FOREIGN CURRENCY TRANSACTION, TRANSLATION AND PERFORMANCE OF SUPERNATIONAL COMPANIES IN NIGERIA, WEST AFRICA

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Abstract
The study examined foreign currency transaction, translation, and performance of supernational companies in Nigeria. Specifically, the study examined effect of exchange rate, transaction rate and interest rate on return on asset of supernational companies in Nigeria. In a bid to accomplish this, panel regression analysis of fixed and random effect on five (5) selected supranational companies in Nigeria were employed. The study employed secondary data; the data for the study cover the period 2012 to 2021. The Hausman test carried out showed that fixed effect model is more realistic and produced a better result which was therefore employed in drawing inferences in the study. From the result, exchange rate exhibited significant negative relationship with supernational company's performance in Nigeria. The finding further revealed that Interest rate has insignificant positive relationship with performance of the supernational companies in Nigeria while the translation rate indicated insignificant negative relationship. Hence, the study concluded that unfavorable movement or adjustment in foreign currency transaction and translation rate affect the performance of supernational companies in Nigeria, especially, when measured performance in term of return on asset. It was recommended that supernational companies should
develop a mechanism to hedge against foreign exchange rate exposure caused by unanticipated movement in the exchange rate. More so, this should be supported by sound risk management strategies that can withstand macroeconomic instability especially inflation rate in the host economy.

**Keywords:** transaction rate, inflation rate, interest rate, exchange rate, performance

**JEL Classification:** G21, G24

1. Introduction

In developing countries like Nigeria, apart from the problem of managing unrelated units, supranational company’s face the problem of managing conflict with the immediate environment in which the business units are established (Shehu, 2015). This suggests that a greater degree of production diversity among multinational corporations results in more complex issues. Since the turn of the century, Nigeria's manufacturing sector has been a driving force behind the country's economic growth and development, setting the pace in industries as diverse as vehicle production, marketing, logistics, real estate, agriculture, electricity, and more. Despite the legislative shifts and financial crises that have hit Nigeria throughout the decades since many transnational enterprises were founded, many of these businesses are still going strong today (Ubesie&Ezeagu 2014). Additionally, the industry has made significant contributions in the past to Nigeria's economy by creating jobs and supplying needed products and services. Multinational corporations engage in worldwide commerce, which inevitably requires the use of a variety of currencies, each of which has its own exchange rate. Firms' domestic selling price level, profitability, resource allocation, and investment choice are all directly impacted by foreign currency transaction, which is playing an increasingly important role on companies' performance in Nigeria (Kituku, 2014). Companies are struggling to function at the minimal cost and price level intended as the exchange rate against one USD has risen to as high as N650. Importers in particular have drawn public attention to the fluctuating exchange rate because they claim the stronger naira is hurting their ability to compete (Ndungu, 2000). It is crucial for Nigeria's economy that the impact of this foreign currency and translation rate on business performance be studied. Credit allocation in an import-reliant economy is influenced by the stability of the exchange rate (Adebiyi,
Currency fluctuations in international commerce may be an intriguing component in the success of multinational corporations because of the effect on financial intermediation (Danish, 2012). Since no nation exists in isolation, all nations engage in trade with one another, facilitating the availability of foreign currency. For this reason, the exchange rate is a crucial element of the global economy and the backbone of international commerce (Adetayo, 2004). Alterations to a country's fiscal and monetary policies have an effect on the availability of its own currency. Many variables, such as interest rates, inflation, and expectations for new government regulations, may affect the demand for money (Berger & Bouwman, 2010).

The Nigerian naira has steadily depreciated from N151.51 in 2010 to N162.30 in 2011 to N156.15 in 2012 against the United States dollar, despite the government's best attempts to keep the exchange rate constant. In 1990, the naira was worth N8.0378 and in 1999, N85.98. In 2013, the Naira fell to N158.05 per dollar; in 2014, it fell to N175.85 per dollar; in 2015, it fell to N232.40 per dollar; on December 31, 2016, the exchange rate rose to N300.757 per dollar; and as of August 2022, it has risen to N660 per dollar. This research aims to fill that gap by looking at how foreign currency, translation, and performance of MNCs in Nigeria have changed over the last decade, from 2012 to 2021.

