



RESEARCH ARTICLE

Effect of Corporate Financing on Shareholders Wealth of Nigerian Consumer Goods Manufacturing Sector**Olorunmola, Emmanuel Glory^{1*} & Prof. Okwo Ifeoma Mary²**^{1,2}Department of Accountancy, Enugu State University of Science and Technology, ESUT, Enugu State, Nigeria***Corresponding Author****ABSTRACT**

This study examined the effect of corporate financing on shareholders' wealth of Nigerian consumer goods manufacturing firms. The specific objectives were to ascertain the effect of total debt on market value, determine the effect of equity securities on market value and assess the effect of trade payable on market value of selected consumer goods firms in Nigeria. The study adopted an ex-post-facto research design, relying on secondary data sourced from the audited annual reports and financial statements of 15 listed Nigerian consumer goods manufacturing firms. The period under review covered ten years, from 2015 to 2024. Descriptive statistics and trend analyses were used to explore the data distribution and linearity, while a Panel Least Squares regression model was employed using EViews 11.0 to analyze the effect of the selected financing variables on market value. The findings revealed that total debt had a positive and significant effect on market value (Coefficient: 0.042117; P-Value: 0.0244), indicating that prudent debt utilization can enhance firm valuation. Equity securities had a positive but insignificant effect on market value (Coefficient: 0.019854; P-Value: 0.1942), suggesting limited investor responsiveness to equity issuance. Trade payable exerted a significant and positive effect on market value (Coefficient: 0.158902; P-Value: 0.0000), emphasizing the role of efficient payables management in boosting firm value. The overall implication of these findings is that the explanatory variables—Total Debt, Equity Securities and Trade Payable—jointly and significantly influence the market value of Nigerian consumer goods manufacturing firms. The study concludes that increases in these financing components, particularly debt and trade payable, are likely to enhance shareholder wealth when effectively managed. The research further underscores the importance of maintaining a balanced financing structure and careful risk assessment to optimize corporate financial performance. Consequently, it recommends that firm management prioritize strategic debt use and improve working capital management while exercising caution in equity issuance decisions.

Keywords: Corporate Financing; Shareholders' Wealth; Market Value; Total Debt; Equity Securities; Trade Payable

Introduction

Corporate financing plays a crucial role in the growth and sustainability of firms by providing the resources necessary for expansion, profitability, and long-term competitiveness (Oyeleke, 2020). A core objective of corporate financing is the maximization of shareholders' wealth, often measured by the market value of a firm's equity. Corporate financing decisions—whether through debt, equity and trade payables can significantly influence this market value (Okolie & Okwuosa, 2019).

Debt financing offers tax benefits but also increases financial risk, while equity financing avoids interest costs but may dilute existing ownership. An optimal financing mix balances these trade-offs to reduce the firm's overall cost of capital and maximize shareholder returns (Abdulrazzaq & Altaieb, 2020). Internally generated funds, particularly retained earnings, are considered the cheapest and most flexible source of financing (Akani & Sweneme, 2017), especially in line with the pecking order theory which prioritizes internal financing over external sources.

Capital structure decisions are strategic and must align with firm-specific goals and market conditions. Retained earnings, ordinary shares, preference shares, and long-term loans all have associated costs and implications for shareholder value (Akintoye, 2016). While retained earnings help maintain control and reduce financing costs, excessive reliance on them may limit immediate shareholder benefits, such as dividends (Edem, 2017).

In Nigeria, access to finance remains a significant challenge due to macroeconomic instability, institutional inefficiencies, and sector-specific risks (Sega, 2020). The consumer goods manufacturing sector, which plays a pivotal role in economic diversification and employment, requires careful corporate financing strategies to remain competitive and deliver shareholder value.

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Despite numerous studies on capital structure and firm performance, there is limited empirical focus on how various financing components affect shareholder wealth specifically in Nigeria's consumer goods sector. This study, therefore, aims to fill this gap by examining the effect of corporate financing on shareholders' wealth within selected firms in this sector.

