Arthur-Sam, Jane, Seddighi, Hamid and Osseo-Asare, Augustus E. (2024) Assessing the Impact of Financial Characteristics on the Performance of Ghana Club 100 Companies. Technium Business and Management, 8. pp. 96-106. ISSN 2821-4366

Downloaded from: http://sure.sunderland.ac.uk/id/eprint/18156/

Usage guidelines

Please refer to the usage guidelines at http://sure.sunderland.ac.uk/policies.html or alternatively contact sure@sunderland.ac.uk.

BUSINESS & MANAGEMENT

Technium Business and Management (TBM)
Vol. 8, pp.96-106 (2024)
ISSN: 2821-4366
www.techniumscience.com

Assessing the Impact of Financial Characteristics on the Performance of Ghana Club 100 Companies

Jane Arthur-Sam, PhD Researcher (Corresponding Author)
Faculty of Business, Law and Tourism, University of Sunderland, United Kingdom
Email: jane.arthur-sam@research.sunderland.ac.uk

Dr. Hamid R. Seddighi
Faculty of Business, Law and Tourism, University of Sunderland, United Kingdom
Email: hamid.seddighi@sunderland.ac.uk

Dr. Augustus Osseo-Asare Jr
Faculty of Business, Law and Tourism, University of Sunderland, United Kingdom
Email: augustus.osseo-asarejr@sunderland.ac.uk

Abstract. After a decade of reforming policy, building and developing the multi-national market in Ghana, the Ghana Investment Promotion Centre (GIPC) introduced Ghana Club 100 to recognize the top 100 performing companies in terms of their competitiveness and contribution to economic growth. We adopted a quantitative research methodology involving correlational and casual research design to assess the impact of financial characteristics on the performance of 80 listed Ghana Club 100 firms. Financial characteristics represent the independent variables measured using liquidity, financial leverage and business activity, whiles company performance represents measured using return on asset. SPSS Pearson's correlation coefficient and multiple regression were used to analyze the data gathered from the 80 listed companies. The data analysis reveals four key findings: 1/ a statistically significant positive relationship exists between leverage and performance; 2/ no statistically significant relationship exists between liquidity and performance; 3/ a statistically significant positive relationship exists between business activity and performance; and 4/ leverage, liquidity and business activity had statistically significant positive impact on firm performance. These findings contribute to knowledge by critically explaining the casual relationship between financial characteristics and firm performance with specific reference to Ghana Club 100 companies. The findings have strategic implications for the Ghanaian businesses and economy in terms of enhancing firm's financial performance. Due to limited access to scarce resources, the scope of the study focused on Club 100 firms which represent all the companies in Ghana. Future research can be conducted on the effect of financial characteristics on the performance of non-listed companies in Ghana.

Keywords. Financial Characteristics, Firm Performance, Liquidity, Financial Leverage, Business Activity, Ghana Club 100

1. Introduction

In order for any company to survive and prosper, liquidity, financial leverage and business activity are crucial. For this reason, the entity can operate smoothly and successfully if its owners and financial managers are deeply concerned with the performance of the company's operations. In common parlance, liquidity refers to an organization's capacity to convert its assets into cash in the shortest possible without losing value. Basically, liquidity refers to an organization's capacity for planning and preserving levels of current assets and liabilities that allow the business to have a steady stream of cash flow to satisfy its short-term obligations and sustain the company for the foreseeable future (Shim, 2022). Financial leverage is one of the essential elements of a financial structure decision (Paramasivan, 2009).

Many researchers have found that decisions made by firms about their performance and financial leverage continue to be the most important and fascinating topics for decades. Financial leverage is another source of funding for financing corporate operations. Furthermore, based on the business's operations, the use of financial

leverage may primarily boost profits or depress performance because of late payments on borrowed funds. Utilizing the activity ratio, one may evaluate the effectiveness with which an organization uses its resources or its capacity to perform day-to-day operations. The activity ratio is a metric used to characterize how a corporation runs its operations. It is more effective when there is higher total asset turnover (Paramasivan, 2009). Management needs to understand how to employ all of the resources available to the organization.

Financial performance measures a company's overall financial position and activities over a given period and it can be employed in comparing similar companies within the same industry or sectors. The measurement of a company's prospective effectiveness is achieved by using diverse methods connected to business, which enable users to compute precise details of the firm (Paramasivan, 2009). Financial characteristics of an organization are mostly in a form of financial ratios, which is obtained from financial statement that provides very important information for diverse purposes. These financial characteristics variables such as liquidity, financial leverage and business activity and the performance of the listed firms were examined to achieve the study's objectives. Financial ratios are crucial for external analysis, which evaluates a corporation using published statements. Aside from being helpful for external examination, financial ratio analysis can help management assess the operating outcomes of the firm, address mistakes and clear of circumstances that could put the business in financial difficulty. Financial ratios are frequently use as benchmarks.

