



**Short Term Debt Financing and Earnings Per Share of Listed
Manufacturing Firms in Nigeria**

Molokwu, J.I¹; Ofor, T.N²; Ugwu, V.I³

**Department of Accountancy, Faculty of Management Sciences Chukwuemeka
Odumegwu Ojukwu, University Igbariam Campus.**

Email: josephinemolokwu@yahoo.com¹

Kechi4iv@yahoo.com²

Virginursugwu418@gmail.com³

Abstract

The study examined the effect of short-term debt financing on earnings per share of quoted manufacturing firms in Nigeria. The study used debt to capital ratio and firm size as control variables in this study. The study adopted an ex-post facto research design. The population comprised forty listed manufacturing firms in Nigeria. Purposive sampling was used to select a sample size of thirty (30) manufacturing firms. Secondary data were obtained from the published financial statements of the sampled firms covering a period of thirteen years (2012–2024). The data were analyzed using descriptive statistics, spearman ranking correlation and Ordinary Least Squares regression at a 5% significance level. The findings revealed that: short term debt financing had a positive and non-significant effect on earnings per share ($\beta = 0.273215$, $p = 0.5189$); debt to capital ratio had a negative but non-significant effect on earnings per share ($\beta = -0.269679$, $p = 0.1891$); firm size had a positive but statistically significant effect on earnings per share ($\beta = 1.257411$, $p = 0.0038$). The study concluded that short debt financing affected earnings per share of listed manufacturing firms in Nigeria, the growth and expansion strategies may be more impactful for improving firm performance than reliance on debt financing. Consequently, firms should focus on achieving optimal scale and operational efficiency while maintaining prudent financing decisions. It was recommended that Management of listed manufacturing firms should exercise caution in the use of short-term financing. Although short-term debt may be cheaper and flexible, excessive reliance on it could expose manufacturing firms to liquidity risk and refinancing pressures. Manufacturing Firms should therefore maintain an optimal mix of short-term and long-term financing to ensure stability and improve financial performance.

Keywords: Short Term Debt Financing, Earnings Per Share, Debt to Capital Ratio, Firm Size



1.0 Introduction

The financing decisions of firms remain one of the most critical aspects of corporate financial management because they determine the ability of firms to sustain operations, invest in growth opportunities, and generate returns for shareholders. In modern corporate finance, organizations rely on a combination of internal and external financing sources to fund their activities. External financing may include equity financing and debt financing, which can be categorized into short-term and long-term financing. Short-term financing generally refers to funds obtained for a period of less than one year and may include bank overdrafts, short-term bank loans, trade credit, and other current liabilities used to finance working capital requirements (Brigham & Houston, 2019). For manufacturing firms, which typically require substantial capital for production activities, short-term financing plays a crucial role in maintaining operational liquidity and supporting day-to-day business operations (Salawu, 2007).

Manufacturing firms constitute a significant sector of the Nigerian economy, contributing to employment generation, industrial development, and economic growth. However, many manufacturing firms in Nigeria face financial constraints due to limited access to long-term capital, high borrowing costs, and fluctuations in the macroeconomic environment. As a result, these firms often depend heavily on short-term financing to support working capital and operational needs. The availability and effective management of short-term financing can influence a firm's financial performance and its ability to generate returns for investors. One commonly used indicator of financial performance from the perspective of shareholders is earnings per share (EPS), which measures the portion of a company's profit allocated to each outstanding share of common stock. EPS is widely used by investors, analysts, and stakeholders to evaluate profitability and firm value (Aremu & Egbetokun, 2017).

Short-term financing is closely related to working capital management, which focuses on the management of current assets and current liabilities to ensure operational efficiency.



Effective management of short-term financing enables firms to maintain adequate liquidity, meet short-term obligations, and sustain production activities. According to previous studies on Nigerian firms, efficient working capital management significantly influences financial performance indicators, including earnings per share and profitability measures. For example, research on working capital management among Nigerian manufacturing companies indicates that factors such as average collection period and payment period have measurable impacts on firm performance and shareholder returns (Gitman et al 2015).

Despite its importance, reliance on short-term financing may also create financial risks for firms. Short-term debt often carries higher interest rates and requires frequent repayment, which can increase financial pressure on companies. If not properly managed, excessive dependence on short-term financing can lead to liquidity problems, reduced profitability, and instability in corporate earnings. Empirical studies in Nigeria suggest that short-term debt may negatively affect financial performance when firms are unable to effectively manage their short-term liabilities (Akinlo & Asaolu 2012). For instance, research examining quoted manufacturing companies in Nigeria found that short-term debt has a negative and significant relationship with financial performance, implying that excessive reliance on such financing may reduce the profitability of firms.

Similarly, studies on capital structure and debt financing in Nigerian manufacturing firms highlight that different components of debt financing have varying effects on financial performance indicators. Some findings reveal that while total debt may contribute positively to firm performance under certain conditions, short-term debt can exert an adverse effect on key financial indicators such as earnings per share and return on equity. These findings suggest that the structure and management of financing sources play a crucial role in determining the financial outcomes of firms. Earnings per share (EPS) remains a central measure for evaluating the financial success of a firm from the shareholders' perspective. It represents the net income available to ordinary shareholders divided by the number of outstanding shares, thereby indicating the profitability



attributable to each share held by investors. A higher EPS generally signals improved financial performance and enhances investor confidence, which may lead to higher market valuation of a company. In the Nigerian capital market, EPS is widely used as a key indicator for assessing firm value, guiding investment decisions, and influencing stock price behaviour.

One of the major problems confronting manufacturing firms in Nigeria is the difficulty of determining an optimal financing mix that can support operational activities while simultaneously improving shareholder returns. In recent years, many listed manufacturing firms in Nigeria have increasingly relied on short-term financing to fund their working capital requirements due to limited access to long-term capital, high interest rates, and stringent lending conditions in the financial market. Although short-term financing provides immediate liquidity and flexibility for firms to meet their operational needs, excessive reliance on such financing may increase financial risk, create frequent repayment obligations, and reduce profitability. This situation may ultimately affect the earnings available to shareholders, which is commonly measured by earnings per share (EPS). Despite the growing dependence on short-term financing among manufacturing firms in Nigeria, the extent to which this financing source influences earnings per share remains unclear. Consequently, there is a need to empirically examine the effect of short-term financing on the earnings per share of listed manufacturing firms in Nigeria.

