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Corporate Debt Profile and Financial Performance of Listed Consumer Goods Firms in Nigeria

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ABSTRACT

This study examined the connectivity between corporate debt profile and financial performance of consumer goods firms in Nigeria. The corporate debt profile is captured with short term debt, long term debt and total debt while the outcome variables is capture with earnings per share and Tobin's Q. Expo-facto design was adopted and covered 16 listed consumer goods firms in Nigeria based on the availability of data spanning from 2011 to 2020. Descriptive statistics were used to describe the variables of the study while the inferential statistics cover Pearson correlation and panel regression (random and fixed effect estimations) to analyze the proposed hypotheses of the study. Firstly, it was discovered that short- and long-term debt profile have a negative insignificant effect on financial performance captured with earnings per share of listed consumer goods firms in Nigeria to the tunes of -4.848905 (p=0.655>0.05) for short term debt and -6.150678 (p=0.785>0.05) for long term debt. Also, it was discovered that total debt profile has a positive significant effect on earnings per share of listed consumer goods firms in Nigeria with the coefficient and probability values of 4.735095 and 0.004 respectively. From the findings of this study, it was concluded that there is a statistical relationship between corporate debt profile and financial performance of listed consumer goods firms in Nigeria. Thus, it was recommended that the management of the listed consumer goods firms should maximize the functions of the risk committee formed to measure the risks involved in debt financing.

Keywords: Corporate Debt Profile, short term debt, long term debt, total debt, financial performance, Tobin's Q, Earnings Per Share

INTRODUCTION

The relevance of consumer goods firms in the development of an economy cannot be underestimated across the globe. In Nigeria, the consumer goods sector was recorded as the second major contributor to market capitalization (Ahmed & Amina, 2020). It is widely belief that all living souls are consumers and the sector has improved the chance of survival of the people by ensuring adequate supply of their needs and wants. Consumer goods companies are firms that produce ready-for-consumption products and some of these firms include BUA foods

plc, Cadbury Nig. Plc., Dangote sugar refinery plc, and many more. Thus, it is worthy to examine the financial performance of these firms.

Financial performance is the measure of the financial stability of an organization (Wambua, 2019). one of the basic objectives of every business is to maximize profit. That is, to earn a productive return from the effective and efficient allocation and utilization of both human and material resources. In every organization, resources (human and materials) are required to be utilized effectively at the right time to maximize the return expected by the various shareholders. Several metrics have been introduced to measure the financial position of firms through which productive decisions are made by the existing and prospective shareholders The commonly used metrics are earnings per share. Return on assets, return on equity, increase in assets, and Tobin's Q. These instruments are used to communicate the profit level of corporate firms to the shareholders.

The basic responsibility of managers in organizations is to maximize shareholders' earnings, thus, all the operational activities carried out are meant to be channeled towards achieving this organizational goal. However, several factors are capable of affecting the attainment of this goal as identified by several scholars (Kanura Ndanbri & Oluoch, 2018; Henry, Job & James). One of the most common internal forces is the availability of funds. Funds are required to finance the daily operational activities of every organization. As reported by Abeywardhana and Magoro (2017), there are two basic sources of finance which are debt and equity. Equity involved the sharing of the ownership, control and management of a business entity with individuals who contributes financially to the success of the entity. On the other hand, debt simply means borrowing from the external body to run or expand a firm. Most of the successful corporate firms in Nigeria incur debt to complement the available resources pooled together by the shareholders.

Shareholders are the backbone of organizations and when the essence of pooling their resources together in terms of financial performance is not achieved, they might likely withdraw their investment and this might affect firms' survival. Hence, higher performance is a necessity for firms. However, it appeared that consumer goods firms in Nigeria are not performing as expected. Maryam, Muhammed, Mahmud and Abubakar (2020) noted that some of these firms reported a negative performance, reflecting that the stated objectives are not achieved. All of this are connected to the fraction of each type of capital (debt and equity) and their separate financing cost which consequently determines the overall capital cost that influences firms' performance (Binh & Tram, 2021).

There are merits and demerits for using more of debt to finance operational activities. Holding all other factors constant, an increased proportion of debt is expected to raise the performance level of firms which in turn enhances the overall market value of shares. This is because debt lowers the overall cost of capital and enhances firms' value since tax shield benefit is obtained as interest expense is tax-deductible. On the other hand, using a high proportion of debt increases the financial risk and financial distress of firms because too much debt reduces debt repayment capacity which might downgrade the creditworthiness of firms (Andre, 2020). The extreme consequence of financial distress is bankruptcy. Firms may become insolvent because operating income may not be sufficient to cover fixed financial obligations.

Therefore, one of the main challenges facing managers of consumer goods companies is determining the right blend of equity and debt to get the ideal capital needed for operational activities. According to Ngwoke and Sergius (2019), long-term debt is preferable for managing businesses even though it is occasionally healthier to have more short-term debt. A balanced combination of the two, according to Roanne (2013), can improve performance and ensure that shareholders receive their rewards on time and in full. Since short-term debt reduces their risk exposure, it is expected that risk-averse managers are happier with it. On the other hand, risk-taking managers prefer to work with long-term loans since they will have room for new company projects (Waweru, 2016).

Henry, Job and James (2020) reported that in the past few years, access to debt financing remains a basic challenge facing the industrial sector in Nigeria due to a high rate of interest for both short- and long-term debt ranging from 17-28% on annual basis. In view of this, Ahmed (2017) explained that those firms that have access to corporate debt have themselves caught up in a loan cycle. Some of these firms are out of the industry due to their inability to recover the debt incurred. In Nigeria, financial analysts have also argued on debt usage and concluded that corporate debt is good in enhancing a firm's performance provided the right form of debt is incurred to cater for the right needs of the firm.

