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CAPITAL STRUCTURE AND FINANCIAL PERFORMANCE OF CONSUMER GOODS FIRMS LISTED IN NIGERIA

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ABSTRACT:

This study examined the effect of capital structure on the firms' financial performance of consumer goods firms listed in Nigeria. The specific objective was to assess the effect of short term debt to equity, long term debt to equity and total debt to equity on return on asset of consumer goods firms listed in Nigeria. The study adopted the ex-post facto research design and the population comprised of twenty-one listed consumer goods firms in Nigeria. The sample was purposively selected a sample size of 16 firms from the consumer goods sector of the Nigerian Exchange Group (NGX), from 2012-2022. The data were obtained from annual reports of the firms included in the sample. The data were analyzed using descriptive tools, correlational and regression analyses. The pooled ordinary least square regression technique was used in testing the hypotheses of the study. The results showed that: short term debt to equity ratio has a significant negative effect on the return on assets of consumer goods firms listed in Nigeria in Nigeria (p-value = 0.0003); long term debt to equity ratio has a non-significant positive effect on return on assets of consumer goods firms listed in Nigeria in Nigeria (p-value = 0.6002); total debt to equity ratio has a non-significant negative effect on return on assets of consumer goods firms listed in Nigeria in Nigeria (p-value = 0.4628). In conclusion, a high leverage ratio indicates a mismatch between short-term obligations and the firm's inability to generate sufficient cash flows. The study recommends that the finance department of consumer goods firms, particularly the Chief Financial Officer (CFO) and financial managers, prioritize the prudent management of short-term debt levels through careful monitoring of short-term borrowing activities, exploring alternative sources of financing with lower interest rates, and implementing effective working capital management practices to reduce reliance on short-term debt, thereby enhancing overall financial performance.

1. INTRODUCTION

The issue of financing is one of the crucial issues facing financial managers in today's highly competitive world (Abdullah & Tursoy, 2019; Vătavu, 2015). In financing decisions, managers explore and determine an optimal financing mix or debt-equity ratio for the firm.

Capital structure is simply the debt-equity mix in a firm, which includes debt, retained earnings and equity capital (Uremadu & Onuegbu, 2019). An optimal capital structure maximises share price, enhances performance and boosts firm value. The three alternative debt-equity mix for a firm to choose from: 100% equity (0% debt), 0% equity (100% debt) and X% equity (Y% debt) (Dare & Sola, 2010). Option one is that of no debt financing, in order words the firm is solely financed by equity. Option two is a firm with no equity capital. The third is a specific combination of equity and debt element in the capital structure. This option avails a firm with any benefit of leverage (if any) to be exploited (Akeem, Terer, Kiyanjui, & Kayode, 2014).

The capital structure influences the firm's cost of capital, which is the cost of obtaining funds through debt and equity. Debt typically carries lower interest rates than equity due to its tax-deductible nature and priority in repayment. Therefore, firms with higher levels of debt financing may benefit from lower overall costs of capital, leading to increased profitability and improved financial performance (Aggreh, Nworie & Abiahu, 2022). The use of debt in the capital structure introduces financial leverage, which amplifies returns to equity shareholders but also increases financial risk. Debt financing requires the firm to make fixed interest payments, regardless of its financial performance, which can magnify losses in periods of poor performance. Consequently, firms with higher debt levels may experience greater volatility in earnings and stock prices, affecting their overall financial performance.
The capital structure influences the firm's financial flexibility and stability. Excessive debt levels can constrain a firm's ability to invest in growth opportunities, undertake strategic initiatives, or weather economic downturns. On the other hand, an optimal mix of debt and equity provides the firm with the necessary financial resources while maintaining flexibility to adapt to changing market conditions, thereby enhancing overall financial performance. The issue of capital structure has been a subject of debate and discussion among scholars and the business round table for decades (Uremadu & Onuegbu, 2019). The two main sources of funds available to firms' for investment decisions are either internal or external sources (Eniola, Adewunmi, & Akinselure, 2017). The internal financing includes ordinary and preference stocks, reserves (Uremadu & Onuegbu, 2019) and retained earnings (Eniola, Adewunmi, & Akinselure, 2017).

Firms that strategically manage their capital structure to optimize financial performance, thereby maximizing shareholder value and ensuring long-term sustainability (Uremadu & Onuegbu, 2019). This would involve striking an optimal balance between debt and equity financing, taking into account factors such as cost of capital, risk exposure, and financial flexibility. However, many Nigerian firms struggle to effectively manage their capital

structure, resulting in suboptimal financing decisions that could hinder financial performance and jeopardize their competitiveness in the market (Kenn-Ndubuisi, Ifechi & Nweke, 2019). While some firms carry high levels of debt relative to equity, others maintain conservative financing strategies (Nworie, Obi, Anaike & Uchechukwu-Obi, 2022). Factors such as limited access to capital markets, volatile economic conditions, and regulatory constraints may contribute to these variations in capital structure. Additionally, cultural preferences for debt or equity financing and the availability of alternative financing sources may further influence firms' capital structure decisions. As a result, the heterogeneous nature of capital structure across Nigerian firms raises concerns about its impact on financial performance and shareholder value creation.

Consequently, suboptimal capital structure decisions may lead to higher costs of capital, increased financial risk, and reduced financial flexibility, ultimately impairing firms' ability to invest in growth opportunities, innovate, and compete effectively in the market (Uremadu & Onuegbu, 2019). Moreover, excessive reliance on debt financing could expose firms to greater vulnerability during economic downturns or periods of financial distress, potentially leading to bankruptcy or insolvency (Abdullah & Tursoy 2019). Therefore, understanding the effect of capital structure on firms' financial performance in Nigeria is crucial for identifying areas of improvement and implementing strategic interventions to enhance corporate financial management practices and promote sustainable economic growth. While many existing studies have examined the relationship between capital structure and firms' financial performance, a notable gap emerges in the methodology employed. Unlike previous research that commonly scales capital structure indices using both total equity and total assets, the present study solely relies on total equity for scaling. Additionally, the incorporation of data from the 2022 accounting period in the present study introduces a valuable aspect of recency and relevance to the literature. While existing studies have utilized data from earlier periods, the inclusion of more recent financial data allows for a more up-to-date analysis of the relationship between capital structure and financial performance.