Several empirical studies have examined the relationship between debt financing and firm performance across different economies. For instance, Abor (2005) found that short-term debt may influence firm profitability, particularly in developing economies where firms have limited access to long-term capital markets. Similarly, Ebaid (2009) reported that the impact of debt financing on firm performance varies depending on the structure of the debt and the way it is managed by firms. These studies suggest that while debt financing may support business operations, excessive reliance on certain types of debt particularly short-term debt may have adverse effects on corporate performance. In the



Nigerian context, previous studies have also explored the relationship between financing structure and firm performance. For example, Falope and Ajilore (2009) examined the relationship between working capital management and corporate profitability in Nigeria and found that efficient management of short-term assets and liabilities significantly affects firm profitability. Similarly, Onaolapo and Kajola (2010) reported that effective working capital management improves the financial performance of Nigerian firms. Although these studies provide useful insights into the importance of managing short-term financial resources, they focus mainly on profitability indicators such as return on assets (ROA) and return on equity (ROE), rather than earnings per share.

Furthermore, many existing studies on capital structure in Nigeria tend to concentrate on the overall impact of debt financing without distinguishing between short-term and long-term components of debt. As a result, the specific effect of short-term financing on earnings per share has not been adequately examined in the literature. This creates a gap in empirical research, particularly with respect to manufacturing firms listed on the Nigerian Exchange Group. Since EPS directly reflects the returns available to shareholders, understanding how short-term financing influences EPS is crucial for improving corporate financial decision-making. Another important issue is that many Nigerian manufacturing firms have experienced fluctuations in profitability and declining investor confidence in recent years. These challenges may be partly linked to inefficient financial management practices, including excessive reliance on short-term borrowing. When firms incur high interest expenses due to short-term debt obligations, their net income may decline, thereby reducing the earnings available to shareholders. If such a situation persists, it may negatively affect the earnings per share of the firm and ultimately reduce its attractiveness to investors. Given these challenges, it becomes necessary to investigate whether the use of short-term financing contributes positively or negatively to the earnings per share of listed manufacturing firms in Nigeria. Understanding this relationship will help corporate managers make better financing decisions that balance liquidity needs with profitability objectives. In addition, the



findings of such a study will provide useful insights for investors, policymakers, and other stakeholders regarding the implications of short-term financing on shareholder value. Therefore, this study seeks to examine the effect of short-term financing on the earnings per share of listed manufacturing firms in Nigeria. By addressing this issue, the study aims to fill the existing gap in the literature and provide empirical evidence that will enhance financial management practices within the Nigerian manufacturing sector. The study objective is as follow

To determine the effect of short term financing on earnings per share of listed manufacturing firms in Nigeria.

2.0 Review of Related Literature

2.1 Conceptual Review

2.1.1 Short Term Financing

Short-term financing refers to funds borrowed by a firm for a period usually not exceeding one year in order to finance its day-to-day operational activities and working capital requirements. It is an important component of corporate finance because it provides firms with the liquidity needed to maintain smooth business operations. According to Pandey (2015), short-term financing is primarily used to finance current assets such as inventories, accounts receivable, and cash balances that support the routine activities of a business. These financing sources are typically characterized by shorter maturity periods, lower initial borrowing costs, and relatively flexible repayment terms compared to long-term financing. Short-term financing plays a vital role in the financial management of manufacturing firms because their production processes require continuous purchases of raw materials, payment of wages, and settlement of other operating expenses. In many cases, firms may not have sufficient internally generated funds to cover these expenses; therefore, they rely on short-term external financing to bridge the gap between cash inflows and outflows. Brigham and Houston (2019) emphasize that effective management of short-term financing is essential for maintaining adequate liquidity and preventing operational disruptions. Firms that manage short-term



financing efficiently are able to sustain production activities, meet short-term obligations, and improve their overall financial performance.

There are several sources of short-term financing available to firms. Common sources include bank overdrafts, short-term bank loans, trade credit, commercial paper, and accrued expenses. Bank overdrafts allow firms to withdraw more money than the balance available in their bank accounts for a short period, thereby providing temporary financial relief during periods of cash shortages. Short-term bank loans are another common source of financing that allows firms to obtain funds from financial institutions with repayment periods usually ranging from a few months to one year. Trade credit is also widely used, particularly in the manufacturing sector, where suppliers allow firms to purchase goods or raw materials on credit with payment to be made at a later date (Gitman, Juchau, & Flanagan, 2015). Short-term financing is closely associated with working capital management, which involves the management of current assets and current liabilities to ensure operational efficiency and financial stability. Effective working capital management enables firms to maintain an optimal balance between liquidity and profitability. According to Deloof (2003), firms that effectively manage their short-term financial resources are more likely to improve their profitability because they minimize the cost associated with holding excessive working capital while ensuring that sufficient funds are available for operational needs. Similarly, Lazaridis and Tryfonidis (2006) argue that efficient management of short-term financing can enhance firm profitability by reducing financing costs and improving cash flow management.

Despite its advantages, short-term financing also has certain risks and limitations. One major disadvantage is that it exposes firms to refinancing risk because the borrowed funds must be repaid within a short period. If a firm is unable to generate sufficient cash flow to repay the debt at maturity, it may face financial difficulties or be forced to obtain additional financing at unfavorable terms. In addition, short-term financing may involve



fluctuating interest rates, which can increase the cost of borrowing and reduce the profitability of firms. Brigham and Houston (2019) note that excessive reliance on short-term debt may increase the financial vulnerability of firms because frequent repayment obligations can create pressure on cash flow. In developing economies such as Nigeria, short-term financing is particularly important due to the limited availability of long-term capital. Many firms find it difficult to obtain long-term loans from financial institutions due to strict lending requirements, high collateral demands, and unstable economic conditions. As a result, firms often depend on short-term sources of finance to support their operational activities. According to Aremu and Egbetokun (2017), the limited access to long-term financing in Nigeria has compelled many businesses, particularly manufacturing firms, to rely heavily on short-term borrowing for their working capital needs. However, excessive reliance on short-term financing may negatively affect the financial performance of firms if not properly managed. When firms incur high interest expenses due to short-term borrowing, their net income may decline, thereby reducing the returns available to shareholders. Furthermore, the frequent renewal of short-term loans may create uncertainty in financial planning and increase the risk of liquidity problems. For this reason, financial managers are required to carefully determine the appropriate level of short-term financing that will support operational activities without increasing financial risk

Earnings per Share (EPS)

