

Analysis of the Impact of Interest Rate on the Net Assets of Multinational Business in Nigeria

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Abstract

This study investigate the effect of macroeconomic variables on net assets of multinational companies operating in Nigeria with the aim of identifying how level of interest rate affect the net assets of these companies. Increased integration and growing macroeconomics fluctuations requires more attention to be paid to link between the “noise” that these fluctuations represent and the companies own development. For many reasons, management of these companies must weed out the effects of the “noise” so as to obtain a clear picture of long term sustainable profits, and thus a picture of how the company’s intrinsic competitiveness is fostered. An understanding of the effect of the fluctuations also provides the basis for risk assessment. The net assets of multinational companies in Nigeria are affected either positively or negatively by a number of factors occurring within or without the economic system. This study examines the impact of interest rate (INT) on net assets of multinational companies to Nigeria from 1994 to 2010. net assets were represented by Net Assets Value Index in the model which is $NAVI = a_0 + a_1 INT + U$. A regression model was designed to test the relationship between the net assets and interest rate as a macroeconomic factor. The regression analysis showed that a reduction in interest rate results in increase net assets. Government should therefore implement policies that will reduce interest rate and improve standard of living of its citizens through the encouragement of investment and enhance transactions in multinational companies business.

Introduction

No economy activity operates in a vacuum. in recent years, there has been tendency for business organisations to grow in size, and not only that more and more organisations are buying and selling goods and services across countries i.e. engaging in international businesses. These businesses are known as multinational company businesses. These companies react promptly and uncharacteristically to rumours of war, changes in regulation environment; political climate seen as a negative factor by the business (investing) community; and interest rate variation to general performance of the multinational companies.

Rogar (2000), as cited in kayoed (2002), defines multinational companies as some international businesses that consciously integrate their entire world wide activities rather than tackling particular foreign markets one by one. A multinational company (here in after referred to as MNCs) is one that operates throughout the world via it branches, subsidiaries and associated undertakings across territorial boundaries. Multinational companies act like superconductors for flows of capital, knowledge, resources and production technologies their structure – that channel the largest share of the developed countries flows of trade- contain levels of economic integration whose complexity

requires sophisticated planning and management control systems (Marco, 2008). To operate on a worldwide basis it is necessary to set up a complex hierarchy between the units of the multinational web that implies forms of division of both labour and company activities between subsidiaries which translate into greater and lesser specialization strategies (Carrado and Jordan 2002).

According to Agbonifoh, Ehimetalor, Inengbenebor and Iyayi (1999), posit that a business can be considered multinational when it has branch companies or subsidiaries in many countries of the world. The mere engagement in international business transaction does not make a company a multinational business. However it is assumed that international business transaction can take place between one firm and other located in different regions of the world.

It is a common trend for net assets of some multinational companies to rise and fall or fall and rise within a year. The net assets of multinational companies in Nigeria are affected either positively or negatively by a number of factors occurring within and without the economic system. According to Carrado and Jordan (2002), some of the factors influencing net assets include company profit; political factors; and economic performance. Others are interest rates; exchange rates; inflationary rates; real gross domestic product.

However Onagoruwa (2006), was of the view that in the late 1960s, when the term multinational company was coined, we see a rather different scene than the one prevailing today. The general economic, situation was very different and so was the environment for multinational companies. Perceptions (negative) of multinational companies have evolved considerably since. This is due to the recognition of foreign direct investment among most countries to be a key factor in economic development. Also, the performance of and experience with multinational companies have undergone changes. Investment in international business has grown number of actors in international direct investment has diffused many previous concerns. Nowadays, international business is invited to commit itself to some of the great challenges of our time and the achievement of sustainable development.

