Exploring the Effect of Corporate Finance on Financial Performance of Listed Consumer Goods Firms in Nigeria

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Abstract— **This study examined the effect of corporate finance on the financial performance of publicly listed consumer goods companies in Nigeria. The investigation utilized documentary data collected from the annual reports of ten consumer goods companies listed on the Nigeria Exchange Group (NGX) for the period from 2014 to 2023. The analysis of the data involved the use of descriptive statistics and a panel data regression methodology, which included pooled ordinary least squares, fixed effects, and random effects models. The results indicated that corporate finance has a positive effect on the financial performance of listed consumer goods companies in Nigeria. The findings established a negative impact of short-term loans and retained earnings on the performance of listed consumer goods firms, while both share capital and long-term loans had a positive effect. The survey indicates that managers of consumer goods companies in Nigeria ought to prioritize financing their business operations with share capital and long-term loans more frequently than relying on short-term loans and retained earnings in order to enhance their long-term financial performance significantly.**

Index Terms— **Corporate Finance, Financial Performance, Pecking Order Theory.**

1. Introduction

The contribution of consumer goods firms to Nigeria's economy is significant, as they represent a growing establishment with substantial consumer-based markets that drive economic growth. However, finance continues to pose a significant challenge, impeding the effective performance of these firms and others in the sector (Chidiebere & Inyiama, 2014). The challenges of obtaining capital at a relatively low interest rate have created significant obstacles for many firms in the country, impacting their growth and overall corporate success (Chidiebere & Inyiama, 2014).

An effective corporate financing decision has the potential to enhance the standing of the consumer goods sector and lead to improved performance outcomes. Consequently, a combination of debt financing and equity financing will significantly benefit firms over time. Establishing an optimal debt-equity financing

structure will reduce the cost of capital, enhance net returns, and improve overall firm performance (Ahmad & Ghazalat, 2019). Simultaneously, any inadequacy in firms' efforts to optimize their capital structure may result in financial distress and give rise to financial risk. As noted by Anizawati, Wan-Mona, Norlia, and Ama Wan-Anisah (2016), the choice of an appropriate capital mix will consequently be evident in the performance of firms.

The managers of consumer goods firms in Nigeria must develop insightful financial strategies, policies, and theories to identify the optimal financing mix. This approach will significantly enhance their performance, minimize the cost of capital, and mitigate associated financial risks, thereby avoiding potential pitfalls during market expansion. This approach will contribute to their success in business and ultimately improve their performance. This approach will enable them to contribute to the economic growth of their country by attracting more foreign investors. Therefore, companies in the consumer goods sector need to manage their economic resources effectively and establish an optimal financing mix for their operations.

Choosing appropriate capital sources can enhance a company's performance; however, improper utilization may lead to subpar results (Abubakar & Olowe, 2019). Employing a diverse combination of capital sources, such as retained earnings, short- and long-term debts, and share capital to fund activities, can enhance capital structure, leading to increased net returns and improved performance (Ali, 2020). While utilizing a single source of capital can enhance a company's profitability, it may prove to be unsustainable in the long term. Relying solely on loan capital can lead to significant financial risks, whereas dependence on equity capital alone might elevate financing costs (Anizawati, Wan-Mohd, Norlia & Wan-Anisah, 2016). Nonetheless, the primary sources of financing a business are equity and debt. To enhance performance, finance managers in firms should utilize the right combination of capital to support business operations (Mutie, Willy & Agnes, 2019).

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A significant number of studies have explored the effects of corporate financing on the performance of firms in Nigeria. However, they often do not integrate the explanatory variables of retained earnings, short- and long-term debt, and share capital to analyze their impact on listed consumer goods firms in Nigeria during the period from 2014 to 2023. This study aims to fill that gap by conducting a unique investigation within this timeframe.

This study aims to provide a more effective approach by examining the listed consumer goods sector in Nigeria to determine how corporate financing practices, including retained earnings, short- and long-term debt, and share capital, influence the performance of these firms.

Corporate financing plays a crucial role in the financial decisions of organizations, involving the mobilization of funds through equity sources such as share capital and retained earnings, as well as through debt options including short-term and long-term debts (Omaliko & Okpala, 2020). An effective corporate financing decision plays a crucial role in enhancing the reputation of consumer goods and various businesses globally (Abubakar, 2016). Corporate organizations require optimal combinations of capital sources to enhance their performance. Nonetheless, companies in the consumer goods sector, similar to other organizations, necessitate sufficient and suitable capital to support their operations. Effective mobilization and utilization of these funds is crucial to prevent financial discrepancies and adverse performance impacts. This investigation examines the impact of corporate finance on the performance of publicly traded consumer goods companies in Nigeria.

