International Journal of Economics and Financial Management (IJEFM)
E-ISSN 2545-5966 P-ISSN 2695-1932 Vol 10. No. 3 2025 www.iiardjournals.org online version

Financing Dynamics and Performance of Quoted Firms: Panel Data Evidence from Nigeria

TRIUMPH, Hachituru
Department of Finance, Rivers State University, Port Harcourt, Nigeria

Ogechi Chinenye Onyegbula
Department of Banking and Finance,
Captain Elechi Amadi Polytechnic, Rumuola, Port Harcourt
DOI: 10.56201/ijefm.v10.no3.2025.pg1.24

Abstract
This study examined the effect corporate financing strategies on the financial performance of quoted firms in Nigeria. Panel data were sourced from Nigeria Exchange Group factbook. Earnings per share and return on investment were modeled as the function of Total capital to total assets of the quoted food and beverage manufacturing firms, Total capital to total equity of the quoted food and beverage manufacturing firms and Total capital to total Liabilities of the quoted food and beverage manufacturing firms. Ex-post facto research design was employed in obtaining, analyzing and interpreting the relevant data. Panel data method of analysis was employed. From model one the study found that 81.7 percent of the total variations in earnings per share were accounted for by the explanatory variables. The t-statistics showed that total capital to totals assets have negative effect, total capital to total equity have positive effect total capital to total liabilities have negative effect on earnings per share of the quieted firms. From model two, the fixed effect found that 52.3 percent of the total variations in the return on investment were accounted for, by the explanatory variables. The t-statistics shows that total capital to total assets have negative effect while total capital to total equity and total capital to total liabilities have positive effect on return on investment of the quoted firms in Nigeria. From the findings, the study concludes that corporate financing policy significantly determines corporate financial performance. We recommend that Financial managers should institute sound, efficient and coherent financing structure management policies such that will enable them determine the right mix or combination of debt, equity or both that will enhance firms' value in Nigeria. Firm should expand to a level it does not result to diseconomies of scale and the eventual fall in the value of the firm. Government and policy makers should provide an enabling market environment capable of enhancing easy source of capital to enhance firm financial performance in Nigeria.

Keywords: Financing Dynamics, Performance, Quoted Firms, Panel Data, Nigeria

INTRODUCTION

Prior to the emergence of behavioural finance, corporate financial decisions and finance management functions such as capital structure was mainly determine by the management and the internal operating factors of the firms such as the firm size, composition of assets, ownership structure, capital structure, profitability and board composition. Every firm whether small scale firms or large scale firms need funds to operate; especially large scale firms, they need funds to expand their operations and activities. The motive of every firm is to make profit, maximize owner's wealth, and to achieve this motive they need to source for fund in order to finance their operations and activities. Firms have multiple financing sources to finance their investment. Basically, financing sources can be categorized into two; the internal financing sources which include reserves and retained earnings; external financing which includes long-term loans, bond issuance, ordinary and preferred stock issuance. The debt-equity mix can take any of the following forms: 100% equity: 0% debt, 0% equity: 100% debt and X% equity: Y% debt. From these three alternatives, option one is that of the unlevered firm, that is, the firm shuns the advantage of leverage (if any) Option two is that of a firm that has no equity capital (Olokoyo, 2012). Firms must choose the best financing sources to reach the optimal capital structure so that they can make suitable financing decision that would enable them to achieve positive returns. A firm's value reflects its ability to create economic wealth.

Determining the optimal capital structure of the firm is a critical finance management function. It involves the weighing of the pros and cons of various sources of financing and selects the most advantageous keeping in view the target capital and its effect on the value of the firm. Unlike the classical theories of capital structure, modern theories takes into accounts taxes, financial distress, agency cost, information asymmetry and the effect market imperfections which are considered nonexistence in the Miller and Modigliani assumptions. The classical models of financial evaluation indicate that capital structure like the dividend policy is important, since optimal capital mix effect the value of the corporate firm. It is used as financial signaling to outsiders regarding the stability and growth prospects of the firm.

The value of a firm is a function of performance of the organization (Olugbenga & Atanda, 2014). Decision making is a basic ingredient in determining the path set for organizations and how well such organizations achieve their set objectives. Effective decision making can be quite challenging in an organization because of the changes occurring in the environment that bring uncertainties. Appropriateness of measurement metrics/variables affects the decision-making process or quality of decision which invariably affects firm value. However, Modigliani and Miller's (1958) capital structure irrelevance theory states that the firms overall market value and the weighted average cost of capital is independent of capital structure in a perfect market without taxation. However, the tax free perfect market does not hold in the real world. The traditional capital structure theory (the Naïve Theory) Prior to 1958 was based on the idea of weighted average cost of capital principle, which states that companies issue debt in order to reduce their weighted average cost of capital principle as debt is considered less costly than equity (Prace, 2004).

The Pecking theory which was developed by Steward Myers in 1984 in his paper, "Capital Structure Puzzle" presented two sides of the capital structure issue, which are called static trade-off theory and pecking order hypothesis. The static trade-off theory holds that the capital structure choices may be explained by the trade-off between benefits and costs of debt versus equity. A firm is regarded as setting a target debt level and gradually moving towards it. The role of behavioral finance in explaining the existence of capital structure is debated as a matter of academic dispute. When appraising the relevance and the theoretical understanding of the theories, the theories seem very appealing but fail to explain the real relationship between capital structure and corporate performance of the firms mostly in the developing countries where the financial market and the business environment. Capital structure not only influences the return a company earns for its shareholders, but also whether the firm survives less fortunate economic shocks. Hence, capital structure is imperative for a firm's survival and growth, as it plays a primary role in its financial performance in order to achieve its long-term goals and objectives. Therefore it is important examine how financing dynamics affects performance of quoted firms in Nigeria.

LITERATURE REVIEW

Financing Dynamic

One of the theories that are fundamental to corporate performance is the theory of corporate financing. This theory describes how the activities of a corporate body are financed right from the birth of the corporation through various policy decisions to its death (Liquidation). Corporate finance is the area of finance dealing with monetary decision that business enterprises make and the tools and analysis used to make these decisions. Although, it is in principle different from managerial finance which studies the financial decisions of all firms, rather than corporations alone, the main concept in corporate finance are applicable to the financial problems of all kinds of firms. Corporate finance theory prior to the 1950s was riddled with logical inconsistencies and was almost normatively oriented, the major concern being optimal investment; financing and dividend policies. The past twenty years has seen great theoretical and empirical advances in the field of corporate finance, whereas once, are financed right from the birth of the corporation through various policy decisions to its death (Liquidation).

Corporate finance is the area of finance dealing with monetary decision that business enterprises make and the tools and analysis used to make these decisions. The primary goal of corporate finance is to maximize shareholders value. Although, it is in principle different from managerial finance which studies the financial decisions of all firms, rather than corporations alone, the main concept in corporate finance are applicable to the financial problems of all kinds of firms. Corporate finance theory prior to the 1950s was riddled with logical inconsistencies and was almost normatively oriented, the major concern being optimal investment/ financing and dividend policies. The past twenty years has seen great theoretical and empirical advances in the field of corporate finance, whereas once, the subject addressed, mainly the financing of corporation - equity, debt and valuation. In total, it also embraces it also embraces crucial issues of governance,

liquidity, risk management, effects between banks and corporations and the macroeconomic impact of corporations.