1.1 Objectives of the Study

The broad aim of the study is to examine the effect of capital structure on firms' financial performance of consumer goods firms listed in Nigeria. In a bid to address the broad objective, the researcher formulated the following specific objectives below as follows:

1. to determine the effect of short term debt to equity on return on assets of consumer goods firms listed in Nigeria.
2. to ascertain the effect of long term debt to equity on return on assets of consumer goods firms listed in Nigeria.

3. to examine the effect of total debt to equity on return on assets of consumer goods firms listed in Nigeria.

1.2 Hypotheses

H_1: Short term debt to equity ratio has no significant effect on the return on assets of consumer goods firms listed in Nigeria

H_2: Long term debt to equity ratio has no significant effect on return on assets of consumer goods firms listed in Nigeria.

H_3: Total debt to equity ratio has no significant effect on return on assets of consumer goods firms listed in Nigeria

2. LITERATURE REVIEW

2.1 Conceptual review

2.1.1 Capital Structure

Capital structure refers to the debt-equity mix (Ngatno, Apriatni, & Youlianto, 2021) or the combination of long and short-term debt and equity capital (retained earnings, ordinary and preference shares, etc.). The capital structure of a firm is comprised of equity capital or debt or a combination of both (Kirmi, 2017). According to Ngatno, Apriatni, and Youlianto (2021) the capital structure has been conceptualised across different contexts and countries by different scholars. Basically, it is a term used in corporate finance to describe the mix of a company's long-term debt, some short term debt, common and preferred equity (Gharaibeh, 2015). The capital structure is a strategic management decision which reflects the level of profitability and returns to shareholders. Capital structure captures the risk and return on investment and financing decisions. Nwala, Gimba, and Oyedokun (2020) noted that capital structure falls under the ambit of corporate financial policy of a firm and is affected by a plethora of factors as identified in prior studies. Trade-off Theory (ToT) posits that an optimal capital structure is only attainable from a trade-off of interest tax shields and costs of bankruptcy (Adair & Adaskou, 2015). ToT suggests that a firm chooses which percentage of debt and equity to finance its capital structure by considering the costs and benefits of both options. ToT is hinged on the assumption that a firm would choose how to allocate its resources after a trade-off analysis of the ‘tax benefits of debt’ and ‘the bankruptcy costs’, which concomitantly leads to an optimal capital structure (Adair & Adaskou, 2015).

According to Al-Kahtani and Al-Eraij (2018), the ‘tax benefits of debt’ would prevail up to the point of an optimal capital structure. Trade-off Theory originally fitted with the Modigliani and Miller proposition of perfect capital markets, and the non-existence of agency costs or transaction costs (Adair & Adaskou, 2015). Yet authors also suggest that a firm

considers its 'tax positions, financial flexibility, level of managerial conservatism or aggressiveness', in determining the optimal capital structure. According to Jaisinghani and Kanjilal (2017), an optimal capital structure can only be determined from a 'trade-off' of the costs and benefits of debt financing. One of the benefits of debt financing is its 'tax shield advantage'. This is because the interest accrued from debt funds is deductible from profits in many countries (Jaisinghani & Kanjilal, 2017) thereby offering a tax shield advantage (M'ng, Rahman, & Sannacy, 2017).

This is the position initially espoused by Modigliani and Miller when they incorporated the tax shield advantage into the 'irrelevance theory'. The use of debt financing also exposes a firm to economic risks such as 'bankruptcy and liquidation' costs. The primary goal in determining an optimal capital structure is the maximisation of shareholder wealth and minimising the weighted average cost of capital. Therefore firms can optimise their capital structure from a trade-off of the tax-saving advantage versus the bankruptcy and liquidation costs of debt financing. This is because of the need to achieve optimality by balancing the marginal benefits of the two (Demiraj, Labadze, Dsouza, Demiraj & Grigolia, 2024).
According to M'ng, Rahman and Sannacy (2017), the dynamic trade-off theory focuses on capital structure adjustment patterns, such that an adjustment occurs when 'the cost of deviations from the target capital structure exceeds the cost of adjustment towards that target'. However, the operating conditions from the external environment may cause a disparity between the optimal and actual capital structure. Therefore various studies have illustrated the responsiveness of the firm's capital structure to macroeconomic factors (Ramzan & Qureshi, 2022). The optimal capital structure is therefore determined from a trade-off analysis (Uremadu & Onuegbu, 2019). The authors further noted that the amount of debt contained in this optimal capital structure is referred to as the 'debt capacity'. Debt financing simply entails obtaining funds from parties external to the business organisation, such as financial institutions or via the sale of bonds.

2.1.2 Firm Performance

Corporate performance is measured using various financial indices (or ratios) over a specified period of time. According to Mardones and Cuneo (2020), the issue of firm performance is a vital consideration to several stakeholders, for example, investors, employees and managers for performance evaluation, et cetera. The literature sub-divides such financial indices into accounting (Nworie & Ofoje, 2022; Nworie & Mba, 2022) or market-based measures of firm performance (Al-Matari, Al-Swidi, & Fadzil, 2014; Cohn, Mills, & Towery, 2014). The accounting-based indices include such as profitability, liquidity, solvency, et cetera. The

examples of profitability ratios include such as ROA, NPM, GPM, ROCE et cetera., while, the market-based performance measures may include EPS and DPS, which are determined by comparing the security's price to different fundamentals such as earnings and dividends.

Using empirical data from Nigeria oil and gas sector, the study of Olorunfemi and David (2010) found a positive effect of leverage on earnings per share (EPS) and dividend per share (DPS) of the firms. The literature also documents a host of other factors, which are significant determinates of firm performance, e.g., corporate governance, entrepreneurial orientation and innovation (Kyvik, 2018). The study specifically used two accounting based measures the ROA (Return on Assets) and EBTM (Earnings before Tax Margin), in addition to one market based firm performance measure, that is, TobQ (the Tobin's Q measure). The latter is a more forward looking measure of firm performance than accounting based measures computed using financial statement data (Shan & McIver, 2011). Singh (2016) also utilised the EBTM but scaled with total assets on a sample of 61 firms in Oman; and, the results found evidence of a negative relationship between the EBTM proxy and leverage.

