Effect of Firm Attributes on Firm Value of Listed Consumer Goods Firms in Nigeria

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ABSTRACT

This study investigates the effect of firm attributes on firm value of listed consumer goods firms in Nigeria. The variables used in the study includes firm size, firm age, liquidity, financial leverage (independent variable) and firm value which is the dependent variable is proxied by share price. Ex-post facto research design was used for the study. The population of the study was all the listed consumer goods companies. Ten consumer goods companies on the floor of Nigeria Exchange Group from 2012 – 2023 (12 years) was used for the study. Secondary data was employed for the study from annual report of the sampled companies. Descriptive statistics of mean, standard deviation, minimum, maximum, correlation and regression analysis was employed for the study. The regression model favoured random effect model. Findings showed that firm age has a significant and positive effect, firm size revealed significant and positive on share price of listed consumer goods companies. Liquidity had negative significant and financial leverage showed an insignificant and positive on share price of listed Consumer Goods Companies in Nigeria. It was concluded that older and larger firms benefit from established market presence, operational efficiencies, and enhanced stakeholder trust, which collectively boost their valuation. The study recommended amongst others that companies should optimize liquidity management by channelling excess funds into innovative projects, research, and sustainable investments to improve resource efficiency and societal impact.

Keywords: Firm Size, Liquidity, Operating Efficiency, Firm Growth and Share Price

INTRODUCTION

All investors, whether institutional or individual, share a common goal when investing in shares: to maximize expected returns at a preferred level of risk. Firm value, which represents the market's perception of a company's ability to generate future cash flows, is a crucial metric in assessing a company's performance, financial stability, and long-term sustainability. Globally, researchers have used various indicators, including market capitalization, Tobin's Q, return on assets (ROA), and price-to-earnings (P/E) ratio, to evaluate firm value. These indicators provide critical insights into the financial performance and market positioning of companies (Bessler et al., 2022). For consumer goods companies in Nigeria, firm value reflects the effectiveness of corporate strategies in maximizing shareholder wealth, aligning with the fundamental goals of corporate finance (Gillan et al., 2021).

Economic and financial factors significantly influence stock market behavior worldwide. According to signaling theory, stock prices reflect expected corporate performance, as investors prioritize firms that report strong profitability to maximize their returns. The Nigerian stock market is vital for economic growth, allocating resources to productive activities, and fostering financial stability (Sudhahar & Raja, 2010). Firm characteristics, or internal factors, are key determinants of share prices and, consequently, firm value. These attributes include firm size, liquidity, leverage and firm age which directly influence a firm's market performance. External factors, such as macroeconomic indicators like GDP growth, inflation, exchange rates, and monetary policies, also impact firm value, though they fall outside a firm's control.

In the Nigerian consumer goods sector, firm characteristics are particularly influential in shaping investor perceptions and determining share prices. The sector operates in a competitive environment where commodity prices are subject to the forces of demand and supply. Internal characteristics such as dividends per share, earnings per share, price-earnings ratio, and operating efficiency are among the critical factors affecting share value (Somoye et al., 2009). Other determinants include corporate governance, profitability, market stability, and investor perceptions, which interact with firm-specific factors to influence overall firm value (Sunde & Sanderson, 2009).

Despite extensive research on the relationship between firm characteristics and firm value, findings often vary due to methodological differences, such as sample size, study periods, and analysis techniques. For instance, studies on firm characteristics in Nigeria have focused on diverse sectors, including manufacturing, food and beverages, and building materials, but few have specifically examined the consumer goods sector, which plays a strategic role in the Nigerian economy. The sector faces unique challenges, such as fluctuating foreign exchange rates and inflation, which affect production costs and consumer purchasing power. These economic pressures underscore the need to explore firm characteristics such as size, liquidity, leverage, and operational efficiency within the context of Nigerian consumer goods companies.