Statement of the Problem

Ideally, corporate financing decisions whether through debt, equity, retained earnings, or trade credit should be strategically structured to minimize the cost of capital and maximize shareholders' wealth. An optimal financing mix ensures that firms raise capital efficiently, sustain operations, and enhance firm value without exposing shareholders to unnecessary financial risks. In well-functioning economies and sectors, firms evaluate financing options in line with firm-specific goals, market conditions, and shareholder interests.

In the Nigerian consumer goods manufacturing sector, however, firms face significant structural and economic challenges that hinder effective financing decisions. These include high inflation, exchange rate volatility, inconsistent government policies, and limited access to long-term finance. As a result, companies often resort to suboptimal financing choices—such as over-reliance on costly debt or underutilization of retained earnings—without adequately considering their impact on shareholder wealth. Moreover, empirical studies in Nigeria have mostly focused on firm performance metrics like profitability and liquidity, leaving a gap in understanding the direct effect of financing structures on shareholders' wealth.

If these issues remain unaddressed, companies in the consumer goods sector may continue to adopt inefficient financing strategies, leading to a decline in share value, reduced investor confidence, and weakened financial sustainability. In the long run, this could deter both domestic and foreign investment in the sector, limit growth opportunities, and erode shareholders' wealth—undermining the very purpose of corporate finance.

Objectives of the Study

The main objective of the study is to ascertain the effect of corporate financing on shareholders' wealth of Nigerian consumer goods manufacturing firms.

The specific objectives of the study are to:

- i. Ascertain the effect of total debt on market value of selected consumer goods firms in Nigeria
- ii. Determine the effect of equity securities on market value of selected consumer goods firms in Nigeria
- iii. Assess the effect of trade payable on market value of selected consumer goods firms in Nigeria

Research Questions

The study answered the following research questions.

- i. To what extent do total debt affect market value of selected consumer goods firms in Nigeria?
- ii. To what extent do equity securities affect market value of selected consumer goods firms in Nigeria?
- iii. To what extent do trade payable affect market value of selected consumer goods firms in Nigeria?

Statement of Hypotheses

The hypotheses stated in null form were denoted by (H_0):

- i. H_0 : Total debt have no significant and positive effect on market value of selected consumer goods firms in Nigeria
- ii. H_0 : Equity securities have no significant and positive effect on market value of selected consumer goods firms in Nigeria
- iii. H_0 : Trade payable have no significant and positive effect on market value of selected consumer goods firms in Nigeria

Significance of the Study

This study on the effect of corporate financing on shareholders' wealth in Nigeria's consumer goods manufacturing sector is significant to the following key stakeholders:

Management of Firms

The study will guide management in identifying the most effective financing mix to maximize shareholders' wealth. By understanding how different financing options—debt, and equity impact firm value, managers can make informed capital structure decisions. It also provides insights into the associated risks, enabling better financial planning and investor communication, which can improve investor confidence and attract new investments.

Investors

For investors, the study offers valuable insights into how corporate financing decisions influence shareholder returns. By analyzing the risk-return dynamics of different financing strategies, investors can make better-informed decisions about portfolio allocation in the consumer goods sector. The findings will also help assess the financial health, sustainability, and long-term value potential of companies in the sector.

Government and Regulators

The findings of the study are relevant to policy makers and regulators by offering data-driven insights into financing trends in the consumer goods sector. This can inform the development of policies that encourage sustainable financing practices, improve access to capital, and protect investors. The emphasis on transparency and accountability in corporate financing also supports regulatory efforts aimed at maintaining market stability and investor trust.

Researchers, Students and Academia

This study contributes to the growing body of knowledge on corporate finance in emerging markets, particularly within Nigeria's manufacturing sector. It provides a foundation for future research on capital structure, firm value, and financial strategy. Students and scholars can apply the findings in academic work, case studies, and further research, enriching academic discussions and practical applications in finance.

