

**EFFECT OF INTERNATIONALISATION ON FINANCIAL
PERFORMANCE OF LISTED MANUFACTURING COMPANIES
IN NIGERIA**

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(Business Administration)

**JOMO KENYATTA UNIVERSITY OF
AGRICULTURE AND TECHNOLOGY**

2018

**Effect of Internationalisation on Financial Performance of Listed
Manufacturing Companies in Nigeria**

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**A thesis submitted in partial fulfilment for the degree of Doctor of
Philosophy in Business Administration in the Jomo Kenyatta
University of Agriculture and Technology**

DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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DEDICATION

I give all thanks to the Almighty Allah I dedicate this work to my lovely wife Mrs. Jamila and children, Ahmed, Khadija, Kabiru, Sadiq, and Abdallah .You stood by me through this long and challenging journey. To my late Father, Baba Singiri and to my mum, Madam Talatu Baba who have been my source of inspiration, I will forever be grateful to my brother Alhaji Barau for his moral and financial support. I equally appreciate my brothers, Boyi, Ahmadu, Saleh, Nuhu, Usman, Adamu, Isa, Barau and Musa for their moral and financial support. I thank Saidu', Safiyanu', Korau', Abdulkarim' Murtala', Sani', my in laws for their support and encouragement. I appreciate my Rector Dr Lame for his encouragement. I equally appreciate, my Uncles, friends'brothers and sisters for their support. God bless you all.

ACKNOWLEDGEMENTS

First, my gratitude goes to our Almighty Allah for His mercies and grace that have enabled me to come this far. Thanks to my two supervisors: Dr Oloko M.A and Dr Oluoch Oluoch for their valuable contributions, guidance and constructive criticisms towards this work. I thank all my lecturers who impacted knowledge to me during the course work. Thanks to the management of Jomo Kenyatta University of Technology and Agriculture for the opportunity given to actualise my dream. Thanks to my mother Madam. Talata Baba and father Baba Singiri for their moral and financial supports. My mentors Alhaji Abubakar Barau. Soja Musa Baba and Professor Ahmadu Baba Singiri for their words of encouragement and supports, Mr Haruna Gani.

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LIST OF ACRONYMS

| | |
|-----------------|-------------------------------------|
| ANOVA | Analysis of Variance |
| CEO | Chief Executive Officer |
| CLRM | Classical Linear Regression Model |
| DOI | Degree of Internationalisation |
| EVA | Economic Value Added |
| FDI | Foreign Direct Investment |
| FIML | Full Information Maximum Likelihood |
| GDP | Gross Domestic Product |
| GTR | Government Tax Revenue |
| IP | Internationalisation Process |
| IPR | International Proprietary Rights |
| M &A | Merger and Acquisition |
| MNEs | Multinational National Enterprises\ |
| NSE | Nairobi Securities Exchange |
| NSEC | Nigerian Stock Exchange Commission |
| OLS | Ordinary Least Square |
| R&D | Research and Development |

| | |
|-------------|-----------------------------------|
| RBV | Resource-Based View |
| ROA | Return on Assets |
| ROE | Return on Equity |
| ROI | Return on Investment |
| SMEs | Small and Medium Size Enterprises |
| TNCs | Transnational Corporations |
| UK | United Kingdom |
| US | United States |
| VAR | Vector Auto Regression |
| VEC | Vector Error Correction |

DEFINITIONS OF TERMS

Business Foreign Funding: refers to firm acquiring foreign exchange to enhance operation, technical skills, management skills and technology to increase productivity (Armstrong, 2004).

Financial Performance: refers to the level of companies' financial feat relative to their major competitors over the past years Hoque and James (2000). It literally refers to financial measures, such as return equity, return on investment, operating profit, and sales growth rate (Chenhall & Langfield, 2007).

Foreign Direct Investment: refers to the investment of resources in business activities outside a firm 's home country (Hill, 2003).

Foreign Trade: Is the exchange of capital, goods and services across international borders or territories. (Elhanan & Krugman, 1985)

Internationalisation: Is the gradual expansion of company's activities in foreign markets and expanding company's involvement in international operations and firms' operations (strategy, structure, resources,) to international environments (Uppsala, 2012).

International Proprietary rights: refers to those rights access intellectual property from research and innovation for use in international market (Arora, 2009).

Market Return: Is the amount of money earned by investments (Merton & Robert, 1980).

Nigeria Stock Exchange: the market used for the trade of both debt and equity securities and their related derivatives in Nigeria (NSE, 2016).

Return on Asset: Is a financial ratio that shows the percentage of profit that a company earns in relation to its overall resources (total asset) (Beltratti & Stulz, 2012).

ABSTRACT

Business internationalisation has created distinctive characteristics in the manufacturing industry, one of which is the removal of trade barriers among nations to facilitate market expansion and improve healthy competitions among business organizations. This study sought to establish the effect of business internationalisation on financial performance of listed manufacturing companies in Nigeria. Specifically, the study sought to determine the effect of foreign trade, foreign direct investments, international proprietary rights and business foreign funding on financial performance of listed manufacturing companies in Nigeria. Correlational survey research was utilized in this study. The study's target population is 74 seventy-four listed manufacturing companies from which 70 representing about 95% of the total targeted population were included in the analysis. The secondary data was collected from the company's financial reports in order to inquire about business internationalisation 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 effect of internationalisation of business on financial performance of the listed Nigerian manufacturing companies. The study results for both primary and secondary data revealed that foreign trade, foreign direct investment and business foreign funding have a significant effect with financial performance measured by ROA of listed manufacturing companies in Nigeria. The effect of international proprietary rights on financial performance was found to be positive but insignificant using primary data but they findings were significant using secondary data. Based on the finding of the study, the study concludes that foreign trade is important in manufacturing sector. Listed manufacturing companies that engage strategically in foreign trade through exportation and exploration of foreign markets have a high probability being successful in terms of financial performance compared to companies that refrain from engaging in foreign trade. 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 therefore concluded that international proprietary rights do not influence in any way the financial performance of the companies that have internationalized their 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 more attractive to entice more foreign direct investment, engage in foreign trade and seek for foreign funding into the listed manufacturing companies in Nigeria for improved financial performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

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 internationalisation 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. Internationalisation 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 internationalisation (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 internationalisation and in accordance with the adopted strategy it must provide a set of factors vital for the internationalisation process and individually establish the level of these factors.

The internationalisation of firms has generated interest not just because of the benefits to firm growth, survival and competitive position, but also because of its positive influence on a nation's economic growth and development (Mayer & Ottaviano, 2008). While internationalisation can be a source of growth for firms, it can also be a risky venture that can generate losses which may adversely affect the long-term survival of a firm. 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. O'Cass and Weerawardena (2009) assert that global competition for African businesses is not an option but an economic priority.

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 from the exploitation of economies of scale and scope, organizational learning through exploration and greater market power implies that firms with greater international diversification should experience higher financial performance.

An organized system of company internationalisation assessment covers both objective and particular criteria. Among objective criteria are those related to the structure, for example the number of foreign units of a company, capital ownership structure according to its origin, organizational structure of the company as well as criteria of productivity, for example value of foreign revenues and value of fixed capital located abroad (Agndal & Chetty, 2007). Internationalisation based only on exporting products is 'shallow' as it does not require involvement of resources necessary for their production abroad. 'Deep' internationalisation is based on the second dimension, which is transition of production infrastructure from domestic market to other countries. Its 'depth' results from the size of financial, material and human resources engaged in the process of internationalisation, which are necessary to launch production outside home country (Dawson, 2007).

As firms operate in more diverse market environments, they face a greater need to integrate their activities and logically therefore, encounter an escalation in the cost of coordinating their activities. At higher levels of international expansion, diseconomies can set in due to escalating costs of coordination and from the greater

information processing demands on managers and administrative systems. With continued international diversification, the complexities of managing information and communication among widespread units imply that extensive international diversification is likely to result in net costs (Ellis, 2007).

The increasing economic integration of markets associated with globalization has not only driven the internationalisation of companies, it has also influenced the nature of their strategies (Melén & Nordman, 2009). Technological change and the ease of trade have enabled managers to effectively monitor and control their company's global activities and have resulted in major changes in organizational relationship and strategy. While historically many companies have had foreign sales operations, the ability to conduct business efficiently and effectively across the boundaries has enabled managers to make strategic decisions on where to geographically locate the different activities that constitute a firm's value chain (Melén & Nordman, 2009).

1.1.1 Business Internationalisation in Developed Economies

In USA, the internationalisation 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).

In cooperation and competition with foreign companies, the Chinese companies have improved their management and technical skills for international competition

(Buckley, *et al.*, 2007). Lower entry barriers and a more relaxed regulation of the FDI have allowed the Chinese companies to reform through foreign joint ventures with foreign companies, and the success of the Chinese open economy has also furthered the internationalisation of the Chinese companies (Andersson, Gabrielson, & Wictor, 2006). The Chinese government has encouraged a number of Chinese companies to expand their international market through specialized foreign trade corporations, with the objective of enlarging exports and securing supplies of raw materials, and further acquiring advanced technology and R&D capabilities through their internationalisation strategy (Child & Rodrigues, 2005).

Analysing a panel data set of UK firms Greenaway, Upward and Wakelin (2002) applied matching techniques and found a feedback relationship between the firms' export activities and productivity (labour productivity as well as total factor productivity): Highly productive firms become exporters but exporting also increases productivity. Apparently, using matching techniques leads to results that are more in favour of a causal effect of international business activities on firm performance.

Hatum and Micheleni (2011) investigate the relationship between firm performance and internationalisation behaviour for the period from the firms' start-up until 1997, using data from the first survey. They found that an international engagement improves labour productivity and increases sales growth rate but does not affect employment growth rate. The foreign market may be particularly important for young, small, technology-oriented firms, especially for those operating in a narrow market position. In order to be competitive in international markets, Malaysian companies have taken the opportunities which are available worldwide through internationalisation strategies where there are no transactional or geographical boundaries, and time zones where business transaction can now be performed more rapidly (Ganotakis & Love, 2012).

However, in the early 1990's the internet base technology started becoming commercialized with some limitation and restriction which delayed many companies

from expanding internationally that could lead them to cross border success remain unpredictable (Petersen, Pedersen & Sharma, 2003). Thus, Kaur and Sandhu (2014) noted that internationalisation has become one of the most interesting topics discuss among companies internationally. The transforming process of information technology communication across countries has displacing all the business activities into information technology-based activities. The most significant element in improving the firm's effectiveness and efficiency is fully utilizing of their resources, learning knowledge and networking available.

Tzeremes (2009) study on internationalization and firm performance using the case of the top 10 non-financial TNCs from South-East Europe found that the levels of internationalisation, positively influenced on firms' performance. Similarly, Da and Ken (2015) study on internationalization strategy and firm performance in Chinese IT Companies showed that that an internationalization strategy has a positive relationship with firm performance, and an indirect positive effect.

Heyder, Makus and Theuvsen (2011) study on internationalization and firm performance in agribusiness using empirical evidence from European cooperatives revealed that that internationalization has a significant positive impact on firm performance. Ruigrok, Amann and Wagner (2007) study on 87 manufacturing firms from Switzerland on Degree of Internationalization and performance revealed that here was inverted "S" shaped relationship. The firm that operates with high levels of DOI presents a low performance and high averages of variation in the performance. Bobillo, LópezIturriaga and TejerinaGaité (2012) study on the relationship between internationalization and performance in 1721 firms from twelve European countries revealed a positive relationship in the DOI- performance relationship.

1.1.2. Business Internationalisation in Emerging Economies

Liberalization, privatization and globalization measures adopted by countries all over the globe have led to the reduction in trade barriers and allowed for the smooth flow of goods and services across borders. A large number of firms in both developing

and developed economies are entering global markets to take advantage of the availability of cheap labour, inexpensive land and abundant resources. Recent decades have witnessed rapid growth in international business and because of this rapid internationalization; MNEs now consider the entire world as one market (Hsu, 2006).

Regional internationalization can be defined as internationalization into a relatively homogeneous cluster of countries which are physically and culturally less distant. The physical proximity and cultural similarity should lead to lower costs of transaction and coordination (Pan, Tsai & Kuo, 2010). Multinational firms face high costs related to cultural differences which are associated with difficulties in transferring competitive advantages and knowledge between different regions (Benito & Gripsrud, 1992). However, at the lower level of regional internationalization, the divergence of culture may be minimal. For example, multinational firms that operate in countries clustered in a homogeneous region may face lower cost than countries clustered in several heterogeneous regions. Moreover, multinational firms that expand into countries clustered physically close to each other should have lower transaction and coordination costs (Michael, Beamish & DaCosta, 1989). The similarities of homogeneous areas can thus affect a multinational's ability to earn profits.

For instance, among all developing countries, India has altogether different institutional factors such as culture, economic development, and the political and regulatory environment (Singla & George, 2013). Indian multinational corporations (MNCs) face intense competition from foreign MNCs that have developed firm-level capabilities such as adaptive skills, better competitive ability and faster learning (Gaur et al., 2014). Indian MNCs possess comparative advantages that include a competency to successfully manufacture skill-intensive products and services, quality managers and a lowcost base (Ramamurti, 2009). Altaf and Shah (2015) study on internationalization and firm performance of Indian firms confirmed a U-

shape relationship between internationalization and firm performance and a significant negative effect of product diversity on firm performance.

Located in Southeast Asia, Malaysia is one developing country that is assisting SME to become international players. Malaysia has advantages such as political stability, a first-class physical infrastructure, and a skilled, multicultural and multilingual workforce (Senik, Isa, Scott-Ladd, & Entrekkin, 2010). Currently, the country is competitive in attracting direct foreign investments and is among the world's top 20 trading nations (Bhatti, 2012).

Kenyan manufacturing sector has realized tremendous growth in the last ten years and firms have significantly increased their presence within the Eastern Africa region through FDIs. Over the same period, the manufacturing industry in Kenya has involved itself in automation moving from the traditional methods to better meet the growing complex needs of their customers and internationalisation challenges. South African government launched its new strategy for economic growth and development. One of the components of the new strategy was to grow South Africa's market through increased local companies' internationalisation to the Southern African region and other fast-growing economies (Aykut & Goldstein, 2007). The benefits of firm internationalisation 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).

Wei-Hwa and Wei-Chun (2012) study on internationalization, regional diversification and firm performance in Taiwan find that regional internationalization acts as a significant determinant on firm performance. Originally internationalisation implied that a firm either participated in foreign markets by exporting or through foreign direct investment. Nowadays, a firm can choose to undertake international activities through exporting, licensing and franchising, joint ventures or the

establishment of foreign subsidiaries. Of these, exporting is the most common and the usually the norm, especially for smaller firms (Mtigwe, 2005).

1.1.3. Internationalisation in Nigeria

In Nigeria, internationalisation 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 internationalisation is still at its early stage in Nigerian (Ezeoha, 2007).

However, there are no coherent frameworks that may help practitioners to gain a convergent understanding of the internationalisation decisions of these service firms. Despite the long-time awareness of the impact of internationalisation and economic growth which can be influenced by its industry, many firms still find it difficult to acclimatize themselves with this recent trend in business especially in Nigeria, which is most times due to the size of the firm, technological availability, the firm competitive advantage (position of the firm in its industry whether a market leader or follower), its market characteristics, management attitude, profitability for foreign subsidiaries (Ezeoha, 2007).

According to Ezeoha, Ebele and Okereke (2009) Nigeria has thus, become relatively integrated with the global economic system. It has applied various policies over the year to stimulate the productive and external sector of the economy so as to ensure she benefit positively from business internationalisation.

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.

Internationalisation 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.

The analysis of the empirical and theoretical discussions on the effects of internationalisation on the financial performance of manufacturing firms showed that empirical literature contradicts theoretical arguments on the effects of internationalisation on firm performance. Similarly, various authors reported different findings in various context that their studies was conducted. Therefore, this necessitated the need to conduct a study on the effects of internationalisation on financial performance of manufacturing firms in Nigeria.

1.2 Statement of the Problem

The world is turning into a global village as a result of internationalisation of business across various divides; many traditionally local businesses are now searching for growth opportunities in foreign markets (Fernandez & Nieto, 2005). Internationalisation 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 internationalisation policies of the federal

government (Awolusi, 2013). The Nigeria manufacturing companies began internationalisation 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 internationalisation, is still at its early stage (Onafowora & Owoye, 2006; Ezeoha, 2007). According to Onafowora and Owoye (2006) despite the significant investments in internationalisation initiatives by manufacturing firms around the world, formal efforts to determine their success and the underlying critical decision factor have been very limited.

However, most domestic companies are not performing up to the expected level as a result of competition from foreign companies, studies have observed that a great deal of inconsistency exists in addressing this factors that influence internationalisation (Segaro, 2012). There have been contradicting results on the effect of internationalisation on financial performance of listed manufacturing companies in Nigeria. Adenikinju and Chete (2002) posit that internationalisation have negative effect on financial performance of listed companies. Furthermore, Ezeoha (2007) examines the effect of internationalisation on financial performance, the result shows significant positive relationship between internationalisation and financial performance of listed companies.

Prior studies on foreign trade reveal that product export increases the financial return of the listed companies (Awolusi, 2013). While Oyeniyi and Omotayo (2009) report that foreign trade led to loss of profit and has negative financial performance. Anfofum, Gambo and Suleiman (2013) investigate the impact of FDI on performance and the findings shows positive impact of FDI on recipient companies. 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. Lee (2010) investigated the impact of internationalisation on firm performance using quartile regression. The study findings show that for firms with high performances, their performances were sensitive to internationalisation activities; however, for firms with low performances, the stock market barely recognized their attempts to internationalize. The findings further revealed that firms with different firm performance across the distribution respond differently in magnitude to their degree of internationalisation.

Furthermore, there is inadequate knowledge due to the early stage of internationalisation of manufacturing companies in Nigeria (Ezeoha, 2012). Similarly, studies (Graves & Thomas, 2006; Alkaabi, & Dixon, 2014; Senik, 2010; Zahra, 2003) have been conducted on internationalisation 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. Hsu and Pereira (2008) conducted a study on the effects of the degree of internationalisation 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 internationalisation and firm performance. The rate of return on assets declines, then increases, and finally decreases slightly as the degree of internationalisation increases.

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).

Nigerian economy is facing contraction due to dwelling global oil price, reduced oil revenue and growing statutory expenditure, however listed manufacturing companies can leverage on FDI to improve productivity, quality and competitiveness it also increases knowledge about training the workforce, contributes to the acquisition and dissemination of new knowledge, and allows managers to learn new organizational practices to enhance return on asset through internationalisation of the goods and services (Thériault & Beckman 2008). Foreign and cheap source of funding will aid the rapid development and internationalisation of Nigerian listed manufacturing companies to 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 internationalisation on firm performance since the findings presented are contradictory to theoretical arguments.

1.3 Research Objectives

1.3.1 General Objectives

The general objective of this study was to determine the effect of internationalisation on financial performance of listed manufacturing companies in Nigeria

1.3.2 Specific Objectives

- i. To determine the effect of foreign trade on financial performance of listed manufacturing companies in Nigeria.
- ii. To establish the effect of foreign direct investment on financial performance of listed manufacturing companies in Nigeria.
- iii. To investigate the effect of international proprietary rights on financial performance of listed manufacturing companies in Nigeria.

- iv. To determine the effect of business foreign funding on financial performance of listed manufacturing companies in Nigeria.

1.4 Research Hypothesis

The study sought to test the following hypotheses;

H₀₁ Foreign trade has no significant effect on financial performance of listed manufacturing companies in Nigeria

H₀₂ Foreign direct investment has no significant effect on financial performance of listed manufacturing companies in Nigeria

H₀₃ International proprietary right has no significant effect on financial performance of listed manufacturing companies in Nigeria

H₀₄ Business foreign funding has no significant effect on financial performance of listed manufacturing companies in Nigeria

1.5 Significance of the Study

1.5.1 Theory Building

This study adopted resourced based theory, internalization theory and internationalisation process theory to expound on the relationship between business internationalization and financial performance of listed manufacturing companies in Nigeria. In so doing the study expounded the applicability and utility of these theories hence building the theory further. Therefore, future researchers may also use the theory in this line of research. Academicians and scholars may use the finding of this study in their empirical and methodology argument in future studies as a source of reference.