Unlike other sectors, the consumer goods industry in Nigeria is characterized by a high level of competition and sensitivity to regulatory policies. This sector also deals with challenges related to import dependency for raw materials, which increases exposure to exchange rate volatility. Consequently, firm characteristics like liquidity and financial leverage play a critical role in navigating these challenges, ensuring operational efficiency and long-term sustainability.

Existing studies have largely overlooked operational efficiency as a key determinant of firm value, despite its significant impact on resource utilization and shareholder wealth. Operational efficiency reflects management's ability to optimize resources, minimize costs, and generate corporate wealth, directly enhancing firm value (Amarjit et al., 2014; Baik et al., 2010). This study addresses these gaps by examining operational efficiency alongside other firm characteristics to determine their collective impact on the value of listed consumer goods companies in Nigeria.

Prior research in Nigeria has typically measured firm value using year-end share prices, which may not accurately reflect the dynamic relationship between firm characteristics and firm value. By employing Tobin's Q and the quarterly average share price as measures of firm value, this study aims to provide a more comprehensive understanding of how firm-specific attributes influence market performance. Additionally, the unique challenges and opportunities within the consumer goods sector warrant a focused examination, separate from other sectors, to inform strategic decision-making and policy formulation in this critical industry.

LITERATURE REVIEW

This chapter delves into the concepts of firm value and firm attributes, offering a review of relevant empirical literature on the relationship between these attributes and firm value. It also explores the theoretical frameworks that form the foundation of the study.

Share Price

Share price, defined as the price at which a company's stock trades on the stock exchange, is a dynamic measure of firm value (Rahman et al., 2023). It is influenced by various factors, including market perception, financial performance, and macroeconomic conditions. Share price is crucial because it captures real-time investor sentiment, serving as a barometer of the firm's market standing. For listed consumer goods companies in Nigeria, share price is particularly significant, as it reflects the impact of sectoral trends, such as changing consumer preferences and inflation, on company performance.

Share price is the most preferred dimension of firm value in this study due to its direct and measurable nature. Unlike other metrics, share price is a market-driven variable that encapsulates both current performance and future expectations. For consumer goods companies in Nigeria, which operate in a highly competitive and

inflation-sensitive market, share price effectively mirrors investor reactions to operational strategies, market share, and financial health. Moreover, it provides an objective benchmark for comparing firms within the sector, facilitating robust and meaningful analysis.

Firm Age

Firm age represents the number of years a company has been in operation, reflecting its experience and market maturity. Loderer and Waelchli (2010) define firm age as the time elapsed since a company's founding, which often correlates with accumulated knowledge and established reputation. Bunkanwanicha and Wiwattanakantang (2021) describe it as an indicator of organizational learning, resilience, and brand equity. Similarly, Ayyagari et al. (2014) consider firm age as a proxy for institutional stability and market credibility. Firm age plays a vital role in enhancing stakeholder trust, as older firms are often perceived as more reliable and less risky investments. However, older firms may face challenges like bureaucratic rigidity, which can hinder innovation.

Firm Size

Firm size refers to the scale of a company's operations, often measured by metrics such as total assets, revenue, or market capitalization. Penrose (1959) defines firm size as the extent of a company's resources and capabilities that influence its ability to scale operations. Greiner (1972) describes firm size as a determinant of organizational complexity and managerial hierarchy. Chen et al. (2022) highlight it as a factor affecting a firm's market power and competitive advantage. Larger firms benefit from economies of scale, broader market reach, and resource availability. However, increased size can lead to inefficiencies, including slower decision-making processes.

Liquidity

Liquidity refers to a firm's ability to meet its short-term financial obligations using readily available assets. Ross et al. (2019) define liquidity as the ease with which a company can convert assets into cash without significant value loss. Myers and Majluf (1984) describe it as a measure of financial flexibility and operational efficiency. Berger et al. (2021) view liquidity as a safeguard against financial distress and an enabler of strategic investments. Adequate liquidity allows firms to sustain operations during downturns and seize growth opportunities. However, excessive liquidity may signal inefficiencies, as idle funds could be better utilized in profitable ventures.