2. Literature Review
2.1 Conceptual Review
2.1.1 Foreign Currency Transaction and Translation
An international company uses the accounting technique of foreign currency transaction and translation to record the financial performance of its overseas subsidiaries in terms of the company's home currency. The books of the company's international subsidiaries are maintained in their local currency. The company must convert its foreign-currency financial statements into U.S. dollars before it can use the correct approach to these assets. With the economic climate of the currencies involved in mind, the impact of foreign exchange rate fluctuations on the income statement and equity is possible. For instance, while the Indian Rupee is experiencing fast depreciation versus the US dollar, an Indian exporter to the US benefits. The same time period has a negative impact on an Indian debtor who borrows via Dollar denominated bonds (Benjamin, 2014).
2.1.2 Transaction Rate
The transaction rate for translation connects buyers and sellers of products, services, and financial assets in one country with those in another (Reid & Joshua, 2004). A currency's exchange rate is its price in terms of another currency. It is the primary factor in establishing the competitiveness of local and foreign products and the extent to which the private sector participates in international commerce. In international finance and among developing-world economists, debates about the appropriate exchange rate persist, even as more and more countries recognize the importance of trade liberalization to their own economic development (Owolabi & Adegbite, 2017).

2.1.3 Inflation Rate
Inflation is the average annual percentage rise in the cost of a basket of goods and services, expressed either as a percentage or as a percentage of the total cost of living in the economy. The rate of inflation is defined as the average annual percent change in the prices of a basket of goods and services (Katarzyna, 2014).

2.1.4 Interest Rate
An amount of money that is due every month, expressed as a percentage of the total loan, deposit, or borrowing amount, It has been said that the interest rate is a measure of how much people value immediate cash flow above future earnings potential. The borrower has an immediate need or need for the loaned funds and is ready to pay a premium, represented by the interest rate, in exchange for this service. After adjusting for inflation, the real interest rate is what investors, savers, and lenders earn on their money. The Fisher equation provides a formal description of this phenomenon, which indicates that the real interest rate is roughly equal to the nominal interest rate minus the inflation rate (Ahmed, 2015).

2.1.5 Exchange Rate
Exchange rate is describes as the cost of exchanging one currency for another. The exchange rate is the proportion by which one currency is valued in terms of another. Currency exchange, or the foreign exchange market, is a market where the currencies of several nations may be traded. It is a marketplace for the trading of various currencies. The foreign exchange market is the greatest market in the world since it operates in every country and deals in the currencies of all nations, as
observed by Jhingan (2004). Exchange rate is the cost of one foreign currency expressed in terms of another, as described by Bradley and Moles (2002). The exchange rate connects the domestic and global markets for goods, services, and financial assets by determining how much one unit of a foreign currency is worth in terms of the domestic currency.

2.1.6 Corporate Performance
According to European Central Bank (2010), a firm's success may be measured by its ability to create long-term profits within a certain time frame. A bank's capacity to generate profits serves as a buffer against losses, since doing so increases the bank's equity and allows it to reinvest in order to grow its business. According to Alabede (2012), the profitability of banks is affected by both internal and external variables. Both internal and external factors influence an organization's viability. Internal factors include things like liquidity, capital sufficiency, high operational expenditures, etc. External ones include things like financial structure, exchange rate, inflation rate, economic development, etc. Therefore, these elements have consequential effects on business success, and investors will choose to put money into a profitable firm.

2.1.7 Transaction Rate and Company Performance
Companies that engage in international commerce are often characterized by a high transaction rate, which is defined as the ratio of domestic to foreign product prices and the level of engagement in international trade by the external sector. Ability to meet financial commitments to shareholders is a significant performance indicator used by current and future investors in evaluating a company's health. One of the most crucial factors in a company's financial success and the quantity of profit it makes is the efficiency with which it pursues its primary aim, which is to engage in commercial activity (Banafa et al., 2015). A company's performance during a certain time period may be used as a surrogate for its financial health. Financial performance may be compared between firms in the same sector as well as between organizations in other industries.

