Evaluation of Return on Assets on Market Capitalization of Quoted Construction/Real Estate and Conglomerate Companies in Nigeria

OMIDIJI, David Olugbenga[1]
ADEGBIE, Folajimi Festus[2]
AJAYI-OWOEYE, Ayooluwa Olotu[3]

[1,2,3]*Department of Accounting, School of Management Sciences, Babcock University, Ilishan-Remo, Nigeria.*
[3]*Email: ayooluwaolotu@gmail.com*

Abstract

The firm assets earning power has been a subject of discussion globally in relation to the value of a firm due to various decisions of managers and the effect it has on company's performance. Various corporate actions and information about the companies are disseminated over time and studies have shown the effect on firms' value. This study examined the effect of return on asset on market capitalization of listed construction/real estate and conglomerate companies in Nigeria. The study adopted ex-post facto research design. A sample of 8 construction/real estate and 5 conglomerate companies from a target population of 168 firms listed on the Nigerian Stock Exchange (NSE) during the study period (2010-2018) was purposively drawn. The study used secondary data from the NSE, CBN and companies' data on the Bloomberg Terminals. Validity and reliability were premised on the statutory audit of the financial statements. The data was analyzed using (Correlation and Regression) statistics. The findings in this study shows that return on asset has significant effect on the market capitalization of the selected quoted construction/real estate and conglomerate companies in Nigeria. This study recommends that the construction/real estate and conglomerate companies should create policies that will encourage proper utilization of its assets for a better return which will encourage investors and subsequently the firms' value.

1. Introduction

The concept of firm value is of paramount importance to a firm as it tells a lot about the prosperity of a company. It represents in a simple definition the assets owned by a company. Firm value by Abdullahi (2016) is defined as the benefits emanating from the shares of a firm by the shareholders, while Adenugba, Ige, and Kesinro (2016) opined that the value of a firm should by all means be kept optimally. Firm value when positive can attract investors or people of like interest to become a member of the company alone without considering any other documents. It was stated that the value of a firm is determined by the firm assets earning power that is, an asset earning power shows the earning power of a firm. A positive asset earning power is an indication of a higher earning power which results in efficient asset turn over and eventually bigger profit. In the globe and in some companies in the world, their values have increased over the years due to some commitment of financial resources as well as improved firm performances. For instance, Facebook as a company was worth $1 billion in 2013 but as at December 2019 it was worth $64 billion (Fortune Editors, 2018).

Finance is an integral part of an entity which determines its liquidity and its survival rate in an ever-dynamic competitive business environment in an economy. By implication, the challenges that affect several

entities in an economy often lies within its financial performance which could be linked to debt asset or equity capital which occurs in the developing (Nigeria for instance) and advanced economies of the world.

Value of a firm represents in a simple definition the assets owned by a company. The firm assets earning power is attributed to the value of a firm that is, an asset earning power shows the earning power of a firm. Some of these financial performance measures which influences firms' value includes the Return on Assess (ROA) (Rosikah, Dzulfikri, Muh, & Miswar, 2018); firm's wealth, technology, organization structure, human resources with discounted future cash flows (Al Shahrani & Zhengge, 2016) and environmental factors of industrial establishments (Riasi & Pourmiri, 2016). The efficiency of how a construction company utilizes its assets is being measured by return on assets (ROA). A firms' competitiveness is also one factor that can affect firm value (Ansari & Raisi, 2016). Further, sustainable growth and firm's financing also influence value of a firm (Purwanto & Agustin, 2017; Riasi, 2015; Riasi & Pourmiri, 2016).

Many companies in the developed economies have lost their firm values due to the incessant fall in their economic activities such as production, sales, exports and many others. For instance, the manufacturers of phone (Nokia products) used to be the best-selling phone (leading to consistent rise in her financial performances which in turn improved her firm value) but, it has dropped to number five in the globe thus, leading to a drastic fall in her firm value thereby bringing to the top level companies like Apple, Samsung, Infinix and the likes (World Bank, 2018). There are some companies in the world that have had reduced firm values due to poor financial performances. Some are Sprint Nextel (despite higher revenues, a net loss of $4.33 billion was incurred for the 2017 fiscal year). The closure and eventual cessation of the Nextel network was said to have been responsible for the loss recorded as well as the effect of the damages from Hurricane Sandy in the New York metro area which cumulated into $45million loss. While the company added a total of $1.5 million post-paid subscribers in the year, the inability to persuade the customer to make a swap to its own network led to a loss of over a million customer following the closure of Nextel. Also, Penney had its annual revenue plummeted to 25% in 2018, while $1.6 billion impairment charge was incurred by Ameren (Fortune Editors, 2018; World Bank, 2018).