Financial Leverage

Financial leverage refers to the extent to which a company uses borrowed funds to finance its operations and investments. Modigliani and Miller (1958) define leverage as the ratio of debt to equity in a firm's capital structure, influencing the risk-return profile. Jensen and Meckling (1976) describe it as a tool for capitalizing on growth opportunities while balancing risks. Baker et al. (2021) consider leverage a strategic mechanism for enhancing shareholder returns. While leverage enables firms to amplify earnings potential, excessive reliance on debt can lead to financial distress and reduced firm value.

Firm attributes such as age, size, liquidity, and leverage collectively shape a company's strategic positioning and financial resilience. Firm age and size contribute to stability, market credibility, and competitive strength. Liquidity ensures operational continuity and flexibility, while financial leverage provides a mechanism for financing growth. These attributes, when managed strategically, enable companies to adapt to changing market conditions, maximize value creation, and sustain long-term success.

THEORETICAL FRAMEWORK

Trade-Off Theory

The Trade-Off Theory, propounded by Kraus and Litzenberger in 1973, posits that firms balance the costs and benefits of debt financing to determine an optimal capital structure. The theory assumes that firms aim to maximize their value by balancing the tax shield benefits of debt with the bankruptcy costs and agency costs

associated with high leverage. Over time, researchers such as Myers (1984) and Frank and Goyal (2003) have refined the theory, emphasizing its application in explaining firm leverage decisions and its relevance to firm value. In the context of this study, the Trade-Off Theory is particularly pertinent to understanding the role of financial leverage in influencing the share price of listed consumer goods companies. It suggests that the optimal leverage ratio can positively affect firm value if appropriately managed. However, the theory has been critiqued for its oversimplification of real-world scenarios, as firms often deviate from the theoretical optimal leverage due to behavioral factors and market imperfections. Despite these limitations, the theory provides a robust framework for analyzing the relationship between financial leverage and firm value in the Nigerian context.

Resource-Based View (RBV)

The Resource-Based View (RBV), introduced by Wernerfelt in 1984, emphasizes that a firm's resources and capabilities are fundamental drivers of its competitive advantage and value creation. The RBV assumes that firms are heterogeneous in terms of their resource endowments and that these resources, if valuable, rare, inimitable, and non-substitutable (VRIN), lead to sustainable competitive advantages. Barney (1991) expanded on this framework, integrating it with strategic management theories to explain how firms can achieve superior performance. This theory is relevant to this study as it highlights the significance of firm-specific attributes, such as firm size and age, in determining firm value. Larger and older firms, possessing unique resources and institutional knowledge, are more likely to leverage these advantages to enhance their market valuation. A critique of the RBV is its limited focus on external market dynamics and its assumption that resources remain valuable over time, which may not hold true in rapidly changing environments. Nevertheless, the RBV offers critical insights into how internal attributes like firm size and age contribute to firm value in the consumer goods sector.

This study should anchor on the Resource-Based View (RBV) as it provides a comprehensive explanation of how firm-specific attributes, such as size and age, influence firm value. The RBV's focus on internal resources aligns closely with the study's objective to examine firm attributes, offering a robust theoretical framework to understand their impact on share price within the Nigerian consumer goods industry.

Empirical Review

Rahman et al. (2023) analyzed the role of firm size on the market value of manufacturing firms in Bangladesh from 2010 to 2020, using panel data regression. The study, based on 120 listed firms, found that larger firms enjoy a significant positive impact on firm value due to economies of scale and market power. However, the findings are limited in relevance to the Nigerian consumer goods sector, given differences in sectoral dynamics and the use of Tobin's Q instead of share price as the proxy for firm value.

Ahmed and Yusuf (2022) examined the influence of firm age on firm value among 85 listed consumer goods firms in India from 2015 to 2021. Their findings revealed a significant positive relationship, suggesting that older firms benefit from accumulated reputation and market trust, though this effect diminishes over time. While the study provides valuable insights, the use of market capitalization as a proxy for firm value and the shorter time frame limit its applicability to the Nigerian context.