1.5.2 Policy Making

Policy makers and the government of Nigeria will find the results of this study useful in designing policy framework and creating the enabling environment that supports indigenous manufacturing firms to internationalize. Investors in manufacturing industry will enjoy higher returns if they invest with the understanding of how internationalisation strategies by firms affect performance.

1.5.3 Practitioners in Manufacturing Sector

The manufacturing sector in Nigeria has a huge potential in contribution to employment and GDP if the challenges caused by lack of internationalization are properly addressed. The findings of this study would eventually provide insight and new knowledge for the stakeholders in manufacturing sector. The finding provided necessary information on how to successfully internationalize manufacturing firms in Nigeria. The stakeholders and management in the manufacturing sector may further adopt the findings of this study so as to improve the performance of their companies.

1.6 Scope of the Study

The study covered the effect of internationalisation on financial performance of listed manufacturing companies in Nigeria. The study specifically focused on the effect of foreign trade, foreign direct investment, international proprietary rights, business foreign funding on the financial performance of listed manufacturing companies in Nigeria. The study was anchored on resourced based theory, internalization theory and internationalisation 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.

1.7 Limitations of the Study

The following are some of the limitations of the study. The generalization of the findings shall be limited if there are issues relating to breach ethical research practices. Secondly, the research focused only on the listed manufacturing companies, a highly regulated industry; the unlisted manufacturing companies are left out. The study adopted descriptive and correlational analysis where the relationship of the independent variables and dependent variable were identified by regressing the independent variables with the dependent variables. The study was further limited to Resourced Based Theory, Internalization Theory and Internationalisation Process Theory. The study was conducted on manufacturing companies in Nigeria.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter encompasses both the theoretical and empirical literature with regard to effect of internationalisation on financial performance of listed manufacturing companies in Nigeria. The theoretical review guides the framework of the study which includes all the relevant theories upon which this study is anchored and aid in the clarity of the study perspective. Empirical literature discusses the relevant studies which have been done on the variables under study. The conceptual framework attempts to explain the relationships between the variables under study.

2.2 Theoretical Review

2.2.1 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 complementarity 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.

Foss (1998) stated that the resource-based perspective does not escape the general problem of finding the appropriate unit of analysis. Most contributions within the RBV take the individual resource as the relevant unit of analyze are to study competitive advantage. However, Foss (1998) points out that this choice may only be legitimated if the relevant resources are sufficiently well-defined and free-standing. If, in contrast, there are strong relations of complementarity and specialization among resources, it is the way resources are clustered and how they interplay and fit into the system that is important to the understanding of competitive advantage. Foss (1998) recognizes that the concepts ‘capabilities’ and ‘competences’ aim perhaps at grabbing this clustering and interplay. The conceptual framework takes this problem into account by relating competitive advantage to strategy rather than to individual resources.

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. Gimeno (1999, p. 101) states that the resource-based research “has emphasized the lack of ability of imitators or rivals to erode the market position of a firm as a necessary condition for sustainability, implicitly assuming that any rival capable of eroding the position will do so and cannot be restrained from pursuing that course of action”.

Although the resource-based view (RBV) has emerged as one of the substantial theories of strategic management, it is said that it has overlooked the role of entrepreneurial strategies and entrepreneurial abilities as one of the crucial sources of the competitive advantage of a firm (Fink & Kraus, 2007). For the purpose of this study, resource-based theory is found relevant as it provides theoretical foundation for explaining how companies organize resources to enhance internationalisation process and its effect on financial performance. Therefore, this theory is expected to provide theoretical basis for specific objective one to four.

2.2.2 Internalization Theory

This 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. Most companies are more comfortable with investing directly in a foreign country. It must be more beneficial to the firm

possessing the ownership advantages to use them itself rather to lease or sell them to foreign firms.

Hymer (1976) discussed the problem of information costs for international firms with respect to local firms, different currency risk and differences in government's fiscal policies. The theory of internalisation explains the motivations of the transnational companies for making foreign direct investment by taking advantage of various government fiscal policies and other policies. The internalisation advantages include the following: avoid governmental intervention such as tariffs, price controls and quotas; avoidance of litigation and violated contract; control of conditions and supply of sale of inputs; application of transfer pricing; avoidance of negotiation and search costs and control of market outlets.

The possession of internalization advantages suggests that the firm will exploit these advantages by way of FDI rather than by contractual resource exchanges. For the purpose of this study, internalisation theory is found relevant as it provides theoretical foundation for explaining how companies can internally organise the organisation's system to benefit from internationalisation and its effect on financial performance. Therefore, this theory is expected to provide theoretical basis for specific objective one to four.

2.2.3 Internationalisation Process Theory

Internationalisation 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 internationalisation is a staged process and firms gradually progress from early to latter stages of internationalisation. The stages of internationalisation were defined based on resource commitments made by the organisation with lowest resource commitment defining the first stage of internationalisation and highest resource commitment defining the last stage of

internationalisation. Thus, stages of internationalisation ranged from no export activity to setting up a subsidiary in another country of interest.

Internationalisation Process theory states that firms moved from the one stage to the next sequentially as they incrementally gained knowledge of their export markets. An increase in knowledge with respect to international business facilitates increase in level of internationalisation by reducing the psychic distance between firms from home and host countries. Incremental internationalisation process theory builds on knowledge accumulation and experience (Andersen, 1993) it incorporates several related approaches, which are similar in their explanatory power. Both the Uppsala internationalisation model and the innovation-related internationalisation model contend that firms become international in a slow and incremental process with a limited number of targeted geographic markets (Andersen, 1993).

Zahra (2005) investigate the nature of foreign market entry, incremental internationalisation and accelerated early cross-border engagements have come to form the dominant paradigms in internationalisation process research. The incremental view of internationalisation has not been without its critics. As the environment has changed significantly since the traditional internationalisation theories were developed, firms have quite often been required to speed up their foreign market entry processes.

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 internationalisation. 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). For the purpose of this study, internationalisation process theory is found relevant as it provides theoretical foundation for explaining how companies follow stage by stage progress of internationalisation and its effect on financial

performance. Therefore, this theory is expected to provide theoretical basis for specific objective one to four.

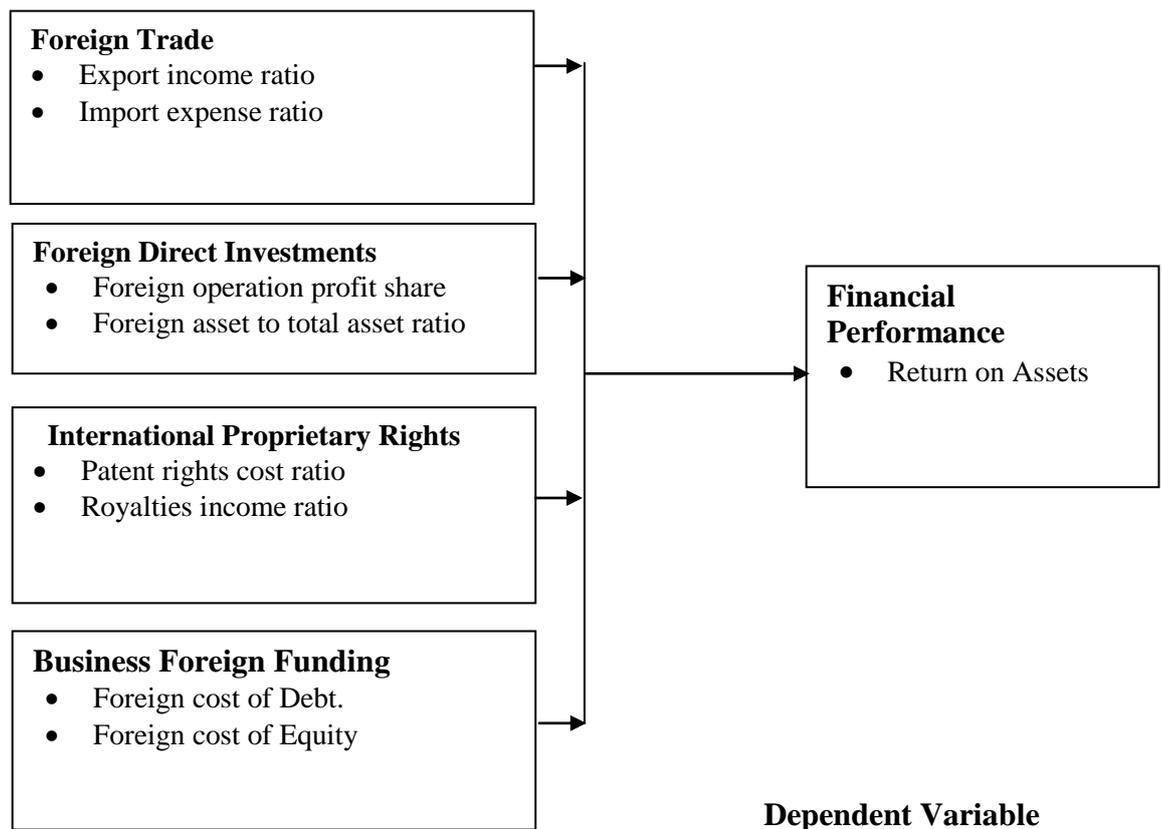
2.3 Conceptual Framework

According to Kombo and Tromp (2009), a concept is an abstract or general idea inferred or derived from specific instances. A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. In this study, the conceptual framework has shown in figure 2.1. Shows the relationship of the independent and dependent variables of this study include foreign trade, foreign direct investment, International Proprietary Rights and foreign funding. The dependent variables under this study are the financial performance. The selection of these variables is based on the fact that they are capable of revealing the effect of internationalisation on financial performance by listed companies (Riding, Orser, Spence & Belanger, 2012). They have been used in earlier research like Thériault and Beckman (2008). Extant literature shows that internationalisation influence financial performance. Kraśnicka and Głód (2013) posit that a significant relationship exists between internationalisation and financial performance.

While financial performance as the explained variable (return on assets and market return), this accounting information represent expected return from engaging in internationalisation and can be derived from annual audited published financial reports. This measure for financial performance will be adopted for two key reasons; firstly, the level of success of a firm within the manufacturing sector is measured through its financial performance based on a selected period of time (Surroca, Tribó & Waddock, 2010). Secondly, financial performance is a measure of an organization's financial condition or financial outcomes resulting from management decisions carried out by organization members (Campbell & Mínguez-Vera, 2008).

For the purpose of this study, internationalisation that was used in the study was geared towards understanding its effect on financial performance of listed

manufacturing companies in Nigeria. Since the general objective of the study evaluated the effect of internationalisation on financial performance, the financial performance measure employed in this analysis was return on assets. Therefore, this study was conceptualised as depicted in figure 2.1



Independent Variables

Figure 2.1 Conceptual framework

2.3.1 Foreign Trade

Evidence from literature on foreign trade shows contradicting positions. Foreign trade is a variable that provides information on the firms' orientation to export and is measured as export income ratio and import expenses ratio (Filatotchev & Piesse, 2009). Riding, Orser, Spence and Belanger (2012) study the relationship between

export barriers and the export performance of Greek firms, the study used exploratory and confirmatory factor analyses. The result shows operational dimension, environmental dimension, financial dimension, source dimension has positive effect while legal dimension and logistic dimension have negative effect on performance of Greek firms (Fung, Yau, & Zhang, 2011).

Some of the main benefits of an international expansion are the exploitation of economies scale, learning and innovation opportunities, access to key resources, and bargaining power (Luo, 1998). On the other hand, at early stages of international expansion the firm faces liabilities of foreignness and are not able to best explore the economies of scale and learning opportunities, does not possess the ability to configure local key resources in a way that minimizes the overall costs, because of company's unfamiliarity with the local idiosyncrasies and has not the sufficient bargaining power, since it has not established its legitimacy in the host country (Gilpin, 2016). Summarizing, in the first stages of international expansion those liabilities will hinder the full exploitation of the international expansion benefits in such a way that will engender a declining of performance (Walley, 2007).

With increasing international experience, development of new capabilities, diminishing costs of being new and foreign, and expansion of the international operation, the firm starts to benefit from the international expansion (Zahra, Ireland & Hitt, 2000). But when this expansion starts to grow to more and more countries and subsidiaries, the costs of governance and coordination rises up to a point that the costs involved supplant its benefits (Lu & Beamish, 2004).

The long-term performance of internationally diversified firms may be based, at least partially, on their ability on developing product and process innovation (Hitt *et al.*, 1997). Based on that, to those authors, product diversification plays an important moderating role in their model. From a resource-based perspective, the experience with product diversification is a key on developing managerial capabilities. Those built capabilities will in the future provide the required ability to deal with complex

challenges on the international business (Sapienza, Autio, George & Zahra, 2006). Similarly to the international diversification strategy, some important reasons for a firm to assume both international and product expansion are the better opportunities to exploit the economies of scope and scale, learning and bargaining power, since prior experience in product diversification gives experience in the management of multiple product-markets, which can result on positive interactive effects of both product and international diversification (Hitt *et al*, 1997). Hitt *et al*, (1997) suggest that international diversification is negatively related to performance in non-diversified firms, positively related in highly product diversified firms and curvilinear in moderately product diversified firms.

Export and import are also more common among older and larger SMEs. Despite the increasing prevalence of international new ventures recently established firms that start exporting soon after inception, most SMEs venturing abroad often still do so using a cautious, stepwise approach after several years of domestic growth (Sleuwaegen & Onkelinx, 2014). While high tech firms may choose rapid internationalization and follow the international new venture approach (Onkelinx & Sleuwaegen, 2010), the stage theory (Johanson & Vahlne, 1977) may still be the most appropriate one for firms in mature industries. The timing and risks involved in these approaches are different, and firms need to evaluate whether they want to reduce the risk and follow a conservative pattern or need to rapidly capture market share before their technology becomes obsolete (Cavusgil & Knight, 2009).

2.3.2 Foreign Direct Investment

Developing countries, emerging economies and countries in transition have come increasingly to see FDI as a source of economic development and modernisation, income growth and employment (Lall, 2000). Countries have liberalised their FDI regimes and pursued other policies to attract investment. They have addressed the issue of how best to pursue domestic policies to maximise the benefits of foreign presence in the domestic economy. The study Foreign Direct Investment for

Development attempts primarily to shed light on the second issue, by focusing on the overall effect of FDI on macroeconomic growth and other welfare-enhancing processes, and on the channels through which these benefits take effect (Brada, Kutan & Yigit, 2006).

The overall benefits of FDI for developing country economies are well documented. Given the appropriate host-country policies and a basic level of development, a preponderance of studies shows that FDI triggers technology spillovers, assists human capital formation, contributes to international trade integration, helps create a more competitive business environment and enhances enterprise development (Rugraff, 2008).

All of these contribute to higher economic growth, which is the most potent tool for alleviating poverty in developing countries. Moreover, beyond the strictly economic benefits, FDI may help improve environmental and social conditions in the host country by, for example, transferring “cleaner” technologies and leading to more socially responsible corporate policies (Ahmed, 2012). The main factors motivating FDI into Africa in recent decades appear to have been the availability of natural resources in the host countries (investment in the oil industries of Nigeria and Angola) and, to a lesser extent, the size of the domestic economy (Anyanwu, 2011). The reasons for the lacklustre FDI in most other African countries are most likely the same factors that have contributed to a generally low rate of private investment to GDP across the continent (Basu, & Srinivasan, 2002).

2.3.3 International Proprietary Rights

International proprietary rights come in many forms, trade secrets, copyrights, and patents being the most important in relation to technology transfer (Arora, 2009). The literature on trade secrecy and copyrights is sparse, especially for trade secrecy, and particularly as it relates to international technology transfer; much of the empirical evidence at hand deals with patents (Graves, 2007). The principal reasons are that patent databases are widely available, it is much easier to link patents to

technology and industry groups, and there is great variation in the extent and nature of patent protection across countries. Details of patent protection and its role in technology transfer are also of great policy interest (Bejesky, 2003).

McCalman (2001) employed a more disaggregated set of measures using detailed information about patent institutions by summarizing the extent of coverage offered restrictions on the form of exploitation of patents and the availability of enforcement institutions (Hall & Helmers, 2010). This study is, however, an exception rather than the norm in not using a summary measure of the strength of IPR protection. However, unless one is fortunate, the use of multiple measures makes it difficult to empirically answer the impact of IPRs. Instead, one can only quantify the effect of this or that aspect of the IPR regime (Hall & Helmers, 2010). Arora, Fosfuri and Gambardella (2007) explored international technology licensing. Maskus, Saggi and Puttitanum (2004) provided a survey of the theoretical and empirical literature on patents and technology transfer through direct foreign investment and licensing.

2.3.4 Business Foreign Funding

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.

2.3.5 Financial Performance

Salter (1995) suggested that performance measurement of corporate and business unit has three dimensions: effectiveness, efficiency, and adaptability. Some indicators of three dimensions are returns on investment, sales growth, and new product success, respectively. Furthermore, Salter (1995) argued that relative performance measures appropriate surrogates for objective measures in the single-industry sample. Morgan (2012) suggested that business performance consists of two aspects: market performance and financial performance. Market performance relates to customer behaviours.

Higher sales volume, customer satisfaction increases, customer loyalty, and growth of market shares are indicators of market performance while the financial performance is measured in accounting terms. This study defines firm performance as a goal achievement and financial performance that are indicated by the net income goal achievement, sales amount and market share increases, the better return on investment, and the growth and continuance of overall performance (Mella, 2012).

Business operation focus on highest potential profit and a common approach is a cost control that is expected to produce the greatest overall financial performance (Wu,

Lin & Chang, 2011). Cost management strategy implementation success might generate value to the firm, for example, the greater control production activities results in better quality of procedure and lowers the unit cost of goods and cost variance. In addition, the consequence of the cost management success is firm value increasing and profit improvement that positively affects firms' value greater than pricing (Gibcus & Kemp, 2003). Therefore, it can be expected that cost management implementation will increase firm performance.

Profitability is also used as a general measure of a firm's overall financial health over a given period of time and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Mella, 2012).). Four useful profitability ratios and measures are the return on assets (ROA), return on equity (ROE), operating profit margin and net income. The ROA measures the returns to all assets and is often used as an overall index profitability and the higher the value, the more profitable the business. ROE measures the rate of return on the owners' equity employed in the business. It is useful to consider ROE in relation to ROA to determine if the firm is making profitable returns on their borrowed money (Walsh, 2006).

2.4 Empirical Literature Review

This section reviews literature from prior scholars relevant to the variables under the study regarding the effect of internationalisation on financial performance of listed manufacturing companies in Nigeria.

2.4.1 Foreign Trade and Financial Performance

Musuva (2013) researched on the firm level factors and international performance of companies listed on the Nairobi Securities Exchange. Specifically, the research focused on the effect of institutional capital, management characteristics, organisational demographics, firm capabilities, internationalisation orientation and degree of internationalisation on firm international performance. The firm

capabilities studied were organisational innovation, knowledge capability and adaptive capability. This research adopted a quantitative approach based on a cross-sectional study of publicly quoted companies in Kenya. A semi structured questionnaire was administered for data collection. Structural equation modelling - Partial Least Squares analysis was used to analyse the survey responses and to test the hypotheses, however the results are still mixed. The results indicated that institutional capital and management characteristics have a positive and significant effect on firm capabilities. Additionally, it was also found that the level of firm capabilities influences the effect of institutional capital on international performance. The level of international expansion, measured as the degree of internationalisation was found to influence the effect of firm capabilities on the international performance of a firm as relates to organisational innovation intensity but not for knowledge and adaptive capability.