Empirically, several studies have been carried out on debt financing, (Benter, Willy & Joshua 2018; Mushipe, 2017; Uganda, Henry, Job & James, 2020; Saeed, Gull & Rasheed, 2013; Ahmed, 2020; Oyakhire, 2019; Kanura Ndanbri & Oluoch, 2018; Asian & Diette-Abayeh, 2019; Oyakhire, 2019; Kanura Ndanbri & Oluoch, 2018; Abeywardhana & Magoro, 2017). Deductively, mixed findings have been reported from the studies reviewed. For instance, Joshua (2018), Mushipe (2017), Henry, Job and James (2020), and Ahmed (2017) reported a negative significant relationship while the research effort of Saeed, Gull and Rasheed (2013) revealed that debt financing has a positive effort on financial performance. The mixed results make the past studies inconclusive, hence the encouragement to embark on this study. Also, none of the Nigerian studies available at the disposal of the researcher covers the current economic situation of Nigeria such as currency devaluation, post-covid-19 era, economic recession, and recent changes in government policies that are directly related to manufacturing firms. Therefore, this study covers a time series of data spanning from 2011-2020 to examine the connectivity between corporate debt profile and financial performance of listed consumer goods firms in Nigeria.

CONCEPTUAL ISSUES

Corporate Debt Profile

Generally, capital is one of the basic resources required to start-up and run a business successfully. Capital is required to initiate other forms of resources into operation. For instance, funds are needed to acquire materials, equipment, and other running expenses. According to Wambua (2019), the two basic sources of capital to fund a business are debt and equity. Equity involved the sharing of the ownership, control and management of a business entity with individuals who contributes financially to the success of the entity. On the other hand, debt simply means borrowing from the external body to run or expand a business.

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Henry, Job and James (2020) defined corporate debt as a formalized loan obtained from external bodies to run an organization. This loan could be obtained from corporate bodies such as commercial banks, corporative society, mortgage banks and other relative international corporations. Ahmed (2017) opined those corporate debts in most cases are monetary in nature that is, they are based on cash at hand or cash at banks. But in some cases, debts could be in form of other utilities such as materials, equipment, tools and equipment and many more. Joshua (2018) described corporate debts as a complementary source of funds to corporate firms. Corporate firms maintain an effective and efficient record-keeping system for the debts incurred to maximize its utilization. This practice is simply referred to as "corporate debt profile".

Oyakhire (2019) defined corporate debt profile as the record of debt incurred over time by a corporate entity. An effective record keeping for the corporate debt is highly required to trace the productivity of a corporate debt. To some authors (Uganda, Henry, Job & James, 2020; Saeed, Gull & Rasheed, 2013; Ahmed, 2020; Oyakhire, 2019), corporate debt has contributed productively to the financial success of corporations. This could be attributed to the effective and efficient utilization towards maximizing the sustainability and survival of a corporation. On the contrary, authors like Liziwe (2017), Aniefor and Onatuyeh (2019), Henry, Job and James (2020), David (2017) and Ahmed (2017) disclosed that high rate of interest paid by corporations on every debt incurred causes a greater damage to their profitability level. Measuring the contribution of corporate debt on corporate survival requires the independent measure of the two components of corporate debt (long- and short-term debt) and the combined effect of the two (total debt) as discussed below:

Short Term Debt Profile (STD):
According to David (2017), STD is a form of corporate debt incurred by business organizations to cater for recurrent expenditures. This form of debt is commonly due for payment within a short period, that is within twelve months (1year). In reality, the interest charges on short term debt are small compared to the long-term debt. Wambua (2019) perceived STD as the most reliable corporate debt. This is because it requires a short period for processing and little amount as interest which would be completed within a short period. As credited by the world bank financial report (2016), STD contributes to the survival of many businesses across the globe, thus promote manufacturing firms like consumer goods firms in Nigeria as they will have higher level of cash to run their day-to-day operations. Consequently, firms have free access to short term debt as no asset is required as collateral security. However, some researchers (David, 2017; Ahmed, 2017; Abeywardhaha & Magoro, 2017) reported a negative relationship between STB and performance of firms.

Long Term Debt Profile (LTD):
Debts that are due for repayment for a period of three to five years are referred to as long term debt. As a result of the long period required for its repayment, such debts are tagged long term. According to Aniefor and Onatuyeh (2019), long term debts are financial tools obtained from financial institutions to cater for capital expenditure. Such debts are incurred to cater for capital intensive projects such as expansion and diversification of business, procurement of plants, machines and other capital-intensive projects. Unlike short term debt, long term debt requires a fixed asset that will serve as collateral security as huge fund is required from the financial

institutions and the processing lags become high. Relating its productivity to the financial performance of firms, Liziwe (2017) disclosed that the higher the LTD profile of an organization, the better its chances of survival in the business world. Contrarily, outcome of the study of Aziz (2019) become worrisome as it reflects a negative and insignificant result.

Total Debt Profile:

Total simply refers to a summation. Thus, total debt is the sum of both short- and long-term debt incurred by a corporate firm to maximize a stipulated goal. Lenry and Tsholofelo (2020) defined total debt as sum of the borrowed funds (both short and long term to finance the success of a corporation. Many corporations across the globe obtain loans of all kinds from the financial institutions to complement other sources of capital available. Debts are required for the survival of businesses (Kajiruna, 2015). Explaining this, the business world keeps changing on daily basis, and more funds are required to keep fit in the business industry. To meet up this demand, loans must be obtained from financial institutions or international bodies to satisfy the sudden change. As a result, many businesses are booming in the business world of today, though huge interests are paid for the contractual agreed period. Yet little or more profits are made depending on the level and means of utilization. Corresponding with this, Nwede (2016) disclosed that total debt contributes to the sustainability of corporate firms progressively. On the other hand, Ahmed and Amina (2020), Kebewa (2017) and Nwede (2016) concluded that total debts swerve as a threat to the profitability of firms, as huge portion of the profits are returned as interest on total debt.