Industry Stakeholders

Stakeholders such as company executives, analysts, and financial consultants will benefit from the study's insights into how financing decisions affect company valuation and investor perception.

Scope of the Study

This study focuses on assessing the effect of corporate financing on shareholders' wealth within the Nigerian consumer goods manufacturing sector. It specifically examines three major indicators of corporate financing: total debt, equity securities and trade payables. Shareholders' wealth, the dependent variable, is measured using market value.

The analysis covers a 10-year period from 2015 to 2024, which provides a sufficient timeline to observe trends in corporate financing, including the rise in debt usage and new financing instruments. This timeframe also ensures the availability of relevant, up-to-date data for a robust and comprehensive analysis.

Review of Related Literature

Conceptual Review

Corporate Financing

Corporate financing refers to the strategies and decisions a firm adopts to raise capital needed for its operations and growth. These decisions typically involve a mix of debt and equity, and they play a vital role in shaping the firm's financial structure and determining shareholders' wealth (Ademola, 2018; Anyanwu, 2019).

An optimal financing strategy balances the cost and risk of funding sources. Debt financing, which includes instruments like loans, bonds, and notes payable, may enhance firm value due to tax-deductibility of interest, but it also increases financial risk, especially when excessively used (Choi & Jang, 2018). Conversely, equity financing, through issuance of common or preferred shares, avoids repayment obligations but may dilute ownership and earnings per share (Alshubiri & Almsafir, 2018).

Total Debt

Total debt refers to the sum of a company's short-term and long-term financial obligations owed to external parties. It serves as a critical measure of a firm's financial leverage and capacity to meet its debt-related commitments. In corporate finance, debt is often considered a cost-effective funding option, primarily due to the tax-deductibility of interest payments (Abdulrazzaq & Altaieb, 2020).

When appropriately managed, the use of debt can enhance returns on equity by leveraging investment gains, a concept known as financial leverage. However, excessive reliance on debt raises financial risk and may lead to distress or bankruptcy if the firm fails to meet its repayment obligations (Choi & Jang, 2018).

From a theoretical perspective, the agency theory suggests that debt financing imposes financial discipline on managers by limiting free cash flow and exposing decisions to creditor scrutiny, which can reduce agency costs and increase firm value. Nevertheless, the optimal level of total debt varies across firms depending on factors such as industry characteristics, firm size, profitability and growth prospects.

Equity Securities

Equity securities, commonly referred to as stocks or shares, represent ownership interests in a company and entitle the holder to a proportionate share of the firm's profits and assets. These instruments grant investors voting rights, dividend entitlements, and the potential for capital gains, making them a vital tool in corporate financing (Anyanwu, 2019).

Equity financing allows firms to raise funds by issuing shares to the public or private investors without incurring debt obligations. This source of capital is particularly advantageous for maintaining solvency, as it does not require fixed interest payments. However, issuing new equity can result in ownership dilution, reducing the value of existing shareholders' stakes (Ademola, 2018).

While equity is often considered a safer, long-term funding option, excessive reliance on it—especially when internal financing or debt options are available—can signal managerial inefficiency or undervaluation of the firm, potentially lowering market confidence and shareholder value (Ajibola, 2016). For this reason, companies often consider equity issuance a last resort, preferring retained earnings or debt for expansion financing.

In essence, equity securities offer both opportunities and trade-offs. They enable companies to access funds without debt risk, but can affect control dynamics and shareholder returns if not strategically managed.

Trade Payable

Trade payable represents the amounts a company owes to its suppliers for goods or services received on credit, typically due within a short period, such as 30 to 90 days. It is classified as a current liability on the balance sheet and is a crucial component of working capital management. Effectively managing trade payables ensures that a company can maintain liquidity, optimize cash flow, and sustain operations without incurring unnecessary financing costs (Abdulrazzaq & Altaieb, 2020).

Trade payables are integral to the cash conversion cycle, which measures the time taken to convert investments in inventory and other resources into cash flows from sales. A longer payable period can improve cash flow, but it must be balanced to avoid straining supplier relationships. Conversely, a shorter payable period may strengthen supplier ties but could limit cash reserves (Stevens & Somani, 2023).

