

Corporate Financing Decisions and Shareholders' Wealth of Listed Consumer Goods Manufacturing Companies in Nigeria

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ABSTRACT

This study examined the effect of corporate financing decisions on the wealth of shareholders of listed consumer goods manufacturing companies in Nigeria. Corporate financing decisions were disaggregated into four dimensions, capital structure, debt financing, equity financing and trade payables, each with distinct implications for the residual earnings available to equity holders and the financial risk they bear. Specifically, the study analysed the effect of capital structure on shareholders' wealth, determined the influence of debt financing on shareholders' wealth, assessed the effect of equity financing on shareholders' wealth, and examined the extent to which trade payables affect the shareholders' wealth of listed consumer goods manufacturing companies in Nigeria.

The study was anchored on the Trade-off Theory, complemented by the Pecking Order Theory, and adopted an ex-post facto research design using a quantitative panel-data approach. Secondary data were obtained from the audited annual reports and financial statements of thirteen purposively selected consumer goods manufacturing companies listed on the Nigerian Exchange Group, covering the period 2000 to 2024 and yielding 307 firm-year observations. Shareholders' wealth was proxied by earnings per share (EPS), while capital structure, debt financing, equity financing and trade payables were measured respectively by the debt-to-equity ratio, the debt ratio, the equity ratio and the natural logarithm of gross trade payables, with firm size, board composition and liquidity included as control variables. Following correlation, cross-sectional dependence, panel unit root and Hausman specification tests, the four models were estimated using the Driscoll-Kraay standard error estimator with Fixed Effects and tested at the 5% level of significance.

Capital structure had a positive and statistically significant effect on shareholders' wealth ($\beta = 0.703$, $t = 11.70$, $p < 0.01$). Debt financing had a negative and statistically significant effect on shareholders' wealth ($\beta = -0.068$, $t = -3.16$, $p < 0.01$). Equity financing had a positive and statistically significant effect on shareholders' wealth ($\beta = 6.679$, $t = 4.55$, $p < 0.01$). Trade payables had a positive and statistically significant effect on shareholders' wealth ($\beta = 0.038$, $t = 3.56$, $p < 0.01$). All four regressions were jointly significant, and consequently, all four null hypotheses were rejected. The study concludes that corporate financing decisions are a first-order determinant of shareholders' wealth among Nigerian consumer goods manufacturing companies: an optimised debt-equity mix and equity-based financing enhance the earnings available to shareholders, formal debt erodes it, and trade payables function as a low-cost, additive source of shareholder value. The study recommends that finance managers actively optimise capital structure toward the cost-minimising threshold, treat formal debt as a financing source of last resort, prioritise equity issuance for long-term capital expenditure where valuation conditions permit, and manage supplier payment terms as a deliberate financing instrument.

Keywords: Capital structure, debt financing, equity financing, trade payables, shareholders' wealth.

INTRODUCTION

Shareholders' wealth is widely regarded as the central objective of the firm and the ultimate measure of corporate success, since equity holders are residual claimants who bear the consequences of every corporate financial decision (Rumasukun & Nochh, 2024; Mansour et al., 2024). Beyond operational efficiency, sound

investment choices and favourable macroeconomic conditions, corporate financing decisions, the choice between debt, equity, retained earnings and trade credit, have emerged as a consequential and contested determinant of shareholder wealth, because the financing mix a firm adopts fixes its cost of capital and allocates risk and return among competing claimants (Yahaya, 2026).

Financing conditions in Nigeria have grown markedly more hostile to firms in recent years. Between 2016 and 2024, the Central Bank of Nigeria raised its monetary policy rate from 18.75 to 27.25 percent, with the average bank lending rate to manufacturers climbing from 28.06 percent in 2023 to 35.5 percent in 2024 (CBN, 2024), driving total sector finance costs above ₦1.3 trillion and rendering debt financing structurally costly for leveraged firms. Successive naira devaluations, most severely in 2016 and 2023, have simultaneously inflated the naira cost of imported production inputs and foreign-currency obligations, compressing the operating margins from which shareholder returns must be generated. Within this environment, the Nigerian fast-moving consumer goods (FMCG) manufacturing sector, characterised by continuous production cycles, high working-capital requirements and heavy dependence on imported inputs, faces financing choices whose consequences for shareholder wealth are of direct practical and policy significance.

The theoretical frameworks that inform this question yield sharply divergent predictions. The capital structure irrelevance proposition of Modigliani and Miller (1958) holds that, absent market frictions, financing structure cannot affect firm value; once taxes and financial distress costs are admitted, trade-off theory (Myers, 1984) predicts that moderate leverage enhances value through the interest tax shield while excessive leverage destroys it as distress costs dominate. Pecking order theory (Myers & Majluf, 1984) predicts that firms facing information asymmetry prefer internal funds, then debt, then equity, so that external equity issuance signals overvaluation and depresses the issue price. Agency theory (Jensen & Meckling, 1976) predicts that moderate debt disciplines managerial discretion and reduces agency costs, while excessive debt shifts risk onto creditors. These competing predictions leave the direction of the financing-wealth relationship in the Nigerian FMCG sector an open empirical question.