Earnings per Share is a vital performance dynamic for corporations in that it weights the profit attributable to ordinary shareholders in relation the average number of ordinary shares of the corporation. This study estimated EPS as the difference in profit after tax and preference dividend divided by number of ordinary shares ranking for dividend for a financial year. Earnings per Share can be gauged as profit after tax while subtracting preference dividend and minority interest divided by number of ordinary shares ranking for dividend for a financial year. Prior studies have shown that EPS is a key reported



financial performance measures that is being alchemized by management compared to performance measures like ROA and ROE

Total Debt to Capital Ratio

The Total Debt to Capital ratio (also called the Debt-to-Capital ratio) measures the proportion of a firm's capital structure that is financed by debt. It provides a snapshot of the firm's financial leverage and risk exposure. The ratio considers both short-term and long-term debt relative to total capital, which is the sum of debt and shareholders' equity. The capitalization ratio is a financial indicator used to evaluate the degree of debt in an organization's capital structure (Blouin et al., 2014). Companies can raise capital for their daily operations through either debt or equity. Companies with higher ratio results are more highly leveraged and likely to go bankrupt. While the tax advantages of debt can boost returns to shareholders, a high capitalization ratio also raises the likelihood that the company will go bankrupt. Total debt to capitalization is a financial metric used to evaluate how much debt a company has compared to its total value of assets, the leverage ratio measures how much debt was used to acquire the company's assets. A higher debt-to-capital ratio increases the likelihood of bankruptcy (Ismail, 2017).

Firm Size

Firm size is an important concept in corporate finance and financial performance analysis. It generally refers to the scale or magnitude of a firm's operations and is often used to classify firms as small, medium, or large enterprises. In empirical research, firm size is commonly measured using indicators such as total assets, total sales, market capitalization, number of employees, or the natural logarithm of total assets (Titman et al, 2018). The size of a firm often reflects its operational capacity, market share, financial strength, and ability to access external financing. Consequently, firm size is frequently considered an important variable when analyzing the financial performance of firms. Large firms generally have greater access to financial resources and capital markets than smaller firms. This advantage enables them to obtain financing at lower costs and with



more favorable terms. According to Brigham and Houston (2019), larger firms often enjoy economies of scale, stronger bargaining power with financial institutions, and greater diversification of business activities, which reduces their overall financial risk. These advantages allow large firms to operate more efficiently and generate higher returns compared to smaller firms. As a result, firm size is often associated with improved financial performance and greater stability in earnings. Another important advantage of large firms is their ability to access various sources of financing, including equity markets, long-term debt, and other sophisticated financial instruments. Smaller firms, on the other hand, may face difficulties in obtaining external financing due to higher perceived risk and lack of sufficient collateral. Pandey (2015) notes that financial institutions are generally more willing to lend to larger firms because they are considered more stable and less likely to default on their obligations. Consequently, firm size can influence the financing decisions of companies, including their reliance on short-term or long-term financing sources.

Firm size may also influence the operational efficiency and profitability of firms. Larger firms often benefit from economies of scale, which occur when increased production leads to a reduction in the average cost of production. This cost advantage allows large firms to operate more competitively and achieve higher profit margins. In addition, larger firms may have access to more advanced technologies, skilled labor, and better managerial expertise, which can further enhance their productivity and financial performance (Gitman et al 2015). These factors collectively contribute to the improved profitability and stability of large firms. However, despite the advantages associated with large firm size, some studies suggest that very large firms may experience certain challenges that can negatively affect their performance. For instance, large organizations may face bureaucratic inefficiencies, slower decision-making processes, and higher administrative costs. These factors may reduce operational flexibility and limit the ability of firms to respond quickly to changes in the business environment. According to Titman



et al. (2018), excessively large organizations may encounter coordination and management difficulties that could reduce efficiency and profitability.

In the context of financial performance, firm size is often used as a control variable in empirical studies examining the relationship between financing decisions and corporate performance. This is because the size of a firm may influence its ability to generate profits, manage risks, and access external financing. For example, larger firms may be better positioned to withstand financial shocks due to their diversified operations and stronger financial base. Conversely, smaller firms may be more vulnerable to economic fluctuations and financial constraints. In developing economies such as Nigeria, firm size plays a significant role in determining access to finance and overall business performance. Many small and medium-sized enterprises often face difficulties in obtaining adequate financing due to limited collateral, lack of credit history, and perceived higher risk by financial institutions. Larger firms, particularly those listed on the stock exchange, typically have better access to both debt and equity financing, which enhances their ability to expand operations and improve financial performance (Aremu & Egbetokun, 2017). As a result, firm size may significantly influence the profitability and growth prospects of firms operating within the Nigerian manufacturing sector.

2.2 Theoretical Framework

2.2.1 Modigliani and Miller

The theory of capital structure proposed by Modigliani and Miller (1958), widely known as the M&M Proposition, represents one of the most influential milestones in modern corporate finance. Their work challenged traditional assumptions regarding capital structure and firm valuation by arguing that, under certain idealized market conditions, the value of a firm is independent of its capital structure. In their seminal study, Modigliani and Miller (1958) demonstrated that financing decisions—whether through



debt or equity do not affect the total value of the firm. This argument fundamentally reshaped academic and managerial perspectives on leverage, investment, and firm value. The Modigliani and Miller (1958) theory represents a paradigm shift in corporate finance, demonstrating that under perfect market conditions, a firm's value is unaffected by its capital structure. Their propositions introduced an analytical approach to capital structure analysis and laid the groundwork for subsequent research incorporating taxes, bankruptcy costs, agency problems, and market imperfections. Although their assumptions rarely hold in practice, their theoretical insight remains central to understanding the complex relationship between capital structure and firm value. The M&M framework continues to serve as the cornerstone of capital structure theory and a starting point for modern models addressing financial behavior in real markets. The theoretical framework underlining this study is the Modigliani and Miller (1958) theory of capital structure. Based on this theory, financial leverage decisions would have no impact on the value of the firm. Prasad et al (2001) notes that Modigliani and Miller (MM) paper focuses on invalidating the traditional view. The traditional view is focused on a firms weighted average cost of capital which is the minimum overall return that is needed to meet the requirements of all stakeholders. The traditional view is based on the idea that debt is less expensive than equity as a means of funding. However, Titman (2002) notes that the process of continuously increasing a firm's debt level might not hold for the foreseeable future, because in the real world, increasing debt level would also increase the possibility of default or bankruptcy thereby resulting in debt holders and shareholders demand greater returns to their investments. Optimal leverage under the traditional view would thus occur at the point where weighted average cost of capital is minimized and firm value is maximized.

