE and profitability, assets growth and corporate liquidity. The study equally found that an effective use of assets had a positive significant effect on overall profitability of corporate organizations. The result obtained in the study of Batchimeg (2017) is consistent with the result also obtained in the study of Tony and Diaz (2017) who equally found that optimal assets utilization had positive significant effect on performance of commercial banks in Vietnam.

Sangno, Kim and Wallace (2016) examined the value relevance of multinationality on firm value of Korean firms. The study equally considered the effect of multinationality and internationalization on firm value in Korean multinational companies' activities in Korean. In measuring firm performance, the study employed Tobin's Q and Book value ratio. The study

adopted Ohlson model of contemporary accounting research value model and the study found that multinationality had a positive significant effect on firm value and firm performance due to cross-country adventurism in response to business expansion at the domestic stage. The study also revealed that multinationality mediates the positive and causal relationship between intangibility of assets and firm value, that multinationality had a negative significant effect on Tobin's Q among the companies investigated in Korea. In addition, the study found that multinationality and intangibility directly and independently had positive significant effect on Tobin's Q from the market perspective and generally on firm Value at large

Methodology

The study explored ex-post facto research design. The population consisted of 22 multinational manufacturing companies listed on the Nigerian Stock Exchange as at 31st December 2019. Twelve multinational manufacturing companies were selected using purposive sampling technique. Data were extracted from published financial statements of the sampled companies, while the validity and reliability of the data were premised on the scrutiny and certification by the external auditors. Descriptive statistics and inferential statistics were used for the data analysis. To achieve this, panel regression model is estimated where Return on Assets (ROA) is regressed on Foreign Sales to Total Sales (FSTS), Foreign Assets to Total Assets (TATAS), Foreign Exchange Rates (FEXR) and Inflation Rate (INFR). The results are presented in Table 1.

Model Specification

$Y_{it} = \beta_0 + \beta_1 X_{it} + \mu_{it}$ (1)

Y = Return on Assets

X = Multinationality and Exchange Rate Exposure

β_0 = regression intercept

i = tine series

t = cross-sectional

μ = the error term

ROA = f(FSTA, FATAS, FEXR , INFR) (2)

$ROA_{it} = \beta_0 + \beta_1 FSTA_{it} + \beta_2 FATAS_{it} + \beta_3 FEXR_{it} + \beta_4 INFR_{it} + \mu_{it}$ *(3)*

Where

ROA= Return on assets

FSTS = Foreign Sales to Total Assets

FEXR = Foreign Exchange Rate

INFR = Inflation Rate

Research Objective 1:

Investigate the effect of multinationality and exchange exposure on return on assets of multinational manufacturing companies listed on Nigerian Stock Exchange;

Research Question 1:

To what extent do multinationality and exchange exposure effect on return on asset of multinationality manufacturing companies listed on Nigerian Stock Exchange.?

Hypothesis One (H_{o1}):

There is no significant effect of multinationality and exchange exposure on return on assets of multinationality manufacturing companies listed on Nigerian Stock Exchange.

Table 1: Measurement of Variables

Variables	Abbrev.	Measure	Source
Dependent Variables (Firm Values)			
Return on Assets	ROA	Net income / Total assets	Clegg, Lin, Voss, Yen & Shih (2016).
Independent Variables (Multinationality & Exchange Rates Exposure)			
Foreign Sales to Total Sales	FSTS	Total Sales / Total Assets	Brida, Driha & Rodriguez (2016)
Foreign Assets to Total Assets	FATAS	Foreign Assets / Total Assets	Brida, Driha & Rodriguez (2016)
Foreign Exchange Rate Exposure	FEXR	$R_{st} = \beta_{io} + \beta_{ix}R_{et} + \beta_{im}R_{mt} + \varepsilon_{it}$	Clegg, Lin, Voss, Yen & Shih (2016).
Inflation Rate	INFR	Inflation Rates (Absolute Figure)	Ibiunnia & Okeke (2019

Data Analysis, Findings and Discussions

Table 1: Multinationality and Exchange exposure and Return on Asset

$(ROA_{it} = \beta_0 + \beta_1 FSTA_{it} + \beta_2 FATAS_{it} + \beta_3 FEXR_{it} + \beta_4 INFR_{it} + \mu_{it})$