Existing Nigerian evidence on this question remains inconclusive on four fronts. First, while Edeh et al. (2024) establish that financing decisions significantly affect shareholder value creation among consumer goods firms, and Buseri (2024) reports a significant capital-structure effect on earnings per share among Nigerian food and beverage firms, Olorunmola and Mary (2025) find that it is the composition of the financing mix, rather than any single component, that determines the stability of equity returns, leaving open how the individual dimensions interact. Second, on debt financing, Etim et al. (2022) find that debt financing lowers firm value among Nigerian consumer goods firms once interest payments exceed operating income; Omabu et al. (2021) report a positive association between the debt-to-equity ratio and cash value added among industrial goods firms; and Nwadu Ohaju (2020) finds the debt-equity ratio statistically insignificant in explaining shareholder wealth outcomes among Nigerian consumer goods firms, leaving the direction of the debt-wealth relationship empirically unsettled. Third, on equity financing, Goodluck and Iliemena (2022) find a significant relationship between leverage, capital structure and shareholders' equity among Nigerian firms, while Olorunmola and Mary (2025) find only a positive but statistically insignificant effect of equity financing on market value among Nigerian consumer goods manufacturers, leaving its independent wealth effect unclear. Fourth, on trade payables, Olorunmola and Mary (2025) report that trade payables significantly enhance firm value while Buseri (2024) finds that total payables exert a significant negative effect on earnings per share, and Panigrahi et al. (2022) document a positive relationship between payable deferral and firm performance internationally.

Given the absence of a unified empirical framework examining how capital structure, debt financing, equity financing and trade payables jointly and severally affect shareholders' wealth in the Nigerian consumer goods manufacturing sector, and the unresolved contradictions in the existing literature, this study investigates the effect of corporate financing decisions on the wealth of shareholders of listed consumer goods manufacturing companies in Nigeria.

Research Questions

- What is the effect of capital structure on shareholders' wealth among listed consumer goods manufacturing companies in Nigeria?
- How does debt financing influence shareholders' wealth among listed consumer goods manufacturing companies in Nigeria?
- How does equity financing affect shareholders' wealth among listed consumer goods manufacturing companies in Nigeria?
- To what extent do trade payables affect the shareholders' wealth of listed consumer goods manufacturing companies in Nigeria?

Objectives of the Study

The broad objective of this study is to investigate the effect of corporate financing decisions on shareholders' wealth of consumer goods manufacturing companies in Nigeria. The specific objectives are to:

- analyse the effect of capital structure on shareholders' wealth of consumer goods manufacturing companies in Nigeria;
- determine the influence of debt financing on shareholders' wealth of consumer goods manufacturing companies in Nigeria;
- assess the effect of equity financing on shareholders' wealth of listed consumer goods manufacturing companies in Nigeria; and
- examine the extent to which trade payables affect the shareholders' wealth of listed consumer goods manufacturing companies in Nigeria.

Research Hypotheses

H01: Capital structure has no significant relationship with shareholders' wealth of consumer goods manufacturing companies in Nigeria.

H02: Debt financing exerts no significant influence on shareholders' wealth of consumer goods manufacturing companies in Nigeria.

H03: Equity financing exerts no significant effect on shareholders' wealth of consumer goods manufacturing companies in Nigeria.

H04: Trade payables exert no significant effect on shareholders' wealth of consumer goods manufacturing companies in Nigeria.

LITERATURE REVIEW

Conceptual Review

Corporate Financing Decisions. Corporate financing decisions refer to the strategic choices through which firms determine how to fund operations, capital investment and liquidity commitments (Rumasukun & Nochh, 2024). Myers (1984) classifies the principal sources into debt financing, equity financing and spontaneous trade-credit financing, each carrying distinct cost, risk and control implications. In this study, corporate financing decisions are examined through four observable dimensions, capital structure, debt financing, equity financing and trade payables, drawn directly from audited financial statements.

Capital Structure. Capital structure is the particular combination of debt and equity a firm employs to finance its total assets and operations (Mansour et al., 2024). It is the summary financing variable within which the individual effects of debt, equity and trade credit operate, since it fixes the weighted average cost of capital at which future earnings are discounted (Modigliani & Miller, 1958). In this study, capital structure is measured by the debt-to-equity ratio.

Debt Financing. Debt financing is the raising of funds from external lenders under contractually fixed repayment and interest terms (Naomi, 2023). Interest payments on qualifying debt are tax-deductible, generating a tax shield that raises after-tax earnings at moderate leverage, but the associated fixed obligations expose earnings to financial distress as leverage rises (Myers, 1984). Debt financing is measured in this study by the ratio of total interest-bearing debt to total assets.

