

FIRM LIFE CYCLE AND FINANCIAL PERFORMANCE: EVIDENCE FROM NIGERIA

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ABSTRACT

There are limited scholarly works in Nigeria about whether firm life cycle has any bearing on financial performance. This study has filled this gap as it examines the effects of firm life cycle on financial performance of 91 listed firms in Nigeria over a ten-year period (2010-2019) using a correlational research design. Data were collected from the annual reports and accounts of the sampled firms and analysed using descriptive (mean, standard deviation, minimum mean and maximum mean) and inferential analytical techniques (Pearson Product Moment Correlation and Multiple Regression Analysis). We find maturity stage to have positive and significant effect on financial performance. However, we fail to find any significant effect at introductory stage, growth stage and shake-out stage. The study, therefore, concludes that the business stage of maturity is the most critical stage in financial performance consideration. The study recommends among others that managers should pay greater attention to their businesses, particularly during the period of maturity to avoid shakeout or decline.

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1. INTRODUCTION

A leading body of study has suggested that firms undergo life-cycle stages and that these stages are characterized by marked differences in financial performance (Inyama & Nwankwo, 2016; Maksimovic & Phillips, 2004). The evidence suggests that changes in firm life cycle have notable influence on firm financial performance. However, little is known about the association with a firm's financial performance at different stages of firm life cycle. This is particularly true in Nigeria where very little or no interest is shown by scholars in this regard. In this study, we examine whether differences in firm-specific life cycle stage affects financial performance. We focus on the five stages of firm life cycle: introductory stage (start), growth stage, maturity stage, decline stage and shakeout stage (restructure). We also focus on three forms of financial performance measures: Return on capital employed (ROCE), internal rate of return (IRR) and economic value added (EVA). Specifically, we ask whether firm activities at the introductory stage affect return on capital employed, internal rate of return and economic value-added. We further ask whether firm operations at the growth stage affect return on capital employed, internal rate of return and economic value-added. We also ask whether firm operations at the maturity stage influence its return on capital employed, internal rate of return and economic value-added. The study was also interested in whether firm operations at the decline stage influence return on capital employed (ROCE), internal rate of return (IRR) and economic value added (EVA). Finally, we examine whether firm operations at the shakeout or restructuring stage influence return on capital employed, internal rate of return and economic value-added. While there are few prior literature that examined the link between firm life cycle and financial performance (Ashbaugh-Skaife et al., 2009; Ogneva et al., 2007), this study is one of the few attempts to interrogate the effects of firm life cycle on firm financial performance. Perhaps, in order to achieve this objective, the following statements of hypotheses are tested:

HO1: Business introductory stage has no significant effect on financial performance of listed firms in Nigeria.

HO2: Business growth stage has no significant effect on financial performance of listed firms in Nigeria.

HO3: Business maturity stage has no significant effect on financial performance of listed firms in Nigeria.

HO4: Business decline stage has no significant effect on financial performance of listed firms in Nigeria.

HO5: Business shakeout stage has no significant effect on financial performance of listed firms in Nigeria.

This study is significant in many respects. Stakeholders such as managers, employees, creditors, governments, regulators, tax authorities, researchers, corporate promoters, angelic funds providers, business starters, entrepreneurs and dreamers will benefit from the findings of the study. Also, the study contributes to our understanding of concepts, empirics,

theories, models and methods. The remaining parts of the study are organized into literature review, methodology, results, conclusions and recommendations. Section two describes prior literature in terms of key concepts, empirics and theories. Section three introduces models and methodology and section four discusses the results and section five concludes and offers recommendations.

2. LITERATURE REVIEW

The ultimate goal of the firm is to maximize shareholders' wealth. This is achieved through strategies that enhance financial performance by increasing revenue and at the same reducing costs associated with generating such revenue. Thus, financial performance is an important phenomenon within the realm of corporate existence. While, it is true that the primary goal of the firm is to create customers, it is unimaginable that the firm will be able on sustainable basis deliver on this goal without sustainable delightful performance. Financial performance measures the ability and capacity of the firm to add value to inputs and produce outputs that are measurable in monetary terms. It measures how well a firm is able to convert resources into wealth. A good financial performance is highly desirable among stakeholders. Government at all levels need firms to perform financially well in order to help create jobs and wealth with attendant multiplier effects on the economy in terms of taxes, salaries, wages and pension payments. Firms are the macro unit of the economy, so a healthy firm contributes to a healthy economy. Financial performance is often discussed in the context of several concepts such as return on capital employed, internal rate of return, economic value added, return on assets, return on equity, return on investment, return on sales, earnings per share, dividend per share, share price and market value relative to book value of equity. However, in this study, three concepts of firm financial performance were discussed, namely: return on capital employed, internal rate of return, economic value added. Return on capital employed (ROCE) indicates the capacity of the firm to turn investment assets regardless of the supplier and the conditions attached to it to generate income. It is measured as profit before interest and taxes divided by capital employed.