Variable	(1) POOLED	(2) FIXED	(3) +++ RANDOM
FSTS = Foreign Sales to Total Sales	-1.7044***	-1.8004***	-1.7774***
	(0.0919)	(0.0858)	(0.0388)
TATAS = Foreign Assets to Total Assets	-0.0105***	-0.0032	-0.0072**
	(0.0023)	(0.0045)	(0.0032)
FEXR = Foreign Exchange Rates	-0.0003*	-0.0003**	-0.0003*
	(0.0001)	(0.0001)	(0.0002)
INFR = Inflation Rate	0.0019	0.0007	0.0013
	(0.0038)	(0.0032)	(0.0035)
Constant	0.2674***	0.2108***	0.2423***
	(0.0420)	(0.0481)	(0.0403)
Observations	120	120	120
R-squared	0.7836	0.8271	0.8257
Adj. R-squared	0.7760	0.8145	0.8123
F-test	104.10	124.30	2733.00
Prob > F	0.000	0.000	0.000
Hausman [Prob > Hausman]	3.08 [0.545]		

LM tests [Prob > LM]	39.65 [0.002]		
Heteroskedasticity [Prob > Hetero]			9.23 [0.002]
Cross Sectional Independence [Prob > csd]			-0.292 [1.229]

Source: Author's Computation, 2021, underlying data from annual reports of the selected firms.

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

+++ represents the chosen Random Effect Regression with robust standard error

Hausman and LM Test

In Table 4.3, the panel regression results on the effect of Multinationality and exchange exposure on Return on Assets of multinational manufacturing companies listed on Nigerian Stock Exchange are reported. The Hausman and LM Tests show that that it is correct to use the Random Effect Regression. This is because, the LM and Hausman tests statistics are estimated to be 3.08 (P – value = 0.545) and 39.65 (P – value = 0.002) respectively. These show that Hausman test result is statistically insignificant while LM is statistically significant at 1% alpha level suggesting that Random effect model is better for this analysis.

Model Fitness

Concentrating on the computed F-statistic/Wald-Chi2 values of 2733.00 (P – value = 0.000) we observed that the computed value is statistically significant at 1% level. Thus indicating the model is significant. The adjusted Adjusted R - squared indicate that about 81.23% of the variations in ROA is jointly explained by the Multinationality and exchange exposure indicators (explanatory variables). These indicate a good fit and confirm the usefulness of the model. In addition, the significant (P – values < 0.05) of the Heteroskedasticity test result and insignificant (P – values > 0.05) of the Cross Sectional Independence test result intensely suggest that for the estimated parameter in the chosen model to be valid, the panel regression approach has to be with robust standard error. Therefore, Random Effect Regression with robust standard error is used.

$$ROA_{it} = \beta_0 + \beta_1 FSTS_{it} + \beta_2 FATAS_{it} + \beta_3 FEXR_{it} + \beta_4 INFR_{it} + \mu_{it}$$

$$ROA_{it} = 0.2423 - 1.774FSTS_{it} - 0.0072FATAS_{it} - 0.003FEXR_{it} + 0.0013INFR_{it} + \mu_{it}$$

Model Parameters

Based on the result, the coefficients of FSTS, FATA and FEXR were all negatively signed (β_1 = -1.774; β_2 = -0.0072; -0.003) < 0. These results were not consistent with expectations of the study. However, INFR is positively signed (β_4 = 0.0013) > 0 and is in consonant with the expectation of the effect of multinationality and exchange exposure on return on assets of multinational manufacturing companies listed on the Nigerian Stock Exchange.

Also, foreign sales to total sales (FSTS) negatively affects return on assets (ROA) of multinational manufacturing companies listed on the Nigeria Stock Exchange. Considering the probability of the t-statistics of FSTS (P-value of 0.0388) which is less than 5% level of the chosen level of significant of 5%, implies that FSTA significantly affect Return on assets (ROA). The coefficient of FSTS (-1.7774) means that a unit change in FSTS would yield 0.2897 decrease in Return on assets (ROA) of multinational manufacturing companies listed on Nigerian Stock Exchange. Also, foreign assets to total assets (FATAS), negatively affects return on assets (ROA) of multinational manufacturing companies listed on Nigerian Stock

Exchange. The probability of the t-statistics (P-value of 0.0032) which is less than 5% level of chosen level of significant, implies that FATAS significantly affects Return on assets (ROA). However, the coefficient of FATAS (-0.0072) means that a unit change in FATAS would yield a 0.0072 decrease in Return on assets (ROA) of multinational manufacturing companies in Nigeria.