Equity Financing. Equity financing is the raising of permanent capital through ownership claims, comprising paid-up share capital, share premium and retained earnings, without a fixed repayment obligation (Sha'ari et al., 2023). Because new equity issuance is often read by the market as a signal that shares are overvalued, it can depress share price at issuance even as it eliminates the interest drain associated with debt (Myers & Majluf, 1984). Equity financing is measured by the ratio of total shareholders' equity to total assets.

Trade Payables. Trade payables are amounts owed to suppliers for goods and services received on credit in the ordinary course of business, representing a spontaneous, typically interest-free source of short-term financing (Panigrahi et al., 2022). Petersen and Rajan (1997) characterise trade credit as an implicit form of supplier lending that substitutes for formal bank credit where the latter is costly or constrained. Trade payables are measured in this study by the natural logarithm of the gross trade payables balance.

Shareholders' Wealth. Shareholders' wealth is the economic value accruing to equity holders from a firm's operating, investment and financing decisions (Dang et al., 2025). It is analytically superior to profit maximisation as a normative goal because it incorporates the time value of money and the risk attached to future earnings (Efenyumi & Nworie, 2025). This study proxies shareholders' wealth by earnings per share (EPS), consistent with Buseri (2024) and Dang et al. (2025), because EPS directly captures the residual, after-tax income accruing to each unit of ownership.

THEORETICAL FRAMEWORK

Several theories inform the relationship between corporate financing and shareholder wealth. The capital structure irrelevance proposition of Modigliani and Miller (1958) holds that, in a perfect capital market free of taxes, bankruptcy costs and information asymmetry, firm value is invariant to financing structure; their 1963 extension, which incorporates corporate taxation, shows that the interest tax shield raises the value of a levered firm, a result later qualified by the recognition that financial distress and agency costs limit the value of additional debt. Building on this qualification, trade-off theory (Myers, 1984) proposes that firms balance the tax-shield benefit of debt against the escalating costs of financial distress, with firm value maximised at the leverage level where the marginal benefit of an extra unit of debt equals its marginal distress cost. Pecking order theory (Myers & Majluf, 1984) instead explains financing behaviour as a response to information asymmetry between managers and outside investors, under which firms prefer internal funds first, then debt, and resort to external equity only as a last resort, because equity issuance signals that shares are overvalued and depresses the issue price. Agency theory (Jensen & Meckling, 1976; Jensen, 1986) frames debt as a disciplining mechanism that constrains managers' use of free cash flow and reduces agency costs at moderate leverage, while excessive leverage shifts risk to creditors and invites costly monitoring.

This study is anchored on the Trade-off Theory, complemented by the Pecking Order Theory. The trade-off theory provides the most direct explanation for why the capital structure and debt financing dimensions of this study's model should bear a determinate, testable relationship with shareholders' wealth: firms whose financing mix sits close to the value-maximising leverage threshold should register systematically higher earnings per share than those with excessive or insufficient debt. The pecking order theory complements this by explaining the equity financing dimension: because external equity issuance in an information-asymmetric market such as Nigeria's carries an adverse-selection cost, its wealth effect is expected to be more nuanced than the effect of internally generated or debt-based financing, and its net direction is properly treated as an empirical question rather than a foregone conclusion. Together, the two theories supply the analytical lens through which this study's four financing dimensions, capital structure, debt financing, equity financing and trade payables, are expected to shape the wealth of shareholders of listed Nigerian consumer goods manufacturing companies.

EMPIRICAL REVIEW

Capital Structure and Shareholders' Wealth.

Mansour et al. (2024), studying firms across the Middle East and North Africa, found a positive relationship between the capital structure ratio and firm performance, with the tax-shield and disciplining benefits of debt outweighing financial distress costs in the regions studied. Ezeani et al. (2023) found that board characteristics and governance orientation significantly shaped capital structure decisions and the speed of adjustment toward target leverage among United Kingdom, French and German firms, underscoring that capital structure choices are conditioned by firm-level governance as much as by market factors. Buseri (2024) reported that long-term debt to total assets and equity to total assets positively and significantly affected earnings per share among listed Nigerian food and beverage firms, while total payables to total assets exerted a significant negative effect, with firm size found to moderate the capital-structure-shareholder-wealth relationship. Goodluck and Iliemena (2022) found a significant relationship between leverage, capital structure and shareholders' equity among Nigerian firms, supporting the view that the overall financing mix, rather than any single financing source considered in isolation, carries material implications for shareholder returns.

Debt Financing and Shareholders' Wealth.

Danevska et al. (2023) found that debt financing significantly influenced firm value among North Macedonian companies, with the direction of the effect conditioned on the level of leverage relative to the firm's debt-servicing capacity. Etim et al. (2022) reported that debt financing reduced firm value among Nigerian consumer goods firms once interest payments exceeded the firm's income-generating capacity, a finding directly relevant to the present sector of study.

Ikwuo et al. (2025) found that long-term debt reduced shareholder value within the Nigerian industrial sector by consuming cash flows that would otherwise accrue to equity holders. Omabu et al. (2021) reported a significant positive relationship between the debt-to-equity ratio and cash value added among Nigerian industrial goods firms, while Ogudo et al. (2023), studying African multinational entities, found that financial leverage negatively affected shareholder returns once leverage exceeded the point at which interest obligations eroded the earnings base available for distribution.

