

Effects of Capital Structure and Macroeconomic Uncertainty on Financial Performance of Manufacturing Firms in Nigeria: Evidence from Unilever Nigeria PLC

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Abstract

This study examined the effect of capital structure, macroeconomic uncertainty and financial performance of firms in Nigeria, with specific reference to Unilever Nigeria PLC. Both economic theory and historical experience support the importance of finding ways of achieving good financial performance for the long-term prosperity and survival of individual firms. Data was obtained from annual financial report of the sample firm for the period of 23 years (2000-2023). Autoregressive Distribution lag (ARDL) was used as a technique for data analysis and the finding of the study revealed that capital structure has positive and significant effect on firm financial performance. However, inflation rate, exchange rate and interest rate reported negative and significant effect on the financial performance of the sample firm. The study therefore recommends among others that the management of Unilever Nigeria Plc should strategize in increasing their capital structure. In addition, government in collaboration with relevant stakeholders should put measures that ensure stability in macroeconomic environment.

Keywords: capital structure, financial performance, macroeconomic factors, manufacturing firms

1. Introduction

Capital structure is seen as a significant determinant for corporate financial performance. It is the most significant part of financing for a firm, because a firm's capital structure is expressed as its debt to-equity ratio (Vipond, 2023). Hence, every finance manager is concerned with the determination of the best financing decision in terms of the combination of debt and equity to be used for his firm. Both economic theory and historical experience support the importance of finding ways of achieving good financial performance for the long-term prosperity and survival of individual firms. However, capital structure in relation to financial performance is an important aspect of evaluation and financing decision making of a company,

More so, in determining sound financial performance of any business setting, the component of macroeconomic variables plays a significant role such as inflation rate and exchange rate. For instance, inflation is perceived as the most persuasive macroeconomic factor in the current economic crisis in Nigeria. This is because inflation rate has continued to be one of the long-standing encounter bedeviling firms in Nigeria and has been trapped in the double-digit range over a substantial time period and may persist in spite of various fiscal effort to address it. (CBN, 2020). Evidently, the resultant consequences of macroeconomic variables gave rise to the

scramble in goods and services which impaired the ability of business firms to acquire inventory for production thereby negatively affecting shareholder's values and owners' equity.

Furthermore, recent changes in macroeconomic factors, especially the recession experienced in Nigeria, has led to delisting of some firms from the Nigerian exchange limited (NGX, 2023). This has brought to limelight the consequence of macroeconomic on corporate financial performance. More specifically, an increase in the nominal value of exchange rate and inflation rate deepens the aggregate rate of default of firms to meet up with their financial obligations. This suggest that country monetary policy affects all sectors of the economy through access to credits and cost of debt, which could negatively affect business ability to access external source of fund and by extension firm capital structure (Egbunike & Okerekeoti, 2018).

Despite the significant of macroeconomic variables on firm financial performance, quite a number of studies concerning capital structure and the firm performance have been carried out, for instance; Ajibola *et al.* (2021), Arikekpa, (2020); Mukumbi *et al.* (2020); Gao and Tsukaka, (2021), Asaolu, (2021), Arrah, (2024) without taking into consideration the influence of macroeconomic variables on capital structure and firm financial performance. Although panel dataset was used in their estimation, these studies still found mixed and inconsistent results because they neglect the specific effect of macroeconomic variables in financial performance of individual firms. The aforementioned studies failed to capture the effect of key macroeconomic variables such as lending rate, inflation rate and exchange rate on firm's financial performance. Considering the fact that these variables play significant roles in investment decisions of any corporate organization. Hence, macroeconomic uncertainty will be measured by inflation rate and exchange rate while interest rate will used as control variable in the present study.

Nevertheless, it is not possible for firm capital structure to lead to an increase in its financial performance independently without taking into consideration an enabling economic environment within which it operates. An economic environment in which firms operate is an important factor that determines how better a firm can perform. Thus, this study intends to fill in the gap by investigating the influence of macroeconomic variables on capital structure and firm financial performance of individual firm using Unilever Nigeria plc as a case study.

