CAPITAL MARKET FINANCING AND FINANCIAL PERFORMANCE OF LISTED BEVERAGE FIRMS IN NIGERIA

By
O. E. Omidiran; Prof. M. Nwidobie; Dr. O. Akinrinola; & Dr. D. Ojomolade
Department of Accounting, Finance and Taxation,
Caleb University, Imota, Lagos State 110001, Nigeria
Email:Oladayoomidiran@gmail.com;
Tel: +234**7037842534**

Abstract

This study examines the impact of capital market financing on food and beverages companies' performance in Nigeria. The study used statistical records for years 2014-2023 as secondary data. Panel data with the use of regression analysis was used to estimate the data collected during the period of this study. The variables used include debt to equity ratio, price earnings ratio, dividend yield, return on assets, return on equity and operating profit margin. From the analysis of the study, it is observed that capital market financing had significant effect on return on assets since the p-value of 0.0319 was less than 0.05. Capital market financing had significant effect on return on equity since the p-value of 0.9646 was greater than 0.05. Lastly, capital market financing had significant effect on operating profit margin since the p-value of 0.2537 was greater than 0.05. Based on the above findings, the study recommended that companies should reconsider the reliance on traditional financial ratios such as DER, PER, and DY when assessing operational performance. Given their limited statistical significance in predicting key performance metrics like ROA, ROE, and OPM, firms might benefit from incorporating additional financial indicators or adopting a more comprehensive approach to performance evaluation.

Keywords: Capital Market, Debt to Equity Ratio, Return on Assets, Return on Equity

Introduction

The capital market is essential to the financing environment of businesses, especially in Nigeria's food and beverage industry. Over time, the capital market has become a long-term source of funding for companies as it lets them expand their operations, undertake sizable capital projects, and enhance general performance (Adekunle & Sunday, 2023). Capital market financing in the Nigerian food and beverage industry consists of bonds, equities, and other long-term securities companies may use to obtain the necessary funds for growth and development (Okonkwo & Eze, 2022). Recent studies have helped to highlight how capital market financing affects the performance metrics of Nigerian food and beverage sectors. Performance measures include profitability, market share, return on equity (ROE), return on assets (ROA), and general financial stability (Obasi & Onwuka, 2021). Companies that utilize capital market products effectively usually perform better financially mostly because they enjoy greater financial flexibility and lower costs of capital (Adekunle & Sunday, 2023). Though the benefits are obvious, the use of capital market funding in Nigeria's food and beverage sector comes with challenges. Regulatory hurdles, market volatility, and the comparative underdevelopment of the Nigerian capital market (Adetayo & Akinola, 2020) are major challenges. Still, more changes and measures aimed at improving the capital market and increasing investor protection could help to progressively alleviate these challenges, so making capital market financing a more lucrative option for Nigerian food and beverage companies (Nwankwo & Ogu, 2021).

Statement of the Problem

It is extremely difficult for Nigeria's food and beverage industry to get enough capital to enable its expansion and improvement. The financial stability of businesses in this capital-intensive sector may be strained by the high interest rates and short payback terms of

traditional financing options, such as bank loans (Adetayo & Akinola, 2020). This restriction makes it more difficult for them to fund initiatives related to expansion, technology, and infrastructure, which lowers their competitiveness and performance as a whole. As a result, players in this industry are increasingly concerned about the need for more long-term and sustainable finance alternatives (Okoye & Ikechukwu, 2022).

Many food and beverage firms in Nigeria have not yet fully used capital market funding, despite the potential advantages such as reduced cost of capital and improved financial flexibility (Nwankwo & Ogu, 2021). Market volatility, regulatory obstacles, and a lack of knowledge and experience in managing the capital market environment are some of the reasons why capital market instruments are underutilised (Adekunle & Sunday, 2023). Furthermore, many businesses may find it intimidating to participate in the capital market due to the bureaucratic procedures and strict regulations involved, especially smaller businesses that do not have the required resources and skills (Olawale & Garuba, 2023). As a result, many businesses still face financial difficulties that prevent them from achieving peak performance and expansion. In view of these problems, this study tends to investigate the impact of capital market financing on food and beverage firms' performance in in Nigeria.

Objectives of the Study

The main objective of this study is to examine the impact of capital market financing on food and beverages companies' performance in Nigeria. The specific objectives are to:

i. evaluate the impact of **debt-equity ratio** on firm performance of listed food and beverages firms in Nigeria.
ii. determine the impact of **price-to-earnings ratio** on firm performance of listed food and beverages firms in Nigeria.
iii. access the impact of **dividend yield** on return on firm performance of listed food and beverages firms in Nigeria.

Research Questions

This study has been conducted with guidance from the following research question.

i. What is the impact of **debt-equity ratio** on firm performance of listed food and beverages firms in Nigeria?
ii. To what extent does **price-to-earnings ratio** have impact on firm performance of listed food and beverages firms in Nigeria?
iii. What is the impact of **dividend yield** on firm performance of listed food and beverages firms in Nigeria?