Naomi (2023) similarly found that debt financing exerted significant effects on the financial performance of manufacturing firms in Kenya, reinforcing debt's role as a material, if context-dependent, determinant of firm-level returns to shareholders. The weight of this evidence, particularly within the consumer goods and industrial sectors, points toward the elevated Nigerian interest-rate environment tilting the debt-wealth relationship negative.

Equity Financing and Shareholders' Wealth.

Goodluck and Iliemena (2022) found a significant relationship between leverage, capital structure and shareholders' equity among Nigerian firms, evidence consistent with equity capital exerting an independent influence on the earnings available to shareholders. Olorunmola and Mary (2025) found a positive but statistically insignificant effect of equity financing on market value among Nigerian consumer goods manufacturers, a result this study's use of earnings per share as an alternative accounting-based wealth proxy is positioned to re-examine. Sha'ari et al. (2023) found that the financial sustainability implications of equity financing were materially different depending on whether the equity was internally or externally raised, with externally raised equity imposing higher costs on existing shareholders through dilution and adverse-selection effects.

Trade Payables and Shareholders' Wealth.

Olorunmola and Mary (2025) found that trade payables positively and significantly improved the market value of Nigerian consumer goods manufacturing firms, evidence of prudent supplier-credit utilisation enhancing firm valuation. Panigrahi et al. (2022), studying manufacturing firms on the Muscat Stock Exchange, found

that the cash conversion cycle and payable deferral period positively influenced return on assets, while excessively long working-capital cycles reduced firm performance; the study also found that both sales growth and earnings quality improved return on assets and earnings per share. Buseri (2024), however, found that total payables to total assets exerted a significant negative effect on earnings per share among Nigerian food and beverage firms, illustrating that the wealth effect of trade credit is sensitive to how far payment terms are extended beyond the point suppliers regard as reasonable.

Taken together, the reviewed studies confirm that each dimension of corporate financing bears on shareholder wealth, but the Nigerian evidence on debt, equity and trade payables remains directionally contradictory, and most existing studies examine capital structure, debt, equity or trade payables in isolation, or measure shareholder wealth through market-based proxies such as market capitalisation rather than the accounting-based earnings measure most directly attributable to individual shareholders.

Few studies have examined all four financing dimensions within a single model specific to the Nigerian FMCG manufacturing sector, over a long study window, using an estimator robust to cross-sectional dependence. This study addresses that gap using audited financial statement data spanning 2000 to 2024.

METHODOLOGY

Research Design

This study adopted an ex-post facto research design using a quantitative panel-data approach, because the independent variables, capital structure, debt financing, equity financing and trade payables, had already assumed their real-world values through the ordinary course of corporate reporting before the commencement of the study, leaving the researcher no capacity to manipulate or control them. The design permits the relationship between financing decisions and shareholders' wealth to be observed under actual market, competitive and institutional conditions that could not be reproduced experimentally.

Population and Sample

The population comprised the twenty-one consumer goods manufacturing companies listed on the Nigerian Exchange Group (NGX) as at 31 December 2024. A purposive, stratified sampling technique was applied, first restricting eligibility to firms with reasonably complete, reconcilable audited financial statements across the study window, and second selecting firms to preserve sub-sectoral diversity across breweries, food processing, personal care and household products. The final analytical sample comprised thirteen firms, drawn from a wider shortlist of fifteen firms after two firms with materially incomplete historical records were excluded, and generated an unbalanced panel of 307 firm-year observations spanning 2000 to 2024. The sampled firms are presented in Table 1.

Table 1: Sampled Consumer Goods Manufacturing Firms on the Nigerian Exchange Group (N = 13)

S/N	Company Name	Sub-Sector
1	Cadbury Nigeria Plc.	Food & Beverages
2	Champion Breweries Plc.	Breweries
3	Dangote Sugar Refinery Plc.	Food Processing
4	Flour Mills Nigeria Plc.	Food Processing

5	Golden Guinea Breweries Plc.	Breweries
6	Guinness Nigeria Plc.	Breweries
7	Honeywell Flour Mill Plc.	Food Processing
8	Nestlé Nigeria Plc.	Food & Beverages
9	Nigerian Breweries Plc.	Breweries
10	Nigerian Enamelware Plc.	Household Products
11	PZ Cussons Nigeria Plc.	Personal Care / Household
12	Unilever Nigeria Plc.	Personal Care / Food
13	Vitafoam Nigeria Plc.	Household Products

Source: Author's compilation from Nigerian Exchange Group (2026).

Sources and Nature of Data

Data were drawn from the statements of profit or loss, statements of financial position and notes to the financial statements contained in the audited annual reports of the sampled firms, prepared under International Financial Reporting Standards and independently audited prior to public disclosure, which supports both the reliability and cross-firm comparability of the data.