This research work emphasizes a particular kind of information, that is to say information about the effects on the firm of a turbulent macroeconomic environment. The macroeconomic environment of a firm is viewed here along the lines suggested by Oxelheim and Wihlborg (1997), as constituted by a set of four relative prices; exchange rate, interest rate and inflation rates. Given the increased financial and economic integration that prevails today, no firm can claim any longer to be unaffected by what is happening on the global economic arena. Even so, today's external reporting is not geared to indicating the extent to which profits generated are affected by fluctuations in the company's macroeconomic environment during the reporting period.

Reily and Brown (200), however, interest rates can influence the level of corporate profits which in turn influence the net asset level. Most companies finance their capital equipments and inventories through borrowings. A reduction in the interest rates reduces the costs of borrowing and thus serves as an incentive for expansion. This will have a positive effect on future expected returns for the form. Omran (2003) focused on examining the impact of interest rates as a key factor in the performance of the multinational companies net assets, both in terms of profitability and liquidity. The cointegration analysis through error correction mechanisms indicated significant long-run and short-run relationships between the variables, implying that interest rates had an impact upon net asset performance.

Vuyyuri (2005), investigated the cointegrating relationship and the causality between the financial and the real sector of the Indian economy using monthly observations from 1992 through December 2002. the financial variables used were interest rates, inflation rates, exchange rates, stock return and real sector was proxied by industrial productivity.

Accounting for the effect of a changing macro- economic environment is static and partial. It is partial since it ignores the interrelation between the macro-economic variables in question. It is also partial since it only recognizes the effects of items denominated in foreign currencies. Moreover, volume effects due to changing exchange and interest rates are ignored, fuelling the criticism that it is both partial and static. A comprehensive approach calls for the simultaneous consideration of effects caused by changes in all these variables at home and abroad.

The central concept of this research work is that the vulnerability of multinational company net assets to changes in its macroeconomic environment can be expressed by measures of sensitivity to changes in the interest rate.

In accounting for interest rate fluctuations there are two main traditions. The first is concerned with debt and its main focus is on the translation of foreign debt. Any deviations that occur are seen as related to differences in the exchange rate and/or in the interest rates in the countries concerned. These questions are interrelated and are often dealt with simultaneously, albeit implicitly rather than explicitly (Oxelheim, 1983). The other tradition is concerned with accounting for financial instruments as defined in SFAS 133 and IAS 39, although the questions of risk may not be relevant in the case of all the instruments covered by these recommendations (Francis 1990; Bierman, and Miltz and Sercu, 1993). At the beginning of the 2000s, the typical way of reporting the effects of interest rate fluctuations on net assets is to report effects on the financial side only. The effects of these changes on commercial exposure and overall performance are entirely ignored.

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Anyanwu and Paikhenan (1995:211), "The rate interest is the reward for parting with liquidity for a specified period. It is the inverse proportion between a sum money and what can be obtained for parting with control over the money in exchange for a debt for a stated period of time"

In this sense, it is seen as a measure of the unwillingness, of those who possess money to part with their liquid control over it. It is the 'price' which equilibrates the desire to hold wealth in the form of cash with the available quantity of cash, i.e the price of credit. Interest rates as the prices paid for the right to borrow and use loanable funds, are the cost of holding money. That, is they are the prices that must be paid to get people to forego willingly the advantages of liquidity.

Theories of Interest Rates

Various theories of interest rates put together explain or provide variables which determined interest rates. These theories differ because of differences of opinion as to whether rates are monetary or real phenomenon. These theories are: the classical theory of interest, the Keynesian liquidity preference theory of the rate of interest, the loanable funds theory of interest, neoclassical theory of pigou, the Hicksian IS-LM framework and the monetarist framework of Friedman (Anyanwu, 1993) these are briefly sketched in turns.

According to the classical theory the interest is determined by the intersection of the investment demand-schedule and the saving-schedule, i.e. schedule disclosing the relation of investment and saving to the rate of interest. However, no solution is possible because the position of the saving-schedule will vary with the level of real income hence the Keynesian attack of the classical theory of interest on the ground that it is indeterminate. That is an income rises, the saving- schedule will shift to the right hence we cannot know what the rate of interest will be unless we already know the income level. But we cannot know the income level without already knowing the rate of interest, since a lower interest rate will mean a larger volume of investment and so, via the multiplier, a higher level of real income.