Tiroles (1956) was the first to convey the organizing principles that structures the analysis of today's key management and public policy issues such as reform of corporate governance and auditing; the role of private equity, financial markets and takeovers, the efficient determination of leverage, dividends, liquidity and risk management, and design of managerial incentive packages. He places corporations in a broader environment and institutions. Pandy (2005) opined that to choose among alternative financial structures, a manager must know how each cause affects the cash flows, their risk level and therefore how they affect a firm's value. Achieving the goals of corporations' finance requires that ay corporate investment be financed appropriately. The sources of financing are generally capital self-generated by the firm and capital form external funders which is obtained by issuing new debt and equity by hybrid or convertible securities, (Njoku & Jumbo, 2003). The financial means chosen will impact the valuation of the firm as well as other long, term financial management decisions. There are two inter-related decisions here:
1. Management must identify the "optimal mix" of financing the capital structure that result in maximum value. Financing a firm through debts results in liability and obligations that must be serviced, thus entailing cash follows implications independent of the project's degree of success. Equity financing is less risky with respect to cash flow commitments but results in a dilution of share ownership, control and earnings. Therefore, retained profit is most readily used. This correlates to the hierarchical order of the pecking order theory.

2. Management must attempt to streamline the long-term financial mix to the assets being financed, in terms of timing and cash flows. Managing any potential asset - liability mismatch or duration gap entails matching the assets and liabilities according to maturity pattern (cash flow matching). Managing this effect is in the short term a major function of working capital management, the working capital being provided mainly from retained earnings (Tiroles, 1956). Those two interrelated decisions of corporate finance, if silently made, have the tendency to boost profitability, earnings per share and therefore corporate performance.

The Agency Costs of Debt

Debt exacerbates the conflict between debt holders and shareholders because the debt contract gives shareholders an incentive to invest sub optimally. Jensen and Meckling (1976) examined agency costs, including incentive effects of debt on investment choices of owner-managers and assert that shareholders can extract value from debt holders by using existing debt funds to over-invest in risky projects. This Shareholders' behaviour creates what is known as the overinvestment problem. According to Jensen and Meckling (1976), it is limited liability that gives shareholders greater value from investing in more risky projects. Firm value is reduced and wealth is transferred from creditors to owners.

Creditors anticipate the expropriation behavior of shareholders of transferring wealth and demand a premium for compensation, raising the costs of debt. This cost is known as the agency cost of assets substitution problem which will be more severe for financially distressed firms. On the other

hand, if the benefits captured by debt holders reduce the returns to shareholders, an incentive to reject positive net present value projects is created, creating what is known as the underinvestment problem. This is because shareholders are residual claimants to the firm's value after debt is paid and debt holders benefit more from a safe positive net value project than shareholders (Lasfer, 1995). As with the assets substitution problem, the underinvestment problem is an increasing function of the probability of financial distress/bankruptcy risk, implying that it will be large for highly leveraged firms.

Myers (1977) paid attention to debt capacity reserve to avoid the underinvestment problem, especially for growing firms. Myers (1977) argues that the high growth firm should finance its investment opportunities with equity not debt if it wants to be in the position to undertake all positive net present value projects in the future (Titman & Wessels, 1988). Moreover, he points out that the agency costs of the asset substitution problem can be mitigated by issuing short term debt rather than long term debt, since the incentive for substituting assets is lower for short term than for long term debt.

However, the firm's opportunities to engage in asset substitution can be reduced by issuing secured debt. If the debt is collateralised, the borrower will be restrained or limited to using the funds for a specified project which reduces the agency costs of asset substitution and hence, the costs of debt. This suggests that firms with more fixed assets can raise debt at more attractive rates because of the higher liquidation value of collateral assets in the event of financial distress or bankruptcy (Rajan & Zingales, 1995). This might be the reason why firms with more growth opportunities cannot raise debt because they represent the expected growth of firm's intangible assets which have no collateral value and decline rapidly in value if bankruptcy or financial distress occurs, shifting firms towards equity financing (Titman & Wessels, 1988) and Rajan & Zingales, 1995). Empirical studies suggested that trade-offs among the different costs and benefits of debt result in an optimal capital structure where increases in leverage beyond the optimum lead to expected marginal costs which exceed the marginal benefits of debt. While decreases in leverage below the optimum lead to a loss of marginal benefits of debt which exceeds the savings in expected marginal costs. Although the optimal or target capital structure is significantly important under the trade-off theory of capital structure, the costs and benefits of debt become increasingly important when a firm's leverage ratio reverts to the target level.

This implies that trade-off theory is not only confirmed by the importance of target capital structure but also by the costs and benefits of leverage itself (Brounen et al., 2005). This might be the reason why many firms use far less debt than theory suggests which implies that the observed leverage ratio may not necessarily be optimal and hence, adjustment of leverage toward the optimal or target level of leverage is required. However, as Myers (1977) points out, leverage may be costly to adjust because of the adjustment costs (transaction costs). This suggests that the presence of transaction costs may prevent adjustment until the benefits from adjusting leverage outweigh these costs. Therefore, firms must trade off the benefits of moving toward their target leverage ratio with the costs of moving toward that target level (adjustment or transaction costs) before taking the decision to rebalance their observed leverage ratio or not.

It is optimal to make adjustment only if the benefits of moving toward (or the costs of being away from) the target level exceed or at least outweigh the costs of moving back to the target. Previous analysis assumes that the presence of adjustment costs may prevent firms from adjusting leverage ratios toward their target ratios, suggesting that a partial - not full adjustment-toward the target leverage ratio occurs. To the extent that this is the case, a static model of capital structure will not be able to capture the dynamic adjustment in leverage ratio. There is evidence that firms may deviate from their optimal leverage ratio, and then gradually work back to the optimum, suggesting that the observed leverage ratio is not always the optimal.

Equity Capital

Pandey (1999) defined equity capital as including share-capital, share premium, reserves and surpluses (retained earnings). Typically, equity capital consists of two types which include: contributed capital, which is the money that was originally invested in the business in exchange for shares of stock or ownership and retained earnings, which represents profits from past years that have been kept by the company and used to strengthen the statement of financial position or fund growth, acquisitions, or expansion. Generally, equity strategies are defined as dividend cuts or omissions and equity issues. Firms mostly accept this solution to maintain liquidity to conserve for debt obligations as well as raising funds in purpose of new investment and increase working capital.

Equity finance refers to the sale of an ownership interest to raise funds for business purposes. In order to grow, any company will face the need for additional capital, which it may try to obtain through debt or equity. If the company opts for equity, the owner sells a stake to others. During early growth stages of Company, especially when the company does not have sufficient equity financing can provide capital from investors who are willing to take risks along with the entrepreneur (Berger & Udell, 1998). Similarly, when accompany has prospects of explosive growth, it can raise substantial capital through equity financing. Various types of equity financing are available.

Equity investors may combine equity with convertible debt or straight debt. This is done either as a form of extended due diligence, or to meet cash flow requirements while limiting dilution of the principal owner's shareholding. Equity finance represents ownership capital, as equity shareholders collectively own the company. They enjoy the rewards in the form of residual dividends as well as bear the risks of ownership. However, their liability is limited to their capital contributions.

With reference to a firm with performance or financial distress, a cutting dividend or dividend omission is normally executed. Another aspect of capital structure is for companies to buy back previously issued equity using debt financing. This would be accomplished by taking out a business, commercial, or bank loan in the amount of the equity buyback. In some cases, a company may have a capital structure heavily weighted towards equity. In such cases, buying back previously issued stock and substituting bank loans or other debt financing can optimize the capital structure resulting in a lower overall cost of capital.