Internal rate of return (IRR) is a measure of return internal to each investment asset. This suggests that different investment assets have different rate of return given the specifics of each investment asset. One of the advantages of using the IRR is that it accounts for the time value of money by taking into consideration the rate of inflation in the economy. However, it fails to discriminate in terms of the size of the investment assets. It simply compares cash flows to the amount of initial investment assets without looking at the investment assets size. Economic value added (EVA) is actually the excess value created from economic engagement. It is in a sense the excess value created over and above the internal rate of return or expected rate of return. It is the excess left after removing the cost of capital from profit made, after adjusting for taxes. Firm financial performance is influenced by several factors. However, this study considers the effects of firm life cycle on financial performance. It is true that firms generally faced stiff competition while trying to secure core competencies for maximizing shareholders' wealth through value creation and sustainable growth. This is done yet undergoing changes in life cycle. A typical firm life cycle starts with introductory phase, growth phase, maturity phase and end with decline phase or shakeout (revival) phase. The introductory stage is a time when the firms first enter the market, and there is a high uncertainty and risks associated with the business. This stage is also a time to invest a lot for future growth. The growth stage is perhaps a time when firms grow and competitors emerge. This stage requires a strategy to survive the dog eats dog situation common competitors, and is also a time when creativity and innovation activities take place. The mature stage is a time when competition is fierce, and firm's sales and business expansion are stagnant. So, this stage is a time when firms need to be more discriminating to get out of the quagmire created by severe competition. The decline stage is a time when the growth of industry stagnates or declines. This stage is the time when firms are pursuing a withdrawal or recovery strategy. Finally, the shakeout stage is a time when the firm need to restructure or reengineer otherwise it will be out of business.

Few empirical studies have examined the nexus between firm life cycle and firm financial performance. For example, Dickinson (2011) examines the impact of firm life cycle on profitability using cash flow patterns as proxy for firm life cycle. The patterns provide a parsimonious indicator of life cycle stage that is free from distributional assumptions and identifies different behaviour in the patterns of profitability. Return on assets does not mean-revert (spread of 7 percent after five years between mature and decline firms) when examined by life cycle stage, which has implications for growth rates and forecast horizons. Also, influencers of future profitability such as asset turnover and profit margin are positively correlated in enhancing profitability conditional on life cycle stage. Wahba and Elsayed (2014) examine both the theoretical and empirical evidence regarding the impact of firm life cycle on financial performance using econometric analysis of a sample of 84 Egyptian listed firms over the period 2005 to 2010. The result provided strong evidence and demonstrated that financial performance is negative in the inception stage; it has exerted a positive and significant coefficient on financial performance for those firms that are in the expansion stage, the maturity stage or the revival stage. Hossain (2014) investigates the impact of the corporate life cycle on the return on equity capital using a sample of Australian firms during the years 1990–2012. The study shows that the return on capital employed declines as the firm life cycle increases. Moreover, when different stages of the firm life cycle are taken into account, the study shows that the return on capital employed is higher in the introduction and decline stages and lower in the growth and mature stages, resembling a 'U' shaped pattern. These findings are robust when subjected to a series of sensitivity tests. Collectively, the results are consistent with the notion that firms in the introduction (or decline) stages are more risky in the sense that their resource base, competitive advantages and capabilities are limited.