Ogunbiyi and Ogunyemi (2014) conducted research on the impact of transaction rates on the performance of listed businesses on the basis that they hypothesized that these rates had an effect on company performance. Transaction and interest rates were shown to have a large and unfavorable effect on the performance of listed enterprises, as assessed by return on assets and return on equity.
2.1.8. The Relationship between Inflation and Corporate Performance

The inflation rate is the average annual percentage increase in the prices of a basket of goods and services. There is a stronger empirical link between the inflation rate and the financial success of corporations in the manufacturing sector, particularly those involved in cross-border commerce. Spending money on materials and labor is an ongoing need in the manufacturing sector. This ensures that final consumers get high-quality items that are attractively packaged. According to the research conducted by Riaz (2010), who suggested that inflation rate affects the performance of companies, inflation rate has a substantial positive link with the corporate performance of firms. Loto (2012) added weight to the discussion by looking at how inflation affected the success of manufacturing companies; the results showed a positive insignificance.

2.1.9. Corporate Performance and Interest Rates

Putting it simply, interest is what you pay when you borrow money or use credit. As stated by D'Alberto (2015), interest is the payoff for investing one's savings rather than keeping them in cash. An interest rate is the annualized percentage of the principal that is required as a periodic payment. Interest rates have been analyzed and criticized throughout history due to their potentially far-reaching effects on the formation of savings and the encouragement of investment. Interest is paid on deposits and charged on loans and advances both by businesses and individuals. The interest spread, or the difference between these two interest rates, is a major contributor to corporate earnings. Minimum rediscount rate, loan rate, deposit rate, treasury bills rate, and interbank rate are all examples of interest rate variables.

Interest rates and profits in developed economies have been the focus of several academic investigations. Banks in Nigeria were evaluated by Enyioko (2012) in light of their interest rate strategies and how they affected the institutions' performance. The research concluded that interest rate strategies have not considerably enhanced banks' overall performance. According to Aburime (2008), the real interest rate has a favorable correlation with ROI for businesses. The impact of economic factors on the growth of the Nigerian economy was also investigated by Ilegbinosa et al. (2012). The study found that interest rates have a negative effect on GDP, the agriculture sector, the manufacturing sub-sector, and non-oil exports. Okech (2013) also investigated how interest rates affect Kenyan
businesses. The research analyzed management efficiency and operational cost efficiency, with reference to lending interest rate. The correlation between loan rates and business success was found to be modest yet favorable. Being that just 14% of earnings came from interest.

2.1.10 Corporate Performance and the Exchange Rate

Theoretically speaking, a country's exchange rate is more indicative of the financial health of industrial businesses, particularly those involved in international commerce. The requirement for high-quality finished goods is not just critical in the retail sector, but also in the production sector. According to the idea of supply and demand, a manufacturer would often choose to import raw materials from abroad if it is unable to fully use domestic resources. Therefore, the amount of money spent by manufacturing enterprises to reach output levels is strongly impacted by variations in the exchange rate. Competitors are the building blocks of firms in today's global economy (Marimuthu et al., 2009). With the expansion of worldwide trades, this research firmly thinks that global companies have an influence on the corporate performance of the company, and this has relevance to the exchange rate of a country. It stands to reason that in order to protect them against financial loss; businesses must meticulously assess their corporate finance requirements and think about hedging options before engaging in any trades. When there is doubt about the country's currency rate, this makes sense. It will have a negative effect on a company's value and bottom line as a result of its foreign transactions (Kang & Dagli, 2018).

