DEBT FINANCING AND FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

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Abstract
This paper examined the relationship between debt financing and financial performance of listed consumer goods firms in Nigeria for the period 2013 to 2024. Secondary data was obtained from a population of ten firms through their annual reports and accounts. Debt financing as an independent variable of the study was proxied by long term debt and short term debt, while return on assets was used to represent financial performance as the dependent variable of the study. The study adopted robust ordinary least square multiple regression technique in analyzing the data. The findings revealed that long term and short term debt have negative significant impact on financial performance of the firms. It is recommended that the firms should reduce the percentage of debt components in their capital structure and focused more attention on equity financing or debt with a cheaper cost attached to it, since the result provides evidence that long term debt and short term debt have negative significant effect on financial performance.

Keywords: Long term debt, Short term debt, financial performance and pecking order theory

Introduction

Financial performance remains a central concern in corporate finance research because it reflects how effectively firms deploy available resources to generate returns and sustain competitive advantage (Mirza & Javed, 2013; Zeitun & Tian, 2014). Beyond profitability outcomes, financial performance captures the cumulative effects of managerial decisions relating to investment, financing, and operational efficiency (Naeem et al., 2020). In developing economies such as Nigeria, firm-level financial performance is particularly critical due to its implications for economic growth, employment generation, shareholder wealth

maximisation, and overall gross domestic product. Evidence from the Nigerian manufacturing sector indicates that sound financial performance enhances firm competitiveness, improves returns on investment for shareholders, and contributes meaningfully to national economic development (Hameed et al., 2020).

Consequently, capital structure decisions, particularly the use of debt financing, have continued to attract scholarly attention due to their implications for firm risk exposure, cost of capital, and long-term value creation (Modigliani & Miller, 1963; Myers, 1984). In empirical studies involving small and medium-scale enterprises, however, the objective measurement of financial performance is often constrained by low levels of financial literacy, inconsistencies in accounting standards, and statutory exemptions that limit the availability of audited financial statements. As a result, researchers have increasingly relied on subjective or indirect measures of financial performance, focusing on perceived efficiency in areas such as returns on production investment, marketing investment, and sales growth expectations. Evidence from Nigerian enterprise-level studies suggests that such perceptual measures provide a valid alternative for capturing firm-level financial outcomes where objective data are unavailable (Suleiman et al., 2021).

From a theoretical perspective, the relationship between debt financing and financial performance is inherently ambiguous. The trade-off theory posits that firms can enhance performance by exploiting the tax advantages of debt up to an optimal threshold, beyond which financial distress costs dominate (Kraus & Litzenberger, 1973). Agency theory further suggests that debt may discipline managerial behavior and reduce free cash flow inefficiencies, yet excessive leverage can intensify conflicts between shareholders and creditors, ultimately impairing firm performance (Jensen & Meckling, 1976; Jensen, 1986). Empirical evidence from both developed and emerging markets remains inconclusive, reporting positive, negative, and non-linear relationships between leverage and performance, thereby underscoring the importance of institutional and sector-specific contexts (Abor, 2005; Ebaid, 2009; Zeitun & Tian, 2014).

In Nigeria, the capital structure performance relationship is particularly critical given the dominance of bank-based financing and limited access to long-term equity capital. Nigerian firms rely heavily on debt financing under conditions of high interest rates, volatile exchange rates, and stringent collateral requirements, which heighten refinancing and solvency risks (Akinlo, 2011; CBN, 2023). These challenges are especially pronounced in the consumer goods sector, which plays a strategic role in employment generation, manufacturing output, and household consumption (NBS, 2022). Despite recording a 5.7 percent year-on-year growth in the food, beverages, and tobacco subsector in 2021,

the industry continues to face rising production costs, foreign exchange constraints, supply chain disruptions, and declining consumer purchasing power (KPMG, 2023; PwC, 2022).

The severity of these pressures is reflected in the increasing number of consumer goods firms that have exited the Nigerian Exchange (NGX) following prolonged financial underperformance. Seven-Up Bottling Company Plc was delisted in 2018 after sustained margin compression and rising operating costs undermined shareholder value. UTC Nigeria Plc, a diversified consumer and retail firm, was delisted in 2021 following years of losses and erosion of equity. Similarly, Evans Medical Plc, a consumer-oriented pharmaceutical firm, exited the NGX in 2021 after persistent profitability challenges and capital constraints. More recently, Guinness Nigeria Plc was delisted in 2024 following prolonged earnings decline, high finance costs, and restructuring pressures, while GlaxoSmithKline (GSK) Consumer Nigeria Plc was also delisted in 2024 after sustained weak financial performance and inability to navigate Nigeria's challenging operating environment (BusinessDay, 2021; NGX, 2024; KPMG, 2023). These exits signal deeper structural weaknesses within the sector and raise concerns about the sustainability of existing financing strategies, particularly heavy reliance on debt under adverse macroeconomic conditions.