Gunu and Adamade (2015) examine the relationship between firm life cycle and financial performance using a pooled and disaggregated dataset for manufacturing industries in Nigeria. An inverse relationship was found existing between firm introductory stage and financial performance. Also, Oluwatayo et al. (2016) investigate the relationships between organisational life cycles and performances of architectural firms in Nigeria. The study was carried out using data collected through self-administered questionnaires from architectural firms in Nigeria. The organisational life cycle stages of the firms were identified using cluster analysis, and the predictors of performances were identified using regression analysis. The results show that only at maturity varied significantly with the organisational performances. Zhou et al. (2016) investigate whether corporate life cycle would affect firm performance in the emerging markets of China. They use Chen et al. (2013) and Dickinson (2011) definition of firm life cycle. They use multivariate regression analysis and find that the impacts on firm performance vary with different stages. The positive impact on firm performance is more significant in maturity and shake-out stages than other stages. Chang et al. (2017) examine the impact of business life cycle on performance. They investigate three stages of business life cycle: growth stage, maturity stage, and stagnant stage. Based on a sample of firms listed in Taiwan Stock Exchange, they find that firms in the growth stage tend to increase financial performance. Habib and Hassan (2017) investigate the financial performance consequences of firms at different stages of firm life cycle. They find that financial performance is higher in the introduction and decline stages of the life cycle, but lower in the growth and mature stages. They also find that during introduction and decline stage (growth and maturity stage) affects future performance positively. Collectively, these results suggest that the firm life cycle has explanatory power for financial performance behaviour. Gulec and Karacaer (2017) analyze the firm life cycle and financial performance indicators. They develop five hypotheses that are related to firm size, profitability, stock returns, liquidity and risk of the firms for three different stages through using descriptive statistics and t test. Results show that matured firms are more profitable and get higher stock returns. Costa, et al. (2017) analyse the relation between firms' life cycles stages and financial ratios. They applied multinomial logistic regression analysis on a sample of 1,515 observations of public companies listed on BM&FBOVESPA between 2005 and 2012. The results show that return on equity is higher at growth and maturity stages.

Diebecker et al. (2017) empirically investigate the levels and the determinants of corporate performance in different stages of the firm life cycle. Based on an international sample of 26,902 firm-year observations for the period 2002 to 2014, they use Dickinson's (2011) firm life cycle measure based on cash flow patterns and return on assets to proxy accounting performance. Drawing on stakeholder theory and the resource based view, they hypothesize and find that corporate performance differs significantly across the life cycle stages and is lower before and after the mature stage. Free funds available increase corporate performance during the growth, mature and the shake-out stages. Bayat and Noshahr (2018) examine the effect of firm life cycle on corporate performance, where firm growth was used as the independent variable and return on investment and capital expenditures as the dependent variable. The population was the firms listed in the Tehran Stock Exchange using systematic elimination sampling method, 130 firms were selected as the sample with study period of 2012-2016. Data collection method was library with multiple regressions, and panel data was used to test the hypotheses. The results indicated that firm growth of has a positive and significant effect on return on investment and capital expenditures. Khamak et al. (2018) examine the relationship between the stages of firm life cycle and performance using data from 118 companies accepted listed on the Tehran Stock Exchange during a period of 7 years. Findings of the research clearly indicated that there is a positive relationship between introduction, growth and maturity stages with firm financial performance.

Alzoubi (2019) investigates how different stages in a firm's life cycle affect their financial performance. The study conducts a fixed effect panel data analysis on a sample of 141 non-financial listed firms from Amman Stock Exchange, over the period 2000-2016. By controlling for firm size, profitability, financial leverage and dividend paying, the results show that during the introduction and growth stages, financial performance are insignificant, while during the maturity and decline stages, financial performance becomes significantly related. Chang and Ma (2019) investigate how different firm life stages influence firm performance. It is found that financially flexible firms in the Chinese stock market generally experience good firm performance, yet the financial performance could gradually be diminishing at their mature stage even firms' financial performance remains consistent with the agency theory. Shahzad et al. (2019) examine the current and future performance of firms across the different firm life cycle stages. They find financial performance to be higher during the introduction and decline stages and lower during the mature and growth stages. Yoo et al. (2019) examine the effects of firm life cycle on performance of the firm. The test results show that firm life cycle differentially affects the performance of the firm. Further, financial performance varies over the firm life cycle. The results provide suggestions that firm financial performance strategies should be made properly considering the environment and circumstances of the firm. Beal and Yasai-Ardekani (2020) examine financial performance relationships of small manufacturing firms competing in four industry life cycle stages – introduction, growth, maturity, and decline. Results indicate that strong pursuit of some competitive strategies generate greater increases in financial performance within and across industry life cycle stages than does strong pursuit of other strategies. The next section describes the methodology of the study.