In Nigeria, the construction and real estate sector has been confronted with enormous challenges which includes challenging financial performance, poor regulation, poor allocation of construction jobs, low credit allocation to the sector as well as being largely dominated by the foreign counterparts (such as China Civil Engineering Construction Companies and Julius Berger). Most of the local construction companies such as Arbico Plc, UACN Properties, Union Homes Real estate, Evomec Global Services Limited, Setraco Nigeria Limited, Ascot Africa Limited, Dantata & Sawoe Construction Company Nigeria limited, Reynolds Construction Company (Nigeria), Brunelli Construction company Nigeria limited are largely small compared to their foreign counterparts and most of them do not have the financial capacity as well as the prerequisites to be listed on the Nigerian stock exchange (NSE). All of these challenges have contributed to their low firm value and as such continue to linger to the present times. Not until recent times has this sector contributed up to 1% to the GDP (Central Bank of Nigeria, 2018).

The value of Nigerian firms has been affected with the issues of poor financial performance which have often affected negatively their firm values in relations to their counterparts in the business world (Ajibola, Wisdom, & Qudus, 2018). The return on assets firms in Nigeria have often declined due to the incessant challenges that are encountered in the process of doing business in various states of the economy (Onyekwelu, Nnadi, & Iyidiobi, 2018).

From the foregoing and owing to the continuous ups and downs in the construction/real estate and conglomerates companies in Nigeria as well as the need for real estate product, it has become imperative for the current researcher to examine the effect of financial performance on value of quoted construction/ real estate and conglomerate firms in Nigeria for a time dimension of 9years from 2010-2018.

2. Literature Review

2.1. Return on Assets (ROA)

This is a financial performance ratio that demonstrates how proficient a management is at generate earnings from utilization of its assets. Return on assets is arrived at by dividing the earnings before interest and tax (EBIT) by total assets and it is denoted as a percentage. It as an accounting-based measurement, it measures the operating and financial performance of a company. In measurement a lower return on assets in magnitude is disadvantageous to the shareholders' wealth while on the other hand a higher ROA presents a more produce use of the asset to the benefits and advantage of the shareholders. Higher ROA also echoes the company's effective utilization of its assets in preserving the interests of the shareholders and ultimately the shareholders' wealth (Ibrahim & Samad, 2011; Rosikah et al., 2018).

Therefore, return on assets (ROA) is a measure of the profit of a firm generated in relation to its investment in assets. It is an indication of whether a firm's assets are under or over-utilized. Thus it depicts the operating performance. The return on Assets measure the overall effectiveness of management in generating profits with its available resource. There is a wide spread scholarly contribution about this particular profit variable because of the numerator of the equation. Scholars such as; Gitman and Zutter (2012).Ogiriki, Andabai, and Priye (2018) determined ROA by taking the net income before interest and tax

reported for a specific period of time and dividing it by the total asset. Contrary to the above, scholars like Lindow (2013) calculate ROA by dividing the EBIT by the total asset of the firm. The return on asset is a parameter commonly used for measuring the how profitable the operation of a firm is. Specifically, ROA measures the profitability of a firm in terms of its assets hence it is a good indicator to use in evaluating a financial performance of firm.

DuPont system of analysis is used to analyse the financial statements of a firm and to evaluate its financial state. It combines the statement of comprehensive income and statement of financial position into measures of profitability, Return on asset (ROA) and Return on equity (ROE). The DuPont system point out how efficiently the firm has utilized its assets to generate sales by jointly analysing the net profit margin as a measure of profitability on sales alongside Total asset turnover (ATO). According to the DuPont formula, the product of these two ratios results in the ROA been the product of net profit margin and total asset turnover. The formula is stated thus;

$$ROA = Net\ Profit\ Margin * Total\ Asset\ Turnover$$

Substituting the appropriate formulas into the equation and simplifying results in the formula given earlier will give the following:

$$Return\ on\ Asset = \frac{EBIT}{Sales} \times \frac{Sales}{TotalAsset}$$

Where EBIT is Earnings Before Interest and Taxation.

2.2. Market Capitalization

Market capitalization denotes to the total market value of companies unsettled shares on the Nigerian Stock Exchange. It is considered as the number of outstanding shares multiplied by the market price per share of the firm. Murni, Sabijono, and Tulung (2019) posit that the stock price of a company is a reflection of the firms value to the general public, the higher the stock price of a company the higher the value of the company in the eyes of society and vice versa. Consequently, stock price depicts an is an important aspect of the health of a company and for publicly quoted firms stock price is, an essential component of firms' value. The value of a company can provide maximum shareholder wealth if the stock price increases. Higher the stock price of a company means the higher the shareholder's wealth.