Ghanatabadi (2005) conducted a study on internationalisation of small and medium-sized enterprises in Iran, based on Innovation-Related Internationalisation models the author view the development of export activities as an innovation adoption cycle or as an export development 'learning curve' influenced by internal factors. He further argues that internationalisation models explain the firms' internationalisation' in a slow and incremental manner. Kraśnicka and Głód (2013) conducted a study on the impact of the internationalisation of Polish SMEs on their performance. The study also reviewed the differences between classical models of internationalisation and the so-called born global models. The finding reveals a positive relationship between exports of small and medium enterprises and their financial performance.

Similarly, Thériault and Beckman (2008) investigate the internationalisation of Indian firms in order to identify strategic issues and organizational design. Hypotheses and study questions were developed, which were finally tested via a grounded methodology and the findings show that simultaneous to the opening up of the Indian economy to international markets, lead Indian companies to undergone significant transformation towards newer forms of organizing over the last 5 years. In

addition, the findings shed light on key strategic issues such as internationalisation-related modes, competitive drivers, geographical focus, and aspirations, as well as drivers of organizational transformation of internationalizing Indian companies.

Ahmed Sheikh and Wang (2011) examine the determinants of textile and clothing exports of Pakistan, using a time series data over the period twenty years. The demand and supply side exports equation were estimated in a simultaneous equation frame-work. The coefficient on the price of textile exports and world income appeared with correct signs but turned out to be insignificant. All the coefficients on the supply side were found to be statistically significant. Ehinomen and Daniel (2012) examine the export and economic growth in Nigeria, the study uses annual time series covering 1970 to 2010 to determine the causal and long-run relationship. The findings show a uni- directional relationship between export and economic growth, thus export sales have effect on financial performance on manufacturing companies in Nigeria. Also in Pakistan Raheman, Afza, Qayyum and Bodla (2010) found that trade openness and export of sales have significant influence of performance of listed manufacturing companies.

Roy (2007) estimates the demand and supply functions of the manufactured exports for India, using a time series data over the period 1960-2006. The FIML has been used to estimate the demand and supply side exports for six different categories of manufactured exports including cloth and garments, chemicals and machinery, transport equipments, steel and iron, and the leather manufactures. The findings suggest importance of all demand side factors for exports performance. On the supply side, the variables produced mix results in terms of significance and some variables like world GDP and exports volume turned out to be insignificant for textile and iron-steel exports respectively.

Ehinomen (2012) investigates the relationship between firm performance and internationalisation behaviour for the period from the firms' start-up until 1997, using data from the first survey. They found that an international engagement

improves labour productivity and increases sales growth rate, but does not affect employment growth rate. The foreign market may be particularly important for young, small, technology oriented firms, especially for those operating in a narrow market niche. In order to be competitive in international markets, Malaysian companies have taken the opportunities which are available worldwide through internationalisation strategies where there are no transactional or geographical boundaries, where business transaction can now be performed more rapidly (Molla, & Licker, 2005).

Martinez (2006) examines the relationship between industrial districts and the export performance of SMEs in Spain using panel data. The study showed a positive and significant link between the location of the firm in the district and networks (competitors' network and institutional network) and the EP of Spanish SMEs in a given area. Indeed, according to the location of the firm in the district (near ports, airports and supplier) a company does gain because it will benefit from better conditions than its competitors. Furthermore, Damoah (2011) examine export behaviour of small and medium-sized manufacturing firms in Ghana, data were collected from garment and textile industry of Ghana. The study drew on a set of quantitative data and more qualitative interviews concerns the behaviour of both small and medium-sized exporting and non-exporting firms from the garment and textile manufacturing sector in Ghana. The findings reveal that on overall, firm size, sector, workforce education levels, and participation in international and domestic business networks are found to be the key drivers explaining why some SMEs from Ghana choose to export. Based on the findings it is concluded that international networks serve as a means of improving their financial performance through international markets.

2.4.2 Foreign Direct Investment and Financial Performance

Empirical literature on foreign direct investment show varying results, Doukas and Lang (2003) state that foreign companies that invest in their business performed

better than post-acquisition financial companies that do not diversify into fields of activities other than traditional activities. FDI can improve productivity, quality and competitiveness it also increases knowledge about training the workforce, contributes to the acquisition and dissemination of new knowledge, and allows managers to learn new organizational practices (Thériault & Beckman 2008). Many multinational enterprises have been attracted by new markets, cheap labour forces and supporting policies toward foreign direct investment (FDI) in transition economies (Cheng & Kwan, 2000).

Wagner (2004) conducted a study on internationalisation speed and cost efficiency using survey data and financial statement data of German insurance groups with property-liability business for the years 2009. The study developed a resource-based perspective and argued that strategic transformation is a major factor driving insurance groups' internationalisation, whereby successful international insurance groups facilitate organizational learning from international operations to enhance home market performance. The findings of the study confirmed the notion and showed that the establishment of branch offices as well as greater internationalisation is positively correlated with company's financial performance. Chatterjee (2009) posit that the main motives for a firm to engage in foreign production are to seek natural resources, to seek market, to seek efficiency and to seek strategic asset. However, study on the factors influencing the performance of Japanese FDI in Thailand, 270 Japanese MNCs subsidiaries between year 2005-2009 were sampled and result shows that firm size is negatively associated with profitability.

Mawugnon and Qiang (2009) investigates the effect of foreign direct investment on economic growth through internationalisation in Togo using time series data, the research found that there was a unidirectional relationship between FDI and GDP. The direction of causation ran from FDI through internationalisation to GDP enables to conclude that FDI positively influence GDP through internationalisation and not otherwise. The study therefore recommends improvement in the investment climate

for foreign direct investment to enhance competitiveness and strengthen through internationalisation.

Büthe and Milner (2008) examine the influence of Foreign Direct Investment on Per Capita GDP in Nigeria using Vector Error Correction. The result shows a negative relationship between FDI and economic growth in Nigeria. Similarly, Kolstad and Wiig (2012) investigate the impact of foreign direct investment (FDI) on Economic Growth in Nigeria within the period of 1986-2011. The study employed multiple regression models to determine the impact of some external variables on the gross domestic product (GDP) proxy for economic growth in Nigeria. The study used time series data to ascertain the inflow of FDI to the Nigerian economy and its implications on economic growth. The finding revealed a positively impact on the economy though its contribution to GDP was very low within the period under review.

In addition, Head, and Ries (2008) examined the sustainability of the FDI- growth relationship in Nigeria. Using the Johansen co-integration framework and a multivariate VAR within a vector error correction model, found evidence of a long-run equilibrium relationship between economic growth and FDI inflows. The study also revealed a unidirectional causality from FDI to economic growth.

Also, Kinda (2010) looking at a cross-country study on FDI and economic growth, the study used a bivariate VAR modelling technique and found evidence of a positive FDI-led growth for Nigeria, Sri Lanka, Tunisia, and Egypt; and based on weak exogeneity tests, a long-run causality between FDI and economic growth running in both directions was found for the same set of countries.

Mathews (2006) examine internationalisation in emerging market companies from the Asia-Pacific region, it shows that their internationalisation was very rapid and had positive influence on the financial performance of companies. Also it was different from that of the conventional western multinationals, and also from that of the erstwhile developing country multinationals in the 1960s and 1970s. The study

further showed that there was a positive relationship between FDI and Gross Domestic Product (GDP). The study concluded that the economy would perform better with greater inflow of FDI.

Mathews and Zander (2007) review internationalisation as practice by multinationals through FDI described it as 'accelerated internationalisation.' Newer multinationals from emerging markets have been able to pursue rapid internationalisation owing to their distinctive ability to come up with organizational and strategic innovations compensating for their lack of financial and managerial capabilities. The resultant effect on financial performance was significantly high. The harsh environmental conditions in most emerging economies such as a weak institutional context, demanding yet price sensitive consumers, and challenging distribution networks in their home markets, instead of acting as impediments, have helped emerging market companies to develop unique competencies, to be later apply to compete successfully in foreign markets that impacted on financial returns positively.

McGrew and Poku (2007) explore the effects of internationalisation on firm performance using a sample of 164 Japanese SMEs. Findings show that high levels of FDI are positively related to performance. Further, it also shows that exporting has a negative moderating effect on the relationship between FDI and performance, which points to the importance of the configuration of internationalisation strategies. FDI applicable to the companies through internationalisation and access to foreign markets influence performance of the companies in a positive manner FDI flows as a bundle of resources to companies enhances financial performance. Also FDI's effect on economic growth is thus based on its contribution to capital accumulation and total factor productivity improvements.

Khanna, Palepu and Sinha (2005) posit that the rise of companies such as Ranbaxy Laboratories from India, Samsung from Korea, and Acer from Taiwan, into powerful global giants clearly demonstrates the effect of FDI properly managed by companies to generate super high financial rewards. Gatawa, Aliyu and Musa (2013) analysed

the impact of FDI on performance of manufacturing sector in Nigeria, the study employs a model that measures the exert FDI on financial performance. This study concludes that FDI have impact on financial performance. Umah (2007) states that FDI of multinational corporations distort developing nation economy, distortions include the crowding out of national firms, rising unemployment related to the use of capital-intensive technology, and a marked loss of political sovereignty.

2.4.3 International Proprietary Rights and Financial Performance

Arora (2009) conducted a study on intellectual property rights and the international transfer of technology in developing countries. The study aimed at exploring one of the main areas to which research efforts have been devoted, namely, the determinants of the use of different appropriability strategies at the firm and sectoral level. The data was analysed using Statistical package of social studies. The data was analysed using inferential statistics; correlation and regression model. The study concluded that it is useful to note that it is essential to analyse the impact of patenting and other appropriability tools on variables such as profits or innovation activities.

Bejesky (2003) conducted a study on managing the patent versus trade secret protection decision for the multinational corporation in China. The study cconsidered two factors related to this risk in the context of China associated with the global importance of this market and serious apprehensions encompassing China's International Proprietary Rights protections. First, it considered objective enforcement of codified legal institutions" that protect patents and trade secrets while examining political, cultural, and informal" influences on legal frameworks. MNCs often must negotiate with government officials and build political relationships in the investee country. Second, within the context of dynamic interactions between political and legal influences, the article appraises the important trade-off between filing for patent protection or protecting process technology internally via trade secret. In order to protect a patent, a firm must comply with filing requirements, the invention must fall within the scope of patent protection as defined by the host

government, and the holder must take measures to enforce patent rights if there is a potential infringement.

Hall and Helmers (2010) conducted a study on the role of patent protection in technology transfer. The study reviewed the evidence on the role of patents for innovation and international technology transfer in general. The literature suggested that patent protection in a host country encourages technology transfer to that country but that its impact on innovation and development is much more ambiguous. The study discussed the implications of these findings and other technology-specific evidence for the diffusion of climate change-related technologies. The study concluded that the double externality problem, that is the presence of both environmental and knowledge externalities, implies that international proprietary rights may not be the ideal and cannot be the only policy instrument to encourage innovation in this area and that the range and variety of green technologies as well as the need for local adaptation of technologies means that patent protection may be neither available nor useful in some settings.

2.4.4 Business Foreign Funding and Financial 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 investigates 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.

2.4.5. 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 is a measure of an organization's financial condition or financial outcomes resulting from management decisions carried out by organization members (Campbell & Mínguez-Vera, 2008). According to Chi and Gursoy (2009) financial performance refers to the level of companies' financial performance relative to their major competitors over the past years. It literally refers to financial measures, such as return equity (ROE), return on investment (ROI), operating profit, and sales growth rate (Kuhle, Walther & Wurtz bach, 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.

Furthermore, Protopappa and Seifert (2010) pointed profitability as the most common measure of performance in companies. This indicator is considered to be the common measures of financial profitability. Various scholars have attempted to provide a clear definition of performance, but they had yet to come to an agreement over a common definition, particularly regarding some aspects of terminology issues, analytical levels, and the conceptual basis for assessment. Performance of a company can be defined in various ways depending on the questions in mind when inquire about a company's performance (Sueyoshi & Goto, 2010).

Regardless of the differences among researchers on what the definition of performance is, they agree that it is generally associated with expectations for 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.

2.5 Critique of Existing Literature

This section discusses the empirical literature. It reviews prior studies on internationalisation and financial performance. Studies on this area are compared and contrasted in terms of methodology, objectives, variables, conclusions and research gaps. For instance, Musuva (2013) study focused on the firm level factors and international performance of companies listed on the Nairobi Securities Exchange. Specifically, the research focused on the effect of institutional capital, management characteristics, organisational demographics, firm capabilities, internationalisation

orientation and degree of internationalisation on firm international performance. This study was conducted in Kenya hence the finding cannot be generalized to listed manufacturing companies in Nigeria. Similarly, the objectives of this study were different with the objectives of the current study.

Ghanatabadi (2005) on the other hand, conducted a study on internationalisation of small and medium-sized enterprises in Iran, based on Innovation-Related Internationalisation models the author view the development of export activities as an innovation adoption cycle or as an export development 'learning curve' influenced by internal factors. Similarly, the context of this study is different from the context of the current study. Ghanatabadi, (2005) study was conducted on internationalisation of small and medium-sized enterprises in Iran while the current study will be conducted on listed manufacturing companies in Nigeria.

Kraśnicka and Głód (2013) conducted a study on the impact of the internationalisation of Polish SMEs on their performance. Kraśnicka and Głód (2013) study was conducted on impact of the internationalisation of Polish SMEs on their performance while the current study will be conducted on listed manufacturing companies in Nigeria. Similarly, Thériault and Beckman (2008) investigate the internationalisation of Indian firms. Thériault and Beckman (2008) study findings may not be applied to the context of Nigeria since Nigeria had different socio-economic settings.

Ahmed, Sheikh and Wang (2011) further examined the determinants of textile and clothing exports of Pakistan, using a time series data over the period twenty years. The study focused on exports while the current study focused on foreign trade, foreign direct investment, international proprietary rights and business foreign funding. Similarly, Ahmed, Sheikh and Wang (2011) may not apply in the Nigerian context since it was conducted in Pakistan. Ehinomen and Daniel (2012) on their part examine the export and economic growth in Nigeria, the study uses annual time series covering 1970 to 2010 to determine the causal and long-run relationship. The

study focused on exports and economic growth while the current study focused on effect of foreign trade, foreign direct investment, international proprietary rights and business foreign funding on financial performance of listed manufacturing companies in Nigeria.

Roy (2007) estimates the demand and supply functions of the manufactured exports for India, using a time series data over the period 1960-2006. The study did not focus on the effects on internationalisation on financial performance of listed firms. Martinez (2006) examines the relationship between industrial districts and the export performance of SMEs in Spain using panel data. These study findings may not be applied to the context of Nigeria since Nigeria had different socio-economic settings.

Muhammad (2012) conducted a study on internationalisation speed and cost efficiency using survey data and financial statement data of German insurance groups with property-liability business for the years 2009. These study findings may not be applied to the context of Nigeria because German is a developed economy while Nigeria is emerging economy. Mawugnon and Qiang (2009) investigates the effect of foreign direct investment on economic growth through internationalisation in Togo using time series data, the research found that there was a unidirectional relationship between FDI and GDP. The study focused on foreign direct investment while the current study included other variables such as foreign trade, business foreign funding and international proprietary rights.

Büthe and Milner (2008) examine the influence of Foreign Direct Investment on Per Capita GDP in Nigeria using Vector Error Correction. This study focused on Foreign Direct Investment and economic growth while the current study will focus on FDI and financial performance of listed Manufacturing companies. Similarly Büthe and Milner (2008) used Vector Error Correction while the current study used ordinary least squares regression analysis. Head and Ries (2008) examined the sustainability of the FDI- growth relationship in Nigeria. Using the Johansen co-integration framework and a multivariate VAR within a vector error correction model, found

evidence of a long-run equilibrium relationship between economic growth and FDI inflows. Head and Ries (2008) used Johansen co-integration framework and a multivariate VAR within a vector error correction model while the current study used ordinary least squares regression analysis.

Mathews (2006) examine internationalisation in emerging market companies from the Asia-Pacific region, it shows that their internationalisation was very rapid and had positive influence on the financial performance of companies. These study findings may not be applied to the context of Nigeria because Asia-Pacific region and Nigeria have different economic, social and political settings. McGrew and Poku, (2007) explore the effects of internationalisation on firm performance Using a sample of 164 Japanese SMEs. These study findings may not be applied to the context of Nigeria because Japan is a developed economy while Nigeria is emerging economy and the two countries have different economic, social and political settings.

Vanacker, Manigart, Meuleman and Sels (2011) examined 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. The current study focused on listed manufacturing companies in Nigeria. Gbandi and Amisah (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. Gbandi and Amisah (2014) focused on foreign capital while the current study included foreign trade, foreign direct investments and international proprietary rights.

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. The current study was conducted in

Nigeria that has different socio-economic and political settings. 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). The current study was conducted in Nigeria that has different socio-economic and political settings.

2.6 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 internationalisation policies of the federal government (Awolusi, 2013). The Nigeria manufacturing companies began internationalisation 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 internationalisation, is still at its early stage (Onafowora & Owoye, 2006).

Literature review revealed that studies have been conducted on financial performance of listed manufacturing companies in Nigeria Adenikinju and Chete (2002); (Ezeoha, 2007); Oyeniya and Omotayo (2009); Awolusi, (2013). However, literature on the effect of business internationalisation on financial performance of listed manufacturing firms especially in the Nigerian context is very scarce. The inadequate knowledge on effect of business internationalisation on financial performance of listed manufacturing firms may be due to the early stage of internationalisation of manufacturing companies in Nigeria (Ezeoha, 2012).

Similarly, studies (Graves & Thomas, 2006; Ibrahim, Soufani & Lam, 2003; Liang, Wang & Cuit, 2012; Senik, 2010; Tsang, 2001; Zahra, 2003) have been conducted on internationalisation 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. Hsu and Pereira (2008) conducted a study on the effects of the degree of internationalisation 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 internationalisation and firm performance. The rate of return on assets declines, then increases, and finally decreases slightly as the degree of internationalisation increases. Based on the above-mentioned research and knowledge gaps, this study sought to determine the effects of foreign trade, foreign direct investments, international proprietary rights and business foreign funding on financial performance of listed manufacturing companies in Nigeria.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides details about the methodology adopted to assist in achieving the research objectives. It details research design, research population, data collection instruments, data collection procedures and data processing and analysis. Henning (2004) describes research methodology as coherent group of methods that complement one another and that have the ability to fit to deliver data and findings suit the researcher's purpose. According to Polit and Hungler (2004), research methodology is a way of obtaining, organizing and analysing data and thus methodology decisions often depend on the nature of the research question.

3.2 Research Philosophy

The research philosophy used for this study is based on positivism which holds that reality is concretized and has an independent existence of its own (Ashley & Orentein 2005) positivism is a philosophy that adheres to the view that only factual knowledge gained through observation, including measurement is trustworthy. In positivist studies, the role of the researcher is limited to data and interpretation through objective approaches and research findings are usually observable and quantifiable observations that lend themselves to statistical analysis (Ashley & Orentein 2005). Moreover, in positivist studies the researcher is independent from the study (that is maintains minimal interactions with the research participants when carrying out the research) and there are no provisions for human interest within the study. Crowther & Lancaster (2008) asserts that as a general rule, positivist studies usually adopt a deductive approach and it also relates to the viewpoint that the researcher needs to concentrate on facts.

3.3 Research Design

Various scholars have defined research design and the definitions seem to move towards the same direction. Beck (2003) defines research design as the overall plan for obtaining answers to the questions being studied and for handling some of the difficulties encountered during the research process.

Descriptive survey research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group, whereas diagnostic research studies determine the frequency with which something occurs or its association with something else (Kothari, 2004). Descriptive research is conducted to describe the present situation, what people currently believe, what people are doing at the moment and so forth (Baumgartner, Strong & Hensley, 2002). According to Kothari (2004), descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present (Kothari, 2004).

In contrast, a correlation survey research involves collecting data in order to determine whether and to what degree a relationship exists between two or more quantifiable variables. Survey research is the most common type of research design which involves determining the views or practices of a group through interviews all by administering a questionnaire. Jackson (2002), states that a survey typically uses a data-collection method with a series of questions administered to a particular population in order to gain information about that population. The degree of relationship is expressed as a correlation coefficient (r).

