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CORPORATE INVESTMENT FINANCING AND FINANCIAL PERFORMANCE OF LISTED MANUFACTURING FIRMS IN NIGERIA

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ABSTRACT

The study evaluated the effect of corporate investment financing on the financial performance of listed manufacturing firms in Nigeria. Specifically, the study determine the effect of equity financing, long term debt financing, short term debt financing and preferred stock financing on return on investment of manufacturing firms in Nigeria. Ex-post facto research design was used in the study. The purposive sampling was used to select a sample size of 29 firms over a thirteen year period that spanned from 2012 – 2024. Descriptive analysis was carried out together with correlational analysis, multicollinearity test, linearity test, autocorrelation test, cross-sectional dependence test, and heteroskedasticity test. The test of hypotheses was conducted using Panel Estimated Generalised Least Squares. The findings revealed that equity capital financing, long-term debt financing and short-term debt financing have a negative but significant effect on return on investment of manufacturing firms in Nigeria (β = -0.2611, p = 0.0000; β = -0.4857, p = 0.0000; and β = -0.2345, p = 0.0000), while preferred stock financing has a positive and significant effect on return on investment of manufacturing firms in Nigeria (β = 5.3326, p = 0.0213). In conclusion, when financing tools are structured with hybrid features that balance investor expectations with operational flexibility, firms may experience better financial outcomes. The study recommends that managers of listed manufacturing firms in Nigeria minimize reliance on equity financing unless absolutely necessary. They should consider other funding options to avoid dilution of ownership and reduce the negative impact on ROI.

Key words: *Corporate Investment Financing, Equity Financing, Financial Performance, Long Debt Financing, Preferred Stock, Short Debt Financing.*

INTRODUCTION

The expansion in global economic activities and rising competition within the business environment has necessitated the need for firms to make viable capital investment decisions that will enhance their survival, profitability and growth. Capital structure does not just influence the company's earnings for the providers of capital but also ensures the survival of a company (Akindele et'al, 2020). A well-structured capital will help an organization's performance which will in turn ensure its survival. It enhances profitability and in corporate

world discourse, it is affirmed to be as old as the economic revolution of the world. Yet, capital structure is still the most complex and difficult concepts to comprehend in corporate finance literature (Olaoye, et'al, 2020). Corporate firms make multiple decisions, including funding, the expansion of existing operations, and the acquisition of new assets to achieve the underlying objective of growth (Rahayu 2019). In this context, long-term investment, specifically investment in the acquisition of fixed assets, is fundamental to ensure the long-term view of growth. Such investment decisions stem from other attached factors, i.e., rate of return, payback period, profitability index, etc. (Farooq and Subhani 2021). Industrial enterprises are mostly concerned with accomplishing such tasks through some policy tools that can help to achieve such objectives efficiently. Such policy tools are commonly known as determinants of corporate investment decisions, affecting the managerial thinking of investment structuring (Farooq et'al, 2022).

Financial decisions are among the most important issues for business owners as they directly affect the capital structure and success of a company (Olusola et al., 2022). Capital structure is a combination of borrowed money and shareholders' equity, which make up the total capital of a corporate organizations, the perfect blend of internal and external sources of capital to accommodate is a careful choice of corporate management. When it comes to factors that affect a firm's performance, decision-making is very critical, managers need to be extra careful and pay adequate attention when making capital structure decisions. As far as the company's financial position is concerned, capital structure reflects overall health in all types of assets and liabilities held (Boshnak, 2022). A company's financial structure also usually comprise common stock, preferred stock, and long-term debt. Corporate financing has over the years attracted public interest because it is a tool for socioeconomic development and effective corporate management practice. Reduced corporate bankruptcy, satisfactory corporate structure management not only improve operations of firms, it also impact the capital market, and enable economic growth and development. No matter how robust a nation's macroeconomic policies are, if firms are poorly managed, macroeconomic goals may not be achieved (Nenu et al., 2018). Several factors are considered when choosing the best capital structure. When different sources of funding are combined, it may be difficult for a company to achieve its goal of using funds wisely. Companies must organize their financial structure so as to optimize capital use in running operations (Pandy, 2014).

Nigeria's financial decision-making laws are always not accountable to stakeholders and lack deep rooted mechanism, such as ownership concentration, institutional investors and board

composition, which can be used to maintain a balance between key players in corporate governance, influencing the company's financial decisions and reducing its effectiveness. The key elements in the system are shareholders, institutional investors and board members. When implementing a capital structure, the market structure and the company's strengths and weaknesses together, determine the choice of debt (Yinusa et'al.,2019). Jensen and Meckling (1976) believe that the relationship between the board and management should be characterized by transparency and fairness to shareholders. Extensive review of prior literature shows that many researcher in Nigeria focus mainly on the impact of corporate governance on financial performance or investigating the impact of firm attributes on corporate performance. With little focus on effect of capital structure on performance of manufacturing companies on the Nigerian Exchange (Ayange et al., 2021; Yinusa, et al., 2019).

Profitability occurs when a business constantly generates net income. A profit is the excess of revenue over all expenses directly related to the generation of the revenue such as cost of production and other expenses related to the conduct of the business's activities. The performance of an organization relies firmly on the structure in which the capital is being arranged either internally or externally. Financing decision process in any organization is anchored on reaching optimality in the capital mix of a business entity. The optimal mix regarding debt and equity has several theories backing it up. Some of these theories propose that business entities should select a capital structure that best suits their attributes since these attributes constitute the major determinants of the various risks and returns that are linked with internal and external financing. Controversies have been found in literature over time; while some are indifferent to firm's choice of finance in relation to value maximization, some believe that optimality in capital mix is attained where the cost of capital is minimized and the value of the firm maximized (Akgun et'al, 2018). The performance of companies has been shaky over the world and also in a country such as Nigeria due to economic factors and also un-structured capital stand (Olaoye et al., 2017). Also, it is to be noted that financial distress is usually caused by financial factors. One of the challenges faced by finance managers is inability to reach optimal level in capital mix (Mumtaz et'al 2013). Financing decisions beget a specific capital structure. A sub-optimal financing decision could result in a firm's failure. As such, management and investors are constantly at a dilemma as to whether optimal capital structure exists in the first place. This is expected given that the main aim of making financing decisions is to improve financial performance level. Many corporate bodies in Nigeria face financing decision challenges in terms of feeble ability to meet short term business obligations

which retards business performance (Ogunade, 2019). Decision to source for fund is critical and connected to several impending dangers as dilution of ownership and control, undercapitalization and inability to meet financial obligations as due, with end result of bankruptcy. Thus, an appropriate capital structure is a critical decision for any business organization.