The MM on the other hand takes the assumption of a perfect capital market in this case requiring that capital markets are not only competitive and aggressive but they are required to be complete. Myers (2002) explains that this is required so that the risk involved in every security issued by the firm can be matched in capital markets by



purchase of another existing security or portfolio or by a dynamic trading strategy. The MM theory also derives three propositions that relate to the firm's value, the behavior of the cost of equity and the cut-off rate for additional investment. Modigliani and Miller (MM) proposition 1 is also known as "pie model" because no matter the capital structure a firm chooses, the value of the firm will remain the same. $V_L = V_U$. Where; V_L is the value of a levered firm and V_U is the value of an unlevered firm. Modigliani and Miller (1958) capital structure irrelevance theory only holds under the assumption of perfect capital markets also it states that the market value of any firm is independent of its capital structure, thus the firm's average cost of capital is also independent of its capital structure (Constantinides 2003) under this proposition, financial leverage or gearing is irrelevant and it does not matter whether debt is short or long-term, callable or call – protected, straight or convertible, in dollars or euros, or some mixture of all of these or other types (Myers 2002).

MM's proposition II states that the rate of return required by shareholders increases linearly as the firm's debt-equity ratio increases (Prasad et al 2001). In other words, the cost of equity increases in order to offset exactly any benefits aimed by the use of cheap debt. According to Myers (2002), this proposition shows why there is "No trickery in financial leverage" as an attempt to replace inexpensive debt for costly equity would fail to reduce the whole cost of capital, due to the fact that it would only make the outstanding equity still more costly or enough more expensive to keep to overall cost of capital constant.

Modigliani and Miller (MM) proposition III states that a firm will only undertake investment whose returns are at least equivalent of its weight average cost of capital structure (Prasad et al 2001). Prasad et al (2001) cite two differences between the conclusion of traditional view and the MM and agree that while under the traditional view, the value of the firm and its cost of capital are linked to its capital structure, under MM's first proposition they are independent of the capital structure. Secondly, under MM's second proposition, if a firm's management chooses to maximize shareholders



return, than that firm would make use of debt until a hundred percent debt level is attained. According to Green et al (2001), MM's second proposition cannot be entirely true as a firm that is hundred percent debt-financed is basically bankrupt. Overall, the second proposition showed that at low levels of debt, the cost of equity increases faster under MM than traditional view while a higher levels of debt, the risk of default and the cost of equity increases faster under traditional view than MM's proposition. In supporting MM proposition II, the work of Dasgupta and Sengupta (2003) show that there is a positive correlation between financial leverage and firm profitability.

This theory is relevance to this study as follows; First, M&M's irrelevance proposition establishes a theoretical benchmark by asserting that, under perfect capital market conditions, a firm's capital structure does not affect its value or shareholders' wealth. This proposition is relevant to the Nigerian manufacturing sector because it offers a baseline against which real-world deviations can be examined. Since Nigeria's capital market is characterized by market imperfections such as information asymmetry, taxation, transaction costs, and financial distress risks the assumptions of the irrelevance proposition do not fully hold. This creates an empirical basis for investigating whether financial leverage significantly affects shareholders' wealth in listed manufacturing firms.

Second, the revised M&M proposition with corporate taxes (1963) is particularly relevant in the Nigerian context. The theory recognizes the tax-deductibility of interest payments, implying that firms can increase their value through the use of debt due to tax shields. For listed manufacturing firms in Nigeria, where corporate taxes constitute a significant cost, the use of financial leverage may enhance after-tax earnings, leading to higher dividends, retained earnings, and market valuation. This directly links financial leverage to shareholders' wealth maximization.

Third, the theory helps explain the risk–return trade-off associated with financial leverage. According to M&M, increased leverage raises the expected return to equity holders but also increases financial risk. In Nigeria's manufacturing sector, which is exposed to macroeconomic instability, exchange rate fluctuations, and high borrowing costs,



excessive leverage may erode shareholders' wealth through heightened bankruptcy and financial distress costs. Thus, M&M's framework is relevant in explaining both the potential benefits and costs of debt financing.

Modigliani and Miller's theory provides a foundation for evaluating whether Nigerian manufacturing firms are operating near an optimal leverage level. While M&M initially suggest that firms should use maximum debt under a tax environment, the realities of emerging markets imply that firms must balance tax advantages against institutional weaknesses and financing constraints. This relevance supports empirical analysis of whether leverage improves or diminishes shareholders' wealth in Nigeria.

2.3 Empirical Review

Onakpoma et'al (2023) studied effect of financial leverage on organizational performance of pharmaceutical firms in Nigeria. the specific objectives of the study which is to ascertain the effect of debt ratio on earnings per share, dividend per share, and return on equity of pharmaceutical firms in Nigeria, it was revealed that company income tax and value-added tax positively and significantly affect earnings per share, dividend per share and return on equity. The findings imply that as the debt ratio increases, all the other variables will also increase but in an insignificant amount. Therefore, the debt ratio provides a sound benchmark for measuring earnings per share, dividend per share, and return on equity. It is recommended that Firms in Nigeria's Pharmaceutical Industry should strive to increase their turnover in other to improve their net profit after tax which will lead to an increase in their earnings per share. However, this should be done regardless of the debt ratio since it has no significant effect on earnings per share. They should zealously strive to improve their profits after tax, which will increase their dividend payout. The dividend is one of the major factors to consider by any rational investor. However, the debt ratio does not significantly affect dividends per share. The result of our analysis shows us that the debt ratio rate does not significantly affect the return on equity of firms in Nigeria's pharmaceutical industry. However, in the spirit of



profit maximization, firms should strive to improve their profits after tax to increase their returns on equity.

Arhinful and Radmehr (2022) investigated the effect of financial leverage on financial performance: evidence from non-financial institutions listed on the Tokyo stock market. The study collected data from 263 companies in the automobile and industrial producer sectors listed on the Tokyo stock exchange between 2001 and 2021. The generalized method of moments was used to estimate the effect of leverage on financial performance due to its ability to overcome the problems of endogeneity and autocorrelation. The study found that the equity multiplier has a positive and statistically significant effect on return on assets (ROA), return on equity (ROE) and earning per share (EPS). The study discovered that the interest coverage ratio has a positive and statistically significant effect on ROA, ROE, EPS and Tobin's Q. The results revealed that the degree of financial leverage and debt to earnings before interest, taxes, depreciation and amortization (EBITDA) have a negative and statistically significant effect on ROE, EPS and Tobin's Q. The study also found that the capitalization ratios of the firms have a negative and statistically significant effect on ROA, ROE, EPS and Tobin's Q. The use of debt financing, which presents financial leverage, indicates that the companies can make enough earnings to pay off the interest and principal (debt service obligations), which were shown by the interest coverage ratio, as well as to pay all the long-term fixed expenses, which were shown by the fixed charge coverage ratio. Interest and fixed charge coverage have a positive statistically significant effect on the financial performance of automobile and industrial producer companies. The study focused on the effect of financial leverage on financial performance by relying on pecking and trade-off theories to contribute to the existing body of literature in finance.