Market price per share is the value of the equity shares as quoted on the NSE for a particular day (Olowe, 2017). It is the price of shares as determined by the forces of demand and supply as at the end of each trading day. Market prices of a share are determined by the occurrence of the demand and supply of the enormous number of buyers or sellers. Stock market prices reflect the real value of the company (Gultom, 2013). There are a lot of determinants of stock market prices such as the profit per share, risk-free interest rate and the level of uncertainty of the company's operations. The value of a firm can be adjudged as the investors' expectation about the influence of the investment of the and its policy (Murni et al., 2019). The value of a firm can be said to be the investor's expectation of the impact of the company's financial investment policy. Basically, the value of the company is the result of the assessment and the expectation of investors with respect to the company's stock in the capital market.

2.3. Theoretical Framework
2.3.1. Signalling Theory

The signalling theory is the theory that was propounded by Spence (1973) based on observed knowledge gaps between organizations and prospective employees. It is a means through which corporate financial decision and information are conveyed by the company's manager to investors. Gangeni (2006) described the signals to be the cornerstone of financial communication policy and further posit that the unavailability of internal funding to undertake a particular investment will make management make use of debt or equity financing. Where this is the case, the focus will be on ascertaining the trend in the type, level and reliability of the available information. Therefore, additional shares would not be issued by managers if the current stock price is lower than the actual value of the stock owing to insider or privileged information Hence, an additional issue of stock is seen in the bad light by an investor and invariably leads to a fall in the share price.

Dainelli, Bini, and Giunta (2013) assert that the purpose of signalling can be seen as a value adder to firms by way of releasing signals to its investors compared to the conduct when two parties have access to different information, and the theory explains the information asymmetry between parties, which can be reduced through signalling. Charumathi and Ramesh (2015) corroborated the fact in their study which elucidate differences in corporate sustainable performance disclosure of companies in the literature. This study aligns with this opinion because signalling theory is the firm's signal through accounting information, to influence investors with the aim of lowering the required rate of return. The quality, time and bulk of information divulged reveal the expectation of the management while the self-centred predisposition of managers to hold back information from shareholders make the theory relevant to this study as investment decisions and share price.

2.4. Empirical Review

Luthfiah and Suherman (2018) studied the effect of financial performance on firms' value using ownership structure as a moderating variable. The focus of the research was on manufacturing companies listed on the Indonesia stock exchange for a time frame of 5years (2012-2016) Fixed Effect Model approach was adopted for the panel data analysis. The study found that return on asset being employed as a proxy for financial performance exert a positive effect and significant at 5% with or without a control variable.

Samiloglu, Oztop, and Kahraman (2017) studied the determinant of firm financial Performance with an evidence from Istanbul Stock Exchange (BIST). The study employed Return on asset and return on equity as financial indicators using the financial ratio of quoted 51 firms on the Istanbul Stock Exchange (BIST) over a period of ten years (2006-2015). Their result concluded that Return on asset (ROA) had a negative return on a firms' value measured by the Price to earnings (PE) ratio.

Also, Batchimeg (2017) carried out a study on the determinants of performance of Mongolian joint stock companies (JSC) quoted on the Mongolian Stock Exchange (MSE). 100 Mongolian JSC were studied for a period of 4years from 2012 to 2015. The study used Return on asset (ROA), Return on equity (ROE) and Return on sale (ROS) as proxy for financial performance sourced from the financial statements of the companies being understudied. The results of the panel regression show that ROA have more determinants that ROE and ROS. The study further revealed mixed results when regressed against the independent variables such as Earnings per share and Return on Cost which have posit impacts while short-term debts to total assets ratio and cost to revenue ratio have negative impacts.

Ibn-Homaid and Tijani (2015) examined the financial analysis of a construction company in Saudi Arabia. Financial record of a listed construction company on the Saudi Arabia stock exchange market was analysed with the use of financial ratio to predict the financial health status for a period of 5years from 2009 to 2013. The ratio was compared with industry's standard average over a long period of time. The findings revealed that the company is inefficient in the utilization of its assets for the period under study. Furthermore, the company's annual ROA is below the recommended industry average as well as the recommended range for the construction industry itself.