The foreign currency rate has been cited in some research as a potential moderating factor. Mantari and Nuryasman (2017) discovered that the exchange rate has a modest association with the performance of a corporation, including profitability and leverage to firm value. As a result, the impact may result wholly or in part from the company's management plan.
2.1.11 Conceptual Framework on Foreign Currency Transaction, Translation and Performance of Supernational Companies in Nigeria

**Independent Variables**

- Foreign Currency Transaction & Translation (FCTT)
- Real Translation Rate (RTR)
- Real Inflation Rate (RINR)
- Real Interest Rate (RINT)
- Real Exchange Rate (REXHR)

**Performance**

- Return on Assets (ROA)

**Source:** Researchers’ Foreign Currency Transaction, Translation and Performance of Supernational Companies in Nigeria Model, (2022)
2.2 Theoretical Review

2.2.1 Purchasing Power Parity Theory.

This research relied on the concept of purchasing power parity. PPP theory, proposed by Menon and Viswanathanin (2005), states that the value of identical commodities across nations is equivalent when expressed in terms of the local currency. They argue that stable currency exchange rates are achieved when people in various nations have about the same buying power. According to the theory put forward by Reid and Joshua (2004), the ratio of commodity price levels should match the currency of the nation. It is possible for a currency to be incorrectly valued, such that it cannot be used to buy goods at the market price in the country (Ross, 2008). This theory assumes that there are no transactional costs, no obstacles to trade, and that the goods being exchanged are identical. A uniform product should cost the same in every country if the trade currency is converted at the instant exchange rate. In order to compare the prices of similar goods in different nations, the theory advocates using price indices.

2.2.2 Empirical Evidence

Okika (2018) looked at how changes in the exchange rate affected the profits of certain publicly traded Nigerian companies. It looked at the impact that changes in currency exchange rates have on ROI. To accomplish these ends, two hypotheses were developed and evaluated using information culled from the companies' annual reports and the CBN's annual statistics bulletin. In order to ascertain the impact of changes in the exchange rate on a company's bottom line, data were examined using the multiple regression analytical estimating approach with the assistance of SPSSv21. The results showed that none of the competing hypotheses had a chance. The research concluded that the ban on importing Nigerian-made items that are functionally equivalent should remain in place. In the event that this is strictly adhered to, greater opportunities for local manufacturing will arise. The cost of production in the industrial sector may be lowered significantly if the government pursues policies that seek to increase the value of the naira relative to the foreign currency market.

Williams (2018) studied how changes in the value of the naira affected the profitability of Nigerian businesses. After learning about the effects of currency fluctuations in the literature, it was vital to examine these effects in the Nigerian setting. Seven research questions were developed for this investigation, and seven hypotheses were subsequently tested. The primary goal of the research was to
experimentally examine how changes in exchange rates affect ROI. Descriptive statistics and conventional least squares were used for analysis. This research utilizes panel data that spans the years 2012-2016. As the majority of banks engage in foreign exchange operations, the research finds that currency exchange rates have a significant effect on ROI. The estimated exchange rate of 145.4265 has a positive correlation with Return on Investment, as shown by the regression analysis. Accordingly, a gain in ROI of 145.4265 per unit increase in exchange rate is to be expected. Specifically, we accept the alternative hypothesis that there is a significant association between the exchange rate and the return on investment (firm performance) since the T-value estimated in the research is 0.287, which is larger than 0.05, or 0.287 > 0.05. ROI is positively related to the other factors utilized in the analysis. The coefficient of determination is rather high in the regression outcome. It demonstrates that the model's independent variables account for about 67% of the total variations in Return on Investment (ROI).

In addition, Pitia and Lado (2015) used a granger-causality method to analyze time series monthly data from August 2011 to November 2014 to determine the correlation between the South Sudanese currency exchange rate and the inflation rate. The research found that there is a causal relationship between the exchange rate and the Consumer Price Index (CPI) that is unidirectional and without any kind of feedback. This indicates that the devaluation of South Sudanese currency is harmful to South Sudan's economy. Despite the fact that CPI had no effect on the exchange rate, there is no way to determine with more certainty that the findings are correct. The reaction of monetary authorities in trying to close the gap between the price level and the buying power of individuals in the economy may have influenced the exchange rate as a result of the pressure of a rising price level.