Ghana, as a developing country has the potential in developing its financial and business industry. Financial management of companies in Ghana is very important because there is little research related to financial characteristics of companies listed on Ghana Club 100. There is no evidence of a simultaneous research on the characteristics of companies in Ghana especially on the top 100 performing companies in Ghana. The following gaps are found in the financial characteristics in Ghana which was necessary to investigate and achieve the research objectives of the study:

- Determining the relationship between financial characteristics and the performance of companies in Ghana.
- Investigating on the effect of how financial characteristics affect the performance of companies in Ghana.

Financial characteristics are regarded as essential elements that enhance the performance of companies in the Ghanaian business sector. However, there is little empirical findings in Ghana, which enhance the need to conduct this study. Therefore, this study conducted in Ghana is justified to provide strong evidence on the financial structure of Ghana. More importantly, little attention has been paid by researchers and academics on assessing the effect of liquidity, financial leverage and business activity on the performance of club 100 firms being ranked as the best performing companies in Ghana.

Nonetheless, there hasn't been an exhaustive investigation particularly on the performance of Club 100 firms in Ghana so this study seeks to fill a gap and contribute to literature in Ghana as a developing country. Ghana Club 100 firms should also prioritize the effective use of financial leverage, liquidity management and business activity in order to enhance their performance, promote growth and maintain economic stability, While a great deal of study has been done on the relationship between liquidity and profitability, majority of researchers have not investigated on how liquidity, financial leverage, and business activity affect performance of Club 100 firms. The research's conclusions will help financial managers of companies to analyze how liquidity, business activity and financial leverage have an effect on firm's performance. In doing this, they will be able to meet their financial obligations as well as learn how to increase sales from their assets and ultimately, perform better which will contribute to the economic growth of Ghana.

2. Literature Review

Ghana Investment Promotion Centre is an agency that is responsible to facilitate investment opportunities in the country. The agency provides and creates an appealing incentive structure, transparent and predictable as well as an enabling environment for investments projects according to the Ghana Investment Promotion Act, 2013. GIPC provides support services to both existing and prospective investors. The vision of the GIPC is to make Ghana "the first destination of option to invest in Africa". Ghana Investment Promotion Centre (GIPC) launched the Ghana Club 100 in 1998, which comprises of 100 Ghanaian enterprises. The purpose of the Club is to promote competition and the improvement of the business's services and products in Ghana in order to identify the top 100 companies, including those that are listed on the Ghana Stock Exchange. On Ghana Club 100, businesses are listed and evaluated according to their size, growth, and profitability (GIPC, 2023).

2.1. Conceptual Framework

2.1.1. Liquidity. According to Shim (2022), liquidity is defined as the short-term obligation of an organisation that needs to be fulfilled when the time is due. Liquidity becomes the relationship that exists between the cash for a short-term use and the cash needed by the company.

2.1.2. Financial Leverage. Financial leverage is the means where a company utilise debt finance rather than equity. It is also where by a firm finance its assets with borrowed funds (debt) with the aim that the new asset's income or capital gain will exceed the cost of lending. Financial leverage does not always affect the firm negatively but it also increase the shareholders return on their investment and help the firm in taxes related borrowing (Paramasivan, 2009).

2.1.3. Business Activity Ratio. According to Paramasivan (2009) an activity ratio is used to measure how effective the assets of a company are being used to generate sales. The higher the ratio indicates, the more effective the asset of a company is being used. The rate at which different accounts are converted into sales or cash is measured using activity ratios.

2.1.4. Performance. A company's financial performance is a comprehensive assessment of its overall position related to various categories, including assets, liabilities, equity, expenses, revenue, and overall profitability. When performance are measured effectively, it ensures that a firm's strategy is executed successfully. Measuring financial performance is very important as it represent the main goal of the firm and a means, to motivate and control activities within the organization. Profitability is the means of measuring the extent by which a firm raises profit from the factors of production such as labour, management and capital. Profitability measures the correlation between revenues and expenses and the rate of profit related to the size of projects taken by the business. The profitability measurement such as return on assets (ROA), return on equity (ROE), operating profit margin and net income can be used as the performance indicators of a firm (Paramasivan, 2009). However, this study used return of assets as the performance indicator.

2.1.5. Return on Asset (ROA). Shim (2022) defines return on assets as the ratio of income to its total asset. ROA is, therefore, a key ratio that serves as an indicator of company's profitability. It is used to assess a firm's ability to generate income by utilizing its asset. ROA, therefore, expresses the efficiency of the firm in terms of its resources used to generate income.