This theory posits that the rate of interest is determined by the intersection of the supply-schedule of money (perhaps interest inelastic, if rigorously fixed by the monetary authorities) and the demand schedule for money (Anyanwu and Paikhenan, 1995)

However, this analysis is also indeterminate because the liquidity preference schedule will shift up or down with changes in the income level. Thus, money supply and demand-schedules cannot give the rate of interest unless we already know the income level hence, the same criticism of indeterminacy Keynes leveled against the classics is applicable to his theory.

The implication of the Keynesian analysis is that an increase in money supply results in a fall in the interest rate. According to the loanable funds theory of Dennis H. Robertson, the rate of interest is determined by the intersection of the demand schedule for loanable funds with the supply schedule. Here, the supply-schedule is compounded or composed saving (in the Robertsonian sense) plus net additions to loanable funds from new money (MS) and the dishoarding of idle balances (DH). However, since the savings portion of the schedule varies with the level of disposable income (i.e. yesterday's income) it follows that the total supply schedule of loanable funds also varies with income. Therefore, the theory is also indeterminate.

In the Pigouvian parlance, interest rate is determined by the intersection of the demand – schedule for money with the supply schedule of saving out of current income, i.e. the excess of total income received over income received for services in the same period providing for consumption thus, income, consumption, and saving, all apply to the same period, however, whether, or not current is fed in part from the injection of new money or from the standpoint of the Pigouvian or Neo-classical definition. This is income whether it springs from the spending of funds borrowed from banks credit played a role in the process of income creation. Thus in the neo-classical or Pigouvian theory “saving” is in effect the same thing as loanable funds hence the same criticism applies to them.

Interest rate structure in Nigeria has overtime been controlled and managed by Central Bank Nigeria (CBN). Every year, the CBN fixes the range within which both the deposit and lending rates are to be maintained.

According to Jhingan (1999), interest rate can be classified into various categories; Deposit rates, lending rates, Treasury bill rate, Interbank rate and Minimum Rediscount rate.

Oresutu (1992) explains that the basic functions of interest rates in an economy in which individual economic agents take decisions as to whether they should borrow, invest, save and/or consume, are summarized by International Monetary Fund (IMF) under three aspects; namely

- ❖ Interest rates as return on financial assets serve as incentive to savers, making them defer present consumption to a future date.
- ❖ Interest rates being a component of cost of capital affect the demand for and allocation of loanable funds; and
- ❖ The domestic interest rate in conjunction with the rate of return on foreign financial assets and goods are hedged against inflation.

These broad roles of interest rates according to Oresutu (1992), emphasize their significance in the structure of basic prices and indicate the need for study about their determinants under a flexible regime.

During the periods of rapidly changing prices, interest rate may be a poor index of the return due to an investor. Too expensive interest rate may choke off investment; Ogiogio (1988), Alile (1992), explain that interest rate in Nigeria would significantly influence the holding of financial assets by investors.

Arising from the above, if there is a relationship, one should expect a negative association between interest rates and changes in the level of net assets.

Research Methodology

The longitudinal design of the survey is used in this study covering the period 1994 – 2008. The study subjects are studies in their natural settings through the use of the financial statements of the multinational companies.

A sample of the multinational companies is taken and studied for generalization to the total population. This is because the issues in this study border on variables that are extraneous to the companies and so may not be controllable such as: the determination of the effect of inflation over the decision usefulness of financial reports on multinational companies in Nigeria. The population of this study is made up of

sixty three (63) multinational companies spread across the country. For the purpose of the study, the researcher selected a sample size of twelve (12) multinational companies which is a subset of the population. Particular attention was given to fifteen years financial statement in the companies in the study.