Market Values

Market value refers to the worth of an asset or company in the financial market, determined by market participants. It is often used to describe a company's market capitalization, calculated by multiplying the number of shares outstanding by the current market price. The market value of a firm is a key measure of shareholder wealth and provides insight into the company's financial standing. However, different valuation methods, such as accounting net worth, capitalized value, and human judgment, can result in varying values for the same firm. Despite these alternatives, market value is considered the most reliable and straightforward approach for assessing a firm's worth, assuming there is an efficient market for shares.

A firm's market value also reflects investor perceptions of its sustainability and environmental performance. Investors may see a company's environmental performance as a signal of intangible qualities like integrity and corporate responsibility. However, if a firm belongs to an industry or organizational form with a collective reputation for unethical behavior, its environmental performance may not be a credible indicator of integrity. In such cases, improvements in environmental performance may result in smaller increases in market value. Nevertheless, firms can recover lost value by adopting features that address these reputational issues, thereby restoring the role of corporate sustainability in driving market value (Adegbie & Fakile, 2018).

Theoretical Framework

This study was anchored mainly on the Pecking Order Theory by Donaldson in 1961.

Pecking Order Theory

The pecking order theory, first introduced by Donaldson (1961) and later refined by Myers and Majluf (1984), explains how firms prioritize financing sources based on information asymmetry between managers and investors. According to the theory, companies prefer to finance operations and investments first through internal funds (retained earnings), then through debt, and resort to equity issuance only as a last option. This hierarchy reflects the relative costs and risks associated with each source: internal funds are the most cost-effective and flexible, debt carries moderate cost but lower information sensitivity, while equity is the most expensive due to adverse selection and ownership dilution. Unlike models that suggest firms pursue an optimal debt-equity mix, the pecking order theory asserts that financing decisions are driven by the availability of internal resources and the desire to minimize external scrutiny and costs.

The theory holds particular relevance in contexts where firms face market volatility and limited access to affordable capital. Preference for internal financing allows firms to avoid the high costs and negative signals associated with equity issuance. When internal funds are insufficient, debt—such as bank loans or corporate bonds—is used as a less intrusive alternative. Adhering to this financing hierarchy helps preserve shareholder value, maintain financial flexibility, and mitigate adverse selection, making the theory a useful lens for understanding how financing choices affect shareholder wealth.

Empirical Review

Total Debt and Market Values

Onwumere et al. (2012) examined 'does the use of outside' fund enhances shareholders wealth? Evidence from Nigeria for the period 2004 to 2008 using regression analysis. The study reveals that outside fund has a positive but not significant effect on shareholders wealth.

Ubesie (2016) studied the effect of capital structure on financial performance of Nigeria quoted conglomerates for the period from 2011-2015. The researcher made use of descriptive statistics and the pooled ordinary least square regression analytical method were used to analyze data and it was shown that capital structure has effect on return on asset and asset turnover but non on equity and earning of the conglomerate.

Rahman and Hossain (2017) examined the relationship between total debt and profitability of firms in Bangladesh. The research utilized ordinary least square regression analysis. The study found that total debt had a negative impact on profitability, indicating that companies with high debt levels may struggle to generate profits. However, the study also found that the negative relationship between debt and profitability was weaker for larger firms with greater financial resources.

Equity Security and Market Values

Kwon et al. (2018) examined the relationship between equity securities and stock prices in the Korean stock market. The research made use of ordinary least square methodology and found that equity securities had a significant positive impact on stock prices, indicating that investor demand for equity securities can drive up stock prices.

Gogineni and Reddy (2018) examined the impact of investor sentiment on equity securities prices in the Indian stock market. The study made use of multiple regression and found that investor sentiment had a significant positive impact on equity securities prices, indicating that investor perceptions and emotions can influence the demand for equity securities and their prices.