2.3. Theoretical Framework

2.3.1. Agency Theory. Jensen and Meckling (1976) developed the agency theory and explained it as the principal-agent model. It highlights the relationship between an agent and a principal, which is based on contracts. The concept is centered on the agency cost because of separation of ownership and control. The two kinds of agency cost is the conflict between management and shareholders (agency cost of equity) and shareholders and debt holders (agency cost of debt). Firstly, there are conflicts because managers are not sole owners of the business. If managers owned the business outright, they would have joint ownership and control, allowing them to keep all profits or incur all expenses. But since managers cannot own the company as a whole, they are unable to fully own the profit that results from their labours and that, shareholder would want to get dividend from the money invested whiles managers would like to invest the returns in the business. This brings conflict of interest among shareholders and mangers. Because agency theory is deemed to be more suitable for explaining the predictive relationship between financial characteristics and firm performance, it has been chosen as the focus of this investigation.

2.4. Empirical Literature Review on Financial Characteristics and Firm Performance

2.4.1. The Influence of Liquidity on Firm Performance

A study by Ehiedu (2014) examined the impact of liquidity on the profitability of some selected companies in Nigeria. The study employed a quantitative research using secondary data and non-probability sampling method to select four companies for the research work. The findings of the study reveal that, there was a positive relationship between current ratio and profitability, also there was no relationship between acid-test ratio and profitability and there was no positive relationship between return on capital employed and profitability. The study further recommended that companies must not impose strong liquidity policies at the expense of profitability.

Lukorito Muturi, Nyang'au and Nyamasege (2014) conducted a survey on assessing the effect of liquidity on the profitability of commercial banks in Kenya. The research work examined the impact of internal factors (liquidity) that manipulated profitability (ROA) of the company. The study used 43 commercial banks in Kenya from 2009 to 2013 employing secondary data from financial statements. The study utilized a descriptive and inferential statistics from a panel data. The results of the study showed that liquidity had a positive correlation with bank's profitability. The study further recommended that banks should invest more in assets.

Ismail (2016) investigated on the impact of liquidity management on the profitability of 65 non-financial companies on Karachi stock exchange in Pakistani from 2006 to 2011. The study used descriptive statistics, correlation analysis and multivariate regression methods to analyze the data. The results of the study indicated that, liquidity such as current ratio and cash conversion cycle had a positive effect on profitability (ROA). The

findings also explained that, higher current ratio and long conversion cycle provide a better performance for the firm.

This study investigated the impact of liquidity on the profitability of the company's value with dividend policy as the mediator variable on organisations using the Indonesia Stock Exchange from 2015 to 2019. 11 companies were selected as the sample with the use of purposive sampling technique for the study. The study employed path analysis using SPSS for the data analysis. The findings explain that, profitability has a substantial positive impact on company value while liquidity has a negative impact, and dividend policy is unable to balance the effects of profitability and liquidity on the value of the firms (Putri & Wiksuana, 2021).

In a similar study, Sudiyatno & Suwarti (2022) examine how liquidity affects company performance for Indonesian manufacturing firms. The dependent variable in this study was business performance; the independent variables were capital structure and company size while the control variable was operational assets and the moderating variable is liquidity. Purposive sampling was the approach used to gather data from 123 manufacturing companies from 2019 – 2021. Multiple regression technique was employed for the data analysis. According to the findings, operating assets and firm size had a positive effect on business performance, but liquidity had a negative impact on firm performance. Based on the empirical studies explained above, the hypothesis to test this study is:

Hypothesis – H1: There is no significant positive association between liquidity and the performance of companies listed on Ghana Club 100.

2.4.2. The Influence of Financial Leverage on Firm Performance

A study was conducted by Raza (2013) on the investigation of financial leverage and firm performance on Karachi stock exchange. The study used panel data to analyze data of non-financial companies on Karachi stock exchange from 2004 to 2009 and the data were presented in descriptive statistics. The findings of the study explained that, there was a negative relationship between leverage and performance. Long-term debt was found to be very costly due to the direct and indirect cost. That is, higher level of debt will incur low profitability. The second findings also explained no relationship between leverage and profitability.

Finding the relationship between financial leverage and the performance of Pakistani Textile Composite Companies on the Pakistani Stock Exchange is the goal of this study. A selection of the top 16 organizations was chosen based on data collected over a 5-year period, from 2011 to 2015. Regression modeling, correlation analysis and descriptive statistics were used. The findings demonstrated that financial leverage significantly had a negative impact on firm's ROE but, however had significant positive impact on the company's ROA. Additionally, the research suggested that higher interest rates and debt levels lower the value of the equity and have a detrimental effect on business performance. The findings showed that, debt levels do not surpass equity; financial leverage can have a favorable effect on a company's success (Iqbal & Usman, 2018).