Equity unlike long-term debt includes paid-up capital, share-premium, reserves and surplus or retained earnings. Igben (2004) defines paid-up capital as the portion of called-up capital which

has been paid-up by shareholders. He defined reserves as the amount set aside out of profit earned by the company, which are not designed to meet any liability, contingency, commitment or reduction in value of assets known to exist in the balance sheet. Furthermore, reserves may be voluntarily created by directors or statutorily required by law. Share premium is the excess amount derived from the issue of shares at a price that is above its par value. And finally, retained earnings are profit invested back into the business in order to create more resources for operations and invariably increase the value of the firm.

Features of Equity Capital

a. Maturity

Equity shares provide permanent capital to the company. There isno contractual obligation to refund it during its lifetime except at the time of liquidation by the shareholders and by the company in cases where the shareholders are engaged in business competitive to the business of the company.

b. Claims on Income

The equity investors have a residual claim to the income of the firm. The income left after satisfying the claims of all other investors belong to the equity stock holders. The income of equity shareholders may be retained by the firm or paid out as dividends. Equity earnings, which are ploughed back in the firm, tend to increase the market value of equity shares and equity earnings distributed as dividends provide current income to equity shareholders. Equity shareholders cannot challenge the dividend decision of the board of directors.

c. Right to Control

The risk of loss associated with the equity shares is compensated to some extent by controlling power that rests with the equity shareholders. Owners of the firm elect the board of directors and have the right to vote on every resolution placed before the shareholders. The board of directors in turn selects the management, which controls the day to day operations of the firm. Hence, though the board of directors who control and direct the affairs of the organization manages accompany, supreme control is vested with the equity shareholders.

d. Pre-emptive Rights

Although equity shareholders have no legal recourse to compel the company to distribute profits, they have been given the power to maintain their proportionate interest in the assets, earnings and control of the company and for that purpose, they have been given the right to purchase additional issues of equity shares. The company is under legal compulsion to offer new issues to the existing equity shareholders before placing them in the market for public subscription. Such a right to purchase newly issued equity stock is termed as pre-emptive rights and the sale of equity stock is referred to as rights offering.

e. Claims on Assets

As in the case of income, equity shareholders have a residual claim over the assets of the firm in the event of liquidation. The claims of debenture holders, secured lenders, unsecured lenders and preference shareholders are satisfied prior to equity shareholders. Being the last in the priority of

claims they are entitled to receive what is left and therefore provide cushion for creditors to absorb losses on liquidation. Equity capital represents the permanent capital to the company.

The costs associated with issue of equity capital and the cost of equity capital is generally higher than for any other type of security. Shareholders expect a higher rate of return for the high risk they take. Though equity shareholders enjoy the controlling power over the firm, the real control exercised by them is often weak due to the fact they are scattered and ill organized. They have only residual claim to income and assets of the firm. They cannot influence the dividend decision of the firm.

Types of Equity Financing Ordinary Share Capital

a. **Ordinary Share Capital**

Shares are the universal and typical forms of raising capital from the capital market. The capital of a company is divided into certain units of a fixed amount. Share' means a share in the share capital of a company. It includes stock except where a distinction between stock and share is expressed or implied. Stock is merely a name for the aggregate ownership of a company, which is divided into a number of units, each unit called a share.The holders of common stock are called shareholders or stockholders.

The capital represented by common shares is called share capital or equity capital. Authorized share capital represents the maximum amount of capital, which a company is permitted to raise from shareholders. A Company may however change its authorized share capital by altering its Memorandum of Association.

The portion of the authorized share capital that has been offered to shareholders is called issued share capital. Subscribed share capital represents that part of the issued share capital, which has been accepted by shareholders. The amount of subscribed share capital actually paid up by shareholders to the company is called paid-up share capital. Often subscribed and paid-up share capitals are the same.

The total paid-up share capital is equal to the issue price of common share multiplied by the number of common shares. The issue price may include two components: the par value and the share premium. The par value is the price per common share stated in the memorandum of association. Any amount in excess of the par value is called the share premium. In the case of new companies the par value and the issue price may be the same. The existing highly profitable companies may issue common shares at a premium. The paid-up share capital is stated at the par value. The excess amount is separately shown as the share premium. The company's earnings, which have not been distributed to shareholders and have been retained in the business, are called reserves and surplus. They belong to the common shareholders. Thus, the total common shareholders' equity is the sum of paid up share capital, share premium and reserves and surplus.

The total shareholders' equity is also called net worth.

Ordinary shares, a synonym of common shares, represent the basic voting shares of a corporation. Holders of ordinary shares are typically entitled to one vote per share, and do not have any predetermined dividend amounts. An ordinary share represents equity ownership in a company

proportionally with all other ordinary shareholders, according to their percentage of ownership in the company (Pandey, 2009). All other shares of a company's stock are, by definition, preferred share. Ordinary shareholders have the right to a corporation's residual profits. In other words, they are entitled to receive dividends if any are available after the dividends on preferred shares are paid.

They are also entitled to their share of the residual economic value of the company should the business unwind; however, they are last in line after bondholders and preferred shareholders for receiving business proceeds. As such, ordinary shareholders are considered unsecured creditors. While they face greater economic risk than creditors and preferred shareholders of a corporation, they can also reap greater rewards. If a company makes large profits, the creditors and preferred shareholders are not paid more than the fixed amounts to which they are entitled, while the ordinary shareholders divide the large profits among themselves. The same occurs when companies, such as start-up, are sold to larger corporations. The ordinary shareholders usually profit the most. The only obligation that an ordinary shareholder has is to pay the price of the share to the company when it is issued. In addition to the shareholder's right to residual profits, he is entitled to vote for the company's board members (although some preferred shareholders may also vote) and to receive and approve the company's annual financial statements.

Retained Earnings

Retained earnings constitute the sum total of those profits which have been realized over the years since incorporation and which has been reinvested in the business rather than distributed in the form of dividends. These earnings stand to the credit of equity shareholders and the shareholders equity therefore includes them. The process of creating internal savings and their utilization in business is referred to as ploughing back of profits. The dividend decision in a firm is taken in the light of the firm’s operating and financial conditions. Choosing a dividend policy which best suits the existing conditions are not only an important decision but also has significant consequences for a company. The disposal of net income is governed by many considerations.

Preference Share Capital

Preferred stock is another means of raising long term capital. It is accorded preferential treatment over common stock with regards to payment of dividends and prior claim on assets of the company in case of winding up. Preference shares have consequently become an increasingly popular instrument for raising capital among real estate companies in Sweden. On the other side of the spectrum, as interest rates are at record lows, the numbers of fixed income instruments that yield any significant interest have decreased. Preference shares with its debt characteristics have consequently become an attractive alternative as they generally carry less risk than common shares but with yields, generally, exceeding corporate bonds (Haskel, 2014). The main characteristics of a preference share are its seniority to common shareholders; however, it is subordinated to creditors. Also, it is often referred to as hybrid asset, classifieds equity but with debt characteristics. The holder has preferred right to a company’s future profits, as it entitles the holder to quarterly or semi-annually dividends. The dividend priority can come in the form of a fixed pre-determined percentage of the listing price, or a certain percentage of future profits, such preferred shares are

classified as limited preference shares. It is also possible to issue participating preferred shares, which entails that the holder will receive a fixed dividend, as the limited share, and then shares the possible ordinary dividend with common shareholders. However, the priority to dividends are not guaranteed, it still requires an active vote at the general meeting and is thereby subject to that their redistributable funds available. In absence of a pay-out, the preference share is cumulative, meaning that an absent dividend will result in a priority to receive the dividend later on with pre-determined interest (Skog, 2011).

