



Capital Structure and Financial Performance of Listed Consumer Goods Companies in Nigeria

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Abstract

This study scrutinizes the influence of capital structure on the financial performance of publicly traded consumer goods corporations in Nigeria, with an emphasis on essential elements of capital structure including short-term debt (STD), long-term debt (LTD), and the debt-to-equity ratio (DER). A quantitative research methodology was employed, utilizing data sourced from ten publicly listed consumer goods enterprises in Nigeria over the timeframe of 2014 to 2023. Static panel regression analysis was used to assess the influence of these variables on financial performance metrics, specifically Return on Assets (ROA). The findings reveal that long-term debt (LTD) has a statistically significant negative effect on ROA, with a p-value of $0.0048 < 0.05$, short-term debt and debt-to-equity ratio was found to have an insignificant effect on ROA, with p-values of 0.2113 and $0.5395 > 0.05$. Overall, the findings underscore the critical necessity for meticulous oversight of long-term debt to prevent the deterioration of profitability, whereas short-term debt and the Debt-to-Equity Ratio (DER) seem to be manageable for ensuring stable financial results. This research offers significant contributions to the understanding of capital structure strategies within the consumer goods sector, yielding practical implications for corporate executives, investors, and policymakers who aspire to refine capital structure in pursuit of improved financial performance within Nigeria's consumer goods industry.

Keywords: Capital structure, Financial performance, Long-term debt, Short-term debt, Debt-to-equity ratio

Introduction

The performance and sustainability of firms, whether newly established or long-standing, fundamentally depend on access to adequate capital. Capital, often defined as the financial resources available to a business, plays a vital role in facilitating daily operations and enabling expansion. However, once sourced, capital particularly external funding becomes a liability that firms must strategically manage to optimize returns and sustain growth (Udobi, 2020). This underscores the significance of capital structure the composition of a firm's financing through retained earnings, equity, and debt as a determinant of business success. The capital structure of a firm is an important tool in the survival of the firm because it goes a long way in

determining its growth, development and sustainability over time. The capital structure is the overall sources of finance used by a company in financing its operations ranging from retained earnings to equity and debt finance. Capital structure has been considered as one of the most important factors in firm financing policy due to its crucial role in corporate performance (Gambo et al., 2018). According to Akintoye (2022) Capital structure decision is important for any business establishment arising from the need to maximize the wealth of business stakeholders and because of the fact that such decision has a significant impact on the firms' ability to compete in the competitive atmosphere. Capital structure has long been recognized as a critical element of corporate financial strategy. As

Gambo et al. (2018) assert, it significantly influences a firm's growth trajectory, development, and long-term viability. Effective capital structure decisions are essential not only for ensuring financial stability but also for enhancing a firm's competitiveness in an increasingly dynamic business environment (Akintoye, 2022). These decisions, involving the optimal mix of debt and equity, shape a firm's capacity to manage risk, reduce the cost of capital, and maximize shareholder wealth.

Moreover, the interdependence of financing, investment, and dividend decisions further highlights the importance of strategic capital management. As noted by Endri et al. (2019), any misalignment in these financial decisions could impair the firm's overall performance. Companies must therefore assess the availability, cost, and implications of various funding sources to determine an ideal capital structure that balances profitability with financial flexibility.

Rashid (2017), research on capital structure and profitability is driven by various theoretical frameworks, including the Modigliani-Miller theorem, suggest that in a perfect market, capital structure is irrelevant to firm value. However, in practice, real-world considerations such as taxes, agency costs, information asymmetries, and bankruptcy risks create complexities that necessitate careful capital structure planning (Rashid, 2017). This is especially true in emerging economies like Nigeria, where market imperfections and macroeconomic volatility complicate financing decisions. According to Murtaza and Azam (2019), firms in such contexts face additional constraints, including high interest rates, limited access to long-term capital, and unstable regulatory environments, all of which impact their capital structure and profitability. Despite extensive global research on the capital structure-profitability nexus, there remains a dearth of empirical evidence focusing on Nigeria's consumer goods sector a vital contributor to the country's GDP and employment. The sector's exposure to economic turbulence, high operating costs, and shifting regulatory landscapes necessitates a context-specific investigation into how capital structure decisions influence profitability (Ganiyu, 2019).