Abu-Abbas, Alhmoud & Algazo (2019) examined the financial leverage and the performance of firms on Amman stock exchange. The study used a panel data of 56 manufacturing companies listed from 2011 to 2014 using a general least square to test the hypothesis of the study. The results from the study showed that, financial leverage had negative relationship with the performance of the companies.

This study's main goal was to ascertain the relationship between financial leverage and company's performance in Omani financial enterprises using a sample of firms listed on the Muscat Stock Exchange (MSX). Cross-sectional data from 32 financial firms were examined in this study. 2020 annual reports were used to examine how financial leverage affected the operation of the companies by employing Smart-PLS for data analysis. The results showed that financial leverage and business performance were positively correlated. Overall, the research indicates that, the organizations are profitable because financial leverage characteristics had a significant impact on the companies' performance (Alabri, Almanthri & Ahmed, 2021).

Using data from six distinct industries that were traded on the Ghana Stock Exchange for manufacturing firms, this study examines the impact of financial leverage and liquidity on business performance between 2007 and 2015. ROE and ROA were used as proxy indicators for performance. Data was analysed by employing both fixed and random effect model. According to the study, financial leverage has significant positive effects on business performance (ROA and ROE), and since 65% of firm assets were financed by debt, this influence on performance is not insignificant. In order to prevent bankruptcy in the near future, the study advises management to increase their use of retained earnings for operations and reduce their reliance on debt financing (Hongli, Ajorsu, & Bakpa, 2019). Some studies found positive relationship between financial leverage and firm performance whiles other studies found negative association. Based on the empirical studies explained above, the hypothesis to test this study is:

Hypothesis – H2: There is no significant negative relationship between financial leverage and the performance of companies listed on Ghana Club 100.

2.4.3. The Influence of Business Activity on Firm Performance

A study by Warrad & Rania (2015) examined how ROA is affected by total asset turnover ratio and fixed asset turnover ratio within Jordanian industry sectors using simple liner regression test from 2008–2011. The analysis demonstrated that ROA of the companies was significantly impacted by the total asset turnover ratio. Additionally, the fixed asset turnover ratio had a major influence on the ROA of firms; consequently, variations in ROA can be explained by the fixed asset turnover ratio. Lastly, the performance of Jordanian industrial sectors was significantly impacted by activity turnover ratios.

In a similar study, Sultan (2019) conducted a research on the influence of activity ratio on the performance of financial statement of Badan BPJS Ketenagakerjaan Indonesia. The study employed a secondary data which was obtained from 2014 to 2018. The findings explained that a sound liquidity ratios, leverage ratios and activity ratios had significant effect on the financial performance of the firms (return on asset).

Annaria Magdalena, Marpaung & Hasibuan (2021) gathered data on the profitability of companies listed on the Indonesia Stock Exchange from 2015 to 2019 on 126 businesses. According to the study, working capital and inventory turnover had little impact on profitability. In contrast, it was discovered that cash turnover significantly affected the profitability of the organisations. This study also demonstrated that inventory turnover, working capital turnover and cash turnover all had a significant effect on profitability. It additionally demonstrates that the activity ratio had an impact on a company's profitability.

The impact of liquidity, leverage and activity on the profitability of telecommunications companies listed on the Indonesian Stock Exchange was conducted by Hasbiah (2022). Multiple linear regression analysis was the method of analysis employed in this study. The findings from this study demonstrate that activity ratio had positive and substantial impact on profitability (ROE) whereas leverage and liquidity had negative and significant impact on firm performance. Based on the empirical studies explained above, the hypotheses to test in this study are:

Hypothesis – H3: There is no significant positive association between business activity and performance of companies listed on Ghana Club 100.

In summary, literature review revealed that while little is known about Club 100 companies, research on the effects of liquidity, business activity and financial leverage on firm's performance has been done in the banking sector and among small and medium-sized businesses. Previous research works conducted on liquidity, financial leverage and business activity have selected appropriate variables to describe financial characteristics on SME's and large firms but there is no empirical review on liquidity, financial leverage and business activity on the performance of the Club 100 firms in Ghana so, this study contribute and fill a gap in literature.

3. Research Methodology

3.1. Research Design

Correlation and casual research design were used for this study. Correlation research design helps in determining the relationship between variables to establish whether there is an existence of relationship and its importance. It also provides information on whether the relationship is positive or negative. Casual research is the process of establishing the cause and effects relationship between variables of the study. This design helps to establish whether, the independent values have significant impact on the dependent variables (Kothari, 2004).

3.2. Population of the Study

The study used 80 companies out of the 100 listed companies on Club 100 and their data was obtained from financial statements of the individual companies.