In addition, foreign exchange rates (FEXR) negatively affects return on assets (ROA) of multinational manufacturing companies listed on the Nigeria Stock Exchange. Considering the probability of the t-statistics of FEXR (P-value of 0.0002) which is less than 5% level of the chosen level of significant of 5%, implies that FEXR significantly affect Return on assets (ROA). But the coefficient of FEXR (-0.0003) means that a unit change in FEXR would yield 0.0003 decrease in Return on assets (ROA) of multinational manufacturing companies listed on Nigerian Stock Exchange. Then, Inflation rates (INFR) positive affects return on assets (ROA) of multinational manufacturing companies listed on the Nigeria Stock Exchange. Considering that the probability of the t-statistics of INFR (P-value of 0.0035) which is less than 5% level of the chosen level of significant of 5%, implies that FEXR significantly affect Return on assets (ROA). Also that the coefficient of FEXR (0.0031) means that a unit change in FEXR would yield 0.0003 increase in Return on assets (ROA) of multinational manufacturing companies listed on Nigerian Stock Exchange.

In addition, the result from the Random effect regression model that best predicts the effect of Multinationality and exchange exposure on Return on Assets in Table 4.3 shows that, Foreign Sales to Total Sales (FSTS) with (β = -1.7774; Sig. < 0.01) gives negative and significant relationship with Return on Assets (ROA) at 1% significance level; Foreign Assets to Total Assets (TATAS) with (β = -0.0072; Sig. < 0.05) provides negative and statistically significant relationship with Return on Assets (ROA) at 5% significance level; Foreign Exchange Rates (FEXR) with (β = -0.0003; Sig. < 0.10) gives a negative and significant relationship with Return on Assets (ROA) at 10% significance level, while Inflation Rate (INFR) with (β = 0.0013; Sig. > 0.05) provides positive but insignificant relationship with Return on Assets (ROA). With these parameters, it can be deduced that FSTS, TATAS and FEXR significantly influence ROA as at the time of the study. However, the results established that Multinationality and exchange exposure predictors jointly showed significant relationship with Return on Assets and that this relationship is significant at 1% level as noticeable in Table 1.

The study investigated the effect of multinationality and exchange exposure on return on assets. The study revealed mixed results: Each of foreign sales to total sales (FSTS), foreign assets to total assets (FATAS) and Foreign exchange rates (FEXR) revealed positive but insignificant effect on return on assets, however, inflation rate exhibited positive significant effect on return on assets. This is consistent with the results obtained in previous studies of Fisch and Zschoche (2016), Lee and Gongming (2017), Annavarjula, Beldone and Sadrieh (2016), Sebnem and Bengu (2017). For instance, Sebnem and Bengu (2017) investigated the factors that affect stock return on firm value of firm quoted in ISE markets, in the developed economies, using dynamic panel data. The study employed data obtained from 64 manufacturing companies that were quoted and had consistently traded in the Istanbul Stock Exchange for a period of 6 years 2012-2016 and the study found that stock performance had a positive significant effect on firm values. The study further revealed that stock returns, activity and profitability rations of return on assets (ROA) economic growth, interest rates, exchange rate and money supply had positive significant

influence on firm value and profitability performance of the manufacturing companies sampled in the study.

However, on the contrary, this result is found inconsistent with the result reported in the study of Rakhan, Heikal and Manda (2018) who investigated the factors affecting return on assets of listed companies in Indonesia and study found that foreign exchange rate (EXR) had a negative effect on return on assets (ROA). The study further revealed that cash flows turnover and account receivables had a weak but positive significant effect on return on assets among the manufacturing companies engaged in food and beverages production in Indonesia.

Conclusion

The empirical result reveals that each of explanatory variables of foreign sales to total sales, foreign assets to total assets, foreign exchange rates and inflation rates reacted differently. Foreign sales to total sales revealed negative insignificant, foreign assets to total assets, foreign exchange rates revealed negative but significant effects, while inflation rates exhibited positive and significant effect return on assets. However, joint result revealed that multinationality and exchange exposure had a positive significant effect on return on assets of the multinational manufacturing companies listed on the Nigerian Stock Exchange.

