



## Impact of Corporate Growth Indicators on Financing Decision of Manufacturing Firms in Nigeria

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### Abstract

The study examined the effect of corporate growth indicators on the financing decision of manufacturing in Nigeria. Total asset, earnings per share, and share price were the corporate growth indicators used for the study, while the debt-equity ratio was the dependent variable of the study. The study adopted an ex-post-facto research design, covering the period between 2012 and 2021. Secondary data were extracted from the annual reports and accounts of the sampled manufacturing firms in Nigeria. Pooled mean group regression analysis was used for the panel data analysis in line with the specific objectives of the study which is to ascertain the effect of total assets, earnings per share, and share price on the debt-equity ratio of manufacturing firms in Nigeria, it was revealed that total asset has a positive and significant effect on the debt-equity ratio of manufacturing firms in Nigeria in the long-run. However, share price and earnings per share have a negative and significant effect on the debt-equity ratio of manufacturing firms in Nigeria in the long run. The study, therefore, recommended that manufacturing firms are encouraged to identify and work on means to increase their total asset since it increases their debt-equity ratio. This is in line with static trade-off theory which argues that firms generally prefer debt as a source of finance because of tax consideration. They should always strive to increase their profitability because of the positive effect on the debt-equity ratio.

**Keywords** Corporate Growth Indicators; Financing Decision of Manufacturing Firms; Debt-Equity Ratio; Total Asset; Share Price; Earning per Share; Financing Decision

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## Introduction

In the ever-evolving landscape of corporate finance, understanding the intricate determinants of financing decisions is paramount. Firms, particularly in the manufacturing sector, face multifaceted challenges concerning capital market dynamics, regulatory landscapes, and shareholder expectations (Green, Murinde, & Suppakitjarak, 2012). The nexus between these challenges and the optimal capital structure, which significantly influences corporate growth, underscores the importance of in-depth research in this domain.

Capital structure decisions are inherently complex, especially for firms in emerging economies like Nigeria. The process involves a delicate balance between the interests of shareholders and the imperative of operational efficiency (Ahmad & Hussanie, 2018). For businesses seeking public listing, maximizing shareholders' welfare and ensuring robust growth become central objectives. Consequently, the management's strategic decisions regarding capital structure play a pivotal role in achieving these goals (Legesse et al., 2021).

The intertwined relationship between a firm's capital structure and its profitability cannot be overstated. Profit-earning capacity is intricately linked with the structural composition of a company's capital (Ogebe et al., 2013). The challenge lies in determining the optimal mix of financial resources that not only enhances profitability but also maximizes the firm's overall value. This pursuit necessitates a nuanced understanding of the interplay between growth indicators and financing decisions.

Nigeria's manufacturing landscape, a critical component of the nation's economy, has witnessed fluctuations in profitability. Understanding the role of financing sources and their proportions in influencing these fluctuations is imperative. While existing literature cites factors such as asset tangibility, business risk, and profitability as determinants of capital structure, the specific impact of growth indicators remains underexplored (Boateng et al., 2022).

This study seeks to bridge this knowledge gap by delving into the intricate relationship between corporate growth indicators and the financing decisions of manufacturing firms in Nigeria. By focusing on this uncharted territory, the research aims to provide invaluable insights into the nuanced dynamics at play within the Nigerian economic context.

The findings of this study are poised to have far-reaching implications. Managers and consultants will gain valuable insights into optimal capital structure decisions, empowering them to make informed choices to maximize company value. Accounting regulatory bodies and organizations like the Institute of Chartered Accountants of Nigeria (ICAN) and the Financial Reporting Council of Nigeria (FRC) will benefit from the research's guidance in advising businesses on prudent financing options. Additionally, academia, including students, scholars, and researchers, will find this study a comprehensive reference material, facilitating further exploration of this vital area (M'ng et al., 2017).

This study endeavors to illuminate the unexplored facets of financing decisions in the Nigerian manufacturing sector, providing a foundation for informed decision-making, policy formulation, and academic inquiry. Through rigorous analysis and empirical research methodologies, the study aspires to contribute significantly to the understanding of the impact of corporate growth indicators on the financing decisions of manufacturing firms in Nigeria.