The issue of financing is a significant barrier to the effective performance of businesses globally, as noted by Abubakar (2016). Furthermore, the inappropriate selection of capital sources has recently led to the downfall of numerous companies in Nigeria (Omaliko & Okpala, 2020). Furthermore, the criteria that define the optimal capital structures aimed at maximizing firms' value continue to expand within the literature (Abeywardhana & Magoro, 2017). Also, many studies like Denis (2017), Nwangi (2018), Fortune and Khazamula (2018), Jason (2018), Kornom-Gbaraba and Ugwuoko (2019), and Ali (2020) have mostly looked at factors like ownership structure, corporate governance, board structure, firms' debt-equity financing, financial leverage, firm growth, debt financing, equity capital financing, and sales growth to rate the performance of firms. These studies aim to evaluate the influence of share capital, retained earnings, short-term debt, and long-term debts on the performance of listed consumer goods firms in Nigeria. This investigation examines the impact of corporate finance on the performance of publicly traded consumer goods companies in Nigeria.

This study aims to investigate the impact of corporate financing on the performance of listed consumer goods in Nigeria. It intends to establish baseline data that can contribute to improved performance in this sector. This study aims to achieve the following specific objectives: to examine how share capital influences the performance of listed consumer goods firms in Nigeria; to assess the impact of retained earnings on the performance of these firms; to evaluate the effect of short-term debt on their performance; and to analyze the influence of long-term debt on the performance of listed consumer goods firms in Nigeria.

This study holds significant value for shareholders, as effective corporate financial performance, assessed through the profitability and liquidity of listed consumer goods firms, relies on the appropriate balance of equity and debt as funding sources. The shareholder will need details regarding the firm's corporate finance. The study will hold significance for them as it will empower them to make informed investment decisions. This study will assist management in their decision-making processes.

2. Literature Review

A. Conceptual Review

Corporate financing refers to the amalgamation of financial resources used by corporations. Corporate financing involves using stock capital, borrowed money, or a mix of both to fund a corporation. Business financing involves using internal and external cash sources to fund the activities of business entities. It is the combined use of equity capital and debt capital to finance corporate operations. Corporate financing involves the amalgamation of equity capital, retained profits, and liabilities to fund the company's assets. Equity finance involves raising cash for organizations via share capital and retained profits, while debt financing entails raising capital through short-term and long-term obligations. Conversely, equity financing involves the use of both internal equity (retained profits) and external equity (common stock, deferred stock, and convertible loan stock) to fund a corporation, while debt financing encompasses the employment of both short-term and long-term loans. Corporate financing has emerged as a highly debated issue among experts in both developed and developing nations in recent years. Most firms frequently face a variety of financial challenges (Abubakar, 2016).

Chizoba, John Akamelu, and Ezejiofor (2019) assert that corporate finance involves the use of debt and equity resources to operate a business entity. According to Ahmad and Ghazalat (2019), corporate financing entails utilizing a specific combination of capital, including retained earnings, equity capital, and both short-term and long-term financing, to support business operations. It encompasses financing corporate entities through various forms of long-term capital, such as ordinary shares, preference shares, debentures, long-term bank loans, and convertible loan stock, as well as short-term liabilities like bank overdrafts and trade creditors (Abubakar & Olowe, 2019). To enhance corporate performance, rational organizations would seek the minimal cost of capital and the best finance structure (Micah, Havi & Nirmala, 2014).

Equity consists of share capital and retained profits that a firm employs to finance its operations. Investors obtain equity through the issuance of shares and retained profits (Ahmad et al., 2019; Arhinful & Radmehr, 2023). Chinonso and Michael (2019) define equity share capital as including paid-up share capital and share premium. Raising equity includes not only the

selling of ordinary equity but also the issuance of various equity instruments, including deferred shares, convertible preferred stock, and preference shares, which comprise common shares and warrants (Omaliko & Okpal, 2020; Bravo, Ringim & Shuaibu, 2022). Companies that depend only on equity are considered unleveraged (Ahmad & Ghazalat, 2019). Chinonso and Michael (2019) asserted that equity capital comprises paid-up share capital, retained profits, and share premium.