In addition, the coefficients exerted negative effects on return on assets of the multinational manufacturing companies; this could imply that optimal assets utilization may possibly do not depend the total assets at the disposal of the management. The management managerial expertise and proper usage of the assets will reflect of the accruable return on assets. The results further suggest the significant of adequate management of foreign exchange rates, this could equally imply that the company should try to reduce its exposure to transaction that could lead to loss resulting from exchange difference, and as such raw material importation could be reduced where it is possible to source some of them without foreign exchange rates. The result of inflation rate exhibiting positive significant effect could imply that the rate of inflation influence the returns expected from the assets both at the home country and that of foreign operations. The implication could equally mean the possibilities of delays in clearing some machines imported from abroad or from intra-transfer of assets.

Recommendations

The managers should pay particular attention sales from the foreign operations and review their credit sales policies that may have influenced foreign sales. The study heighted in hypothesis one, the negative and insignificant effect of foreign sales to total sales and foreign assets to total assets. It revealed that much sales were not received from the foreign operations and the assets utilization at the foreign operation seemed inadequate to influence return on assets. The management should review and re-engineers the dynamics of operations of the foreign operations. The foreign exchange rates exerted negative effect on return on assets in this model. The government and policymakers should reconsider banks charges and interest rates to accommodate the loan facilities of the companies. The policymakers should also consider tax incentives and removal of complication in the Nigerian tax policies. The tax holiday incentives and measures on profit shift and transfer piecing policies should be reviewed to reduce possible unethical tax evasions and tax base erosion practices by the multinational manufacturing companies operating in Nigeria. Investors should be mindful of the effect of inflation rate that are capable of eroding

earnings of the manufacturing companies if the drivers of inflation rate volatility are not properly checked

Contribution to Knowledge

There are dearth of studies in Nigerian domain that have studied multinationality, and/or have employed the proxies explored in this study, this created wide gap in literature in this regards. In addressing gap, the ventured into this study leveraged on the valuable assistance received from the study supervisors. In contributing to knowledge, this study will also provide useful information for players in the industry who are currently undergoing various forms of multinationality and/or exchange rate exposure. This study will show to them what they need to know with respect to the variables adopted in this study. This study is expected to be useful to **t**he policymakers, as they use this study as a feedback on the effectiveness of the existing business operation policies and in making future impactful policies especially in relation to international trade relationship between Nigeria and the rest of the world. A good and friendly business policies is capable of boosting business opportunities, attract foreign direct investment and strengthen transfer pricing, illegal profit shifting and easy to comply tax laws.

References

Abdi, Y., Li, X., & Xavier, C. (2020). Impact of sustainability on firm value and financial performance in the air transport industry. *Sustainability*, 12(2), 1-23.

Aleksandar, G., Nemanja, B., Marko, A., & Radmila, B. (2020). The influence of corporate social responsibility on organisational performance: the mediating role of market orientation. *The Annals of the Faculty of Economics in Subotica, 56*(5), 1–13.

Annavarjula , M., Beldone, S., & Sadrieh, F. (2016) Corporate performance implications of multinationality. *Journal of Transnational Management, 10*(4), 5-33.

Batchimeg, B. (2017). Financial performance determinants of organizations: The case of Mongolian companies. *Journal of Competitiveness, 9*(3), 22–33.

Brida, J. G., Driha, O. A. B., Rodriguez, R., & Devesa, M. J. S. (2016). The inverted-U relationship between the degree of internationalization and the performance: The case of Spanish hotel chains. *Tourism Management Perspectives, 17*(4), 72–81.

Clegg, J., Lin, H. M., Voss, H., Yen, I.-F., & Shih, Y. T. (2016). The OFDI patterns and firm performance of Chinese firms: The moderating effects of multinationality strategy and external factors. *International Business Review, 25,* 971–985.

Diana, P. A., & Santoso, B. H. (2016). The effect of cash, account receivables, and inventories turnover to the profitability and firm value of cement companies in Indonesia Stocks Exchange. *Journal of Management Science & Research, 23*(4), 1-13.

El-Zein, E. S. A., Carolina C. Segura, C. C. & Garcia, R. H. (2019). The role of sustainability in brand equity value in the financial sector. *Sustainability, 12(5), 1-*25.