Preference shares can also be divided into convertible and non-convertible shares, where convertible shares can be transformed into common shares in the absence of pre-determined dividends. The fixed dividends should make the preference share more predictable and less volatile in relation to common shares (Poike, 2013). If the company goes insolvent, the preference shareholder has a liquidation precedence that is senior to common shareholders. The preferential right for the company's assets acts to protect the preference shareholder from infringement by common shareholders, who otherwise, in extreme cases could decide to suspend dividends and liquidate the company and thereby squeeze preference shareholders. Further, the preference shareholder and the company, has the right to demand redemption of the preference shares, at pre-determined prices, and convert them into cash that could limit both potential large appreciation and depreciation of the share price. Hence, in an event where the company does not precede as planned, the preference shareholder can redeem their shares and obtain a pre-determined nominal amount (Nyman, *et al*., 2012).

In contrast to debt holders, the preference shareholder have no right to file for bankruptcy, even if dividends are absent, this makes the instrument less risky than issuing debt from an issuer's perspective (Howe & Lee, 2006). Preference shares have, in many cases, limited voting rights. However, in Sweden, according to the voting right cannot be less than 10:1 (the same voting power as most class B shares), compared to common share (often class A shares), for Swedish registered limited corporations (Megginson & Smart, 2008,). From this perspective preference shares can be regarded as an attractive mean of raising capital, as it limits the dilution of shareholder power (Howe & Lee, 2006), Myhre-Jensen, 2014).

From an issuer's perspective, there are also regulatory aspects promoting preference shares, as it is classified as equity, and not debt, the firm's capitalization skews more towards equity endless debt; which could motivate distressed firms to issue preferred shares over debt (Callahan,*et al.*, 2001). Further, it comes with a larger degree of flexibility in contrast to debt, which often includes covenants. Also, another aspect motivating firms to favour the issuance of preference shares is due to absence of pre-determined maturity date. As all debt instruments have a maturity date and needs to be refinanced at some point, this makes the company more exposed to the current economic state, financial crises (DagensIndustri, 2016).

Debt Capital

The debt capital in a firm's capital structure refers to the long-term bonds the firm use in financing its investment decisions because the firm has years, if not decades, to come up with the principal, while paying interest only in the meantime. The cost of debt capital in the capital structure depends

on the health of the firm's statement of financial position. Debt restructuring refers to a firm changing its debt structure by either increasing or decreasing leverage. In practice, borrowers might make more new loan contracts (increase leverage) or renew debt. Debt restructuring usually means the injection of high levels of debt to increase the leverage of the company and thereby reduces the likelihood that the firm will be a takeover candidate (Rock & Rock, 1990).

A firm decides to negotiate creditors for interest lowering or maturity extent (Sudarsanam and Lai, 2001; Kam, Citron, and Muradoglu, 2008; Yawson, 2008). Debt can be restructured to benefit the business by refinancing existing loans or obtaining new ones secured by real property, equipment, receivables or in select cases, future cash flows. This process effectively reduces the cost of the debt in the long term and increases cash flow for the business. The increased cash flow can be reinvested in the company in a variety of ways that influence growth for the future. If an influx of capital is needed, a new commercial or business loan can provide for growth. This is considered capital restructuring as new leveraged debt capital is added to the company balance sheet.

Leland and Toft (1991) stated that, the value of a firm is the value of its assets plus the value of tax benefits enjoyed as a result of debt minus the value of bankruptcy cost associated with debt. Modigliani (1980) points out that, the value of the firm is the sum of its debt and equity and this depends only on the income stream generated by its assets. The value of the firm's equity is the discounted value of its shareholders earnings called net income. That is, the net income divided by the equity capitalization rate or expected rate of return on equity. The net income is obtained by subtracting interest on debt from net operating income.

The value of debt is the discounted value of interest on debt. Jensen (1986) suggests that, when firms have more internally generated funds than positive net present value (NPV) projects, debt forces the managers to pay out funds that might otherwise have been invested in negative net present value projects. This over-investment problem can be lessened if managers are forced to pay out excess funds for servicing debt, therefore enhancing the firms' value.

Myers (1993) suggests that, a firm with outstanding debt may have the incentive to reject projects that have positive NPV if the benefits from accepting the project accrue to the bondholders without also increasing shareholders wealth. McConnell and Servas (1995) posit that, seeds of under-investment problem lie in the solution of over-investment of U.S firms. They discovered that for firms with high P/E ratios or for high-growth firms, value is negatively related to leverage and those firms with low P/E ratios or for low-growth firms, value is positively related to leverage. Their evidence supports the contentions that for low-growth firms, leverage acts as a monitoring mechanism to enhance firm value. Whereas for high-growth firms, leverage cause under investment and destroys the value of the firm.

Financial Performance

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. It shows the general well-being of a firm and its true

financial position (Eze, 2021). Financial performance can be looked at, as the level of performance of an organization at a point in time. This could be measured in terms of
overall profits and losses or asset utilization. According to Iliemena and Okolocha (2019) the measures of financial performance of an organization are as varied as the motive for the measurement. Organisational financial performance is measured to give the account of stewardship by the management team to the shareholders. The key aspect of this involves measuring the profitability, return on investment, return on asset and growth prospect of a company. The measurement of the effect of environmental accounting on performance examines the nature of the relationship between some indicator of environmental reporting or performance with the company's financial performance obtained from the accounting information such as the historical audited financial statements of the respective companies. Financial performance is commonly used as an indicator of a firm's financial health over a given period of time.

According to Ravinder and Anitha, (2023), financial performance is the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives is being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firms over all financial health over a given period of time and can also be used to compare and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial performance can also be referred to as "scientific evaluation of profitability and financial strength of any business concern". Uwem & Ennobong (2017) noted that financial statement analysis attempt to unveil the meaning and significance of the items composed on the profit and loss account and balance sheet. He pointed out that they assist management in formation of sound operating and financial policies. Performance is also defined as the end result of an activity and the appropriate measure selected to assess performance is considered to depend on the type of organization to be evaluated (Hunger, 2015) Aregbe (2017) opined that performance measure can be grouped into two basic types; those that relate to results (output or outcomes such as competitive or financial performance) and those that are concern with determination of result (inputs such as quality resource utilization, innovation etc.). This therefore suggests that performance measurement frameworks can be built around these two concepts of results and determinants. Odiette (2003) in his summation opined that performance measurement systems are considered as information system that are used to evaluated both individual and organizational performance usually the items of performance evaluation and normally reported in yearly financial statement of an organization. Financial performance is been explained to the various interest groups in an organization such as managers, shareholders, creditors, tax authorities through financial performance analysis.

Financial analysis involves the use of financial statement. A financial statement is an organized collection of data according to logical and conceptual framework constituent with accounting principles and procedures. Its purpose is to convey an understanding of some financial aspect of a business firm. It shows the position of a firm at a moment of time, as in the case of a balance sheet or may reveal a series of activities over a period of time, as in the case of an income statement. Thus, the term "financial statement" generally according to OPEC (2014) referred to two basic

statements; i. The balance sheet which shows the financial position of the firm at a given point in time; it provides a snapshot and may be regard as a static picture. "Balance sheet" is a summary of a firm's financial position on a given date that shows Total Assets – Total Liabilities + Owner's Equity". ii. The income state statement referred to as the profit and loss statement which reflects the performance of the firm over a period of time "income statement is a summary of a firm's revenues and expenses over a specified period of time, ending with net income or loss for the period". However, financial statements do not reveal all the information related to the financial operation of a firm, but they provide some extremely useful information, which highlights two important factors profitability and financial soundness. Therefore, analysis of financial statement is an important aid to financial performance analysis.