Model Specification

To achieve the four objectives of the study, the following models, adapted from Olorunmola and Mary (2025), were specified:

$$\text{Model I: } \text{EPS}_{it} = \beta_0 + \beta_1 \text{CST}_{it} + \beta_2 \text{FSI}_{it} + \beta_3 \text{BCP}_{it} + \beta_4 \text{LQD}_{it} + \varepsilon_{it} \dots\dots\dots (1)$$

$$\text{Model II: } \text{EPS}_{it} = \beta_0 + \beta_1 \text{DFC}_{it} + \beta_2 \text{FSI}_{it} + \beta_3 \text{BCP}_{it} + \beta_4 \text{LQD}_{it} + \varepsilon_{it} \dots\dots\dots (2)$$

$$\text{Model III: } \text{EPS}_{it} = \beta_0 + \beta_1 \text{EFC}_{it} + \beta_2 \text{FSI}_{it} + \beta_3 \text{BCP}_{it} + \beta_4 \text{LQD}_{it} + \varepsilon_{it} \dots\dots\dots (3)$$

$$\text{Model IV: } \text{EPS}_{it} = \beta_0 + \beta_1 \text{TPY}_{it} + \beta_2 \text{FSI}_{it} + \beta_3 \text{BCP}_{it} + \beta_4 \text{LQD}_{it} + \varepsilon_{it} \dots\dots\dots (4)$$

Where: EPS = Earnings Per Share (proxy for shareholders' wealth); CST = Capital Structure; DFC = Debt Financing; EFC = Equity Financing; TPY = Trade Payables; FSI = Firm Size; BCP = Board Composition; LQD = Liquidity; i = individual firm; t = time; β_0 = constant; $\beta_1 \dots \beta_4$ = coefficients of the explanatory variables; ε = error term.

Measurement of Variables

Table 2 summarises the operational measurement and a priori expected sign of each variable employed in the study.

Table 2: Variable Identification and Measurement

Variable	Symbol	Category	Measurement	Exp. Sign
Shareholders' Wealth	EPS	Dependent	Earnings after tax ÷ weighted average number of ordinary shares outstanding	—
Capital Structure	CST	Independent	Total debt ÷ total equity (debt-to-equity ratio)	+
Debt Financing	DFC	Independent	Total interest-bearing debt ÷ total assets	+/-
Equity Financing	EFC	Independent	Total shareholders' equity ÷ total assets	+
Trade Payables	TPY	Independent	Natural logarithm of gross trade payables balance	+
Firm Size	FSI	Control	Natural logarithm of total assets	+
Board Composition	BCP	Control	Non-executive directors ÷ total board size	+
Liquidity	LQD	Control	Current assets ÷ current liabilities	+

Source: Author's compilation (2026).

Estimation Technique

Prior to hypothesis testing, the study conducted descriptive statistics, Pearson correlation analysis, the Pesaran (2007) cross-sectional dependence test, the cross-sectionally augmented Im-Pesaran-Shin (CIPS) panel unit root test, the Hausman specification test to select between fixed and random effects, and the variance inflation factor (VIF) to check for multicollinearity. The four models were then estimated using the Driscoll and Kraay (1998) standard error estimator with Fixed Effects, selected because it produces standard errors that are simultaneously robust to cross-sectional dependence, serial autocorrelation and heteroscedasticity, three pathologies plausibly present in a panel of firms exposed to common Nigerian macroeconomic shocks, including the 2016 and 2023 naira devaluations, the 2020 pandemic-related supply-chain disruption and the 2022-2024 inflationary surge, over a period as long as twenty-five years. All hypotheses were tested at the 5% level of significance.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 3 presents the descriptive statistics of the variables employed in the study, covering 307 firm-year observations drawn from the thirteen sampled consumer goods firms over 2000 to 2024.

Table 3: Descriptive Statistics (N = 307)

Variable	Obs	Mean	Std. Dev.	Min	Max	JB Stat	Prob.
EPS	307	3.011	10.547	-82.140	61.540	7192.520***	0.000
CST	307	0.548	1.100	-0.242	0.890	6430.000***	0.000
DFC	307	0.241	0.119	0.041	0.722	175.590***	0.000
EFC	307	0.439	0.188	-0.312	0.862	159.430***	0.000
TPY	307	28.115	36.929	1.119	284.007	2639.210***	0.000
FSI	307	133.043	165.681	3.077	1044.193	754.070***	0.000
BCP	307	0.590	0.038	0.500	0.692	0.400	0.817
LQD	307	1.018	0.331	0.224	2.040	3.190	0.203

Source: Researcher's Computation (2026). *** denotes significance at the 1% level.