Goodluck and Iliemena (2022) investigated the effect of leverage on earnings. This was motivated by the presumed paucity of recent literature in this regard, especially now that economic and environmental factors have left corporate organizations and stakeholders wondering what the ideal combination of debt should be. Hence, there is need to provide



evidence on this decision area for more informed decisions in the future. This study thus, examined the effect of leverage ratios and debt-equity ratios on earnings per share of 15 manufacturing companies listed on Nigerian Exchange (NGX) Group. Ex-post facto research design was adopted and applied on data sourced from annual reports of the companies under study from 2012 to 2020 representing nine years period. Inferential statistics and multiple regression technique were adopted for the purpose of data analysis and hypothesis testing respectively. Results from this study showed that leverage ratios have positive effect on earnings per share while debt-equity ratios have negative effect on earnings per share. However, both effects were found not statistically significant at 5% significance level. Even the insignificance of the effect may be moderated with good management emphasis on leverage management. Also, directors and managers of manufacturing companies in Nigeria are advised to employ effective and adequate debt policies to properly manage debts to enhance shareholders' earnings.

Ofulue et'al (2022) studied financial leverage and financial performance of Quoted Industrial Goods Firms in Nigeria for a thirteen (13) year period covering from 2008-2020. Specifically, this study ascertained the relationship between Debt-to-Equity Ratio, Short Term Debt Ratio, Long Term Debt Ratio and Cash Value Added. Panel data were used in this study, which were obtained from the annual reports and accounts of fourteen (14) sampled quoted industrial goods firms for the periods 2008-2020. Ex-Post Facto research design was employed. Inferential statistics using Pearson correlation coefficient, Multicollinearity test and Panel Least Square (PLS) regression analysis were applied to test the hypotheses of the study. The results revealed that Debt to-Equity Ratio and Long-Term Debt Ratio have a significant negative relationship with cash value added, while Short Term Debt Ratio significantly and positively relates with cash value added of quoted industrial goods firms in Nigeria at 5% level of significance. Well-managed assets and liabilities involve a process of matching offsetting items that can increase business profits.



Omabu et'al (2021) studied Financial Leverage and Shareholders Wealth Creation of Quoted Industrial Goods Firms in Nigeria. This study ascertain the relationship between financial leverage and shareholders wealth creation of quoted industrial goods firms in Nigeria for a period of thirteen years spanning from 2008-2020. Specifically, this study ascertained the relationship between debt-to equity ratio and cash value added. Ex-Post Facto research design was employed. The Panel data sets used in this study were obtained from the annual reports and accounts of thirteen (13) quoted industrial goods firms. Descriptive statistics of the dataset from the sampled industrial goods firms was employed to describe using the mean, standard deviation, minimum and maximum values of the data for the study variables. Panel Least Square (PLS) regression analysis and Hausman test were applied to test the hypothesis of the study. The specific findings showed that there is a significant and positive relationship between Debt-to-Equity Ratio and Cash Value ($p\text{-value} = 0.0003 < 0.05$). The lower cost of debt financing helps to bring down the required rate of return on the capital project being financed, thus, improving its profit margins.

Senan et al, (2021) studied an empirical analysis of financial leverage and financial performance: Empirical evidence from Indian listed firms This study uses both static models (pooled, fixed, and random effects) and Generalized Moment Methods (GMM). Financial leverage (FINLE) is defined by the ratio of total liabilities to total assets, whereas the current ratio and the quick ratio are used as firm liquidity factors. Further, a set of financial performance determinants such as return on assets, profit after tax, return on capital employed, return on equity, and Tobin-Q are used as independent factors. The results indicated that profit after tax, return on equity, return on capital employed, and Tobin-Q are the most significant financial success variables that influence financial leverage of Indian listed companies. Furthermore, profit after tax, return on capital invested, return on equity, and Tobin-Q are considered to have a substantial effect on financial leverage among the financial success indicators. In the case of firm liquidity, the



findings show that the current ratio and the quick ratio have a substantial effect on the financial leverage of Indian listed companies.

Abubakar (2020) examined financial leverage and financial performance of oil and gas companies in Nigeria. over the period 2005- 2016. Descriptive statistics such as mean, median, minimum, maximum, standard deviation, coefficient of variation, skewness and kurtosis were used in data presentation, while random effects panel estimator is applied in determining the effect of financial leverage variables as short-term debt ratio (STDR), long-term debt ratio (LTDR) and total-debt equity ratio (TDER) on the financial performance measured by the return on equity (ROE). The regression results from the random effects model (REM), the best panel estimator in this study as revealed by the F-test and the Hausman test for best model selection, indicate that STDR and LTDR have no significant effect on the financial performance, and TDER has a negative significant effect on the financial performance denoted by ROE. The study concludes that higher financial leverage in the capital structure of quoted Oil & Gas firms in Nigeria deteriorates shareholders wealth measured by ROE.

Abdulkarim et al (2019) their study analyzed the impact of financial leverage on the financial performance of three quoted firms in the agricultural sector in Nigeria, between 2005 and 2017. The study adopted ex-post factor and longitudinal research designs. Descriptive statistics and Pooled Ordinary Least Squares were adopted as methods of estimation. The major findings revealed that short-term debt ratio has significant negative impact on the financial performance, while long-term debt ratio has no significant impact on the financial performance. The study also discovered that total-debt equity ratio has a significant positive impact on the financial performance proxy by return on equity.

Mukesh et al (2019) investigated the impact of financial leverage on shareholders' Wealth: a case study of Indian companies. Maximization of shareholders' wealth, which is the heart of economic growth, as a long term proposition delivers higher economic output through productivity gains, employment growth and higher wages. Financial



leverage on the other hand, results from the use of debt and preferred stock to increases to ck holder earnings. The aim of this paper is to explore relationship between Shareholders' wealth and leverage of Indian companies of oil and gas sector. Data consisted of ROCE, sales, net worth, debt equity ratio, total debt to total assets ratio of top 10 companies of this sector, which were on the basis of market capitalization. These data were collected for a period of five years 2013-14 to 2017-18. The collected data were used to find the impact of leverage on shareholders' wealth of the companies. Panel data regression, fixed effect model and random effect model were estimated and compared on the basis of diagnostic parameters to find the most parsimonious model. It was found while performing panel data regression that random effect model was the most parsimonious model. The model proved to be significant from the calculated F value and explained 91.5% variability in the ROCE. Both the variables, which proxies for leverage (debt equity ratio and total debt to total assets ratio), were impacting ROCE.