Chen and Zhang (2023) investigated the effect of liquidity on firm value among Chinese technology firms from 2012 to 2022, employing the Generalized Method of Moments (GMM). The study, involving 100 firms, found a negative and significant relationship, indicating that excessive liquidity might signal inefficiencies that reduce market valuation. While the findings align with the current study's results, the focus on technology firms and the use of the price-to-book ratio as the dependent variable reduce direct comparability.

Johnson et al. (2022) explored the impact of financial leverage on firm value among 70 listed South African industrial firms from 2010 to 2021. Using fixed-effects panel regression, they found a positive but statistically insignificant relationship between financial leverage and firm value, highlighting the limited role of leverage in influencing valuation. Though this study aligns in its use of share price as a proxy for firm value, differences in sectoral focus and economic environments may affect relevance to Nigeria's consumer goods companies.

Garcia and Lopez (2023) examined the joint impact of firm size and liquidity on firm value in Brazil from 2011

to 2022. Based on structural equation modeling, the study analyzed 150 listed firms and found a positive influence of firm size and a non-linear relationship between liquidity and firm value, where moderate liquidity enhanced value, but excessive liquidity reduced it. While the nuanced findings on liquidity offer insights, the study's reliance on the return on equity metric limits its comparability to the Nigerian context, where share price is more directly tied to investor sentiment.

Musa et al. (2022) analyzed the combined effects of firm age and financial leverage on firm value among 50 listed consumer goods firms in Ghana from 2012 to 2021. Using random-effects regression, they observed that older firms with moderate leverage achieved higher firm value, emphasizing stability and prudent financial management. While these findings resonate with the current research, the use of Tobin's Q as the proxy for firm value limit their direct application to this study on Nigerian consumer goods companies.

METHODOLOGY

Ex-post facto was adopted for this study. The population of this study consists of 21 consumer goods companies listed on the Nigerian Stock Exchange as at 31st December, 2023. The study however, focused on 9 consumer goods companies that are not into beverages and have complete financial records on their websites or Nigerian Stock Exchange for the period of 2012 – 2023. Ten firms were therefore sampled for the study. The data was obtained from the corporate governance and financial statement of annual reports and accounts of the ten (10) listed consumer goods companies.

Technique for Data Analysis

In analyzing the data, both the inferential and descriptive statistics will be adopted. Descriptive statistics was used to summarize the basic characteristics of the data. The statistics included mean, median, minimum and maximum. Also, correlation matrix was used to explain the relationship between each of the firm characteristics and firm value. In order to achieve reliability of the result, robustness tests like Multicolinearity test, Hausman test, Lagrangian multiplier test for random effect and Heteroscedasticity test will be conducted. These tests are discussed in the robustness section. Also, to determine the best choice of analysis technique, the study run three types of regression; Ordinary Least Square (OLS), Fixed Effect and Random Effect regression. All these method have various assumptions and conditions that must be fulfilled in order to achieve efficient estimates. However, the best techniques was decided by the Hausman Specification test (either fixed effect or random effect regression) and Lagrangian Multpiplier Test (either random effect or OLS).

The measurement of the variables are presented in Table 3.2

Table 2: Measurement of Variables

Variable Acronym	Variable Name	Variable Measurement	Source
SP	Share Price	The annual average of the market price of shares of the firms	(Mahmud, 2016)
FSIZE	Firm Size	Natural logarithm of a firm's total assets	(Dogan, 2013)
LIQT	Liquidity	The ratio of firm's current assets to current liabilities	(Owolabi & Obida, 2012)
FA	Firm FA	The year the firm was established to the present year of the study	(Mohammed & Usman, 2016)
FL	Financial Leverage	Measured as the ratio of firm's total debt to equity	(Salehi, 2009)

Source: Compiled by the Author from Various Literature

Model Specification and Variables Measurement

In order to achieve the objectives of this study and test of the hypotheses, a functional relationship in form of multiple linear regression model consisting of dependent and independent variables is formulated.

$$SP_{it} = \beta_0 + \beta_1 FA_{it} + \beta_2 LIQD_{it} + \beta_{3it} + \beta_4 FL_{it} + \beta_5 FS_{it} + \varepsilon_{it}$$

Where; β_{0-5} = Intercept; ε = Error Term; $_{it}$ = Firm i at time t; SP = Share Price; FA = Firm Age; LIQD = Liquidity; FS = Firm Size; FL = Leverage

RESULTS AND DISCUSSION OF FINDINGS

This section presents the result obtained from the descriptive statistics and regression technique analysis.