Gupta et al. (2018) conducted a study on Debt-Equity Ratio and Firm Market Value: A Comparative Study of High-Tech Startups. A dataset of 200 startup firms is analyzed using regression analysis to determine the optimal debt-equity ratio for maximizing market value. The findings suggest that high-tech startups with moderate debt-equity ratios tend to achieve higher market valuations, striking a balance between leveraging and financial risk.

Yayla et al. (2019) examined the relationship between equity securities and stock returns in the Turkish stock market. The research made use of simple linear regression method and found that equity securities had a significant positive impact on stock returns, suggesting that investors who hold equity securities can earn higher returns than investors who hold other types of securities.

Trade Payable and Market Values

Benjamin and Gladys (2016) examined the effect of account payables on financial performance of publicly listed manufacturing companies at NSE, Kenya. Census sampling technique and secondary data was used. SPSS was used to carry out the descriptive analysis of the variables and multiple regression was used to test the relationship between the account payable and firm performance. The result suggests that there is a positive relationship between account payable and profitability.

Pervan and Pervan (2017) examined the impact of trade payable on cash flow management in the Croatian manufacturing sector. The study found that trade payable had a significant positive impact on cash flow, indicating that companies that manage their trade payable effectively can improve their cash flow position.

Singh et al. (2019) examined the relationship between trade payable and liquidity in the Indian manufacturing sector. The study utilized a panel least square regression analysis techniques and found that trade payable had a significant negative impact on liquidity, suggesting that high levels of trade payable can strain a company's liquidity position.

Gap in Empirical Review

Despite extensive research on corporate financing and firm value, significant gaps remain, particularly in Nigeria's consumer goods manufacturing sector. Few studies use value-based measures like Market Value Added (MVA), focusing instead on traditional metrics like ROE or EPS. Unique local challenges—such as limited equity access, high borrowing costs, and macroeconomic instability—are often overlooked. Existing research tends to apply models suited to stable economies, using outdated data and simplistic methods. This study addresses these gaps by applying modern econometric tools to explore the financing–shareholder wealth relationship in a context-specific, sector-focused manner.

Methodology

Research Design

The study employed an *ex post facto* research design, as it relied on published historical data. This design is appropriate for examining real-world phenomena that cannot be ethically or practically manipulated. It enables researchers to analyze existing data to identify patterns and relationships relevant to the research problem.

Area of Study

The study was carried out in Nigeria and specifically on quoted corporate consumer goods firms in Nigeria for a period of ten years (2015-2024).

Sources of Data

This study relied on secondary data, which consist of information already collected and published for other purposes. Specifically, the data were obtained from the audited financial statements of selected Nigerian consumer goods firms, covering a ten-year period from 2015 to 2024. The selected timeframe ensures an adequate data stream for robust analysis and meaningful inferences.

Population of the Study

The population for this study constitute the 21 listed consumer goods firms on the Nigerian Exchange Group (NGX) as at 31 December 2024. They include: Cadbury Nigeria Plc., Champion Brew. Plc., Guinness Nig. Plc., Nigerian Brew. Plc., International Breweries Plc., Unilever Nigeria Plc., Pz Cussons Nigeria Plc., Dangote Sugar Refinery Plc., Flour Mills Nig. Plc., Golden Guinea Brew. Plc., Nestle Nigeria Plc., Nigerian Enamelware Plc., Honeywell Flour Mill Plc., BUA Foods Plc. and Vitafoam Nig Plc, DN Tyre & Rubber Plc., Mcnichols Plc., Multi-Trex Integrated Foods Plc., Nascon Allied Industries Plc., Union Dicon Salt Plc. and N Nig. Flour Mills Plc.