To achieve the foregoing, the broad objective of this study is to determine the effect of macroeconomic variables on capital structure and firm financial performance of manufacturing firms of Unilever Nigeria plc. In addition, this study is divided into five sections, after the introduction section two presents a theoretical framework and review of related empirical studies, section three presents the methodology, while the fourth section consists of results and discussions and the last section finally consist the conclusions and recommendations.

2. 0 Literature Review and Theoretical Framework

2.1 Conceptual Issue

This section presents detailed conceptual reviews regarding the study variables and theoretical background of the research topic.

2.1.2 Financial Performance

The degree to which financial objectives of a firm is being accomplished is what is refers to as financial performance. The concept of "financial performance" has been defined in various ways,

for instance Smith (2020) focuses on profitability measures, Jones (2022) includes broader indicators such as market value and stakeholder satisfaction. It is seen as the process of determining in monetary terms the results of a firm's guidelines and processes (Okewale, Mustapha, & Aina 2020; Ugwu, Onyeka, & Okwa, 2020). Put slightly differently financial performance is the attainment of the firm's financial performance within a particular period covering the allocation and collection of finance measured by capital adequacy, liquidity, solvency, leverage, efficiency and profitability (Fatihudin & Mochamad, 2018).

Recently, financial performance is defined as a process of calculating the momentary value of the outcomes of a company's policies and activities thereby assessing a company's overall financial health overtime and compare competition (Fincash, 2025). Furthermore, companies assess their performance using a combination of statements and financial ratios, for instance, the income statement, cashflows, balance sheets etc. with key financial metrics of liquidity, leverage and profitability. The variables of measurement used for financial performance are Return on Assets which profit after tax to total asset. It is thus important for making informed decisions, performance diagnostics and stakeholder trust

2.1.3 Capital Structure

A major conceptual issue arising in the literature is Capital structure, Capital plays a fundamental role in all firm activities, as such, raising capital efficiently for the operative activities is considered as an essential decision for any firm to grow and prosper (Hoang Chi & Duc, 2019). Thus, capital structure can therefore be seen as the mix of equity and debt which a company uses to finance its business in an effective manner that maximizes firm value and also minimizes weighted average cost of capital (Basti, & Bayyurt, 2019). In a similar and more recent view, Moonfare (2025) asserts that it is the mix of debt and equity that a company uses to finance its operations and growth with a goal of minimizing financing cost and maximizing value. Thus, the management of this mix aims to balance cost, risk and shareholder value.

However, Arikekpa, 2020; Tayo 2020; and Shamsuddin, *et al.*, (2020) are of the view that capital structure is best described as how firms finance their operation by using different sources of funds. This means that capital structure can be regarded as a combined effort of company owners by rising a proportion of debt equity on one hand and a proportion owners' equity on the other hand to finance their business. Hence, capital structure is dynamic because it encompasses equity, debt and internally generated funds (retained earnings) Gutta (2025). The measures of capital structure include debt to equity ratio, equity ratio, debt ratio, and long-term debt to capital with different purpose of measuring each ration and its measuring formula. Thus, capital structure is responsive to internal and external signals.

On the other hand, capital structure has both quantitative and qualitative dimensions including cost, leverage, control, risk, timing and flexibility with different approaches used as strategic models that guide financial decisions. Thus, capital structure shall be measured as total debt to total equity in this study.

2.1.4 Macroeconomic Uncertainties

Macroeconomic factors can be described as those external factors which are beyond the control of management. These **factors** are indicators or measures that reflect the overall performance,

structure, and behavior of an **entire economy** rather than individual units. These variables help in analyzing the economy's **health, growth, stability and development** on a national or global scale. Furthermore, macroeconomic factors are those factors that are associated with the economy locally or at national level and their influence does not affect only few selected numbers of people but instead cover a wider populace (Abraham, 2016; George & Morris, 2020).

Furthermore, the macroeconomic factors comprise of inflation rate, growth domestic product (GDP), interest rates, exchange rates (Bednarczyk, 2014), **money supply**, economic growth rate, **government debt and fiscal policy (Bokpin, 2009)**. Thus, they are crucial in shaping government policies and business strategies, and they also influence firm-level decisions such as capital structure by affecting interest rates, inflation, and investment climates. Macroeconomic variables play a significant role in shaping firms' capital structure decisions because they affect the cost, availability, and attractiveness of various financing options.