2.1.3 Capital Structure and Firm Performance Nexus

Brusov and Filatova (2023) found a negative effect of capital structure on firm performance with the argument that capital structure increases agency cost which impairs performance. Thus, the firm performance is based on the ability of the managers to identify and operate at an optimal capital structure (Bandyopadhyay & Barua, 2016). Dang and Tran (2021), found that managers of financially constrained firms often implement risk management strategies and shareholders likely transfer risks to creditors from debt-financing. They further stated that one risk management strategy is corporate tax avoidance. Studies have explored such a relationship. The study Khuong, Liem, Thu, and Khanh (2020), found evidence of a positive effect of current and cash effective tax rate (CETR) on Return on Asset (ROA) and return on Equity (ROE). The sign of the coefficient however turned negative in Tobin's Q model. The authors controlled for leverage in all three models and found a positive effect for the first two and a negative effect in Tobin's Q model. The tax avoidance proxy of BTD negatively affected ROA and ROE; this reversed to a positive sign in Tobin's Q model. The models also controlled for leverage, which had a positive sign in the ROA model and a negative sign for ROE and Tobin's Q models. In contrast, the current study employs leverage as an independent variable and the tax avoidance proxies as the moderator variables.

An optimal capital structure is that which lowers agency costs in the firm (Abdullah & Tursoy, 2019). As suggested by Moosa and Li (2012), the optimal capital structure is determined by lowering the agency cost. Agency cost is the summation of 'monitoring costs by the principal,

bonding costs by the agent, and a residual loss' effect. The agency costs in firms were sub-divided into two: the 'agency cost of equity' and the 'agency cost of debt' (Abdullah & Tursoy, 2019). The former is attributed to the divergence of interest between the principal (that is, shareholders) and the agents (that is, managers); while the latter is caused by a conflict between equity and debt parties in the firm. The issuance of debt covenants would expose a firm to legal redress in the event of default, and managers concerned about job security are also likely to genuinely make timely interest payments on such debt, which aligns the managers' behaviour to the principals' objective of shareholder wealth maximization. Using debt reduces cash flow available to managers for spending and forces them to pay out future cash flows. Thus, from an agency theoretical perspective managers in firms act differentially under different capital structures under different capital structure (Qiu & La, 2010). The theory is also linked to a firm's tax avoidance strategy. A firm's tax avoidance strategy often creates suboptimality in the contract between the agent and principal for two reasons. Firstly, there is no direct link between managerial compensation and tax reduction efforts. Therefore a 'risk averse' manager needs to be assured of *ex-ante* managerial compensation from such future efforts (Wang, Xu, Sun, Cullinan, 2020). Secondly, such managerial acts weaken the organisation's internal control systems (ICS) because such plans are hatched in a 'clandestine manner'.

2.2 Theoretical Framework

2.2.1 Pecking Order Theory (PoT)

This study is anchored on Pecking Order Theory (PoT). The theory was originally formulated by Donaldson in 1961 but later modified by Myers and Majluf in 1984. The theory suggests that managers prefer internal financing to debt financing and equity as a last resort (Adair & Adaskou, 2015). PoT argues that firms generally follow 'sequential funding choice' (Jaisinghani & Kanjilal, 2017) in decisions as to external or internal financing to employ (Shubita & Alsawalhah, 2012). This implies that managers rank the various alternatives, before selection and would normally prefer internal financing to external financing. PoT suggests that more profitable firms are highly likely to use internal financing than other less profitable firms and therefore seek external financing. PoT posits that the management would prefer internal funding to external financing (Gusfriyanto & Sihombing, 2024). The majority of firms prefer financing new investments and projects using internal funds before the use of debt. Internal financing is a cheaper alternative to external funding as it eliminates transaction costs (Tolani & Pandya, 2024). Therefore, in the pecking order theory of financing structure, companies do try to relate profit and growth opportunities to their long-term target dividend pay-out ratios to minimize the need for external funds.

Based on the above line of argument, Myers opine that an optimal financing structure may be difficult to determine as equity appears to be the top and the bottom of the 'pecking order' based on the choice. Internal funds incur no flotation costs and require no disclosure of the firm's proprietary financial information that may include potential investment opportunities and gains expected to accrue as a result of undertaking such investments. Pecking order theory is about managerial preference; that is, a pecking order of alternative sources of finance that firm faces (Chen & Chen, 2011). Firstly, firms chose internal finance that is using profits from prior years. Secondly, if there is no internal funds are unavailable or insufficient, which borrowing option will the firm utilise e.g., credit institutions such as banks. Thirdly, only as the last option will the firm issue new shares.

2.3 Empirical Review

Shaik, Kethan, Rani, Mahesh, Harsha, Navya, and Sravani (2022) conducted a study to examine the determinants of capital structure in India involving 27 firms from 2010 to 2019, employing dynamic panel data regression. Their findings revealed that profitability negatively affects capital structure, while growth has a positive association. However, the effect of non-debt tax shield was not found to be significant.

Dang and Tran (2021) investigated the impact of financial distress on tax avoidance: An empirical analysis of the Vietnamese listed companies. The study used a sample of 369 firms in Vietnam from 2008 to 2020, utilizing Fixed Effects Model (FEM) and Random Effects Model (REM) with data from Thomson Reuters. They found that leverage had a negative and significant effect, whereas Z-Score had a positive and significant effect on Effective Tax Rate (ETR). Additionally, firm size showed a positive and significant effect in both FEM and REM.

Jaffar, Derashid, and Taha (2021) assessed the determinants of tax aggressiveness in Malaysia. The researchers studied 21 firms in Malaysia from 2014 to 2018, employing multiple regression analysis based on data from DataStream and annual reports. Their results indicated a negative, albeit non-significant, effect of financial leverage on ETR.

Legowo, Florentina, and Firmansyah (2021) analyzed 95 firm-year observations in Indonesia from 2014 to 2018, utilizing multiple regression analysis with data from IDX website and annual reports. Their findings revealed a non-significant negative effect of leverage on ETR.

Budiman and Fitriana (2021) investigated 47 firms in Indonesia from 2016 to 2019, utilizing multiple regression analysis with data from IDX website and annual reports. Their findings revealed that the tax avoidance proxy had a significant positive effect on firm values.

Interestingly, the interaction of tax avoidance and corporate governance had a negative effect on firm value, although it was not statistically significant.

Ngatno, Apriatni, and Youlianto (2021) conducted a study in Indonesia involving 506 Microfinance Institutions (MFIs) in 2019, employing moderated regression analysis. Their findings revealed that long-term debt to total assets exhibited a negative but non-significant relationship with Return on Assets (ROA) and Return on Equity (ROE), while total debt to total assets and short-term debt to total assets displayed a positive association with ROA and ROE. These results were consistent with the correlation analysis and multiple regression outcomes.

Similarly, Das, Chowdhury, and Islam (2021) investigated 165 firms in Bangladesh over the period 2007-2016, utilizing differenced and System GMM techniques. Their study revealed a negative relationship between financial leverage and firm performance, as measured by ROE and ROA.