Descriptive Statistics

The result of the descriptive analysis is presented in Table 2.

Variable	Obs	Mean	Std. Dev.	Min	Max
SP	108	41.01491	49.98823	0.1724	213.95
FA	108	47.5	22.86388	7	100
FL	108	0.5913266	0.1729363	0.0903427	1.134133
LIQD	108	1.264039	0.534424	0.114343	3.104529
FS	108	7.933677	0.6208394	6.240489	9.028837

Source: Result of analysis using STATA version 15

Table 2 presents ₦41.01 as the mean value of share price (SP), representing the average market valuation of shares for the consumer goods companies in Nigeria during the study period. This implies that most companies have a moderate share price, although the maximum share price recorded is ₦213.95, while the minimum is ₦0.17, highlighting significant disparities in market valuation among the firms. The standard deviation of ₦49.99 reflects a wide variation in share prices, indicating substantial differences across the sampled firms.

The table also reveals that the mean value for firm age (FA) is 47 years, suggesting that, on average, the sampled companies have been in operation for nearly five decades. The maximum firm age recorded is 100 years, while the minimum is 7 years, indicating that the dataset includes both long-established and relatively new companies. The standard deviation of 22 years shows moderate variation in the ages of the firms under study.

For financial leverage (FL), the mean value is 0.59, indicating that, on average, the companies utilize moderate levels of debt financing relative to equity. The maximum leverage recorded is 1.13, and the minimum is 0.09, showing that some firms rely heavily on debt, while others maintain very low leverage. The standard deviation of 0.17 signifies relatively low variability in financial leverage among the companies.

Liquidity (LIQD) has a mean value of 1.26, indicating that, on average, the companies maintain sufficient current assets to cover their current liabilities. The maximum liquidity ratio recorded is 3.10, while the minimum is 0.11, suggesting a broad range in short-term financial health. The standard deviation of 0.53 shows moderate variation in liquidity levels across the firms.

Lastly, firm size (FS), measured as the natural logarithm of total assets, has a mean value of 7.93, suggesting that the companies are generally of moderate size. The maximum firm size recorded is 9.03, while the minimum is 6.24, indicating some variability in asset bases. The standard deviation of 0.62 reflects relatively low variation

in firm size among the sampled companies.

The result of the correlation analysis is presented in Table 3

	SP	**FA**	**FL**	**LIQD**	**FS**
SP	1				
FA	0.1908	1			
FL	0.3416	0.2741	1		
LIQD	-0.4085	-0.1398	-0.5616	1	
FS	0.1663	-0.1978	-0.0723	-0.0186	1

Source: Researcher's computation

The correlation matrix presented in Table 3 indicates the absence of multicollinearity among the explanatory variables, as the relationships between the independent variables are all below the threshold of 0.75, which is considered harmful for regression analysis (Gujarati & Sangeeta, 2007; Greene, 2008). The results show a moderate positive relationship between share price (SP) and financial leverage (FL), indicating that as financial leverage increases, share price tends to increase moderately. Similarly, SP has weak positive correlations with firm size (FS) and firm age (FA), suggesting minimal influence of these variables on share price.

On the other hand, liquidity (LIQD) has a significant negative correlation with SP, indicating that higher liquidity levels may be associated with lower share prices. LIQD also exhibits a strong negative relationship with FL, suggesting that firms with higher leverage tend to have lower liquidity. Firm size shows weak negative correlations with LIQD, FL, and FA, indicating minimal inverse relationships among these variables.