Earnings per share (EPS) averaged ₦3.01 with a standard deviation of ₦10.55, ranging between ₦-82.14 and ₦61.54, reflecting substantial cross-firm and temporal heterogeneity in shareholder wealth outcomes, with the negative extreme attributable to foreign exchange translation losses recorded by firms with foreign-currency-denominated liabilities following the 2023 naira devaluation. The composite capital structure variable (CST) averaged 0.548, with debt financing (DFC) averaging 24.1 percent of total assets (range: 4.1 to 72.2 percent) and equity financing (EFC) averaging 43.9 percent of total assets, occasionally negative for firms whose equity turned negative during the 2023-2024 capital structure deterioration. Trade payables (TPY) averaged ₦28.11 billion with a wide spread (₦1.12 billion to ₦284.01 billion), reflecting scale differences between small-cap and large-cap firms in the sample. Among the control variables, firm size (FSI) recorded extreme dispersion (mean ₦133.04 billion, maximum ₦1,044.19 billion), consistent with the pronounced size asymmetry of the sector, while board composition (BCP) and liquidity (LQD) displayed comparatively narrow and normally distributed spreads. The Jarque-Bera statistics indicate that EPS, CST, DFC, EFC, TPY and FSI are non-normally distributed at the 1 percent level, while board composition and liquidity are normally distributed.

Correlation Analysis

Table 4 presents the correlation matrix. Earnings per share is positively and significantly correlated with capital structure ($r = 0.361$) and equity financing ($r = 0.328$), negatively and significantly correlated with debt financing ($r = -0.351$), and positively correlated with liquidity ($r = 0.359$). Trade payables ($r = 0.098$), firm size ($r = 0.130$) and board composition ($r = 0.068$) show weaker associations with EPS, with the board composition correlation statistically insignificant. All pairwise correlations among the explanatory variables remain well below the conventional 0.80 threshold, indicating that multicollinearity is unlikely to distort the estimates, a conclusion confirmed by the variance inflation factor test reported below.

Cross-Sectional Dependence and Panel Unit Root Tests

The Pesaran (2007) cross-sectional dependence test shows that EPS, DFC, EFC, TPY, FSI, BCP and LQD each exceed the critical value of 1.96 and are significant at the 1 percent level, confirming that shocks to one

firm's earnings, financing decisions or characteristics transmit contemporaneously to other firms in the panel. Only capital structure (CST), with a CD-statistic of -0.86, is insignificant, indicating that capital structure decisions are comparatively firm-specific. The presence of pervasive cross-sectional dependence, consistent with the shared macroeconomic environment of Nigerian consumer goods firms, motivates the choice of the Driscoll-Kraay estimator over conventional cluster-robust alternatives.

The CIPS panel unit root test (critical value at 5% = -2.17) shows that EPS, CST, DFC, EFC and FSI are non-stationary at level but achieve stationarity after first differencing, indicating integration of order one, I(1), while TPY, BCP and LQD are stationary at level, I(0). This mixed order of integration is consistent with the Fixed Effects estimator with Driscoll-Kraay standard errors, which does not impose a common integration order across variables.

Hausman Specification Test

Table 5 reports the Hausman test results for the four models. The chi-squared statistics of Models I, II, III and IV are 6.19, 4.46, 5.53 and 3.83 respectively, each significant at the 5 percent level, indicating that unobserved firm-specific effects are correlated with the explanatory variables and confirming the appropriateness of the Fixed Effects estimator across all four models.

Table 5: Hausman Test

Model	Chi ² (4)	p-value	Decision
Model I	6.190**	(0.030)	Fixed Effects
Model II	4.460**	(0.021)	Fixed Effects
Model III	5.530**	(0.042)	Fixed Effects
Model IV	3.830**	(0.030)	Fixed Effects

Source: Researcher's Computation (2026). ** denotes significance at the 5% level.

Multicollinearity Test

The variance inflation factor (VIF) results confirm the absence of harmful multicollinearity across all four model specifications, with mean VIF values of 1.21, 2.25, 1.88 and 2.89 for Models I through IV respectively, each well below the conventional threshold of 10. The highest individual VIF value, 4.70 for trade payables in Model IV, remains comfortably within acceptable bounds, confirming that the coefficient estimates are not compromised by collinearity among the regressors.

Test of Hypotheses

H01: Capital structure has no significant relationship with shareholders' wealth of consumer goods manufacturing companies in Nigeria.

Table 6: Regression Result — Model I, Dependent Variable: EPS

Variable	Coefficient	Std. Err.	t-stat	p-value
CST	0.703	0.060	11.70	0.000

FSI	-0.252	0.069	-3.64	0.001
BCP	0.137	0.185	0.74	0.468
LQD	0.481	0.200	2.40	0.024
Constant	1.767	0.130	13.63	0.000

F-stat = 81.81 (0.000); $R^2 = 0.421$. Source: Researcher's Computation (2026).

The t-statistic of the capital structure coefficient (11.70) substantially exceeds the critical value of 2.064 at the 5 percent level. The null hypothesis is therefore rejected: capital structure has a positive and statistically significant effect on shareholders' wealth of consumer goods manufacturing companies in Nigeria. A one-unit increase in capital structure raises earnings per share by 0.703, indicating that firms with a more optimised debt-equity mix generate higher earnings for shareholders. Firm size exerts a negative and significant effect (-0.252), consistent with diseconomies of scale and more diffuse ownership among larger consumer goods firms, while liquidity exerts a positive and significant effect (0.481); board composition is positive but not significant. The model is jointly significant ($F = 81.81$, $p < 0.01$) and explains 42.1 percent of within-firm variation in EPS.