Pratama and Suryarini (2020) conducted a study in Indonesia involving 24 firms from 2014 to 2018, employing Fixed Effects Model (FEM) and moderated regression analysis with data from IDX website and annual reports. They found that profitability had a significant positive effect on Effective Tax Rate (ETR), while inventory intensity had a significant negative effect. The moderating effect was consistent with previous findings.

Khuong, Liem, Thu, and Khanh (2020) investigated 125 firms in Vietnam from 2010 to 2016, utilizing System Generalized Method of Moments (GMM) with data from Thomson Reuters EIKON. Their results indicated that the current Effective Tax Rate (ETR) negatively affected Return on Assets (ROA) and Return on Equity (ROE), while the effect on Tobin's Q was positive. Leverage and growth were found to have a positive effect on ROA and ROE, while the effect on Tobin's Q was negative for both variables. Size negatively affected ROA but had a positive effect on ROE and Tobin's Q. Cash ETR had a positive effect on ROA and ROE but a negative effect on Tobin's Q. The control variables showed mixed findings except for size. Book Tax Difference (BTD) negatively affected ROA and ROE, while the effect on Tobin's Q was positive.

Mardones and Cuneo (2020) examined data from Brazil, Chile, Mexico, and Peru spanning from 2000 to 2015, employing instrumental variables GMM methodology. Their analysis indicated that short-term debt to total assets had a positive impact on ROA and ROE but turned negative for Tobin's Q. Conversely, long-term debt to total assets exhibited a negative effect on ROA, ROE, and Tobin's Q, with mixed findings observed at the country level.

Nwala, Gimba, and Oyedokun (2020) explored 25 insurance firms in Nigeria from 2011 to 2017 using an ex-post facto approach and multiple regression analysis based on annual reports. Their findings demonstrated a positive relationship between debt assets and ROA, while equity assets showed a negative association with ROA, although none of these relationships were statistically significant in the Tobin's Q model. Interestingly, in the ROA model, the signs of the relationships reversed, with debt assets displaying a negative association and equity assets showing a positive one.

Abdullah and Tursoy (2019) conducted a study in Germany spanning 2,448 firm years from 1993 to 2016, employing a two-step first-differenced Generalized Method of Moments (GMM) approach. Their analysis revealed a significant positive effect of total debt to total assets on both Return on Assets (ROA) and Return on Equity (ROE) within the GMM model. In a similar vein, Kenn-Ndubuisi, Ifechi, and Nweke (2019) investigated 80 non-financial firms in Nigeria over the period 2000-2015, utilizing Pooled Ordinary Least Squares (OLS), Fixed Effects Model (FEM), and Random Effects Model (REM). Their findings indicated a significant negative effect of debt to equity ratio on Earnings per Share (EPS) across all four models, as well as in the ROE model. Additionally, total debt to total assets exhibited a negative effect in the pooled and marginal regression models for EPS, and negative effects across all four models for ROE. The long-term debt to capital ratio displayed a negative effect on ROE in all four models, albeit negative only in the pooled regression for EPS.

In contrast, Samo and Murad (2019) explored 40 firms in Pakistan from 2006 to 2016, employing pooled regression analysis based on annual reports. Their results revealed a negative relationship between leverage and profitability, as measured by ROA and ROE.
Uremadu and Onuegbu (2019) examined four firms in Nigeria spanning from 2002 to 2016, utilizing Ordinary Least Squares (OLS). Their findings indicated that the long-term debt to total assets ratio and total debt to equity ratio had a negative, albeit non-significant, effect on ROA.

Delgado, Fernández-Rodríguez, and Martínez-Arias (2018) conducted a study in Spain involving 4,356 firm-year observations from 1992 to 2009, employing Ordinary Least Squares (OLS) and Quantile regression with data from the Compustat database. Their OLS results showed a significant negative effect of Return on Assets (ROA) on Effective Tax Rate (ETR). Firm size had a positive effect, while capital intensity and inventory intensity had negative effects. However, using quantile regression, size, inventory intensity, and ROA were positive and significant at 25%, while they were negative and significant at 75%. Capital intensity showed the opposite pattern.

Vo and Ellis (2017) conducted a study in Vietnam covering 1,214 firm years from 2007 to 2013, employing Fixed Effects Model (FEM). Their analysis revealed a negative relationship between leverage and abnormal returns.

Eniola, Adewunmi, and Akinselure (2017) examined five banks in Nigeria over the period 2004-2015, utilizing descriptive statistics and Pearson correlation coefficient. They found a positive correlation between debt finance and bank performance.

In another study conducted in Nigeria by Abdul and Badmus (2017), involving three firms from 2000 to 2009, Ordinary Least Squares (OLS) analysis showed a negative, albeit insignificant, effect of debt ratio on financial performance.

Additionally, John-Akamelu, Iyidiobi, and Ezejiofor (2017) investigated six firms in Nigeria from 2009 to 2014, employing t-tests. Their findings indicated a non-significant effect on Earnings per Share (EPS), but significant effects on Return on Assets (ROA) and Return on Equity (ROE).

M'ng, Rahman, and Sannacy (2017) examined data from Malaysia, Singapore, and Thailand, comprising 475 firms from Malaysia, 262 from Singapore, and 280 from Thailand, spanning from 2004 to 2013. Their analysis using Ordinary Least Squares (OLS) and Granger Causality from Thomson Reuters DataStream revealed that profitability had a negative effect, while firm size had a positive effect on leverage in Malaysia and Singapore. In Thailand, profitability had a negative effect, while firm size had a positive effect on leverage, although the former became non-significant.

Jaisinghani and Kanjilal (2017) conducted a study in India involving 1,194 firms from 2005 to 2014, utilizing Panel Threshold Regression with data from the Prowess database. Their findings revealed a non-linear relationship between capital structure and Return on Assets (ROA). In the small firm sample, the coefficient of capital structure was negative and significant at 1%; however, for large firms, the coefficient of capital structure was positive and significant at 10%.

Detthamrong, Chancharat, and Vithessonthi (2017) investigated 493 firms in Thailand from 2001 to 2014, employing multiple regression and Structural Equation Modeling (SEM). They found that leverage had a positive effect on firm performance overall. However, when splitting the sample into large and small firms, they observed a negative effect of audit committee size on firm performance in large firms and the effect of audit reputation on firm performance in small firms.