The choice of correlational survey research design was because it was used to explore relationships between variables and to predict a subject score on one variable given his or her score on another variable. This method permits one to analyse interrelationships among a large number of variables in a single study. It also allows one to analyse how several variables either singly or in combination might affect a particular phenomenon being studied. The method also provides information

concerning the degree of relationships between the variables being studied (Jackson, 2002; Kothari, 2004; Mugenda & Mugenda, 1999). This study used descriptive and correlational analysis where the relationship of the independent variables and dependent variable were identified by regressing the independent variables with the dependent variables.

3.4 Target Population

Burns and Grove (2003) describe population as all the elements that meet the criteria for inclusion in a study. A population is defined as total collection of elements about which we wish to make some inferences (Cooper & Schinder, 2011). Mcmillian and Schumacher (2010) define population as a large collection of subjects from where a sample can be drawn. In other words, population is the aggregate of all that conforms to a given specification. The population of this study is all the listed 74 manufacturing companies in Nigeria. Kitchenham and Pfleeger (2002) assert that a target population is the group of individuals to whom the survey applies. It is the collection of individuals about whom conclusions and inferences are made (Enarson, Kennedy & Miller, 2004). Mugenda and Mugenda (2004) term target population as that population to which a researcher wants to generalize the results of the study. The study's target population is 74 seventy-four listed manufacturing companies in Nigeria.

3.5 Data and Data Collection

According to Gall *et al.* (2007) data collection could be refers to as the process of gathering raw and unprocessed information that can be processed into meaningful information. Burns and Grove (2003) also define data collection as the precise; systematic gathering of information relevant to the research problems, adopting various methods such as interviews, participant observations, focus group discussion, narratives and case history. This study employed structured questionnaires to obtain both quantitative and qualitative data for the research.

The study used both primary and secondary data. The primary data was collected from the direct responses from the top management of the listed manufacturing companies which include The Chief Executive Officers, The Finance Director, The Head Human Resource, The Corporate Affairs and The Director of Operations on which the structured questionnaires was administered. Kothari (2014) describes primary data as those which are collected afresh and for the first time by the researcher, and thus original in character. In this study Closed- ended or structure questionnaires were adopted to generate statistics in quantitative form for the research. The study also used secondary data which was obtained from the annual financial statements of the sampled companies. The questionnaires were sub- divided into five sections; Section A captured bio-data information of the respondents and the company characteristics; while sections B to F was based on research objectives.

The questionnaires were sent to the respondents accompanied by an introductory letter from the university. The researcher made a follow up and the fully completed questionnaires were picked from the respondents later. Secondary data on the other hand was gathered from the audited financial statements accessed through the Companies' websites, Nigerian Stock Exchange and NSE factbooks.

3.7 Pilot Study

Before actual collection of data, a pilot testing was conducted to obtain some assessment of the questions' validity and the likely reliability of the data. It is during the pre-test of the instrument that the researcher was able to assess the clarity of the instrument and the ease of use of the instrument (Mugenda & Mugenda, 2003). Since this is an interviewer-administered questionnaire, further inquiry on the length, clarity and ambiguity of the questions were also sought. Pretesting was done to 5 non-listed manufacturing companies which were randomly sampled.

The information collected during the pilot study was used to undertake a preliminary analysis to enable the research questions to be answered. In order to minimize the possible instrumentation error and hence increase the reliability of the data collected,

test of reliability was carried out to check on the internal consistency of data measurement instruments by use of Cronbach's Coefficient Alpha. Cronbach's Coefficient Alpha was computed using statistical packages for social sciences (SPSS 22.0). Alpha values range from 0 to 1.00. A rule of thumb of 0.7 or higher to guide on what is an acceptable alpha before a research instrument was used.

3.8 Data processing and analysis

Data analysis is the process of data to make meaningful information (Saunders, Lewis & Thornhill, 2009) defined data as mechanism for reducing and organizing data to produce findings that require interpretation by researcher. According to Hyndman (2008) data processing involves translating the answers on a questionnaire into a form that can be manipulated to produce statistics. In this research endeavour the data collected were analysed using both descriptive and inferential statistics. This involves coding, editing, data entry, and categorizing through the use of statistical package for social sciences (SPSS) version 20.0 computer software.

3.8.1. Model Specification

Multiple regression analysis was used to determine the effects of multiple predictor variables (rather than a single predictor variable) on the dependent measured. 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;

$$Y_{it} = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + \beta_4 X_{4t} + \mathcal{E}_{it}$$

Where:

Y_{it} = Financial performance (ROA) at time t

X_{1t} = Foreign Trade at time t

X_{2t} =Foreign Direct Investments at time t

X_{3t} =International Proprietary Rights at time t

X_{4t} = Business Foreign Funding at time t

β_0 = Regression Output the Constant

β_1 - β_4 = the coefficient of independent variables

e = Error Term

3.8.3 Tests of Hypotheses

T-test and F- Statistic at 5% level of significant was used to examine significance of coefficients of variables in the model. Explanatory power of internationalisation on financial performance for the total period of observation, adjusted coefficient of determination (R^2) was performed. Also Ordinary Least Square (OLS) simple, multiple regression analyses and Pearson correlation test was performed on data set. In addition, the study also employed Fixed and Random Effects Models for the purpose of addressing heterogeneity of the sample data (Omokhudu & Ibadin, 2015). Breusch-Pagan test was applied to the data set. If an F-test confirms that the independent variables are jointly significant then the null hypothesis of homoscedasticity can be rejected.

3.8.4 Operationalization and Measurement of Variables

Table 3.1 contains a list of the various study variables, their indicators and the measurements to be used to estimate these variables. Constructs of each item of the variable was measured by scale as summarized in Table 3.1.

Table 3.1 Operationalization and Measurement of Study Variables

| Category | Variables | Indicator | Scale of Measurement |
|------------------------------|----------------------------------|---|-----------------------------|
| Dependent Variables | Financial Performance | <ul style="list-style-type: none"> • ROA | Ratio & Ordinal |
| Independent Variables | Foreign Trade | <ul style="list-style-type: none"> • Exports income to total income ratio • Total imports to expense ratio | Ratio & Ordinal |
| | Foreign Direct Investment | <ul style="list-style-type: none"> • Percentage of profits from foreign operations • Foreign assets to total assets ratio | Ratio & Ordinal |
| | International Proprietary Rights | <ul style="list-style-type: none"> • Patents rights cost ratio • Royalties income ratio | Ratio & Ordinal |
| | Business Foreign Funding | <ul style="list-style-type: none"> • Foreign cost of Debt. • Foreign cost of Equity | Ratio & Ordinal |

Source: Author, (2016)

3.9 Diagnostic Tests

It was necessary during the study to ensure non-violation of the assumptions of the classical linear regression model (CLRM) before attempting to estimate regression equations when the assumptions of the classical linear regression model are violated runs the risk of obtaining biased, inefficient, and inconsistent parameter estimates. Consequently, the following diagnostic tests were conducted in order to ensure proper specification of equations; Normality test, multicollinearity, autocorrelation and heteroscedasticity (Fadhili, *et al.*, 2011).

3.9.1 Normality Test

In order to assess likelihood that the data set is normally distributed, Kolmogorov-Smirnov (K-S) Test was performed. According to Ghasemi and Zahediasl (2012), K-S test is the most commonly used normality test possibly because of disadvantages of other tests and that it can easily be examined using SPSS.

3.9.2 Multicollinearity

Multicollinearity was tested in the study using correlation matrix whereby the cut-off point for severe multicollinearity was 0.8 (Cooper & Schindler, 2008). Failure to account for perfect multicollinearity may result into indeterminate regression coefficients and infinite standard errors while existence of imperfect multicollinearity results into large standard errors. Large standard errors affect the precision and accuracy of rejection or failure to reject the null hypothesis. During estimation, the problem is not lack of multicollinearity but rather its severity. A correlation coefficient greater than 0.8, thus, indicate the presence of severe multicollinearity. Variance Inflation Factors (VIF) was used in this study. The guiding rule is that a VIF that exceed 4 will indicate need for further investigation, while A VIF of 1 implied absence of correlation among predictors but serious multicollinearity sign was reveal when VIF exceeded 10 (Gujarati, 2004).

3.9.3 Autocorrelation

Autocorrelation is expected to be tested with the use of most widely used Durbin Watson (DW) test which is considered appropriate for this study because of the sample involve with regard to the population of the study (Anderson, Sweeney & Williams, 2008). DW test result that is around 2 was considered as no autocorrelation while its presence was confirmed if the test result's is significantly different from 2.

3.9.4 Heteroskedasticity

Heteroscedasticity is an assumption of CLRM that needs to be tested for in the data and properly accounted for if present. Specifically, the CLRM assumes that the error term is homoskedastic, that is, it has constant variance. If the error variance is not constant, then there is heteroskedasticity in the data. Running a regression model without accounting for heteroskedasticity would lead to unbiased parameter estimates but the invalid standard errors. In this thesis, Newey-West method which is an extension of White's test for detecting heteroscedasticity and corrects standard error for autocorrelation at the same time were employed because of its suitability for large sample. This heteroscedasticity test has been employed in prior study such as Alfaraih (2009).

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter dealt with the analysis and results of the data and discussion of the findings. The findings were presented based on the four specific objectives of the study. A structured questionnaire was used during the study to collect data. Section A addressed the general/demographic information of the research, while subsequent section addressed issues relating to independent variables. The study further collected secondary data on study variables for a period on 10 years. This section contains results on company characteristics, trend analysis, descriptive analysis, diagnostic tests, correlation and finally regression analysis. Tables and charts were used to present data.

4.2 Pilot Test Results

Before actual collection of data, a pilot testing was conducted to obtain some assessment of the questions' validity and the likely reliability of the data. Pretesting was done and questionnaires issued to seven respondents which were randomly sampled. The questionnaires were then analysed to establish the reliability and validity of the research instrument. According to Sekara, (2008) the closer a Cronbach's Alpha is to 1 the higher the reliability and a value of at least 0.7 is recommended. The Cronbach's alpha was used in this study to measure the internal consistency of the variables. The study consists of four independent variables and one dependent variable. The independent variables consist of Foreign Trade, Foreign Direct Investment, International Proprietary Rights, and Business Foreign Funding. The study computed the reliability for independent variables only since the dependent variables was measured using the secondary data. The reliability of the variables and the results are shown in table 4.1.

Table 4.1 Reliability Tests Results

| Variables | Respondents | Cronbach's Alpha | Number of Items | Comment |
|----------------------------------|-------------|------------------|-----------------|----------|
| Foreign Trade | 7 | 0.717 | 6 | Accepted |
| Foreign Direct Investment | 7 | 0.701 | 6 | Accepted |
| International Proprietary Rights | 7 | 0.857 | 5 | Accepted |
| Business Foreign Funding | 7 | 0.741 | 6 | Accepted |

The results showed that foreign trade had a Cronbach's Alpha of 0.717, foreign direct investment had a Cronbach's Alpha of 0.701, international proprietary rights had Cronbach's Alpha of 0.857 and finally business foreign funding had Cronbach's Alpha of 0.741. None of the variables had a Cronbach's Alpha of less than 0.7 therefore all the items in the questionnaire were maintained for the final data collection.

4.3 Bio Data

4.3.1 Response Rate

A total number of 74 questionnaires were administered to the CEO of 74 listed manufacturing companies in Nigeria however only 70 questionnaires were dully filled and returned. This constituted 94.6% response rate. Response rate refers to the extent to which the final data set includes all sample members and is calculated as the number of people with whom interviews are completed divided by the total

number of people in the entire sample, including those who refused to participate and those who were unavailable (Fowler, 2013). According to Mugenda and Mugenda (2003), a response rate of more than 50% is adequate for descriptive study and analysis.

Table 4.2: Response Rate

| Response | Total | Percent |
|-----------------|--------------|----------------|
| Returned | 70 | 94.6% |
| Unreturned | 4 | 5.4% |
| Total | 74 | 100% |

4.3.2 Level of Education of the Respondents

The study sought to establish the level of education of the respondents. The findings are provided in the figure 4.1.

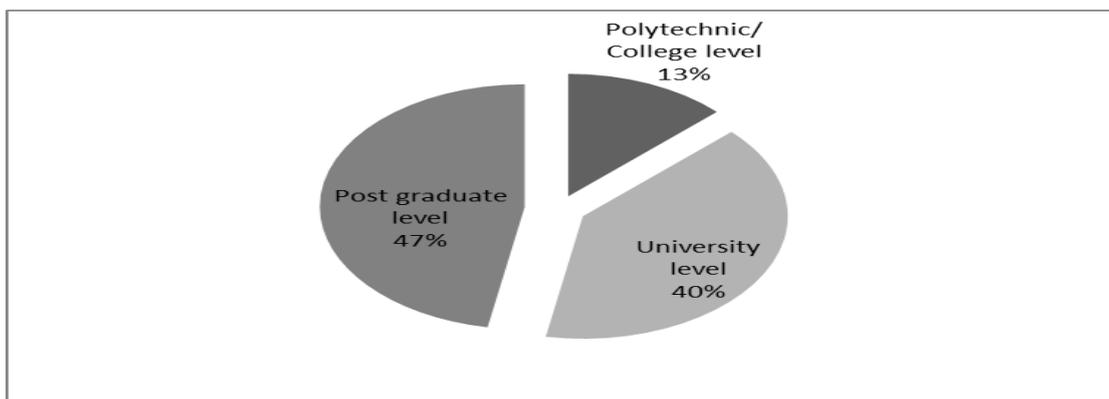


Figure 4.1 Education Level of Respondents

The results indicated that 47% of the respondents had post graduate level of education while those who had bachelor’s degree were 40% and finally those with polytechnic/college level of education were the least at 13%. The findings of this

study imply that all the respondents were well educated which justifies why they hold top management positions in their respectively companies. The level of general education of the respondents is important because education facilitates the acquisition of more current technical skills which allow them to have more innovative ideas or be able to better adapt to new environments (Ouimet & Zarutskie, 2014).

4.3.3 Experience of the Respondents

The study further sought to find the number of years the respondents had worked in the manufacturing sectors. The findings are presented in figure 4.2.

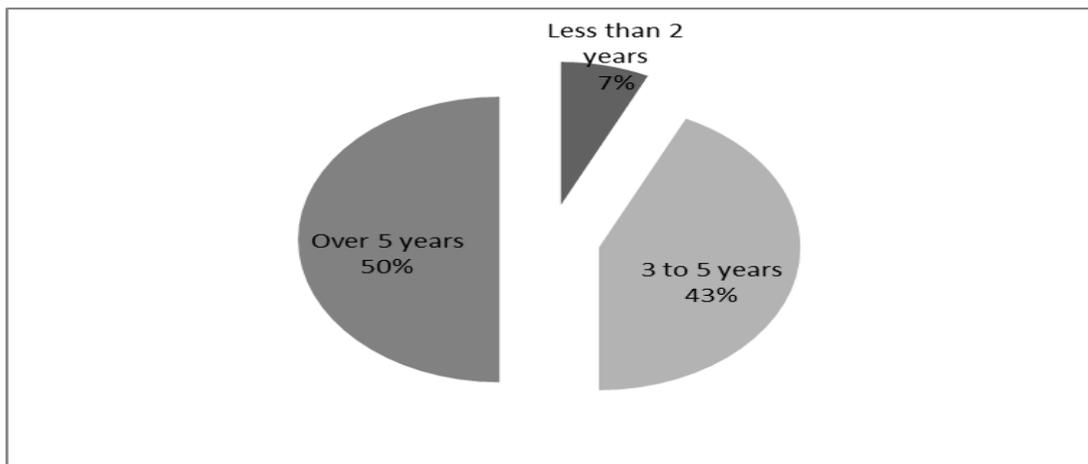


Figure 4.2 Experience of the Respondents

The research findings indicated that 50.0% of the respondents had an experience ranging over five years, followed by 43.0 % with an experience ranging between 3-5 years and 7% with less than two years' experience. The findings indicated that more of the respondents had higher experiences. This is as per other studies that verify the importance of experience, as a major source of self-efficacy (Boyd & Vozikis, 1994).

4.3.4 Company Age

For the purpose of this analysis, the companies were classified into two categories. The first category is those who are more than ten years in operation and the second category are the manufacturing companies whose age is below ten years. The results as presented in figure 4.1 shows that 83% of the companies selected have been in the business for more than 10 years while the remaining 17% have spent less than 10 years in the business. The result implies that a group of experienced companies were selected for this study. Therefore, the results can be relied upon for decision making. The reason for this classification is based on the assumption of George and Admercy (2009) who posits that the needs to go international usually stems from age and experience.

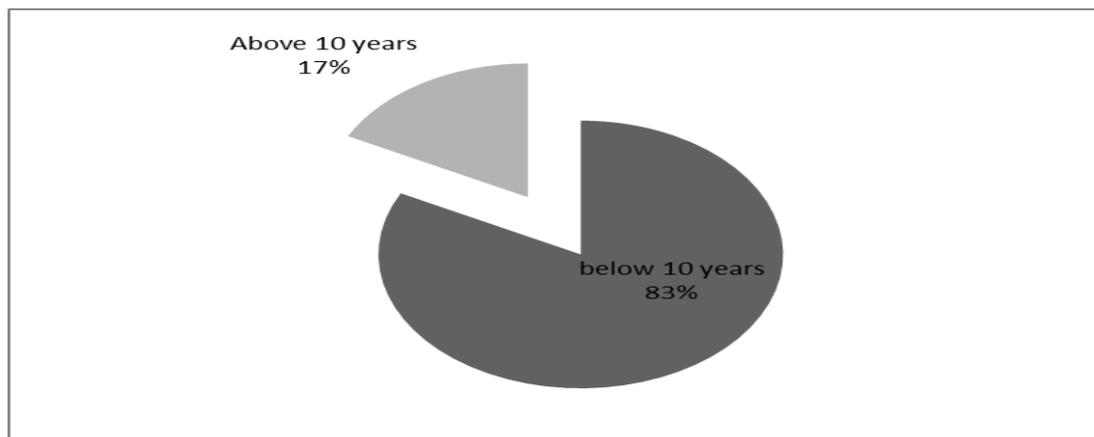


Figure 4.3 Age of the Company

4.3.5 Company Size based on Market Capitalization

The study further categorized companies as small or large using their market capitalization. The findings showed that 70% of the companies could be categorized as small since their market capitalization was below the average market capitalization. Only 30% of the companies could be categorized as large.

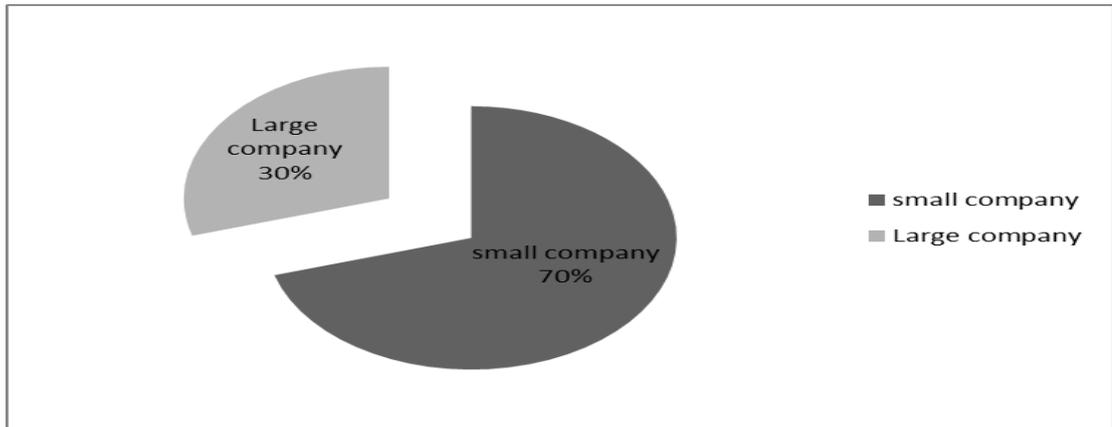


Figure 4.4 Size of the Company

As posited by Johanson and Mattsson (2015) company internationalisation (regardless of adopted strategy of performing this process) requires series of stages which includes 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). Thus, size is a key factor in internationalization of companies when those factors are put into consideration.