2.2 Theoretical Framework

This study adopted the Trade-off theory as its theoretical underpinning due to its relevance in capital structure as proposed by Kraus and Litzenberger (1973). The theory's emphasis is on the manner in which companies select the amount of debt and equity funds to be involved in their structure of capital and help strike a balance between the tax benefits and the cost. The theory argued that choosing an ideal capital structure is often an important debate that should be focused on by the researchers operating in the field of corporate finance. This will help in the process of optimizing the capital structure of firms. The trade-off theory also suggests the optimal capital structure is a trade-off /equilibrium/ balance between the tax advantages and the costs of financial distress. This means that if the level of debt is moderate, the likelihood of financial distress is low which gives a non-considerable present value of financial distress.

According to trade-off theory, the optimal capital structure results from balancing the benefits and drawbacks of leverage finance. Considering the tax benefit, it is an expansion of MM theory (Kraus & Litzenberger, 1973; Modigliani & Miller, 1963; Myers, 1984). The trade-off hypothesis explains how businesses should use debt and equity to finance investment initiatives. It provides this explanation in light of the advantages that come from using debt to finance a business because of the tax shield benefits associated with paying interest. Over time, there have been contentious discussions on the applicability of this trade-off theory to capital structure. Therefore, the best capital structure theory for integrating macroeconomic factors is the Trade-Off Theory. Goyal and Frank (2009). As a result, it can be used to explain how businesses modify their leverage in response to shifting inflation, interest rates, tax rates, and economic cycles.

2.3 Empirical Review

2.3.1 Capital structure and financial performance.

Numerous empirical studies have been conducted related to capital structure and financial performance both within and outside Nigeria. For instance,

On the basis of panel research design Iyoha and Omoru (2017) examined the relationship between capital structure and firm financial performance in Nigeria by using secondary data to extract from seventy-five sampled firm's financial report for a period of five years, 2010 to 2014. The data estimation technique SLS was used for data analysis and the findings reveal that leverage in

relation to the ratio of noncurrent liability to equity (NCLEQ) seems to have positive relationship with financial performance (RETOA) and vice-versa. However, there is a significant negative relationship between current liability stated as a ratio to equity (CULEQ) and RETOA. There is also a positive relationship between Equity stated as a ratio to overall assets (EQTTA) and RETOA.

Ajibola and Qudus (2018) used panel methods to analyze the effect of capital structure on the financial performance of listed manufacturing firms in Nigeria from 2005 to 2014. Return on equity (ROE) and the short-term debt ratio (STD) have a positive statistically insignificant relationship, while the long-term debt ratio (LTD) (0.0001), total debt ratio (TD) (0.0065), and ROE have a positive statistically significant relationship, according to the panel ordinary least squares results.

Furthermore, using a sample of ten (10) manufacturing enterprises from 2007 to 2016, Oyedokun, Olatuji, and Sanyaolu (2018) estimated the impact of capital structure on the financial performance of businesses in Nigeria using panel regression analysis. The results show a statistically significant correlation between financial performance and capital structure. Additionally, using an annual panel dataset from 2014 to 2018, Ariekpar (2020) used fixed effect regression to examine the relationship between capital structure and financial performance of a few chosen manufacturing companies in Nigeria. The results indicate that capital structure significantly improves financial performance.

Moreover, Mukumbi, Khisa and Shu (2020) asserted that there is a positive and statistically significant relationship between capital structure and financial performance of the firms listed in Nairobi security exchange market, Kenya. Similarly, Kuranga, (2021) examined capital Structure and the value of Nigerian Manufacturing Companies by employing Ex-post Facto design for random selection of 10 manufacturing firms among listed manufacturing firm in Nigeria and using panel data Regression techniques for the analysis. The findings of the results show that debt-to-equity and debt-to total assets have insignificant relationship with Tobin's Q.