Earnings per Share

Earnings per share are considered to be the single most popular, widely used financial performance benchmark of all. Graham, Harvey and Rajgopal (2004) surveyed 400 financial executives in the USA and reported that the majority, by far, were of the opinion that earnings were the most important performance measure they report to outsiders. EPS is also the linchpin undergirding strategic decision-making like share valuations, management performance incentive schemes and merger and acquisition negotiations. EPS is simple to calculate and easily understood and management is congratulated when there is positive EPS growth. It is no surprise that managers take a special interest in EPS when their compensation is linked to the EPS performance of the company. Most investors are familiar with the valuation multiple, the P/E ratio, which has EPS as the denominator. Authors such as Chen, Jorgensen and Yoo (2004), Ohlson and Juettner-Nauroth (2005) and Taboga (2011) confirm the continued relevance of EPS and EPS growth in modern day share valuation methodology.

Adkins, Matchett and Toy (2010) attribute the obsession with EPS to the fact that EPS neatly summarizes the earnings generated for shareholders and the shareholder's view appeals to investors and management alike. Rappaport (2005) infers that short term (EPS) performance is especially important for younger companies for which future growth expectations are more sensitive to current performance, compared to older companies with a longer operating history. In addition, he points out that senior executives, who are constantly mindful of the link between their own reputation, the risk of losing their job and the share price, tend to focus on short term measures like EPS. Brown (1999) comments that when companies, under severe pressure to meet market expectations, underperform EPS estimates by only a few cents, experience "double digit nosedives" in share prices. Big share price movements in response to earnings surprises reinforce the perception that short term earnings rather than long term cash flow expectations drive share price changes. There has been a significant decrease in average share holding periods in the USA, from about seven years in the 1960s to less than a year in 2005 (Rappaport, 2005). It is argued that this short term holding period leads to a greater reliance on the beliefs of others and momentum-motivated trading, rather than long term fundamentals, in investment decisions. With dividend yields in the US averaging about 2%, short term investors rather focus on capital gains when they sell the shares at the end of their investment horizon and not on the dividend. Consequentl, they look at short-term indicators like earnings to project the share price at the end of their investment horizons.

Earnings per share (EPS) are calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability. It is common for a company to report EPS that is adjusted for extraordinary items and potential share dilution. The higher a company's EPS, the more profitable it is considered. In other words, earnings per share (EPS) are a company's net profit divided by the number of common shares it has outstanding. EPS indicates how much money a company makes for each share of its stock and is a widely used metric for corporate profits. A higher EPS indicates more value because investors will pay more for a company with higher profits. EPS can be arrived at in several forms, such as excluding extraordinary items or discontinued operations, or on a diluted basis (Chen & kindness, 2020, April 5).

Return on Investment

Rees (1990), assert that return on investment (ROI) is made up of capital gain or loss and the dividends or coupons received from the investment throughout the holding period. Ituwe (2006) defined ROI as a measure of the rate of productivity of assets in providing returns to both ordinary shareholders and long-term creditors. The higher the return the more efficient is the utilization of assets. Pandey (1999) referred to ROI as the ratio of earnings after interest and taxes to total capital employed. Achuchaogu (2002) defined ROI as the profitability of the firm measured in relation to the amount of investment. The term investment here may refer to total assets, capital employed or the owners' equity. Njoku and Jombo (2003) saw ROI as a measure of the company's percentage returns on its capital investment which consists of shareholders' funds and long term debts. They submit that the percentage return which represents financial returns must always be on the increase.

Ihesiulo (2005) stated that ROI is a measure of the success of the firm in earning a net return on investment and it should be on the increase. Njoku (1997) posited that ROI is a measure of profit-investment relationship in a firm. Investment here represents shareholders' funds and term liabilities while returns stands for earnings generated after payment of interest and taxes. Arnold and Hope (1990) stated that ROI is synonymous with accounting rate of return (ARR) which can be computed in many different ways. For example, ARR can be computed based on Annual net profit/Total investment, Annual net profit/Average book value of investment, all of which rely on traditional profit rather than on cash flow and does not consider time value of money. From Nwude (2004) ARR can be computed based on Total profit/Total investment, Total profit/Average book value of investment, Average Annual profit/Total investment, Average Annual profit/Average book value of investment, all of which rely on traditional profit rather than on cash flow and does not consider time value of money. Giles and Capel (1994) and Spivey (2000) stated that ROI is the average profit for a project expressed as a percentage of the capital outlay. These opinions are in consonance with the views of Bernstein and John (2000), Friedlob and Franklin (1996), Gill (1994), Hilton (1991), and Rees (1990).

Nwude (2004) suggested that return on investment should take care of the opportunity cost of capital invested, rate of inflation that affect the purchasing power of the money invested and the risk premium. He further states that the return on investment can be nominal, true or effective rate. Nominal rate of return is the rate by which amount invested on fixed income security (i.e. nominal face value) is multiplied by the nominal interest rate attached to it. The true rate is the actual or current market rate of the security. Effective rate is the actual interest yield to maturity of the

security. Some investors do not look at these three rates but see return simply as a measure of the monetary benefits obtained by an investor over a specified time period in return for a given amount of investment or amount of capital invested during the period. From this point of view, he stressed that ROI is the amount of revenue received in a fiscal year in excess of every amount invested in the fiscal year in an activity expressed as a percentage of the amount so invested, while not recognizing time value of money concept. Damodaran (2001) said ROI is an accounting rate of return which measures the net income a firm's management is able to earn with its total assets, usually obtained by dividing the net profit after tax by total assets.

Empirical Review

Andawasatya, Indrawati and Aisjah (2017) investigated importance of profitability to the firm value through capital structure for the manufacturing companies in Indonesia stock market. Through the use of determined criteria, a total of 67 companies were selected for analysis. The results of mediating test showed that the capital structure is able to mediate the effects between the profitability and firm size to firm value; beside that, it may not able to mediate the effects between the growth opportunities for firm value.

Myers and Rajan (2018) carried out an exploratory research to assess the impact of agency cost on liquidity in German banking sector. The study revealed that there is a negative relationship when agency costs are high outside creditors limit the amount of debt financing available to the company. Thus, a negative relationship between debt and liquidity would be expected. Similarly, the effect of asset liquidity is an ambiguous signal to institutional investors. A high liquidity ratio may be considered to be a negative signal because it indicates that the firm faces problems regarding opportunities for its long-term investment decisions. Hence, a high liquidity ratio may be considered to be a negative signal for institutional investors. However, a high liquidity ratio may be considered to be a positive signal from the firm because it indicates that the firm can easily pay its obligations and hence faces lower risk of default. Thus, high liquidity would be a positive signal for institutional investors.

Adekunle (2019) examined the impact of capital structure on the performance of pharmaceutical industries in Kenya. This study used debt ratio to proxy capital structure while return on asset and return on equity were used as measures of firms‟ performance. Also the study used the Ordinary Least Squares method of estimation. The results indicate that debt ratio has a significant negative impact on the firm's financial measures of performance. This study however did not consider other financing decisions in the analysis, including the mediating effect of internal cash flow available.