Ferraris, A., Bresciani, S., & Del Giudice, M. (2016). International diversification and firm performance: A four-stage model. *EuroMed Journal of Business, 11*(3), 362–375.

Fisch, J. H., & Zschoche, M. (2016). Do firms benefit from multinationality through product shifting? *Journal of International Management, 17*(2), 143-149.

Garci, G., Raquel, E., & Mauro, F. G. (2017). Rapid internationalization and long-term performance: The knowledge link. *Journal of World Business,* 52(5), 97–122.

Gautam, R., Singh, A., & Bhowmick, D. (2016). Demystifying relationship between Corporate Social Responsibility (CSR) and financial performance: An Indian business perspective. *Independent Journal of Management & Production, 7(2),* 1034–1062.

Han, H., Yu, J., & Kim, W. (2019). Environmental corporate social responsibility and the strategy to boost the airline's image and customer loyalty intentions. *Journal of Travel & Tourism Marketing, 36*(3), 371-383.

Hashim, F., Essia, A. R., & Ng, T. H. (2019). Corporate social responsibility and financial performance: the case of Asian telecommunications companies. *KnE Social Science,s 20(3),* 892–913.

Henriques, I., & Sadorsky, P. (2018). Investor implications of divesting from fossil fuels. *Global Finance JournaL, 38(5),* 30-44.

Hunjra, A, I., Verhoeven, P., & Zureigat, Q. (2020). Capital structure as a mediating factor in the relationship between uncertainty, csr, stakeholder interest and financial performance. *Journal of Risk and Financial Management, 13(6),* 1-17.

Ibidunnia, O, Okere, W. (2019). Fair value accounting and reliability of accounting information of listed firms in Nigeria. *Accounting*, *5*(3), 91-100.

Ioulianou, S., Trigeorgis, L., & Driouchi, T. (2017). Multinationality and firm value: The role of real options awareness. *Journal of Corporate Finance*, *46*(2), 77-96.

Lee, L., & Gongming, Q. (2017). Dimensions of international diversification, *Journal of Global Marketing, 18*(5), 7-35

Mahfuja, M., Mamun, M., & Amin, A. (2019. Peer pressure, CSR spending, and long-term financial performance. *Asia-Pacific Journal of Accounting and Economics, 26*(2*),* 24-46.

Meyer, R. E., & Hollerer, M. A. (2014). Does institutional theory need redirecting? *Journal of Management Studies*, *51(*7), 1221-1233.

Mousa, M., Judit Sagi, J., & Zeman, Z. (2021). Brand and Firm Value: Evidence from Arab Emerging Markets. *Economies, 9*(5), 1-18.

Muhammad, M. (2018). Citizens' perspective of corporate social responsibility (CSR) activities by the financial institutions of Bangladesh: are they societal or promotional? *International Review of Financial Consumers, 3(1),* 9–28.

Rakhman, A., Heikal, M. Z., & Manda, G. S. (2018). Factors affecting return on assets. *Advances in Economics, Business and Management Research, 65*(4), 522-527.

Renhong, W. U., Yugang, H. E., & Alamgir. H. (2019). Does multinationality matter the firm performance? *Journal of Distribution Science, 17*(7), 45-53.

Sangno, L., Kim, M., Wallace, N. D. (2016). Value Relevance of Multinationality: Evidence from Korean Firms. *Journal of International Financial Management & Accounting 26*(2), 119-122.

Sartika, M. U., Feranika, N. V., & Wahyudi, K. D. (2018). Activity ratios affecting company profitability in the automotive sector listed on the Indonesia Stock Exchange. *Journal of Social Technology and Information Analysis STIA, 25*(2), 1-27.

Sebnem, E., & Bengu, V. (2017). Factors affecting stock returns on firms quoted in ISE markets: A dynamic data approach. *International Journal of Business and Social Research, 2(1),* 109-122.

Wang, J., & He, Y. (2019). A study on the transnational performance of China's enterprises. *Journal of Economics, Marketing and Management, 7*(1), 1-14.

Yen, S., Lee, C. A., & Arokiasamy, L. (2019). The moderating effect of multinationality on intellectual capital - profitability relationship of Malaysian banks. *Global Business & Management Research, 2*(1), 560-570.