Adeoba (2021) looked into how capital structure affected the manufacturing oil and gas industries in the United States, examining how the two industries' dynamics differed. For ten (10) years from 2010 to 2019, the study uses secondary data from the New York Stock Exchange (NYSE) and NASDAQ. E-View 9.0 is used to generate the estimation results. To evaluate the established assumptions, the study was conducted utilizing sectoral analysis of the data and the panel least square estimate approach. The findings indicate that while debt structures helped firms perform better, a significant rise in leverage likely to lower firm performance for all firms involved.

Khalid *et al.*, (2022) examined the Effect of Capital Structure on Firms Performance in Nigeria using panel data for 15 sample firms listed on the Nigerian stocks exchange for a period 10 years from (1999 to 2018). Findings indicate that there is positive and significant relationship between SDTA, SIZE, LDTA and TDTA and return on equity (ROE) and Tobin's Q while results show that there is negative and significant relationship between LDTA, D_E, and TDTA and ROA. Findings also show positive and significant relationship between Tobin's Q and financial performance.

Additionally, Opoku-Asante *et al.*, (2022) investigated the Relationship between capital structure and financial performance of firms in Ghana and Nigeria using a sectorial analysis with 425 sampled firms selected from Ghana and Nigeria over a period of 5 years (2014 to 2019). The findings revealed that there is a negative and significant effect between capital structure and

financial performance and also insignificant relationship between debt maturity of capital structure and financial performance. However, debt maturity affects the capital structure financial performance in relationship with specific sectors.

Nonetheless, several studies assessed how EPU affected corporate capital structure, governance, investment choices and risk-taking (Gulen & Ion 2015; D'Mello & Toscano 2020) while Istiak and Serletis (2020) explored the connection between uncertainty and firm leverage via six uncertainty indices for financial firms based in the USA. Several studies were conducted in different countries and in Nigeria using different firms' selection, but thus, most studies used the panel data i.e secondary data in conducting the analysis.

2.3.2 Macroeconomic Uncertainties and Financial Performance

Bayer and Ceylar (2017) analyze the impact of macroeconomic uncertainty on Return on Assets (ROA) and Return on Operating Profits (ROAF) by employing panel data analysis within the sample of Borsa Istanbul Non-Metallic Mineral Products sector for the period of 2003. Then, the relationship between uncertainty and profitability were examined by panel data analysis. The findings reveal that growth volatility, exchange rate volatility, and interest volatility had a negative effect on both return on assets (ROA) and operating profit (ROAF). The study recommends that establishing and sustaining a stable macroeconomic environment is of great importance for firm profitability and in turn achieving a sustainable growth and lower unemployment rates.

A study of selected quoted manufacturing firms in Nigeria by Egbunike and Okerekoti (2018) explored the interrelationship between macroeconomic factors, firm characteristics and financial performance by investigating the effect of interest rate, inflation rate, exchange rate and the gross domestic product (GDP) growth rate, while the firm characteristics were size, leverage and liquidity. The study used the ex-post facto research design and the sample was restricted to companies in the consumer goods sector, selected using non-probability sampling method. The study used multiple linear regression as the method of validating the hypotheses. The study finds no significant effect for interest rate and exchange rate, but a significant effect for inflation rate and GDP growth rate on ROA.

3.0 Methodology

This study used an annual time series dataset from 2000 to 2023 sourced from the Central Bank of Nigeria Statistical Bulletin and annual financial reports of Unilever Nigeria plc. The period selected coincides with financial and macroeconomic economic challenges and policy reforms such as exchange rate management policy, privatization, global economic crises, covid-19 pandemic among others in Nigeria. The variables used are financial performance (measured as Return on Assets with profit after tax to total assets, capital structure (measured as total debt to total equity), macroeconomic uncertainty is measured by inflation rate and exchange rate while interest rate used as control variable. The functional model is specified as:

$$ROA = f(CS, INF, EXR, INT) \dots\dots\dots eq 1$$

The econometric equation of the function above is presented as:

$$ROA_t = \beta_0 + \beta_1 CS_{t-1} + \beta_2 INF_{t-1} + \beta_3 EXR_{t-1} + \beta_4 INT_{t-1} + \mu_t \dots\dots\dots eq 2$$