By implication, the regression results are expected to reveal a moderate positive effect of FL on SP, a weak positive impact of FS and FA on SP, and a significant negative effect of LIQD on SP. Additionally, the low correlations among the independent variables suggest that the regression analysis will not suffer from multicollinearity issues, ensuring the reliability of the model's results.

REGRESSION RESULTS

Various diagnostics tests were carried out to guarantee the robustness of the results presented in this study. Data normality test was done using Shapiro-Wilk W test at 0.05. However, only liquidity showed that the data was normally distributed hence the value was above 0.05 (0.22689). The other variables indicated abnormal distribution, however normality was assumed hence the number of observation for the study is 108 which is above 30 observation according to Central Limit Theorem (CLT) (Keller, 2018). Multi-collinearity in the model was tested using Variance Inflationary Factor (VIF) statistics, and correlation matrix. The VIF value for all variables of the study is 1.30. These reveal the absence of multi-collinearity among the variables as all the independent variables VIF are more than 1 but less than 10. Hausman specification test favoured Random Effect (RE) hence the P value was more than 0.05 (0.0862). Lagrangian multiplier test was below 0.05 (0.0000) the study therefore employed RE as against Pooled OLS. The heteroskedasticity test was below 0.05 (0.000) which means there was presence of error term. Therefore the study employed Random Effect Model robust to correct error term.

Table 4: Random Effect Regression Model (Robust)

Obs:	108			
R-Square:	0.8079			
P- value:	0.0080			

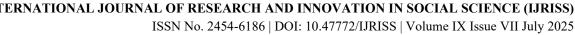| Wald Chi2(4): 13.78			
SP	**Coefficient**	**Z**	**P>t/z/**
FA	0.411574	2.06	0.018
FL	0.015893	0.00	0.999
LIQD	-3.420462	-2.59	0.007
FS	28.07344	2.89	0.004
_cons	-196.9463	-2.66	0.008

Source: Result of analysis using STATA version 15

The regression result in Table 4 revealed that the coefficient of multiple determination (R-Square) indicates that about 80.79% of the cross-sectional systematic variation in the dependent variable of firm value (proxied by share price) is accounted for by the explanatory variables of firm age, firm size, financial leverage, and liquidity, while the remaining 19.21% of the variation is accounted for by other factors not considered in this study. This implies that most of the variation in firm value can be attributed to the identified firm attributes, while the unexplained portion may be due to external market conditions or managerial decisions.

Furthermore, the results in Table 4 reveal that firm age (FA) has a positive and significant effect on firm value (coefficient = 0.411574, P-value = 0.018). This implies that an additional year in a firm's age increases the share price by approximately 0.41 units. This finding supports the notion that older firms are perceived to be more stable and experienced, thus enhancing their market value. This result is statistically significant at the 5% level, leading to the rejection of the null hypothesis. The finding aligns with studies such as Harahap (2023), which suggest that firm maturity enhances firm value.

The coefficient of financial leverage (FL) indicates a positive but insignificant effect on firm value (coefficient = 0.015893, P-value = 0.999). This suggests that while an increase in financial leverage might slightly raise the share price, the effect is negligible and statistically insignificant. Consequently, the null hypothesis is accepted, concluding that financial leverage does not have a significant effect on firm value. This finding contrasts with the studies of Wiedjaja and Eriandani (2021), which highlight the potential role of leverage in influencing firm valuation.