Vintila and Nenu (2015) carried out an analysis of the determinants of corporate financial performance on 46 companies listed on the Bucharest Stock Exchange and on a Romania' case for a time dimension of 5years from 2009 to 2013. Companies were classified using factor analysis subsequently, a cluster analysis using SAS program was carried out. After which multivariate regression models for unbalanced panel data was used to test the selected variables. There is a negative correlation between performance and total assets using the market approach which may be due to association with the maturity stage of companies with high values of assets. The study also ascertained delay in the divestment of certain assets and risk of failure to notice the favourable market perspective.

Velnampy, Nimalthasan, and Kalaiarasi (2014) examined the impact of Dividend policy on Firms' performance of listed manufacturing companies on the Columbia stock exchange. ROA and ROE were used to proxy financial ratios of firm performance while Earnings per share (EPS) and dividend pay-out as a measure of dividend pay-out policy. The result of the study showed an insignificant relationship between ROE and ROA and measures of dividend pay-out policy. However, the study of Thafani and Abdullah (2014) on the Impact of Dividend pay-out on corporate profitability shows there is a significant relationship between ROA and dividend pay-out, the same was observable with other firm profitability indicators, ROE and EPS.

Rivard and Thomas (1997) in their study on the effect of Interstate Banking on Large Bank Holding company profitability and risk found that a higher level of bank profitability measured in ROA have a significant impact on bank valuation. Further, Athanasoglou, Delis, and Staikouras (2006) concluded that factors such as credit risk, Capital operating expenses management, size, foreign ownership and market shares have a significant impact on Return of Asset and invariably exert a positive and statistically significant impact on the firms' value.

In the same vein, Kosmidou (2008) in his study on the determinant of Bank Profits in Greece during the period of EU financial integration" found out that Return on Asset was strongly correlated with high capitalization which had a significantly positive result in the growth of the economy. He also found out that ROA had a statistically significant and negative relationship with bank assets to GDP, stock market capitalization to bank assets, and concentration.

Furthermore, Ulil, Bambang, and Djumahir (2013) examined the effect of firm characteristics proxies by size, firm age, profitability, leverage and firm growth on the governance quality which represented by Internet Based of Corporate Governance (IBCG) rating, and its impact on firm value. The size of the firm was proxy by the firms' value while its growth was measured by the return on Asset of the firm and the findings of the study reveals that firm size has impact on governance quality, and firm age, profitability, leverage and firm growth does not have impact on corporate governance quality.

In the work of Pervan and Višić (2012) the study investigated the relationship between firm size (firm value) and performance of Companies (measured through return on asset) operating in the Croatian manufacturing industry for the period of 2002-2010. The results revealed that firm size has a significant positive (although weak) influence on firm profitability.

Kisengo and Kisengo (2012) examined the impact of firm characteristics (measured by return on Asset) on the performance of 48 microfinance institutions (MFIs) in Kenya. The study adopted correlation research design. The study employed both Primary data and secondary data. The relationship between firm characteristics and performance of MFIs was examined using correlation and regression analysis for the period of 2012. Findings revealed that Return on asset (ROA) which employed as a measure of firms' characteristics shows a positive and significant effect on performance of microfinance institutions. The structure related characteristics exert the highest while capital related showed the least effect on performance of microfinance.

3. Methodology

Ex-post facto research design was used in the study. The population of the study consist of all construction/real estate and conglomerate companies quoted on the Nigerian Stock exchange as at 31st December, 2018. The study by way of total enumeration sampling understudy all the Eight (8) construction/real estate firms and five (5) Conglomerate companies that are quoted on the NSE as at December 2018. The time dimension for the study is a period of 9 years from 2010 to 2018. The study used secondary data from the NSE, CBN and annual reports of the companies under review. The annual reports were generated through the Bloomberg platform as at the date of the study. Also, the study employed descriptive and inferential statistics using linear regression and correlation to answer the research questions and test the research hypotheses. Regression results are based on pooled OLS, fixed effect models and random effect models The Bresuch-Pagan random effect model test significance. Stata 13 and Eviews 10 software was used to analyse the data and the analysed data was presented using tables.

3.1. Model Specification

However, for the purpose of attaining the specific objectives, linear regressions are specified thus by regressing the dependent variable against the independent variable.

$$MC_{it} = \alpha_0 + \alpha_1 ROA_{it} + \varepsilon_{it}$$

Where:

i	=	individual listed construction/real estate and conglomerate companies.
t	=	time in years.
ε	=	error term.

4. Data Analysis, Interpretation and Discussion of Findings

4.1. Descriptive Statistics

The study consists of yearly data for the period 20011-2018 for thirteen quoted construction/real estate and conglomerate companies in Nigeria the descriptive presented in Table 1 are the mean, maximum, minimum and standard deviations, and the numbers of observations for of each of the dependent and independent variables.