From equation 2, ROA is the return on assets which is a measure of financial performance, CS donates capital structure, while macroeconomic uncertainty is measured by INF represents

inflation rate and EXR which is exchange rate. INT is the interest rate. β_0 to β_4 are the coefficients of intercept and estimated parameters while μ is the error term or white noise. However, this study applied Autoregressive Distributed Lag (ARDL) model in estimating the linkages of the variables. The rationale behind the use of ARDL is that, the technique is applicable irrespective of whether the variables are integrated to order zero (I(0)) or after first difference (I(1)). In addition, the approach is suitable whether the sample size is small or large. Also, to avoid presenting spurious results and ensure that no I (2) series is included in the models, this paper applied Augmented Dickey-Fuller (ADF) and Philips-Perron stationarity (unit root) approaches. Moreover, to account for both short-run and long-run, equation 2 transformed to Autoregressive Distributed lag (ARDL) approach developed by Pesaran, Shin and Smith (2001) and stated as:

$$\Delta ROA_t = \beta_0 + \sum_{i=1}^m \beta_1 \Delta ROA_{t-i} + \sum_{i=1}^m \beta_2 \Delta CS_{t-i} + \sum_{i=1}^m \beta_3 \Delta INF_{t-i} + \sum_{i=1}^m \beta_4 \Delta EXR_{t-i} + \sum_{i=1}^m \beta_5 \Delta INT_{t-i} + \alpha_1 ROA_{t-1} + \alpha_2 CS_{t-1} + \alpha_3 INF_{t-1} + \alpha_4 EXR_{t-1} + \alpha_5 INT_{t-1} + \mu_t \dots \dots \dots \text{eq (3)}$$

Where Δ is the first difference operator, m stands for optimal lag, β_1 to β_5 are the coefficients of the short-run parameters, while α_1 to α_5 is the long-run coefficients of the variables in the equations. β_0 is the constant and μ is the error term. All other variables are as defined in equation 2. However, the error correction representation of equation 3.3 is formulated as:

$$\Delta ROA_t = \beta_0 + \sum_{i=1}^m \beta_1 \Delta ROA_{t-i} + \sum_{i=1}^m \beta_2 \Delta CS_{t-i} + \sum_{i=1}^m \beta_3 \Delta INF_{t-i} + \sum_{i=1}^m \beta_4 \Delta EXR_{t-i} + \sum_{i=1}^m \beta_5 \Delta INT_{t-i} + \delta ECM_{t-1} \dots \dots \dots \text{eq 4}$$

Where ECM is the error correction term generated from the ARDL models and Ω is the coefficient of the ECM which express the speed of adjustment back to equilibrium in case of any distortion in the economy.

4.0 Results and Discussions

This section presents the results of descriptive and inferential statistics generated from the analysis. Beginning with descriptive analysis and the results are reported in Table 1.

Table 4.1: Summary Statistics of the Variables Under Estimation

Statistics	ROA	CS	INF	EXR	INT
Mean	0.088107	3.603724	17.85123	139.4583	19.11969
Median	0.122182	3.023240	12.15626	128.9370	17.87167
Maximum	0.173714	15.37659	72.83550	406.2100	31.65000
Minimum	-0.086845	0.473022	5.388008	8.038285	15.13583
Std. Dev.	0.074325	3.315821	16.41837	110.8066	3.634823
Skewness	-1.070594	2.821675	2.185018	0.899351	1.571796
Kurtosis	2.981265	10.69556	6.661249	3.220883	5.666651

Jarque-Bera	6.113379	121.4254	43.33595	4.378827	22.65761
Probability	0.047043	0.000000	0.000000	0.111982	0.000012
Observations	32	32	32	32	32

Source: *Author's Computation using Eviews version 9.*

Table 4.1 results show that there are thirty-two (32) observations per variable. The mean of all the variables is positive. This show that the variables recorded positive growth rate over the sample period. However, the results show that exchange rate has the highest standard deviation while return on asset has the lowest standard deviation. This implies that the fluctuation of exchange rate is higher whereas that of return on asset is the lowest in the distribution. The results further affirm that return on asset, capital structure, inflation rate and interest rate are all not normally distributed while the exchange rate is normally distributed. This is due to the significant probability values of the variables.