3. METHODOLOGY

This study uses correlational research design. The sample consists of 91 listed firms on the Nigerian Stock Exchange. The data were collected from the annual reports and accounts of the firms and analysed using both descriptive (mean, standard deviation, minimum mean and maximum mean) and inferential statistics (Pearson product moment correlation and multiple

regression). Diagnostic checks and post estimation tests such as multicollinearity, normality, heteroskedasticity, serial (auto) correlation, stationarity and panel effect were carried out in order to ensure that appropriate regression models are applied. The following models were used to examine the effects of firm life cycle on financial performance:

$$ROCE_{i,t} = \alpha + \beta_1 INT_{i,t} + \beta_2 GRW_{i,t} + \beta_3 MAT_{i,t} + \beta_4 SHK_{i,t} + \beta_5 DEC_{i,t} + \varepsilon_{i,t} \dots\dots\dots (1)$$

$$IRR_{i,t} = \alpha + \beta_1 INT_{i,t} + \beta_2 GRW_{i,t} + \beta_3 MAT_{i,t} + \beta_4 SHK_{i,t} + \beta_5 DEC_{i,t} + \varepsilon_{i,t} \dots\dots\dots (2)$$

$$EVA_{i,t} = \alpha + \beta_1 INT_{i,t} + \beta_2 GRW_{i,t} + \beta_3 MAT_{i,t} + \beta_4 SHK_{i,t} + \beta_5 DEC_{i,t} + \varepsilon_{i,t} \dots\dots\dots (3)$$

Whereas:

ROCE = Return on capital employed, measured as earnings before interest and taxes divided by capital employed, which is total assets – current liabilities (Etale & Otuya, 2018; Madugba & Ogbonnaya, 2016).

IRR = Internal rate of return is the discount rate that makes the net present value of a project zero (Patrick & French, 2016; Magni, 2010).

EVA = Economic value added, measured as Net operating profit after taxes – [Invested Capital (Debt + capital leases + shareholders' equity) multiplied by Weighted average cost of capital] as used by Andrija and Filip (2017).

α = Alpha (Constant)

$\beta_1 - \beta_5$ = Beta coefficients to be estimated

INT = Introductory stage as measured by Dickinson (2011)

GRW = Growth stage as measured by Dickinson (2011)

MAT = Maturity stage as measured by Dickinson (2011)

SHK = Shake out stage as measured by Dickinson (2011)

DEC = Decline stage as measured by Dickinson (2011)

i = Firm script (in this case, $i = 91$ firms)

t = Time script (in this case, $t = 10$ years)

ε = Idiosyncratic error term

It is useful to note that three control variables (firm size, firm age and financial leverage) were initially introduced into the three models in order to control financial performance so that the true effects of firm life cycle on financial performance can be correctly estimated. However, they were found not to be significant and therefore eliminated completely from the models.

4. RESULTS AND DISCUSSION

This section presents and discusses the results of the three analyses conducted in the study: Descriptive analysis, diagnostic checks and post estimation tests and inferential statistical analysis.

Table 1. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROCE	910	.179	.784	-13.700	3.293
IRR	910	.105	.0318	.046	.143
EVA	910	.0767	.786	-13.843	3.175
INT	910	.001	.003	0	1
GRW	910	.0025	.004	0	1
MAT	910	.005	.005	0	1
SHK	910	.002	.004	0	1
DEC	910	.0003	.002	0	1

Source: Authors' Computations using STATA 13

As clearly shown in Table 1, the number of observations is 910 made up of 91 listed firms multiplied by the 10 year-period covered by the study. The mean statistic value of return on capital employed is 0.179, which means that for every one naira capital employed, the firms on the average generated 17.9 per cent. In the same context, the internal rate of return is 0.105, meaning that for every one invested, the project-specific IRR is 10.5%. Also, Table 1 shows that the economic value added is 0.0767, which means that for every one naira invested, the wealth addition is 7.67 per cent. Furthermore, the Dickinson index for introductory stage shows mean value of 0.001, growth stage: 0.0025, maturity stage: 0.005, shakeout stage: 0.002 and decline stage is 0.0003.

Table 2 tests for empirical relationship between the independent variables and the dependent variables. It also tests for the presence or absence of multicollinearity in the independent variables. The results shows that firm introductory stage is significantly negatively correlated with return on capital employed and economic value added. However, it has insignificantly negative association. Also, growth stage shows insignificant negative association with ROCE and EVA, while showing significant positive association with IRR. In addition, maturity stage shows significant positive effects on ROCE and EVA but insignificant positive association with IRR. In the same line, shakeout stage shows insignificant positive effects on ROCE and EVA but significant negative effect. Decline stage shows insignificant negative effects on ROCE, IRR and EVA. Table 2 presents the correlation matrix.