Financial commitments at a future period are known as debts. Debts denote the funds obtained from lending facilities intended for financing a corporation. Creditors acquire a debt to financially support company operations. According to Sohail & Ulfat (2019), a debt is a resource that requires repayment after a specific term. Debt capital is frequently used as a financing method for several expanding organizations globally, particularly when retained profits and equity capital prove insufficient (Denis, 2017). The use of borrowed money for business operations necessitates that the directors possess optimistic projections regarding their businesses' future success (Ali, 2020). We can categorize debt financing as either short-term or long-term (Abubakar, 2020). According to Abubakar & Olowe (2019), a short-term loan refers to capital that has a one-year repayment period or loans with short maturities. Long-term debt is a loan that is repayable after one year from the date of acquisition to fund a company. It may take the form of debentures and redeemable preference shares acquired by a company to conduct its business activities (Bravo, Ringim & Shuaibu, 2022).

Performance refers to the anticipated, attainable outcome of an individual or a collective within an organization. It assesses the effectiveness with which a firm has optimally used its assets from its core operations to create money. Performance is the evaluation of a firm's success in achieving its financial goals (Eleje, Okechukwu & Chikanele, 2020). Performance measures the extent to which a business has achieved its objectives (Edori, Ekweozor & Ohaka, 2020). Assessing financial performance elucidates the outcomes of a company's investment operations, conveying either positive or negative signals to the public about the firm's worth, thus assisting prospective investors in their decision-making (Ali, 2020).

Return on equity can serve as a measure of financial success (Abubakar & Olowe, 2019).

Return on equity reveals how an organization has prudently used its assets and efficiently allocated cash to produce profit. This indicator assesses a business's efficiency in generating profits from its assets and equity (Abubakar & Olowe, 2019). Chinonso & Michael (2020) use the ratio of net profit after tax to shareholders' equity to evaluate how effectively owners' capital generates returns for them.

B. Theoretical Review

Myers and Majluf (1984) proposed the pecking order hypothesis, which forms the basis of the research. The idea posited that a definitive goal capital structure does not exist, instead highlighting the need of prioritizing financing sources when a corporation determines its capital structure, beginning with the least expensive source and progressing to the most costly. The idea suggests that corporations should prioritize retained profits, followed by debt capital, which encompasses both short-term and long-term obligations, and only consider equity capital as a final option when superior options are unavailable. The literature outlines the pecking order idea, indicating the necessary support for enterprises. Unlike trade-off theory, which promotes optimizing capital structure by using debt to reduce equity funding or vice versa, thereby maximizing market value and reducing the cost of capital, it fails to consider the implications for enterprises with varying levels of leverage. Agency cost theory aimed to resolve the conflict of interest between managers and debt holders by consistently servicing loan interest and addressing the agency issue; nevertheless, it neglected the interests of shareholders.

The Modigliani and Miller (MM) Theory posits that capital structure is meaningless and does not elucidate methods for financing a corporation. However, Ahmad and Ghazalat (2019) emphasized that neglecting the prioritization of funding sources has recently led to the failures of numerous corporate entities. Edori, Ekweozor, and Ohaka (2020) said that managers of enterprises would have the autonomy to prioritize their sources of funding and have complete control over their company operations by adopting pecking order theory as their theoretical framework. Consequently, the pecking order hypothesis merits foundational support for our investigation.

C. Empirical Review

Ahmad and Ghazalat (2019) investigated the impact of corporate finance choices on business value in Bursa Malaysia. This research employed a quantitative design, utilizing secondary financial data. The research indicated that short-term debt to total assets, short-term debt to total debt, and long-term debt to total assets exhibit a positive significant correlation with business value. The research found that the value of a corporation is independent of the duration of debt maturity.

Sohail and Ulfat (2019) examined the impact of debt financing on corporate performance in the non-financial sector of Pakistan, focusing on the period from 2006 to 2014. Sohail and Ulfat (2019) employed secondary data and analyzed it using panel least squares and the Hausman test to select between the fixed effect and random effect models. The study's findings demonstrated a considerable detrimental effect of debt financing on company performance in the nation. This research advised that corporations should prioritize retained earnings as a more dependable source of financing compared to debt.

Ali (2020) analyzed the influence of leverage on financial performance, providing data from the Pakistan Food and Fertilizer Sector listed on the Pakistan Stock Exchange (PSE) from 2008 to 2015. We used secondary data and applied regression models and correlation coefficients for data analysis. The study's findings indicate that the degree of financial leverage does not significantly affect return on assets, and the degree of combined leverage does not have a substantial negative influence on return on assets. Additionally, business size does not significantly affect return on assets.