The sampling technique used in this research work is random sampling. The sample size was obtained by writing all the names of the MNCs in Nigeria on cards and shuffling the cards and taking the top card each time the cards are shuffled continuously until the required sampled size is met.

The data employed for these research works were gathered from secondary source only. These were key data that are vital to this project, but are established by the organization in the establishment of facts for completeness. They are however derived from:

- ❖ Five years financial statement summary of sampled MNCs in Nigeria Central Bank of Nigeria statistical Bulletin, 2008
- ❖ Nigeria Stock Exchange fact-books, year 1998, 2003 and 2008.
- ❖ Information from internet
- ❖ Federal office of Statistics of Nigeria
- ❖ Nigeria Finance Directory, sixth edition, 2006/2007 (by Goldstar Directories).
- ❖ Consultation of textbooks
- ❖ Journals
- ❖ Past research reports of other researchers.

The multiple regression method was used to analyze data collected adopting the ordinary least square (OLS) techniques.

The model for this study is as specified below:

$$Y = a_0 + a_1 x_1 \dots + U$$

Where:

- Y = dependent or unexplained variable a_0 = Constant of the model
- a_1 = coefficient of the model x_1 = independent or explanatory variables
- U = Stochastic variable or error team. $NA + a_0 + a_1 INT + U$

Where:

- NAVI – Net assets Value Index INT = Interest Rate

The Aprirori is $a_0 + a_1 INT + a_1 > O$.

The relevant data to be used in the analysis were collected from the regression result tables below.

Guinness Nigeria PLC

MODEL	Unstandardized Coefficients	Standard coefficient		
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	B	Std. Error	Beta	T	Sig.
Constant	- 13155335	30515586		-4.311	.001
Interest rate.	-19624.045	95636.12	-.017	-.205	.841

Source: Researcher Computation

The goodness of fit of the analysis in appendix section is high which is R = 97% confident that the variation of Net Assets in respect of inflation rate, exchange rate and interest rate studies is highly related.

From the regression result table above using the Cochran orcutt method, a critical evaluation of the result shows that the explanatory variables confirms with the “apriori” expectation stated in chapter three while the remaining variables does not confirm with it.

The coefficient of interest rate is -0.17 signifies that 1% increase in interest rate all things being equal will lead to 17% decrease in Net Assets.

The T-test shows that the interest rate has a positive relationship with the Net assets

Finally, the F statistics as shown in the result in appendix section is 65.892, which passes the test of significant at 5%. That is, at 5% the observed f-statistics is 65.892, which is greater than the critical F-Statistic of 3.29 (i.e 3.59 < 65.892). Thus, we conclude that there is a significant difference between the independent variables and dependent variable at 5%.

A. G. Leventis PLC

MODEL	Unstandardized Coefficients		Standard coefficient	T	Sig.
	B	Std. Error	Beta		
Interest rate.	-59931.738	35683.70	-.301	-1.680	.121

Source: Researcher Computation

The goodness of fit of the analysis in appendix section is high which is R=87% confident that the variation of Net assets in respect of interest rate studies is highly related.

From the regression result table above shows that two of the explanatory variables confirm with the “apriori” expectation stated while the remaining variables does no confirm with it. The coefficient of interest rate is -0.301 signifies that 1% increase in interest rate all things being equal will lead to 30.1% decrease in Net assets.

The T-test shoes that interest rate have a positive relationship with the Net assts and exchange rate has no relationship with the Net and exchange rate has no relationship the Net assets since the computed value of exchange rate (5.159) of t lies within the rejection region, reject the null hypothesis and accept the alternative and accept the alternative hypothesis. Also interest rate values of t lies within the acceptance area, accept the null hypothesis.

The F-statistics as shown in the result in appendix section is 11.358, that passes the test of significance at 5%. That is, at 5% the observed f-statistics is 11.358, which is greater than the critical f-statistics of 3.59 (i.e. 3.59 < 11.358). Thus, we conclude that there is a significant difference between the independent variables and dependent variable at 5%.