However, in the inferential analysis, this study started with unit root tests using Augmented Dickey-Fuller and Phillips Perron. The results are reported in Table 4.2.

Table 4.2: Unit Root Test (Augmented Dickey-Fuller and Phillips-Perron)

Variables	Augmented Dickey-Fuller		Phillips-Perron	
	Level	First Diff.	Level	First Diff.
ROA	-5.4664***	-9.0000	-5.4656***	-29.6621
CS	-7.2882***	-4.9039	-1.9373	-5.6660***
INF	-2.7035	-4.4532***	-2.9251	-4.4424***
EXR	-0.7620	-5.4329***	-0.7834	-5.4322***
INT	-4.0927*	-6.9386	-4.0767*	-8.2966

Note: ***, ** and * indicate significant at 1%, 5% and 10% respectively.

Source: *Authors computation from E-Views output.*

According to the results presented in Table 4.2, the ADF test indicated that return on asset, capital structure and interest rate are stationary at level value while inflation rate and exchange rate are stationary after first difference. However, the P-P test show that return on asset and interest rate are stationary at level value while capital structure, inflation rate and exchange rate are stationary after first difference. As indicated by the unit root tests results, the variables have different orders of integrations, some stationary at level value and other stationery after the first difference. Thus, it concluded that the Autoregressive Distributed Lag (ARDL) model is most powerful technique in dealing with such results. Consequently, this study goes further and examines the bound test of the ARDL model and the results are reported in Table 4.3.

Table 4.3: Bound test and Long-run coefficients of the ARDL

F-Statistics		5.76		
Critical Value Bounds				
Significance levels	I(0) Bounds	I(1) Bounds		
10%	2.2	3.09		
5%	2.56	3.49		
1%	3.29	4.37		
Dependent Variable: Financial Performance (measured as Return on Assets)				
Variables	Coefficients	std. Error	t-Statistics	Prob.
Capital structure	0.0574	0.0195	2.9351	0.0092
Inflation rate	-0.0037	0.0669	- 5.5259	0.9566
Exchange rate	-0.0340	0.0159	-213.1445	0.0479
Interest rate	-0.0044	0.3653	-1.1955	0.9906
Constant	0.3029	0.0992	3.0542	0.0072
R ² = 0.84, Adj. R ² =0.74, AIC = -3.9480, SIC =-3.3822, HQC=-3.7708, DW = 2.19, F-Stat. =8.53 (0.0000)				

Source: Authors calculation Using E-views Version 9.

From Table 4.3, the results show that there is evidence of cointegration among the variables. This is because the F-statistics value (5.76) is greater than the critical value bounds even at a 1% level of significance. The evidence of cointegration allowed the estimate of both the long-run and short-run nexus of the variables.

Additionally, results in Table 4.3 indicate that capital structure has significant positive effect on financial performance of Unilever Nigeria plc. When capital structure rises by 1%, financial performance of the sampled company will increase by 0.07%. This is in line with results of Arikekpar (2020) and Mukumbi, Khisa and Shu (2020) who revealed that capital structure has significant positive influence on financial performance of consumer goods manufacturing firms.

Furthermore, the results show that there is a negative relationship between inflation (measuring macroeconomic uncertainty) and financial performance of the sampled firm in Nigeria even at 1% level. The results indicate that macroeconomic uncertainty from the side of inflation does not have any significant effect on the financial performance of Unilever Nigeria PLC. This is as expected considering the fact that the company is a foreign one and is not using the local raw materials in its production processes. The result is in contrary with the study of Vitor and Menako (2013) who revealed a positive relationship between inflation rate and manufacturing sector and is in conformity with works of Ailemen *et al.*, (2016) which show that inflation has a negative effect on manufacturing sector.