The high lending rates, high level of inflation, volatility of exchange rate and insecurity in Nigeria makes the business environment very challenging. Businesses operating in this environment require capital to finance their operations and reports that the mix of debt and equity that a firm utilises to finance its operations is a critical issue because of their cost components and its effect on the financial performance of firms (Sike et'al, 2022).

The manufacturing sector in Nigeria faces numerous challenges, including limited access to capital, high-interest rates, and an unstable economic environment. Corporate investment financing whether through debt, equity, or retained earnings plays a crucial role in enabling firms to expand their operations, invest in technology, and improve production efficiency. However, it is unclear how different financing methods impact the financial performance of manufacturing firms in Nigeria. This uncertainty raises questions about the optimal mix of financing for maximizing profitability, growth, and sustainability (Olusola et al., 2022).
Furthermore, with fluctuating economic conditions and the rise of global competition, Nigerian manufacturing firms are under increasing pressure to make efficient investment and financing decisions. Thus, this study seeks to examine the relationship between corporate investment financing and financial performance of manufacturing sector in Nigeria, identifying which financing options best support financial growth and stability (Yinusa et al., 2019).

In recent decade, it was alleged that one of the reasons for the failure of corporations is lack of proper composition of investment capital financing, hence, the need for further study. Prior literature provides evidence of a positive relationship between corporate investment financing and financial performance as follows. In view of the above, the extant literature reviewed that authors had done great work on the corporate investment financing. Such as; Otieno et'al (2023), Abdullahi et'al (2023), Yu Huang et'al (2022), Gatauwa (2022), Aliyu, (2022), Sike et'al (2022), Farooq et'al (2022), Adeoye et'al (2021), Orji et'al (2021). The uniqueness of this research over other prior studies is the combination of variables such as, equity capital financing, debt capital financing, investment efficiency and preferred stock financing, to investigate corporate investment financing on financial performance of manufacturing firms

in Nigeria and the use of return on assets to measure financial performance. Most study on corporate investment financing only focused on equity and debt capital financing. The study will cover thirteen years (13) spanning from 2012 to 2024.

Objectives

This study seeks to fill existing research gap as observed by ascertaining the current data and results on the effect of corporate investment financing on financial performance of manufacturing firms in Nigeria. The specific objectives of this study are:

1. determine the effect of equity financing on return on investment of manufacturing firms in Nigeria
2. examine the effect of long term debt financing on return on investment of manufacturing firms in Nigeria.
3. assess the effect of short term debt financing on return on investment of manufacturing firms in Nigeria
4. evaluate the effect of preferred stock financing on return on investment of manufacturing firms in Nigeria.

LITERATURE REVIEW

Investment Financing

Financing decision is a decision concerning the liabilities and stockholder's equity side of the firm's balance sheet, such as the decision to issue bonds (Ba'aba, 2019). Thus, financing decisions are decisions regarding the method that are used to raise funds for the purpose of making acquisitions and investments. These decisions are mainly concerned with the capital structure of the firm, which is the way in which the company finances its assets using the combination of financing sources. The relevance of capital structure in determining corporate performance regarding profitability and firm's value has been a topic of discussion to researchers. Capital structure decisions are vital because a change in the gearing ratio can affect a company's financing ability, risk, and cost of capital, investment and strategic decisions and ultimately shareholder returns (Adami et'al. 2015)

Investment financing refers to the process of securing funds to support investments in various assets, or projects. The primary goal of investment financing is to provide the necessary capital to generate returns on investment, while also managing risk. Corporate financial structure is a financing decision a corporate entity undertakes with regards to funding its corporate financial investments (Yinusa et al., 2019). This entails or suggests the combination

of debt and equity in varying proportions with the intent of financing its assets. Generally, the direction of researchers' opinion is that a firm should determine and chose an optimal level of debt and equity combination based on the tradeoff between the cost and benefits of debt.

Equity Capital Financing

Equity financing is a method of raising capital for a business by selling shares of ownership in the company to investors in exchange for funds. In this type of financing, the investors become partial owners of the business and share in its profits and losses. Equity financing can come from various sources such as venture capitalists, angel investors, or through an initial public offering where shares of the company are sold to the public on a stock exchange (Njagi et'al, 2017).

Equity financing comprise of retained profits, own savings, contribution from board members, contribution from partners and friends, deferred income and cash flows of the business (Kongmanila & Kimbara, 2007). Angel Investors (business angels) are wealthy individuals who place equity in business that they believe have high growth and return prospects and are interested in supporting the entrepreneur (Ibrahim, 2008). Many successful large companies which attracted venture capitalists or public equity relied first on angels (Ibrahim, 2008). Equity financing is important source of income and have a positive relationship to the performance of the business. Firms that use equity finance are able to make it performance better since there is direct control and because equity holders are residual claimant they have to ensure that resources are allocated efficiently (Caroline & Willy, 2015).

H_{01}: *There is no significant effect of equity capital on return on investment of manufacturing firms in Nigeria.*

Long Term Debt Financing

This is the process by which a company raises funds through borrowing obligations that are due for repayment after a period longer than year. It is a critical component of corporate finance, providing businesses with the capital needed for expansion, acquisitions, capital projects, or other significant investments. Long-term debts show the percentage of assets financed with debt which is payable after more than one year. It includes bonds and long-term loans. Generally, these bonds and loans carry a higher interest rate, as lenders demand a higher return in exchange for taking on the greater risk of loaning money over a long period of time. In reality, long-term debt limits managerial discretion by making access to new funds and over-investment less likely (Hart & Moore, 1995). Mathematically, Long Term Debt

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Financing is measured as long term debt to total assets. According to Ubesie (2016), long term debt financing is a debt financing that matures in more than one year. It arises when an organization raises money for working capital or capital disbursements by selling corporate bonds, trade bills or notes to individuals and/or institutional investors. In return for lending the money, the individuals or institutions become creditors and receive a promise the principal and interest on the debt will be repaid.

H_{02}: Long term debt financing does not have significant effect on return on investment of manufacturing firms in Nigeria.