Cadbury Nigeria PLC

MODEL	Unstandardized Coefficients		Standard coefficient		
	B	Std. Error	Beta	T	Sig.
Constant	- 8514448	3528650.80		-2.413	.034
Interest rate.	-28470.102	110588.24	-.048	-.257	.802

Source: Researcher Computation

The degree of accuracy of the analysis in appendix section is high which is $R = 86\%$ confident that the variable of Net assets in respect of interest rate studies is highly related.

Based on the regression result table above shows that the explanatory variables confirms with the “apriori” expectation stated in chapter three,

The coefficient of interest rate is -0.48 signifies that 1% increase in interest rate all things being equal will lead to 4.8% decrease in Net assets.

The T-test shows that interest rate have a positive relationship with the Net assets interest rate values of t lies within the acceptance area, accept H_0 . The F-statistic as shown in the appendix section is 10.095, it passes the test of significance at 5% that is, at 5% the observed f -statistics is 10.095, which is greater than the critical f -statistic of 3.59 (i.e $3.59 < 10.095$). Thus, we conclude that there is a significant difference between the independent variables and dependent variable at 5%.

Coppa D’ Albert PLC

MODEL	Unstandardized Coefficients		Standard coefficient		
	B	Std. Error	Beta	T	Sig.
Constant	- 1103541	152888.48		-7.218	.000
Interest rate.	-12577.808	4791.539	-.038	-.538	.601

Source: Researcher Computation

The degree of accuracy of the analysis in appendix section is very high which shows 98.1% confident that the variation of Net assets in respect of interest rate studies is highly related.

From the regression result table above only the explanatory variables confirms with the “apriori” expectation stated while the remaining variables does not confirm with it.

The coefficient of interest is -0.038 signifies that 1% increase in interest rate all things being equal will lead to 3.8% decrease in Net assets.

The T-test shows that interest rate have a positive relationship with the Net assets.

The F-statistics is 94.174 as shown in appendix section. It passes the test of significance at 5%. That us at 5% the observed f -statistics is 94.174 which is greater than the critical f -statistics of 3.59. we conclude that there is significant difference between the independent variables and dependent variables at 5%.

International Breweries PLC

MODEL	Unstandardized Coefficients		Standard coefficient		
	B	Std. Error	Beta	T	Sig.
Constant	814116.97	272627.96		2.986	.012
Interest rate.	-3850.053	8544.185	-.109	-.451	.661

Source: Researcher Computation

The goodness of fit of the analysis in appendix section is high which shows a 74.4% confident that the variation of Net assets in respect of interest rate studies is highly related.

The regression result table shows that the explanatory variables does not confirms with the “apriori” expectations stated in chapter three

The interest rate is -0.109 which shows that any 1% change in the variable results to 10.9 decreases on the net assets respectively.

The T-test shows that interest rate have a positive relationship with the Net assets.

Finally, the F-statistics is 4.536 as shown in appendix section. It passes the test of significance at 5%. That is at 5% the observed f-statistics is 4.536, which is greater than the critical f-statistics of 3.59. we conclude that there is a significant difference between the independent variables and dependent variables at 5%.

Nestle Nigeria PLC

MODEL	Unstandardized Coefficients		Standard coefficient		
	B	Std. Error	Beta	T	Sig.
Constant	- 741502.o	587847.37		-1.261	.233
Interest rate.	-30315.978	18423.190	-.300	-1.646	.128

Source: Researcher Computation

The degree of accuracy of the analysis in appendix section is high which is R=86.4% confident that the variation of Net assets in respect of interest rate studies Is highly related.

From the regression result table above shows that two of the explanatory variables confirms with the “apriori” expectation stated in chapter three while the other variables does not confirm with it.

The coefficient of interest rate is 0.300 which shows that any 1% change in the variable result to 30% decrease in Net assets

The T-test shows that only interest rate has a positive relationship with the Net assets.