Abubakar (2020) conducted an empirical analysis of the influence of financial leverage on the financial performance of

seven publicly listed oil and gas companies in Nigeria, using secondary data from annual reports sourced from the Nigeria Exchange Group (NGX) over the period spanning 2005 to 2016. The random effects model regression analysis revealed that STDR and LTDR did not significantly impact financial performance, while TDER significantly negatively impacted ROE.

Anifowose, Soyebo, and Tanimojo (2020) investigated the impact of financial leverage on the performance of publicly listed pharmaceutical companies in Nigeria, using yearly panel data during a sixteen-year period from 2003 to 2018. The study used regression analysis and discovered that the Debt Equity Ratio (DER) had a substantial positive correlation, but the Debt Ratio (DR) and Interest Coverage Ratio (ICR) showed a negative association with Return on Assets (ROA) and Return on Equity (ROE). Ibe and Pibowei (2022) evaluated the influence of financial leverage on the corporate financial performance of Dangote Cement PLC from 2010 to 2021. The findings of the ordinary least squares (OLS) model showed a significant correlation between the retained earnings ratio and ROA, but not between the retained earnings ratio and ROE, nor between the equity multiplier ratio and ROA, nor between the equity multiplier ratio and ROE of Dangote Cement PLC. Likewise, Igwe (2024) conducted an empirical investigation of the impact of debt financing on the business value of publicly listed ICT companies in Nigeria. The panel regression analysis indicated that the debt ratio had a statistically non-significant negative impact on market capitalization. The debt-to-equity ratio had a statistically significant beneficial impact on market capitalization. The report advocates for ICT companies to investigate a balanced debt-to-capital structure, acknowledging the potential significance of a strategic combination of debt and equity.

Deng and Wang (2021) used panel data multiple regression models to look at how different types of financial sources affect the value of a company. They found that the assets-liabilities ratio, equity concentration, asset size, and corporate growth are all linked to corporate value in a good way. The research revealed that the debt financing ratio, equity financing, and bank borrowing ratio have a negative correlation with firm value, whereas the commercial credit ratio shows no significant relationship with enterprise value.

Mutie, Willy, and Agnes (2019) investigated the impact of equity financing on the financial performance of small and medium enterprises in Kenya. The study's population included all small and medium enterprises. We used random sampling to obtain primary data through the questionnaire. We examined the acquired data using percentages, means, standard deviations, ordinary regression models, and correlation analysis. The study's findings revealed a favorable and substantial relationship between share capital, retained profits, and the success of SMEs in the nation. The analysis concluded that businesses must use share capital to fund their operations. The report indicated that SMEs in the economy should more often use retained profits and share capital as sources of funding for their operations.

Chizoba, John-Akamelu, and Zejiofor (2019) investigated

the impact of financial mixes on the profitability of publicly traded beverage enterprises in Nigeria. The study used regression analysis to examine the acquired panel data. However, the research revealed that short-term debt has a positive and substantial effect on company profitability, while long-term debt does not have a significant positive influence on enterprises' profitability. The report proposed that enterprises should engage retained earnings instead of debts and share capital to prevent liquidation.

Abubakar and Olowe (2019) investigated the influence of capital structure on the financial performance of certain publicly traded companies in Nigeria, using cross-sectional time-series data from 10 businesses over a seven-year period (2012-2018). They selected a selective sample of ten (10) quoted corporations from the Nigerian Stock Exchange. The research used a panel multiple regression model for data analysis. The research revealed a strong beneficial impact of short-term debt and a considerable negative impact of long-term debt on the financial performance of the companies. The report advised the Securities and Exchange Commission to encourage publicly listed companies in the nation to pursue more borrowing capital, since it improves their financial performance.

Edori, Ekweozor, and Ohaka (2020) conducted research in Nigeria to investigate the impact of debt financing on a firm's financial performance, using a random sampling method for sample selection. The panel data underwent examination through secondary data analysis. The findings indicated that firm size positively and significantly influences financial performance; short-term debt also positively and significantly affects financial performance, as does long-term debt for the selected firms in the country. The study determined that loans significantly influence a firm's financial success, as seen by the results. The research recommended that enterprises should allocate a greater amount of debt to fund their operations in order to improve performance.