Financial Performance

Binh and Tram (2020) proclaimed that the manufacturing industry performance is the indicator of sustainability and progressive achievement of specific, tangible, worthwhile, personal and measurable goals. He further explained that performance is a vital construct in management that mirrors the best way to manage an organization. Also, performance reflects the heterogenous nature, objectives and circumstances and objectives of an organization at a given period. Fundamentally, the actual performance of the manufacturing companies can either be financial and non-financial performance (Olarewaju, 2019). Performance is the actual result of a set of activities. It is the effective and efficient utilization of scarce resources towards the achievement of the desired.

Financial performance is defined as the ability of business organization to meet up with the standardized objective with the effective and efficient management of the available limited resources (Lilian, Angel, Massaya & Charity, 2020). Nwede (2016) defined financial performance as the ability of organizations to generate more returns for their shareholders. In every organization, resources (human and materials) are required to be utilized effectively at the right time to enhance the return expected by the various shareholders. Some metrics have been introduced to measure financial performance. Some of these metrics are explained as follows:

Earnings per Share:

This is a common instrument used by many corporate entities to communicate their profitability level to their shareholders. For simplicity, “earnings”, “per”, “share” as independently stated simply refers to the returns received by shareholders on the units of the

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outstanding shares. These returns/earnings are paid directly from the profit made by an organization, thus, the higher the profit, the higher the EPS. Wambua (2019) defined EPS as a part of corporate entity's profit designated to the unit of outstanding shares of common stock. In most organizations, EPS is the determinant of stock price.

Tobin's Q:

This is another metric used to measure the financial position of an entity. Aniefor and Onatuyeh (2019) defined it as the ratio that reflects the relationship between intrinsic and market value of a physical asset also known as tangible asset. This ratio helps to easily know the current value of a corporation in the business world whether it is under or over-valued. Synonymously, Tobin's Q is also referred to as Q ratio which maintains that the market value of an enterprise is equivalent to its replacement value. This implies that if the Tobin's Q ratio is greater than 1, the market value is over-valued, on the contrary, if its less than 1, then its undervalued. This could influence the investment decision of shareholders either to maintain the investment relationship or not.

Control Variables

To effectively control the possible connectivity between corporate debt profile and financial performance, this study employed risk committee outside directors and risk committee independence as the control variables. There is a high level of uncertainty in obtaining loans from external bodies either short or long term to finance business operations. The result of every business is uncertain as many forces both internal and external influence the success of the business either positively or negatively depending on the management strategy put in place. The risk involved requires the introduction of risk committee outside the directors of the organization. The members of risk committee are involved in the evaluation of the level of uncertainty and certainty involved in the management of debt towards a positive outcome (Mushipe, 2017). The shareholders being part of the organization are justifiably concerned with the motivation of risk taking whether for shareholders or management's interest. The members of the risk committee should be independent and not create any existing relationship with either the management of the corporation or financial institutions, in order not to influence the report of the committee (Mushipe, 2017).

Conceptual Connectivity

This reveals the connection between corporate debt profile, proxied with long term, short term and total debt profile, and the financial performance of listed consumer goods firms in Nigeria captured with earnings per share and Tobin's Q alongside with risk committee outside directors and risk committee independence as the control variables.

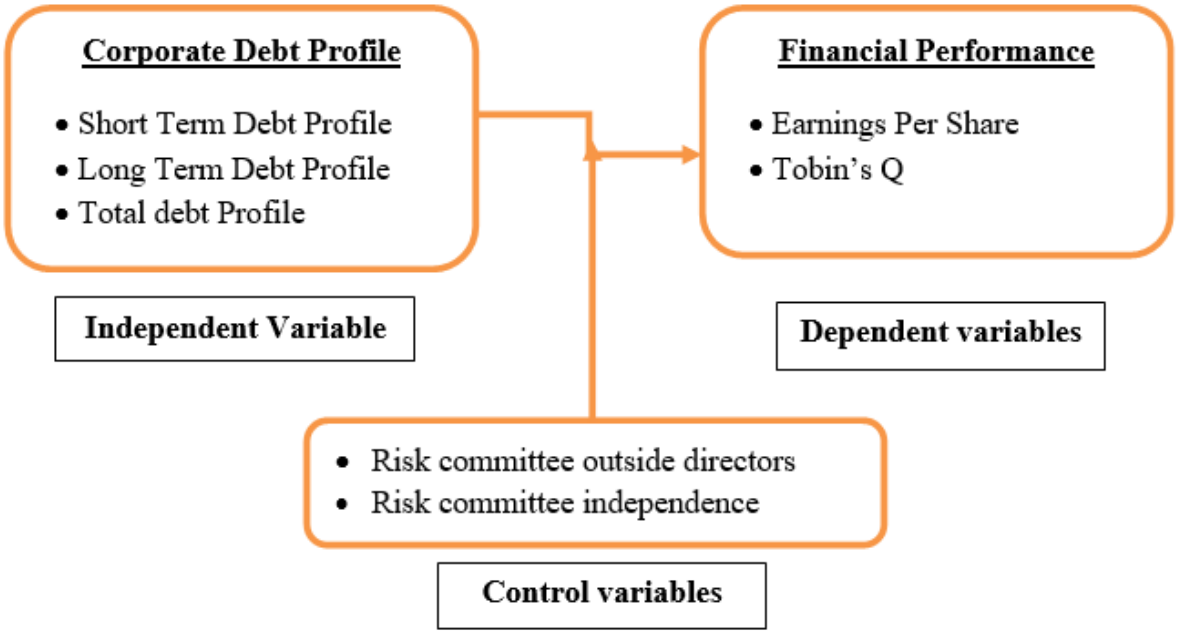


Figure 2.1: Conceptual Framework
Source: Authors' Conceptual Framework (2023)