The f-statistics as shown in the appendix section is 10.832. if passes the test of significance at 5%. That is at 5% the observed f-statistics is 10.832, which is greater than the critical f-statistics of 3.59, thus we conclude that there is a significant differences between the independent variables and dependent variable at 5%.

Scoa Nigeria Limited

MODEL	Unstandardized Coefficients		Standard coefficient		
	B	Std. Error	Beta	T	Sig.
Constant	- 10580.0	232705.44		-.475	.644
Interest rate.	-12032.067	7293.010	-.252	-1.650	.127

Source: Researcher Computation

The degree of accuracy of the analysis in appendix section is high which is R= 90% confident that the variation of Net assets in respect of interest rate studies is highly related.

From the regression result table above shows that variable confirms with the “apriori” expectation started.

The coefficient interest rate is -0.252 which shows that a 1% change in the variables results to 25.2% decrease in Net assets. The T-test shows that exchange rate and interest rate have a positive relationship with the Net assets.

The F-statistics as shown in the appendix section is 17.109. it passes the test of significance at 5%. That is, at 5% the observed F-statistics is 17.109, which is greater than the critical F-statistics is of 3.59. thus, we conclude that there is a significant difference between the independent variables and dependent variable at 5% i.e there is no relationship between the variables.

Scoa Nigeria Limited

MODEL	Unstandardized Coefficients		Standard coefficient		
	B	Std. Error	Beta	T	Sig.
Constant	- 2088757	662405.31		-3.153	.009
Interest rate.	-3532.547	20759.843	-.019	-.170	.868

Source: Researcher Computation

The goodness of fit of the analysis in appendix section is high which shows 95.7% confident that the variation of Net assets in respect of interest rate studies is highly related.

The regression result table shows that variables confirms with the “apriori” expectations.

The coefficient of interest rate is which indicates that a change in the variables result to 1.9% decrease in Net assets.

The T-test shows that inflation rate and interest rate have a positive relationship with the Net assets and exchange rate has no relationship with the Net assets.

The F-statistics is 34.979 as shown in appendix section. It passes that the significance at 5%. That is, at 5% the observed F-statistics is 34.979 which is greater than the critical F-statistic of 3.59. we conclude that there is a significant difference between the independent variables and dependent variable at 5%.

Berger Paints Nigeria PLC

MODEL	Unstandardized Coefficients		Standard coefficient		
	B	Std. Error	Beta	T	Sig.
Constant	- 522164.6	229501.23		-2.275	.044
Interest rate.	-5010.725	7192.589	-.118	-.697	.500

Source: Researcher Computation

The degree of accuracy is 88.5% confident that the variation of Net assets in respect of the independent variables studied is highly related. The coefficient of interest rate which shows that any 1% change in variables results to 11.8% decrease in Net assets for interest rate.

The F-statistic is 13.310, which passes the test of significance at 5%. That is, at 5% the observed F-statistics is 13.310, which is greater the critical f-statistic of 3.59. we conclude that there is a significant hence between the independent variables and dependent variable at 5%.

Texaco Oil Nigeria PLC

MODEL	Unstandardized Coefficients		Standard coefficient		
	B	Std. Error	Beta	T	Sig.
Constant	- 2942230	832033.90		-3.536	.005
Interest rate.	43271.938	6179.036	.921	7.003	.000

Source: Researcher Computation

The degree of accuracy is 92.1% confident that the variation of Net assets in respect of the independent variables studied is highly related. The regression result table shows that explanatory variable confirms with the “apriori” expectation stated. The coefficient of interest rate is which indicates that 1% change in the variables result to 92.1 increase in Net assets. The T-test shows that interest rate has no relationship with the Net assets.

The F-statistics is 20.482, which passes the test of significance at 5% that is at 5% the observed F-statistics is 20.482 which greater than the critical f-statistical of 3.59. Thus, we conclude that there is a significant different between the independent variables and dependent variables at 5%.