## Review of the Related Literature

### Conceptual Review

#### Concept of Capital Structure

Modigliani and Miller (1958), defines capital structure as a mixture of a variety of long-term source of funds and equity shares including reserves and surpluses of an enterprise. Ardalan (2017) posit that capital structure is one of the most puzzling issues in corporate finance literature. The capital structure as they defined it refers to several alternatives that could be adopted by a firm to get the necessary funds for its investing activities in a way that is consistent with its priorities. Most of the efforts of the financial decision-making process are centered on the determination of the optimal structure; where the cost of capital is minimized and the firm's value is maximized.

Capital structure is essentially concerned with how the firm decides to divide its cash flows into broad components, a fixed component that is earmarked to meet the obligations towards debt capital and a residual component that belongs to equity shareholders (Chandra, 2015). There are two sources of funds used by a firm: Debt and equity.

1. **Debt:** Debt financing arises when an organization raises money for working capital or capital disbursements by selling corporate bonds, trade bills, or notes to individuals and /or institutional investors. In return for lending the money, the individuals or institutions become creditors and receive a promise the principal and interest on the debt will be repaid. Debt financing can be challenging to obtain, but for many firms, it offers funding at lower rates than equity financing, specifically in periods of historically low-interest rates. Another advantage to debt financing is the interest on the debt is tax-deductible.
2. **Equity:** Equity financing is the process of raising capital through the sale of shares in a company. Equity financing involves not just the sale of common equity, but also the sale of other equity or quasi-equity instruments such as prefeed stock, convertible preferred stock, and equity units that include common shares and warrants. With equity financing, companies have less burden of repaying loans, and issues associated with creditworthiness are gone however owners of the company lose control, share profits and potential conflict may arise.

#### Debt-Equity Ratio

When analysis refers to capital structure, they are most likely referring to a firm's debt-to-equity (Thi Viet Nguyen et al., 2021). Enekwe (2012) posits that debts to equity ratio are a financing ratio indicating the relative proportion of equity and debt used to finance a company's assets which is an indicator of the financial leverage. The ratio indicates how much naira was raised as debt of N1 of equity and debts used to finance a company's assets which is an indicator of the financing leverage.

#### Total Asset

Maggina and Tsaklanganos (2012) state that assets are economic resources of a company expected to benefit the firm's future operations. They also stated that some kinds of assets are in monetary terms such as cash and account receivables, while others like inventory, land, buildings, furniture, and equipment are not monetary assists.

### **Earnings Per Share**

Earnings per share (Eps) is calculated as a company's profit divided by the outstanding shares of its common stock. It is an important profitability measure, Hansen (2009) defined earnings per share as the revenue earned by a company that is allotted to the shares of the equity shareholders and is computed by dividing earnings after interest, the depreciation, and tax by a total number of outstanding shares.

### **Share Price**

Share price according to Weston (1989) is the value of the firm divided by the number of shares outstanding. It can also be defined as the price that buyers and sellers establish when they trade in the shares of a company (Nigeria Stock Exchange Hand Book 2005). Additionally, another definition is the par value which is merely a stated figure in the corporate charter and has little economic significance. The share price is volatile because it largely depends upon the expectations of buyers and sellers. For this study, the share price refers to the price of the stock on December 31, 2009 (closing price). According to Remi (2005), the firm stock prices have a direct purview on the managerial efficiency which is one of the signals of firm performance.

### **Theoretical Framework**

This study combines and enlarged theoretical underpinnings such as irrelevant and relevant Theory by Modigliani and Miller (1958), Static Trade-off Theory by Kraus and Litzenberger (1973), and Pecking Order Theory by Myers and Majluf (1984).

#### **Irrelevant and Relevant Theory**

Modigliani and Miller (MM), 1958 illustrate that under certain key assumptions, the firms' value is unaffected by their capital structure. The capital market is assumed to be perfect in Modigliani and Miller's world, where insiders and outsiders have free access to information; no transaction cost, bankruptcy cost, and no taxation exist; equity and debt choice become irrelevant, and internal and external funds can be perfectly substituted. The M-M theory (1958) argues that the value of a firm should not depend on its capital structure. The theory argued further that a firm should have the same market value and the same Weighted Average Cost of Capital (WACC) at all capital structure levels because the value of a company should depend on the return and risks of its operation and not on the way it finances those operations.