4.4 Trend Analysis

Trend analysis was conducted for the variables considered in this study. The essence of trend analysis was to analyse the behaviour of the data across the study period. Trend analysis provides a means to analyse company data over a period of time by focusing on the change in specific line items in the data (Albert, 2015). The trend analysis was done for the entire period of ten years ranging from 2006 to 2015.

4.4.1 Foreign Trade

The study used exports income to total income ratio and total imports to expense ratio as measure of foreign trade. The trends for this measures was conducted the results are presented in figure 4.5.

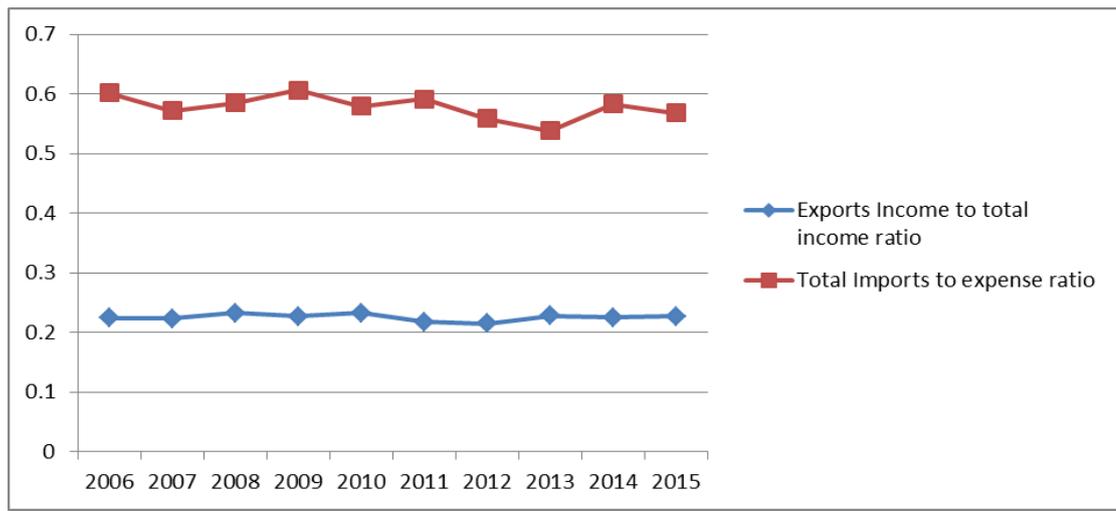


Figure 4.5 Trend Analysis for Foreign Trade

The findings presented in Table 4.5 clearly revealed that total imports to expense ratio for listed manufacturing companies was high compared to exports income to total income ratio. The findings also showed almost constant trends in both exports income to total income ratio and total imports to expense ratio implying the variation was very small across the study period. The findings implied that most listed manufacturing companies in Nigeria have maintained certain level of foreign trade. This could be attributed high cost associated with foreign trade and high exchange rates catapulted by declining Naira. De Silva (2014) contended that accelerated business operations in recent years, globalization of trade, changes in the global competition and rapid development of Asian economies, export trends have drastically changed in recent years.

4.4.2 Foreign Direct Investment

The trend analysis for measures of foreign direct investment adopted by the study for the ten years under consideration was presented in figure 4.6.

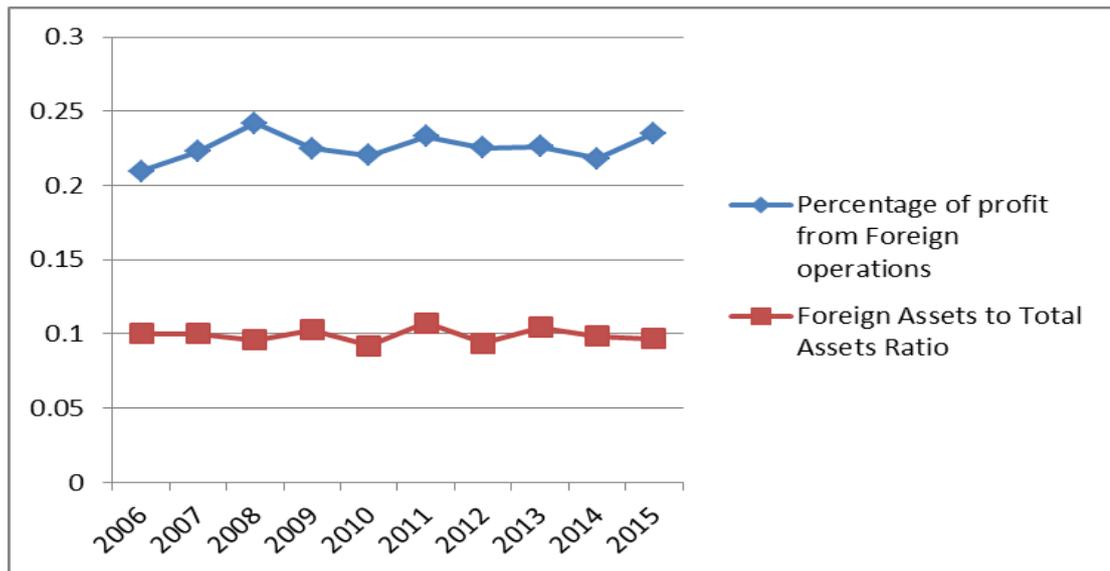


Figure 4.6 Trend Analysis for Foreign Direct Investments

The study measured FDI using percentage of profits from foreign operations and foreign assets to total assets ratio. The finding in figure 4.6 showed that there has been a slight increase of the percentage of profits from foreign operations which signals that listed manufacturing companies in Nigeria have embraced business internationalization. On the other hand, the trend foreign assets to total assets ratio have remained almost constants within the period of the study. The findings implied that listed Manufacturing firms in Nigeria have not being increasing their foreign assets which revealed a slow pace of internationalization in terms of foreign assets acquisitions. According to Lall, (2000) developing countries, emerging economies and countries in transition have come increasingly to see FDI as a source of economic development and modernisation, income growth and employment.

4.4.3 Business Foreign Funding

The trend analysis result for business foreign funding for a period of ten years using the mean of all the companies for each year was presented in figure 4.7. The study measured foreign funding using foreign debt and foreign equity.

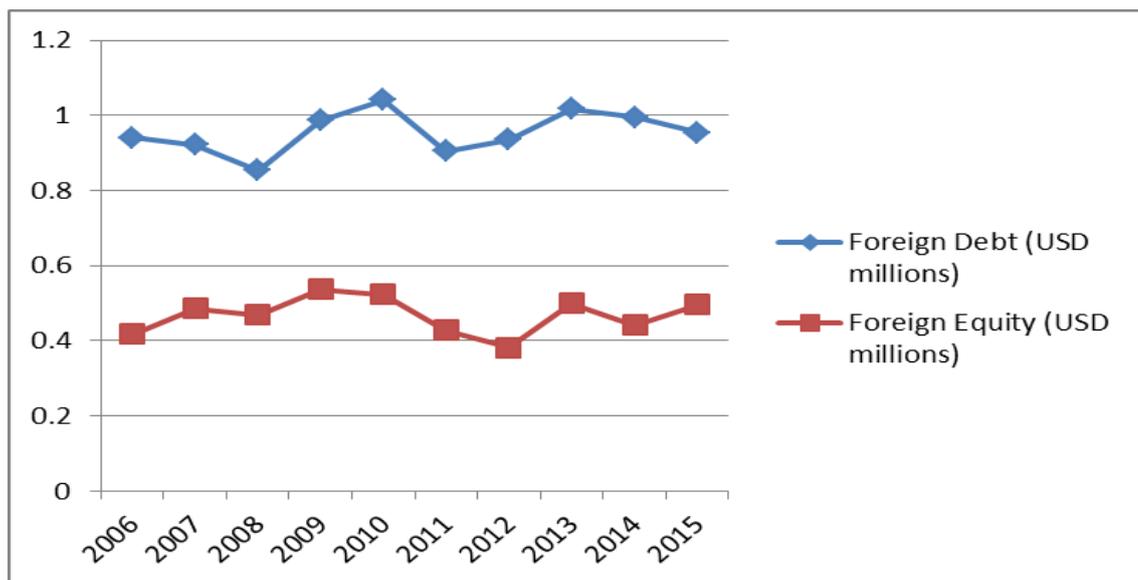


Figure 4.7 Trend Analysis for Business Foreign Funding

The results presented in figure 4.7 show that listed manufacturing companies foreign debt in millions USD was high compared to foreign equity. The finding implied that listed manufacturing companies in Nigeria were borrowing heavily from international partners while the same partners have not been investing in local manufacturing firms. The trend analysis further revealed that both the foreign debt and foreign equity have been increasing across the study period. The highest foreign debt occurred in 2010 which coincided with the highest foreign equity. This could be attributed to manufacturing sector growth that was experienced during the same time due to good prices of oil. Samarina and Bezemer (2016) also revealed that foreign source of financing operations is mostly, foreign equity shares, bank loans due to their repayment structure which are structured in line with the business cash flows the

funds are mainly used for financing working capital and to source raw materials for production.

4.4.4 International Proprietary Rights

The study further analysed the trend in international proprietary rights. International proprietary right was measured using the R&D cost ratio which was computed by dividing R&D cost and Total Costs.

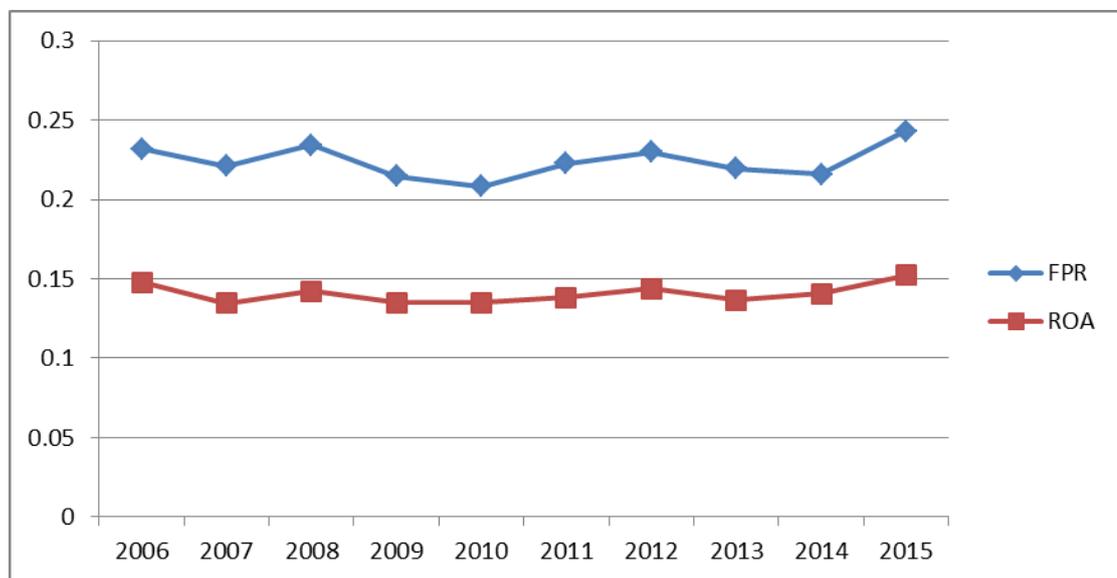


Figure 4.8 Trend Analysis for International Proprietary Rights

The results presented in figure 4.8 showed that the trends in international proprietary right measured by R&D cost ratio was in tandem with the financial performance of the manufacturing companies in Nigeria. The finding implied that increased in R&D cost resulted to a corresponding increase in financial performance measured by ROA. Also in a similar study Katila and Ahuja (2002) posited that companies that invest in R&D tend to strengthen their-market positions and provide opportunities to enter new product-market domains thereby improving financial performance. Muñoz-Bullón and Sanchez-Bueno (2011 results also found that a firm engaging in

R&D activities earns 4% to 11% higher sales and generates 4% to 13% more profits than firms that do not engage in R&D activities.

4.4.5 Return on Assets

The study further analysed the financial performance of the listed manufacturing companies in Nigeria. Financial performance was measured using return on assets and results shown in figure 4.9 showed the trend in ROA.

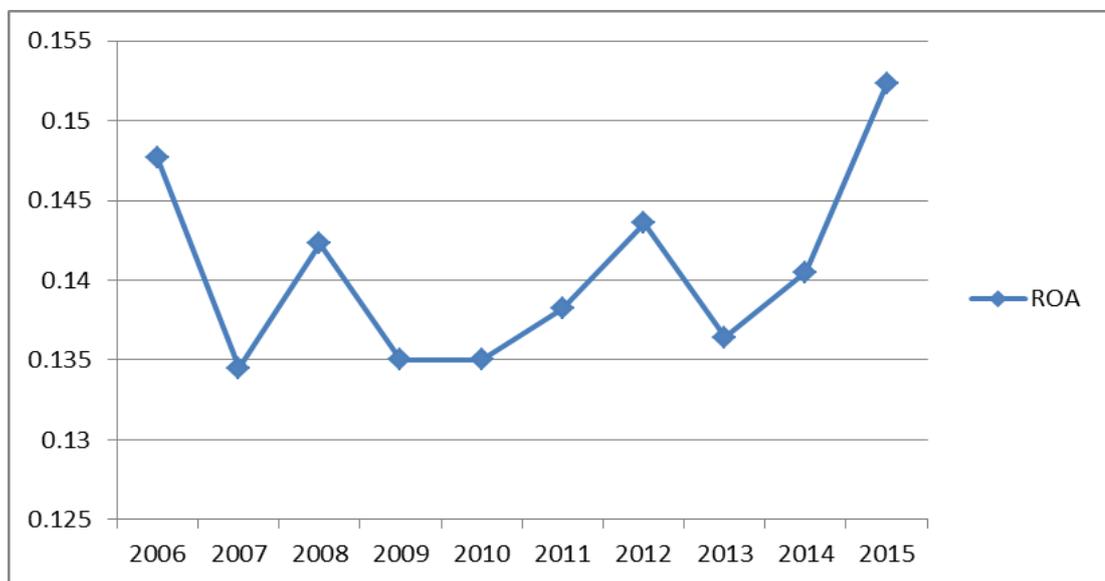


Figure 4.9 Trend Analysis for Return on Assets

The results presented in figure 4.9 showed that return on assets for listed manufacturing companies has been very volatile. In 2006 average ROA was slightly 14% which drop to about 13.5% the following year. The volatility nature of return on assets continued in 2008 and 2009 however 2009 to 2012 almost a constant increase in ROA. In 2013 there was a drop, since then the average ROA for listed manufacturing companies improved in 2014 and 2015 respectively. The findings implied that average performance of listed manufacturing companies did not differ significantly despite some companies having ROA as slow as 9%.

The results further implied that the management of the listed manufacturing companies in Nigeria have been efficient in the use of shareholders resources and thereby providing reasonable returns on the assets. In order to reduce volatility in financial performance listed companies have resorted to business internationalization to stabilize performance. Odi (2013) posited 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.

4.5 Descriptive Analysis Results

This section provides descriptive results on how respondents responded to the statement in the questionnaire. The study sought to establish whether the foreign trade, foreign direct investments, proprietary rights and business foreign funding affected financial performance of listed manufacturing firms in Nigeria.

Table 4.3 Summary Statistics for Study Variables

| Descriptive Statistics | N | Mean | Std. Deviation | Minimum | Maximum |
|--|-----|---------|----------------|---------|---------|
| Exports Income total income ratio | 220 | 0.22532 | 0.046123 | 0.15 | 0.3 |
| Total Imports to expense ratio | 220 | 0.57827 | 0.073886 | 0.45 | 0.7 |
| Percentage profit from Foreign operation | 220 | 0.22577 | 0.043519 | 0.15 | 0.3 |
| Ratio of foreign assets to total assets | 220 | 0.09918 | 0.031073 | 0.05 | 0.15 |
| Foreign Debt (USD millions) | 220 | 0.95545 | 0.318268 | 0.5 | 1.5 |
| Foreign Equity (USD millions) | 220 | 0.4677 | 0.27333 | 0.1 | 0.9 |
| ROA | 220 | 0.1405 | 0.0253 | 0.1 | 0.18 |

The finding in table 4.3 showed that exports income to total income ratio had a mean of 0.22532, a standard deviation of 0.046123. The minimum and maximum values were 0.15 and 0.3 respectively. The findings implied that manufacturing companies were earning high income from exports as shown as by the mean of 0.22532. However, some companies earned significantly low income from export as shown by the minimum exports income to total income ratio. The findings further showed that Total Imports to expense ratio had a mean of 0.57827, a standard deviation of 0.073886. The minimum and maximum values were 0.45 and 0.7 respectively. The finding implied that listed manufacturing companies in Nigeria spend high resources in importations. This could be attributed to increase importation of raw materials by most manufacturing companies. The findings further implied that listed manufacturing companies in Nigeria have embraced foreign trade with the view of increasing their financial performance. De Silva (2014) contended that accelerated business operations in recent years, globalization of trade, changes in the global competition and rapid development of Asian economies, export trends have drastically changed in recent years.

The findings in Table 4.3 further showed that Percentage of profit from foreign operations had a mean of 0.22577, a standard deviation of 0.043519. The minimum and maximum values were 0.15 and 0.3 respectively. The finding implied that an average of 22.5% of the profit for majority of the listed manufacturing companies in Nigeria was accounted for by foreign operations. The maximum value of 30% indicated that some listed manufacturing companies had a larger share of profit from foreign operations. Similarly, the results showed that the mean of the Ratio of foreign assets to total assets was 0.09918 while the maximum and minimum value were 0.15 and 0.05 as shown in Table 4.3. The finding of this study confirmed that listed manufacturing companies in Nigeria have investment in foreign countries and have taken advantage of the internationalisation to invest in assets in overseas country and neighbouring African countries. The findings further implied that listed manufacturing companies have also benefited from foreign direct investments by multinationals companies that sought to investment locally. According to Lall,

(2000) developing countries, emerging economies and countries in transition have come increasingly to see FDI as a source of economic development and modernisation, income growth and employment.

The descriptive statistic for foreign funding measured by the foreign debt and foreign equity had a mean of 0.95545 and 0.4677 million USD respectively. The minimum and the maximum value for foreign debt were 0.5 and 1.5 million USD respectively while the minimum and the maximum value for foreign equity were 0.1 and 0.9 million USD with a standard deviation of 0.27333 showing high variation foreign equity from the mean value. Samarina and Bezemer (2016) also revealed that foreign source of financing operations is mostly, foreign equity shares, bank loans due their repayment structure which are structured in line with the business cash flows the funds are mainly used for financing working capital and to source raw materials for production.

The finding finally showed that return on assets had a mean of 0.1405, a standard deviation of 0.0253. The minimum and maximum values were 0.1 and 0.18 respectively. The findings implied that manufacturing companies in Nigeria had a varying financial performance. Some companies had superior financial performance as shown by the maximum ROA of 0.18 while other had poor financial performance as shown by the ROA of 0.1. However, on average the sector was performing fairly well as shown by the mean of 0.1405. High performance by some listed manufacturing firms could possibly be attributed to high internationalisation degree and the advantage of international markets. Odi (2013) posited 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.

4.5.1 Foreign Trade

The first objective of the study was to establish the effect of foreign trade on financial performance of listed manufacturing companies in Nigeria. The results presented in Table 4.4 contain descriptive results on foreign trade.