3.3. Method of Data Analysis

Pearson Correlation Coefficient was used to determine the relationship between financial characteristics and the performance of the listed companies in Ghana and multiple regression analysis was used to investigate the impact of financial characteristics on the performance of the listed companies in Ghana. The Statistical Package for Social Science (SPSS) data analysis tool was used to analyze the data gathered from the fieldwork.

3.4. Measurement of the Variables of the Study

This study employed the ratio of ROA as the indicator of performance of the listed companies in Ghana. Kothari (2004) explained that, a dependent variable is a variable that need to be expected or explained. The variable you adjust or change in an experimental study in order to examine its effects is known as an independent variable.

Table 3.1. Measurement of the Independent Variables

Liquidity (Current Ratio)	Current Assets / Current Liabilities
Financial Leverage (Debt Ratio)	Total Debt / Total Assets
Business Activity (Total Asset Turnover)	Sales / Total Assets

Table 3.2. Measurement of the Dependent Variable

Return on Asset	Net Profit After Taxes / Total Asset

4. Result and Discussions

4.1. Relationship between Financial Characteristics and the Performance of Companies in Ghana

This research objective determines the relationship between financial characteristics and the performance of companies in Ghana. The financial characteristics were leverage, liquidity and business activity. Also, the performance of the companies was measured by ROA. Pearson Product-Moment correlation was conducted to examine the relationship between leverage, liquidity, business activity and ROA. Table 4.1 shows the results of the relationship between financial characteristics and the performance of companies.

Table 4.1. Correlation Matrix

	Leverage	Liquidity	Business Activity	Return on Equity	Return on Asset
Leverage	1				
Liquidity	.043	1			
Business Activity	.785**	-.021	1		
Return on Asset	.850**	.069	.934**	.038	1

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Fieldwork (2023)

Table 4.1 reveals that there was a statistical significant positive relationship between leverage and ROA (β = .850**). This finding is in line with that of Kwaltommai et al. (2019) who found that there was a positive relationship between leverage and firm performance. On the contrary, Raza (2013) revealed that there was a negative relationship between leverage and performance.

Also, there was no statistical significant relationship between liquidity and ROA. This finding suggests that irrespective of the increase or decrease in liquidity, it will have no bearing on the ROA of the companies. This result is inconsistent with the findings of Lukorito et al. (2014) who found that there was a positive correlation between liquidity and bank's profitability. Similarly, Ismail (2016) also found a positive correlation between liquidity and ROA.

Lastly, the results show that there was a statistical significant positive relationship between business activity and ROA (β = .934**). This result is unique because it appears that, reviewed studies have not concentrated on the relationship between business activity and ROA.

4.2. Effect of Financial Characteristics on the Performance of Companies in Ghana.

This objective was to investigate the impact of financial characteristics on the performance of companies in Ghana. This research objective is to examine the effect of liquidity, leverage and business activity on ROA. A secondary data on the following variables: leverage, liquidity, business activity, ROA was collected from the companies for this analysis.

Effect of Liquidity, Leverage and Business Activity on ROA

The independent variables are liquidity, leverage and business activity, and the dependent variable is return on asset (ROA). To test this hypothesis, multiple regression was considered appropriate. Multiple regression would help show the magnitude of the effect and relationship between the independent variables on the dependent variable. However, prior to running the multiple regression analysis, assumptions were checked. The analysis of the assumptions has been captured under the diagnostic testing section.

4.3. Diagnostic Testing

The assumptions were normality (P-P plot), multicollinearity and heteroscedasticity. Figure 4.1 and 4.2 present the P-P plot and histogram normality test of the study variables.

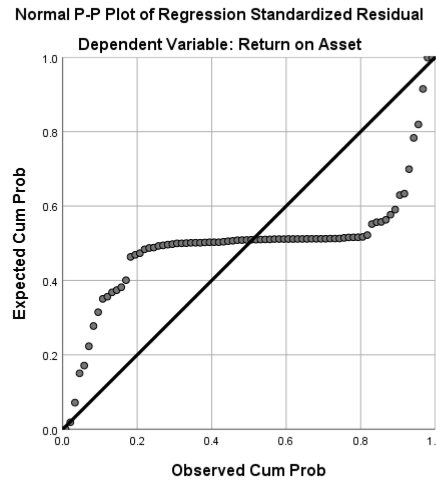

Figure 4.1: P-P plot of normality

As shown in Figure 4.1, it was observed that most of the scores are near to the diagonal line in the center. The observation is normal when most of the scores are near to the diagonal line in the center (Pallant, 2020). Also, the histogram in Figure 4.2 shows that the scores were normally distributed.