Table 2. Correlation Matrix

	ROCE	IRR	EVA	INT	GRW	MAT	SHK	DEC
ROCE	1.000							
IRR	-0.037	1.000						
EVA	0.438	0.999	-0.08					
INT	0.000	0.105	0.000	1.000				
GRW	-0.182	-0.001	-0.18	0.0001	0.9923			
MAT	0.0001	0.093	0.631	0.011	-0.02	1.000		
SHK	0.111	0.020	0.109	-0.31	-0.47	0.000	1.000	
DEC	0.020	0.674	0.021	0.000	0.000	0.000	0.000	1.000
	0.010	-0.079	0.014	-0.14	-0.21	-0.544	0.000	0.000
	0.828	0.096	0.776	0.003	0.000	0.000	-0.08	0.000
	-0.029	-0.042	-0.027	-0.05	-0.07	-0.190	0.069	0.000
	0.548	0.381	0.573	0.300	0.120	0.0001	0.069	0.000

Source: Authors' Computations using STATA 13

As clearly shown in Table 2, three of the coefficients are greater than 0.70 (introductory stage and IRR is .9923; shakeout and ROCE is .828; shakeout and EVA is .776). These results indicate the presence of multicollinearity among the 5 independent variables. Table 3 confirms the results in Table 2 on the presence of multicollinearity.

Table 3. Variance Inflation Factor

Variable	VIF	1/VIF
MAT	8.99	0.111
SHK	6.29	0.159
GRW	5.41	0.185
INT	3.27	0.306
Mean VIF	3.88	

Source: Authors' Computations using STATA 13

Note: DEC is omitted because of collinearity

As clearly shown in Table 3, DEC has been automatically eliminated from the independent variables because of the presence of multicollinearity. The VIF figures for maturity, shakeout, growth and introductory stage are now within acceptable bracket of less than 10 as suggested by Gujarati (2003). Therefore, the results in Table 3 indicate that the multicollinearity level is mild and tolerable. Table 4 presents the results of normality test using Shapiro Wilk test. The results in Table 4 show the individual variable's normality test values. All the prob>z values with the exception of maturity are significant even at 1 per cent. These imply that the variables are not normally distributed. This requires the use of robust standard errors instead of the normal standard errors in the multiple regression analysis as shown in the results in Table 9. However, it is instructive to note that maturity is normally distributed since the Prob>z value is greater than the level of significance.

Table 4. Shapiro-Wilk W Test for Normal Data

Variable	Obs	W	V	z	Prob>z
ROCE	910	0.343	197.770	12.638	0.000
IRR	910	0.852	44.592	9.078	0.000
EVA	910	0.344	197.586	12.636	0.000
INT	910	0.947	16.117	6.646	0.000
GRW	910	0.978	6.596	4.510	0.000
MAT	910	0.999	0.052	-7.047	1.000
SHK	910	0.986	4.364	3.522	0.0002

Source: Authors' Computations using STATA 13

Table 5 presents the results of heteroskedasticity test using Breusch-Pagan/Cook-Weisberg test for heteroskedasticity.

Table 5. Results of Serial (Auto) Correlation and Heteroskedasticity Tests

Model	Wooldridge Test for Serial (Auto) Correlation in Panel Data		Breusch-Pagan / Cook-Weisberg Test for Heteroskedasticity	
	F(1, 90)	Prob>F	Chi ² (1)	Prob>Chi ²
ROCE	37.65	0.000	1112.07	0.000
IRR	3.96	0.111	1.86	0.173
EVA	113.21	0.000	1083.29	0.000

Source: Authors' Computations using STATA 13

As clearly shown in Table 5, both ROCE and EVA models have Prob>F that is significant, meaning that the two models have serial (auto) correlation problem. This calls for the use of Newey regression analysis (Newey West standard errors). However, the results also show that the IRR model is free of serial (auto) correlation problem since the p-value is greater than level of significance. Table 6 presents the results of unit root test, which tests for the presence or otherwise of stationarity in the variables of interest. Also, as shown in Table 5, the Prob>Chi² for ROCE and EVA are both significant even at 1 per cent. These results clearly indicate the presence of heteroskedasticity in the two models. However, the Prob>Chi² of the IRR model shows that the model is not significant. Table 6 presents the results of serial (auto) correlation analysis.