Aharon and Yagil, (2019) studied The Impact of Financial Leverage on Shareholders' Systematic Risk. This paper tests the degree to which a sustainable relationship exists between financial leverage and the systematic risk of shareholders under the following capital market imperfections: corporate and personal taxes as well as risky debt and bankruptcy costs. This beta-leverage relationship has not yet been examined empirically in prior studies nor compared with the theoretical parameter values implied by well-known formulations in the literature. Using data from publicly traded American industrial firms, we found that risky debt models, rather than their corresponding risk free debt models, are more sustainable and appropriate for describing the link between equity beta and financial leverage. Our findings imply that estimating betas or unlevering betas based on risk free debt models might lead to unsustainable and inaccurate estimates of key corporate parameters such as the cost of capital, and may consequently lead to inappropriate capital budgeting decisions. In this respect, the results of this study might have consequences to the recently growing area of sustainable finance in the sense that investment decisions made by different bodies and institutions in the country are more



consistent with market imperfections that exist in the economy. In other words, our findings can be in line with a sustainable financial marketplace that contributes to the economic efficiency in the long run and can be related to social well-being.

3.0 Methodology

This study used *ex-post facto* research design. The study will employed *ex-post facto* research design due to its special characteristics which are the event that has already occurred hence there is no need for manipulation or alteration and it is also less costly and less time consuming. The population was made up of forty (40) manufacturing firms that are listed on the floor of the Nigerian stock exchange Group up to December, 2024. The sample size for the study consisted of 30 firms, selected using purposive sampling. The study used secondary data that covered the period of thirteen years (13) from 2012-2024. Data are collected from the published financial statement of quoted manufacturing firms in the Nigerian Exchange Group for the various years covered by the study. The study utilized secondary data obtained from the audited financial statements and annual reports of the selected firms. The data covers the period from 2012 to 2024. Data analysis was carried out using descriptive statistics, such as mean, standard deviation, minimum, and maximum values, to provide an overview of the variables under consideration. Panel Estimated Generalized Least Squares regression analysis was employed to test the hypotheses

Model Specification

This study adapted the model of Abubakar and Garba (2019) in determining the relationship between financial leverage and financial performance of quoted industrial goods firms in Nigeria: The model is specified as follows

$$ROA = \beta_0 + \beta_1 LTDR + \beta_2 STDR + \mu$$

The above model was modified to suit the specific objectives of the presents study, thereby yielding the model specified in equation below

$$EPS = f(STF + DCR + FSZ) \text{ -----equ (i)}$$

This can be econometrically expressed as

$$EPS_{it} = \beta_0 + \beta_1 STF_{it} + \beta_2 DCR_{it} + \beta_3 FSZ_{it} + \epsilon_i \text{ -----equ (ii)}$$



Where:

EPS = Earnings Per Share
STDF = Short Term Debt Financing
DCR = Debt to Capital Ratio (Control variable)
FSZ = Firm Size (Control variable)

4.0 Data Presentation

4.1 Descriptive Analysis of Data

Data analysis was carried out using descriptive statistics, such as mean, standard deviation, minimum, and maximum values, to provide an overview of the variables under consideration.

Table 4.1 Descriptive Statistics

	EPS	STDF	TDC	FSZ
Mean	2.836026	0.854000	1.497410	17.24321
Median	0.715000	0.470000	1.040000	17.59334
Maximum	80.99000	18.40000	65.01000	22.37093
Minimum	-207.6500	0.000000	-12.14000	10.95583
Std. Dev.	16.24679	2.155108	4.032049	2.129567
Skewness	-5.159269	5.896945	11.38011	-0.438084
Kurtosis	80.82828	38.75740	169.4432	3.083500
Jarque-Bera	100160.3	23037.43	458597.4	12.58794
Probability	0.000000	0.000000	0.000000	0.001847
Sum	1106.050	333.0600	583.9900	6724.851
Sum Sq. Dev.	102679.8	1806.707	6324.136	1764.137
Observations	390	390	390	390

Source: Author's Computation (2026)

Table 4.1 presents the descriptive statistics for Earnings per Share (EPS), Short-Term Debt Financing (STDF), Total Debt to Capital (TDC), and Firm Size (FSZ) based on 390 firm-year.

Earnings per Share (EPS): The mean value of EPS is 2.836026, while the median is 0.715000, indicating that the average earnings per share exceed the middle value of the distribution. This suggests the presence of extreme positive values influencing the mean. The maximum and minimum values of 80.99000 and -207.6500 respectively reveal substantial variability in firm profitability, with some firms recording significant losses



during the study period. The standard deviation of 16.24679 further confirms high dispersion in earnings performance among the sampled firms. The skewness coefficient of -5.159269 indicates that EPS is highly negatively skewed, implying that extreme negative values (large losses) dominate the distribution. The kurtosis value of 80.82828 is far greater than the benchmark value of 3, indicating a leptokurtic distribution characterized by heavy tails and the presence of outliers. The Jarque-Bera statistic (100160.3) with a probability value of 0.000000 suggests that EPS is not normally distributed at the 5% significance level.

Short-Term Debt Financing (STDF): The mean STDF is 0.854000, while the median is 0.470000. The difference between the mean and median indicates a positively skewed distribution. The maximum value of 18.40000 and minimum of 0.000000 suggest that while some firms have no short-term debt, others rely heavily on short-term financing. The standard deviation of 2.155108 indicates moderate variability in short-term debt usage across firms. The skewness value of 5.896945 shows that STDF is highly positively skewed, meaning a few firms have exceptionally high short-term debt ratios. The kurtosis of 38.75740 confirms a leptokurtic distribution with extreme observations. The Jarque-Bera statistic (23037.43) and its associated probability (0.000000) indicate that STDF deviates significantly from normal distribution.

Total Debt to Capital (TDC): The mean TDC is 1.497410, compared to a median of 1.040000, again suggesting a positively skewed distribution. The maximum value of 65.01000 and minimum value of -12.14000 reveal extreme variations in capital structure decisions among firms. The negative minimum may indicate cases of negative equity or accounting anomalies. The standard deviation of 4.032049 suggests substantial dispersion in firms' total leverage positions.