Table-1. Descriptive statistics of return on asset and market capitalization.

Variables	Mean	Maximum	Minimum	Std. Dev.	Obs
MC	5,420,000,000.0	86,700,000,000.0	0.0	15,200,000,000.0	104
ROA	0.04	0.18	−0.15	0.07	104

Notes: Table 1 shows the mean, maximum, minimum, standard deviation of the variables. The dependent variable is market capitalization (MC) and the independent variables are Return on Asset (ROA). All the values were calculated from the 104 firms-year observations for thirteen quoted construction/real estate and conglomerate companies in Nigeria. The estimation process was facilitated using Eviews 10.

5. Interpretation

MC: The mean value of market capitalization is #5,420 million and a standard deviation value of #15,200 million. The difference between the mean and standard deviation of the data set suggests that there is greater amount of disparity in the data set, thus, market capitalization of the selected quoted construction/real estate and conglomerate companies in Nigeria is subjected to greater variability. There is difference between the minimum value #0.0 and the maximum value #86,700 million for the market capitalization, since market capitalization is the market value of all the equities outstanding shares in the hands of the investors at a particular point in time, thus, construction/real estate and conglomerate companies market capitalization differs across companies.

ROA: This is a financial ratio that shows the percentage of profit a company earns in relation to its overall, hence the higher this ratio for different companies the better the returns or the more profitable the company is. The mean value of this data set for the sampled companies is 0.04 while the standard deviation is 0.07. This shows that the ROA of the selected companies are somewhat similar overtime. This implies that the level of variability of the ROA in these companies is slow. The minimum value of -0.15 shows that there are some of the companies that made losses during the sampled period hence had a negative return on asset. The maximum value of 0.18 shows the highest return on asset by any of the companies during the study period.

5.1. Presentation, Hypothesis Testing of Regression Results

The regression results are hereby presented and discussed. The result in Tables 2 favours the use of the random effect model, this is because the Hausman test is not significant, thus the use of the random effect and more importantly, the Bresuch-Pagan random effect model test significance.

Table-2. Return on asset (ROA) and market capitalization of quoted construction/real estate and conglomerate companies in Nigeria.
Dependent Variable: LMC

Panel A –Variables	Pooled OLS	Random Effect	Fixed Effect	FGLS
Coefficients – ROA	5.835*	5.686**	5.664**	1.108
Standard Error	3.154	2.628	2.702	0.783
T-Test	(1.850)	(2.164)	(2.096)	(1.415)
Prob. Value	0.067	0.030	0.039	0.157
Constant	7.480***	7.486***	7.487***	7.410***
Standard Error	0.242	0.482	0.180	0.129
T-Test	(30.900)	(15.521)	(41.499)	(57.624)
Prob. Value	0.000	0.000	0.000	0.000
Panel B - Diagnostic Test				
R-Squared	0.167	0.133	0.143	0.137
F-Statistics	20.48(0.000)	-	16.95(0.000)	-
Wald Test	-	15.58(0.000)	-	15.61(0.000)
Hausman Test	-	-	0.00(0.971)	-
Bresuch-Pagan RE Test	-	94.58(0.000)	-	-
Heteroscedasticity Test	-	-	132.27(0.000)	-
Serial Correlation Test	-	-	0.664(0.431)	-
Observations	104	104	104	104

Notes: Table 2 reports Pooled OLS, fixed effects, random effects and Feasible GLS regression results of the effects of Return on Asset (ROA) on the value of quoted construction/real estate and conglomerate companies in Nigeria. The dependent variable is the natural logarithm of market capitalization (LMC) the independent variable is return on asset (ROA). The t-statistic values are in parentheses. * Significant at 10%, ** Significant at 5%, *** Significant at 1%. All the values were calculated from the 104 firms-year observations for thirteen quoted construction/real estate and conglomerate companies in Nigeria. The estimation process was facilitated using Stata 13.

5.2. Interpretation and Discussion of Findings

$$LMC_{it} = \alpha_0 + \alpha_1 ROA_{it} + \mu_{it}$$
$$LMC_{it} = 7.486 + 5.686 ROA_{it}$$

Table 2 shows the results of regression analysis of the effects of return on asset on market capitalization of selected quoted construction/real estate and conglomerate companies in Nigeria. The results show that the return on asset has a positive relationship with market capitalization of the selected quoted construction/real estate and conglomerate companies in Nigeria. This implies that increases in return on asset will lead to increase in market capitalization of the selected companies. The result is in conformity with the theory that increases in return on asset will lead to increase in market capitalization.