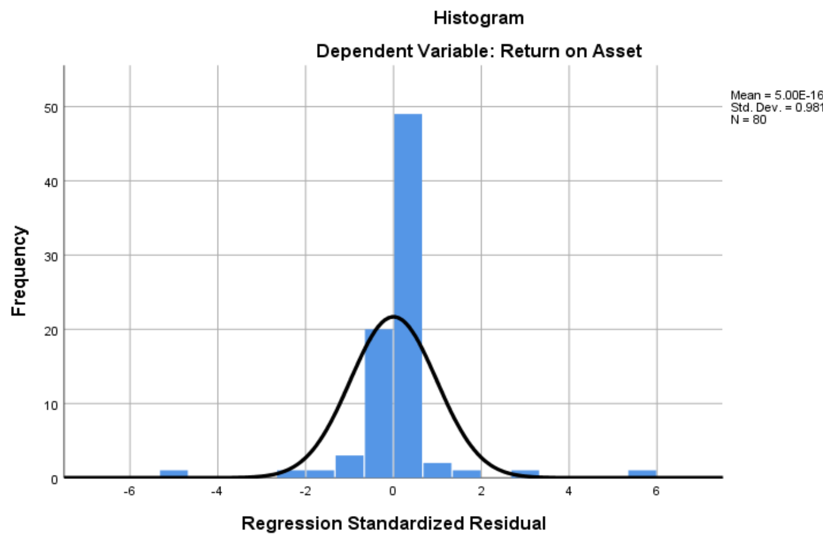

Figure 4.2: Histogram graph of normality test

Multicollinearity (Tolerance and Variance Inflation Factor = VIF) test was conducted to support the P-P plot and histogram normality assumption. Table 4.2 presents the multicollinearity results.

Table 4.2. Multicollinearity Test

Variable	Correlations	Multicollinearity	
	Return on Asset	Tolerance	VIF
Leverage	.850	.380	2.629
Liquidity	.069	.990	1.010
Business Activity	.934	.381	2.626

Source: Fieldwork (2023)

The results from Table 4.2 show that tolerance values were not less than .10 which is a satisfactory result (Pallant, 2020). Additionally, the VIF results met the acceptable standard which requires that VIF values must be less than 10. Thus, from Table 4.2, it is evident that there is no problem with multicollinearity since both the tolerance and variance inflation factor results met the acceptable cut-off points.

4.4. Heteroscedasticity

OLS assumes that the dispersion of the errors is the same throughout the sample of observations. The Breusch-Pagan test for heteroscedasticity was used in this study. Table 4.3 shows the results from the Breush-Pagan test for heteroscedasticity.

Table 4.3. Breusch-Pagan Test for Heteroscedasticity

Chi-Square	Df	Sig.
.119	1	.730

Source: Fieldwork (2023)

The results from Table 4.3 shows that the p-value is greater than .05 (p = .730 > .05). This result implies that there is no evidence that the residuals violate the OLS assumption of constant variance of the error term. Hence, there is no problem of heteroscedasticity.

Table 4.4. ANOVA Results

Model	Sum of Squares	Df	Mean Square	R Square Change	F	Sig.
Regression	16051.689	3	5350.563		263.778	.000
Residual	1541.610	76	20.284	.912		
Total	17593.299	79				

Source: Fieldwork (2023)

It is obvious from Table 4.4 that, the amount of variance in the dependent variable (return on asset) is explained by .912 or 91.2% of the independent variables at F (3, 76) = 263.778, p < 0.05. These results suggest that leverage, liquidity and business activity have statistical significant effect on ROA of the firms. Linear multiple regression analysis was therefore conducted to ascertain the distinctive influence of the independent variables. The result is shown by Table 4.5.

Table 4.5. Linear Multiple Regression Analysis of the Effect of Leverage, Liquidity and Business Activity on Return on Asset of Firms

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.237	.558		-.426	.672
Leverage	.045	.008	.295	5.357	.001
Liquidity	.095	.046	.071	2.087	.040
Business Activity	.071	.006	.703	12.787	.001

Source: Fieldwork (2023) *significant level at p < .05

Results from Table 4.5 provided that, the influences of leverage, liquidity and business activity on ROA are statistically significant at a .05 level of significance. This is because the significant values for the independent variables are less than .05. As regards the standardized beta values, it was discovered that the independent variables (leverage, liquidity and business activity) significantly influenced the dependent variable (return on asset) at (beta = .295, beta = .071 and beta = .703 respectively).