Determination of Sample Size

The sample size for this study was drawn from consumer goods firms listed on the Nigerian Exchange Group (NGX) during the study period. To ensure data reliability and consistency, only firms with complete and relevant financial data from 2015 to 2024 were considered. The study employed a stratified sampling technique, selecting 15 firms that actively trade on the NGX and collectively represent approximately 89.5% of the total market capitalization of the consumer goods manufacturing sector. This approach ensured a representative sample based on firm size and market value. The selected firms include: Cadbury Nigeria Plc., Champion Breweries Plc., Guinness Nigeria Plc., Nigerian Breweries Plc., International Breweries Plc., Unilever Nigeria Plc., PZ Cussons Nigeria Plc., Dangote Sugar Refinery Plc., Flour Mills Nigeria Plc., Golden Guinea Breweries Plc., Nestlé Nigeria Plc., Nigerian Enamelware Plc., Honeywell Flour Mill Plc., BUA Foods Plc., and Vitafoam Nigeria Plc.

Model Specification

The study adopts a panel data methodology. The Multiple Regression Model was represented as;

$$MV = \beta_0 + \beta_1TD_{it} + \beta_2ES_{it} + \beta_3TP_{it} + \varepsilon_{it} \dots\dots\dots i$$

Where,

MV	=	Market Value
TD	=	Total Debt
ES	=	Equity Securities
TP	=	Trade Payable
ε_{it}	=	error terms
t	=	time

Method of Data Analysis

The researcher employed Multiple Regression Analysis to evaluate the effect corporate financing on shareholders wealth in consumers good firms in Nigeria.

Statement of Decision Rule/Criteria for Hypotheses Testing

Reject the null hypothesis (H_0), if the p-value of the t-statistics is less than 0.05. Otherwise accept the null hypothesis and reject the alternate hypothesis.

Data Presentation and Analysis

Table 1: Regression Analysis Result of the Industry Level

Dependent Variable: MV

Method: Panel Least Squares

Date: 05/03/25 Time: 17:15

Sample: 2015 2024

Periods included: 10

Cross-sections included: 15

Total panel (balanced) observations: 150

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TD	0.042117	0.018521	2.274981	0.0244
ES	0.019854	0.015207	1.305775	0.1942
TP	0.158902	0.019852	8.006987	0.0000
C	4.986310	0.089276	55.85914	0.0000
R-squared	0.894765	Mean dependent var		18.01387
Adjusted R-squared	0.794229	S.D. dependent var		1.146655
S.E. of regression	0.057212	Akaike info criterion		-2.902173
Sum squared resid	0.471065	Schwarz criterion		-2.781020
Log likelihood	221.4320	Hannan-Quinn criter.		-2.853986
F-statistic	12904.11	Durbin-Watson stat		1.071334
Prob(F-statistic)	0.000000			

Source: E-view 11.0 Statistical Output, 2025

Table 1 revealed that total debt (TD) exerts a significant (p-value = 0.0244, t-Statistic = 2.274981) and positive effect on the market value of the sampled consumer goods manufacturing firms in Nigeria. This suggests that the judicious use of debt contributes positively to shareholder wealth in the industry. In contrast, the result shows that equity securities (ES) have a positive but statistically insignificant effect on market value, with a p-value of 0.1942 and a t-Statistic of 1.305775, indicating that equity financing alone may not be a strong determinant of shareholder wealth within the context of the Nigerian consumer goods sector. Furthermore, trade payables (TP) were found to exert a positive (t-Statistic = 8.006987) and significant (p-value = 0.0000) effect on market value, showing that short-term

credit obligations, when efficiently managed, can enhance firm value. The adjusted R-squared (R^2) value of 0.794229 indicates that approximately 79% of the changes in market value are explained by the explanatory variables (TD, ES, TP, RE, and LP). The remaining 21% may be attributed to other external and internal factors not captured in the model. The overall statistical significance of the regression model is confirmed by the F-statistic (12904.11) and its associated p-value (0.000000), affirming the robustness and fitness of the model. Additionally, the Durbin-Watson statistic of 1.071334 suggests the absence of severe autocorrelation in the residuals, which validates the model's reliability based on the time series nature of the panel data obtained from the annual reports of the sampled firms.