Table 4.4 Foreign Trade Descriptive Results

| Statements | SD | D | N | A | SA | Mean | Std Dev |
|---|-------|------|-------|-------|-------|------|---------|
| We focus on exports trade to improve our income streams | 7.1% | 4.3% | 24.3% | 25.7% | 38.6% | 3.84 | 1.20 |
| Revenue from exports account for a significant share of the company total income | 12.9% | 4.3% | 21.4% | 30.0% | 31.4% | 3.63 | 1.32 |
| Our company has a reliable international markets through foreign partners | 7.1% | 7.1% | 25.7% | 27.1% | 32.9% | 3.71 | 1.21 |
| Our company has adopted modern technologies and innovations through interaction with our international partners | 5.7% | 2.9% | 30.0% | 31.4% | 30.0% | 3.77 | 1.09 |
| The company has invested a lot of resources in marketing our products in International markets | 5.7% | 8.6% | 21.4% | 37.1% | 27.1% | 3.71 | 1.13 |
| Participating in foreign trade has led to increase in the company performance | 2.9% | 7.1% | 21.4% | 41.4% | 27.1% | 3.83 | 1.01 |

The study sought to find out whether listed manufacturing companies in Nigeria We focused on exports trade to improve their income streams. The results revealed that 38.6% and 25.7% of the respondents strongly agreed and agreed respectively. The statement further had a mean of 3.84 and a standard deviation of 1.20 which further confirmed that majority of the respondents agreed and the response varied slightly from the mean.

Similarly, the study sought to find out whether revenue from exports accounted for a significant share of the company total income. The results in table 4.4 showed that 31.4% and 30.0% of the respondents strongly agreed and agreed respectively. The statement further had a mean of 3.63 and a standard deviation of 1.32. This findings implied that majority of the respondents were in agreement with the statement which further implied that listed manufacturing companies in Nigeria earned significantly from exports.

The study further sought to find out whether listed manufacturing companies in Nigeria had reliable international markets through foreign partners. The statement had a mean response of 3.71 and standard deviation of 1.21. The results showed that majority of the respondents agreed that listed manufacturing companies in Nigeria had reliable international markets through foreign partners. The finding imply that exportation of products by the local manufacturing firms was done by the reliable international markets established the companies.

The study further intended to establish whether listed manufacturing companies had adopted modern technologies and innovations through interaction with our international partners. The statement was found to have a mean response of 3.77 and a standard deviation of 1.09. This finding indicated that respondents agreed and strongly agreed with the above statement. A standard deviation of 1.09 further revealed slightly variation in the responses on the above statement. These findings can therefore be assumed to imply that through business internationalization listed

manufacturing firms have been able to modernize their operations through interactions and partnership with foreign international companies.

The study also sought to determine whether listed manufacturing companies in Nigeria had invested a lot of resources in marketing their products in International markets. The statement was found to have a mean response of 3.71 and a standard deviation of 1.13. The results indicated that majority of the respondents were in agreement with the statement and further that the responses varied slightly among various respondents. The findings implied that listed manufacturing companies had market operation and resources designated to international markets with the aim of increasing their customer portfolio to international markets.

The study further asked the respondents whether participating in foreign trade led to increased company financial performance. The statement had a mean of 3.83 and a standard deviation of 1.01 which indicated that majority of the respondents agreed that foreign trade led to increase in financial performance of the companies. The findings are consistent with those of Wang (2012) who finds a significant relationship between foreign trade and financial performance. The results confirm those of Francis and Magnus (2007) on the 47 listed firms on the US stock market which revealed that firms with higher income from exportation performed better than their other counterparts and reported higher returns on assets

4.5.2 Foreign Direct Investment

The second objective of this study was to determine whether foreign direct investment influence financial performance of listed manufacturing companies in Nigeria. The descriptive results on the effects of foreign direct investments are presented in Table 4.5.

Table 4.5 Foreign Direct Investment Descriptive Results

| Statements | SD | D | N | A | SA | Mean | Std Dev |
|--|------|-------|-------|-------|-------|------|---------|
| The company has engaged in foreign production to improve revenue | 5.7% | 4.3% | 22.9% | 35.7% | 31.4% | 3.83 | 1.10 |
| The percentage of profit from foreign operations has significantly improved | 5.7% | 10.0% | 28.6% | 35.7% | 20.0% | 3.54 | 1.10 |
| The company is open to merge with foreign investors who seek to invest locally | 2.9% | 4.3% | 37.1% | 34.3% | 21.4% | 3.67 | 0.96 |
| The company has acquired profit earning assets in overseas countries | 7.1% | 4.3% | 24.3% | 32.9% | 31.4% | 3.77 | 1.16 |
| The company has subsidiaries in foreign countries to boost participation in international market | 5.7% | 4.3% | 30.0% | 30.0% | 30.0% | 3.74 | 1.11 |
| The company's foreign investments have enhanced our competitiveness and strengthen global position | 7.1% | 7.1% | 38.6% | 15.7% | 31.4% | 3.57 | 1.21 |

The study sought to establish whether listed manufacturing companies in Nigeria engaged in foreign production to improve revenue. The results showed that 35.7% and 31.4% of the respondents agreed and strongly agreed respectively. The findings further showed that the statement had a mean of 3.83 and a standard deviation of 1.10. The study also intended to establish whether the percentage of profit from foreign operations for listed manufacturing companies had significantly improved. The results in Table 4.5 showed that 35.7% and 20.0% of the respondents agreed and

strongly agreed respectively. The findings further showed that the statement had a mean of 3.54 and a standard deviation of 1.10.

The study was further interested to find out if the listed manufacturing companies are open to merge with foreign investors who sought to invest locally. The results showed that 34.3% and 21.4% of the respondents agreed and strongly agreed respectively. The findings further showed that the statement had a mean of 3.67 and a standard deviation of 0.96. The findings implied that listed manufacturing companies were prepared to embrace internationalisation to the extent of merging with willing foreign international firms.

The study further sought to determine whether listed manufacturing companies in Nigeria had acquired profit earning assets in overseas countries. The results showed that 32.9% and 31.4% of the respondents agreed and strongly agreed with the statement respectively. The findings further showed that the statement had a mean of 3.77 and a standard deviation of 1.16. The study further sought to determine whether listed manufacturing companies in Nigeria had subsidiaries in foreign countries to boost participation in international market. The statement had a mean response of 3.74 which indicated that majority of the respondents agreed with the statement. Finally, this study sought to find out whether listed manufacturing companies in Nigeria foreign investments have enhanced their global competitiveness and strengthen global position. The statement was found to have a mean response of 3.57 and a standard deviation of 1.21 which indicated that majority of the internationalisation by listed manufacturing companies in Nigeria enhanced their global competitiveness and strengthened global position.

The main factors motivating FDI into Africa in recent decades appear to have been the availability of natural resources in the host countries (investment in the oil industries of Nigeria and Angola) and, to a lesser extent, the size of the domestic economy (Anyanwu, 2011). The reasons for the lacklustre FDI in most other African countries are most likely the same factors that have contributed to a generally low

rate of private investment to GDP across the continent (Basu, & Srinivasan, 2002). According to Lall, (2000) developing countries, emerging economies and countries in transition have come increasingly to see FDI as a source of economic development and modernisation, income growth and employment.

4.5.3 International Proprietary Rights

The third objective of this study was to determine the effect of International Proprietary Rights on financial performance of listed manufacturing companies in Nigeria. The descriptive findings of International Proprietary Rights are presented in Table 4.6.

Table 4.6 International Proprietary Rights Descriptive Results

| Statements | SD | D | N | A | SA | Mean | Std Dev |
|---|------|-------|-------|-------|-------|------|---------|
| We enhance our income streams by relying on international trade marks | 2.9% | 7.1% | 38.6% | 20.0% | 31.4% | 3.70 | 1.08 |
| We enhance our trade through the use of international patents rights | 1.4% | 10.0% | 40.0% | 22.9% | 25.7% | 3.61 | 1.03 |
| Royalties income from proprietary rights make an important portions of our international operations | 7.1% | 8.6% | 25.7% | 28.6% | 30.0% | 3.66 | 1.20 |
| Foreign business ownership has been made easy through internationalisation | 8.6% | 2.9% | 31.4% | 25.7% | 31.4% | 3.69 | 1.20 |
| Countries worldwide have adopted Foreign investment rights that make easy for foreign companies to invest | 5.7% | 5.7% | 31.4% | 25.7% | 31.4% | 3.71 | 1.14 |

The study sought to establish listed manufacturing companies enhanced our income streams by relying on international trade marks. The result in Table 4.7 showed that 38.6% of the respondents were neutral while 31.4% strongly agreed, 20.0% agreed. Only 2.9% and 7.1% of the respondents strongly disagreed and disagreed respectively. The statement had a mean response of 3.70 and standard deviation of 1.08. The study further sought to establish listed manufacturing companies enhanced

our trade through the use of international patents rights. The result in Table 4.7 showed that 40.0% of the respondents were neutral while 25.7% strongly agreed, 22.9% agreed. Only 1.4% and 10.0% of the respondents strongly disagreed and disagreed respectively. The statement had a mean response of 3.61 and standard deviation of 1.03.

The study further intended to find out respondents opinion if royalties income from proprietary rights make an important portions of our international operations. The statement had a mean response of 3.66 and a standard deviation of 1.20. This results indicated that majority of the respondents agreed and strongly agreed with the statement. The standard deviation on the other hand indicated that the response did not vary much from one respondent to another. On whether the foreign business ownership had been made easy through internationalisation, majority of the respondents agreed and strongly agreed as shown by the mean response of 3.69 and a standard deviation of 1.20.

The finding presented in Table 4.6 further showed that majority of the respondents as shown by the mean of 3.71 and standard deviation of 1.14 agreed that countries worldwide have adopted foreign investment rights that make easy for foreign companies to invest. The above findings implied that international proprietary rights influenced the degree of internationalisation by the manufacturing companies since it influences the business licencing and registration process. Therefore business friendly international proprietary rights could massively influence the financial performance of manufacturing companies by ensuring companies that internationalise their operation do so in less bureaucratic manner.

International proprietary rights come in many forms, trade secrets, copyrights, and patents being the most important in relation to technology transfer (Arora, 2009). The literature on trade secrecy and copyrights is sparse, especially for trade secrecy, and particularly as it relates to international technology transfer; much of the empirical evidence at hand deals with patents (Graves, 2007).

4.5.4 Business Foreign Funding

The fourth objective of this study was to determine the influence of business foreign funding on the financial performance of listed manufacturing companies in Nigeria. The descriptive results for the effect of business foreign funding are presented in table 4.7.

Table 4.7 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 4.7 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 4.7 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 4.7 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 result presented in Table 4.7 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 to 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.

4.6 Diagnostic Tests

When the assumptions of the linear regression model are correct, ordinary least square (OLS) provides efficient and unbiased estimates of the parameters (Long and Ervin, 2000). As Pedhazur (1997) noted, "Knowledge and understanding of the situations when violations of assumptions lead to serious biases, and when they are of little consequence, are essential to meaningful data analysis". To keep up with the assumptions, this study conducted the following diagnostic tests: normality test, homoscedasticity test and multicollinearity test on the variables. However, as Osborne, Christensen, and Gunter (2001) observe, few articles report having tested assumptions of the statistical tests they rely on for drawing their conclusions.

4.6.1 Normality Tests

One of the assumptions of linear regression requires that the data should be normally distributed. Therefore, to test the normality of the dependent variable return on assets, a One-Sample Kolmogorov-Smirnov Test (KS) was conducted. The findings are presented in Table 4.8.

Table 4.8 Normality Tests Results

| One-Sample Kolmogorov-Smirnov Test | | Foreign Trade | Foreign Direct Investments | International Proprietary Rights | Business Foreign Funding | ROA |
|------------------------------------|----------------|---------------|----------------------------|----------------------------------|--------------------------|---------|
| N | | 70 | 70 | 70 | 70 | 70 |
| Normal Parameters ^a | | | | | | 0.14042 |
| b | Mean | 3.75 | 3.6881 | 3.6743 | 3.7 | 9 |
| | Std. Deviation | 0.6683 | | | | 0.02699 |
| Most Extreme Differences | Positive | 0.208 | 0.214 | 0.188 | 0.212 | 0.118 |
| | Negative | 0.102 | 0.112 | 0.098 | 0.101 | 0.118 |
| | Absolute | -0.208 | -0.214 | -0.188 | -0.212 | 0.106 |
| Kolmogorov-Smirnov Z | | 0.736 | 0.793 | 0.574 | 0.777 | 0.989 |
| Asymp. Sig. (2-tailed) | | 0.315 | 0.323 | 0.514 | 0.344 | 0.282 |

a Test distribution is Normal.

b Calculated from data.

The Kolmogorov-Smirnov test (also known as the K-S test or one sample Kolmogorov-Smirnov test) is a non-parametric statistics that determines whether a sample of data comes from a specific distribution, i.e., normal, uniform, Poisson, or exponential distribution. It is mostly used for evaluating the assumption of univariate normality by taking the observed cumulative distribution of scores and comparing them to the theoretical cumulative distribution for a normally distributed variable. The null and alternative hypotheses are stated below.

H_0 : The data was normally distributed

H_1 : The data was not normally distributed

The results obtained in Table 4.8 indicate that Kolmogorov-Smirnov Z p-value was greater than 0.05 for the variables therefore the null hypothesis was not rejected and concluded that the data was normally distributed. The results implied that the data was fit for linear regression analysis.

4.6.2 Homoscedastic Test Results

One of the assumptions of linear regression analysis tested in this study was homoscedasticity; this implies that the error terms along the regression line were equal. According to Barley (2009), the violation of homoscedasticity which is otherwise known as heteroscedasticity make it difficult to gauge the true standard deviation of the forecast errors, usually resulting in confidence intervals that are too wide or too narrow. Particularly, if there is increase in the variance of the error term over time, confidence intervals for out-of-sample predictions will tend to be unrealistically narrow. In that case, heteroscedasticity may also have the effect of giving too much weight to a small subset of the data (namely the subset where the error variance was largest) when estimating coefficients. Thus, to prevent such scenario when conducting a research, it is expedient to test for homoscedasticity before carrying out a regression analysis. Therefore, this study tested the null

hypothesis that the data collected was homoscedastic in variance using Brusch pagan test.

Table 4.9 Brusch Pagan Test for Homoscedasticity

| Test Statistics | Degree of Freedom | P-Value |
|-----------------|-------------------|---------|
| 205.9717 | 5 | 1.000 |

The result of the test presented in Table 4.9 revealed that the test statistics was 205.9717 while the p-value was 1 indicating that the data collected was not heteroscedasticity in variance and thus necessitating the acceptance of null hypothesis that the data collected was homoscedastic in variance and can be relied on for regression analysis.

4.6.3 Autocorrelation Test

Durbin Watson Statistic was conducted to test for autocorrelation in the secondary data before accepting it for regression analysis. According to Kothari and Garg, (2014), Autocorrelation occurs when the residuals are not independent from each other. In other words, when the value of $y(x+1)$ is not independent from the value of $y(x)$. Therefore, the null hypothesis that there was no autocorrelation in the data collected for this study was tested with use of Durbin Watson Statistics. The results as presented in Table 4.10 revealed that the Durbin Watson Statistics for lag 1 was 1.795524 with a p-value of 0.245 while the Durbin Watson Statistics for lag 2 and 3 were 1.983643 and 1.883001 with a p-value of 0.386 and 0.130 respectively. Since the p-value was greater than 0.05, the null hypothesis which stated that there was no autocorrelation in the data was not rejected. This implies that the residuals were independent from each other. Similarly, the result satisfied the rule of thumb which states that values of $1.5 < d < 2.5$ show that there is no auto-correlation in the data (Barley, 2009). It can therefore be said that the return on assets for year 2006 was not

a function of return on assets for the year 2005. Return on assets for the year 2007 was also not a function of return on assets for 2006 and soon.

Table 4.10 Durbin Watson Statistics for Autocorrelation

| Lag | D.W Statistics | P-Value |
|----------|-----------------|--------------|
| 1 | 1.795524 | 0.245 |
| 2 | 1.986343 | 0.386 |
| 3 | 1.883001 | 0.130 |

4.6.4 Test for Multicollinearity

Multicollinearity is an unacceptable high level of inter correlation among the independent variables, such that effects of independent variables cannot be separated (Garson, 2012). In multiple regression, the variance inflation factor (VIF) is used as an indicator of multicollinearity. Variance inflation factor (VIF) is a factor by which the variance of the given partial regression coefficient increases due to given variable's extent of correlation with other predictors in the model (Dennis, 2011). As a rule of thumb, lower levels of variance inflation factor (VIF) are desirable as higher levels of VIF are known to affect adversely the results associated with multiple regression analysis. A simple diagnostic of co linearity is the variance inflation factor for each regression coefficient. This study adopted a VIF value of 10.0 as the threshold based on the rule of thumb. The results of the analysis are shown in Table 4.11

Table 4.11 Test for Multicollinearity

| Variables | Tolerance | VIF |
|----------------------------------|-----------|-------|
| Foreign Trade | 0.404 | 2.473 |
| Foreign Direct Investments | 0.528 | 1.894 |
| International Proprietary Rights | 0.513 | 1.951 |
| Business Foreign Funding | 0.382 | 2.618 |

Foreign Trade had a VIF of 2.473, Foreign Direct Investments 1.894, International Proprietary Rights 1.951, and Business Foreign Funding had a VIF of 2.618. These results indicated that the VIF values of the independent variables were within the threshold of 10.0. This indicated that there was no threat of multicollinearity problem and therefore, the study used linear regression model.

4.6.5 Hausman Test

Hausman specification test was used by the study to select the best regression model between a random effect and a fixed effect regression model. The null hypothesis for Hausman test states that the difference between the coefficients is not consistent meaning that a random effect model is the best while the alternative hypothesis states that the differences are consistent implying that a fixed effect model is the best.

Table 4.12 Hausman Test for Model Specification Results

| |
|---|
| Hausman Test Results |
| $\chi^2(6) = (b-B)'[(Vb-V_B)^{-1}](b-B) = 4.19$ |
| Prob> $\chi^2 = 0.6514$ |

Results in the table above indicates a $\text{prob} > \chi^2$ value of 0.6514 which is greater than critical P value at 5% level of significance which implies that the null hypothesis that a random effect model is the best was not rejected. The study hence used a random effect regression model.

4.7 Correlation Analysis Results

According to Kothari (2014), the correlation coefficient can range from -1 to +1, with -1 indicating a perfect negative correlation, +1 indicating a perfect positive correlation, and 0 indicating no correlation at all. A linearity test was conducted as evidenced by the Pearson correlation coefficient. Kothari (2014) further stated that the importance of correlation is to determine the extent to which changes in the value of an attribute is associated with changes in another attribute.

4.7.1 Foreign Trade and Financial performance

The study intended to establish the relationship between Foreign Trade and Financial performance of listed manufacturing companies in Nigeria. The results are presented in Table 4.13.

Table 4.13 Correlation Results for Foreign Trade and Financial performance

| | | Foreign Trade | ROA |
|---------------|---------------------|---------------|--------|
| Foreign Trade | Pearson Correlation | 1 | .663** |
| | Sig. (2-tailed) | | .000 |
| | N | 70 | 70 |
| ROA | Pearson Correlation | .663** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 70 | 70 |

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

The correlation test results revealed a positive and significant association ($r=0.663$, $p=0.000$) between foreign trade and Financial performance of listed manufacturing companies in Nigeria. The findings implied that when foreign trade is positive and higher then financial performance of listed manufacturing companies in Nigeria will also be positive and high showing significant association. The findings are consistent with those of Wang (2012) who finds a significant relationship between foreign trade and financial performance. The result concurs with that of Caleb (2008) reported a positive relationship between foreign trade and Tobin's Q in a sample of 8,165 firms with observations from 1992 to 2001 in the US.

4.7.2 Foreign Direct Investments and Financial performance

The second objective of this study was to establish the relationship between Foreign Direct Investments and Financial performance of listed manufacturing companies in Nigeria. The results are presented in Table 4.14.