The skewness coefficient of 11.38011 indicates an extremely positively skewed distribution, reflecting the presence of firms with unusually high leverage. The kurtosis



value of 169.4432 is exceptionally high, suggesting extreme peakedness and heavy tails. The Jarque-Bera statistic (458597.4) with a probability of 0.000000 confirms that TDC is not normally distributed.

Firm Size (FSZ): Firm Size (FSZ) has a mean value of 17.24321 and a median of 17.59334, indicating a relatively symmetric distribution compared to other variables. The maximum and minimum values of 22.37093 and 10.95583 respectively show moderate variation in firm size. The standard deviation of 2.129567 suggests reasonable dispersion among firms in terms of total assets (assuming FSZ is measured as the natural logarithm of total assets).

The skewness value of -0.438084 indicates slight negative skewness, implying a fairly balanced distribution. The kurtosis value of 3.083500 is close to the normal benchmark of 3, suggesting an approximately mesokurtic distribution. However, the Jarque-Bera statistic (12.58794) with a probability of 0.001847 indicates that FSZ still deviates from normality at the 5% significance level, although the deviation is far less severe compared to the other variables.

4.2. Correlation Analysis

Spearman Ranked Order Correlation Coefficient was used to analyse the research questions.

Table 4.2 Correlational Analysis
Spearman rank-order

Covariance Analysis: Spearman rank-order.

Date: 04/02/26 Time: 05:28

Sample: 1 390

Included observations: 390

Correlation	EPS	STDF	TDC	FSZ
Probability				
EPS	1.000000			



SDTA	-0.076970 0.1292	1.000000 -----		
TDC	0.065144 0.1992	0.634312 0.0000	1.000000 -----	
FSZ	0.344648 0.0000	0.111880 0.0272	0.255601 0.0000	1.000000 -----

Source: Author's Computation (2026)

Correlation Analysis Interpretation

Table 4:2 presents the results of the Spearman rank-order correlation analysis conducted to examine the relationships among Earnings per Share (EPS), Short-Term Debt Financing (STDF), Total Debt to Capital (TDC), and Firm Size (FSZ), based on 390. The results reveal that EPS has a weak negative and statistically insignificant relationship with SDTA ($r = -0.076970$, $p = 0.1292$). This implies that increases in short-term debt relative to total assets are associated with a slight decrease in earnings per share; however, this relationship is not statistically significant at conventional levels ($p > 0.05$), suggesting that STDF does not meaningfully influence EPS in this sample. Similarly, EPS exhibits a weak positive but statistically insignificant relationship with TDC ($r = 0.065144$, $p = 0.1992$). This indicates that total debt to capital has a negligible and non-significant association with firm performance as measured by EPS. In contrast, firm size (FSZ) shows a moderate positive and statistically significant relationship with EPS ($r = 0.344648$, $p = 0.0000$). This suggests that larger firms tend to have higher earnings per share, and this relationship is statistically significant at the 1% level. The result implies that firm size plays an important role in explaining variations in firm performance. Furthermore, STDF is strongly and positively correlated with TDC ($r = 0.634312$, $p = 0.0000$), indicating a high degree of association between short-term debt and overall debt structure. This is expected, as short-term debt is a component of total debt. The strength of this relationship may also signal potential multicollinearity concerns in regression analysis.



The correlation between STDF and FSZ is weak but statistically significant ($r = 0.111880$, $p = 0.0272$), suggesting that larger firms tend to have slightly higher short-term debt ratios, although the relationship is minimal. Lastly, TDC and FSZ are positively and significantly related ($r = 0.255601$, $p = 0.0000$), indicating that larger firms are more likely to employ higher levels of total debt in their capital structure.

4.3 Test of Hypotheses

Table 4.4 Test of Hypotheses

Dependent Variable: EPS

Method: Least Squares

Date: 04/02/26 Time: 04:49

Sample: 1 390

Included observations: 390

Variable	Coefficient	Std. Error	t-Statistic	Prob.
STDF	0.273215	0.423125	0.645706	0.5189
TDC	-0.269679	0.204996	-1.315529	0.1891
FSZ	1.257411	0.431281	2.915524	0.0038
C	-18.67529	7.614909	-2.452463	0.0146
R-squared	0.024765	Mean dependent var	2.836026	
Adjusted R-squared	0.017185	S.D. dependent var	16.24679	
S.E. of regression	16.10659	Akaike info criterion	8.406537	
Sum squared resid	100137.0	Schwarz criterion	8.447216	
Log likelihood	-1635.275	Hannan-Quinn criter.	8.422662	
F-statistic	3.267307	Durbin-Watson stat	1.122437	
Prob(F-statistic)	0.021374			

Source: Author's Computation (2026)

Table 4:3 presents the results of the Ordinary Least Squares (OLS) regression analysis examining the effect of Short-Term Debt Financing (STDF), Total Debt to Capital (TDC), and Firm Size (FSZ) on Earnings per Share (EPS), based on 390. The regression results show that STDF has a positive but statistically insignificant effect on EPS ($\beta = 0.273215$, $t = 0.645706$, $p = 0.5189$). This implies that although an increase in short-term debt is associated with a rise in earnings per share, the effect is not statistically significant at the



5% level. Hence, STDF does not have a meaningful impact on firm performance within the context of this study. Similarly, TDC exhibits a negative and statistically insignificant relationship with EPS ($\beta = -0.269679$, $t = -1.315529$, $p = 0.1891$). This suggests that higher total debt relative to capital may reduce earnings per share; however, the relationship lacks statistical significance, indicating that total debt does not significantly influence firm performance. In contrast, firm size (FSZ) has a positive and statistically significant effect on EPS ($\beta = 1.257411$, $t = 2.915524$, $p = 0.0038$). This indicates that larger firms tend to generate higher earnings per share, and this effect is significant at the 1% level. The finding suggests that firm size is an important determinant of financial performance. The constant term (C) is negative and statistically significant ($\beta = -18.67529$, $p = 0.0146$), indicating that when all independent variables are held constant at zero, EPS would be negative. While this may not have strong economic interpretation, it confirms the baseline level of the model.

4.3.1 Test of Hypothesis I

Ho1 Short Term Debt Financing does not significantly affect earnings per share of selected quoted manufacturing firms in Nigeria. The regression results show that STDF has a positive but statistically insignificant effect on EPS ($\beta = 0.273215$, $t = 0.645706$, $p = 0.5189$). This implies that although an increase in short-term debt is associated with a rise in earnings per share, the effect is not statistically significant at the 5% level. Hence, STDF does not have a meaningful impact on firm performance within the context of this study.