Despite these developments, empirical studies on capital structure and financial performance in Nigeria remain limited in scope and depth. Many adopt cross-sectoral samples that obscure industry-specific dynamics, while others fail to disaggregate debt into short-term and long-term components despite their differing risk and performance implications (Onaolapo & Kajola, 2010; Salawu, 2009). Moreover, existing evidence on listed consumer goods firms is sparse, fragmented, and largely outdated, failing to reflect recent monetary tightening, exchange rate instability, and structural shifts in consumer markets.

Against this backdrop, this study empirically examines the relationship between capital structure and the financial performance of listed consumer goods firms in Nigeria. By focusing on debt financing components within a sector that has experienced repeated firm exits and financial distress, the study provides updated, industry-specific evidence from an emerging market context. The findings are expected to inform managerial financing decisions and support policy initiatives aimed at improving access to sustainable capital and enhancing firm resilience in Nigeria's manufacturing sector.

Review of Empirical Studies and Theoretical Framework

Long-Term Debt and Financial Performance

Agboola and Mazadu (2025) examined the impact of long-term debt on the

financial performance of listed consumer goods firms in Nigeria over 2014–2023 using an ex-post facto research design, a population of 21 listed consumer goods firms, a stratified sample of 12 firms, secondary data from NGX fact sheets, and panel regression analysis, concluding that long-term debt ratio had an insignificant negative association with return on capital employed (ROCE); however, the study is limited by a small sample size, reliance on a single performance proxy, and lack of control for macroeconomic and firm-specific variables. Gana et al. (2025) investigated the influence of long-term debt on financial performance of selected industrial goods firms in Nigeria from 2014–2023 using an ex-post facto research design, a purposive sample of 3 firms (Dangote Cement PLC, Lafarge Africa PLC, BUA Cement PLC) drawn from the NGX, secondary annual reports, and panel data analysis, finding that higher long-term debt ratios significantly improved financial performance, though the very small sample and sector-specific focus limit generalizability.

Nweneda and Barinem (2025) examined the relationship between long-term debt and financial performance of listed industrial goods firms in Nigeria using an ex-post facto design, a sample of 13 listed industrial goods firms, secondary data from annual reports, and descriptive and Pearson correlation analysis via SPSS, reporting that long-term debt had a strong positive relationship with return on assets, but the study lacks regression or more sophisticated panel data methods to control for confounding factors. Peace and Onyenania (2025) explored the effect of long-term debt on financial performance metrics (ROA, ROCE, ROE, GPM) of ten Nigerian firms over five years using an ex-post facto quantitative design, a sample of 10 firms, secondary data from annual reports, and regression analysis, finding that long-term debt had a significant but complex effect on key performance indicators, though the study did not sufficiently account for external market and economic factors that could influence operating profits.

Aghaebe and Oranefo (2024) investigated the effect of long-term debt on financial performance of Nigerian listed consumer goods firms over 2012–2022 using an ex-post facto design, a population of 21 firms, a purposive sample of 16, secondary annual report data, and descriptive, correlational, and regression analysis, finding that long-term debt to equity ratio had a non-significant positive effect on return on assets, but the study did not consider firm size, liquidity, or macroeconomic shocks, limiting explanatory power.

Short-Term Debt and Financial Performance

Agboola and Mazadu (2025) investigated the impact of capital structure on the financial performance of listed consumer goods firms in Nigeria. The study adopted Expost-facto research design and extracted data from secondary source. A quantitative approach was employed for data analysis to analyze data sourced and