Table 6. Fisher-Type Unit-Root Test Based on Augmented Dickey-Fuller Tests

Model	Statistic	p-value
ROCE	744.444	0.000
IRR	150.417	0.958
EVA	615.614	0.000
INT	44.936	1.000
GRW	73.408	1.000
MAT	137.562	0.994
SHK	66.794	1.000

Source: Authors' Computations using STATA 13

As clearly shown in Table 6, ROCE and EVA models failed unit root test. However, IRR, INT, GRW, MAT and SHK all passed the stationarity test. Table 7 presents results of panel effects test.

Table 7. Breusch and Pagan Lagrangian Multiplier Test for Random Effects

Model	Chi ²	Prob>Chi ²
ROCE	0.48	0.244
IRR	0.000	1.000
EVA	0.43	0.256

Source: Authors' Computations using STATA 13

As shown in Table 7, the p-value of each of the three models is greater than 0.05, leading to conclusion that the OLS (pooled model) is more appropriate than the panel effects model (random or fixed). In other words, there are no firm-specific effects in the data.

Table 8. OLS (Pooled) Regression Results

Model Variable	ROCE			IRR			EVA		
	Coef.	t	P>t	Coef.	t	P>t	Coef.	t	P>t
INT	-36.510	-0.80	0.424	-37.371	-0.82	0.415	.861	0.83	0.407
GRW	10.057	1.43	0.155	8.649	1.19	0.238	1.408	1.51	0.133
MAT	20.891	2.88	0.005	19.929	2.69	0.009	.961	1.10	0.273
SHK	15.472	1.48	0.143	15.062	1.41	0.162	.410	0.44	0.659
_cons	-13.976	-0.38	0.707	-26.203	-0.71	0.482	12.227	7.56	0.000
Obs		442			442			442	
F(7, 434)		2.79			1.69			2.77	
Prob>F		0.011			0.110			0.012	
R ²		0.039			0.026			0.037	

Source: Authors' Computations using STATA 13

The results in Table 8 are as a consequence of the conclusion drawn from the results in Table 7, which show clearly that there are no panel effects in the three models and therefore there is no need to test for random effects or fixed effects using Hausman specification test. In order to avoid confusion in interpretation of the results, discussions of findings and testing of hypotheses, only one of the models is adopted, which is ROCE. The reasons are not farfetched; it has a better F-statistic, Prob>F and R². The ROCE model has a better model fitness with Prob>F of 0.011 and R-square of 3.9%. According to Cohen (1992), R² is low around 0.1, medium around 0.3 and large around 0.5. When compared with the R² of this study, which is 3.9%, it is large. From the results in Table 8, introductory stage, growth stage and shakeout stage have no significant effects on financial performance. Thus, hypotheses one, two and four, which state that introductory stage, growth stage and shakeout stage have no significant effects on financial performance are herewith accepted. However, maturity stage shows positive and significant effect on firm financial performance. Thus, hypothesis three, which states that business maturity stage has no significant effect on financial performance is herewith rejected and the alternative hypothesis accepted.

These results when compared and contrasted against previous empirical results can be classified into three. The first group that agrees with the findings of this study are Dickinson (2011), Wahba and Elsayed (2014), Hossain (2014), Gunu and Adamade (2015), Oluwatayo et al. (2016), Zhou et al. (2016), Gulec and Karacaer (2017), Costa et al. (2017) and Diebecker et al. (2017) and Alzoubi (2019). However, the second group completely disagrees with the findings of this study and they include Chang et al. (2017), Habib and Hassan (2017), Bayat and Noshahr (2018) and Shahzad et al. (2019). Finally, the third

group had mix results when compared and contrasted with the findings of this study and the scholars include Khamak et al. (2018), Chang and Ma (2019) and Beal and Yasai-Ardekani (2020).

5. CONCLUSION AND RECOMMENDATIONS

In this study, we empirically interrogate the effects of firm life cycle on firm financial performance. Our findings would have implications for the stakeholders such as managers, regulators and policy makers with regards to the importance of financial performance and firm life cycle and the effectiveness in implementing measures, strategies and guidelines at the different phases of a firm life cycle. In addition, our findings on the quality of financial performance at different stages of firm life cycle would help managers and board of directors find more focus in financial management and board monitoring, respectively and particularly during maturity in order to avoid slipping into the next phase, which is decline or restructuring. This study is important because the value in understanding the firm life cycle lies in the ability to identify where the firm is in its life cycle and to recognise critical organisational transitions and sustainable strategies as well as pitfalls the firm should seek to avoid. This, in turn, will enable employees, managers, boards, regulators and governments to make strategic and more informed decisions.

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