THEORETICAL REVIEW

Trade-Off Theory

It was Myers who first proposed this theory in 1964. He asserted that after taking into consideration market imperfections like taxes, bankruptcy expenses, and agency charges, corporate businesses balance the advantages and disadvantages of debt and equity financing and choose the best capital structure. According to the theory, borrowing money has advantages, particularly tax advantages. Debt financing does come with a price, particularly the costs of indirect bankruptcy and the more obvious expenses of financial hardship.

However, several restrictions were placed on the theory's presumptions. The trade-off theory is mostly criticized for projecting a positive relationship between profits and leverage, which is at odds with well-established empirical data (Moses, Harjit & Sadananda, 2015). Another critique of the theory is that it was built on the premise of perfect information in an ideal market. Additionally, the effects of taxes, agency fees, the price of issuing new securities, and the financial strain of investing alternatives were not taken into account (Nguyen & Le, 2017).

The theory became relevant to this study as the idea explains why firms are often partially funded with debt. It claims that borrowing money has a benefit, namely the tax advantages of borrowing money. The expenses of financial hardship, including bankruptcy costs of debt and non-bankruptcy costs (such as employee turnover, supplier demands for unfavorable payment conditions, bondholder/stockholder infighting, etc.), are a cost of debt financing. The theory also demonstrates how important it is for boards of directors to consider the organization's risk appetite in order to understand what residual risk would entail. This might assist them in figuring out how debt and equity would interact to achieve the predicted profitability.

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Pecking Order Theory

Myers and Majluf developed the pecking order idea (1984). According to the cost of financing, corporate businesses are said to order their funding sources from internal to equity financing. Corporate debts are thereby obtained following the use of internal resources. However, equity is purchased when corporate debt becomes unreasonable to incur. This approach basically identified three fundamental sources of finance, including domestically produced cash, corporate loans, and fresh stock. Industrial companies often adopt internal financing when it is available and, if external funding is needed, corporate debts are preferred to equity. This is known as the pyramid approach to finance.

Scholars have expressed a number of criticisms of the presuppositions that have been stated. For instance, Oyakhire (2019) suggested that pecking order theory is theoretical in nature and that business organizations may find it laborious to apply it in the real world. Additionally, it was stated that the theory has limitations when estimating the number of factors that affect the cost of borrowing. According to Ahmed (2020), there are more sources of finance for corporate businesses than the three that are specified by the theory.

As it pertains to the requirements for corporate enterprises to choose corporate debt financing over alternative kinds of finance, this theory becomes pertinent to our study. explains why internal finance is used by the majority of productive businesses. It may be used to confirm how knowledge asymmetry affects finance costs. It provides helpful guidance on how to secure funding for a new investment. It also describes how data may be used to change financing costs.

Empirical Studies and Hypothesis Development

Short Term Debt (STD) Profile and Financial Performance:

Short-term debt financing as a component of debt financing was examined by Benter, Willy and Joshua (2018) and its relationship with the financial performance of firms in Kenya. The study used a time series data of 7 years (2009 – 2015). The panel estimation result shows that a negative but statistically significant effect exists between the two variables. Similarly, a negative relationship between STD and ROE was disclosed by Mushipe (2017). He adopted linear regression analysis to investigate the nexus between debt finance and SME's performance. In Uganda, Henry, Job and James (2020) reported that a negative but significant correlation exists between STD and ROE of SMES.

On the contrary, Saeed, Gull and Rasheed (2013) submitted a report contradicting the conclusion of some other authors (scholars) on the subject matter. They used a time series data of five years (2007 – 20011) to specifically determine the contribution of STD on financial performance of the public banks in Pakistan. The panel regression analysis result unveiled a progressive correlation between STD and ROA. In the study carried out by David (2017), theoretically STD was reported to have a retrogressive influence on the success of an organization financially. In Pakistan, Ahmed (2020) focused on textile industries and ascertained the current practices of short-term debt and its effort to boost the financial sustainability of the industry covering a period of 6 years. The panel regression result declared that STD contributes to the financial sustainability of textile firms negatively.

However, a positive but insignificant correlation between STDs and financial performance captured with Tobin_Q was reported by Asian and Diette-Abayeh (2019) in Nigeria. Specifically, Oyakhire (2019) investigated the impact of STD on financial stability of listed oil and gas firm of 5 years (2014-2018). The panel estimation result shows that STD contributes to ROE of listed oil and gas firm positively. Using multiple regression analysis method Kanura Ndanbri and Oluoch (2018) specifically examined short term debt in relation the financial performance of manufacturing firms in Nigeria (2003-2017). The outcome of the regression analysis unveiled that a positive but insignificant relation exists between STD and ROA. In South Africa, Abeywardhana and Magoro (2017) carried out a study titled, "Dept Capital and Financial Sustainability of Firms (2011-2015)". The panel regression estimation result shows that a statistically significant but negative relationship exist between STD and ROE.