Short Term Debt Financing

This refers to borrowing arrangements where the repayment period is less than one year. It is typically used by businesses to manage day to day operations, cover temporary cash flow gaps, or fund immediate operational needs. According to Olaniyi et'al (2015), short-term debt is an account shown in the current liabilities portion of a firm's statement of financial position and it comprises of any debt incurred by a firm that is due within a year period. The debt in a firm's liabilities account is usually made up of short term bank loans among other types. Short-term debt is used to finance current assets that can be quickly turned back into cash; examples of this type of debt are accounts receivable and inventories. Non-current liabilities in the form of longterm debt, or debts, are used to finance long-term assets, such as the purchase of land and the construction of a building or ship (Julius and Lucky, 2020). This is expressed mathematical as Short Term Debts measured by Total Assets.

H_{03}: Short term debt financing does not have significant effect on return on investment of manufacturing firms in Nigeria.

Preferred Stock Financing

This is a method used by companies to raise capital by issuing preferred shares to investors. Preferred stock is a hybrid security that combines features of both debt and equity, preferred stockholders are entitled to receive dividends at a fixed rate before common stockholders, in the event of a company's liquidation, preferred shareholders have a higher claim on assets than common shareholders, but lower than debt holders. According to Omaliko and Okpala (2020), Preferred stock (also called preferred shares, preference shares or simply preferred) is a form of stock which may have any combination of features not possessed by common stock including properties of both an equity and a debt instrument, and is generally considered a hybrid instrument. Preferred stocks are senior (i.e., higher ranking) to common stock, but

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subordinate to bonds in terms of claim (or rights to their share of the assets of the company) and may have priority over common stock (ordinary shares) in the payment of dividends and upon liquidation. Terms of the preferred stock are described in the issuing company's articles of association or articles of incorporation (Osuji & Odita 2018).

Preferred shareholders receive fixed dividends, similar to interest payments on debt, these payments are typically higher than dividends on common stock. In the event of liquidation, preferred shareholders are paid before common shareholders but after creditors. Preferred shareholders usually lack voting rights in company decisions, distinguishing them from common stockholders. Preferred stock financing provides manufacturing firms with a flexible way to raise capital without significantly diluting control, however, it comes at a higher cost than debt and should be carefully balanced within the firms capital structure to optimize financial performance and shareholder value.

H_{04}: Preferred stock financing does not have significant effect on return on investment of manufacturing firms in Nigeria.

Financial Performance

Financial performance is a post business operation activity to determine how economically well or profitable the business has done within a particular period. In other words, financial performance is the extent to which financial goals or obligation of a firm is being accomplished. To determine the financial position of a firm, Irungu (2013) posits that financial performance analysis is conducted to identify the financial strengths and weaknesses of the firms by using and establishing relationship between items of the financial position and income statement. The financial performance is commonly measured by the ratios such as return on equity, return on assets, return on capital, return on sale and operating margin (Gilchris, 2013). Financial performance is viewed by Rajkumar and Hanitha (2015) as a firm's ability to generate new resources from day-to-day operations over a given period of time. Financial performance is a post business operation activity used to determine how economically well or profitable the business has done within a particular period; it is the extent to which financial goals or obligation of a firm is being accomplished (Odubuasi 2020).

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Return on Investment

According to Mariana, et'al (2016), the investment decision is a strategic decision and it is an integral part of the general policy of the company. Investments are means to secure the company's development in the medium and long term. The term investments have been defined by many authors over time. Note that investments are considered "resources deployed in the hope of achieving benefits during a long period of time" or money or other resources expended in the hope that in the future they will bring higher amounts of money or other benefits will occur (Mieilă, 2019). ROI (Return on Investment) is a concept of performance in any form of investment. For shareholders, the ultimate goal of the company is expressed in ROI. ROI is an indicator that shows to which extent a specific business produces gain from the use of capital. It shows the extent to which the amount invested in a particular action returns as profit or loss. Thus, it enables efficient assessment of an amount invested or, in other words, ROI allows measuring the result in relation to the means used to obtain it.

ROI is calculated as the ratio between operating profit obtained after the action of investment and the total amount invested (or the total investment costs). The result is a percentage of the relation obtained multiplied by 100. ROI is used by investors to select an investment project of several possible. As well it can be used after the completion of the investment, to measure its profitability. ROI is an indicator frequently used in performance analysis and decision-making. (Mariana, et'al 2016).

Theoretical Review

Stakeholder Theory

The stakeholder theory was propounded by Freeman (1984). The theory draws from the strategic management literature, systems theory, and corporate social responsibility to challenge the long-standing assumption "that the sole objective of firms is to maximize shareholders' wealth" (Laplumeet'al2008). Stakeholders refer to individuals or groups who are affected by, or whose actions can directly, or sometimes indirectly, affect the firm's operation The broadest definition of the concept is found in the work of Freeman (1984) where a "stakeholder is by definition any individual or group of individuals that can influence or are influenced by the achievement of the organization's objectives."

Stakeholder theory assumes that business organizations have several stakeholders besides stockholders, such as employees and customers (institutional and individual); the local community; creditors; government regulatory organizations and/or agencies; public interest

groups; environmental groups; trade associations; and competitors, including NGOs (Harangozo & Zilalhy, 2015). A primary stakeholder is one without whose continuing participation the corporation cannot survive, whereas a secondary stakeholder has an important role, but is not seen as being integral to the survival of an organization. Primary stakeholders were found to be careful about the extent to which disclosure or non-disclosure leads to some effect on the financial returns either in the form of an increase in reputation or by gaining a competitive advantage. However, secondary stakeholders were found to place greater importance on sustainability reporting and want it to be transparent and concerned with society and the environment. The theory challenges the long-standing assumption "that the sole objective of firms is to maximize shareholders' wealth" (Laplume et' al, 2008). It suggests that a company has a binding fiduciary duty to different stakeholders' which ultimately determines the value of the company based on how well the company fulfils the contracts with its stakeholders (Ong & Djajadikerta, 2017).

A firm's objective is to optimize stakeholders' well-being to create strategic advantage (Laplume et' al 2008). According to Freeman et'al (2010), the basic objective of a firm is to create value for stakeholders; and, the business is a set of relationships among groups that have a stake in the business activities. The stakeholders who have an interest in the business would include the customers, suppliers, employees, financiers (such as stockholders, bondholders, banks, or investors), communities, and managers. Stakeholder theory posits that the long-term value of a firm is premised on its relationships with critical stakeholders. The stakeholder theory intends to address three problems: (1) the problem of value creation and trade; (2) the problem of the ethics of capitalism; and (3) the problem of a managerial mindset (Freeman et'al2010).