#### **Static Trade-off Theory**

Capital structure theories have diverse views on the relationship between leverage and profitability. The trade-off theory argues that firms generally prefer debt for tax considerations. Profitable firm's world. Therefore, employ debt because increased leverage would increase the value of their debt tax shield (Myers, 1984). It states also that firms seek debt levels that balance the additional debt against the cost of possible financial distress. Apart from the tax advantage of debt, agency and bankruptcy costs may encourage highly profitable firms to have more debts in their capital structure.

#### **Pecking Order Theory**

The pecking order theory of capital structure as introduced by Donaldson (1961) is among the most influential theories of corporate leverage. It goes contrary to the idea of firms having a unique combination of debt and equity finance, which minimizes their cost of capital. The theory suggests that when a firm is looking for ways to finance its long-term investments, it has a well-defined order of preference should to the sources of finance it uses. It states that a firm's first preference should be the

utilization of internal funds (i.e., retain earnings), followed by debt than external equity. He argues that the more profitable the firms become, the lesser they borrow because they would have sufficient internal finance to undertake their investment projects. He further argues that it is when internal finance is inadequate that a firm should source for external finance and most preferably bank borrowings and corporate bonds. And after exhausting both internal and bank borrowing and corporate bonds, the final and least preferred source of finance is to issue new equity capital.

This study is anchored on static trade-off theory which argues that firms generally prefer debt for tax considerations. The statement conforms with the researcher's thoughts and expectations.

### **Empirical Review**

#### **Total Asset and Financing Decision**

Nenu et al. (2018) examined the impact of capital structure on risk and firm performance of Bucharest stock exchange-listed companies between 2020 and 2016. Using multivariate fixed-effects regressions, as well as dynamic panel-data estimations (two-step system generalized method of moments, GMM) Results showed that leverage is positively correlated with the size of the company and the share price volatility.

Nassar (2016) examined the impact of capital structure on financial firm performance of industrial companies in turkey from 2005-to 2012. A multivariate regression analysis was applied to test the relationship between capital structure and firm performance. To measure firm performance the study used indicators such as Return on Asset (ROA), Return on Equity (ROE), and earning per share (EPS). Debt Ratio (DR) was used as the capital structure variable. The results show that there is a negative significant relationship between capital structure and firm performance. Li and Wang (2019) examined how the capital structure changes the product-market competitiveness of Chinese firms. In regression techniques, the result reveals that capital structure has an important effect on the product-marker competitiveness in a sample Chinese firm. Firms whose structure is characterized by low leverage but rapid leverage growth have a dominant position in their product market.

Nirajini and Priya (2013) studied the capital structure and financial performance during the 2006 to 2010 (05 years) financial year of listed trading companies in Sri Lanka. Correlation and multiple regression analysis were used for analysis. The results revealed a positive relationship between capital structure and financial performance. Debt asset ratio, debt-equity ratio, and long-term debt correlated with gross profit margin (GPM), net profit margin (NPM), Return on capital Employed (ROCE), Return on Assets (ROA) & Return on Equity (ROE), significantly.

#### **Earnings Per Share and Financing Decision**

Abdul and Badmus (2017) assessed the relationship between leverage (equity) and debt ratio on return on assets of chemical and paints firms quoted in the Nigerian stock exchange using the ordinary least square (OLS) on a sample of three firms. They concluded that equity finance had a significant and positive impact on ROA while the DR reported a negative and insignificant relationship on the performance measures.

Abubakar (2017) examined the effects of financial leverage on the financial performance of 66 non-financial firms from 10 sectors of the Nigerian Stock Exchange over the period 2005 to 2014. Panel data techniques in the form of the Random Effects Model and descriptive analysis in the form of mean, median, minimum, and maximum values had been applied to achieve the study's objectives and test its hypotheses. The major finding of the study showed that an increase in the equity ratio (TDER) has a significant positive effect on financial performance measured by return on equity (ROE).

Kenn-Ndubuisi and Nweke (2019) examined the relationship between financial leverage and firm financial performance in Nigeria using 80 non-financial firms quoted on the Nigerian Stock Exchange from 2000 to 2015. The total debt to capital ratio, debt to equity ratio, cost of debt, debt to asset ratio, and long-term debt to capital ratios were proxies for financial leverage. panel data techniques in the form of the pooled regression model, fixed effect model, random effect model, and the marginal model had been applied to test hypotheses. The findings of the study revealed earnings per share are significant and negatively related to the debt-to-equity ratio.