Eleje, Okechukwu, and Chikanele (2020) conducted research on debt financing and corporate performance: an empirical review at the business level in Nigeria. The researchers used time series and multivariate linear regression techniques to analyze secondary data. The research revealed that both long-term and short-term debt in finance did not considerably, yet favorably, affect return on assets and return on equity; nevertheless, long-term debt improves business performance more than short-term debt. The research advised financial managers to design an optimal capital structure for both long-term and short-term debt to improve performance.

Edori, Ekweaner, and Ohaka (2020) conducted a study in Nigeria to investigate "the impact of debt financing on a firm's financial performance in Nigeria" using a random sampling method. Researchers used secondary data to analyze the panel data. The findings indicated that firm size, short-term debt, and long-term debt each exert a positive and significant influence on the financial performance of the selected firms in the country. The study determined that loans significantly influence a firm's financial success, as seen by the results. The research recommended that enterprises should allocate a greater amount

of debt to fund their operations in order to improve performance.

Omaliko and Okpala (2020) examined the impact of the funding mix on the financial performance of healthcare enterprises in Nigeria from 2014 to 2018, using regression models to analyze the secondary data they acquired. The findings revealed that equity share capital and debt-equity financing have a large beneficial effect on business performance, but preferred stock has a negative and minor impact. The research revealed that the funding mix substantially affects the performance of companies. The report advised that healthcare companies should consistently strive to obtain an appropriate finance mix to fulfill their overarching goals.

3. Methodology

The research employed a retrospective design. The research intentionally gathered secondary data from the public financial statements of 10 selected consumer goods businesses listed on the Nigeria Exchange Group (NGX) over eleven years from 2014 to 2023. All listed consumer goods companies with available financial statements for 2023 comprise the study population. We selected the companies based on their performance in the NSE's consumer goods sector to ensure fair representation of the entire population. We used descriptive statistics and panel data regression methods, such as pooled ordinary least squares, fixed effects, and random effects, to look at the data we collected.

Specifications of the Model

The study used the regression model to examine the impact of capital structure on the financial performance of selected publicly traded enterprises in Nigeria. Abubakar and Olowe (2019) outlined the Pecking Order Theory in their model, which served as the foundation for the research:

$$ROE_{i,t} = f(STD_{i,t}, LTD_{i,t}, DE_{i,t}, FS_{i,t}) \qquad (1)$$

Where:
- $ROE_{i,t}$ = Return on equity of the quoted firms i in year t:
- $STD_{i,t}$ = The ratio of short-term debt to the total asset of the quoted firms i in year t:
- $LTD_{i,t}$ = The ratio of long term debt to the total asset of the quoted firms i in year t as a control variable.
- $DE_{i,t}$ = Debt ratio of the quoted firms i in year t;
- $FS_{i,t}$ = Quoted firms' size in year t as a control variable measured as the natural long of the assets.

For this study, we adapted the Abubakar and Olowe (2019) model by adding two explanatory variables: short-term debt and long-term debt. We used return on equity as the dependent

variable and firm size as the control variable. We also introduced two additional explanatory variables, share capital and retained earnings, after integrating the speed of adjustment into the explanatory variables. Nonetheless, we deemed the pecking order theory an appropriate theoretical framework for this investigation. The research delineates the model as follows:

$$ROE_{it} = f(\lambda ASCP_{it}, \lambda STD_{it}, \lambda LTD_{it}, \lambda RE_{it},) \qquad (2)$$

Where:
- $ROE_{i,t}$ = Return on equity of selected consumer goods firms i in year ii
- $SCP_{i,t}$ = Speed adjusted share capital of the selected consumer goods firms i in year t
- $STD_{i,t}$ = Speed adjust short term debt of selected consumer goods firms i in year t
- $LTD_{i,t}$ = Speed adjusted long term debt of selected consumer gods firms i in year t
- $RE_{i,t}$ = Speed adjust retained earnings of selected consumer goods firms i in year t
- $FS_{i,t}$ = Firms' size in year t as also a control variable measured as the natural log of total assets;
- λ = Speed of adjustment
- eit = Error term
- ao = Are the symbols representing parameter estimates of the corresponding model
- F = Function.

It is expected that corporate financing will positively impact the performance of listed consumer goods firms in Nigeria.