Ogiriki, Andabai and Bina (2018) examined financial leverage and its effect on corporate performance of firms in Nigeria from 1999-2016 using long-term-debt, return on asset and return on equity as dependent and explanatory variable respectively employing the Ordinary Least Square (OLS). The result revealed that ROA and ROE had positive effect on long-term debt of firms that was significant respectively. The study concluded that financial leverage has a significant influence on the corporate performance of firms in Nigeria and recommended the effective management of the long-term debts. The effects of capital structure and firm valuation

have well been documented in literature. Existing literature has focused more on the effect of the capital structure on corporate profitability. This study focused on the relationship between capital structure, trade-off theory and financial performance of quoted firms in Nigeria. The literature examined in this study did not investigate direction of causality between the tradeoff theory, capital structure and enterprise valuation. Studies that attempted to do so failed to establish exact and causal effects between the variables (Aisjah, 2017, Lawal, 2014) this study enhances the analysis by establishing the causal dynamic effects that exists between financing dynamics and financial performance of quoted firms in Nigeria

METHODOLOGY

This study examined the relationship between financing dynamics and financial performance of quoted firms, secondary data were used. Ex-post facto research design was employed in obtaining, analyzing and interpreting the relevant data. The rationale for the variety is that ex-facto research design allows the researcher the opportunity of observing one or more variables over a period of time (Uzoagulu, 1998). Specifically, panel data were adopted in data analysis.

Model Specification

$$EPS = F(TC/TA, TC/TE, TC/TL) \quad (1)$$

$$ROI = F(TC/TA, TC/TE, TC/TL) \quad (2)$$

Transforming equation 1 and 2 econometrics form, we have

$$EPS = \beta_0 + \beta_1 TC/TA_{it} + \beta_2 TC/TE_{it} + \beta_3 TC/TL_{it} + \mu_{it} \quad (3)$$

$$ROI = \beta_0 + \beta_1 TC/TA_{it} + \beta_2 TC/TE_{it} + \beta_3 TC/TL_{it} + \mu_{it} \quad (4)$$

Where:

EPS=Earnings per share

ROI= Return on Investment

TC/TA =Total capital to total assets of the quoted food and beverage manufacturing firms

TC/TE =Total capital to total equity of the quoted food and beverage manufacturing firms

TC/TL =Total capital to total Liabilities of the quoted food and beverage manufacturing firms

α_0 = Intercept

$\alpha_{1-}a_7$= coefficient of independent variables to the dependent variable.

et = error term

Technique for Analysis

To obtain the observed values on the expectation of the impact of financial information on market value, panel data survey over a ten year period will be employed. Panel data structure allows us to take into account the unobservable and constant heterogeneity, that is, thespecific features of each quoted firm. The researcher will employ pooled Ordinary Least Square (OLS), Fixed Effects and Random Effects regression models to test the various hypotheses. Pooled OLS regression technique is popular in financial studies owing to its ease of application and precision in prediction. In addition, OLS method has been employed in a wide range of economic relationships with fairly satisfactory results (Koutsoyiannis, 1977). Alma (2011) stressed that fixed effects and random effects models will aid to observe variations among cross-sectional units simultaneously with variations within individual units over time. This undermines an exploration of the effect of slow changing within individual firms' factors. Hence, the rationale for adopting Fixed Effects and Random Effects models estimator as additional test is to enable the researcher control time contrast and time invariant variables, and thereby control for the effect of the unobserved heterogeneity in the dataset. Ujunwa (2012) opined that coefficient of estimations are reliable when regression parameters do not change over time and do not differ between various cross-sectional units. Therefore, when the regression estimation differ widely between the two models (Fixed and Random Effects models), the adoption of Hausman test will be essential. Panel data over the period from 2010-2016 is used and in line with notable literature, such as the work of Majumdar and Chhibber (1999), Zeitun and Tian (2007), and Onaolapo and Kajola (2010), firm's performance measure was regressed on each of the variants of financial information and other control variables holding other factors that may affect market value not included in the equation constant.

Pooled Regression (OLS) Model (PRM): is equally known as the constant coefficient model (CCM). It is the simplest among the three models in panel data analysis. However, it disregards the space and the time dimensions of the pooled data. In a situation where there is neither significant cross-section unit nor significant temporal effects, one could pool all of the data and run an ordinary least squares (OLS) regression model.

Fixed Effects (FE) Model: in the FE technique, the slope coefficients, are constant but the intercept, varies across space i.e. the intercept in the regression model is allowed to vary across space (individuals). This is as a result of the fact that each cross-sectional unit may have some special characteristics.

Random Effect (RE) Model: the RE technique which is equally known as the Error Components Model (ECM) is an alternative to FE technique. Basically, the RE estimator assumes that the intercept of an individual unit is a random component that is drawn from a larger population with a constant mean value.

RESULTS AND DISCUSSION

Table 1: Empirical Results on Financing Dynamics and Earnings per Share

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TC_TA	-0.498882	0.091792	-5.434921	0.0000
TC_TE	0.002418	0.018932	0.127745	0.8985
TC_TL	-0.033450	0.066634	-0.501996	0.6162
C	6.760869	0.491612	13.75246	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.839164	Mean dependent var		6.056514
Adjusted R-squared	0.817270	S.D. dependent var		1.450679
S.E. of regression	0.620121	Akaike info criterion		1.997681
Sum squared resid	73.44910	Schwarz criterion		2.416862
Log likelihood	-190.7472	Hannan-Quinn criter.		2.166994
F-statistic	38.32856	Durbin-Watson stat		1.788408
Prob(F-statistic)	0.000000			
TC_TA	-0.569643	0.073211	-7.780865	0.0000
TC_TE	0.002442	0.018755	0.130208	0.8965
TC_TL	-0.037602	0.062148	-0.605041	0.5458
C	6.882470	0.490103	14.04291	0.0000
Effects Specification				
			S.D.	Rho
Cross-section random			0.789803	0.6186
Idiosyncratic random			0.620121	0.3814
Weighted Statistics				
R-squared	0.255674	Mean dependent var		1.480146
Adjusted R-squared	0.241696	S.D. dependent var		0.733233
S.E. of regression	0.616770	Sum squared resid		81.02622
F-statistic	18.29119	Durbin-Watson stat		1.635315
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.575933	Mean dependent var		6.056514
Sum squared resid	193.6586	Durbin-Watson stat		0.684211
Correlated Random Effects - Hausman Test				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		41.927189	4	0.0091

Source: E-Views output

Following the various methods of panel data analysis, the question of which is the most appropriate or suitable methods arises. Therefore, some means of selecting the most suitable method among the different approaches especially between the fixed effect model (FEM) and random effect model (REM) is needed. But when such a correlation exists, the Fixed Effects Model would be more suitable because the random effect model would be inconsistently estimated. From the table above

the probability of the Hausman test is less than 0.05, therefore, the study adopt the fixed effect model.

Analysis of Results

F-Test: The F-calculated value is 38.32856 from the fixed regression results while the P-value of F-statistic are 0.000000 at 5% level of significance, considering the P-value, the chosen level of significance α =0.05 [5%] is less than the P-value of F-statistic. It is concluded that the regression model is statistically significant. This means that the joint influence of the explanatory variables on the dependent variable is statistically significant.

Coefficient of Multiple Determinations (R^2): The computed coefficient of multiple determinations of 0.817270 from the fixed effect shows that 81.7 percent of the total variations in earnings per share are accounted for, by the explanatory variables while the remainder is attributed to variable that is influenced by other factors not included in the regression model.

Durbin Watson statistics (DW): The computed DW is 1.788408 from the results; show that at 5% level of significance with two explanatory variables and observations. The value of computed DW is greater than the lower limit. Therefore, there is no evidence of positive first order serial correlation.

Regression Coefficient and T-Statistics: The t-statistics shows that total capital to totals assets have negative effect, total capital to total equity have positive effect total capital to total liabilities have negative effect on earnings per share of the quieted firms.