Akani and Kenn-Ndubuisi (2017) examined the effect of capital structure and board structure on firm performance in Nigeria using the vector autoregression (VAR) test on forty listed companies in the Nigerian Stock Exchange (NSE) from 2008 to 2016. The result established that there exists a significant negative relationship between capital structures (DER) and the performance using ROA and ROE.

### **Share Price Financing Decision**

Ogiriki, Andabai, and Bina (2018) examined financial leverage and its effect on the corporate performance of firms in Nigeria from 1999-to 2016 using long-term debt return on asset and return on equity as dependent and explanatory variables respectively by employing the ordinary least square (OLS). The result revealed that ROA and ROE had a positive effect on the long-term debt of firms that were significant respectively. The study that financial leverage has a significant influence on the corporate performance of firms in Nigeria recommended the effective management of long-term debts.

John-Akamelu, Iyidiobi, and Ezejiofor (2017) studied the effect of financial leverage on the financial performance of food production firms in Nigeria from 2009 to 2014 using the earnings per share, Return, Equity, and Return on Asset as a proxy for performance. The paired sampled t-test analysis showed that financial leverage has no significant effect on the EPS of food production firms in Nigeria while there is an effect on return on equity and return on assets of companies in Nigeria.

Adenugba, Iga, and Casino (2016) studied the relationship between financial leverage and firm value using a sample of five firms listed on the Nigeria Stock Exchange (NSE) for 6 years 2007-2012. The ordinary least square (OLS) statistical technique showed a significant relationship and effect between financial leverage and firm value. The study concludes that financial leverage is a better source of finance than equity to firms when there is a need to finance long-term projects. Rahman (2013) studied the relationship between financial leverage and financial performance of quoted sugar companies in Pakistan. The results revealed a positive relationship between the debt-equity ratio on the ROA and sales growth while it was negative with the earnings per share, net profit margin, and return on equity. This negative relationship between the debt-equity ratio and earnings per share (EPS) supports the fact that as debt increases, the interest payment will also rise so that ESP will decrease. From the foregoing empirical literature, the effect of capital structure on financial performance had already been vastly researched in Nigeria.

However, these studies did not attempt to ascertain the effect of corporate growth indicators on the financing decision of manufacturing firms. This creates a research gap that this current study will fill by trying to examine the growth indicators that determine the capital structure of manufacturing firms in Nigeria. The general objective of this study is to ascertain the determinants of financing decisions of manufacturing firms in Nigeria. In a bid to achieve the state objectives and answer the research questions, the following null hypotheses have been formulated for this research:

1.  $H_{01}$ : Total asset does not significantly affect the debt-equity ratio of manufacturing firms in Nigeria.
2.  $H_{02}$ : Earnings per share do not significantly affect the debt-equity ratio of manufacturing firms in Nigeria.



3. H<sub>03</sub>: Share price has no significant effect on the debt-equity ratio of manufacturing firms in Nigeria.

**Methodology**

This study on the determinants of financing decisions of manufacturing firms in Nigeria covers ten years (2009 to 2018). The choice of the period (2009 to 2018) was to make the findings relevant to the economic trends within the manufacturing sector. The reason for making this study a minimum of ten (10) years was to ensure that the tool for panel data analysis in section four balances and statistically fits. Total assets, earnings per share, and share price are used as the dependent variables. However, the debt-equity ratio represents the financing decision.

The study adopted an ex-post-facto (after the facts) research design. This is because the study was based on historical data. Asika (2005) opines that ex post facto research is expected to provide a systematic and empirical solution to research problems with historical concern. Financial data was collected from firms selected for the study. The research was conducted in Nigeria and specifically in the manufacturing sector of the Nigerian economy.

The study made use of secondary data. The data was extracted from published audited financial statements of the Four (4) firms sampled out of the forty- three (43) listed on the Nigerian Exchange Group (NGX) as of December 2022 for the period of 10 years (2012-2021). These firms include Guinness Nigeria plc, Nigerian Breweries plc, Unilever Nigeria plc, and Nestle Nigeria plc.

Panel multiple regression analysis was used as the statistical tool to test the effect of growth indicators on the financial decision of manufacturing firms in Nigeria. the Pooled Mean Group (PMG) estimation approach was proposed by Pesaran, Shin, and Smith (1999). When all variables in the model are of the same order and different order of integration, i.e. I(0) or I(1) series, or a mix of I(0) and I(1) series, PMG can be used. All variables are transformed into their natural log to avoid econometric complications in the proposed model.