4. Results and Discussion

Table 1 shows some basic information about Nigerian consumer goods companies (LCGFs). It focuses on the averages to show how much share capital (SCP), short-term debt (STD), long-term debt (LTD), and retained earnings (REs) these companies use to fund their total assets and capital. The mean return on equity (ROE) for listed consumer goods firms in Nigeria is 20% (0.197), indicating that these firms achieve an average performance level that meets the minimum expected industrial benchmark of a 20% profit margin. The average share capital (SCP) value is 0.05 (5%), signifying that the SCP finances only 5% of the firms' total capital. The median value is 0.0300 (3%), with a maximum of 0.260 (26%) and a minimum of -0.260 (-26%), suggesting that the deviations from both the maximum and minimum levels are within normal ranges. The standard deviation of 0.007 (1%) below the mean of 0.049 (5%) indicates significant clustering around the distribution means. The average short-term debt (STD) ratio

Table 1
Descriptive

Variables	Mean	Median	S.D.	Min.	Max.	Missing Observations
ROE	0.197	0.120	0.308	-0.760	1.340	0
SCP	0.049	0.030	0.007	-0.260	0.260	0
SID	0.404	0.360	0.232	0.130	2.310	0
LTD	0.205	0.270	0.458	-3.610	0.740	0
RES	0.356	0.340	0.258	0.120	2.570	0
FS	8.000	8.130	1.230	0.120	9.090	0

Source: Author's Analysis, 2024

stands at 0.404 (40%), implying that STD accounts for 40% of total capital financing. The median ratio is 0.360 (36%), with a maximum of 2.31 and a minimum of 0.130 (13%), indicating a significant variation in STD investments for asset acquisition. The standard deviation (0.232) being less than the mean value indicates a clustering around the distribution mean.

The average mean of long-term debt (LTD) was 0.205 (21%), suggesting that LTD financed 21% of the firms' capital, thereby supporting the capital of LCGFs. The median value is 0.270, or 27%. The standard deviation of 0.458 (46%) is considerable. The maximum value is 0.740 (74%), while the minimum value is -3.61. The average retained earnings (REs) stood at 0.356, representing 36% of the firms' capital financing. The median value is 0.340 (34%), the maximum value is 2.570, and the minimum value is 0.120 (12%). The standard deviation of 0.258 (26%) being less than the mean value (36%) suggests significant clustering around the distribution mean. Measured in terms of the logarithm of total assets, the mean value of firms' size (FS) was 8.000, suggesting that the average total capital of LCGFs in the sector is 8.0%. The median value is 8.130, with a maximum value of 9.090 and a minimum value of 0.120. A standard deviation of 0.308 below the mean value suggests significant clustering around the distribution mean. The descriptive results indicate that there are no missing observations in the data analysis.

Table 2 presents the results of the pooled ordinary least squares (POLS) analysis concerning listed consumer goods firms in Nigeria. The F-Statistics result is 756.0289, with a probability value of 0.0000017 at a 5% level of significance. This indicates that the study's model is statistically significant

and demonstrates a significant linear relationship between the explanatory variables and the response variable. The selected variables are appropriate for the analysis. The coefficient of share capital (SCP) is positive (0.903050) and statistically significant (P-0.0109<0.05), indicating that a unit increase in SCP will result in an increase in return on equity (ROE) by 0.90.

The beta value of short-term debt (STD) is positive (2.90006) and statistically significant (P = 0.000 < 0.05), indicating that a unit increase in the value of STD will result in an increase in ROE by 2.9. The beta value of long-term debt (LTD) is positive (3.37950) and statistically significant (P = 0.0001 < 0.05), indicating that a unit increase in LTD will result in an increase in return on equity (ROE) by 3.4. The coefficient of retained earnings (RES) is negative (-0.683966) and statistically significant (P=0.0027 < 0.05), indicating that a unit increase in RES will result in a decrease of ROE by 0.68. The coefficient for firm size (FS) is negative (-0.0662982) and statistically significant (P=0.0006<0.05), indicating that a one-unit increase in FS will decrease ROE by 0.0663.

Table 3 presents the results of the random effects model for listed consumer goods firms in Nigeria. The share capital (SCP) coefficient is positive (0.903050) and statistically significant (P=0.0099<0.05), which means that if SCP goes up by one unit, ROE will go up by 0.904. Short-term debt (STD) has a positive beta value of 2.90006 and a statistically significant P value of 0.0001 < 0.05. This means that if STD goes up by one unit, ROE will go up by 2.9. Long-term debt (LTD) has a positive beta value of 3.37950 and a statistically significant P value of 0.0001 (< 0.05). This means that if LTD goes up by one unit, ROE will go up by 3.4. The coefficient of retained earnings (RES) is