This research endeavor, consequently, aims to address this deficiency by analyzing the influence of capital structure on the profitability of publicly traded consumer goods firms in Nigeria over the period from 2014 to 2023. In particular, it examines the effects of short-term debt, long-term debt, and debt-to-equity ratios on return on assets (ROA), thereby providing valuable insights into the optimal financing strategies that enhance shareholder wealth. In this manner, the study contributes to both scholarly dialogue and the pragmatic aspects of financial management within the Nigerian corporate landscape.

Review of Literature

Financial Performance

Financial performance involves how well a business manages its resources (assets) to do business so as to generate profits over a certain period. It evaluates a company's overall financial status over a specific time frame and can be employed to assess a company's performance across sectors or within the same industry (Ajirole, 2019). The main source of data used to assess or evaluate how a firm performs is contained in the firm's financial statements that reveals the outcome of accounting. The financial statements comprise of data on changes in owner wealth, cash sources and uses over time, and sales, expenses, and earnings within a certain time frame (Ndukwe, 2018).

Folajimi et al. (2020) asserted that several metrics can be used to analyze or compute financial performance, but each measure captures or illustrates a different aspect of it. An organization's overall financial health over a certain period of time is implied by its financial performance. The process of determining a company's operational and financial characteristics from financial statements is known as financial performance analysis, and in this study, return on assets, an internal/company's financial performance measurement was used as a proxy for financial performance (Ajibola et al., 2024). This measure of financial performance was adopted as it represents one of the optimal measure as it reveals how a firm effectively utilized its assets to generate adequate income.

Return on Assets (ROA)

Return on assets is a financial metric that assesses a company's capacity to create profit from its overall assets. It shows how effectively a company is utilizing its assets to generate profits. Return on Assets is determined by dividing a firm's net income by its total assets and is usually represented as a percentage. This ratio holds significance for investors and analysts since it reveals how effectively a company transforms its asset investments into earnings. The greater the Return on Assets, the more effective the company is at utilizing its assets to produce profits. A diminished Return on Assets could suggest that the firm is not effectively using its assets or is encountering operational challenges that affect profitability (Owolabi & Ajayi, 2019)

Short-Term Debt (STD)

Short-term debt denotes a company's financial responsibilities that must be settled within a year. This kind of debt is typically utilized to cover urgent operational requirements, including working capital, inventory acquisitions, or short-term initiatives. Businesses frequently depend on short-term borrowing to bridge cash flow shortages, pay employees, or address urgent costs that cannot be postponed. In contrast to long-term debt, which is arranged for lengthy durations, short-term debt is anticipated to be repaid rapidly, rendering it vital for a company's liquidity management (Nwaolisa & Chijindu, 2020).

Long-Term Debt (LTD)

Long-term debt pertains to loans or financial commitments that a corporation is required to settle over a timeframe exceeding one year. This type of debt is frequently utilized by businesses to fund significant capital outlays, like infrastructure, equipment, or property, that necessitate considerable investment yet offer long-term advantages. In contrast to short-term debt, which addresses immediate operational requirements, long-term debt aids companies in strategizing and overseeing significant projects that extend over several years. Long-term liabilities usually consist of items such as bonds, long-term loans, and mortgages (Ajao & Ayodele, 2019)

Debt to Equity Ratio (DER)

The debt-to-equity ratio is an essential financial gauge that assesses a company's leverage and financial soundness by contrasting its total debt with shareholders' equity. This ratio is derived by dividing the overall liabilities of the company by its total equity, offering a perspective on the extent of debt in relation to the equity base. In Nigeria, a high debt-to-equity ratio indicates that a company heavily depends on debt to support its operations and expansion. This can elevate financial risk since debt commitments involve fixed payments, which include interest and principal repayments. Firms with significant leverage may encounter difficulties in fulfilling these commitments, especially in times of economic decline or financial strain, which could result in heightened financial distress or possible insolvency (Ogbonna & Appah, 2018).