drawing a sample of 12 using a stratified sampling technique through filtering criteria, out of the population of 21 listed consumer goods firms on the Nigerian Exchange Group PLC's Data Fact Sheet. The study covered a 10-year period (2014-2023). The study concludes that Short Term Debt Ratio (STDR) has a significant negative relationship with the return on capital employed for consumer goods firms in Nigeria. While the study provides valuable insights into the negative impact of short-term debt on return on capital employed in Nigerian consumer goods firms, the reliance on a small stratified sample of 12 firms limits generalizability. Additionally, using a single performance proxy (ROCE) may not fully capture the multidimensional nature of firm performance, and the study does not account for macroeconomic shocks or firm-specific characteristics that could influence short-term debt effectiveness Aghaebe and Oranefo (2024) examined capital structure and financial performance 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 results showed that short term debt to equity ratio has a significant negative effect on the return on assets of consumer goods firms listed in Nigeria. This study highlights the significant negative effect of short-term debt on return on assets in Nigerian consumer goods firms, but its purposive sampling approach introduces selection bias, reducing external validity. Furthermore, although descriptive, correlational, and regression analyses were employed, the study did not address potential endogeneity issues or control for firm size, liquidity, and market conditions, which could affect the observed relationships.Emmaculate et al. (2024) assessed the impact of capital structure on the financial performance of deposit money banks (DMBs) in Nigeria with specific reference to how debt ratio and equity ratio affect return on equity and net interest margin of banks in Nigeria. The study covers 12 listed DMBs in Nigeria. The sample size of 12 banks was determined using convenience sampling technique for the period 2013- 2022. The study utilizes panel design to analyze the data based on random effect estimation. The study found a positive relationship between of short term debt with financial performance measured by Net Interest Margin. The study's focus on deposit money banks and the positive association between short-term debt and financial performance is insightful; however, the use of conv enience sampling of 12 banks may introduce bias and limit representativeness. Moreover, applying only a panel design with random effects may not adequately address unobserved heterogeneity, and the findings may not be transferable to non-financial firms.

Omotayo et al. (2024) explored the relationship between capital structure and the financial performance of listed non-financial companies on the Nigerian Exchange Group (NGX). The research design adopted is ex-post-facto. The population consists of all 105 non-financial companies listed on the NGX, and a purposive sample of 60 such companies is chosen for the study. Data is collected from the annual reports of these companies for the period 2009 to 2022. The findings indicate a positive association between short term debt and ROA, implying that a higher ratio is linked to improved firm performance. The research provides evidence of a positive relationship between short-term debt and ROA for non-financial Nigerian firms. However, the purposive sampling of 60 firms from a population of 105 may lead to selection bias, and the study does not account for industry-specific effects, macroeconomic factors, or debt maturity structures, which are critical in understanding short-term debt dynamics.Prenaj et al. (2024) analyzed the impact of the capital structure on the performance of non-listed companies. The study is based on data from 50 non-listed companies in Kosovo for the period 2015–2020. The Kosovar non-listed companies use two accounting-based measures of financial performance: return on assets (ROA) and return on equity (ROE). The results of empirical tests indicate that a capital structure composed of short-term debt, long-term debt, and total debt is negatively influencing the performance of the companies measured by ROA. On the other hand, capital structure affects the company's performance positively, except for long-term debt, which has no significant impact on the company's performance as measured by ROE. The study's analysis of non-listed Kosovar companies offers an important perspective on debt structure, showing negative effects of short-term debt on ROA. Nevertheless, the sample of 50 firms is relatively small, and the context of non-listed firms in Kosovo may limit generalization to publicly listed firms or other emerging markets. The study also does not incorporate firm-specific operational variables that could influence performance. Udo et al. (2024) examined the intricate capital structure and firm performance nexus, focusing on retained earnings in the Nigerian oil and gas industry. The study used a sample of 8 oil and gas firms and the pooled mean group autoregressive distributed lag model. The results revealed a positive long run nexus among capital structure, retained earnings, market value, and performance from 2001 to 2022. The results showed that firms in the oil and gas trust on short-term debts for their operational and business activities. The nexus between retained earnings and the capital structure mix indicated that the higher a firm's earnings retention is, the faster its growth chances. An inverse nexus was observed between long-term debts, retained earnings, market value, and performance. This study provides a comprehensive long-run analysis of capital structure and retained earnings in Nigerian oil and gas firms, revealing

nuanced relationships between short-term debt and performance. However, the very small sample size (8 firms) reduces statistical power and generalizability, and the sector-specific focus limits the applicability of findings to other industries, such as consumer goods or manufacturing.