In addition, the results reveal that there is a significant negative nexus between exchange rate and financial performance of Unilever Company in Nigeria. An increase (decrease) in exchange rate will lead to decrease (increase) in the financial performance of the selected company over the sampled period. This show also that macroeconomic uncertainty from the side of exchange rate plays adverse role in the investment decision of the sampled firm. The results in addition attested that the company source its raw materials from foreign countries. So, any crash in the value of Naira will impulse negative effect to its performance. Furthermore, the results acknowledged that the domestic prices in Nigeria is associated with exchange rate pass-through. However, the results disagree with works of Abdallah (2016), Mensah, Vitor and Menako (2013) and Innocent et al., (2013).

Finally, findings suggest that there is a negative and statistically insignificant relationship between interest rate and financial performance of Unilever Nigeria plc. A 1% rises in interest rate will lead to decrease in financial performance by 0.02%. Thus, the result is not statistically significant and implying that interest rate does not influence the financial performance of the company over the sampled period. This is in agreement with the works of Mensah, Vitor and Menako (2013) which showed there is a negative linkage between interest rate and manufacturing sector performance.

Table 4.4: Estimated Short-Run Coefficients of the ARDL Model

Dependent Variable: Δ Financial Performance (measured as Return on Asset)				
Variables	Coefficients	std. Error	t-Statistics	P-value
Δ (Capital structure)	0.0241	0.0046	5.2453	0.0001
Δ (Inflation rate)	0.0546	0.0056	9.6862	0.0000
Δ (Exchange rate)	0.0000	0.0005	0.0542	0.9574
Δ (Interest rate)	-0.0010	0.0018	-0.5309	0.6024
Error Correction Model (-1)	-0.6275	0.0990	-6.3387	0.0000
Corr. = 1.7251 (0.2117), Het. = 0.4836 (0.8887)				

Source: Authors' computation Using EViews Version 9.

The short run results presented in Table 4.4 shows that capital structure and inflation rate have significant positive influence on financial performance of Unilever Nigeria plc. An increase or decrease in capital structure and inflation rate will lead to increase or decrease to the financial performance in the short run. Furthermore, the results show that exchange rate and interest rate have no significant influence on financial performance of the Unilever Nigeria plc in the short run.

The error correction term has the correct sign, it is negative, less than one (-0.62) and statistically significant at 1%. This evidence presents the presence of cointegration among the variables. In addition, the error correction term will correct itself in case of any distortion in the economy to the equilibrium level at the speed of 62%. Finally, to ensure that the results is correct, post-estimation tests using autocorrelation, heteroscedasticity and normality test were conducted. From the results summarized in Table 4.4, it acknowledged that the model is free from serial correlation and heteroscedasticity problems. This is due to insignificant probability values of the tests.

5.0 Conclusions and Recommendations

The importance of comprehending the impact of capital structure and macroeconomic uncertainty on the financial performance of consumer products in manufacturing enterprises cannot be overstated. From the foregoing, this study examined the influence of capital structure and macroeconomic uncertainty on Unilever Nigeria PLC's financial performance. Based on the findings, this study found out that capital structure has a significant positive effect on the financial performance of the selected firm, however, macroeconomic uncertainty (inflation, exchange rate) has as a negative impact on the company's financial potential. Furthermore, this study finds that interest rates have no significant effect on a company's financial success in Nigeria. From the findings above, the study recommends that the corporation should step up its efforts to improve capital structure because it has a good impact on financial performance.

Furthermore, while making an investment choice, companies must consider macroeconomic uncertainties, particularly movements in inflation and exchange rates. This is because these variables have a deteriorating impact on the company's financial and operational success. Hence It is expected of firm managers to possess sufficient financial knowledge to enable them to make appropriate plans for funding their proposed projects. This information will assist them in creating a plan and identifying the funding sources for their project. Managers should also be able to strike a balance between the uncertainty surrounding macroeconomic indicators like the currency rate and inflation rate and such investment decisions. In addition to making sure monetary policies support low inflation and exchange rate stability, the Nigerian government should improve macroeconomic stability by fostering a favorable business climate through targeted infrastructure investment, consistent fiscal restraint, and the expansion of accessible, affordable credit to the private sector, particularly SMEs.

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