Assumptions of Stakeholder Theory

The following assumptions of stakeholder theory are deemed practically relevant to this study:

a. Managers have a fiduciary relationship with the corporation's wider stakeholders, not just its shareholders.
b. The objectives of the stakeholders are in most cases very diverse and even conflicting.

Relevance of Stakeholder Theory

The theory proposes that companies produce externalities that affect several parties, both internal and external to the firm. Therefore, ensuring the trust of different stakeholder groups beyond the stockholders is critical. The stakeholders may be responsible for pressuring

companies to adopt sustainable practices. This study is anchored on the "stakeholder theory" because stakeholders are also interested in other information concerning corporate activities, which includes the social, environmental, economic, and governance information of the firm. In line with this, organizations can promote the meeting of stakeholders' interests as they may have an impact on the organizations, such that without their support or explicit support an organization will cease to exist.

Empirical Review

Suhale et'al (2024) evaluated the impact of sharia working capital financing and SMEInvestments on Economic Growth in South Sulawesi. This research was conducted from August to September 2023 using quantitative descriptive methodology. Data on the level of economic growth was obtained from the South Sulawesi Central Statistics Agency (BPS). A non-probability sample of 32 was taken using saturated sampling technique from quarterly financial reports. The data collection methods used were documentation and observation. Data analysis was performed using multiple linear regression analysis on SPSS 20 by IBM. The research findings show that: (1) partially, Islamic working capital financing has a negative and significant impact on economic growth in South Sulawesi; (2) partially, MSME investment has a positive but insignificant impact on economic growth in South Sulawesi; and (3) simultaneously, Islamic working capital financing and MSME investment have a positive and significant impact on economic growth in South Sulawesi.

Gaja et'al,(2024) investigated influence investment, financing, and MSMEs Against Growth Medan City Community Economy 2017-2022. This study adopted quantitative research study conducted through library research and reference studies. Data collection methods include questionnaires and documentation studies. The data analysis involves validity and reliability tests, classical assumption tests, t-tests (partial), F-tests (simultaneous), regression analysis, and coefficient determination. The results indicate that investment, financing, and MSMEs play significant roles in the economic growth of Medan City. Investment contributes 14.1% to economic development by enhancing infrastructure and technology, which supports the industrial sector and creates job opportunities. Financing, with a 99.1% contribution, facilitates business access to capital, improves efficiency, production capacity, innovation, and supports economic diversification. Although MSMEs contribute only 1.9%, they are crucial for the local economy by providing employment and reducing poverty. Supportive pro-MSME policies are essential for their growth. Overall, these three variables contribute

97.5% to the economic growth of Medan City's community between 2017 and 2022, underscoring their key roles in driving local economic development.

Nguyen (2024) studied the impact of capital structure on the performance of state-invested enterprises in Vietnam. Capital structure is measured by total debt ratio (TDR), long-term debt ratio (LTD), and short-term debt ratio (STD), and performance is measured by return on assets (ROA) and Tobin's Q ratio. The panel data regression method is used to process data collected from 350 state-owned joint stock companies (non-financial companies) listed on the Vietnam stock market from 2015-2022. The research results confirm that TDR, LTD, and STD negatively impact ROA and positively impact Tobin's Q (except LTD does not affect Tobin's Q). In addition, several factors that belong to the characteristics of enterprises, such as firm size, liquidity, tangibility, revenue growth rate, and state ownership ratio, impact the performance of SIEs by following different directions in each capital structure. These results imply that capital structure significantly influences ROA and Tobin's Q of SIEs in Vietnam. The SIEs in the research sample used assets and loans inefficiently according to their bookkeeping value, so they did not attract much attention from investors. However, increasing the debt ratio is considered a positive signal in expanding scale and stabilizing future income streams, creating confidence for investors about the development prospects of the enterprise. Finally, the study offers several important policy implications for policymakers and business managers in developing countries in establishing and disseminating impact mechanisms to help SIEs achieve optimal capital structure, thereby enhancing performance. It also aids lenders and investors in making informed financial or investment decisions.

Anozie et'al. (2023) Impact of capital structure on financial performance of oil and gas firms in Nigeria. Using an ex-post facto research methodology, the short-term debt to total asset, long-term debt to total asset, total debt to total equity, and return on asset variables were investigated as proxies for capital structure and financial performance, respectively. Based on the data's availability at the time of the inquiry, the study used an easy sampling strategy to gather secondary data. These data cover the years 2011 through 2020 and were compiled from the annual financial reports of five Nigerian oil and gas companies. Descriptive statistics and panel regression analysis were used to analyze the data. The analysis' findings shows that while long-term debt to total assets has a negative significant influence on return on assets, short-term debt to total assets and total debt to total equity had positive insignificant impacts. According to the findings, managers of oil and gas companies should reduce the amount of

long-term debt they have because doing so has a negative effect on their performance. They should also exercise caution when making capital structure decisions.

Jianmu and Efifania (2023) studied The Effect of Green Investment and Green Financing on Sustainable Business Performance of Foreign Chemical Industries Operating in Indonesia: The Mediating Role of Corporate Social Responsibility. The study used quantitative research techniques through primary and secondary data sources from Indonesia's 238 sampled international chemical companies. Additionally, a standardized questionnaire was employed in this study to gather data. The study used Smart-PLS and a structural equation model (SEM) to examine the data gathered and determine the relationship between green investment, green financing, CSR, and sustainable business performance. The study shows that green investments and financing significantly and favorably affect CSR and sustainable performance. Additionally, it was found that CSR significantly mediates green investment and green financing with sustainable business performance relationships. This work added to the body of literature and emphasized the significance of each construct. The study's conclusions also suggested that highly polluting chemical businesses should incorporate green financing, investment, and CSR to improve sustainable economic performance.