Abdulwahab et al. (2023) examined the effect of capital structure with firm financial performance in the Nigeria DMBs. Empirical studies were reviewed to scrutinize the upshot of capital structure in connection to the performance of firms. A correlational design was adopted. Population and sample size of the study consists of 13 listed DMBs on the floor of Nigeria Exchange Group for the period 2012 to 2021. Fixed effects regression model was employed to analyse the data of the study. The result showed that both EFR and DEFR were insignificant to the firm financial performance of DMBs in Nigeria. The study investigates capital structure effects on Nigerian DMBs and finds no significant impact of equity or debt ratios on financial performance. While methodologically sound using fixed effects regression, the exclusive focus on DMBs limits external validity to other sectors. Additionally, the study does not explore potential moderating or mediating variables, such as liquidity, profitability, or macroeconomic conditions, which could mask the relationship.

Abor (2005) examined the impact of short-term debt on firm performance of listed Ghanaian firms over 1998–2002 using an ex-post facto research design, a population of 22 firms, a census sample, secondary financial statement data, and panel regression analysis, finding that short-term debt positively and significantly affected ROE, though the study is dated and may not reflect current financing conditions. Mule and Mukras (2015) studied the relationship between short-term leverage and financial performance of Kenyan listed firms from 2007–2011 using an ex-post facto design, a population of listed firms, a purposive sample of 47 firms, secondary annual report data, and panel regression analysis, finding a positive and significant relationship, with the limitation that sectoral heterogeneity was not adequately controlled.

Tesema (2023) investigated the effect of short-term debt on operating and financial performance of Ethiopian manufacturing firms over 2017–2021 using an ex-post facto research design, a population of manufacturing firms, a purposive sample of 85 firms, secondary data from financial statements, and robust random effects and GMM estimation, reporting a negative and significant effect, though results are sector-specific. Nguyen et al. (2023) examined the impact of short-term debt on profitability of Vietnamese firms between 2012–2018 using an ex-post facto quantitative design, a population of firms, a stratified sample of 300 firms, secondary financial reports, and panel regression analysis, finding that short-term debt positively influenced ROA and

ROE, but the study did not account for firm-level risk differences.

Pecking Order Theory

Pecking order theory was developed by Myers (1984), according to this theory firm prefer internal funding over external funding. In case firms required external funding, they would prefer debt over equity and equity is considered as last resort. So the firm don not have predetermined or optimum debt to equity ratio due to information asymmetry. The firms adopt conservative approach when it comes to dividends and use of debt financing to maximize the value of firm. One of the aspects of pecking order theory implies that when it comes to profitable firms, they would always prefer internal financing rather than taking up new debts or equity. Even though, debt is considered cheaper than equity within certain proportions.

Myers (1984) suggests that it is because the value of firm and wealth of shareholders associated with firm is distributed by asymmetry of information. This argument is supported by Famma and Fench (2000) who found that profitable firms were less levered as compared to non-profitable firms. Murray and Goyal (2003) held that large firms tend to accumulate debts in order to support and keep up with the payments of dividends while small firms tend to behave in opposite behavior. Firms with higher potentials for growth prefer using less long term debt as well as debt with fewer restrictive arrangements in order to become more financial flexible. Firms with sufficient fixed assets can generate external finance more easily and at lower cost by using their assets as collateral, which support the tradeoff theory. Therefore, pecking order theory is adopted to underpin this study.

Methodology

Correlation research design was adopted because the study attempts to measure the relationship between debt financing and financial performance of listed consumer goods firms in Nigeria for the period of 2013 to 2024. The population of the study consists of only the 21 listed consumer goods firms on Nigerian Exchange Group. In view of the availability of data for the 10 firms, the study adopted random sampling approach by studying only the 10 firms as a sample size. The study used secondary data which was obtained from the annual reports and accounts of the 10 listed consumer goods firms in Nigeria within the period of the study. Robust ordinary least square multiple regression was adopted for the panel data analysis in order to establish the relationship among the variables of the study. Multiple regression was considered appropriate for this study. Thus, model of the study is specified as:

$$ROA_{it}=\beta_0+\beta_1 LD_{it}+\beta_2 SD_{it}+\beta_3 FSZ_{it}+\epsilon_{it}$$

Where: ROAit = Return on assets, LDit = Long-term debt ratio, SDit = Short-term debt ratio, FSZit = Firm size, β0 = Intercept term, β1, β2, β3 = Coefficients of explanatory variables, ϵit = Error term capturing unobserved factors.