The effects of the exchange rate on the Nigerian economy were also experimentally assessed by Ayodele (2014). This research looked at the role that various economic factors, such as the currency exchange rate and the inflation rate, have in influencing GDP growth and decline in Nigeria. Ordinary Least Squares (OLS) multiple regression analysis was used to examine secondary data gathered from the Annual Reports of the Central Bank of Nigeria (CBN), the Nigerian Stock Exchange (NSE), and the Nigeria Securities and Exchange Commission (SEC). Exchange rate and inflation rate were shown to have a substantial effect on Nigeria's GDP and economic growth. A rising exchange rate is bad for economic development, but a high inflation rate is good, as it means businesses are more likely to invest in new production, and vice versa. As a result of the study's
findings, the government of Nigeria should take steps to improve the country's investment climate by bolstering the safety of citizens and businesses, enhancing the nation's infrastructure, and increasing domestic output in order to lessen the country's reliance on the U.S. dollar. This, in turn, would help the naira and, by extension, the country's GDP.

The relationship between real exchange rate misalignment and economic performance in Sudan was also studied by Ebaidalla (2014). The study explores the evolution of equilibrium exchange rate and actual exchange rate misalignment in Sudan throughout the period 1979–2009. Moreover, the results of actual exchange rate misalignment are analyzed for their effect on economic output. The empirical findings demonstrate that economic policy factors including trade openness, government spending, and taxation greatly impact the equilibrium exchange rate. The findings also indicate that, throughout the analyzed time period, an overvaluation of the Sudanese currency occurred.

Exchange rate changes were studied to see how they affected the Nigerian manufacturing sector over a twenty year period by Opaluwa et al. (2010). The contention was that industrial production was negatively impacted by exchange rate swings. This was due to the fact that the rate of exchange for the foreign currency needed to import the many inputs and capital goods used in Nigerian manufacturing was very unpredictable. This research relied on an empirical approach. When doing the analysis, the econometric technique of regression was used. Model explanatory variables were manufacturing output employment rate and foreign private investment. Regression analysis showed that some of the variables' coefficients were positive while others were negative. There are negative results from this research, and they are statistically significant.

Based on the above empirical reviewed, very little research has been done on the subject of foreign currency transactions, transactions, and performance of transnational corporations, especially in the context of Nigerian enterprises. Therefore, the purpose of this research was to examine how foreign currency transactions and translations affect the profitability of Nigerian firms that are listed on international stock exchanges.

3. Methodology
The study used an explanatory research design. The explanatory research designs was utilized because the data needed for analysis already exist and it enables exploring relationships between two or more variables. The study utilized
secondary source of data. In order to investigate the effect of foreign currency and translation on performance of supranational companies in Nigeria, information from Central Bank of Nigeria Statistical Bulletin and annual reports of Nestle Plc; Cadbury Plc; Flour Mills Plc. and DangotePlc was used. Real translation rate, real inflation rate, real interest rate and exchange rate were utilized to measure foreign currency and translation while performance was measured with Return on Asset (ROA). The study covered period of years 2012- 2021 (10years) with aid of panel regression analysis.

3.1 Model Specification
The study adapted the model of Okika (2018), who examined the relationship between exchange rate fluctuation and profitability of companies in Nigeria using Exchange rate (EXCH), Inflation rate (INFr) as the independent variables and regressed against the dependent variable Return on capital employed (ROCE) used as proxy for financial performance. The model stated as follows:

\[
ROCE = f (EXCH, INFr)
\]  
3.1

With modification this study introduced real translation rate, real interest rate to measured foreign currency and return on assets to measured performance. However, the modification model stated below:

\[
ROA = f (RTR, RINR, RINR, REXHR)
\]  
3.2

Financial performance indicator is Return on asset (ROA) and foreign currency and translation variables are Real Translation Rate (RTR), Real Inflation Rate (RINR), Real Interest Rate (RINR) and Real Exchange Rate (REXHR), pooling observations across firms and time, without taking into consideration the uniqueness/heterogeneity that may exist in the firms during this time period (2001-2021). In linear forms the models are stated below:

\[
ROA_{it} = \delta_0 + \delta_1 RTR_{it} + \delta_2 RINR_{it} + \delta_3 RINR_{it} + \delta_4 REXHR_{it} + \mu_{it} \quad \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots 3.3
\]