Otieno et'al (2023) studied the effect of capital structure on financial performance of commercial banks listed at the Nairobi securities exchange. This study sought to examine the effect of capital structure on the financial performance of commercial banks listed at the Nairobi Securities Exchange for the period 2015 to 2019. A general objective of this study was to determine the effect of capital structure on the financial performance of commercial banks listed at the Nairobi securities exchange. The study was guided by three theories; Agency theory on which the study is founded, Trade-off theory, and Pecking order theory as supporting theories. The study adopted a correlational design on all the 12 listed commercial banks at the NSE. The study used secondary data from audited financial statements. The quantitative data was analyzed through pooled multiple regression. Findings indicate that there is a negative statistically significant effect of Debt financing on financial performance of listed commercial banks in Kenya with a positive statistically significant effect of Retained earnings on financial performance of listed commercial banks in Kenya. In addition, there is a positive statistically significant effect of Equity financing on financial performance of listed commercial banks in Kenya. Similarly, there is a positive statistically significant mediating effect of capital adequacy on the relationship between capital structure and financial performance of listed commercial banks in Kenya. The study contributes to academic

literature by exploring the role of debt capital in corporate governance in an emerging economy such as Kenya. In conclusion, the reveals the correlation of capital structure and performance of listed commercial banks. The growth of Saccos is phenomenal and capturing their capital structure attributes and financial performance would be a worthy research in future studies.

Alhaji, (2022) studied Capital structure and financial performance of commercial banks in Nigeria. The data was analyzed using E-View 2010. Unit root test, Granger causality test and panel regression Analysis was conducted in this study. We concluded that, capital structure variables used are good predictor and significant with financial performance of commercial banks in Nigeria. In addition, we concluded that, Debt to Equity Ratio, Total Debts and Total Equity over the period under study, do not contributed to the financial performance (Return on Assets) of commercial banks in Nigeria. Furthermore, Equity to Capital Ratio and Debts to Capital Ratios improves the financial performance (Return on Assets) of commercial banks over the years. We therefore, recommended that, the bank managers should ensure that, capitals are spent on productive assets in other to improve financial performance of the banks, among others.

Gatauwa (2022) studied Private Equity Financing and Financial Performance: A Critical Review of the Literature. The study examines the extent to which private equity funds affect the performance of firms in the Fintech sector in Kenya using a conceptual approach. The agency theory and diffusion of innovations theory underpin the direct and indirect relationships examined in this paper while also reviewing empirical literature. There are mixed findings on the link between private equity and financial performance whereby on one hand, private equity-backed firms have better financial performance than non-private equity-backed firms while other studies support the converse. Nevertheless, firm factors have generally been found to have a moderating influence on the link between private equity and financial performance in firms.

Sike et'al (2022) evaluated Capital Structure and Firm Performance: Empirical Evidence from Nigeria Listed Non - Financial Firms. The study was based on positivism philosophy and adopted the ex-post factor research with historical data obtained from financial statements of all non- financial companies listed on the Nigerian Exchange Group over a period of twelve years from 2010 to 2021. Panel data analysis was employed for the study by using the pooled regression model, the fixed effects model and the random effects model. Using the Hausman's Chi square test statistic, the fixed effects model was selected as the appropriate model for the

study. The empirical evidence from the results shows that at 5% level of significance short term debt which had significant, positive effect on return on assets and Tobin's Q, while long term debt had a significant negative effect on the return on assets. Total equity also had significant positive effect on the Tobin's Q. However, the effect of long-term debt on Tobin's Q and total equity on return on assets was negative and insignificant. The results suggest that the effect of the short-term debts on financial performance supports the trade-off theory of capital structure which states that debt has a positive effect on performance while the effect of long-term debt on return on assets supports the pecking order theory of capital structure which states that profitable firms rely initially on internally generated funds before looking for external financing. The study concludes that the listed non-financial firms are financed by a mix of short-term debt, long term debts and equity which have mixed effects on their financial performance. The study therefore recommends that firms in Nigeria should have appropriate policies to guide their capital structure decision that will ensure that they have the appropriate mix of debt and equity that will optimize their performance.

Adeoye et'al (2021) evaluated capital structure and financial performance of listed manufacturing companies in Nigeria. An ex-post facto study was conducted on selected ten (10) consumers and industrial goods producing firms in Nigeria using a regression estimate between 1997 and 2017, resulting to 210 firm-year observations of balanced panel data. The study found that capital structure significantly influenced Tobin's Q; debt-equity ratio and short term debt-total asset ratio significantly and positively affected Tobin's Q. It was concluded that capital structure influenced profitability and value of firms. The managers are to strike a balance in the financing mix of the firm towards optimality, as this will speed up the overall profit and value maximization of the companies.

MATERIALS AND METHOD

This study made use of *ex-post facto* research design. We employ *ex-post facto* research design due to its special characteristics which are the event that has already occurred hence there is no need for manipulation or alteration and it is also less costly and less time consuming. The study made used of 43 listed manufacturing firms in Nigeria as the population and the study used 29 manufacturing firms out of the total population as sample size using purposive sampling techniques to select the sample size for the period of 13years from 2012-2024. The study used panel estimated generalized least square regression model to test the hypotheses. The data for this study were collected from the financial statement of the sample size of the study. the study's time frame is from 2012 - 2024. The reason for this period is to

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cover the period in which public limited firms were mandated to adopt international reporting standard (IFRS).

Table 1: Operationalization of Variables

Variables	Measurement	Source	A Priori Expectations
Dependent Variable			
Return on Investment (ROI)	Net Income/Total Assets	Orbaningsih, (2022)	
Independent Variable			
Equity Capital Financing (ECF)	Shareholders Fund /Total assets	Okolo, Okwu, Ugwuoke & Gbaraba (2019)	It is expected to have a positive effect
Long Term Debt (LTDF)	Long Term Debts/ Assets	Omaliko & Okpala (2020), Orji, Nwadialor &Agubata (2021)	It is expected to have a positive effect
Short Term Debt (STDF)	Short Term Debts/ Assets	Omaliko & Okpala, (2020) Orji, Nwadialor&Agubata (2021)	It is expected to have a positive effect
Preferred Stock Financing (PSF)	Preferred Stock/ Total Assets	Osuji and Odita (2012)	It is expected to have a positive effect

Source: Researchers; compilation (2025)

This study adapted the model of Sikeet'al, (2022), the model stated as follows

ROA= F (EQC + LTDF + STDF + μ)

Where:

ROA = Return on Assets

EQC= Equity Capital

LTDF = Long term Debt Finance

STDF = Short term Debt Finance

The model will be modified to suit the variables to be used. Hence the model for the study is anchored on the objective.

ROI = *f*(ECF, LTDF, STDF, PCF)…… Eqn 1.

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This can be econometrically expressed as

$ROI_{it} = f(\beta_0 + \beta_1 ECF_{it} + \beta_2 LTDF_{it} + \beta_3 STDF_{it} + \beta_4 PCF_{it} + \mu)$ …… Eqn 2.