Table 2
Pooled ordinary least square estimation results for listed consumer goods firms in Nigeria

Series: ROE, SCP, STD, LTD, RE, FS				
Total panel (balanced) observations: 110				
Included 10 cross-sectional units				
Time – series length = 10				
Robust (HAC) Standard errors				
Variables	**Co-efficient**	**Std. Error**	**Z- Statistic**	**Probability**
Const	0.07059	0.288428	0.245	0.8070
SCP	0.90305	0.350323	2.578	0.0109
STD	2.90006	0.232126	12.49	0.0001
LTD	3.37950	0.213630	15.82	0.0001
RES	-0.68397	0.223928	-3.054	0.0027
FS	-0.06630	0.018941	-3.500	0.0006
F-Stnt (6,147)	756.029			
P (F-stat)	0.00001			

Source: Author's Analysis, 2024 @ 5% level of significant

Table 3
Random effect estimation result (cross-sectional period-specific) for listed consumer goods firms in Nigeria

SERIES: ROE, SCP, STD, LTD, RE, FS				
Total panel (balanced) observations: 110				
Included 10 cross-sectional units				
Time – series length = 10				
Robust (HAC) Standard errors				
Variables	**Co-efficient**	**Std. Error**	**Z- Statistic**	**Probability**
Const	0.07059	0.288428	0.2448	0.8066
SCP	0.90305	0.350323	2.578	0.0099
STD	2.90006	0.232126	12.49	0.0001
LTD	3.37950	0.213630	15.82	0.0001
RES	-0.6839	0.223928	-3.054	0.0023
FS	-0.0663	0.0189412	-3.500	0.0005
Durbin-Waston	2.1296			

Source: Author's Analysis, 2024 @ 5% level of significant

Table 4
Fixed effect estimation result (cross-sectional period-specific) for listed consumer goods firms in Nigeria

SERIES: ROE, SCP, STD, LTD, RE, FS				
Total panel (balanced) observations: 110				
Included 10 cross-sectional units				
Time – series length = 10				
Robust (HAC) Standard errors				
Variables	**Co-efficient**	**Std. Error**	**Z- Statistic**	**Probability**
Const	0.070594	0.302095	0.234	0.8156
SCP	0.903050	0.366923	2.461	0.0151
STD	-2.90006	0.232126	11.93	0.0001
LTD	3.379500	0.223753	15.10	0.0001
RES	-0.68397	0.234539	-2.916	0.0042
FS	-0.06630	0.019839	-3.342	0.0011
R-squared	0.96861			
Adjusted R-squared	0.97861			
Durbin-Watson	1.94814			

Source: Author's Analysis, 2024 @ 5% level of significant

negative (-0.683966) and statistically significant (P=0.0023). This means that if RES goes up by one unit, ROE will go down by 0.684. The firm size (FS) coefficient is negative (-0.0662982) and statistically significant (P = 0.0005 < 0.05), which means that ROE goes down by 0.0663 for every one-unit increase in FS. With a value of 2.129612, the Durbin-Watson statistic shows that there is no serial autocorrelation between the error terms and the study's explanatory variables.

Table 4 exhibits the fixed-effect model results for listed consumer goods firms in Nigeria. The R-squared result shows that the explanatory variables together explain 96% (0.9686) of the total change in the value of return on equity (ROE). Other variables in the error term explain the last 4% of changes in the ROE. The share capital (SCP) coefficient is positive (0.903050) and statistically significant (P=0.0151<0.05), which means that a unit increase in SCP will lead to a 0.903 increase in ROE. Short-term debt (STD) has a negative beta value of -2.90006 and a statistically significant P value of 0.0001 < 0.05. This means that if STD goes up by one unit, ROE will go down by 2.900. The beta value of long-term debt (LTD) is positive (3.37950) and statistically significant (P=0.0001<0.05), meaning that a unit increase in LTD will increase ROE by 3.4. The coefficient of retained earnings (RES) is negative (-0.683966) and statistically significant (P=0.0042<0.05). This means that if RES goes up by one unit, ROE will go down by 0.684. The coefficient of firms' size (FS) is positive (0.0662982) and statistically significant (P=0.0011<0.05), meaning that a unit increase in FS will increase ROE by 0.0663. The Durbin-Watson statistical value, which is approximately two, indicates the absence of serial autocorrelation in the series.

A. Discussion of Findings

This study investigated the impact of corporate financing on the performance of listed consumer goods firms in Nigeria to determine whether share capital, short-term debt, long-term debt, and retained earnings positively or negatively impact the performance of listed consumer goods firms in Nigeria.