In addition, there is evidence that return on asset has significant relationship with market capitalization of the selected quoted construction/real estate and conglomerate companies in Nigeria ($\alpha_1 = 5.686$, t-test= 2.164, $p < 0.05$). This implies that return on asset is a factor which determines significantly changes in market capitalization of the selected quoted construction/real estate and conglomerate companies in Nigeria.

Following the a-priori expectation concerning the magnitude of the parameter estimates from the random effect model in column 3 of Table 2, a unit increase in 1 per cent increase in return on asset will lead to 5.686 per cent increase in market capitalization of the selected quoted construction/real estate and conglomerate companies in Nigeria.

The coefficient of determination which measures the proportion of the changes in market capitalization as a result of changes return on asset of the selected quoted construction/real estate and conglomerate companies in Nigeria, shows that return on asset explains about 13 per cent changes in market capitalization, while the remaining 87 per cent were other factors explaining changes in market capitalization of selected of quoted construction/real estate and conglomerate companies in Nigeria but where not captured in the model.

The *t*- test of 2.164 is statistically significant at 5 percent level, $p < 0.05$ indicating that the null hypothesis that return on asset has no significant effect on the value of quoted construction/real estate and conglomerate companies in Nigeria was rejected. Thus, the alternative hypothesis that returns on asset has significant effect on the value of quoted construction/real estate and conglomerate companies in Nigeria was accepted.

The findings in this study shows that return on asset has significant effect on the market capitalization of the selected quoted construction/real estate and conglomerate companies in Nigeria ($\alpha_1 = 5.686$, t-test= 2.164, $p < 0.05$). This indicates that Return on asset (ROA) is a significant factor inducing changes in the market capitalization of the selected quoted construction/real estate and conglomerate companies in Nigeria. However, the findings of the study revealed that the annual return on asset of the companies falls below the

recommended industry average as well as the recommended range for the construction industry itself. In essence a low ROA is an indication of incompetent and underutilization of assets during the time dimension covered by the study.

The findings therefore support the studies conducted by Luthfiah and Suherman (2018) studied the effects of financial performance toward firm value of listed manufacturing companies in Indonesia stock exchange for a time frame of 5years (2012-2016) using panel data analysis with Fixed Effect Model approach and found that return on asset as a measure of financial performance have a positive and significant at 5%level of significance with or without a control variable. In the same vein; Purwanto and Agustin (2017) in their research on Financial Performance towards Value of Firms in Basic and Chemicals Industry showed that the five independent variables used as proxy for financial performance; The study aimed to empirically prove the significant influences of financial performance towards value of firm. The findings indicate that ROA had significant influences towards Price-to-Book Value of the firms which influences firm value.

Also, Batchimeg (2017) carried out a study on the determining factor of performance of 100 Mongolian joint stock companies (JSC) quoted on the Mongolian Stock Exchange (MSE) for a period of 4years from 2012 to 2015. The results of the panel regression show that ROA have more determinants that ROE and ROS such that ROA had significant influences towards Price-to-Book Value of the firms which influences firm value. Ibn-Homaid and Tijani (2015) examined the financial analysis of a construction company in Saudi Arabia. Financial record of a listed construction company on the Saudi Arabia stock exchange market was analysed with the use of financial ratio to predict the financial health status for a period of 5years from 2009 to 2013. The ratio was compared with industry's standard average over a long period of time. The findings revealed that the company is inefficient in the utilization of its assets for the period under study. Furthermore, the company's annual ROA is below the recommended industry average as well as the recommended range for the construction industry itself.

On the contrary, the studies conducted by Samiloglu et al. (2017) who studied the determinant of firm financial Performance with an evidence from quoted 51 firms on the Istanbul Stock Exchange (BIST) over a period of ten years (2006-2015) negates the findings of the current study. Their result concluded that Return on asset (ROA) had a negative return on a firms' value measured by the Price to earnings (PE) ratio. This may be traceable to the variables adopted by the study where they adopted PE ratio of their firms' value and the current study made use of market capitalization. Also, different in the capital structure of the firms involved differs.

This study is of immense importance to the government, corporate organizations, policy makers, financial experts/analysts, accounting professionals, managers and business owners by providing them with empirical evidence on the relationships that exist between different measures of financial performance and value of quoted construction/real estate and conglomerate companies in Nigeria. Economic policy makers could find valuable suggestions to policy makers in these industries on how to further develop the construction/real estate and conglomerates companies in Nigeria as they are highly capital intensive with respect to asset acquisition. Policies should be put in place to combat less efficient management of assets and acquisition of fixed assets at high rates. As this will improve firm performance and create value to the firm. Good firm value attracts more investors and other parties' interests to take part of the company.