Specifically, leverage has a statistical significant positive influence on ROA (β = .045, p = .000 < .05). This result suggests that a unit increase in a firm's leverage will lead to a .045 increase in ROA. This finding is in

line with several studies. Similar to this finding, Nguyen & Nguyen (2020) found that financial leverage affected ROA positively. Additionally, this result is consistent with that of Dioha et al. (2018) who found that leverage has a significant effect on the profitability of the companies listed on the PSX (100-index), Iqbal & Usman (2018) revealed that financial leverage had a positive effect on ROA. Contrary to the current study's result is that of Apan & Islamoglu (2018) who observed that financial leverage had a negative influence on return on asset. Buttressing the findings of Apan & Islamoglu, Abu-Abbas et al. (2019) revealed that financial leverage had a negative influence on firm's performance.

Also, liquidity has a statistical significant positive influence on ROA ($\beta = .095$, $p = .040 < .05$). This result means that a unit increase in the liquidity of firms will lead to a .095 increase in ROA. This current finding validates that of Ismail (2016) who revealed that liquidity had a positive influence on ROA. This result is contrary to that of Dioha et al. (2018) who discovered that liquidity has no significant effect on the profitability of the consumer goods companies.

Lastly, the results in Table 4.5 reveal that business activity has a statistical significant positive influence on ROA ($\beta = .071$, $p = .000 < .05$). This result implies that a unit increase in business activity will lead to a .071 increase in ROA. This finding is in tandem with that of Sultan (2019) who found that activity ratio had significant effect on ROA. However, in Sultan's study, he did not indicate the direction of the effect. The current study gives clarity to the effect of business activity on ROA by demonstrating that an increase in a company's business activity will increase the firm's ROA.

5. Conclusion

In an attempt to examine the relationship between financial characteristics and the performance of the listed firms, the results from the correlation coefficient of the study reveals that there was a statistical significant positive relationship between leverage and ROA. This finding is in line with that of Kwaltommai et al. (2019) who found that there was a positive relationship between leverage and firm performance. There was no significant relationship between liquidity and ROA. This finding suggests that irrespective of the increase or decrease in liquidity, it will have no bearing on the ROA of the listed companies. This result is inconsistent with the findings of Yameen & Tabash (2019) who found out that; liquidity ratio was positive and significant to the profitability of the pharmaceutical companies measured by ROA. Moreover, the results showed that, there was a statistical significant positive relationship between business activity and ROA. This finding is distinctive and novel because it suggests that most researchers have not examined and focused on the relationship between ROA and business activity of the firm.

In analyzing the effect of financial characteristics on ROA, leverage, liquidity and business activity had statistical significant effect on ROA of the firms. Specifically, leverage had a statistical significant positive influence on ROA. This finding is in line with several studies (e.g. Dioha et al., 2018; Iqbal & Usman, 2018; Nguyen & Nguyen, 2020). They found out that financial leverage is statistically significant to the profitability (ROA) of firms. Also, liquidity had a statistical significant positive influence on ROA. This finding is in line with Ismail (2016) who revealed that liquidity had a positive influence on ROA. This result is contrary to that of Dioha et al. (2018) who discovered that liquidity had no significant effect on the profitability of the consumer goods of the companies. Lastly, business activity had a statistical significant positive influence on ROA. This finding is consistent to that of Sultan (2019) who found that activity ratio had significant effect on ROA. However, in Sultan's study, the researcher did not indicate the direction of the effect. The current study gives clarity to the effect of business activity on ROA by demonstrating that an increase in a company's business activity will increase the ROA of the listed firms.

5.1. Implications of the Research Study for Theory and Practice

This research work provides motivation since theory and practice will be brought together at the end of the study. Theoretically, this thesis will broaden the various research works that have been conducted relative to financial characteristics of the listed firms as well as focusing on the impact of these variables on the performance of companies in Ghana. This study contributes to academic literature on the financial management in the Ghanaian context because there were gaps found in literature in Ghana business industry. This research has provided new knowledge on the empirical evidence in Ghana.

In practical terms, the current research is of great importance as it will shape the liquidity, financial leverage and business activity of companies in Ghana. The findings of the study will assist Bank of Ghana to ensure a smooth operation, sound and secure banking system to regulate, supervise and direct the banking and credit systems in Ghana. This study will serve as a source of training and educational programs for Ghana Investment Promotion Centre on their seminars and conferences organized for the listed firms. The conclusions will establish the effect of financial characteristics on the performance of companies in Ghana and this will assist shareholders and management in boosting the financial performance of their companies by efficiently utilizing their financial resources. In summary, financial characteristics are very important as these practices helps the listed companies to plan, control and make useful decisions that will increase the performance of the firms. The

main conclusions of this study provide useful recommendations to managers, practitioners and policymakers who want to improve the efficiency of the Ghana Club 100 and the advantages of being listed among the best companies. This study also offers practical managerial implications for companies in the Ghanaian financial and business industry.