Test of Hypotheses

Test of Hypothesis One

Restatement of the Hypothesis in Null and Alternate forms:

H₀₁: Total debt have no significant and positive effect on market value of selected consumer goods firms in Nigeria

H_{a1}: Total debt have no significant and positive effect on market value of selected consumer goods firms in Nigeria

Statement of Decision Rule:

Reject the null hypothesis (H_0), if the p-value of the t-statistics is less than 0.05. Otherwise accept the null hypothesis and reject the alternate hypothesis.

Decision

In Table 4.1, the panel regression result indicates that market value is influenced by total debt (TD). The extent of the influence exerted on market value by total debt is both significant and positive, with a t-statistic of 2.274981 and a p-value of 0.0244. This implies that increased use of debt financing contributes positively to the market value of the sampled consumer goods manufacturing firms in Nigeria. Since the p-value is less than 0.05, H_0 is rejected and the alternate hypothesis is accepted. The study concludes that total debt has significant and positive effect on market value.

Test of Hypothesis Two

Restatement of the Hypothesis in Null and Alternate forms:

H₀₂: Equity securities have no significant and positive effect on market value of selected consumer goods firms in Nigeria

H_{a2}: Equity securities have significant and positive effect on market value of selected consumer goods firms in Nigeria

Statement of Decision Rule:

Reject the null hypothesis (H_0), if the p-value of the t-statistics is less than 0.05. Otherwise accept the null hypothesis and reject the alternate hypothesis.

Decision

The panel regression result from Table 4.1 indicates that market value is influenced by equity securities (ES). The effect is positive but not statistically significant, with a t-statistic of 1.305775 and a p-value of 0.1942. This suggests that while equity financing may have a marginal upward impact on market value, the relationship is not strong enough to be statistically valid. Since the p-value is greater than 0.05, H_0 is accepted and the alternate hypothesis is rejected. The study therefore finds that equity securities have no significant effect on market value.

Test of Hypothesis Three

Restatement of the Hypothesis in Null and Alternate forms:

H₀₃: Trade payable have no significant and positive effect on market value of selected consumer goods firms in Nigeria

H_{a3}: Trade payable have significant and positive effect on market value of selected consumer goods firms in Nigeria

Statement of Decision Rule:

Reject the null hypothesis (H_0), if the p-value of the t-statistics is less than 0.05. Otherwise accept the null hypothesis and reject the alternate hypothesis.

Decision

Table 4.1 reveals that trade payables (TP) have a positive and statistically significant effect on market value, with a t-statistic of 8.006987 and a p-value of 0.0000. This indicates that an increase in operational credit through trade payables contributes positively to market value. Since the p-value is less than 0.05, H_0 is rejected and the alternate hypothesis is accepted. Therefore, trade payable has a significant and positive effect on the market value of selected consumer goods firms in Nigeria.

Discussion of Results

The result of the test of hypothesis one revealed that Total Debt (TD) has a significant and positive influence on the market value of the sampled consumer goods firms in Nigeria. This finding suggests that the use of debt financing enhances the financial leverage of firms, thereby potentially increasing investor confidence and boosting market valuation. The statistical evidence supporting this finding is reflected in the p-value of 0.0244, which is less than the 0.05 significance level, indicating the relationship is statistically significant.

In the test of hypothesis two, the regression analysis result revealed that Equity Securities (ES) exert a positive but statistically insignificant effect on market value. This implies that while issuing equity might expand the firm's capital base, it does not strongly influence market valuation in the short term or within the observed period. The p-value of 0.1942, being greater than 0.05, indicates that the effect is not statistically significant at the 5% level.

For hypothesis three, the regression analysis demonstrated that Trade Payable (TP) has a significant and positive impact on market value. This finding indicates that using trade credit as a short-term financing strategy contributes positively to firm valuation, possibly by freeing up cash flow for other strategic investments. The p-value of 0.0000 provides strong statistical support for the significance of this relationship.