The definition of the variable is shown below:

**Where;**

ROA = Return on Asset  
RTR = Real Translation Rate  
RINR = Real Inflation Rate  
RINR = Real Interest Rate  
EXHR = Real Exchange Rate  
\(\delta_0\) = Constant  
\(a_1, a_2, a_3\) = Vector of the Independent Variables
it = cross sectional of the observation and period of the study
\( \mu_1, \mu_2 = \) is the error term
RINR = Real Inflation Rate
RINR = Real Interest Rate
EXHR = Real Exchange Rate
\( \beta_0 = \) Constant
\( a_1, a_2, a_3 = \) Vector of the Independent Variables
it = cross sectional of the observation and period of the study
\( \mu_1, \mu_2 = \) is the error term

4. Results

4.1 Descriptive Statistics

Table 4.1: Descriptive Statistics of Variables

<table>
<thead>
<tr>
<th></th>
<th>ROA</th>
<th>EXHR</th>
<th>INFR</th>
<th>INTR</th>
<th>TRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>2.087550</td>
<td>5.502886</td>
<td>2.463561</td>
<td>2.779866</td>
<td>0.085190</td>
</tr>
<tr>
<td>Median</td>
<td>2.635585</td>
<td>5.722899</td>
<td>2.484907</td>
<td>2.816775</td>
<td>0.030907</td>
</tr>
<tr>
<td>Maximum</td>
<td>3.330758</td>
<td>5.864238</td>
<td>2.920470</td>
<td>2.961486</td>
<td>0.311534</td>
</tr>
<tr>
<td>Minimum</td>
<td>-0.479953</td>
<td>5.058226</td>
<td>2.074429</td>
<td>2.511170</td>
<td>-0.014990</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>1.199154</td>
<td>0.342986</td>
<td>0.258863</td>
<td>0.121895</td>
<td>0.104778</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.988035</td>
<td>-0.299209</td>
<td>-0.114585</td>
<td>-0.910290</td>
<td>0.997152</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>2.729890</td>
<td>1.300521</td>
<td>2.116203</td>
<td>3.287919</td>
<td>2.516551</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>8.121362</td>
<td>6.627926</td>
<td>1.701966</td>
<td>6.936374</td>
<td>8.597400</td>
</tr>
<tr>
<td>Probability</td>
<td>0.017237</td>
<td>0.036372</td>
<td>0.426995</td>
<td>0.031174</td>
<td>0.013586</td>
</tr>
<tr>
<td>Sum</td>
<td>102.2899</td>
<td>269.6414</td>
<td>120.7145</td>
<td>136.2134</td>
<td>4.174313</td>
</tr>
<tr>
<td>Sum Sq. Dev.</td>
<td>69.02256</td>
<td>5.646697</td>
<td>3.216489</td>
<td>0.713201</td>
<td>0.526962</td>
</tr>
<tr>
<td>Observations</td>
<td>49</td>
<td>49</td>
<td>49</td>
<td>49</td>
<td>49</td>
</tr>
</tbody>
</table>

Source: Authors’ Computation (2022)

Reported in Table 4.1 is the descriptive statistics which revealed the mean value of return on asset, exchange rate, inflation rate, interest rate and translation rate are 2.087550, 5.502886, 2.463561, 2.779866 and 0.085190 respectively. The minimum value are -0.479953, 5.058226, 2.074429, 2.511170 and -0.014990 with a maximum of 3.330758, 5.864238, 2.920470, 2.961486 and 0.311534 for return on asset, exchange rate, inflation rate, interest rate and translation rate respectively.
The extent of adjustment given by the standard deviation indicated that the highest deviation is return on asset while translation rate showed the lowest discrepancy rate. More so, the degree of asymmetry given by the Skewness result indicated that only translation rate has a long-right tail due to its positive value while return on asset, exchange rate, inflation rate and interest rate have a long left tail. The Kurtosis revealed that interest rate is leptokurtic due to its value that exceeded 3 while all other variables are platykurtic since its value is lesser than 3. The outcome of Jarque-Bera statistics showed that only inflation rate is normally distributed while others are not.