Deductively, mixed finding has been reported from the studies reviewed. For instance, Joshua (2018), Mushipe (2017), Henry, Job and James (2020), David (2017) and Ahmed (2017) and Abeywardhaha and Magoro (2017) reported a negative significant relationship while the research effort of Saeed, Gull and Rasheed (2013) revealed that STD has a positive effort on financial performance. The mixed result makes the past studies inconclusive, hence the encouragement to embark on this study. Additionally, none of the Nigerian Studies available at the disposal of the researcher covers the current economic situation of Nigeria such as currency devaluation, post covid-19 era, economic recession, change in authority among others. Therefore, this study covers a time series data spanning from 2011-2020. Based on the review studies, this study analyzed the null hypothesis stated below:

Hoi; Short term debt profile has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

Long Term Debt (LTD) Profile and the Financial Performance:

Isabina (2015) examined long term debt finance as one of the determinants of firm's performance in Kenya using multiple linear regression. The analysis result showed that a positive significant relationship exists between LTD and ROA. In 2016, Ezekiel, Willy and Wallace specifically investigated the contribution of LTD on liquidity ratio covering a period of 4 years (2009-2012). The regression result showed that LTD has the capacity to influence liquidity ratio insignificantly. Aniefor and Onatuyeh (2019) focused on the Nigerian listed consumer goods firms' financial performance and the attributes of debt's financing (2006-2017). The panel regression estimate reflected that there is a retrogressive significant correlation between LTD and earnings ratio.

Wambua (2019) examined the correlation between LTD and earnings per share of firms in Kenya and reported a weak retrogressive effort between the variables. A similar result was recorded by Aziz (2019) in Pakistan using a time series data covering a period of 9 year (2006-2014). Contrarily, Liziwe (2017), who carried out a case study analysis to examine the proximity of the nexus between LTD and ROA reported that LTD has an independent capacity to cause an increase in ROA of non-financing firms in Zambia. Using South Africa companies, Karuma (2019) and Nganga (20917) reported a similar report.

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Observably, many studies have been carried out outside Nigeria. However, outcome of these studies might not be tenable in Nigeria. This could be due to the difference in economic stability, business environment and many other factors. Among the few Nigerian studies, only Aniefor and Onatuyeh (2019) focused on the listed consumer goods firms in Nigeria. Thus, creates a gap to be filled in literature. Based on this review, the following null hypothesis is hereby proposed.

Hoii; Long term debt profile has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

Total Debt (TD) Profile and the Financial Performance:

There has been a considerable effort on how total debt stands to contribute to the financial performance of firms across the globe. To start with, Lenry and Tsholofelo (2020) related the connectivity between total debt and financial success of firms in South Africa. The OLS result reported that TD has an independent capacity to cause a rise in the profitability of the selected firms. Kajiruna (2015) focused on the current trend of debt financing in the banking sector of Kenya, in relation to their financial performance. The study reported that total debt failed to boost the profitability of the firms.

Nwede (2016) reported that total debt has negative insignificant influence on ROA. In Egypt, Sadegian (2017) covered a period of 6 years (2006-2011) to investigate the nexus between total debt and gross profit margin using OLS analysis method. Result showed that a progressive but insignificant relationship exist between the identified variables. Lilian, Angel and Massaya and Charity (2020) reported that total debt contributes to the financial performance of furniture companies in Zimbabwe positively and significantly. Kebewa (2017) sampled 15 service-oriented companies to examine the influence of total debt on corporate survival. The study reported that total debt has no significant influence on the corporate survival of firms using linear regression analysis method.

In Nigeria, Yunusa, Ismail, Yulia and Olalwale (2019) carried out a study specifically on total debt and performance of firms using GMM estimation technique. Result shows that debt financing stands to promote the financial stability of firms. A similar report was given by Uremadu and Onyekachi in 2019, that total debt has a positive impact on the profitability of firms. Correspondently, Ahmed and Amina (2020) focused on debt financing decision and its effect on financial performance of manufacturing firms in Nigeria. According to the study total debt has a negative effect on ROE.

From the studies reviewed, it can be deduced that studies on debt financing in connection with financial performance focused more on ROE, ROA and Tobin's Q as the proxies of the financial performance. Though, few studies used Tobin's Q and Earning per share independently. This gives impetus for this study. Also, the mixed findings report makes the reviewed studies inconclusive. To bridge these gaps, this following hypothesis is proposed;

Hoiii; Total debt profile has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

METHODOLOGY

Due to the availability of published secondary data for the study, expo-facto design is adopted and covers all the 21 listed consumer goods firms in Nigeria; out of which, 16 were sampled based on the availability of data. The sampled firms include; Cadbury Nig., Champion Breweries, Dangote Sugar, Flour Mills of Nigeria, Guinness Nig., Honeywell flour mill, International Breweries, Mcnichols consolidated, Nascon Allied, Nestle Nig., Nigeria Breweries, Nigerian Enamelware, Nigerian Northern Flour Mills, Pz Cussons, Unilever Nig. And Vita foam Nig. The annual financial reports of these firms were reviewed and relevant secondary data were obtained spanning from 2011 to 2020. The rationale for the period covered is to provide updated information regarding debt financing in Nigeria putting into consideration the impact of the recent forces on the financial performance of firms. Some of these forces include; currency devaluation, economy recession, capitalization fund policy, CBN reform policy on credit facilities and the contribution of federal government to the sustainability of manufacturing sector. The predictor variables of this study include short term debt profile, long term debt profile and total debt profile while the outcome variables include earnings per share and Tobin's Q. The study adapted the model used by Yunusa, Ismail, Yulia and Olalwale (2019) to examine the effect of debt financing on profitability of firms. However, some modifications were made which include the replacement of the outcome variables (ROA and ROE) with earnings per share (EPS) and Tobin's Q (TOB). Also, risk committee outside directors (RCD) and risk committee independence (RCI) were used as the control variables. Thus, the functional and linear models are as follows:

Functional Model

$$EPS = f(STD, LTD, TD, RCD, RCI) \quad \ldots\ldots 3.1$$
$$TOB = f(STD, LTD, TD, RCD, RCI) \quad \ldots\ldots 3.2$$

Linear Model

$$EPS_{it} = \alpha_0 + \alpha_1 STD_{it} + \alpha_2 LTD_{it} + \alpha_3 TD_{it} + \alpha_4 RCD_{it} + \alpha_5 RCI_{it} + \mu_{it} \quad \ldots\ldots 3.3$$
$$TOB_{it} = \alpha_0 + \alpha_1 STD_{it} + \alpha_2 LTD_{it} + \alpha_3 TD_{it} + \alpha_4 RCD_{it} + \alpha_5 RCI_{it} + \mu_{it} \quad \ldots\ldots 3.4$$

Where:

EPS is Earnings Per Share
TOB is Tobin's Q
STD is Short Term Debt
LTDP is Long Term Debt
TD is Total Debt
RCD is Risk Committee Outside Directors
RCI is Risk Committee Independence
μ_{it} is the error term
$\alpha_0 \ldots\ldots\ldots \alpha_5$ are the parameter estimates.

The study adopted descriptive and inferential statistics. Descriptive statistics were used to describe the variables of the study while the inferential statistics cover Pearson correlation and panel regression (random and fixed effect estimations) to analyze the proposed hypotheses of the study.

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RESULT AND DISCUSSION

Descriptive Analysis

Table 4.1: Descriptive Statistics

Variables	Obs	Mean	Standard Deviation	Minimum	Maximum
EPS	160	3.285409	9.228045	-5.74	57.63
TOB	160	2.05625	1.734187	0.31	9.29
STD	160	46.99994	32.89985	5.14	376.41
LTD	160	12.89225	29.98704	-333.65	78.19
TD	160	59.89244	20.2263	4.28	150.45
RCD	160	1.80625	1.931197	0	6
RCI	160	37.62219	40.15305	0	100

Source: Data Analysis (2023). Where EPS is Earnings Per Share, TOB is Tobin's Q, STD is Short Term Debt, LTD is Long Term Debt, TD is Total Debt, RCD is Risk Committee Outside Directors, RCI is Risk Committee Independence

Table 4.1 presented the description of the generated data across the sampled firms and period covered. EPS has an average value, minimum and maximum values of 3.285409, -5.74 and 57.63 respectively. Also, the standard deviation which stood at 9.22 shows that there is a wide dispersion from the series mean. This implies that a wide gap exists between EPS of the consumer goods firms in Nigeria. In the same result, the mean value of TOB stood at 2.05625, with the minimum value of 0.31 and maximum value of 9.29. is at 86.76433. the standard deviation stood at 1.734187 indicating that the TOB values of the sampled firms maintain similar range. Also, the mean value of SDA stood at 46.99994, with minimum and maximum values of 5.14 and 376.41 respectively. Unlike EPS, its standard deviation (32.89985) shows a lower risk, as it is far from the mean. On the other hand, the standard deviation of LDA which stood at 29.98704 shows a higher risk as it is greater than the mean value. Like TOB, TDA was reported to maintain a lower risk as its standard deviation (20.2263) is less than its mean value (59.89244). Both RCDE and RCI have higher risk as their standard deviations (1.931197 for RCDE and 40.15305 for RCI) are greater than the mean values (1.80625 for RCDE and 37.62219 for RCI).

Pearson Correlation Analysis

Table 4.2: Pairwise Correlation Matrix

Var.	EPS	TOB	STD	LTD	TD	RCD	RCI
EPS	1						
TOB	0.733***	1					
STD	0.1054	0.0091	1				
LTD	0.3680***	0.2029**	-0.797***	1			
TD	0.1096	0.1674**	0.445***	0.1862**	1		
RCD	-0.1305	-0.1176	-0.0511	-0.1124	-0.25**	1	
RCI	0.2675**	-0.3023	-0.0573	-0.0870	-0.22**	0.9358***	1

Source: Data Analysis (2023). Variables are as defined above

The Pearson correlation matrix result is presented in table 4.2. The result clearly shows that a positive relationship exists between EPS, TOB, STD, LTD, TD and RCI. This implies that implies that a direct relationship exists between the variables. However, a negative relationship exists

between EPS and RCD showing that the variables moved in different directions across the sampled firms and period covered. Also, the positive non-causal relationship exists between TOB, STD, LTD and TD whereas a negative relationship exists between TOB, RCD and RCI indicating that an increase in one variable would cause a decrease in the other. A similar negative relationship exists between STD, LTD, RCD and RCI while a positive relationship exists between STD and TD. The relationship between LTD, RCD and RCI is negative, thus, the variables moved in different directions for the period covered across the sampled firms. Similarly, a negative relationship exists between TD, RCD and RCI. A positive relationship exists between LTD and TD, RCD and RCI. Hence, the variables moved in similar direction for the period covered.