Table 2: Empirical Results on Financing Dynamics and Return on Investment

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TC_TA	-0.098433	0.091550	-1.075189	0.2838
TC_TE	0.026968	0.029502	0.914120	0.3620
TC_TL	0.087050	0.127523	0.682619	0.4958
C	1.682581	0.679840	2.474967	0.0143
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.587566	Mean dependent var		1.224677
Adjusted R-squared	0.523737	S.D. dependent var		1.200359
S.E. of regression	0.828389	Akaike info criterion		2.589220
Sum squared resid	115.2864	Schwarz criterion		3.042405
Log likelihood	-225.4490	Hannan-Quinn criter.		2.772709
F-statistic	9.205314	Durbin-Watson stat		1.845199
Prob(F-statistic)	0.000000			
TC_TA	-0.238556	0.050001	-4.771029	0.0000
TC_TE	0.041191	0.025415	1.620709	0.1067
TC_TL	-0.006142	0.061558	-0.099775	0.9206
C	2.641868	0.390031	6.773487	0.0000
Effects Specification				
			S.D.	Rho
Cross-section random			0.000000	0.0000

Idiosyncratic random			0.828389	1.0000
	Weighted Statistics			
R-squared	0.526800	Mean dependent var		1.224677
Adjusted R-squared	0.514281	S.D. dependent var		1.200359
S.E. of regression	0.836572	Sum squared resid		132.2723
F-statistic	42.08163	Durbin-Watson stat		1.753142
Prob(F-statistic)	0.000000			
	Unweighted Statistics			
R-squared	0.526800	Mean dependent var		1.224677
Sum squared resid	132.2723	Durbin-Watson stat		1.753142
Correlated Random Effects - Hausman Test				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		16.729270	5	0.0050

Source: E-Views output

From the table above the probability of the Hausman test is greater than 0.05, therefore, the study adopt the random effect model.

Analysis of Results

F-Test: The F-calculated value is 9.205314 from the fixed regression results while the P-value of F-statistic are 0.000000 at 5% level of significance, considering the P-value, the chosen level of significance $\alpha = 0.05$ [5%] is less than the P-value of F-statistic. It is concluded that the regression model is statistically significant. This means that the joint influence of the explanatory variables on the dependent variable is statistically significant.

Coefficient of Multiple Determinations (R^2): The computed coefficient of multiple determinations of 0.523737 from the fixed effect shows that 52.3 percent of the total variations in the return on investment are accounted for, by the explanatory variables while the remainder is attributed to variable that is influenced by other factors not included in the regression model.

Durbin Watson statistics (DW): The computed DW is 1.845199 from the fixed results; show that at 5% level of significance with two explanatory variables and observations. The value of computed DW is greater than the lower limit. Therefore, there is no evidence of positive first order serial correlation.

Regression Coefficient and T-Statistics: The t-statistics shows that total capital to total assets have negative effect while total capital to total equity and total capital to total liabilities have positive effect on return on investment of the quoted firms in Nigeria.

Discussion

The negative relationship between long term debt and market value of the quoted enterprise firms contradict our expectation but valid the Modgliani and Miller irrelevant theory. Modigliani and Miller (1958) propounded the capital structure theory, in the field of investment, where the capital structure represents the mix of debt and equity used by firms to finance long-term investment. According to the TOT, financial leadership consists mainly of maximizing investors' equity by increasing the market value of the company (Aabi, 2014; Serrasqueiro et al., 2016). Modigliani

and Miller's (1958) theory can be used to describe how firms use taxation to manipulate profitability and to choose an optimum debt level. The findings of the study contradict the findings of Patel and Bhatt (2013) that long term debt has an indirect impact on the firm's net profitability, equity was found to have a positive impact on the net profits and the author has suggested for the firms to go for equity financing. The findings of Saeed, Gull and Rasheed (2013) that STDTA has a positive and significant impact on ROA, ROE and EPS while LTDTA was found to be negatively related to all the performance variables. On the other hand TD was proved to have an optimistic impact of ROA, ROE and EPS and the findings Yuvarajsambasivam and Gashaw (2013) that growth, leverage, volume of capital, size, and liquidity are identified *as* most important determinant factors of profitability hence growth, size, and volume of capita are positively related.

According to the trade-off theory, companies' capital structure decisions point towards a target debt ratio, where debt tax shields are maximized and bankruptcy costs associated with the debt are minimized. According to Myers (2001) debt offers firm a tax shield. The advantage is because the interest of debt is deductible before paying taxes Modigliani and Miller (1963). The positive effect of the variables based on Gordons opinion confirm the expectation of the and justifies management objective toward financial leverage. The positive effect of the variable confirm the findings of Babalola (2014) used 31 manufacturing firms with audited financial statements for a period of fourteen years (1999-2012) that capital structure is a trade-off between the costs and benefits of debt, and it has been refuted that large firms are more inclined to retain higher performance than middle firms under the same level debt ratio. The findings of Akinyomi (2013) that there is significant relationship between capital structure and financial performance using both return on asset and return on equity. The findings of Khalaf (2013) that there is a negative and insignificant relationship between STDTA and LTDTA, and ROA and PM; while TDE is positively related with ROA and negatively related with PM. STDTA is significant using ROA while LTDTA is significant using PM.

Conclusion

This study examined the effect of financing dynamics on the financial performance of quoted firms using cross section data of 21 quoted firms. The computed coefficient of multiple determinations shows that 81.7 percent of the total variations in earnings per share are accounted for, by the explanatory variables while the remainder is attributed to variable that is influenced by other factors not included in the regression model. The t-statistics shows that total capital to totals assets have negative effect, total capital to total equity have positive effect total capital to total liabilities have negative effect on earnings per share of the quieted firms. The computed coefficient of multiple determinations shows that 52.3 percent of the total variations in the return on investment are accounted for, by the explanatory variables while the remainder is attributed to variable that is influenced by other factors not included in the regression model. The t-statistics shows that total capital to total assets have negative effect while total capital to total equity and total capital to total liabilities have positive effect on return on investment of the quoted firms in Nigeria.

Recommendations

i. Financial managers should institute sound, efficient and coherent financing structure management policies such that will enable them determine the right mix or combination of debt, equity or both that will enhance firms' value in Nigeria. Firm should expand to a level it does not result to diseconomies of scale and the eventual fall in the value of the firm. Government and policy makers should provide an enabling market environment capable of enhancing easy source of capital to enhance firm financial performance in Nigeria.

ii. Management of the enterprise firm should employ more of long-term debt than equity capital in financing their operations, because it results in higher firm value. Corporate financial decision makers should employ more of long-term-debt than equity in their financial option. This is in line with the pecking order theory. Management of the enterprise firms should compare the marginal benefit of using long-term-debt to the marginal costs of long-term-debt before concluding on using it in financing their operations. This is because as shown by this work, long-term-debt impact positively on firm's financial performance unlike equity capital.

iii. Management of the firms should always consider the above variables as bases for debt financing decision in order to achieve optimum capital structure. This will enhance the value of the firm and maximize shareholders wealth.

REFERENCES

Achuchaogu, K.C. (2002). *Contemporary issues in financial management*. Lagos: Knowroch

Adkins, Matchet & Toy. (2010), EPS – the Holy Grail or red herring of M & A analysis. Technical update, February.

Arnold, J., & Hope, T. (1990). *Accounting for management decisions.* UK: Prentice-Hall

Berger, A.N & Wharton, F. (2002). Capital structure and firm performance: A new approach to testing agency theory and an application to the banking industry.