Theoretical Framework

The tradeoff theory model is traceable to the debate over the Modigliani & Miller (M&M's) theorem (When the corporate tax was added to the original irrelevance proposition of M&M, a benefit for debt is observed that serves to shield earnings from taxes (Getahun, 2016). This theory states that the optimal capital structure is the trade-off between the benefits of debt (the interest tax shields) and the costs of debt (the financial distress and agency costs) (Getahun, 2016). Unlike the trade-off theory, the pecking order theory does not assume an optimal level of capital structure. It states that companies prioritise their source of financing, from internal financing to equity financing, according to the principle of the least resistance, preferring to raise equity as a financing means of last resort. So, the pecking order theory claims that internal funds are used first, and only when all internal finances have been depleted, firms will opt for debt. When it is not sensible to issue any more debt, they will eventually turn to equity as a last financing resource (Olowe, 2018). Pecking Order Theory is also known as Asymmetric Information Theory which is based on minimum effort principle, and a well-known theory in analysing the financial behaviour of firms was propounded by (Myers & Majluf 1984). They suggested that firms will not seek external finance at the capital markets until

the reserve of retained earnings is exhausted. Then, then the debt market is called on first, and only as a last resort will companies raise equity finance. In contrast to the Trade-off Theory which considers interest tax shields and the potential threat of bankruptcy to be only of secondary importance. Gearing ratios are adjusted when there is a need for the external fund which results from the imbalance between internal cash flow, net of dividends, and real investment opportunities. Only firms whose investment needs exceeded internally generated funds would borrow more debt. Myers (1984) concludes that each firm's debt ratio, therefore, reflects its cumulative requirement for external financing and that profitable companies with limited growth opportunities would always use their cash surplus to reduce debt rather than repurchasing shares. According to the theory, a firm with high profitability will not need external fund. However, a firm prefers external financing over share issue since it does not perform sufficient fund-raising and debt is less costly compared to share (Lambe, 2014; Nirajini, & Priya, 2013).

Empirical Review

Kantudu, *et al* (2026) seeks to examine the impact of capital structure on the financial performance of listed consumer goods companies in Nigeria. The study covers a 14-year period (2010–2024). Capital structure is proxied by Total Debt to Total Assets (TDTA), Long-Term Debt to Total Assets (LTDA), and Total Debt to Equity (TDTE), while financial performance is measured using Return on Assets (ROA) and Tobin's Q. Secondary data were sourced from the Nigerian Exchange Group (NGX) for 16 listed consumer goods firms that met the selection criteria. The study employed descriptive statistics, correlation matrix, and panel regression analysis using Panel Corrected Standard Errors (PCSE) to test the hypotheses.

Herawati and Sumiati (2025), the research was conducted in Indonesia, focusing on companies in the property and real estate sub-sector listed on the Indonesia Stock Exchange (IDX). study titled, "The Effect of Intellectual Capital, Firm Size, and Capital Structure on Financial Performance: Empirical Study of Sub-Sector Companies Property and Real Estate Registered on the IDX

from 2018–2022" The study aimed to examines the effect of intellectual capital, firm size, and capital structure on financial performance, with a view to understanding which of these internal factors significantly influence the profitability of firms operating in a volatile business environment, the dependent variable in the study is financial performance, measured using Return on Assets (ROA). The independent variables include Intellectual Capital, measured by Value Added Intellectual Capital (VAIC), Firm Size, measured by the natural logarithm of total assets, and Capital Structure, measured using the Debt-to-Equity Ratio (DER). The study analyzed a sample of 19 companies, with a total of 95 firm-year observations over the period from 2018 to 2022. To analyze the data, the researchers used multiple linear regression analysis on panel data, processed using SPSS. Various diagnostic tests such as normality, multicollinearity, autocorrelation, and heteroscedasticity were also conducted to ensure model validity.