Regression Analysis

Model I:

The Effects of Corporate Debt Profile (Short Term, Long Term and Total Debt) on the Financial Performance (Earnings Per Share) of Listed Consumer Goods Firms in Nigeria

Table 4.3 Results of Regression Estimate and Diagnostic Tests of model I
Dependent Variable: EPS

VARIABLES	***OLS***	***FE***	***RE***	***FGLS***
STD	72.01743 (111.1864)	41.87902 (66.17313)	48.17748 (45.17101)	-4.848905 (17.78472)
LTD	86.02919 (141.1874)	35.87966 (55.17396)	44.17855 (60.17182)	-6.150678 (17.78478)
TD	-85.9741 (141.285)	-48.87261 (67.17136)	-23.17027 (66.16929)	4.735095*** (1.7844)
RCD	-3.399304*** (1.054154)	-2.551541*** (.7743985)	-2.602605*** (.7523019)	-.1808314*** (.016584)
RCI	.1729687*** (0.050293)	.1469446*** (.0363397)	.1485606*** (.0353433)	.0139577 (.0137743)
Constant	7.1965823*** (2.541885)	1.980818*** (0.399333)	1.946751*** (.7510462)	1.561474** (.563188)
Observations	160	160	160	160
R-squared	0.4840	0.6582	0.6173	
Adj. R-Squared	0.4811	0.5688	0.4704	
F-Stat	F(5,153)= 99.94 Prob > F = 0.0006	F(5,138) = 80.89 Prob > F = 0.000	Wald $chi^2(5)$ = 19.55 Prob>chi^2 = 0.0015	Wald $chi^2_{(5)}$ = 37.22 Prob>chi^2 = 0.0005
Pesaran CD Test	-	1.515 {0.1297}	-	-
Hausman Test	-	-	Chi2(1) = 0.21 Prob>chi^2 = 0.9951	-
Breusch-Pagan LM Test	-	-	$chi^2_{(01)}$ = 438.02 Prob>chi^2 = 0.0000	-
Modified Wald Test for Heteroskedasticity	-	chi^2 = 51627.20 Prob>chi^2 = 0.000	-	-
Woodridge Test for Autocorrelation	-	$F_{(1,15)}$ = 617.928 Prob > F= 0.0000	-	AR (1) = 0.7553

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
Source: Authors' Tabulation (2023)

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In panel regression analysis, Hausman test result decides the appropriate estimation technique to be adopted for the test of hypotheses. The fixed effect estimation become appropriate if the probability value of the Hausman test is significant ($p<0.05$) whereas, the random effect become appropriate if otherwise, that is p values is greater than 5% significant level. Relating to the result of the first model, the p-value of the Hausman test become insignificant, thus, random effect became appropriate for this model. From the same result, Breusch – Pagan LM test validate the appropriateness of the random effect with the chi-square of 438.02 and prob-value of 0.00. Therefore, the random effect estimation effect is appropriate for this mode. However, to validate this decision, some tests were further carried out validate the conformity of the random effect estimation with the linear regression assumptions. The test includes the test of cross-sectional dependence, serial correlation and heteroskedasticity test. The outcome of these tests showed that there is non-conformity with OLS assumption as there is substantial evidences for the violation of constant variance of the successive error terms, hence there is problems of cross-sectional dependence, serial correlation and heteroskedasticity. Therefore, to amend the violation of OLS assumption, Parks' Feasible Generalized Least Squares (FGLS) was carried out to test the hypotheses formulated. From the FGLS result, it can be deduced that STD and LTD have a negative insignificant effect on earnings per share of listed consumer goods firms in Nigeria. Contrarily, TD has a positive significant effect on earnings per share of listed consumer goods firms in Nigeria.

Model II:

The effects of corporate debt profile (short term, long term and total debt) on the financial performance (Tobin's Q) of listed consumer goods firms in Nigeria.

Table 4.4 Results of Regression Estimate and Diagnostic Tests of model II
Dependent Variable: TOB

VARIABLES	***OLS***	***FE***	***RE***	***FGLS***
STD	2.224373 (25.5756)	11.42073 (14.85495)	11.23052 (14.93207)	3.552169 (6.390206)
LTD	4.227556 (25.57576)	15.42382 (10.85513)	10.23372*** (3.93224)	3.632227** (1.190234)
TD	-2.213415 (25.57532)	-8.41498** (2.85455)	-11.22884*** (2.93167)	-6.627883** (2.443023)
RCD	-.783929*** (.193654)	-.1491542** (.0437784)	-.2056777 (.1695851)	-.1155664*** (.0059568)
RCI	.0365915*** (.009239)	-.0069549 (.008155)	-.0030036 (.0079773)	.0007827 (.0058825)
Constant	1.398743*** (.4661729)	2.494846*** (.3135738)	2.4017 (.4819746)	1.078916*** (.2213743)
Observations	160	160	160	160
R-squared	0.3277	0.6065	0.6173	
Adj. R-Squared	0.2394	0.5398	0.4704	
F-Stat	F(5,154)= 104.51 Prob > F = 0.0007	F(5,139) = 114.52 Prob > F = 0.0008	Wald $chi^2(5)$ = 40.57 Prob>chi^2 = 0.0010	Wald $chi^2_{(5)}$ = 82.87 Prob>chi^2 = 0.0000
Pesaran CD Test	-	13.199 {0.000}	-	-

Hausman Test	-	-	Chi2(3) = 7.57 Prob>chi^2 = 0.1818	-
Breusch-Pagan LM Test	-	-	$chi^2_{(01)}$ = 256.45 Prob>chi^2 = 0.0000	-
Modified Wald Test for Heteroskedasticity	-	chi^2 = 6546.65 Prob>chi^2 = 0.000	-	-
Woodridge Test for Autocorrelation	-	$F_{(1,15)}$ = 63.241 Prob > F= 0.0000	-	AR (1) = 0.7246