6. Conclusion and Recommendation

The study focused on the effect financial performance on value of quoted construction/real estate and conglomerate companies in Nigeria. In achieving this objective, financial performance was measured by Return on asset (ROA). Market capitalization (Market price per share) was used to proxy firms' value from 2010 to 2018 through correlations and linear regression.

The study ascertained that there is a causal relationship between the measure of financial performance and values of construction/real estate and conglomerate companies listed on the NSE over the period of the study. The findings in this study shows that return on asset has significant effect on the market capitalization of the selected quoted construction/real estate and conglomerate companies in Nigeria.

This study recommends that the construction/real estate and conglomerate companies should create policies that will encourage proper utilization of its assets for a better return which will encourage investors and subsequently the firms' value. In recognition of the fact that the going concerns assumption of companies, efficient utilization of asset, appropriate management of assets and profitable return on capital employed is paramount to investors, it is recommended that rather than focusing on the size of the dividend announcement and size of the assets alone, potential investing public should pay attention to the companies' fundamentals in making financial and investment decisions with respect to asset acquisition and utilization.

There are a number of limitations to this study, the first being the availability of information for companies listed on the Alternative Securities and Exchange Market (ASEM). This is a market that is growing and as such the impact should have been included in the study. Second, not all companies that made up the construction industries were used from the total population due to the fact that some of them are not quoted on the NSE and other information is not readily available. However, the data used and analysed for this study achieved the objective of the study and the results are good for generalization. Further research can be

conducted on a group of companies besides construction/real estate and conglomerate companies in order to obtain a more real description, with consideration of the differences in the characteristics of the company using the distinct variables adopted in the present study.

References

Abdullahi, M. (2016). *Firm characteristics, governance mechanisms and financial performance of listed building materials firms in Nigeria*. Unpublished M.Sc. Dissertation Submitted to the Department of accounting, Faculty of Administration, Ahmadu Bello University, Zaria Nigeria.

Adenugba, A., Ige, A., & Kesinro, O. (2016). Financial leverage and firm value: A study of selected firms in Nigeria. *European Journal of Research and Reflection in Management Sciences, 4*(1), 14-32.

Ajibola, A., Wisdom, O., & Qudus, O. (2018). Capital structure and financial performance of listed manufacturing firms in Nigeria. *Journal of Research in International Business and Management, 5*(1), 81-89.

Al Shahrani, S. M., & Zhengge, T. (2016). The impact of organizational factors on financial performance: Building a theoretical model. *International Journal of Management Science and Business Administration, 29*(7), 51-56.

Ansari, A., & Raisi, A. (2016). Taxonomy of marketing strategies using bank customer' clustering. *International Journal of Business and Management, 11*(7), 2-16.

Athanasoglou, P., Delis, M. D., & Staikouras, C. (2006). Determinants of bank profitability in the south eastern. *Munich Personal RePEc Archive*, 1-32.

Batchimeg, B. (2017). Financial performance determinants of organizations: The case of Mongolian companies. *Journal of Competitiveness, 9*(3), 22-33.Available at: https://doi.org/10.7441/joc.2017.03.02

Central Bank of Nigeria. (2018). *CBN half year activity report*. Abuja: The Central Bank of Nigeria.

Charumathi, B., & Ramesh, L. (2015). On the determinants of voluntary disclosure by Indian companies. *Asia-Pacific Journal of Management Research and Innovation, 11*(2), 108-116.Available at: https://doi.org/10.1177/2319510x15576179.

Dainelli, F., Bini, L., & Giunta, F. (2013). Signaling strategies in annual reports: Evidence from the disclosure of performance indicators. *Advances in Accounting, 29*(2), 267-277.Available at: https://doi.org/10.1016/j.adiac.2013.09.003.

Fortune Editors. (2018). 20 companies that lost the most. .

Gangeni, C. (2006). *The relationship between capital structure and the financial performance of the team*. USA: GIBS Publishing.

Gitman, L. J., & Zutter, C. J. (2012). *Principles of managerial finance* (14th ed.). Harlow, England: Pearson Publishing.

Gultom, R. (2013). Analysis of the factors that influence company value in pharmaceutical companies on the Indonesia stock exchange. *Jurnal WiraEkonomi Mikroskil, 3*(01), 22-26.

Ibn-Homaid, N., & Tijani, I. (2015). Financial analysis of a construction company in Saudi Arabia. *International Journal of Construction Engineering and Management, 4*(3), 80-86.