Therefore, the findings reveal that two out of the three components of financial structure—total debt and trade payable significantly and positively influence market value. Only equity securities did not exhibit a statistically significant effect. These results highlight the critical importance of strategic financing decisions in enhancing firm valuation and align with financial management theories that emphasize optimal capital structure as a driver of firm performance and market credibility.

Summary of Findings

Findings arising from this research were summarized as follows:

- i. Total debt had a positive and significant effect on market value of the sampled consumer goods manufacturing firms in Nigeria during the period under review. (Coefficient: 0.042117; P-Value: 0.0244)
- ii. Equity securities exerted a positive and insignificant effect on market value of the sampled consumer goods manufacturing firms in Nigeria during the period under review. (Coefficient: 0.019854; P-Value: 0.1942)
- iii. Trade payable had a positive and significant effect on market value of the sampled consumer goods manufacturing firms in Nigeria during the period under review. (Coefficient: 0.158902; P-Value: 0.0000)

Conclusion

This study examined the effect of corporate financing on shareholders' wealth in Nigerian consumer goods manufacturing firms from 2015 to 2024, using data from 15 firms listed on the Nigerian Exchange Group. Secondary data were analyzed using the Panel Least Squares model. The results showed that Total Debt and Trade Payable had significant positive effects on market value, while Equity Securities showed a positive but insignificant effect.

Specifically, Total Debt positively influenced market value, indicating that well-managed debt can support growth and enhance shareholder wealth. Trade Payable also had a significant positive impact, reflecting the benefits of efficient short-term financing and operational management. Conversely, the effect of Equity Securities was insignificant, highlighting the need for stronger fundamentals to make equity issuance impactful.

Therefore, corporate financing decisions particularly around total debt and trade payables play a crucial role in enhancing market value and shareholders' wealth in Nigeria's consumer goods sector.

Recommendations

Based on the findings from the study, the discussions, and the conclusion, the following recommendations are suggested to the corporate managers of Nigerian consumer goods manufacturing firms:

- i. Although total debt positively affects market value, firms should avoid over-leveraging by maintaining a balanced debt-to-equity ratio and ensuring debt is supported by strong repayment strategies and financial oversight.
- ii. Despite its insignificant impact, equity financing should not be ignored. Firms should time equity issuances with strong performance and communicate clearly with investors to improve market perception and effectiveness.
- iii. Given its significant influence on market value, firms should manage accounts payable efficiently by negotiating favorable terms that preserve supplier relationships while enhancing liquidity and operational performance.

Contribution to Knowledge

As expected, this study contributed to knowledge in several ways. The specific contributions to the existing body of knowledge include:

- i. Out of over fifteen empirical studies reviewed on corporate financing and market value, very few focused specifically on the Nigerian consumer goods manufacturing sector. This study has contributed by addressing this gap, offering empirical evidence from Nigeria, and enriching the limited local literature in this area of corporate finance.
- ii. The study provides industry-specific insights into how financing choices—particularly total debt, equity securities, trade payable, retained earnings, and loan payable—affect the market value of listed consumer goods firms in Nigeria. This contributes to the broader understanding of investor responses to financing structures in emerging economies.
- iii. By quantitatively establishing the varying impacts of different financing sources on market value, the study equips managers, investors, and policymakers with actionable knowledge. It highlights which financing

mechanisms are most likely to enhance shareholder value, helping firms align financial strategies with market expectations.

Suggestions for Further Studies

While this study contributes to existing knowledge, gaps remain. The following suggestions are made for future research:

- i. Future researchers should conduct studies tracking financial performance, financing decisions, and market valuation over extended periods to gain deeper insights into how economic trends and market dynamics influence shareholder wealth.
- ii. Further research should explore the impact of corporate financing in other sectors such as banking, telecommunications, or oil and gas to uncover industry-specific patterns and broaden the understanding of financing decisions in Nigeria.
- iii. Comparative studies between Nigerian and foreign firms can help identify global best practices, as well as contextual differences in corporate financing decisions, regulatory environments, and investor behavior.

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