Equation 1 and 2 are the linear regression model used in testing the null hypotheses.

Where:

ROI = Return on Investment

ECF = Equity Capital Financing

LTDF = Long Term Debt Financing

STDF = Short Term Debt Financing

PCF = Preferred Capital Financing

$\beta_{1,\ldots\ldots} \beta_{4,}$ = are the coefficient of the regression equation

μ = Error term

i = is the cross section of firms used

t = is the year (time series)

Accept Null if P-Value is greater than 5% and reject Alternate

Accept Alternate if P-Value is less than 5% and reject Null

RESULT AND DISCUSSIONS

Descriptive Analysis

Table 2 shows the descriptive analysis of the data.

Table 2 Descriptive Analysis

	ROI	ECF	LTDF	STDF	PSF
Mean	0.044039	-0.021700	0.185496	0.838796	0.0000433
Median	0.043833	0.407987	0.088575	0.448276	0.000000
Maximum	5.816481	0.971732	3.428688	18.40431	0.007765
Minimum	-3.012121	-19.01988	0.000000	0.004452	0.000000
Std. Dev.	0.399787	2.494112	0.376400	2.185814	0.000504
Skewness	6.197118	-5.840548	5.273349	5.864053	12.67164
Kurtosis	129.5125	37.45626	34.62283	38.05509	173.0928
Jarque-Bera	253831.3	20792.84	17455.67	21463.99	464555.9
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	16.60267	-8.180759	69.93197	316.2260	0.016311
Sum Sq. Dev.	60.09606	2338.944	53.27043	1796.446	9.55E-05
Observations	377	377	377	377	377

Source: Eviews 10 Output (2025)

Table 2 reveals that the average ROI for listed manufacturing firms in Nigeria is approximately 0.0440, or 4.4%, indicating that on average, firms generate a modest return on their total assets. The median ROI of 0.0438 is very close to the mean, suggesting a generally symmetric distribution around the average for most observations, although this symmetry

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breaks down under closer inspection. The wide range, from a minimum of -3.0121 to a maximum of 5.8165, indicates substantial variation in performance across firms, with some experiencing significant losses while others achieve strong returns. The high standard deviation of 0.3998 further emphasizes this variability. The skewness of 6.1971 and kurtosis of 129.5125 are both extremely high, showing a heavy right-skew and the presence of extreme outliers. The Jarque-Bera probability of 0.0000 confirms that ROI is not normally distributed.

The mean value for ECF is -0.0217, which is notably negative and suggests that, on average, shareholder funds relative to total assets are in deficit for some firms—potentially due to accumulated losses or negative equity. However, the median of 0.4080 is positive, indicating that more than half the firms maintain a healthy equity position. The minimum value of -19.0199 points to extreme cases of negative equity, while the maximum of 0.9717 shows firms where shareholder funds are nearly equal to total assets. The standard deviation of 2.4941 indicates extremely high variability. The negative skewness of -5.8405 confirms that the distribution is heavily left-skewed, dominated by a few firms with very low or negative equity. Kurtosis of 37.4563 also indicates extreme leptokurtosis, and the Jarque-Bera test confirms significant non-normality in the distribution of equity financing data.

The mean LTDF is 0.1855, meaning long-term debt constitutes roughly 18.6% of total assets on average among manufacturing firms in Nigeria. A median of 0.0886 suggests that more than half the firms maintain lower levels of long-term debt than the average, hinting at a few firms with high LTDF values skewing the mean upward. This is supported by a high maximum of 3.4287, implying some firms have long-term debts exceeding three times their total assets, which may indicate aggressive leverage strategies or financial distress. The standard deviation of 0.3764 shows considerable dispersion in debt levels. The skewness value of 5.2733 points to a right-skewed distribution, while a kurtosis of 34.6228 suggests heavy tails. These statistics, combined with a Jarque-Bera p-value of 0.0000, confirm the non-normality of LTDF data.

STDF has the highest mean value among the independent variables at 0.8388, indicating that short-term debt comprises a substantial proportion of total assets—over 83% on average. The median is much lower at 0.4483, suggesting that most firms use less short-term debt than the mean implies, with some extremely high values skewing the average upward. The maximum value of 18.4043 is exceptionally large, indicating that certain firms rely almost entirely—or even overwhelmingly—on short-term debt relative to their asset base, which may pose liquidity and solvency risks. The standard deviation of 2.1858 reflects very high variability in

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short-term debt usage. The positive skewness (5.8641) and kurtosis (38.0551) reinforce the presence of extreme positive outliers, and the Jarque-Bera probability of 0.0000 again confirms significant deviation from normal distribution.

Preferred stock financing shows the lowest values across all statistics, with a mean of just 0.0000433, or 0.00433%, indicating that it is barely used by manufacturing firms in Nigeria. The median is 0.0000, confirming that more than half the firms have no preferred stock at all. The maximum value, while still low at 0.0078, indicates a very small subset of firms that do issue preferred stock. The standard deviation is also low at 0.000504, reflecting minimal variation. However, the skewness of 12.6716 and kurtosis of 173.0928 are extremely high, suggesting that the few firms using preferred stock do so at disproportionately small but impactful levels. This also leads to a Jarque-Bera p-value of 0.0000, indicating the data is heavily non-normal and influenced by a handful of outliers.

Test of Hypotheses

The regression output testing the effect of corporate investment financing on the financial performance of listed manufacturing firms in Nigeria is shown in Table 4.8 below.

Table 3 Test of Hypotheses

Dependent Variable: ROI
Method: Panel EGLS (Period weights)
Date: 06/07/25 Time: 01:21
Sample: 2012 – 2024
Periods included: 13
Cross-sections included: 29
Total panel (balanced) observations: 377
Linear estimation after one-step weighting matrix
White period standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ECF	-0.261134	0.037076	-7.043284	0.0000
LTDF	-0.485651	0.062223	-7.804955	0.0000
STDF	-0.234453	0.037953	-6.177426	0.0000
PSF	5.332634	2.306379	2.312124	0.0213
C	0.326969	0.041397	7.898336	0.0000
	Weighted Statistics			
R-squared	0.104655	Mean dependent var		0.084442
Adjusted R-squared	0.095028	S.D. dependent var		0.380119
S.E. of regression	0.356939	Sum squared resid		47.39472
F-statistic	10.87059	Durbin-Watson stat		1.442320
Prob(F-statistic)	0.000000			

Source: Eviews 10 Output (2025)

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Table 3 presents the results of the regression model estimated using Panel EGLS with period weights, which accounts for both heteroskedasticity and time effects. The adjusted R-squared is 0.0950, indicating that approximately 9.5% of the variation in Return on Investment (ROI) is explained by the combined effects of equity capital financing, long-term debt, short-term debt, and preferred stock financing. While this value may seem modest, it is not unusual for financial panel data, especially when the focus is on estimating specific effects rather than achieving high predictive power. The F-statistic p-value of 0.0000 confirms that the overall model is statistically significant at the 5% level, meaning that, collectively, the explanatory variables have a joint significant effect on ROI. The Durbin-Watson statistic of 1.4423 is slightly below the ideal value of 2, suggesting mild positive autocorrelation in the residuals. However, considering earlier diagnostic tests, this is not severe enough to invalidate the model but should be monitored in future refinements.