Le and Phan (2017) examined non-financial firms in Vietnam from 2007 to 2012, using Panel Least Squares Regression. Their results indicated a significant negative relationship between capital structure and firm performance, as proxied by Return on Assets (ROA), Return on Equity (ROE), and Tobin's Q.

Adenugba, Ige, and Kesinro (2016) conducted a study in Nigeria involving five firms from 2007 to 2012, utilizing Ordinary Least Squares (OLS). Their findings demonstrated that leverage had a significant effect on firm value.

Bandyopadhyay and Barua (2016) conducted a study in India involving 1,594 firms from 1998 to 2011, employing Two-step Dynamic Panel Generalized Method of Moments (GMM). Their findings revealed a significant effect of capital structure on firm performance.

Singh (2016) examined 61 firms in Oman from 2011 to 2015, utilizing FEM and REM with data from the Muscat Securities Market and annual reports. Tangibility, profitability, and liquidity were found to have a negative relationship with leverage, while firm size and growth were positively related to leverage. However, the effect of non-debt tax shields was not found to be significant.

Kodongo, Mokoaleli-Mokoteli, and Maina (2015) investigated 29 firms in Kenya from 2002 to 2011, utilizing Random Effects Model (REM) with data from the Nairobi Securities Exchange. Their results indicated that debt to equity, debt to assets, and long-term debt to equity ratios had a negative effect on Return on Equity (ROE), with the latter two being significant. Firm size and sales growth also exhibited negative and significant coefficients. Additionally, debt to assets ratio showed a positive relationship with Tobin's Q, while debt to equity and long-term debt to equity had negative effects. However, control variables such as firm size and sales growth had negative relationships in the Tobin's Q model but were not significant.

Gabriel and Nneji (2015) conducted a study in Nigeria involving 20 firms from 2012 to 2013, employing Panel Least Squares Regression based on annual reports. Their analysis revealed a negative impact of leverage on corporate performance.

Vătavu (2015) examined 196 firms in Romania from 2003 to 2010, utilizing Cross-sectional Regressions with data from the Bucharest Stock Exchange website. Their findings showed that the effective tax rate had a positive effect on Return on Assets (ROA) and Return on Equity (ROE), while the ratio of total equity to total assets had a significant negative effect on both ROA and ROE. Moreover, short-term liabilities to total assets had a negative significant effect on ROA and ROE, whereas long-term liabilities to total assets had a positive, albeit non-significant, effect.

Lawal, Edwin, Monica, and Adisa (2014) investigated 10 firms in Nigeria from 2003 to 2012, employing multiple regression analysis based on annual reports. They found that proxies of capital structure, such as total debt to assets and debt to equity ratio, exhibited a negative relationship with firm performance, specifically Return on Assets (ROA) and Return on Equity (ROE).

Enekwe, Agu, and Eziedo (2014) examined three pharmaceutical firms in Nigeria from 2001 to 2012, utilizing multiple regression analysis based on annual reports. Their results indicated that the debt ratio and debt to equity ratio had a negative impact on ROA, while the interest coverage ratio had a positive effect on ROA.

Chechet and Olayiwola (2014) conducted a study in Nigeria involving 70 firms from 2000 to 2009, employing Fixed Effects Model (FEM) and Random Effects Model (REM). Their analysis revealed a negative relationship between debt ratio and profitability.

Babalola (2014) investigated 31 firms in Nigeria from 1999 to 2012, using multiple regression analysis based on annual reports. The findings suggested evidence of a trade-off between costs and benefits of debt in firms' capital structure decisions. Additionally, no evidence was found to support the notion that large firms outperformed mid-sized firms under the same debt ratio. Dawar (2014) conducted a study in India spanning from 2003 to 2012, employing multiple regression analysis based on annual reports. The findings revealed a negative relationship between leverage and firm performance.

Al-Taani (2013) investigated 45 firms in Jordan from 2005 to 2009, utilizing multiple regression analysis based on annual reports. The results indicated a negative, albeit non-significant, relationship between short-term debt to total assets and long-term debt to total assets with Return on Assets (ROA) and operating profit margin. Additionally, the ratio of total debt to equity showed a positive relationship with ROA but a negative relationship with profit margin.

Sheikh and Wang (2013) examined non-financial firms in Pakistan from 2004 to 2009, employing panel data regression with data from the Karachi Stock Exchange (KSE). Their findings revealed that total debt, long-term debt ratio, and short-term debt ratio had a negative relationship with ROA. The short-term debt ratio exhibited a positive, albeit non-significant, relationship with the market-to-book ratio, while total debt and long-term debt ratios were negatively related to the market-to-book ratio in the pooled Ordinary Least Squares (OLS) model.

Akinyomi (2013) conducted a study in Nigeria involving three firms from 2007 to 2011, utilizing correlation and multiple regression analysis. The results showed a positive correlation between debt to equity and both ROA and ROE. However, long-term debt to capital exhibited a negative and significant relationship with ROA and ROE.

Olokoyo (2013) investigated 101 firms in Nigeria from 2003 to 2007, employing panel regression based on annual reports. The findings indicated a significant negative effect of leverage on Return on Assets (ROA); however, leverage exhibited a positive and significant relationship with Tobin's Q.

Khalaf (2013) studied 45 firms in Jordan from 2005 to 2009, utilizing multiple regression analysis based on annual reports. The results showed that total debt to equity was positively related to ROA but negatively related to profit margin. Additionally, short-term debt to total assets was significant in relation to ROA, while long-term debt to total assets was significant in relation to profit margin.

Shubita and Alsawalhah (2012) conducted a study in Jordan involving 39 firms from 2004 to 2009, employing multiple regression analysis with secondary data. Their results demonstrated a negative relationship between capital structure, comprising short- and long-term debt, and profitability, as proxied by Return on Equity (ROE).

Salim and Yadav (2012) conducted a study in Malaysia involving 237 firms from 1995 to 2011, utilizing multiple regression analysis with data from the DataStream database. Their findings revealed a negative relationship between Return on Assets (ROA), Return on Equity (ROE), and Earnings Per Share (EPS) with short-term debt, long-term debt, and total debt. Additionally, they found a significant positive relationship between Tobin's Q and short-term and long-term debt. However, total debt exhibited a negative relationship with Tobin's Q.

Luper and Isaac (2012) investigated 15 firms in Nigeria from 2005 to 2009, employing multiple regression analysis based on annual reports. Their results indicated a non-significant negative effect of short-term debt to total assets and long-term debt to total assets on ROA and profit margin. Conversely, debt to equity was positively associated with ROA but negatively related to profit margin.