Table 4.14 Correlation Results for FDI and Financial performance

| | | Foreign Investments | Direct ROA |
|----------------------------|---------------------|---------------------|------------|
| Foreign Direct Investments | Pearson Correlation | 1 | .626** |
| | Sig. (2-tailed) | | .000 |
| | N | 70 | 70 |
| ROA | Pearson Correlation | .626** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 70 | 70 |

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

The correlation test results also revealed a positive and significant association ($r=0.626$, $p=0.000$) between Foreign Direct Investments and Financial performance

of listed manufacturing companies in Nigeria. The findings implied that when Foreign Direct Investments is positive and higher then financial performance of listed manufacturing companies in Nigeria will also be positive and high showing significant association.

The result concurs with that of Mawugnon and Qiang (2009) that investigates the effect of foreign direct investment on economic growth through internationalization in Togo using time series data, the research found that there was a unidirectional relationship between FDI and GDP. The direction of causation ran from FDI through internationalization to GDP enables to conclude that FDI positively influence GDP through internationalization and not otherwise

4.7.3 International Proprietary Rights and Financial performance

The third objective of the study was to determine the effect of International Proprietary Rights and financial performance of listed manufacturing companies in Nigeria. The study further employed correlation tests to ascertain the association between international proprietary rights and financial performance of listed manufacturing companies in Nigeria. The findings are presented in Table 4.15.

Table 4.15 International Proprietary Rights and Financial performance

| | | | International Proprietary Rights | ROA |
|----------------------|-------------|---------------------|----------------------------------|--------|
| International Rights | Proprietary | Pearson Correlation | 1 | .571** |
| | | Sig. (2-tailed) | | .000 |
| | | N | 70 | 70 |
| ROA | | Pearson Correlation | .571** | 1 |
| | | Sig. (2-tailed) | .000 | |
| | | N | 70 | 70 |

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

The correlation test results also revealed a positive and significant association (r=0.626, p=0.000) between International Proprietary Rights and Financial

performance of listed manufacturing companies in Nigeria. The findings implied that when International Proprietary Rights is positive and higher then financial performance of listed manufacturing companies in Nigeria will also be positive and high showing significant association. The result contradicts Adeoye and Elegunde (2012), who examines the impact of international proprietary rights on organizational financial performance in the food and beverage industry in Nigeria. Renko (2011) also reported that international proprietary rights are a major determinant of return on assets especially for manufacturing industry.

4.7.4 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 4.16.

Table 4.16 Business Foreign Funding and Financial performance

| | | Business Foreign ROA Funding | |
|--------------------------|---------------------|---------------------------------|--------|
| 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 4.16 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.

4.8 Regression Analysis Results

To investigate the nature and strength of the relationship between audit committees of non-commercial state corporations and quality of financial reporting, the study adopted the use of ordinary least squares regression analysis. Kothari (2014) defines regression as the determination of a statistical relationship between two or more variables. In simple regression, there are two variables, one variable (defined as independent) is the cause of the behaviour of another one (defined as dependent variable).

When there are two or more than two independent variables, the analysis concerning relationship is known as multivariate regression and the equation describing such relationship is known as the multiple regression equation. Kothari (2014) described Analysis of Variables (ANOVA) as a procedure for testing the difference among different groups of data for homogeneity. The essence of ANOVA is that the total amount of variation in a set of data is broken down into two types, that amount which can be attributed to chance and that amount which can be attributed to specified causes. F-test was also used in the context of ANOVA for judging the significance of multiple correlation coefficients.

4.8.1 Foreign Trade and Financial Performance

The first objective of the study was to determine the relationship between foreign trade and financial performance of listed manufacturing companies in Nigeria. The study used univariate regression test to ascertain the influence of foreign trade on financial performance, the results are presented in Table 17 -19

Table 4.17 Model Summary for Foreign Trade and Financial Performance

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .663 ^a | .440 | .432 | .0203492 |

a. Predictors: (Constant), Foreign Trade

The regression analysis for foreign trade and financial performance of listed manufacturing companies in Nigeria revealed that foreign trade explained 44.0% of the variation in the financial performance of listed manufacturing companies as measured by ROA ($R^2=0.440$) while the remaining percentage of 66.0% was explained by other variables not in this model.

Table 4.18 ANOVA Results for Foreign Trade and Financial Performance

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1 | Regression | .022 | 1 | .022 | 53.440 | .000 ^b |
| | Residual | .028 | 68 | .000 | | |
| | Total | .050 | 69 | | | |

a. Dependent Variable: ROA

b. Predictors: (Constant), Foreign Trade

Furthermore, F-test was carried out to test the null hypothesis that there is no significant relationship between foreign trade and financial performance measured by return on assets. The analysis of variance test in Table 4.18 shows that the significance of the F-statistic =53.440 and p=0.000 is less than the significance level of 0.05 adopted in this study meaning that null hypothesis was rejected and concluded that there was a significant relationship between foreign trade and company's return on assets. It can also be concluded that the model $ROA=0.04+0.027 (Foreign Trade) +\epsilon$ was significantly fit.

Table 4.19 Regression Coefficients for Foreign Trade and Financial Performance

| | B | Std. Error | Beta | t | Sig. |
|---------------|-------|------------|-------|-------|-------|
| (Constant) | 0.04 | 0.014 | | 2.861 | 0.006 |
| Foreign Trade | 0.027 | 0.004 | 0.663 | 7.31 | 0.000 |

a Dependent Variable: ROA

To test the significance of regression relationship between the foreign trade and return on assets, 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 trade 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 4.19 revealed that the constant $\alpha = 0.04$ which is significantly different from 0, while the p- value = 0.000 which is less than 0.05.

The coefficient $\beta = 0.027$ was 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 foreign trade. This implies that the null hypothesis $\beta_1=0$ was rejected and the

alternative hypothesis $\beta_1 \neq 0$ is taken to hold implying that the model $ROA = 0.04 + 0.027 (\text{Foreign Trade}) + \varepsilon$ is significantly fit. The model holds as suggested by the above test. This confirmed that there is a significant positive linear relationship between the foreign trade and company's return on assets. The study therefore rejected the null hypothesis which implied that foreign trade had a significant effect on financial performance of listed manufacturing companies in Nigeria.

The results confirm those of Francis and Magnus (2007) on the 47 listed firms on the US stock market which revealed that firms with higher income from exportation performed better than their other counterparts and reported higher returns on assets. The study focused on 47 US firms that major in gas and computer industries using data from 1982 to 2002. This implies that the higher the income from the exportation of local products from the manufacturing companies in Nigeria the better the return on assets. The result however contradicts that of Kraśnicka and Głód (2013) who conducted a study on the impact of the internationalization of Polish SMEs on their performance. The study also reviewed the differences between classical models of internationalization and the so-called born global models. The finding reveals a negative relationship between exports income of small and medium enterprises and their financial performance

4.8.2 Foreign Direct Investments and Financial performance

The second objective of the study was to determine the relationship between foreign direct investments and financial performance of listed manufacturing companies in Nigeria. The study used univariate regression test to ascertain the influence of foreign direct investments on financial performance, the results are presented in Table 20 -22

Table 4.20 Model Summary for FDI and Financial Performance

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .626 ^a | .392 | .384 | .0211957 |

a. Predictors: (Constant), Foreign Direct Investments

The regression analysis for foreign direct investments and financial performance of listed manufacturing companies in Nigeria revealed that foreign direct investments explained 39.2% of the variation in the financial performance of listed manufacturing companies as measured by ROA ($R^2=0.392$) while the remaining percentage of 60.8% was explained by other variables not in this model.

Table 4.21 ANOVA Results for FDI and Financial Performance

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| | Regression | .020 | 1 | .020 | 43.933 | .000 ^b |
| 1 | Residual | .031 | 68 | .000 | | |
| | Total | .050 | 69 | | | |

a. Dependent Variable: ROA

b. Predictors: (Constant), Foreign Direct Investments

F-test was carried out to test the null hypothesis that there is no significant relationship between foreign direct investments and financial performance measured by return on assets. The analysis of variance test in Table 4.21 shows that the significance of the F-statistic =43.933 and $p=0.000$ is less than the significance level of 0.05 adopted in this study meaning that null hypothesis was rejected and concluded that there was a significant relationship between foreign direct investments and company's return on assets. It can also be concluded that the model $ROA=0.04+0.027$ (*Foreign Direct Investments*) $+\varepsilon$ was significantly fit.

Table 4.22 Regression Coefficients for FDI and Financial Performance

| | B | Std. Error | Beta | t | Sig. |
|----------------------------|-------|------------|-------|-------|-------|
| (Constant) | 0.036 | 0.016 | | 2.264 | 0.027 |
| Foreign Direct Investments | 0.028 | 0.004 | 0.626 | 6.628 | 0.000 |

a Dependent Variable: ROA

To test the significance of regression relationship between the foreign trade and return on assets, 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 direct investments 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 4.22 revealed that the constant $\alpha = 0.036$ which is significantly different from 0, while the p- value = 0.027 which is less than 0.05.

The coefficient $\beta = 0.028$ was 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 foreign direct investments. This implies that the null hypothesis $\beta_1=0$ was rejected and the alternative hypothesis $\beta_1\neq 0$ is taken to hold implying that the model $ROA=0.036+0.028$ (*Foreign Direct Investments*) + ϵ is significantly fit. The model holds as suggested by the above test. This confirmed that there is a significant positive linear relationship between the foreign direct investments and company's return on assets. The null hypothesis that foreign direct investment has no significant effect on financial performance of listed manufacturing companies in Nigeria was therefore rejected.

The result affirms those of Mawugnon and Qiang (2009) that investigates the effect of foreign direct investment on economic growth through internationalisation in

Togo using time series data, the research found that there was a unidirectional relationship between FDI and GDP. The direction of causation ran from FDI through internationalisation to GDP enables to conclude that FDI positively influence GDP through internationalisation and not otherwise. The study therefore recommends improvement in the investment climate for foreign direct investment to enhance competitiveness and strengthen through internationalisation. It also contradicts that of Büthe and Milner (2008) who examine the influence of Foreign Direct Investment on Per Capita GDP in Nigeria using Vector Error Correction. The result shows a negative relationship between FDI and economic growth in Nigeria. Similarly, Kolstad and Wiig (2012) investigate the impact of foreign direct investment (FDI) on Economic Growth in Nigeria within the period of 1986-2011. The study employed multiple regression models to determine the impact of some external variables on the gross domestic product (GDP) proxy for economic growth in Nigeria. The study used time series data to ascertain the inflow of FDI to the Nigerian economy and its implications on economic growth. The finding revealed a positively impact on the economy though its contribution to GDP was very low within the period under review

4.8.3 International Proprietary Rights and Financial performance

The third objective of the study was to determine the effect of international proprietary rights on the financial performance of listed manufacturing firms in Nigeria. This section contain the results of the univariate regression analysis that was used to ascertain the relationship between international proprietary rights on the financial performance measured by ROA of listed manufacturing firms in Nigeria.

Table 4.23 Model Summary for International Proprietary Rights and ROA

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .571 ^a | .326 | .316 | .0223303 |

a. Predictors: (Constant), International Proprietary Rights

The regression analysis for International Proprietary Rights and financial performance of listed manufacturing companies in Nigeria revealed that International Proprietary Rights explained 32.6% of the variation in the financial performance of listed manufacturing companies as measured by ROA ($R^2=0.326$) while the remaining percentage of 67.4% was explained by other variables not in this model.

Table 4.24 ANOVA Results for International Proprietary Rights and ROA

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|-------------------|
| | Regression | .016 | 1 | .016 | 32.848 | .000 ^b |
| 1 | Residual | .034 | 68 | .000 | | |
| | Total | .050 | 69 | | | |

a. Dependent Variable: ROA

b. Predictors: (Constant), International Proprietary Rights

F-test was carried out to test the null hypothesis that there is no significant relationship between international proprietary rights and financial performance measured by return on assets. The analysis of variance test in Table 4.24 shows that the significance of the F-statistic =32.848 and $p=0.000$ is less than the significance level of 0.05 adopted in this study meaning that null hypothesis was rejected and concluded that there was a significant relationship between International Proprietary

Rights and company's return on assets. It can also be concluded that the model $ROA=0.057+0.023$ (*International Proprietary Rights*) $+\epsilon$ was significantly fit.

Table 4.25 Regression Coefficients for International Proprietary Rights and ROA

| | B | Std. Error | Beta | t | Sig. |
|----------------------------------|-------|------------|-------|-------|-------|
| (Constant) | 0.057 | 0.015 | | 3.805 | 0.000 |
| International Proprietary Rights | 0.023 | 0.004 | 0.571 | 5.731 | 0.000 |

a Dependent Variable: ROA

The null hypothesis state that, β (beta) = 0, meaning there is no significant relationship between the international proprietary rights 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 4.25 revealed that the constant α = 0.057 which is significantly different from 0, while the p- value = 0.000 which is less than 0.05.

The coefficient β = 0.023 was also significantly different from 0 with a p-value=0.000 which was also less than 0.05 indicating that financial performance of listed manufacturing companies in Nigeria was significantly influenced by the international proprietary rights. This implies that the null hypothesis $\beta_1=0$ was rejected and the alternative hypothesis $\beta_1\neq 0$ is taken to hold implying that the model $ROA=0.057+0.023$ (*international proprietary rights*) $+\epsilon$ is significantly fit. The model holds as suggested by the above test. This confirmed that there is a significant positive linear relationship between the international proprietary rights and company's return on assets. The null hypothesis that international proprietary rights have no significant effect on financial performance of listed manufacturing companies in Nigeria was rejected.

The result contradicts Adeoye and Elegunde (2012), who examines the impact of international proprietary rights on organizational financial performance in the food

and beverage industry in Nigeria. Renko (2011) also reported that international proprietary rights are a major determinant of return on assets especially for manufacturing industry.

4.8.4 Business Foreign Funding and Financial performance

The final objective of this study was to determine the effect of business foreign funding on financial performance of listed manufacturing companies in Nigeria. This section contains the results of the univariate regression analysis that was used to ascertain the relationship between business foreign funding and financial performance measured by ROA of listed manufacturing firms in Nigeria.

Table 4.26 Model Summary for Business Foreign Funding and ROA

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .587 ^a | .345 | .335 | .0220095 |

a. Predictors: (Constant), Business Foreign Funding

The regression analysis for Business Foreign Funding and financial performance of listed manufacturing companies in Nigeria revealed that Business Foreign Funding explained 34.5% of the variation in the financial performance of listed manufacturing companies as measured by ROA ($R^2=0.345$) while the remaining percentage of 65.5% can be explained by other variables such as foreign trade, foreign direct investment and international proprietary rights.

Table 4.27 ANOVA Results for Business Foreign Funding and ROA

| Model | | Sum Squares | of df | Mean Square | F | Sig. |
|-------|------------|----------------|-------|-------------|--------|-------------------|
| 1 | Regression | .017 | 1 | .017 | 35.809 | .000 ^b |
| | Residual | .033 | 68 | .000 | | |
| | Total | .050 | 69 | | | |

a. Dependent Variable: ROA

b. Predictors: (Constant), Business Foreign Funding

F-test was carried out to test the null hypothesis that there is no significant relationship between Business Foreign Funding and financial performance measured by return on assets. The analysis of variance test in Table 4.27 shows that the significance of the F-statistic =35.809 and p=0.000 is less than the significance level of 0.05 adopted in this study meaning that null hypothesis was rejected and concluded that there was a significant relationship between Business Foreign Funding and company's return on assets. It can also be concluded that the model $ROA=0.047 +0.025 (Business\ Foreign\ Funding) +\varepsilon$ was significantly fit.

Table 4.28 Regression Coefficients for Business Foreign Funding and ROA

| | B | Std. Error | Beta | t | Sig. |
|--------------------------|-------|------------|-------|--------|-------|
| (Constant) | 0.047 | 0.016 | | 2.9375 | 0.004 |
| Business Foreign Funding | 0.025 | 0.004 | 0.587 | 6.25 | 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 4.28 revealed that the constant $\alpha = 0.047$ 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 $\beta_1\neq 0$ is taken to hold implying that the model $ROA=0.047 +0.025$ (*Business Foreign Funding*) $+\varepsilon$ was statistically fit. The model Return on assets = $\alpha + \beta$ (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, Kalemlı-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.

4.8.5 Multivariate Regression Analysis

4.8.5.1 Multivariate Regression Using Primary Data

A multivariate regression model was conducted to test the joint relationship of all the independent variables and the dependent variable. The findings for the multivariate regression Model are presented in Table 4.29 - 4.32.

Table 4.29 Model Summary for Multivariate Regression Analysis

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .730 ^a | .533 | .504 | .0190076 |

a. Predictors: (Constant), Business Foreign Funding, Foreign Direct Investments, International Proprietary Rights, Foreign Trade

The results showed that foreign trade, foreign direct investment, international proprietary rights and business foreign funding had a significant association with financial performance measured by ROA of listed manufacturing companies in Nigeria ($R=0.730$). The results further revealed that foreign trade, foreign direct investment, international proprietary rights and business foreign funding jointly accounted for 53.3% of the variation in financial performance measured by ROA of listed manufacturing companies in Nigeria. The remaining percentage is explained by factors that were not included in this model.

Table 4.30 ANOVA Results for Multivariate Regression Analysis

| Model | | Sum Squares | of df | Mean Square | F | Sig. |
|-------|------------|----------------|-------|-------------|--------|-------------------|
| 1 | Regression | .027 | 4 | .007 | 18.547 | .000 ^b |
| | Residual | .023 | 65 | .000 | | |
| | Total | .050 | 69 | | | |

a. Dependent Variable: ROA

b. Predictors: (Constant), Business Foreign Funding, Foreign Direct Investments, International Proprietary Rights, Foreign Trade

The result of analysis of variance (ANOVA) test on Table 4.30 revealed that the significance of the F-statistic = 18.547 and $p = 0.000$ which was less than 0.05 meaning that null hypothesis is rejected and can be concluded that there is a significant relationship between all the independent variables (foreign trade, foreign direct investment, international proprietary rights, foreign funding) jointly and financial performance (return on assets) of listed manufacturing companies in Nigeria. The study therefore concluded that all the independent variables were significant predictor of financial performance of listed manufacturing companies in Nigeria.

Table 4.31 Regression Coefficients for Multivariate Regression Analysis

| | B | Std. Error | Beta | t | Sig. |
|----------------------------------|-------|------------|-------|--------|-------|
| (Constant) | 8.335 | 0.712 | 0.269 | 11.706 | 0.000 |
| Foreign Trade | 0.914 | 0.108 | 0.461 | 8.463 | 0.000 |
| Foreign Direct Investments | 0.503 | 0.115 | 0.216 | 4.374 | 0.000 |
| International Proprietary Rights | 0.062 | 0.109 | 0.797 | 0.569 | 0.074 |
| Business Foreign Funding | 0.179 | 0.037 | 0.185 | 4.838 | 0.000 |

a Dependent Variable: ROA

Optimal Model

$$\text{ROA} = 8.335 + 0.914 (\text{Foreign Trade}) + 0.503 (\text{Foreign Direct Investments}) + 0.062 (\text{International Proprietary Rights}) + 0.179 (\text{Business Foreign Funding}) + \varepsilon$$

From the results of the beta coefficients, foreign trade was positively correlated with return on assets. The coefficient was 0.914 while the t-statistics and p-value were 8.411 and 0.000 respectively. This implies that an increase in foreign trade by one unit leads to an increase in the return on assets of listed manufacturing companies in Nigeria by about 0.914 units. The findings agreed with that of Raheman, Afza, Qayyum and Bodla (2010) who found that trade openness and export of sales have significant influence of performance of listed manufacturing companies in Pakistan.