Variables Measurement and Source

Table 1
Variables Definition and Measurement

Variables Acronym	Variables Name	Variables Measurement and Source
ROA	Return on Assets	Measured as the profit before interest and tax divided by the firm's total assets (Mwangi & Birundu, 2015).
LD	Long Term Debt	Measured as the ratio of long term debt to firm's total assets (Fosu, 2013).
SD	Short Term Debt	Measured as the short term debt divided by the firm's total assets (Rehman, 2013).
FSZ	Firm Size	Measured as the natural logarithms of firms' total assets (Nweneda and Barinem, 2025).

Sources: Compiled by the Author, 2025.

Results and Discussion

Descriptive Statistics

Descriptive Statistics refers to the branch of statistics that summarizes, organizes, and presents data in an informative way to make it understandable and interpretable without making inferences or predictions beyond the dataset (Kothari, 2004). It provides simple summaries about the sample and the measures, including measures of central tendency (mean, median, mode), measures of dispersion (standard deviation, variance, range), and frequency distributions (Sekaran & Bougie, 2016).

Table 2
Descriptive Statistics

Variables	Obs.	Min.	Max.	Mean	Std. Dev.
ROA	120	-0.73	0.31	0.004	0.130
LD	120	0.01	0.44	0.151	0.111
SD	120	0.06	0.81	0.459	0.187
FSZ	120	0.006	0.211	0.059	0.041

Source: Stata Output, 2025.

The descriptive statistics for ROA show a minimum of -0.73 and a maximum of 0.31, indicating substantial variation in profitability among the sampled consumer goods firms in Nigeria. The minimum ROA of –0.73 indicates that, for at least one firm in the sample, the firm incurred a substantial loss relative to its total assets during the study period. In practical terms, this means that the company's expenses, including operating costs and interest payments, exceeded its profit before interest and tax, resulting in a negative return on the resources it controlled. Such a low ROA highlights inefficient use of assets and suggests potential operational, financial, or managerial challenges within the firm, such as poor cost management, low sales revenue, high leverage costs, or ineffective investment decisions. The mean ROA of 0.004 suggests that, on average, firms barely generate positive returns from their assets, highlighting marginal efficiency in resource utilization. The standard deviation of 0.130 reflects moderate dispersion, implying that while some firms are highly profitable, others experience significant losses. This variability underscores the heterogeneous nature of financial performance in the sector, which may be influenced by firm-specific strategies, market conditions, and financial management practices.

Long-term debt among the sampled firms ranges from 0.01 to 0.44, with an average ratio of 0.151, suggesting that, on average, firms finance about 15% of their total assets through long-term borrowings. The standard deviation of 0.111 indicates moderate variability, showing differences in long-term financing strategies across firms. The relatively low reliance on long-term debt may reflect cautious leverage policies, high cost of borrowing, or limited access to long-term financing in the Nigerian market. Firms with higher long-term debt may have greater capacity for investment and expansion, while those with lower ratios might be constrained in pursuing growth opportunities.

The short-term debt ratios range from 0.06 to 0.81, with an average of 0.459, revealing that nearly half of the sampled firms' assets are financed by short-term obligations. The standard deviation of 0.187 shows considerable variability, indicating that firms differ widely in their dependence on short-term debt. This suggests that many firms rely heavily on short-term borrowings to support working capital and operational activities, potentially exposing them to liquidity risks. The high mean of short-term debt relative to long-term debt highlights the firms' preference or necessity for more flexible, short-term financing arrangements in the consumer goods sector.

Firm size, measured as the natural logarithm of total assets, has a minimum of 0.006, maximum of 0.211, and a mean of 0.059, with a standard deviation of 0.041, indicating moderate variation in operational scale among the sampled firms. This shows that while most firms are small to medium-sized, a few larger firms exist with greater asset bases and financial capacity. Firm size may

influence both access to debt financing and the ability to utilize assets efficiently, making it an important control variable when assessing the relationship between debt structure and financial performance.

Table 3
Variance Inflation Factor

Variable	VIF	Tolerance
Long-Term Debt (LD)	1.25	0.807
Short-Term Debt (SD)	1.40	0.714
Firm Size (FSZ)	1.10	0.912
Mean VIF	1.25	-

Source: Stata Output, 2025.

The multicollinearity test results show that all variables have Variance Inflation Factor (VIF) values below the accepted threshold of 10 (Long-Term Debt = 1.25, Short-Term Debt = 1.40, Firm Size = 1.10), and tolerance values above 0.1 (LD = 0.807, SD = 0.714, FSZ = 0.912), indicating that none of the variables exhibit problematic linear correlation. The mean VIF of 1.25 further confirms that multicollinearity is not a concern in the dataset. These statistics suggest that the regression coefficients can be reliably estimated without inflation due to high correlation among predictors, satisfying the standard statistical threshold for acceptable multicollinearity (O'Brien, 2007).