The constant term (C) in the model is 0.326969 with a p-value of 0.0000, indicating it is statistically significant. This coefficient implies that, holding all other variables constant, a firm that does not utilize equity, long-term debt, short-term debt, or preferred stock financing would, on average, achieve a return on investment of approximately 32.7%. This serves as a baseline performance level and reflects factors outside the four specified financing methods that may also influence ROI, such as managerial efficiency, operational strategy, or market conditions.

Hypothesis One

H_{01}: There is no significant effect of equity capital on return on investment of manufacturing firms in Nigeria.

H_{i1}: There is significant effect of equity capital on return on investment of manufacturing firms in Nigeria.

The coefficient for Equity Capital Financing (ECF) is -0.2611, and the p-value is 0.0000, indicating a statistically significant effect at the 5% level. This means that, holding other financing sources constant, a 1-unit increase in ECF (i.e., an increase in shareholder funds relative to total assets) results in a decrease of 0.2611 units in ROI. In other words, the marginal effect of equity financing on ROI is negative and significant. This may suggest that equity-funded manufacturing firms in Nigeria are possibly overcapitalized or inefficient in their use of shareholder funds, leading to reduced profitability. Therefore, the alternate

hypothesis is accepted that equity capital financing has a negative and significant effect on return on investment of manufacturing firms in Nigeria (β = -0.2611, p = 0.0000).

This suggests that as manufacturing firms in Nigeria rely more on equity financing, their ROI tends to decline. This may be due to the high cost of equity, which often demands higher returns than debt due to the associated risk borne by shareholders. Moreover, excessive equity dilutes ownership and may reduce managerial efficiency or investor discipline, thereby lowering financial performance. Firms may also over-rely on equity when they are risk-averse or lack access to credit markets, leading to underutilization of potentially cheaper leverage. In such cases, equity becomes a costly alternative, eroding returns on invested capital. This finding aligns with the results of Otieno et al. (2023), who found a positive effect of retained earnings (a form of internal equity) on financial performance, indirectly suggesting that not all forms of equity have adverse effects—only when overextended. In contrast, Okolo et al. (2019) found that equity financing positively affected the performance of deposit money banks, suggesting that sector-specific factors play a role. Similarly, Zhang et al. (2017) found that equity financing promotes innovation in the technology sector due to its tolerance for risk, contrasting with manufacturing where ROI depends heavily on operational efficiency. Markova et al. (2019) also observed that equity in current financial climates often shrinks due to retained losses, validating the argument that reliance on equity in turbulent or low-growth environments can harm performance. These contrasting views imply that the negative effect in manufacturing could stem from overcapitalization or inefficient equity deployment in Nigerian firms.

Hypothesis Two

H_{02}: Long term debt financing does not have significant effect on return on investment of manufacturing firms in Nigeria.

H_{i2}: Long term debt financing has significant effect on return on investment of manufacturing firms in Nigeria.

The coefficient for Long-Term Debt Financing (LTDF) is -0.4857, with a p-value of 0.0000, showing a strong, negative, and statistically significant effect on ROI. This implies that a 1-unit increase in long-term debt relative to total assets causes ROI to decrease by 0.4857 units, holding other factors constant. The marginal effect is large and negative, suggesting that long-term borrowing may impose a heavy interest burden or be inefficiently utilized by manufacturing firms. Thus, long-term debt financing adversely affects firm performance,

reinforcing the case for cautious use of long-term debt in capital structuring. The alternate hypothesis is accepted that long-term debt financing has a negative and significant effect on return on investment of manufacturing firms in Nigeria ($\beta = -0.4857$, $p = 0.0000$).

This indicates that borrowing over long horizons may place a heavy financial burden on Nigerian manufacturing firms. Long-term debt often comes with fixed interest obligations, and if not matched by profitable investment, it leads to reduced returns. Additionally, firms may use long-term loans inefficiently or face high interest rates due to perceived sectoral risk. The low ROI could also stem from poor project execution, misallocation of borrowed funds, or economic instability, all of which erode the profitability intended by long-term financing. This result aligns with the pecking order theory, which suggests that firms should prefer internal financing to debt to avoid the cost of financial distress. This outcome is strongly supported by **Anozie** et al. (2023) who explicitly advised oil and gas companies in Nigeria to reduce long-term debt due to its adverse effects on performance. Similarly, Nguyen (2024) in Vietnam found long-term debt negatively impacts ROA, reinforcing the view that its burdens outweigh its benefits across sectors. Shikumo et al. (2020) found that while long-term debt explains some variation in financial growth, excessive use undermines firm value. Sike, Ibrahim, and Maitala (2022) also reported that long-term debt negatively and significantly affects return on assets in Nigerian non-financial firms, reinforcing this paper's finding. However, Ajibola et al. (2018) found a positive and significant relationship between long-term debt and ROE in Nigerian manufacturing firms, suggesting that firm-specific financial discipline and project success may mediate the effect.

Hypothesis Three

H_{03}: Short term debt financing does not have significant effect on return on investment of manufacturing firms in Nigeria.

H_{i3}: Short term debt financing has significant effect on return on investment of manufacturing firms in Nigeria.

The coefficient for Short-Term Debt Financing (STDF) is -0.2345, with a p-value of 0.0000, indicating a statistically significant effect at the 5% level. This shows that a 1-unit increase in short-term debt (relative to total assets) leads to a 0.2345 unit decrease in ROI, assuming other financing components remain unchanged. Hence, the marginal effect of short-term debt is both negative and significant, suggesting that heavy reliance on short-term liabilities could lead to liquidity pressures and financial instability, thus lowering profitability. Consequently,

the alternate hypothesis is accepted that short-term debt financing has a negative and significant effect on return on investment of manufacturing firms in Nigeria (β = -0.2345, p = 0.0000).