Adeyemi and Oboe (2011) conducted a study in Nigeria involving 90 firms and 150 respondents, utilizing descriptive statistics and Chi-square analysis. Their findings demonstrated a significant positive relationship between capital structure and a firm's market value.

Puwanenthiren (2011) studied large firms in Sri Lanka from 2005 to 2009, employing multiple regression analysis with secondary data. The results revealed a negative relationship between capital structure and financial performance.

Simon-Oke and Afolabi (2011) conducted a study in Nigeria involving five firms from 1999 to 2007, utilizing panel data regression based on annual reports. Their findings revealed a negative relationship between debt financing and firms' performance.

Ong and Teh (2011) investigated construction firms in Malaysia from 2005 to 2008, employing multiple regression analysis with secondary data. The results indicated a positive relationship between capital structure and firm performance.

Saeedi and Mahmoodi (2011) studied 320 firms in Iran from 2002 to 2009, utilizing multiple regression analysis with secondary data. Their results showed a negative relationship between capital structure and Return on Assets (ROA), while Earnings Per Share (EPS) and Tobin's Q exhibited positive correlations with capital structure. The model for Return on Equity (ROE) was non-significant.

Chen and Chen (2011) examined 305 firms in Taiwan in 2009, using hierarchical regression analysis. The study found that Return on Equity (ROE) had a negative effect on capital structure, whereas sales growth had a positive effect.

3. MATERIAL AND METHOD

This study would adopt the *ex-post facto* research design because it is a quantitative study which will rely on secondary panel data from annual reports of the sampled companies. The focus of quantitative research designs is the numerical measurement of the studied variables. The population is the totality of elements that are of interest to the researcher in a study. The study population therefore comprised of twenty-one (21) firms quoted on the consumer goods sector of the Nigerian Exchange Group. The study sample was restricted to sixteen (16) consumer goods manufacturing firms. The sample was selected using purposive sampling technique. The final sample utilised in the present study was a total of 16 consumer goods manufacturing companies quoted on the Nigerian Stock Exchange (NSE). The choice of eliminating or excluding this sector is consistent with the need to select companies that were listed from 2012 to 2022 and have been utilised in prior studies because they are subject to regulatory differences.

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Table 1: Sample Size

1. Cadbury Nig
2. Champion Breweries
3. Dangote Sugar
4. Flour Mills Of Nigeria
5. Guinness Nig
6. Honywell Flour Mill
7. International Breweries
8. Mcnichols Consolidated
9. Nascon Allied
10. Nestle Nig
11. Nigeria Breweries
12. Nigerian Enamelware
13. Nigerian Northen Flour Mill
14. Pz Cussons
15. Unilever Nig
16. Vitafoam Nig

Source: The Nigerian Exchange Group (2024)

The study relied on secondary data; and, specifically focuses on data obtained from annual financial reports of consumer goods manufacturing firms quoted on the NGX. The time scope covered was an eleven (11) year financial period spanning from 2012 to 2022. Four sorts of data were collected viz: return on asset, short-term debt to equity, long-term debt to equity, total debt to equity. To assess the descriptive statistical characteristics of the data, measures such as mean, standard deviation, minimum, and maximum values were employed. Additionally, the study employed pooled ordinary least square (OLS) regression analysis as an inferential tool for testing the hypotheses of the study. The decision rule is based on the sign and significance of the computed t-statistic from the regression output. If the *p*-value of the t-statistic < .05 (the chosen alpha level) the null hypothesis is rejected; and, the variable is postulated to have a significant effect.

The performance proxies, utilised in the study: Return on Assets (ROA) are to be regressed on short term debt-to-equity, long term debt-to-equity and total debt-to-equity (independent variables), as identified from prior literature as follows:

ROA = *f* (short-term debt to equity, long-term debt to equity, total debt to equity)

The 'static linear models' of the above expression is presented in the equations below as follows:

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$ROA = \alpha_0 + \eta_1 STDE\ it + \eta_2 LTDE\ it + \eta_3 TDETE\ it + \mu_i$…… Eq. (1)

Where: ROA (Return on Assets), STDE (Short-term Debt to Equity), LTDE (Long-term Debt to Equity), TDETE (Total Debt to Equity).

Table 2 Description of Variables

Variable	Acronym	Measurement	Source
Short-term Debt to Equity	STDE	Current Liabilities divided by Total Equity	Khuong *et al.* (2020)
Long-term Debt to Equity	LTDE	Non-current Liabilities divided by Total Equity	Khuong *et al.* (2020)
Total Debt to Equity	TDETE	Current and non-current Liabilities divided by Total Equity	Mardones and Cuneo (2020)
Return on Assets	ROA	This is computed as profit after tax divided by total asset	Adair & Adaskou (2015)

Source: Researchers' Compilation (2024)

4. RESULT AND DISCUSSIONS

4.1 Data Analysis

4.1.1 Descriptive Statistics

In this section, we examined the descriptive statistics for both the independent and dependent variables of interest. Each variable is examined based on the mean, median, maximum and minimum. Table 3 below displays the descriptive statistics for the study.

Table 3: Descriptive statistics of the model variables

	ROA	***STDE***	***LTDE***	***TDETE***
Mean	6.468185	47.99731	27.77912	2.468954
Median	5.249700	41.16385	34.36881	1.415700
Maximum	26.51650	376.4143	4867.308	202.9019
Minimum	-44.16130	9.537800	-8933.823	-118.6865
Std. Dev.	8.751544	34.20794	790.5240	18.19016
Skewness	-0.906635	6.159141	-6.939042	6.069484
Kurtosis	8.986369	53.89212	103.2390	96.25857
Jarque-Bera	286.9134	20106.15	75096.65	64859.78
Probability	0.000000	0.000000	0.000000	0.000000
Sum	1138.400	8447.527	4889.125	434.5360
Sum Sq. Dev.	13403.17	204782.0	1.09E+08	57904.35
Observations	176	176	176	176

Source: E-Views 11

According to Table 3, Return on Assets (ROA) averaged 6.468185%, indicating that, on average, the firms studied had a ROA of approximately 6.47%. The minimum ROA is -

44.16130%, suggesting that some firms experienced negative returns on their assets during the period under investigation, while the maximum ROA is 26.51650%, showing the highest level of return achieved by any firm in the sample. The standard deviation of ROA is 8.751544%, indicating the degree of variability or dispersion of ROA values around the mean. The skewness value of -0.906635 indicates a slight left-skewed distribution, suggesting that the majority of firms had ROA values clustered towards the higher end of the range but with a longer left tail. The kurtosis value of 8.986369 suggests a leptokurtic distribution, indicating heavy tails and a high concentration of values around the mean, with some extreme outliers in the distribution.