The study's findings revealed that share capital has a positive and significant impact on the performance of listed consumer goods firms (LCGFs) in Nigeria. The result implies that a unit increase in the share value of the firms in Nigeria will increase their performance by 90%. This study's outcome is consistent with the earlier designed apriori expectations of the positive impact of share capital on the performance of consumer goods firms in Nigeria. Therefore, the null hypothesis that share capital has no impact on the performance of listed consumer goods firms in Nigeria was rejected based on these findings. This backs up what Arhinful and Radmehr (2023), Deng and Wang (2021), and Bravo, Ringim, and Shuaibu (2022) found. They all found that equity financing has a positive and significant effect on performance.

Furthermore, the study has discovered that short-term debts significantly and negatively impact the performance of LCGFs in Nigeria. This implies that a unit increase in the value of short-term debt will significantly reduce the performance levels of the companies by 2.90%. Previous studies by Abeywardhana and Magoro (2017), Jason (2018), and Bravo, Ringim, and Shuaibu (2022) all showed that short-term debt hurts financial performance. These results supported those findings. The findings of this study contradict the findings of Abubakar (2020), who found no significant effect, and Edori, Ekweozor, and Ohaka (2020), who reported a positive relationship between short-term debt and financial performance (ROE).

These results reject the null hypothesis that there is no impact of long-term debt on the performance of listed consumer goods firms in Nigeria. Furthermore, the study found that long-term debt has a positive and significant impact on the performance of listed consumer goods firms in Nigeria. This indicates that an increase in the value of long-term debt by 3.30% will consequently enhance the performance of the listed consumer goods firms. The study's earlier designed apriori expectation of a positive impact of long-term debt on company performance in Nigeria was supported by the result. In line with what Ahmad and Ghazalat (2019), Chizoba et al. (2019), Edori et al. (2020), and Bravo, Ringim, and Shuaibu (2022) found, long-term debt has a positive and significant effect on the financial performance of the companies that were studied. The results rejected the null hypothesis that long-term debt has no impact on the performance of listed consumer goods in Nigeria.

Findings from the study also revealed that retained earnings negatively and significantly impact the performance of consumer goods firms in Nigeria. The result indicates that a unit increase in the value of retained earnings for firms in Nigeria will consequently reduce their performance level by 68%. In other words, the more profits Nigerian companies retain for reinvestment, the lower their performance will be. This result

supported Rivi's (2020) research, which found that firms' inefficient use of their own sources of capital had a negative and significant effect on their financial performance when they kept their earnings. However, the findings of this study contradict the findings of Ibe and Pibowei (2022), who, in their separate studies, reported a positive relationship between corporate finance (retained earnings) and ROA.

The study found that the size of consumer goods firms in Nigeria positively impacts their performance. The results indicate that a unit increase in the size of the firms in Nigeria will consequently improve their performance levels.

5. Conclusion and Recommendations

This study's main goal was to find out how corporate finance affects the financial performance (ROE) of some listed Nigerian consumer goods companies. This is because these companies are becoming more concerned about protecting the environment where they do business. In furtherance of this overriding objective, the study specifically investigated the effect of corporate finance on financial performance. In order to find the link between corporate finance and financial performance, the study used panel data regression techniques and both fixed and random effect models. The results obtained from the study revealed that corporate finance has a significant positive effect on financial performance measured by return on equity (ROE). Summarily, the study's findings disclosed that the impact of share capital and long-term debt on performance is positive for listed consumer goods firms in Nigeria. Conversely, the study confirmed the negative impact of short-term debt on the performance of listed consumer goods firms in Nigeria. On the other hand, the study discovered that the impact of retained earnings on the firm's performance is negative. Based on these results, Nigerian companies that sell consumer foods may be able to improve their financial health by using long-term debt to fund their operations. As long as they use this type of debt in moderation and maintain a high level of equity capital, they can avoid high gearing and financial risk. Thus, consumer goods firms in Nigeria should finance their activities with share capital and long-term debt more often than short-term debt and retained earnings. Also, managers of listed consumer goods firms in Nigeria should formulate industrial policies on loan incentives that will bring back the lost glory of consumer goods firms to enable them to add value to the country at large. Finally, managers should take remedial actions to eliminate the negative impact of short-term debt and retained earnings on a firm's financial performance, with the aim of significantly enhancing their long-term financial performance.

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