**Model Specification**

The model is specified in linear form as follows:

$$DER_{it} = \beta_0 + \beta_1 TA_{it} + \beta_2 EPS_{it} + \beta_3 SP_{it} + \epsilon_i \dots\dots\dots 1$$

Where,

- DER: Debt-Equity Ratio
- TA: Total Asset
- EPS: Earnings Per Share
- SP: Share Price
- E Stochastic Disturbance (Error) Term
- B<sub>0</sub> Coefficient (constant) to be estimated
- B<sub>1</sub>-B<sub>3</sub> Parameters of the independent variables to be estimated
- t Current period

**Description of Variables**

The variables are structured into dependent and independent variables for data analysis. The dependent variables of the study are the debt-to-equity ratio, while the independent variables are a total asset, earnings per share, and share price.

**Model Variables Description**

Short Form	Details	Source Data
DER	Debt-Equity Ratio	Annual Reports and Account
TA	Total Asset	Annual Reports and Account
EPS	Earnings Per Share	Annual Reports and Account
SP	Share Price	NGX Daily Price List

**Source:** Author’s Arrangement

**Result and Discussion**

The simple descriptive statistic of the variables in the model is presented in table 2 below

**Table 1: Descriptive Statistics of the Variables**

	DER	TA	EPS	SP
Mean	-0.857390	8.057267	0.576667	1.946439
Median	-0.695449	8.082938	0.682596	1.975753
Maximum	0.241017	8.582889	2.127105	2.400883
Minimum	-4.481486	7.374413	-0.552842	1.340444
Std. Dev.	0.957994	0.311348	0.498075	0.277202
Skewness	-2.528374	-0.261221	0.008572	-0.421924
Kurtosis	10.02693	2.756096	4.349320	2.288051

Source: Authors’ computation, 2023

The Levin, Lin, and Chu (2002) and Im et al. (2003) unit root tests were used to determine the order of integration of the variables in the model. In panel data analysis, if the unit root is found in the data, the problem of spurious regression will arise. The results are shown in Table 2.

**Table 2: Panel Unit Root Test Result**

Variables	Levin et al		Order of Integration	Variables	Im et al		Order of Integration
	Levels	First Diff.			Levels	First Diff.	
DER	-0.49451	-7.99075**	I(1)	DER	0.33535	-2.42302**	I(1)
TA	-22.5871		I(0)	TA	-10.9718		I(0)
EPS	-1.51064	-2.80317**	I(1)	EPS	-1.39699	-1.68409**	I(1)
SP	-3.13814**		I(0)	SP	-0.76504	-2.05481**	I(1)

Source: Authors’ computation, 2023

Notes: Values reported are t-statistics value.

\*\* denote significance 5 percent.

The test was conducted with the assumption of intercept and no trend in both Levin et al (2002) and Im et al (2003) specification

Because both unit root tests yielded different findings, it is uncertain whether the Share price is integrated at levels (I(0)) or first difference (I(1)). The correlation matrix depicts the link between all of the variables investigated.



If the coefficient of a correlation is 0.8 or higher, it is deemed problematic. A significant degree of positive or negative correlation between the explanatory variables suggests a multicollinearity problem in the model. It's undesirable since it makes it harder to determine the individual influence of such correlated explanatory variables on the dependent variables.

**Table 3: Multicollinearity Table**

	LOG_DER	LOG_TA	LOG_EPS	LOG_SP
LOG_DER	1.000000	0.179979	0.356300	0.305886
LOG_TA	0.179979	1.000000	0.529401	0.687600
LOG_EPS	0.356300	0.529401	1.000000	0.770644
LOG_SP	0.305886	0.687600	0.770644	1.000000

There are no variables in the table above that have a value larger than 0.8, indicating that multicollinearity is not an issue.

The data sample is then subjected to a panel cointegration test to assess if the model demonstrates a long-term relationship. Cointegration analysis is performed once the unit roots of the series have been examined. The Kao cointegration technique is used to analyze the long-term relationship between the variables in the Panel cointegration test. Table 4 shows the final result.