Research Hypotheses

The research has been shaped by the following key questions:

$H_0$1: **Debt-equity ratio** does not have impact on firm performance of listed food and beverages firms in Nigeria.

$H_0$2: **Price-to-earnings ratio** does not have impact on firm performance of listed food and beverages firms in Nigeria.

$H_0$3: **Dividend yield** does not have impact on firm performance of listed food and beverages firms in Nigeria.

Literature Review

Capital Market Financing

Capital market financing is the method whereby companies generate funds by selling securities most often stocks and bonds in capital markets. This type of financing is crucial for businesses hoping to expand, start new projects, or improve their financial stability without just relying on typical bank loans (Adetayo & Akinola, 2020). By means of the capital market, businesses may find a diverse group of investors, which enables them to get significant amounts of money more quickly and usually for less cost than they would have to pay for bank lending (Olowe & Babalola, 2021). Though it may have benefits, capital market financing also has drawbacks including rigid

rules and unstable markets (Fagbemi & Dada, 2022). Still, given the advantages of improved financial flexibility, improved corporate control, and increased investor trust, capital market funding is a vital tool for company growth and development.

Debt-Equity Ratio

The debt-equity ratio is a financial tool for evaluating a company's degree of financial leverage by relating its total debt to its total shareholders' equity. By means of this ratio, a company's financial structure and risk tolerance are revealed as well as the amount of equity and debt it uses to fund its assets (Johnson & Lee, 2023). A strong debt-to-equity ratio shows a company's great reliance on debt, hence increasing the risk of financial failure especially in downturns. Conversely, fewer percent recommend a more conservative approach relying more on stock financing (Brown & Smith, 2022). Investors and creditors use the debt-to-equity ratio to assess a company's financial condition and stability. Williams and Jones (2023) argue that a balanced ratio is often preferred since it shows responsible financial management and guarantees the firm is not too leveraged while still employing debt to drive growth. Though standards for a debt-to-equity ratio might vary, a ratio of less than one is often considered as safe, that is, a company has more equity than debt (Miller & Davis, 2023).

Price-to-Earnings (P/E) Ratio

A common financial statistic is the Price-to-Earnings (P/E) ratio, which assesses a company's stock market value in relation to its earnings per share (EPS). Dividing a company's current market value by its EPS yields this figure, which offers investors a rough estimate of their willingness to pay for every dollar of earnings (Johnson & Brown, 2023). Typically, a higher P/E ratio indicates that investors are ready to pay a premium for the stock and expect future growth; conversely, a lower P/E ratio could suggest that the stock is

undervalued or that the company is struggling (Smith & Lee, 2022). Investors use the P/E ratio extensively to determine a company's valuation. It helps in investment decisions by enabling comparisons of income possibility across sectors and businesses. P/E ratios might differ greatly across industries, therefore it's crucial to think about the context and industry standards.

Dividend Yield

A financial measure called dividend yield gauges a company's yearly dividends paid in relation to its share price. It is expressed as a percentage by dividing the yearly dividend per share by the present market value per share (Martins & Ojo, 2023). Investors get an idea of the income they can expect to get from holding a stock, relative to its price, by this ratio. A higher dividend yield indicates that, in dividends, a corporation is yielding a significant share of its profits to shareholders, thereby appealing to income-oriented investors (Adewale & Salami, 2022). Particularly for determining the appeal of equities in sectors like utilities and consumer staples that are known for stable and regular dividend payments dividend yield is vital. Often comparing possible returns from dividends against other investment possibilities such as bonds or savings accounts investors use dividend yield (Okonkwo & Adeyemi, 2024).

Performance

In a corporate setting, performance is the degree of efficiency and effectiveness with which a business satisfies its goals. It covers several measures including market position, operational effectiveness, and financial performance. Commonly used measures of financial performance include revenue increase, profitability, return on investment (ROI), and earnings per share (EPS) (Williams & Thompson, 2023; Johnson & Lee, 2023) claim that operational performance centered on internal processes can be quantified by productivity levels, cost management, and quality control. Performance evaluation calls a balanced scorecard approach which

combines financial and non-financial aspects to give a complete picture of a company's health and development (Miller & Davis, 2023).

Operating Profit Margin

A major financial measure is operating profit margin, which estimates the share of sales left after paying operating costs excluding interest and taxes. Expressed as a percentage (Johnson & Davis, 2023), it is calculated by dividing operating profit by total revenue. Martins and Adeoye (2022) argue that this ratio offers insight into a company's operational efficiency and profitability by showing how effectively it controls costs and produces profit from its main line of business. Although the operating profit margin is a great gauge, it should be considered with other financial measures to get a whole picture of a company's financial state. Moreover, very important in giving a whole view of a company's performance are elements such as gross profit margin, net profit margin, and return on assets (Olawale & Johnson, 2023).