Okezie, *et al* (2025) carried out a research on the impact of capital structure on financial performance of listed firms in Nigerian stock exchange. Specifically, the study looked at the effect of long-term debt to total investment on return on investments; the effect of short-term debt to total investment on return on investments; and the effect of total debt to total investment on return on investments. Data were described using descriptive statistics, Pearson correlation coefficient while multiple regression analytical technique with the aid of econometrical tool E-views 9 was used in analyzing the data. . The result of analysis indicates that long term debt to total investments, short term debt to total investments, and total debt to total investments have significant positive impact on return on investments at 5% level of significance.

Aghaebe and Oranefo (2024) examined the effect of capital structure on the firms' financial performance of consumer goods firms listed in Nigeria. The specific objective was to assess the effect of short term debt to equity, long term debt to equity and total debt to equity on return on asset of consumer goods firms listed in Nigeria. The study adopted the ex-post facto research design and the population comprised of twenty-

one listed consumer goods firms in Nigeria. The sample was purposively selected a sample size of 16 firms from the consumer goods sector of the Nigerian Exchange Group (NGX), from 2012-2022. The data were obtained from annual reports of the firms included in the sample. The data were analyzed using descriptive tools, correlational and regression analyses. The pooled ordinary least square regression technique was used in testing the hypotheses of the study.

Salihu, *et al* (2024) examined the relationship between capital structure and financial performance of listed consumer goods companies in Nigeria for the period of (8) years 2015-2022. The study's population includes all twenty-one (21) listed consumer goods companies on the Nigerian Exchange Group (NGX) as of December 2022. The sample size for the study is ten (10) companies. The study used documented information acquired from the sampled businesses' financial statements and finances; the data was first evaluated using descriptive statistics to give summary statistics for each variable. Correlation analysis was then performed using the Pearson correlation approach to determine the relationship between both independent and dependent variables, followed by the OLS regression technique. The result revealed that capital structure proxy by total debt to total assets has a positive significant effect on financial performance (ROA) and (ROE), short-term debt to total assets has a negative insignificant effect on financial performance (ROA) and (ROE). In contrast, long-term debt to total assets has a positive insignificant effect on financial performance of listed consumer goods companies in Nigeria.

Ogunleye and Akinwunmi (2021) explored the role of equity financing in influencing the profitability of manufacturing firms in Nigeria. The study covered a sample of 25 companies from the manufacturing sector over the period from 2013 to 2020. By employing a panel data approach, the research found that higher equity financing was associated with improved profitability metrics, particularly ROE. The study attributed this to the reduction in financial leverage and the increased capacity for investment in growth opportunities. However, it

also noted that excessive reliance on equity financing could dilute returns and affect shareholder value. The authors recommended a balanced approach to equity financing to optimize financial performance.

Alabi and Afolabi (2020) investigates how capital structure affects the profitability of SMEs in Nigeria. Using a sample of 40 SMEs across various sectors, the researchers conducted a quantitative analysis over a 6-year period (2014-2019). The study revealed that SMEs with a higher proportion of debt financing tended to have higher profitability due to lower costs of capital and increased leverage. However, it also noted that excessive debt could lead to financial instability and lower profitability. The research suggested that SMEs should carefully manage their capital structure to balance the benefits of debt financing with the risks associated with high leverage.

Adegbie and Oseni (2020) examined the impact of capital structure on the profitability of manufacturing firms in Nigeria. The research utilized data from 50 listed manufacturing companies over a period of 10 years, from 2009 to 2018. The study employed regression analysis to explore the relationships between debt ratios, equity, and profitability indicators such as Return on Assets (ROA) and Return on Equity (ROE). The findings revealed a significant positive correlation between optimal debt levels and profitability, suggesting that moderate use of debt enhances financial performance by leveraging returns. However, excessive debt was associated with increased financial risk and reduced profitability. The study highlighted the importance of balancing debt and equity to maximize firm performance and advised manufacturing companies to adopt a capital structure strategy that aligns with their business goals and market conditions.