4.2 Panel Unit Root

Table 4.2: Unit Root Test (Summary)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Panel Unit Root Test Method</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Levin, Lin &amp; Chu (LLC)</td>
</tr>
<tr>
<td></td>
<td>LLC statistics</td>
</tr>
<tr>
<td>ROA</td>
<td>-3.79048</td>
</tr>
<tr>
<td>EXHR</td>
<td>-26.6889</td>
</tr>
<tr>
<td>INFR</td>
<td>-6.22200</td>
</tr>
<tr>
<td>INTR</td>
<td>-7.70514</td>
</tr>
<tr>
<td>TRR</td>
<td>-6.28371</td>
</tr>
</tbody>
</table>

Source: Authors’ Computation (2022)

Table 4.2 showed the unit root test conducted using LLC and ADF test statistics. From this Table, it could be revealed that all the variables employed to examine foreign currency transaction and translation on the performance of supernational companies in Nigeria were all stationary at first difference except interest rate that was stationary at level.
4.3 Correlation Analysis

Table 4.3: Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>ROA</th>
<th>EXHR</th>
<th>INF</th>
<th>INTR</th>
<th>TRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>1</td>
<td>-0.3642</td>
<td>-0.2090</td>
<td>0.2467</td>
<td>-0.0151</td>
</tr>
<tr>
<td>EXHR</td>
<td>-0.3642</td>
<td>1</td>
<td>0.6644</td>
<td>-0.3639</td>
<td>0.0821</td>
</tr>
<tr>
<td>INF</td>
<td>-0.2090</td>
<td>0.6644</td>
<td>1</td>
<td>-0.1614</td>
<td>0.4708</td>
</tr>
<tr>
<td>INTR</td>
<td>0.2467</td>
<td>-0.3639</td>
<td>-0.1614</td>
<td>1</td>
<td>0.3493</td>
</tr>
<tr>
<td>TRR</td>
<td>-0.0151</td>
<td>0.0821</td>
<td>0.4708</td>
<td>0.3493</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Authors’ Computation (2022)

Table 4.3 showed the correlation analysis in the examination of foreign currency transaction and translation on the performance of supranational companies in Nigeria. The result indicated exchange rate, inflation rate and translation rate have a negative correlation of -0.3642, -0.2090 and -0.0151 respectively with performance of supernational companies in Nigeria while interest rate revealed a positive correlation of 0.2467.

4.4 Estimates of Parameters for Panel Regression Model

Table 4.4: Fixed Effect (FE) and Random Effect (RE) Specification

<table>
<thead>
<tr>
<th>Independent Var</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.363507 (3.676589)</td>
<td>3.357772 (3.698657)</td>
</tr>
<tr>
<td>EXHR</td>
<td>-1.178617*** (0.416249)</td>
<td>-1.184570*** (0.416226)</td>
</tr>
<tr>
<td>INF</td>
<td>-0.292940 (0.615395)</td>
<td>-0.303584 (0.615345)</td>
</tr>
<tr>
<td>INTR</td>
<td>1.656067* (0.951407)</td>
<td>1.652092* (0.951403)</td>
</tr>
<tr>
<td>TRR</td>
<td>-1.355581 (1.240363)</td>
<td>-1.336499 (1.240284)</td>
</tr>
</tbody>
</table>

No. observations 49 49
R-squared 0.735650 0.343190
Adjusted R² 0.682779 0.283480
F-statistics 13.91429 5.747602
Prob. (F-Statistics) 0.000000 0.000823
Dubin-Watson 1.103096 0.983940

Note: Standard errors are provided in parentheses. *, **, *** showed the significance at 10%, 5% and 1% level respectively.
Source: Authors’ Computation (2022)
In a bid to examine foreign currency transaction and translation on performance of supernational companies in Nigeria, the study used panel regression analysis of both fixed effect and random effect models. Fixed and random effect showed that if all the independent variables (exchange rate, inflation rate, interest rate and translation rate) are held constant performance of supernational companies, will increase by 3.363507 and 3.357772 units respectively. Conversely, exchange rate has a significant negative relationship on the performance of supernational companies in Nigeria in both fixed and random effect with a value of 1.178617 and 1.184570 units respectively. This implied that a unit rise in exchange rate will lead to a decrease of 21.178617 and 1.184570 units decrease in the performance of supernational companies under fixed and random effect respectively.