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
Source: authors' Tabulation (2023)

The Hausman test results favours random effect as the probability value (P=0.1818>0.05) is greater than 5% significant value. However, the Breusch – Pagan LM test result failed to support the result of Hausman test as the probability value is less than 5%, thus, makes random effect inappropriate estimation technique for the model. Since the Hausman test being the dictator of the appropriate estimation test for the model favours random effect estimation, further tests were carried out to ascertain the state of OLS assumption in the model. Pesaran CD test result shows the presence of cross-sectional dependence since the p-value is significant. The Modified Wald test for heteroskedasticity and Wooldridge test for autocorrelation in panel data led to the rejection of the null hypothesis of homoskedasticity and no serial correlation. Therefore, the FGLS is considered appropriate for this model. The FGLS results shows that both STD and LTD have a positive effect on Tobin's Q of the listed consumer goods firms in Nigeria. Though, the positive effect is only significant for LTD. On the contrary, TD has as a negative but significant effect on Tobin's Q of listed consumers firms in Nigeria.

Discussion of Findings

The FGLS results for the two models were adopted for discussion. Firstly, it was discovered that short- and long-term debt profile has a negative insignificant effect on financial performance captured with earnings per share of listed consumer goods firms in Nigeria to the tunes of -4.848905 (p=0.655>0.05) for short term debt and -6.150678 (p=0.785>0.05) for long term debt. The implication for the negative effects shows that with a 1% increase in short- and long-term debt profile, there is tendency for earnings per share to reduce by 4.85% and 6.15%. this is because out of the profit earned by the firms, interest rates are paid, thus reduces the profits available to be shared among the various shareholders. Also, debt financing reduces firm performance because of the compounding nature of interest rates on debt. This outcome can be defensible with the tenets of the pecking order theory. Pecking order theory assumes a negative correlation (relationship) between firm value and the debt level in the capital structure. Empirically, this outcome is in tandem with the discovery of Henry, Job and James (2020), David (2017) and Ahmed (2017) and Abeywardhaha and Magoro (2017) that a negative relationship exist between debt financing and financial performance of firms. However, the research effort of Saeed, Gull and Rasheed (2013) contradicts the outcome of this study.

Also, it was discovered that total debt profile has a positive significant effect on earnings per share of listed consumer goods firms in Nigeria with the coefficient and probability values of 4.735095 and 0.004 respectively, reflecting that a 1% increase in total debt profile will cause 4.73% increase in earnings per share. The significantly positive regression coefficient for total

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debt profile implies that an increase in the debt position is associated with an increase in profitability: thus, the higher the debt, the higher the profitability. Again, this suggests that profitable firms depend more on debt as their main financing option. This findings agrees with the conclusion of Adeleke and Adewale (2018) that total debt contributes to the profitability of firms significantly.

Consequently, both short - and long - term debt have a positive effect on Tobin's Q of listed consumer goods firms in Nigeria with the coefficient value of 3.552169 and 3.632227 for short - and long - term debt respectively. However, the positive effect is only significant for long term debt with the probability value of 0.001 against the insignificant positive effect of short-term debt with the probability value of 0.334 > 0.05. The positive effect implies that both short and long-term debt have the capacity to independently inflate the financial performance of listed consumer goods firms in Nigeria though insignificantly for short term debt. This outcome is contrary to the findings of Ahmed and Amina (2020) that there exists a negative and significant effect of long term debt on firms' performance. Also, Sebastain and Onuegbu (2018) reported that long-term debt has a negative and insignificant impact on returns on assets. However, it is consistent with the findings of Ajibola, Wisdom and Qudus (2019) that total debt was found to have a positive and significant effect on firms' financial performance.

Finally, it was discovered that total debt has a negative but significant effect on Tobin's Q of listed consumer goods firms in Nigeria with the coefficient and probability values of -6.627883 and 0.021 respectively. This underscores that with a 1% increase in total debt profile, Tobin's Q will reduce by 6.63%. This can be explained that the firms with higher total debt profile are more liable and to fulfill their obligations these firms need to pay large portion of their income, consequently which will cause the firm to be undervalued. This outcome established the tenets of pecking order theory that there is a negative relationship between firms' profitability and the debt level because internal source of financing is more beneficiary to the growth of the organization that debt. This outcome failed to support the outcome of existing studies (Sebastain & Onuegbu, 2018) that the relationship between total debts and firms' performance is positive and insignificant.

CONCLUSION AND RECOMMENDATION

The study examined the contribution of corporate debt profile on the financial performance of listed consumer goods firms in Nigeria covering a period of 10 years spanning from 2011-2020 across 16 sampled listed consumer goods firms. From the findings of the study, it was established that a retrogression contribution was achieved when debt financing (short- and long- term debts) was incurred to boost the financial performance of the sampled firms captured with earnings per share. Thus, it is concluded that there is a statistical relationship exists between corporate debt profile and financial performance of listed consumer goods firms in Nigeria Based on this conclusion, it is recommended that to curb the insignificant effect of debt financing on financial performance, the management of the listed consumer goods firms should maximize the functions of the risk committee formed to measure the risks involved in debt financing. This would ensure the right choice of the components of corporate debt and their full utilization towards the right angle; the financial managers should adjust the total debt profile to ensure that the company operates at the optimum point the maximize the value relevance of firms and to avoid the negative trajectory; and that the financial institutions in

charge of credit facilities should judiciously investigate their debtors (corporate firms) regarding their ability to maintain a productive relationship with them. This would minimize the sudden closure of many firms in the industrial sector due to their inability to pay up their debts or survive after the full payment has been made.

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