Methods

This study adopts a quantitative research methodology aimed at examining the effect of capital structure on the profitability of listed consumer goods companies in Nigeria. The methodology outlines the research design,

population, sample size, data collection methods, variable measurements, model specification, and data analysis techniques used in the study. The research employs a panel data regression design, utilizing secondary data from annual financial statements of 10 purposively selected consumer goods firms listed on the Nigerian Stock Exchange (NSE) over a ten-year period (2014 – 2023). The selected firms Nestle Nigeria Plc, Dangote Sugar Refinery Plc, Guinness Nigeria Plc, Cadbury Nigeria Plc, PZ Cussons Plc, Honeywell Plc, International Brewery Plc, Flour Mills Plc, Nascon Allied Industries Plc, and Unilever Plc were chosen based on the availability and consistency of relevant financial

data. Secondary data were obtained from audited company reports and NSE publications, covering variables that reflect capital structure and profitability: Short-Term Debt (STD), Long-Term Debt (LTD), Debt-to-Equity Ratio (DER), and Return on Assets (ROA). These variables were measured using standard financial ratios:

- ROA = Net Income ÷ Total Assets
- STD = Total current liabilities
- LTD = Total non-current liabilities
- DER = Total Debt ÷ Total Equity

The econometric model applied is adapted from Anwar (2011), specifying ROA as a function of STD, LTD, and DER:

$$ROA = f(STD, LTD, DER) \quad (1)$$

$$ROA_{it} = \beta_0 + \beta_1 STD_{it} + \beta_2 LTD_{it} + \beta_3 DER_{it} + \varepsilon_{it} \quad (2)$$

Both Fixed Effects and Random Effects models are estimated to account for unobserved heterogeneity among firms, with the Hausman test determining the most suitable model. The fixed effects model includes firm-specific intercepts (β_0), while the random effects model assumes that these are randomly distributed across entities. Data analysis is performed using statistical econometric software called E-view, with descriptive statistics providing an overview of the dataset. Regression analysis tests the significance of explanatory variables at a 5%

level of significance, and diagnostic tests (e.g., normality, multicollinearity, and autocorrelation) are conducted to ensure model validity and result robustness.

This comprehensive methodological approach enables a reliable exploration of the impact of capital structure decisions on the financial performance of Nigerian consumer goods companies, providing insights relevant to academia, industry stakeholders, and policy-makers.

Results

Table 1: Descriptive Statistics of Study Variables

Statistics	ROA	STD	LTD	DER
Mean	0.036745	35.54134	84.55691	2.575941
Median	0.037050	20.52446	53.55243	1.524550
Maximum	0.264900	263.4422	481.5462	47.89380
Minimum	-0.301000	-51.41087	5.575070	-10.73810
Std. Dev.	0.081553	49.15184	87.65437	5.414800
Skewness	-0.313930	2.103047	2.353824	5.901950
Kurtosis	5.915964	8.541448	8.867032	50.95750
Jarque-Bera	37.07106	201.6620	235.7667	10163.56
Probability	0.000000	0.000000	0.000000	0.000000
Sum	3.674500	3554.134	8455.691	257.5941
Sum Sq. Dev.	0.658441	239174.4	760645.5	2902.685
Observations	100	100	100	100

Source: Authors' Computation (2026)

The descriptive statistics of the study variables Return on Assets (ROA), Short-Term Debt (STD), Long-Term Debt (LTD), and Debt-to-Equity Ratio (DER) offer key insights into the financial structure and performance of listed consumer goods companies in Nigeria. The average ROA of 3.67% indicates modest profitability across firms. The mean values of STD (35.54) and LTD (84.56) reveal a greater reliance on long-term debt financing. Additionally, the mean DER of 2.58 suggests that, on average, firms operate with more than twice as much debt as equity, signifying high leverage levels. Also, substantial variability is observed in debt-related variables, particularly LTD (SD = 87.65) and STD (SD = 49.15), while ROA shows more consistency (SD = 0.0816). DER also displays wide dispersion (SD = 5.41), indicating differing capital structures across firms. The skewness and kurtosis values,

especially for DER (skewness = 5.90; kurtosis = 50.96), confirm the presence of extreme values and a non-normal distribution. The Jarque-Bera test results ($p < 0.05$) for all variables confirm significant deviation from normality, suggesting the need for caution in further statistical modeling and possible data transformation. Extreme values in ROA (ranging from -30.10% to +26.49%) and in both STD and LTD also point to diverse financial conditions across companies.