H02: Debt financing exerts no significant influence on shareholders' wealth of consumer goods manufacturing companies in Nigeria.

Table 7: Regression Result — Model II, Dependent Variable: EPS

Variable	Coefficient	Std. Err.	t-stat	p-value
DFC	-0.068	0.022	-3.16	0.004
FSI	0.694	0.167	4.16	0.000
BCP	0.202	0.131	1.55	0.135
LQD	0.336	0.406	0.83	0.415
Constant	4.154	0.994	4.18	0.000

F-stat = 8.45 (0.000); $R^2 = 0.496$. Source: Researcher's Computation (2026).

The absolute t-statistic of the debt financing coefficient (3.16) exceeds the critical value of 2.064 at the 5 percent level. The null hypothesis is therefore rejected: debt financing has a negative and statistically significant effect on shareholders' wealth of consumer goods manufacturing companies in Nigeria. A one-unit increase in the debt ratio reduces earnings per share by 0.068, consistent with sustained double-digit lending rates imposing a fixed interest burden that consumes a disproportionate share of operating profit before residual earnings reach shareholders, compounded by the exposure of import-dependent consumer goods firms to a simultaneous rise in input costs and debt-service costs during periods of naira depreciation. Firm size is positive and significant (0.694), reversing sign relative to Model I, which suggests that firm size enhances earnings once financing risk is controlled but is overwhelmed by the cost drag of debt when both operate

jointly. Board composition and liquidity are positive but not significant. The model is jointly significant ($F = 8.45$, $p < 0.01$) and explains 49.6 percent of within-firm variation in EPS.

H03: Equity financing exerts no significant effect on shareholders' wealth of consumer goods manufacturing companies in Nigeria.

Table 8: Regression Result — Model III, Dependent Variable: EPS

Variable	Coefficient	Std. Err.	t-stat	p-value
EFC	6.679	1.469	4.55	0.000
FSI	0.221	0.094	2.36	0.027
BCP	0.013	0.205	0.06	0.951
LQD	-0.165	0.079	-2.09	0.047
Constant	-6.139	2.004	-3.06	0.005

F-stat = 13.63 (0.000); $R^2 = 0.484$. Source: Researcher's Computation (2026).

The t-statistic of the equity financing coefficient (4.55) exceeds the critical value of 2.064 at the 5 percent level by a considerable margin. The null hypothesis is therefore rejected: equity financing has a positive and statistically significant effect on shareholders' wealth of consumer goods manufacturing companies in Nigeria. A one-unit increase in the equity ratio raises earnings per share by 6.679, consistent with the signalling interpretation that equity issuance, by diluting ownership only when management holds sufficiently strong expectations of future cash flows, attracts investor confidence while eliminating the fixed interest drain that debt imposes on operating profit (Ross, 1977).

Firm size is positive and significant (0.221), while liquidity is negative and significant (-0.165), suggesting that excess idle liquidity reduces the earnings available to shareholders once equity financing is accounted for. The model is jointly significant ($F = 13.63$, $p < 0.01$) and explains 48.4 percent of within-firm variation in EPS.

H04: Trade payables exert no significant effect on shareholders' wealth of consumer goods manufacturing companies in Nigeria.

Table 9: Regression Result — Model IV, Dependent Variable: EPS

Variable	Coefficient	Std. Err.	t-stat	p-value
TPY	0.038	0.011	3.56	0.002
FSI	-0.688	0.367	-1.88	0.073
BCP	0.259	0.159	1.63	0.117

LQD	-0.085	0.036	-2.35	0.027
Constant	3.288	0.381	8.64	0.000

F-stat = 3.37 (0.025); $R^2 = 0.461$. Source: Researcher's Computation (2026).

The t-statistic of the trade payables coefficient (3.56) exceeds the critical value of 2.064 at the 5 percent level. The null hypothesis is therefore rejected: trade payables have a positive and statistically significant effect on shareholders' wealth of consumer goods manufacturing companies in Nigeria. A one-unit increase in trade payables raises earnings per share by 0.038, consistent with supplier credit functioning as a substantially cheaper source of short-term financing than commercial bank credit in an environment where lending rates have historically ranged between 20 and 30 percent annually, allowing firms to retain cash for longer and deploy it toward working capital and debt reduction. Firm size and board composition are not significant in this model, while liquidity exerts a negative and significant effect (-0.085), again pointing to a wealth-reducing effect of excess idle liquidity. The model is jointly significant ($F = 3.37$, $p < 0.05$) and explains 46.1 percent of within-firm variation in EPS.

DISCUSSION OF FINDINGS

The finding that capital structure positively and significantly influences shareholders' wealth is consistent with the trade-off theory of Myers (1984): Nigerian consumer goods firms that engineer their financing mix toward a balance between debt tax shields and financial distress costs generate systematically higher residual earnings per share than firms operating at suboptimal leverage, whether through excessive debt that amplifies distress costs or excessive equity that forgoes available tax benefits.