Bernstein, L.A., John, J.W. (2000). *Analysis of financial statements.* New York: McGraw-Hill

Brown, P. R. (1999). Earnings management: a subtle (and troublesome) twist to earnings quality. *The Journal of Financial Statement Analysis, Winter*

Callahan, C. M., Shaw, W. H. & Terando, W. D., 2001. Tax and regulatory motivations for issuing non-voting, Non-convertible Preferred Stock. *Journal of Accounting Research, Dec, 39(3), 463-480.*

Dagens Industry (2016). Dagens Industri. [Online] Available at: http://www.di.se/sponsrad/swedbank/2016/2/8/darfor-lockar-preferensaktier/ [Accessed 20 05 2016].

Damodaran, A. (2001). *Corporate Finance-Theory and Practice*, 2th ed. Orlando, FL: John Wiley.

Eze. M. N. (2021). Effect of corporate tax avoidance on financing cash flow of manufacturing firms in Nigeria. *Research Journal of Management Practice , 1(6), 23-33*

Friedlob, G.T., & Franklin, J.P. (1996). *Understanding Return on Investment*. Chicago: Wiley.

Giles, R.S., Capel, J.W. (1994). *Finance and Accounting.* 3rd ed. London: Macmillan.

Gill, J.O. (1994), *Financial Basics of Small Business Success.* Menlo Park, CA: Crisp Publications

Haskel, J. & Wallis, G. (2010). Public Support for Innovation, Intangible Investment and Productivity Growth in the UK Market Sector, IZADP Discussion Paper Series No. 4772, February, Imperial College London. http://ideas.repec.org/p/iza/izadps/dp4772.html.

Hilton, R.W. (1991). *Managerial Accounting*. New York: McGraw-Hill.

Howe, J. S. & Lee, H., (2006). The long-run stock performance of preferred stock issuers. *Review of Financial Economics, 15(3), 237-250.*

Igben, R. O. (2004).Financial accounting made simple. *1. ROL Publishers, Lagos State, 356 – 362*

Ihesiulo, O.S. (2005). *The principles of business finance.* Owerri: Barloz Publishers.

Iliemena, R. O., & Okolocha, C. B. (2019). Effect of audit quality on financial performance: Evidence from a developing capital market. *International journal of recent research in commerce economies and management (IJRRCEM), 6(3), 1-22.*

Ituwe, C.E. (2006). *Strategic Management: Theory and Practice.* 2th ed. Lagos: Excel Bookhouse

Jensen M., & Meckling W. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3(3), 305-360.*

Jensen M., (1986). Value maximization, stakeholder theory, and the corporate objective function. *European Financial Management, 7: 297-317.*

Kam, Amy, David Citron, and Gulnur Muradoglu, (2008). Distress and restructuring in China: Does ownership matter? , *China Economic Review 19, 567-579*

Koutsoyiannis, A. (1977). *Theory of econometrics, 2nd ed.* MacMillan Publishing, New York.

Lasfer, M. A. (1995). Agency costs, taxes and debt: the UK evidence. *European Financial Management, 1(3), 265–285.*

Leland, H. E. and K. Toft. (1991). Optimal capital structure, endogenous bankruptcy, and the term structure of credit spreads. *Journal of finance, 51, 987-1019*

Majumdar, S. K., & Chhibber, P. (1999). Capital structure and performance: Evidence from a transition economy on an aspect of corporate governance. *Public Choice,98, 287-305*.

Modigliani F., & Miller M., (1958).The cost of capital, corporation finance and the theory of investment. *The American Economic Review, 48(3), 261-281*.

Modigliani, F., & Miller, M., (1963). Corporate income taxes and the cost of capital: a correction. *American Economic Review, 5(3), 443-453.*

Myers S. C., & Stewart C., (1984).The capital structure puzzle. *Journal of Finance, 39(3),575-92.*

Myhre-Jensen, T., (2014). Cederquist. [Online] Available at: http://www.cederquist.se/sv/Hem/Pressrum/News/Vad-ar-preferensaktier-MedTone-Myhre-Jensen-i-FastighetsNytt/ [Accessed 12 Mar 2016

Njoku, P.N.O. (1997). *A Practical Guide to Bank Lending and Credit Administration*. Umuahia: Du Prince and Paul.

Njoku, P.N.O., & Jombo, O.C. (2003). *Fundamentals of Business Finance and Financial Management.* Owerri: Barloz Publishing

Nwude, C. (2004). *Basic Principles of Financial Management-A First Course.* Enugu: Nwabude

Nyman, M., Lundgren, J. & Rösiö, C., (2012). Riskkapital: Private Equity- & Venture Capitalinvesteringar. Stockholm: Norstedts Juridik.

Ogiriki, T., Andabai, P. W., & Bina, P. A. (2018). Financial leverage and its effect on corporate performance of firms in Nigeria (1999-2016), *Research Journal of Finance and Accounting, 9(4), 2222-2847.*

Ohlson, J. A. & Juettner-Nauroth, B. E. (2005). Expected EPS and EPS growth as determinants of value. *Review of Accounting Studies, 10(3),349- 365*

Olokoyo, F. O. (2012). Capital structure and corporate performance of Nigerian quoted firms, *Ph.D. Thesis, Department of Banking & Finance, Covenant University.*

Olugbenga, A &Oyerinde, A. (2014).Value relevance of financial accounting information of quoted companies in Nigeria: A Trend Analysis. *Research Journal of Finance and Accounting, 5(8),1-18*

Onaolapo, A.A. and Kajola, S.O. (2010) Capital Structure and Firm Performance: Evidence from Nigeria. *European Journal of Economics, Finance and Administrative Sciences, 25, 70-82.*

Pandey I. M. (2009). *Financial Management 9th Edition, Indian Institute of Management, Ahmedabad*. Vikas Publishing. House P.VT. LTD. Pp. 289 – 350.

Pandey, I. M. (1999). *Financial management (8th ed.). New Delhi:* Vikas Publishing HousePVT Ltd

Poike, A., (2013). Nyemissioner.se. [Online] Available at: http://www.nyemissioner.se/nyhet/hur_preferensaktier_fungerar/136 [Accessed 12 Mar 2016].

Prace, T. (2004).Ex-Dividend stock price behavior and arbitrage opportunities. *Journal of Business* 61, 95-108.

Rajan, R., & Zingales, L. (1995). What do we know about capital structure? Some evidence from international data. *Journal of Finance, 50, 1421–1460.*

Rappaport, A. (2006). Ten ways to create shareholder value. *Harvard Business Review, September, pp. 1-13.*

Rees, B. (1990). *Financial Analysis. Harlow/Essex,* UK: UK, PrenticeHall

Skog, R., (2011). *Rodhes Aktiebolagsrätt (23rd edition).* Stockholm: Norstedts Juridik.

Spivey, J. (2000). Companies Searching for Ever-Elusive Internet ROI. *Mississippi Business Journal, December, 5(3),11-23*

Sudarsanam , S. & Lai, J. (2001).Corporate financial distress and turnaround strategies: An empirical analysis. *British Journal of Management, 12(4), 183-199.*

Tirole, J. (1956). *The theory of corporate finance. New Jersey:* Prentice Hall Publisher

Titman, S., & Wessels, R. (1988). The determinants of capital structure choice. *Journal of Finance, 43(1), 1–19.*

Ujunwa, A. (2012). Board characteristics and the financial performance of Nigerian quoted firms. Corporate Governance: *The International Journal of Business in Society, 12, 656-674*

Uzoagulu, A.E. (1998). *Practical guide to writing project reports in tertiary institutions.* John Jacobs Classic Publishers, Enugu.

Yawson, A., (2008). *Interaction effects of restructuring decisions on operating profit following performance shocks*, Journal of Economics and Business

Zeitun, R. & Tian, G.G. (2007). Capital structure and firm performance: Evidence from Jordan. *Australia Accounting Business and Finance Journal, 1, 148-168.*