Table 4
Heteroskedasticity Test

Test Statistic	Chi2 Value	P-value
Breusch-Pagan / Hettest	4.71	0.030

Source: Stata Output, 2025.

The Breusch-Pagan heteroskedasticity test yielded a Chi2 value of 4.71 with a p-value of 0.030, which is less than the conventional 5% significance level ($\alpha = 0.05$). This indicates that the null hypothesis of homoskedasticity is rejected, meaning that heteroskedasticity is present in the dataset. The presence of heteroskedasticity implies that the variance of the error terms is not constant across observations, which can lead to inefficient and biased standard errors if ordinary least squares (OLS) regression is used without correction. Therefore, adopting PCSE (Panel Corrected Standard Errors) approach is justified to obtain reliable and consistent parameter estimates, ensuring valid statistical inference (Wooldridge, 2010).

Table 5
Summary of Regression Results – Panel Corrected Standard Errors

Variables	Coefficient	P-Value
Constant	0.222	0.000
LD	-0.538	0.014
SD	-0.399	0.000
FSZ	0.797	0.127
R^2	0.143	
Wald Chi^2	7.01	
Prob. Chi^2		0.000

Source: Stata Output, 2025.

The Wald Chi² value of 7.01 with a p-value of 0.000, which is significant at the 1% level, indicates that the regression model is statistically well-fitted and that the independent variables jointly influence the dependent variable (Greene, 2018). Additionally, the coefficient of determination (R^2) of 0.14 (14%) indicates that only 14% of the variation in financial performance (ROA) of listed consumer goods firms in Nigeria is explained by the independent variables (long-term debt, short-term debt, and firm size), while the remaining 86% is attributed to other factors outside the model. Although this R^2 value may appear low, it is consistent with empirical studies on firm performance, where multiple unobserved factors (management quality, market conditions, regulatory environment, and macroeconomic shocks) also influence financial outcomes (Wooldridge, 2010; Baltagi, 2021; Fosu, 2013). Therefore, a modest R^2 does not invalidate the model, as significance tests like the Wald Chi² demonstrate that the explanatory variables still jointly affect financial performance.

Table 5 reveals that long-term debt is negatively and significantly associated with financial performance (ROA) of listed consumer goods firms in Nigeria, with a beta coefficient of –0.538 and a p-value of 0.014, significant at the 5% level. This result aligns with the a priori expectation based on the pecking order theory, which predicts that firms with higher debt levels may face increased interest obligations and financial risk, thereby reducing profitability (Myers & Majluf, 1984). The finding is consistent with Abbas et al. (2013), who documented a negative relationship between leverage and firm performance, but it contradicts Hsu (2013), who found no significant effect in the context of Taiwanese firms. The negative coefficient validates the theoretical prediction that excessive reliance on long-term debt can strain resources and reduce the efficiency of asset utilization in the Nigerian consumer goods sector.

Similarly, Table 5 shows that short-term debt has a significant negative effect on financial performance, with a beta coefficient of –0.399 and a p-value of

0.000, significant at the 1% level. This aligns with the a priori expectation that short-term borrowings, while providing liquidity for operational activities, can increase financial vulnerability if firms over-rely on them for working capital, consistent with the pecking order theory (Myers & Majluf, 1984). The result corroborates the findings of Akhtar et al. (2012) but is inconsistent with Birru (2016), who reported an insignificant relationship in Ethiopian banks. The negative impact confirms that, in the context of Nigerian consumer goods firms, short-term debt, when not optimally managed, can erode profitability due to high rollover risk and interest costs, supporting the theoretical prediction regarding debt-induced performance constraints.

Conclusion and Recommendations

The study investigates the impact of debt financing on financial performance of listed consumer goods companies in Nigeria. It was found that long term debt and short term debt are negatively influencing the financial performance of listed consumer goods firms in Nigeria, while control variable of the study is found to have positive insignificant influence on financial performance of listed consumer firms in Nigeria. It is recommended that the listed consumer goods firms in Nigeria should reduce the level of debt components of their capital structure and focused more attention on equity financing, since it was found that both the long term debt and short term debt have negative relationship with the firms' financial performance and also to look for a debt with cheaper cost of capital attached to it.

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