Ho2 Total Debt to Capital does not significantly affect earnings per share of selected quoted manufacturing firms in Nigeria. TDC exhibits a negative and statistically insignificant relationship with EPS ($\beta = -0.269679$, $t = -1.315529$, $p = 0.1891$). This suggests that higher total debt relative to capital may reduce earnings per share; however, the relationship lacks statistical significance, indicating that total debt does not significantly influence firm performance.



Ho3 Firm Size does not significantly affect earnings per share of selected quoted manufacturing firms in Nigeria. firm size (FSZ) has a positive and statistically significant effect on EPS ($\beta = 1.257411$, $t = 2.915524$, $p = 0.0038$). This indicates that larger firms tend to generate higher earnings per share, and this effect is significant at the 5% level. The finding suggests that firm size is an important determinant of financial performance.

Discussion of Findings

The empirical results of this study reveal that short-term debt financing (STDF) has a positive but statistically insignificant effect on earnings per share (EPS). This suggests that although short-term financing may slightly enhance firm performance, its contribution is not strong enough to significantly influence earnings. This finding is consistent with the study of Abor (2005), who found that short-term debt may positively influence firm performance due to its lower cost, but the effect may not always be statistically significant across all contexts. Similarly, Onaolapo and Kajola (2010) reported that short-term debt does not significantly impact firm profitability among Nigerian firms. However, this result contradicts the findings of Ebaid (2009), who observed a significant negative relationship between short-term debt and firm performance, suggesting that excessive reliance on short-term financing increases financial risk and reduces profitability. The divergence in findings may be attributed to differences in economic environments, sample size, and sectoral focus.

Furthermore, the results indicate that total debt to capital (TDC) has a negative but statistically insignificant relationship with EPS. This implies that an increase in total debt may reduce firm performance, although the effect is not strong enough to be considered significant. This finding aligns with Rajan and Zingales (1995), who argued that excessive leverage can negatively affect firm performance due to increased financial distress and agency costs. In the Nigerian context, Akinlo (2011) also found that leverage has a negative but insignificant impact on firm profitability. On the other hand, this result disagrees with the findings of Berger and Udell (2006), who documented a



positive and significant relationship between leverage and firm performance, emphasizing that debt can act as a disciplinary mechanism that improves managerial efficiency. The inconsistency may be explained by differences in institutional frameworks and financial market development between developed and developing economies.

In contrast, firm size (FSZ) was found to have a positive and statistically significant effect on EPS. This indicates that larger firms tend to perform better financially, possibly due to economies of scale, better access to financing, and enhanced operational efficiency. This finding is in agreement with Majumdar (1997), who found that firm size positively influences performance due to increased efficiency and market power. Similarly, Zeitun and Tian (2007) reported a significant positive relationship between firm size and profitability across firms. However, this finding contradicts Yermack (1996), who argued that larger firms may experience inefficiencies and agency problems that could negatively affect performance. The variation in results may stem from differences in governance structures and firm-specific characteristics.

5.0 Summary of Findings, Conclusion and Recommendations

5.1 Summary of Findings

The study examined the effect of financial leverage on the shareholder's wealth of quoted manufacturing firms in Nigeria. The hypotheses were tested using Panel Estimated Generalized Least Squares (EGLS) regression at a 5% significance level. The findings revealed that:

1. Short term financing has a positive but statistically insignificant effect on earnings per share of selected quoted manufacturing firms in Nigeria ($\beta = 0.273215$, $p = 0.5189$).
2. Debt to capital exhibits a negative and statistically insignificant relationship with



- earnings per share of selected quoted manufacturing firms in Nigeria ($\beta = -0.269679$, $p = 0.1891$).
3. Firm size has a positive and statistically significant effect on earnings per share of selected quoted manufacturing firms in Nigeria ($\beta = 1.257411$, $p = 0.0038$).

5.2 Conclusion

This study examined the effect of short-term debt financing (STDF) on earnings per share with a control variable of total debt to capital and firm size. Using a sample of 390 observations and employing Spearman correlation and Ordinary Least Squares (OLS) regression techniques, the study provides empirical evidence on the relationship between financing decisions and firm performance. The findings from the correlation analysis revealed that both STDF and TDC have weak and statistically insignificant relationships with EPS, while firm size exhibited a moderate and statistically significant positive association with firm performance. Furthermore, the regression results confirmed that short-term debt and total debt do not significantly influence earnings per share, although short-term debt showed a positive coefficient and total debt a negative coefficient. In contrast, firm size emerged as the only variable with a positive and statistically significant effect on EPS, indicating that larger firms tend to perform better financially.

The overall model was statistically significant; however, its low explanatory power suggests that a substantial proportion of variations in firm performance is influenced by factors not captured in the model. This underscores the complexity of the relationship between capital structure and firm performance and suggests that financing decisions alone may not be sufficient to drive profitability. In conclusion, the study establishes that while debt financing—both short-term and total debt—does not significantly determine firm performance in the sampled firms, firm size plays a critical role in enhancing earnings. The findings imply that growth and expansion strategies may be more impactful for improving firm performance than reliance on debt financing. Consequently, firms



should focus on achieving optimal scale and operational efficiency while maintaining prudent financing decisions.

5.3 Recommendations

Based on the findings of this study, the following recommendations are made in line with each explanatory variable:

1. Management of listed manufacturing firms should exercise caution in the use of short-term financing. Although short-term debt may be cheaper and flexible, excessive reliance on it could expose manufacturing firms to liquidity risk and refinancing pressures. Manufacturing Firms should therefore maintain an optimal mix of short-term and long-term financing to ensure stability and improve financial performance.
2. Management should adopt prudent debt management policies by maintaining a balanced capital structure that minimizes financial distress and bankruptcy risk. Manufacturing firms should also explore alternative financing options such as equity financing or retained earnings to reduce over dependence on debt. Furthermore, regulatory authorities and policymakers should provide guidelines that encourage sustainable borrowing practices among manufacturing firms.
3. Manufacturing firms are encouraged to pursue growth strategies that enhance their size and market presence. This can be achieved through expansion, mergers and acquisitions, increased investment in productive assets, and market diversification. Larger firms tend to benefit from economies of scale, improved access to finance, and stronger competitive advantage. Therefore, management should focus on strategic growth initiatives that will enhance operational efficiency and profitability.



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