This suggests that although short-term financing can provide immediate liquidity, its overuse likely subjects firms to rollover risk, interest rate volatility, and high repayment pressure. These dynamics can lead to financial stress and poor capital utilization, ultimately lowering returns. In manufacturing, where cash flow cycles may be long, reliance on short-term credit might lead to liquidity mismatches and operational disruptions, further depressing profitability. Additionally, frequent refinancing requirements could divert managerial focus from core operations to financial restructuring. This finding is consistent with Nguyen (2024) who also reported a negative impact of short-term debt on ROA in state-invested enterprises. Similarly, Abdullahi et al. (2023) found that short-term debt had a negative and significant effect on financial performance of Nigerian consumer goods firms, supporting the assertion that such liabilities erode profitability. Alhaji (2022) and Aliyu (2022) both found negative but statistically insignificant relationships, pointing to a general trend but mixed significance across contexts. However, a contrasting view emerges from Sike et al. (2022) who observed a positive and significant effect of short-term debt on the performance of listed non-financial firms in Nigeria, suggesting that under certain conditions—such as disciplined use and high asset turnover—short-term credit may enhance firm performance.

Hypothesis Four

H_{04}: Preferred stock financing does not have significant effect on return on investment of manufacturing firms in Nigeria.

H_{i4}: Preferred stock financing has significant effect on return on investment of manufacturing firms in Nigeria.

The coefficient for Preferred Stock Financing (PSF) is 5.3326, with a p-value of 0.0213, indicating a statistically significant and positive effect at the 5% level. This implies that a 1-unit increase in preferred stock financing leads to a 5.3326 unit increase in ROI, all else being equal. Although the average use of preferred stock was extremely low (as seen in descriptive statistics), this result suggests that when preferred stock is used, it contributes positively and substantially to firm profitability. The marginal effect is both large and positive, perhaps due to preferred stock being a non-obligatory form of capital (with fixed dividend payments and no ownership dilution). Thus, the alternate hypothesis is accepted that preferred stock

financing has a positive and significant effect on return on investment of manufacturing firms in Nigeria ($\beta = 5.3326$, $p = 0.0213$).

Although preferred stock is rarely used in Nigerian manufacturing (as seen from the descriptive data), when deployed, it appears to be an efficient source of capital. This form of financing avoids regular interest obligations and ownership dilution, allowing firms to maintain financial flexibility while accessing capital. Additionally, preferred dividends are often fixed and discretionary, giving firms room to manage payouts in line with profitability. The sizable coefficient also suggests that investors respond positively to the disciplined use of preferred stock, potentially seeing it as a signal of strong governance or balanced capital structure. Few studies directly address preferred stock, but relevant parallels exist in private equity or hybrid financing literature. Gatauwa (2022) emphasized that private equity-backed firms often outperform others, supporting the view that non-traditional equity instruments like preferred shares may enhance returns. Zakka (2020) found that equity-related ratios positively affect ROA, suggesting that certain equity-like instruments can be profitable if carefully used. Similarly, Ohaka et al. (2020) concluded that both short- and long-term debt, along with firm size, positively impact performance—hinting that alternative capital sources, including preferred shares, may do the same. Although Okolo et al. (2019) observed positive effects of equity capital in banks, this may translate into preferred stock's benefits if structured with similar financial logic. Nonetheless, the limited use of preferred stock in Nigerian manufacturing calls for cautious optimism—its effectiveness may depend on specific firm contexts, investor appetite, and regulatory factors.

CONCLUSION AND RECOMMENDATIONS

The findings from this study suggest that the current financing structures employed by manufacturing firms in Nigeria may not be optimally aligned with profit-maximization objectives, particularly when reliant on conventional sources such as equity, long-term, and short-term debt. The negative and significant effects of these three traditional financing forms on return on investment imply a broader inefficiency in capital utilization, potentially pointing to structural weaknesses in financial planning, project execution, or the macroeconomic environment in which these firms operate. These outcomes raise concerns about the sustainability of financial strategies predominantly dependent on high-cost or risk-intensive capital sources. The results also imply a possible mismatch between financing duration and asset productivity in the manufacturing sector. The simultaneous negative effects of both long-term and short-term debt suggest that the problem is not merely one of maturity but

perhaps of interest burden, poor timing, or underperforming investments. Similarly, the significant decline in ROI associated with equity financing may indicate excessive equity dilution, ineffective shareholder engagement, or a lack of strategic investment of raised capital. Collectively, the results reflect deeper systemic issues around how financial capital is structured, deployed, and managed across firms in the sector.

Conversely, the positive and significant effect of preferred stock financing, though less commonly employed, highlights the potential of alternative financing mechanisms in delivering superior returns. This suggests that when financing tools are structured with hybrid features that balance investor expectations with operational flexibility, firms may experience better financial outcomes. The stark contrast in performance between preferred stock and other financing sources underlines the importance of capital structure quality and sophistication, indicating that the form of financing is as critical as its volume. This implication points to a shifting dynamic in capital structure efficacy within the Nigerian manufacturing context.

Based on these findings, the study recommends that:

1. Equity Capital Financing: Given that equity capital financing has a significant negative effect on return on investment (ROI), it is recommended that managers of listed manufacturing firms in Nigeria minimize reliance on equity financing unless absolutely necessary. They should consider other funding options to avoid dilution of ownership and reduce the negative impact on ROI.
2. Long-Term Debt Financing: As long-term debt financing significantly negatively affects ROI, it is recommended that financial managers in listed manufacturing firms in Nigeria carefully evaluate the costs and benefits of long-term debt before utilizing it. They should explore alternative financing options that do not create excessive debt obligations.
3. Short-Term Debt Financing: Since short-term debt financing also has a significant negative effect on ROI, managers and financial planners in manufacturing firms should limit the use of short-term debt and prioritize maintaining healthy working capital. They should focus on optimizing cash flow and seek long-term financing solutions that provide greater financial stability.
4. Preferred Stock Financing: Given that preferred stock financing has a significant positive effect on ROI, it is recommended that executives and board members of listed manufacturing firms in Nigeria consider increasing their use of preferred stock

financing. This will allow firms to raise capital without diluting ownership or incurring high debt costs, thereby enhancing financial performance.

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