The descriptive statistics reflect a heterogeneous landscape in the Nigerian consumer goods sector, marked by varying profitability levels and leverage intensities. The high reliance on long-term debt, coupled with the presence of outliers and non-normal data distribution, highlights the need for robust analytical techniques to capture the complex relationship between capital structure and profitability.

Table 2: Hausman Test for Random Effect

Dependents	Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
ROA	Cross-section random	24.985154	3	0.0000

Source: Authors' Computation (2026)

The Hausman test result, with a Chi-square value of 24.9852 and a p-value of 0.0000 ($p < 0.05$), indicates that the fixed effects model is more appropriate than the random effects model for analyzing the relationship between capital structure variables (Short-Term Debt, Long-Term Debt, and Debt-to-Equity Ratio) and Return on Assets (ROA) of listed consumer goods companies in Nigeria. The rejection of the

null hypothesis confirms that firm-specific characteristics are correlated with the explanatory variables, and failure to account for these in a random effects model could lead to biased estimates. Thus, the fixed effects model, which controls for unobserved heterogeneity across firms, provides a more reliable and accurate analysis of how capital structure influences profitability.

Table 3: Post Estimation Tests: Cross-sectional Dependence Test

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	10.1716	45	0.5670
Pesaran scaled LM	14.7601		0.4540
Pesaran CD	8.13802		0.8295

Source: Authors' Computation (2026)

Based on the results from all three tests (Breusch-Pagan LM, Pesaran scaled LM, and Pesaran CD) as shown in table above, there is no evidence of cross-sectional dependence in the dataset of listed consumer goods companies in Nigeria as ($p >$

0.05), an implication that the regression models used to analyze the relationship between capital structure variables and financial performance (ROA) are unlikely to suffer from issues arising due to correlated residuals across companies.

Therefore, the results from the regression analysis can be considered valid without adjustments for cross-sectional dependence.

Table 4: Jarque Bera Normality Test of Residual

Statistic	p-value
25.62616	0.00003

Source: Authors' Computation (2026)

The outcome of the Jarque-Bera Normality Test, showing a statistic of 25.62616 and a p-value of 0.00003 ($p < 0.05$), suggests that the normality assumption in the residuals of the regression model has been violated. This indicates that the residuals do not follow a normal distribution. Nonetheless, even with this variation, the non-normality is not intense enough to notably impact the model's overall effectiveness or the dependability of its conclusions.

Table 5: Correlation Matrix of Study Variables

	ROA	STD	LTD	DER
ROA	1			
STD	-0.123827	1		
LTD	0.003179	0.554088	1	
DER	0.028303	0.207128	0.064940	1

Source: Authors' Computation (2026)

The correlation matrix indicates that Return on Assets (ROA) exhibits a weak negative correlation with Short-Term Debt (STD) (-0.1238), a nearly nonexistent relationship with Long-Term Debt (LTD) (0.0032), and a very slight positive link to Debt-to-Equity Ratio (DER) (0.0283), suggesting that capital structure factors exert little direct impact on profitability. A moderate positive correlation is observed between STD and LTD (0.5541), indicating that companies that depend on short-term debt frequently utilize long-term debt too, which may demonstrate a stable financing approach. The weak relationships between DER and both STD (0.2071) and LTD (0.0649) indicate that variations in either debt type minimally impact a company's total leverage ratio. Furthermore, the typically weak links between profitability and debt elements suggest that other factors like operational efficiency, market circumstances, or management practices could have a larger influence on firm performance.