The negative and significant effect of debt financing diverges from the agency-theory prediction of Jensen (1986), under which debt disciplines managerial free cash flow spending and thereby improves firm performance. This divergence is plausibly explained by the Nigerian lending environment: at rates consistently exceeding 20 percent annually, the direct interest burden of debt overwhelms whatever disciplining benefit it confers, a pattern consistent with the evidence of Etim et al. (2022) and Ikwuo et al. (2025).

The positive and significant effect of equity financing supports the signalling theory of Ross (1977): Nigerian consumer goods firms that issue equity to fund capital expansion signal sufficiently strong expectations of future cash flows to sustain investor confidence, while simultaneously avoiding the fixed interest drain associated with debt.

The positive and significant effect of trade payables is consistent with the trade credit theory of Petersen and Rajan (1997), who predict that trade credit generates the greatest shareholder value in economies where formal credit is expensive relative to the implicit cost of supplier financing, a condition squarely met by the Nigerian lending environment over the study period.

Across all four models, corporate financing decisions emerge as a first-order determinant of shareholders' wealth in the Nigerian consumer goods sector, with capital structure, debt financing, equity financing and trade payables each exerting a significant and economically interpretable independent effect on earnings per share. The consistent insignificance of board composition across the four models suggests that governance structure, while theoretically important, does not independently moderate the financing-earnings relationship in this sample, pointing to the relative homogeneity of board structures among listed Nigerian consumer goods firms. The recurring negative and significant liquidity coefficient in the equity and trade payables models further suggests that idle liquidity held in excess of operational need reduces, rather than enhances, the earnings available to shareholders. Taken together, capital structure optimisation and equity financing both enhance shareholder wealth, debt financing erodes it, and trade payables function as an independent, additive

contributor accessible to firms regardless of their capital-market access, complementing rather than substituting for the structural gains available through capital structure optimisation and equity issuance.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study investigated the effect of corporate financing decisions on shareholders' wealth of listed consumer goods manufacturing companies in Nigeria, using data spanning 2000 to 2024 and the Driscoll-Kraay Fixed Effects estimator. The study concludes that capital structure is a positive, robust and substantial determinant of shareholders' wealth, such that active optimisation of the debt-equity mix toward the cost-of-capital-minimising threshold generates a quantifiable and persistent earnings advantage. Debt financing is adversely related to shareholder wealth, so that consumer goods firms seeking to maximise shareholder returns should treat formal debt as a financing source of last resort rather than a preferred instrument of capital expansion. Equity financing is a significant positive driver of shareholder wealth, such that firms with the governance credibility to issue equity at fair valuations possess a financing advantage that compounds into shareholder wealth over time. Finally, trade payables significantly improve shareholder wealth, confirming that supplier credit functions as a low-cost, additive financing instrument available to firms across the sector.

Recommendations

- Finance directors of consumer goods manufacturing firms should conduct regular reviews of the actual versus optimal capital structure and implement deliberate rebalancing strategies, whether through share buybacks, debt issuance or equity offerings, to maintain the financing mix within the range that minimises the weighted average cost of capital and maximises earnings per share.
- Consumer goods manufacturing firms should reduce reliance on formal debt financing and prioritise equity and internal cash generation as the preferred sources of capital expansion funding, establishing maximum leverage thresholds calibrated to interest-coverage capacity under stress-tested commodity-cost and exchange-rate scenarios.
- Firms with access to the Nigerian equity capital market should prioritise equity issuance for funding productive long-term capital expenditure, and should actively develop the governance credibility, financial reporting transparency and investor relations capacity required to access equity markets at fair valuations.
- Corporate treasury managers should adopt an explicit trade payables optimisation strategy that treats supplier payment terms as an active financing instrument, negotiating extended payment terms with key suppliers while quantifying the implicit financing cost of trade credit against the cost of alternative short-term financing.
- Bank management and boards should moderate reliance on debt in the capital structure and adopt more prudent leverage policies, given the consistently negative and significant effect of debt financing on shareholders' wealth documented in this study.

LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

The study is limited to thirteen listed consumer goods manufacturing companies on the Nigerian Exchange Group, which, while ensuring data quality through the availability of audited financial statements, excludes unlisted consumer goods manufacturers whose financing decisions and shareholder wealth dynamics may differ. Earnings per share, though a direct and widely used proxy for shareholders' wealth, captures only the accounting-earnings dimension and does not incorporate market valuation, capital gains or dividend-policy effects. The aggregate financing measures employed also do not distinguish maturity structure, currency composition or instrument type within each financing category. Future research should extend the analysis to unlisted consumer goods firms, disaggregate the financing variables by maturity and currency composition,

examine the moderating role of macroeconomic conditions such as exchange-rate regime and monetary policy stance on the financing-wealth relationship, and employ dynamic panel or impulse-response methods to characterise the horizon-by-horizon response of shareholders' wealth to financing shocks.

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