The result for liquidity (LIQD) shows a negative and significant effect on firm value (coefficient = -3.420462, P-value = 0.007). This implies that a unit increase in liquidity reduces the share price by approximately 3.42 units. While liquidity is often associated with financial flexibility and reduced insolvency risk, excessive liquidity may instead signal resource underutilization or poor capital allocation decisions by management, leading investors to discount firm value. High liquidity might imply that a company is holding substantial idle cash or liquid assets rather than deploying them into profitable ventures such as expansion, product development, or dividend payouts, which could erode investor confidence and depress stock prices. From a managerial perspective, excessive liquidity can also reflect overly conservative financial policies or risk aversion, potentially signaling that management lacks profitable investment opportunities or strategic vision. Investors might perceive such firms as less dynamic and growth-oriented, expecting lower returns on equity compared to competitors who reinvest excess cash into high-yielding projects or distribute it as dividends. In capital markets, idle cash holdings can also raise concerns about potential agency problems. From a macroeconomic perspective, high liquidity may also interact with broader economic conditions. For instance, during periods of economic expansion, holding excess liquid assets can represent an opportunity cost, as inflationary pressures or rising interest rates can erode the real value of cash and liquid investments. Conversely, in uncertain or recessionary environments, although liquidity cushions can protect against shocks, excessive cash reserves might still be penalized by markets if they suggest a lack of agility or reluctance to capitalize on growth opportunities. The result is statistically significant at the 5% level, leading to the rejection of the null hypothesis. This finding aligns with the studies of Wiyantoro and Usman (2018), which document the negative impact of excessive liquidity on firm performance.

The coefficient for firm size (FS) reveals a positive and significant effect on firm value (coefficient = 28.07344, P-value = 0.004). This suggests that an increase in firm size leads to a substantial rise in share price by approximately 28 units. This finding supports the argument that larger firms enjoy economies of scale, market dominance, and investor confidence, enhancing their market valuation. The result is statistically significant at the 5% level, resulting in the rejection of the null hypothesis. This is consistent with prior findings, such as those by Muhammad (2020).

Finally, the constant term indicates a negative and significant intercept (coefficient = -196.9463, P-value = 0.008), which suggests that in the absence of the explanatory variables, the firm value would be negative, albeit this may not have a direct economic interpretation in this context.

CONCLUSION AND RECOMMENDATIONS

Older and larger firms benefit from established market presence, operational efficiencies, and enhanced stakeholder trust, which collectively boost their valuation. Excessive liquidity might reflect underutilized resources or inefficiencies that detract from firm performance. Financial leverage, have a limited role in influencing firm valuation within the sample.

To enhance firm value, it is recommended that companies should optimize liquidity management by channeling excess funds into innovative projects, research, and sustainable investments to improve resource efficiency and societal impact. Firms should leverage their size by utilizing economies of scale, diversifying operations, and adopting advanced technologies to remain competitive in a rapidly changing global market. Older firms should embrace adaptability by fostering innovation, forming strategic partnerships, and aligning with market trends to sustain relevance and competitiveness. To strengthen the policy implications, regulators could encourage firms to adopt optimal liquidity management practices by introducing disclosure requirements that differentiate between strategic cash reserves and unproductive excess liquidity, ensuring greater transparency for investors. Investors, on the other hand, should critically assess liquidity levels when valuing firms, recognizing that high liquidity does not always imply financial strength but may reflect missed growth opportunities or poor resource allocation. Such measures could enhance capital market efficiency by promoting informed investment decisions and encouraging firms to balance liquidity with active value creation. Lastly, while financial leverage showed limited influence, firms should adopt balanced financing strategies, including sustainability-linked instruments, to support growth and align with global sustainability goals.

LIMITATIONS TO THE STUDY

A key limitation of this study lies in its reliance on share price as the sole measure of firm value, as share prices can be highly volatile and influenced by external factors such as investor sentiment, macroeconomic shocks, market speculation, and liquidity issues, which may not accurately reflect a firm's intrinsic performance or long-term prospects. This reliance potentially overlooks broader dimensions of value, such as operational efficiency, intangible assets, and sustainable growth indicators that might be captured by alternative measures like Tobin's Q, market-to-book ratio, or Economic Value Added (EVA). However, the use of share price was necessary because it remains the most direct and widely recognized market-based indicator of value, reflecting investors' collective assessment of a company's future cash flows and risk profile. More so, share price is readily accessible, comparable across firms, and central to market-driven valuation, making it a practical and standardized metric for examining how liquidity, governance, and other financial factors influence firm value in the Nigerian capital market context.

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