Dunlop Nigeria PLC

MODEL	Unstandardized Coefficients		Standard coefficient		
	B	Std. Error	Beta	T	Sig.
Constant	512053.24	17111682.7		.299	.770
Interest rate.	-27060.048	53644.291	-.156	-.504	.624

Source: Researcher Computation

The degree of accuracy is 52.5% confident that the variables of Net assets in respect of interest rate studied is highly related. The coefficient of interest rate is 0.156 which shows that a 1% change in the

variables results to 15.6% decrease in the Net assets for interest rate. The t-test shows all the interest rate have a positive relationship with the Net assets.

Finally, the F-statistics is 1.397, which passes the test of significance at 55 that is at %% the observed F-statistics is 1.397, which is lesser than the critical F-statistics of 3.59. Thus, we conclude that there is no significant difference between the independent variables and dependent variable at 5%.

Mobil Oil Nigeria PLC

MODEL	Unstandardized Coefficients		Standard coefficient	T	Sig.
	B	Std. Error	Beta		
Constant	313668.48	1493636.0		210	.838
Interest rate.	-6459.735	46810.689	-.044	-.138	.893

Source: Researcher Computation

The goodness of fit is 46.2% confident that the variation of Net assets in respect of interest rate studied is highly related.

The coefficient of interest rate is -.044 which shows that any 1% change in the variables result to decrease in Net assets for interest rate. The T-test shows that all the independent variables have positive relationship with the dependent variable.

Finally, the F-statistics is 0.995, which passes the test of significance at 5%. That is at 5% the observed F-statistic 0.995, which is lesser than the critical f-statistics of 3.59. Thus, we conclude that there is a significant difference between the independent variables and dependent variable at 5% i.e there is a relationship between the macroeconomic variables and the Net assets of Multinational companies operating in Nigeria.

Summary of Findings

- ❖ From all the twelve multinationals examined, an increase in interest rate resulted in a decrease in a decrease in Net assets of these companies except in Texaco Plc where an increase in interest rate resulted in an increase in Net assets. The reason for this case Texaco Plc cannot be explained.
- ❖ From priori examination, it is a fact that interest will naturally effect inflation, exchange rate and some other macroeconomic variables which will consequently affect not only the Net assets of the companies but the position of the financial statement of these companies.
- ❖ There are so many bottlenecks of which companies cannot source for long-term funds from the banks and other financial institutions in order to achieve economic growth.
- ❖ The current interest rate i.e. 15.97% - charged by banks on loan accounts is quite at a high side thereby companies pays so much as interest on loan, which invariably reduces profit before tax.

An interesting point of the results is the relationship observed between respective net assets and interest rate. As hypothesized, the relationship between interest rates and net assets should be positively related. This hypothesis was found not to exist between the net assets and interest for all the twelve multinationals examined, an increase in interest rate resulted in a decrease in net assets of these companies except in Texaco Nigeria Plc where an increase in interest rate resulted in an increase in net assets.

Conclusion

At this juncture, it is pertinent to stat that the objective (s) of the study have been achieved. That is to evaluate the effect interest rate on the Net assets MNCs operating in Nigeria. This was done in bid to guide the users of financial statement in taking.

Recommendations

On the basis of the findings; the following recommendations are made;

- ❖ For any economy to experience sustained growth and development, there is need for the interest rate to be a single digit rate. Unfortunately, this has not been attained in Nigeria. There fore, I wish to recommend that the government should prevail on the CBN to reduce the Minimum Rediscount Rate. This will consequently bring about a reduction in the commercial banks' interest rate.
- ❖ The Consolidation process going on in the banking industry should be sustained and encouraged, as this will strengthen the banks and their ability to lend large sum of money to these multinationals.
- ❖ The reforms by the current administration as regard ban or importation of some foreign goods is a welcomed development. However, it is recommend that this should be sustained and if possible some other new foreign goods should be ban as this will help to stabilize the Naira against other foreign currencies.
- ❖ Interest rates should be made moderate in order to encourage investment and transactions in multinational companies in Nigeria.

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