More so, the coefficient of inflation rate is negative and insignificant with a value of 0.292940 and 0.303584 units for both fixed and random effect model. This result implied that a unit increase in inflation rate will lead to a decrease in the performance of supernational companies in Nigeria. Interest rate is positive and insignificant with a value of 1.656067 and 1.652092 units under the fixed and random effect result. This implied that a unit increase in interest rate will lead to 1.656067 and 1.652092 units increase under the fixed and random effect model. Lastly, the coefficient of translation rate is insignificant and positively related with a value of 1.355581 units for fixed effect model while the random effect model indicated 1.336499 units. The result implied that a unit increase in translation rate will lead to 1.355581 and 1.336499 units decrease in performance of supernational companies in Nigeria.

The coefficient of multiple determinations given by the R² has a value of 0.735650 in the fixed effect result while it indicates 0.343190 under the random effect result. F-statistics in both models stood at 13.91429 in the fixed effect model while the random effect model recorded a value of 5.747602. The values of the F statistics for the two models are significant.

### 4.5 Hausman Test Result

<table>
<thead>
<tr>
<th>Correlated Random Effects - Hausman Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Summary</td>
</tr>
<tr>
<td>Cross-section random</td>
</tr>
</tbody>
</table>

Source: Authors’ Computation with E-views, Version 9 (2022)
From Table 4.5, the probability of the Chi-square stood at 0.0072 which is significant; hence the study accepts the fixed effect model as the most reliable model in the study hence used for prediction.

4.6 Discussion of Findings and Implications

This study examined foreign currency transaction and translation on the performance of supernational companies in Nigeria. In a bid to accomplish this, panel regression analysis of fixed and random effect on five (5) selected supernational companies in Nigeria were employed. The data for the study cover the period 2012 to 2021. The Hausman test carried out showed that fixed effect model is more realistic and produced a better result which was therefore employed in drawing inferences in the study. From the result, exchange rate exhibited significant negative relationship with supranational company’s performance in Nigeria. The implication of this result is that unfavourable exchange rate within the country is inimical to the performance of supernational corporation. This result is supported by Williams (2018), Ayodele (2014), Ebaidalla (2014) among others. More so, inflation rate revealed a negative relationship with performance of supernational companies in Nigeria. This result implied that inflation rate is inimical to the performance of supernational companies in Nigeria. This study concurred to the discovery made in the work of Ayodele (2014), Okika (2018) among others.

Interest rate on the other hand revealed an insignificant positive relationship with performance of the supernational companies in Nigeria while the translation rate indicated insignificant negative relationship. This result supports the findings made in the work of Williams (2018), Okika (2018) among others. The statistical significant of the whole model revealed that the fixed effect model is significant at any level with a value of 13.91429 while its P value is 0.000000. The multiple determination coefficients revealed a value of 0.735650. This implied that about 74% adjustment in the performance of supernational corporations is incorporated in the model while the remaining 26% occurred due to the stochastic terms in the model.

5. Conclusion

From the result that emanated from this study, the study revealed that exchange rate is significant but negatively related to performance of supernational corporations in Nigeria. Inflation rate and translation rate is negative but
insignificant while interest rate is positive. The study concluded that unfavourable movement or adjustment in foreign currency transaction and translation rate affect the performance of supernational companies in Nigeria. In addition, the study showed that a negative relationship subsists between exchange rate and currency translation rate in Nigeria. From the outcome of this study, it was recommended that supernational companies should develop a mechanism to hedge against foreign exchange rate exposure caused by unanticipated movement in the exchange rate. More so, this should be supported by sound risk management strategies that can withstand macroeconomic instability especially inflation rate in the host economy.

References