References

[1] Abu-Abbas, B. M., Alhmoud, T., & Algazo, F. A. (2019). Financial leverage and firm performance evidence from Amman stock exchange. The European Journal of Comparative Economics, 16(2), 207-237.

[2] Alabri, A. K. S., Almanthri, L. S. S., & Ahmed, E. R. (2021). Financial leverage and firm performance of listed companies in a Muscat Stock Exchange: Evidence from Oman. International Journal of Business and Management Invention, 10(10), 44-51.

[3] Annaria Magdalena, M., Marpaung, B. S., & Hasibuan, D. H. (2021). The Effect of Activity Ratios to Company Profitability in the Trading, Services, and Investment Sectors. Journal of Accounting, Business and Finance Research, 11(1), 38-45.

[4] Apan, M., & İslamoğlu, M. (2018). Determining the impact of financial characteristics on firm profitability: An empirical analysis on borsa Istanbul energy firms. WSEAS Transactions on Business and Economics, 15, 547-559.

[5] Dioha, C., Mohammed, N. A., & Okpanachi, J. (2018). Effect of firm characteristics on profitability of listed consumer goods companies in Nigeria.

[6] Ehiedu, V. C. (2014). The impact of liquidity on profitability of some selected companies: The financial statement analysis (FSA) approach. Research Journal of Finance and Accounting, 5(5), 81-90.

[7] GIPC. (2013). Ghana Investment Promotion Centre 2013, Act 865 of 2013

[8] Hasbiah, H. (2022). Analysis of Liquidity, Leverage, and Activity Ratio on the Financial Profitability of Indonesian Telecommunications Industry. Golden Ratio of Finance Management, 2(1), 61-76.

[9] Hongli, J., Ajorsu, E. S., & Bakpa, E. K. (2019). The effect of liquidity and financial leverage on firm performance: Evidence from listed manufacturing firms on the Ghana stock exchange. Research Journal of Finance and Accounting, 10(8), 91-100.

[10] Iqbal, U., & Usman, M. (2018). Impact of financial leverage on firm performance: Textile composite companies of Pakistan. SEISENSE Journal of Management, 1(2), 70-78.

[11] Ismail, R. (2016). Impact of liquidity management on profitability of Pakistani firms: A case of KSE-100 Index. International Journal of Innovation and Applied Studies, 14(2), 304.

[12] Jensen, M. C., & Meckling, W. H. (2019). Theory of the firm: Managerial behavior, agency costs and ownership structure. In Corporate governance (pp. 77-132). Gower.

[13] Kothari, C. R. (2004). Research methodology.

[14] Kwaltommai, A. S., Enemali, M. I., Duna, J. U. D. E., & Ahmed, A. (2019). Firm characteristics and financial performance of consumer goods firms in Nigeria. Scholars Bulletin, 5(12), 743-752.

[15] Lukorito, S. N., Muturi, W., Nyang'au, A. S., & Nyamasege, D. (2014). Assessing the effect of liquidity on profitability of commercial banks in Kenya. Research Journal of Finance and Accounting, 5(19), 145-152.

[16] Nguyen, T. N. L., & Nguyen, V. C. (2020). The determinants of profitability in listed enterprises: A study from Vietnamese stock exchange. Journal of Asian Finance, Economics and Business, 7(1), 47-58.

[17] Pallant, J. (2020). SPSS survival manual: A step by step guide to data analysis using IBM SPSS. Routledge.

[18] Paramasivan, C. (2009). Financial management. New Age International.

[19] Putri, M. O. D., & Wiksuana, I. G. B. (2021). The effect of liquidity and profitability on firm value mediated by dividend policy. American Journal of Humanities and Social Sciences Research (AJHSSR), 5(1), 204-212.

[20] Raza, M. W. (2013). Affect of financial leverage on firm performance. Empirical evidence from Karachi Stock Exchange.

[21] Shim, J.K. (2022). Financial management. Professor of Finance and Accounting Queens College City University of New York.

[22] Sudiyatno, B., & Suwarti, T. (2022). The Role of Liquidity in Determining Firm Performance: An Empirical Study on Manufacturing Companies in Indonesia. European Journal of Business and Management Research, 7(6), 183-188.

[23] Sultan, D. T. O. (2019). Influence of Activity Ratio to the Performance of Financial Statement of Badan BPJS Ketenagakerjaan Indonesia.

[24] Warrad, L., & Rania, A. O. (2015). The impact of activity ratios among industrial sectors' performance: Jordanian case. Research journal of finance and accounting, 6(6), 173-178.

[25] Yameen, M., Farhan, N. H., & Tabash, M. I. (2019). The impact of liquidity on firms' performance: Empirical investigation from Indian pharmaceutical companies. Academic journal of interdisciplinary studies, 8(3), 212-220.