**Table 4: Kao Residual Cointegration Test Result**

ADF t-statistic	Probability
-2.719865	0.0033**

Source: Authors Computation, 2023

Note: Null Hypothesis: No cointegration.

\*\* denotes significance at 5 percent

The ADF t-statistic probability value is less than 5%, implying that the variables in the model have a long-term relationship, as shown in Table 3.

Because the model includes a long-run relationship, the Pooled Mean Group (PMG) estimate technique is employed to investigate the association between cooperative growth indicators and financial leverage. The findings of the Pooled Mean Group (PMG) analysis are shown in Table 5. According to the Akaike information criteria, ARDL (1, 1, 1, 1) was the optimal lag length.

**Table 5: Pooled Mean Group Regression Result**

Dependent Variable: ARL	PMG
Convergence coefficient	-1.482866 (0.0935)**
<i>Long-run Coefficients</i>	
TA	0.066808 (0.0448)**
EPS	-0.040763 (0.2086)
SP	0.182998 (0.0002)**
<i>Short-run coefficient</i>	
$\Delta$ (TA)	0.03747 (0.3029)

$\Delta$ (EPS)	0.054381 (0.7997)
$\Delta$ (SP)	0.676381 (0.0704)
<b>Auxiliary Parameters</b>	
<b>Hausman Test</b>	1.784443 (0.5658)
No. of Companies	4

Source: Authors' Computation, 2023

Standard errors are in parenthesis.

t-statistics is in square bracket.

\*, \*\*, \*\*\* denotes significance at 1, 5 and 10 percent respectively

At the 5% level of significance, total asset (TA) has a positive and substantial impact on Debt-Equity Ratio (DER), whilst Earnings Per Share (EPS) and share price (SP) has a significant negative impact on Debt-Equity Ratio (DER). This negative link between the debt-equity ratio and earnings per share (EPS) supports the idea that as debt grows, so does interest payment, resulting in a drop in ESP.

The findings show that increased total assets lead to an increase in the use of financial leverage as a source of finance in Nigerian firms, whereas higher earnings per share (EPS) and share price (SP) are linked to a decreased prevalence of debt financing in the long run. The Debt-Equity Ratio rises dramatically when companies have more total assets, lower earnings per share, and a lower share price.

A 3.75 percent increase in Debt-Equity Ratio over time is caused by percentage growth in the total asset (TA). All of the control factors have an insignificant impact on the funding decision in the short run. They do not affect the debt-to-equity ratio in the short run. The findings agree with the findings of Kenn-Ndubuisi and Nweke (2019), who discovered a negative and significant relationship between earnings per share and debt-to-equity ratio.

The Hausman test result is negligible at the 5% level of significance, showing that we are unable to reject the null hypothesis of long-run homogeneity, implying that the companies in the model have a long-run homogeneous relationship. The use of the PMG technique is validated by the Hausman test result. The convergence coefficient, which reflects the error correction component, has the expected negative value and is significant at 5% for our chosen PMG model. According to the findings, the average convergence coefficient is -1.482866.

## Conclusion

Despite the reduction in profitability of some manufacturing firms in Nigeria, financial leverage (debt) continues to be a beneficial source of capital for businesses since it allows them to undertake long-term investments while also lowering their tax burden. The goal of this study is to look into the impact of corporate growth indicators on manufacturing firms' financing decisions in Nigeria, particularly in terms of leverage. Pooled Mean Group (PMG) estimation is used to estimate the companies in the data set. During the investigation, the Kao cointegration results revealed that the independent and dependent variables had a long-run relationship. The results reveal that as total assets grow, the Debt-Equity Ratio grows as well. Furthermore, Earnings Per Share and share price have a considerable negative impact on Nigerian manufacturing firms' Debt-Equity Ratio.

According to Modigliani and Miler (1958), there is a point at which continuing to use debt becomes unfavorable, as it raises both the agency cost and the bankruptcy cost, lowering the firm's value and

increasing the likelihood of financial distress. As a result, firms should try to balance their finance sources by guaranteeing that debt and equity are in the right proportion. As a result, despite the negative impact on their debt-equity ratio, they should aim to enhance their quotation price on the Nigerian Exchange Group. Therefore, managers should use financial leverage in a way that increases value for their company's owners, i.e., returns to equity holders. As a result, the study proposes that the quantity of debt finance in a firm's financial mix should be set at an optimal level to ensure adequate asset utilization.

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