Ibrahim, H., & Samad, F. A. (2011). Corporate governance mechanisms and performance of public-listed family-ownership in Malaysia. *International Journal of Economics and Finance, 3*(1), 105-115.Available at: https://doi.org/10.5539/ijef.v3n1p105.

Kisengo, Z., & Kisengo, H. (2012). Effect of firm characteristics on performance of the microfinance sector in nakuru, Kenya. *International Journal of Science and Research*, 2319-7064.

Kosmidou, K. (2008). The determinants of banks' profits in Greece during the period of EU financial integration. *Managerial Finance, 34*(3), 146-159.Available at: https://doi.org/10.1108/03074350810848036.

Lindow, C. (2013). *A strategic fit perceptive on family firm performance*. Germany: Springer Fachmedien Wiesbaden.

Luthfiah, A. A., & Suherman. (2018). The effects of financial performance toward firm value with ownership structure as moderating variable the study on manufacturing companies listed in Indonesia stock exchange in the period of 2012-2016. *Journal of Business and Behavioural Entrepreneurship, 2*(1), 18-27.

Murni, S., Sabijono, H., & Tulung, J. (2019). The role of financial performance in determining the firm value. *Advances in Economics, Business and Management Research, 73*(3), 66-70.

Ogiriki, T., Andabai, P., & Priye, W. (2018). Determinants of capital structure and firm's performance in Nigeria (1989-2014): An empirical investigation approach. *International Journal of Accounting, 1*(3), 201-224.

Olowe, R. A. (2017). *Financial management: Concepts, financial system and business finance* (4th ed.). Lagos, Lagos, Nigeri: Brierly Jones Nigeria Limited.

Onyekwelu, U., Nnadi, C., & Iyidiobi, F. (2018). Evaluation of firms' corporate financial indicators and operational performance of selected firms in Nigeria. *Research Journal of Finance and Accounting, 9*(4), 20-29.

Pervan, M., & Višić, J. (2012). Influence of firm size on its business success. *Croatian Operational Research Review, 3*(1), 213-223.Available at: https://doi.org/10.1515/9783110825787-010.

Purwanto, P., & Agustin, J. (2017). Financial performance towards value of firms in basic and chemicals industry. *European Research Studies Journal, 20*(2A), 443-460.Available at: https://doi.org/10.35808/ersj/652.

Riasi, A. (2015). Barriers to international supply chain management in Iranian flower industry. *Management Science Letters, 5*(4), 363-368.Available at: https://doi.org/10.5267/j.msl.2015.2.005.

Riasi, A., & Pourmiri, S. (2016). Examples of unsustainable tourism in Middle East. *Environmental Management and Sustainable Development, 5*(1), 69-85.Available at: https://doi.org/10.5296/emsd.v5i1.8705.

Rivard, R. J., & Thomas, C. R. (1997). The effect of interstate banking on large bank holding company profitability and risk. *Journal of Economics and Business, 49*(1), 61-76.Available at: https://doi.org/10.1016/s0148-6195(96)00041-0.

Rosikah, D., Dzulfikri, A., Muh, I., & Miswar, R. (2018). Effects of return on asset, return on equity, earning per share on corporate value. *The International Journal of Engineering and Science, 7*(3), 6-14.

Samiloglu, F., Oztop, A. O., & Kahraman, Y. (2017). The determinants of firm financial performance: Evidence from Istanbul stock exchange (BIST). *Journal of Economics and Finance, 8*(6), 62-67.

Spence, A. (1973). Labour market signalling. *Quarterly Journal of Economics, 87*(3), 355-374.

Thafani, A., & Abdullah, M. (2014). Impact of dividend payout on corporate profitability: Evident from Colombo stock exchange. *Advances in Economics and Business Management, 1*(1), 27-33.

Ulil, H., Bambang, S., & Djumahir, G. (2013). Firm characteristics, corporate governance and firm value. *International Journal of Business and Behavioral Sciences, 3*(1), 8- 9.

Velnampy, T., Nimalthasan, M. P., & Kalaiarasi, M. K. (2014). Dividend policy and firm performance: Evidence from the manufacturing companies listed on the colombo stock exchange. *Global Journal of Management and Business Research, 12*(2), 45-49.

Vintila, G., & Nenu, E. A. (2015). An analysis of determinants of corporate financial performance: Evidence from the bucharest stock exchange listed companies. *International Journal of Economics and Financial Issues, 5*(3), 732-739.

World Bank. (2018). World bank development Indicator, statistics on the manufacturing and construction sectors in Africa.