The mean for Short-Term Debt to Equity (STDE) is 47.99731, indicating that, on average, short-term debt is approximately 48 times the equity of the firms studied. The minimum STDE is 9.537800, and the maximum is 376.4143, indicating a wide range of short-term debt-to-equity ratios among the firms. The standard deviation of STDE is 34.20794, indicating variability in short-term debt-to-equity ratios across the sample. The skewness value of 6.159141 indicates a highly right-skewed distribution, suggesting that the majority of firms have relatively low short-term debt-to-equity ratios, with a few firms having extremely high ratios. The kurtosis value of 53.89212 suggests a heavily leptokurtic distribution with significant outliers.

Long-Term Debt to Equity (LTDE) has a mean value of 27.77912, indicating that, on average, long-term debt is approximately 28 times the equity of the firms studied. The minimum LTDE is -8933.823, and the maximum is 4867.308, indicating a wide range of long-term debt-to-equity ratios among the firms, with some extreme outliers. The standard deviation of LTDE is 790.5240, indicating variability in long-term debt-to-equity ratios across the sample. The skewness value of -6.939042 indicates a highly left-skewed distribution, suggesting that the majority of firms have relatively low long-term debt-to-equity ratios, with a few firms having extremely high ratios. The kurtosis value of 103.2390 suggests a heavily leptokurtic distribution with significant outliers.

Total Debt to Equity (TDETE) averaged 2.468954, indicating that, on average, total debt is approximately 2.47 times the equity of the firms studied. The minimum TDETE is -118.6865, and the maximum is 202.9019, indicating a wide range of total debt-to-equity ratios among the firms, with some extreme outliers. The standard deviation of TDETE is 18.19016, indicating variability in total debt-to-equity ratios across the sample. The skewness value of 6.069484 indicates a highly right-skewed distribution, suggesting that the majority of firms have relatively low total debt-to-equity ratios, with a few firms having extremely high ratios.

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The kurtosis value of 96.25857 suggests a heavily leptokurtic distribution with significant outliers.

4.2 Test of Hypotheses

Table 4: Pooled OLS regression output for the test of hypotheses

Dependent Variable: ROA

Method: Pooled Least Squares

Date: 02/20/24 Time: 23:52

Sample: 2012 2022

Included observations: 176

Cross-sections included: 1

Total pool (balanced) observations: 176

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STDE	-0.068763	0.018832	-3.651361	0.0003
LTDE	0.000843	0.001606	0.525136	0.6002
TDETE	-0.051500	0.069979	-0.735941	0.4628
C	9.872334	1.103305	8.947962	0.0000

R-squared	0.078685	Mean dependent var	6.468185
Adjusted R-squared	0.062616	S.D. dependent var	8.751544
S.E. of regression	8.473123	Akaike info criterion	7.134140
Sum squared resid	12348.54	Schwarz criterion	7.206197
Log likelihood	-623.8044	Hannan-Quinn criter.	7.163366
F-statistic	4.896580	Durbin-Watson stat	0.879443
Prob(F-statistic)	0.002725		

Source: E-Views 11

Table 4 presents the regression analysis using Pooled Least Squares method, which reveals how Short-Term Debt to Equity (STDE), Long-Term Debt to Equity (LTDE), and Total Debt to Equity (TDETE) affect Return on Assets (ROA). The R-squared value of 0.078685 indicates that approximately 7.87% of the variation in the dependent variable, Return on Assets (ROA), is explained by the independent variables included in the model. This suggests that the model explains only a small portion of the variability in ROA, indicating that there may be other factors beyond the scope of this study influencing ROA. The F-statistic of 4.896580 tests the overall significance of the regression model. With a probability (p-value)

of 0.002725, the F-test indicates that the regression model as a whole is statistically significant at the 0.05 significance level. This means that at least one of the independent variables in the model has a significant relationship with the dependent variable, ROA.

Therefore, while the R-squared value suggests that the model explains only a small portion of the variability in ROA, the statistically significant F-statistic indicates that the regression model as a whole is meaningful and provides useful hints about the relationship between the independent variables (capital structure components) and the dependent variable (ROA) for consumer goods firms listed in Nigeria in Nigeria. The intercept term (C) has a coefficient of 9.872334 with a p-value of 0.0000, indicating statistical significance. This represents the expected value of ROA when all independent variables are zero.

4.2.1 Hypothesis One

H_1: Short term debt to equity ratio has no significant effect on the return on assets of quoted consumer goods manufacturing firms.

As shown in Table 4, Short-Term Debt to Equity has a negative coefficient value of -0.068763. The coefficient indicates that for every one unit increase in the short-term debt to equity ratio, there is a corresponding decrease of approximately 0.068763 units in the return on assets (ROA). This negative coefficient suggests that higher levels of short-term debt relative to equity are associated with lower ROA. The p-value of 0.0003 is less than 0.05, and therefore implies that that this relationship is statistically significant, meaning it is unlikely to have occurred by random chance. The alternate hypothesis was therefore accepted that Short term debt to equity ratio has a significant negative effect on the return on assets of consumer goods firms listed in Nigeria in Nigeria (p-value = 0.0003).

Short-term debt often comes with higher interest rates and stricter repayment terms, placing a greater financial strain on companies. In the context of consumer goods manufacturing firms, which may require continuous investment in inventory, production facilities, and marketing efforts, high short-term debt levels could impede operational flexibility and hinder profitability. Furthermore, the negative impact on ROA may stem from the increased financial risk associated with higher short-term debt, leading to concerns among investors and creditors, potentially affecting stock prices and credit ratings. Using a sample of 165 firms, Das, Chowdhury, and Islam (2021) in Bangladesh, analysed using differenced and system GMM, the results showed a negative relationship between financial leverage and firm performance proxied as ROE and ROA. The findings are in contrast to Ngatno, Apriatni and Youlianto (2021) using a sample of 506 MFIs in Indonesia finds that total debt to total assets

and short term debt to total assets had a positive relationship with ROA and ROE. Also, Mardones and Cuneo (2020) using the Instrumental variables GMM finds that the surrogate for short-term debt to total assets had a positive effect on ROA and ROE but reversed to negative on Tobin's Q.

4.2.2 Hypothesis Two

H_2: Long term debt to equity ratio has no significant effect on return on assets of quoted consumer goods manufacturing firms.