Table 6: Regression Model Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.073981	0.011862	6.236575	0.0000
STD	-0.000307	0.000244	-1.259372	0.2113
LTD	-0.000336	0.000116	-2.894950	0.0048
DER	0.000819	0.001329	0.615930	0.5395

$R^2 = 0.4217$; $Adj-R^2 = 0.3419$; $F\text{-statistic} = 5.2856$ ($p = 0.0000 < 0.05$); $DW = 1.899956$

The table presented above reveals the regression estimates from the Fixed Effects Model (FEM), used to examine the impact of capital structure variables on the profitability of listed consumer goods companies in Nigeria, with Return on Assets (ROA) as the dependent variable. The constant term (C) has a coefficient of 0.073981, which is statistically significant at the 1% level (p

= 0.0000). This indicates that when all explanatory variables (Short-Term Debt – STD, Long-Term Debt – LTD, and Debt-to-Equity Ratio – DER) are held constant at zero, firms exhibit an average baseline profitability of 7.4 percent, likely reflecting other operational or sector-specific factors not captured by the debt variables. Also, the coefficient for Short-Term Debt (STD) is -0.000307, with a t-statistic of -1.259 and a p-value of 0.2113, suggesting an inverse but statistically insignificant relationship with ROA. This implies that variations in short-term debt do not have a meaningful impact on firm profitability, possibly due to efficient short-term debt management or alignment with short-term revenues. Conversely, Long-Term Debt (LTD) shows a statistically significant negative effect on profitability, with a coefficient of -0.000336, a t-statistic of -2.895, and a p-value of 0.0048. This result suggests that increased reliance on long-term debt reduces ROA, likely due to higher interest obligations and reduced financial flexibility. This finding aligns with the pecking order and trade-off theories, which caution against excessive long-term borrowing due to its cost implications on firm performance.

The Debt-to-Equity Ratio (DER) has a positive coefficient of 0.000819, but it is not statistically significant ($p = 0.5395 > 0.05$). This indicates that overall leverage does not have a discernible effect on ROA within the observed firms, suggesting that firms may have optimized their debt-equity balance or that other factors override the effect of leverage. This outcome thereby goes in line with the pecking order theory. In terms of model performance, the R-squared (R^2) value of 0.4217 and the adjusted R^2 of 0.3419 indicate that the model explains approximately 34.2 percent of the variability in profitability across firms. The F-statistic of 5.2856 with a p-value of 0.0000 confirms the overall significance of the model, implying that the explanatory variables jointly have a meaningful impact on ROA. Additionally, the Durbin-Watson (DW) statistic of 1.8999 falls within the acceptable range, suggesting no serious issue of autocorrelation in the residuals.

Conclusion

This study examined the impact of capital structure on the profitability of publicly listed

consumer goods firms in Nigeria from 2014 to 2023, using ROA as the performance measure. The results show that long-term debt significantly reduces profitability, while short-term debt and the debt-to-equity ratio have no significant influence on ROA. These findings emphasize the need for prudent management of long-term borrowing to avoid financial strain and protect stakeholder value. The outcomes align with capital structure theories such as the pecking order and trade-off theories, though the non-normality of residuals suggests cautious interpretation. Overall, the study contributes to understanding optimal financing decisions in the sector and recommends further research incorporating additional financial indicators and macroeconomic variables. Moreover, the findings provide practical guidance for firms seeking to strengthen financial sustainability and investor confidence. The study serves as a useful benchmark for policymakers aiming to create supportive financing environments. Ultimately, improving capital structure efficiency remains key to enhancing competitiveness and long-term growth in Nigeria's consumer goods industry.

Recommendations

Based on the findings of this study, the following recommendations are proposed to enhance capital structure efficiency and profitability among consumer goods firms in Nigeria

- i. Companies should limit heavy dependence on long-term borrowing, as it negatively affects profitability through high interest and financial distress risks. As a result, firms should explore internal fundings, such as equity financing or retained earnings as alternatives, given that long-term debt negatively affects firms' financial performance.
- ii. Firms should strategically balance debt and equity to sustain financial stability, leverage tax benefits, and maintain investor confidence.
- iii. Short-term debt should be applied mainly for working-capital needs and monitored closely to avoid unnecessary accumulation of short-term obligations.

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