Similarly, the beta coefficient on foreign direct investment was positive and significant at 5% level of significance. The coefficient was 0.503 while the t-statistics and p-value were 4.368 and 0.000 respectively. Thus, increase in return on assets is associated with an increase in the inflow of foreign direct investment into the listed manufacturing companies in Nigeria and that a unit change in foreign direct investment will results in about 0.503 increase in return on assets. This results is in line with McGrew and Poku, (2007) who investigates the effects of internationalization on firm performance using a sample of 164 Japanese SMEs, finding show that higher levels of foreign direct investment are positively related to performance

International proprietary rights had a positive and insignificant relationship with return on assets. The result contradicts Adeoye and Elegunde (2012), who examines the impact of international proprietary rights on organizational financial performance in the food and beverage industry in Nigeria. Renko (2011) also reported that international proprietary rights are a major determinant of return on assets especially for manufacturing industry.

Finally, a significant positive relationship was found between return on assets and business foreign funding of listed companies in Nigeria as beta coefficient was 0.179 and t-statistic was 4.641 indicating that an increase in foreign business funding would result to an increase in financial performance as measured by return on assets of the listed manufacturing companies in Nigeria. These finding supports the finding of Harash, Al-Timim and Alsaadi (2014) who found that access to foreign capital is essential to the survival and performance of international firms, as well as that of Galí, López-Salido and Vallés, (2007) who found that access to external foreign finance is a key determinant of a firm's ability to develop, operate and expand internationally.

4.8.5.2 Multivariate Regression Using Secondary Data

The study conducted multivariate regression analysis using the secondary data. The results of the model summary revealed that foreign trade, foreign direct investments, international proprietary rights and foreign funding explained 31.5% of the variation in financial performance of listed manufacturing firms in Nigeria.

Table 4.32 Model Summary for Multivariate Regression Analysis

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1 | 0.561 | 0.315 | 0.302 | 0.02113 |

a. Predictors: (Constant), FF, FDI, FT, FPR

The result of analysis of variance (ANOVA) test for secondary data on Table 4.33 revealed that the significance of the F-statistic = 24.701 and p= 0.000 which was less than 0.05 meaning that null hypothesis was rejected and can be concluded that there is a significant relationship between all the independent variables (foreign trade, foreign direct investment, international proprietary rights, foreign funding) jointly and financial performance (return on assets) of listed manufacturing companies in Nigeria.

Table 4.33 ANOVA Results for Multivariate Regression Analysis

| Model | | Sum Squares | of df | Mean Square | F | Sig. |
|-------|------------|----------------|-------|-------------|--------|-------|
| 1 | Regression | 0.044 | 4 | 0.011 | 24.701 | 0.000 |
| | Residual | 0.096 | 215 | 0.000 | | |
| | Total | 0.140 | 219 | | | |

a. Dependent Variable: ROA

b. Predictors: (Constant), FF, FDI, FT, FPR

The results in Table 4.34 contain the results for regression coefficients obtained from the multivariate regression analysis using secondary data.

Table 4.34 Regression Coefficients for Multivariate Regression Analysis

| | B | Std. Error | Beta | t | Sig. |
|------------|-------|------------|-------|-------|-------|
| (Constant) | 0.05 | 0.012 | | 4.167 | 0.000 |
| FT | 0.089 | 0.033 | 0.166 | 2.697 | 0.009 |
| FDI | 0.044 | 0.021 | 0.129 | 2.095 | 0.039 |
| FPR | 0.11 | 0.036 | 0.208 | 3.056 | 0.002 |
| FF | 0.022 | 0.006 | 0.258 | 3.667 | 0.000 |

a Dependent Variable: ROA

Optimal Model

$$\text{ROA} = 0.05 + 0.089 (\text{FT}) + 0.044 (\text{FDI}) + 0.11 (\text{FPR}) + 0.022 (\text{FF}) + \varepsilon$$

Analysis of secondary data revealed that foreign trade (FT) had a beta coefficient of 0.089 with a significance value of 0.009. The results confirmed the findings of primary data that there was positive and significance relationship between foreign trade and return on assets for listed manufacturing companies in Nigeria. The findings agreed with that of Raheman, Afza, Qayyum and Bodla (2010) who found

that trade openness and export of sales have significant influence of performance of listed manufacturing companies in Pakistan.

The finding also revealed that foreign direct investment (FDI) had a beta coefficient of 0.044 with a significance value of 0.039 which was less than 0.05 meaning FDI had positive and significance relationship with ROA for listed manufacturing companies in Nigeria. These findings also concurred with the findings of primary data the revealed that there was a significant relationship between FDI and financial performance of listed manufacturing firms in Nigeria. Similarly, the results showed that international proprietary rights had a significance and positive relationship with financial performance. These finding differed from those obtained using primary data that showed that international proprietary rights had a positive but insignificant relationship with ROA for listed manufacturing companies in Nigeria. Finally analysis of secondary data showed that foreign funding had a positive and significant relationship with financial performance of listed manufacturing companies in Nigeria.

These finding supports the finding of Harash, Al-Timim and Alsaadi (2014) who found that access to foreign capital is essential to the survival and performance of international firms, as well as that of Galí, López-Salido and Vallés, (2007) who found that access to external foreign finance is a key determinant of a firm's ability to develop, operate and expand internationally.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The general objective of this study was to determine the effects of internalization on the financial performance of listed manufacturing companies in Nigeria. This chapter presents the summary of major findings based on the research objectives. The chapter further presents conclusions and recommendations as well as suggestions for further research were also highlighted.

5.2 Summary of Findings

The main purpose of the study is to determine the effect of internationalization on the performance of listed manufacturing companies in Nigeria. The theoretical and empirical literature on the effect of internationalization and financial performance of listed manufacturing companies in Nigeria were reviewed. Detailed conceptual framework of the effect of internationalization and financial performance was formulated. The hypothesized effect was tested by the specific objectives of the study. The study administered a single questionnaire to the CEOs of all the 74 listed manufacturing companies in Nigeria. Secondary data on financial performance of the listed manufacturing companies was gathered for period of between 2006 and 2015. The population of this study is all the listed 74 manufacturing companies in Nigeria. Descriptive and inferential statistics are used to analyse and interpret the data use in this research. Multiple regression analysis was used to determine the effects of multiple predictor variables on the dependent measured.

5.2.1 Effect of Foreign Trade on Financial Performance

The first objective of the study was to determine the effect of foreign trade on financial performance of listed manufacturing companies in Nigeria. Foreign trade was measured using exports income to total income ratio and total imports to

expense ratio. The trend analysis revealed that total imports to expense ratio for listed manufacturing companies was high compared to exports income to total income ratio. The findings also showed almost constant trends in both exports income to total income ratio and total imports to expense ratio implying the variation was very small across the study period. The results of descriptive analysis revealed that majority of the respondents agreed and strong agreed with the statement on their companies' involvement in foreign trade. The finding implied that most of the listed manufacturing companies in either exported their products to foreign market or imported materials for production from the foreign markets. The finding further implied that majority of the listed manufacturing companies in Nigeria were engaging in foreign trade through exportation and importation.

The correlation test results revealed a positive and significant association between foreign trade and financial performance of listed manufacturing companies in Nigeria. The findings implied that when foreign trade increase then financial performance of listed manufacturing companies in Nigeria will likely increase since they had a positive and significant association as shown by the correlation results. The findings of regression analysis further confirmed that there existed a positive and significant relationship between foreign trade and financial performance measured by ROA of the listed manufacturing companies in Nigeria. The coefficient of foreign trade was found to be significantly at 5% significance level indicating foreign trade significantly influenced financial performance measured by ROA of listed manufacturing companies in Nigeria. The study rejected the null hypothesis that foreign trade does not have a significant relationship with financial performance of listed manufacturing companies in Nigeria.

5.2.2 Effect of Foreign Direct Investment on Financial Performance

The second objective of the study was to determine the effect of foreign direct investment on financial performance of listed manufacturing companies in Nigeria.

The study measured FDI using percentage of profits from foreign operations and foreign assets to total assets ratio

The finding showed that there were a percentage of profits from foreign operations which signaled that listed manufacturing companies in Nigeria have embraced business internationalization. The finding of the descriptive analysis also showed that majority of the respondents agreed and strongly agreed with most of the statements regarding the effects of foreign direct investments on financial performance of listed manufacturing companies in Nigeria.

The study further used correlation and regression analysis to ascertain the relationship between foreign direct investments and financial performance of listed manufacturing companies in Nigeria. The correlation test results also revealed a positive and significant association between Foreign Direct Investments and Financial performance of listed manufacturing companies in Nigeria. These findings were further confirmed by the regression result that established that the coefficient of foreign direct investment was significant indicating that foreign direct investments significantly influenced financial performance measured by ROA of listed manufacturing companies in Nigeria. The findings implied that an increase Foreign Direct Investments would results to an increase in financial performance of listed manufacturing companies in Nigeria.

5.2.3 Effect of International proprietary Rights on Financial Performance

The third objective of the study was to determine the effect of international proprietary rights on financial performance of listed manufacturing companies in Nigeria. The finding of the descriptive analysis also showed that majority of the respondents agreed and strongly agreed with most of the statements regarding the effects of international proprietary rights on financial performance as measured by ROA of listed manufacturing companies in Nigeria. The study further used correlation and regression analysis to ascertain the relationship between foreign

direct investments and financial performance of listed manufacturing companies in Nigeria.

The correlation test results also revealed a positive and significant association between international proprietary rights and financial performance of listed manufacturing companies in Nigeria. These findings were further confirmed by the regression result that established that the coefficient of International proprietary Rights was insignificant indicating that international proprietary rights insignificantly influenced financial performance measured by ROA of listed manufacturing companies in Nigeria however, using secondary data international proprietary rights was found to have a positive and significant relationship with financial performance of listed manufacturing companies in Nigeria. The findings implied that increase international proprietary rights would results to an increase in financial performance of listed manufacturing companies in Nigeria

5.2.4 Effect of Business Foreign Funding on 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 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 further used correlation and regression analysis to ascertain the relationship between business foreign funding and financial performance of listed manufacturing companies in Nigeria. The correlation test results also revealed a positive and significant association between business foreign funding and financial performance of listed manufacturing companies in Nigeria. These findings were further confirmed by the regression result that established that the coefficient of International proprietary Rights was significant indicating that foreign direct investments significantly influenced financial performance measured by ROA of listed manufacturing companies in Nigeria. The findings implied that an increase business foreign funding would results to an increase in financial performance of listed manufacturing companies in Nigeria.

5.3 Conclusion

This study aimed to determine the effects of business internationalisation on financial performance of listed manufacturing companies in Nigeria. Specifically, the study sought to determine the effects of foreign trade, foreign direct investment, international proprietary rights and business foreign funding on financial performance measured by return on assets. Based on the finding of the study, the study concludes that foreign trade is important in manufacturing sector. Listed manufacturing companies that engage strategically in foreign trade through exportation and exploration of foreign markets have a high probability being successful in terms of financial performance compared to companies that refrain from engaging in foreign trade. Through internationalisation local companies have been exposed to overseas and international markets therefore companies should take advantage and market their products globally.

This study also established that foreign direct investment has a positive and significant relationship with performance of listed manufacturing companies in Nigeria. Based on these findings, the study concluded that companies that invest outside their origin countries enjoy increase profits margins and high returns on

assets through their foreign operations. Foreign investments provide an additional advantage to companies that have internationalized over those companies that are yet to take advantage of internationalisation. The study further concluded that foreign direct investments enable domestic companies to have improved financial performance.

The study also established that international proprietary rights had a positive but insignificant relationship with financial performance of listed manufacturing companies in Nigeria. The study therefore concluded that international proprietary rights do not influence in any way the financial performance of the companies that have internationalized their operations. International proprietary rights play a significant role in simplifying the business registration and licensing processes but do not impact on financial performance of the companies.

The study finally established that business foreign funding positively and significantly influenced the financial performance of listed manufacturing companies in Nigeria. Business foreign funding is an unexploited source of capital that the listed manufacturing companies can adopt in order to 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.

5.4 Recommendations

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. Therefore, 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 into the listed manufacturing companies in Nigeria. This insignificant relationship is attributable to the low investment in research effort by the listed manufacturing companies in Nigeria. Lastly, 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.

5.5 Areas for Further Research

The study examined the effects of internationalization on firm 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. Examples of such additional variables are; the technological change, cross border barrier, foreign pricing system and so on.

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APPENDICES

Appendix I Questionnaire

SECTION A: GENERAL AND DEMOGRAPHIC DATA

1. Please indicate the highest level of education you have attained
 - a) Polytechnic/College level ()
 - b) University level ()
 - c) Post graduate level ()
2. Cumulatively, how many years have you worked in manufacturing sector?
 - a) Less than 2 years ()
 - b) 2 to 5 years ()
 - c) Over 5 years ()

SECTION B: FOREIGN TRADE

3. This section intends to measure the effect of Foreign Trade on the financial performance of listed manufacturing companies in Nigeria. The following statements are measured on likert scale kindly indicate your level of agreement with the statement. Tick as appropriate as 1= Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree.

| No | Statements | 1 | 2 | 3 | 4 | 5 |
|----|---|---|---|---|---|---|
| 1 | We focus on exports trade to improve our income streams | | | | | |
| 2 | Revenue from exports account for a significant share of the company total income | | | | | |
| 3 | Our company has a reliable international markets through foreign partners | | | | | |
| 4 | Our company has adopted modern technologies and innovations through interaction with our international partners | | | | | |
| 5 | The company has invested a lot of resources in marketing our products in International markets | | | | | |
| 6 | Participating in foreign trade has led to increase in the company performance | | | | | |

SECTION C: FOREIGN DIRECT INVESTMENTS

4. The following statements are measured on likert scale kindly indicate your level of agreement with the statement. Tick as appropriate as 1= Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree.

| No | Statements | 1 | 2 | 3 | 4 | 5 |
|----|--|---|---|---|---|---|
| 1 | The company has engaged in foreign production to improve revenue | | | | | |
| 2 | The percentage of profit from foreign operations has significantly improved | | | | | |
| 3 | The company is open to foreign investors who seek to invest locally | | | | | |
| 4 | The company has acquired profit earning assets in overseas countries | | | | | |
| 5 | The company has subsidiaries in foreign countries to boost participation in international market | | | | | |
| 6 | The company's foreign investments have enhanced our competitiveness and strengthen global position | | | | | |

SECTION D: INTERNATIONAL PROPRIETARY RIGHTS

5. This section intends to measure the effect of International Proprietary Rights on the financial performance of listed manufacturing companies in Nigeria. The following statements are measured on likert scale. Kindly indicate your level of agreement with the statement. Tick as appropriate as 1= Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree.

| No | Statements | 1 | 2 | 3 | 4 | 5 |
|----|---|---|---|---|---|---|
| 1 | We enhance our income streams by relying on international trade marks | | | | | |
| 2 | We enhance our trade through the use of international patents rights | | | | | |
| 3 | Royalties income from proprietary rights make an important portions of our international operations | | | | | |
| 4 | Foreign business ownership has been made easy through internationalisation | | | | | |
| 5 | Countries worldwide have adopted Foreign investment rights that make easy for foreign companies to invest | | | | | |

SECTION E: BUSINESS FOREIGN FUNDING

6. The following statements are measured on likert scale kindly indicate your level of agreement with the statement. Tick as appropriate as 1= Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree.

| No | Statements | 1 | 2 | 3 | 4 | 5 |
|----|--|---|---|---|---|---|
| 1 | The company has access to foreign capital from foreign partners and donors | | | | | |
| 2 | The has a high proportion of foreign debts | | | | | |
| 3 | A significant amount of the company's equity is provided by the foreign and international partners | | | | | |
| 4 | Foreign source of financing has are considered easier to access than local sources of finance | | | | | |
| 5 | The company has embraced foreign lease financing as a method of financing its operations | | | | | |
| 6 | Foreign funding is essential to the survival and performance of international firms | | | | | |

Appendix II Secondary data collection Sheet

| Years | Income from exports to total income ratio | Value of Total Imports to expense ratio | percentage of Profits from foreign operations | Ratio of foreign assets to total assets | Patent rights cost ratio | Royalties income ratio | Foreign debt | foreign equity | ROA |
|-------|---|---|---|---|--------------------------|------------------------|--------------|----------------|-----|
| 2006 | | | | | | | | | |
| 2007 | | | | | | | | | |
| 2008 | | | | | | | | | |
| 2009 | | | | | | | | | |
| 2010 | | | | | | | | | |
| 2011 | | | | | | | | | |
| 2012 | | | | | | | | | |
| 2013 | | | | | | | | | |
| 2014 | | | | | | | | | |
| 2015 | | | | | | | | | |

Appendix III Listed Manufacturing Companies in Nigeria

| Consumer Goods | |
|-------------------------------------|---------------|
| Company Name | Sector |
| 1. Up Bottling Company Plc | |
| 2. Big Treat Plc | |
| 3. Cadbury Nigeria Plc | |
| 4. Champion Brew Plc | |
| 5. Dangote Flour Mills Plc | |
| 6. Dangote Sugar Refinery Plc | |
| 7. Dn Tyre & Rubber Plc | |
| 8. Nigerian Enamelware Plc | |
| 9. Flour Mills Nigeria Plc | |
| 10. Golden Guinea Brew.Plc | |
| 11. Guinness Nig Plc | |
| 12. Honey Well Flour Mills Plc | |
| 13. International Breweries Plc | |
| 14. Jos Int. Breweries | |
| 15. P.S. Mandrides & Co Plc | |
| 16. Mcnichols Plc | |
| 17. Mult- Trex Integrated Foods Plc | |
| 18. National Salt Co.Nig .Plc | |
| 19. Nigerian Brew Plc | |
| 20. Nestle Nigeria Plc | |
| 21. Nigerian Flour Mills | |
| 22. Premier Breweries Plc | |
| 23. Cussons Nigeria Plc | |
| 24. Rokana Industries Plc | |
| 25. Unilever Nigeria Plc | |

| | |
|--|--|
| 26. Union Dicon Salt Plc | |
| 27. Utc Nig Plc | |
| 28. Greif Nigeria Plc | |
| 29. Vitafoam Nig. Plc | |
| 30. Vono Products Plc | |
| Industrial Goods | |
| 1. Adswitch Plc | |
| 2. African Paints (Nig) Plc | |
| 3. Aluminium Extrusion Nd Plc | |
| 4. Ashaka Cem Plc | |
| 5. Austin Laz & Company Plc | |
| 6. Avon Crown caps & Containers | |
| 7. Berger Paints Plc | |
| 8. Beta Glass Co Plc | |
| 9. Cap Plc | |
| 10. Cement Co Of North Nig Plc | |
| 11. Cutix Plc | |
| 12. Dangote Cement | |
| 13. Dn Meyer Plc | |
| 14. First Aluminium Nigeria Plc | |
| 15. Ipwa Plc | |
| 16. Nigeria Ropes | |
| 17. Nig.Sew Mach.Man.Co.Plc | |
| 18. Nigerian Wire And Cable Plc | |
| 19. Paints And Coatings Manufactures Plc | |
| 20. Portland Paints & Products Nigeria Plc | |
| 21. Premier Paints Plc | |

| | |
|--|--|
| 22. Stokvis Plc | |
| 23. Wa Glass Ind Plc | |
| 24. Lafarge Wapco Plc | |
| Health Care | |
| 1. Ekocorp Plc | |
| 2. Evans Medical Plc | |
| 3. Fidson Health Care Plc | |
| 4. Glaxo Smithkline Consumer | |
| 5. May & Baker Nigeria Plc | |
| 6. Morison Industries Plc | |
| 7. Neimeth International Pharmaceuticals Plc | |
| 8. Nigerian German Chemicals Plc | |
| 9. Pharma - Deko Plc | |
| 10. Union Diagnostic And Clinical Services Plc | |

| Conglomerates | |
|---|--|
| 1. Ag Leventis Nigeria Plc | |
| 2. Chellarams Plc | |
| 3. John Holt Plc | |
| 4. Scoa Nig Plc | |
| 5. Transnational Corporation Of Nigeria Plc | |
| 6. Uacn Pc | |
| Natural Resources | |
| 1. Aluminium Extrusion Nd Plc | |
| 2. Alumaco Plc | |
| 3. B.00, Gases Plc | |
| 4. Multiverse Plc | |
| 5. Thomas Wyatt Nigeria Plc | |