Table 4 shows that Long-Term Debt to Equity has a positive coefficient value of 0.000843. The coefficient suggests that there is a very marginal increase in ROA for every unit increase in the long-term debt to equity ratio. However, the high p-value of 0.6002 which is greater than 0.05 indicates that this relationship is not statistically significant, suggesting that changes in LTDE are not reliably associated with changes in ROA. The null hypothesis was therefore accepted that Long term debt to equity ratio has a non-significant positive effect on return on assets of consumer goods firms listed in Nigeria in Nigeria (p-value = 0.6002).

Long-term debt is often utilized for strategic investments, such as capital expenditures and expansion initiatives, which could enhance a firm's productivity and profitability over time. However, the lack of statistical significance implies that the impact of long-term debt on ROA may be overshadowed by other factors, such as industry-specific dynamics, market conditions, or management efficiency. Additionally, the non-significant result may reflect the diverse strategies adopted by firms in managing their long-term debt obligations, with varying degrees of success in translating debt into value creation. The findings are supported by Nwala, Gimba, and Oyedokun (2020) on a sample of 25 insurance firms from 2011-2017 analysed using multiple regression finds that debt assets positively related with ROA; while, equity asset negatively related with ROA. However none was significant in the Tobin's Q model. In the ROA model, the signs reversed with debt assets as negative while equity assets was positive. The findings are consistent with the study by Ngatno, Apriatni and Youlianto (2021) that used a sample of 506 MFIs in Indonesia and found that long-term debt to total assets had a negative non-significant relationship with ROA and ROE. Also, Mardones and Cuneo (2020) using the Instrumental variables GMM finds that the surrogate for long-term debt long-term debt to total assets had a negative effect on ROA, ROE and Tobin's Q.

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4.2.3 Hypothesis Three

H_3: Total debt to equity ratio has no significant effect on return on assets of quoted consumer goods manufacturing firms.

As shown Table 4, Total Debt to Equity has a negative coefficient value of -0.051500. This coefficient for TDETE indicates that there is a slight decrease in ROA for every unit increase in the total debt to equity ratio. However, similar to LTDE, the p-value of 0.4628 is greater than 0.05, implying that this relationship is not statistically significant. In other words, changes in TDETE do not reliably predict changes in ROA. The null hypothesis was accepted that Total debt to equity ratio has a non-significant negative effect on return on assets of consumer goods firms listed in Nigeria in Nigeria (p-value = 0.4628).

The finding of a non-significant negative effect of total debt to equity ratio on ROA suggests that the overall debt burden, encompassing both short-term and long-term obligations, does not exert a significant impact on the financial performance of consumer goods firms listed in Nigeria in Nigeria. This result may indicate a balance between the benefits of debt financing, such as tax shields and enhanced leverage, and the costs associated with financial distress and agency conflicts. Moreover, it underscores the importance of considering the composition and structure of debt in evaluating its implications for firm performance. Firms with higher total debt to equity ratios may effectively manage their debt structure, mitigating the adverse effects on profitability through prudent financial management practices, strategic investments, or efficient tax planning strategies. Similarly, Das, Chowdhury, and Islam (2021) in Bangladesh used a sample of 165 firms and used differenced and system GMM to evaluate the data. The results revealed a negative association between financial leverage and company performance as measured by ROE and ROA. However, the findings are in contrast to Ngatno, Apriatni and Youlianto (2021) using a sample of 506 MFIs in Indonesia finds that total debt to total assets had a positive relationship with ROA and ROE.

CONCLUSION AND RECOMMENDATIONS

The matter of financing stands out as a critical concern confronting financial managers in the contemporary competitive landscape. Within the realm of financing decisions, managers engage in the exploration and determination of an ideal financing blend or debt-equity ratio for the firm. A well-considered capital structure seeks to optimize share price, improve performance, and augment firm value. The nexus between capital structure and financial performance has long been a subject of interest in corporate finance literature because evaluating the impact of capital structure on key performance indicators is essential for strategic decision-making and long-term value creation in organizations. Hence, this study examined the effect of capital structure on firms' financial performance in Nigeria.

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Based on the findings, a high short-term debt to equity ratio may indicate liquidity challenges or a mismatch between short-term obligations and the firm's ability to generate sufficient cash flows. Consequently, the negative impact on ROA suggests that excessive reliance on short-term debt may constrain profitability and operational flexibility, especially in periods of economic downturn or financial distress. On the other hand, the finding that long-term debt to equity ratio has a non-significant positive effect on ROA may reflect the strategic use of long-term debt to finance growth opportunities or capital investments. Thus, firms that effectively manage their long-term debt obligations could benefit from lower financing costs and enhanced financial leverage.

Finally, firms operating in this consumer goods sector have adopted a balanced approach to capital structure management, taking into account both debt and equity financing options to optimize their cost of capital and risk profile. This conclusion is based on the finding that total debt to equity has a negative effect on ROA but this effect is not significant. The non-significant relationship highlights the complexity of assessing the impact of total debt on ROA, as it depends on the nexus of various financial and non-financial factors unique to each firm. In conclusion, the findings suggest that while capital structure decisions play a crucial role in shaping the financial performance of consumer goods manufacturing firms in Nigeria, the relationship between debt financing and ROA is context-dependent. Thus, it is necessary to evaluate the trade-offs between short-term and long-term debt, as well as the overall debt levels, in light of the firm's growth prospects, industry dynamics, and regulatory environment. Based on the above, the study recommends the following:

1. The finance department of consumer goods firms, particularly the Chief Financial Officer (CFO) and financial managers, prioritize the prudent management of short-term debt levels through careful monitoring of short-term borrowing activities, exploring alternative sources of financing with lower interest rates, and implementing effective working capital management practices to reduce reliance on short-term debt, thereby enhancing overall financial performance.
2. The strategic planning team and top management of consumer goods firms listed in Nigeria in Nigeria should consider leveraging long-term debt strategically for value-enhancing investments. This recommendation involves conducting thorough cost-benefit analyses of potential investment opportunities, aligning long-term debt financing with long-term strategic objectives, and implementing robust risk management frameworks to mitigate potential downside risks associated with long-term debt obligations.

3. The board of directors and audit committee of consumer goods firms listed in Nigeria in Nigeria should maintain a balanced approach to debt management by periodically reviewing the firm's debt structure, assessing its implications for financial stability and performance, and ensuring adequate disclosures regarding debt levels and associated risks in financial reporting.

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