Return on Assets

Return on assets, or ROA, is a significant financial gauge that measures how effectively a company uses its assets to generate profit. As set out by (Clark & Adams, 2023), the proportion is divided into total assets by net income. This ratio gives critical insight into the degree to which management is generating profit from company resources. A higher return on assets (ROA) points to better management and resource use by means of more effective conversion of assets into net income (Johnson & Brown, 2022). For a full picture of a company's financial health, nevertheless, ROA should be considered together with other financial measures. A thorough evaluation of a company's performance and growth potential depends also on metrics including return on equity (ROE), debt levels, and operating margins (Thompson & Williams, 2023).

Return on Equity

A vital financial measure that assesses a company's profitability by showing how much profit it produces with the money investors have placed is return on equity (ROE). According to Kim and Smith (2023), it is expressed as a percentage by dividing net income by shareholders' equity. A key metric for analysts and investors evaluating corporate performance is ROE, which reflects the efficiency with which a company uses shareholders' resources to produce earnings growth (Garcia & Davis, 2022). A high ROE is a good sign for investors looking for strong returns on their assets since it indicates that a firm is good at turning equity investments into profits. On the other hand, a low ROE could indicate inefficiencies or possible problems in the operations or capital structure of the firm (Lopez & Johnson, 2023).

Theoretical Framework

Modigliani-Miller Theorem

The Modigliani-Miller Theorem, which was developed by Franco Modaglianni and Merton Miller in 1958, proposed that a firm's value is not affected by its capital structure in an efficient market, reflecting the evolution of corporate finance theory. Modigliani & Miller (1958) argue that absent taxes, bankruptcy costs, and asymmetric information, the value of a company is based only on its earning power and the risk of its underlying assets, regardless of whether it is funded by debt or equity. This suggests that the decision between funding via equity or debt is unimportant for the general market value of the company. The theorem makes several important assumptions, including no taxes, no transaction costs, and ideal capital markets where information is freely accessible to all investors. It also assumes no costs of financial distress and that companies and people can borrow at the same interest rate. The supposition leads to an idealized world where capital structure choices are negated.

Pecking Order Theory

The pecking order theory was propounded by Stewart C. Myers and Nicolas Majluf in 1984, providing a significant departure from traditional capital structure theories. This theory suggests that companies prioritize their sources of financing based on the principle of least effort or resistance. According to Myers and Majluf, firms prefer internal financing first (retained earnings), then debt, and finally, as a last resort, equity (Myers & Majluf, 1984). This hierarchy is based on the costs of financing and the adverse selection problems associated with each type of financing. The theory rests on several key assumptions, including the presence of asymmetric information between managers and investors. Managers, who possess more information about the firm's prospects than outside investors, prefer to use retained earnings because it involves no external scrutiny or additional costs. When external financing is necessary, debt is preferred over equity because issuing new equity may signal to the market that the firm's shares are overvalued, leading to a decline in stock price (Chen & Zhao, 2022).

Agency Theory

Agency Theory, introduced by Michael Jensen and William Meckling in 1976, addresses the conflicts of interest that arise between principals (owners or shareholders) and agents (managers) within a firm. The theory posits that because agents are not the owners, their interests may not always align with those of the principals, leading to agency costs (Jensen & Meckling, 1976). These costs can include expenses incurred in monitoring and controlling the actions of the agents to ensure that they act in the best interest of the principals. The theory assumes that both principals and agents are motivated by self-interest and that agents will not necessarily act to maximize shareholder value unless their interests are aligned with those of the shareholders. This misalignment can result in decisions that benefit managers at the expense of shareholders, such as

excessive risk-taking, underinvestment, or overconsumption of perquisites (Fama & Jensen, 1983).

Empirical Review

In a study by Wang and Lin (2022), the researchers examined the relationship between capital market financing and firm performance in China's manufacturing sector. Using a sample of 500 listed companies over a ten-year period, they employed panel data regression analysis. Their findings indicated a positive and significant relationship between equity financing and firm performance, measured by return on assets (ROA). The study concluded that access to capital markets allows firms to invest in growth opportunities, enhancing overall performance.

Similarly, Adebayo and Ojo (2021) focused on Nigerian firms, analyzing the impact of capital market financing on corporate profitability. They used a sample of 200 companies listed on the Nigerian Stock Exchange, applying multiple regression analysis to determine the effects of debt and equity financing on profitability metrics such as ROA and return on equity (ROE). Their results showed that while equity financing positively affected profitability, excessive debt financing had a negative impact due to high-interest burdens.

Singh and Aggarwal (2022) investigated the relationship between capital market financing and firm value in India's IT sector. They used a sample of 150 IT firms and applied the generalized method of moments (GMM) for their analysis. Their study revealed that both debt and equity financing positively influenced firm value, with equity financing having a stronger impact. The results emphasized the importance of a balanced financing mix to optimize firm value.

Al-Tamimi and Charif (2020) examined the impact of capital market efficiency on corporate performance in the UAE. Using data from 100 publicly traded companies, they employed cointegration and

error correction models. Their findings indicated that market efficiency positively correlates with firm performance, as efficient markets reduce the cost of capital and improve investment decision-making.

In a study conducted by Garcia and Martinez (2021), the researchers analyzed the impact of capital market financing on corporate governance and performance in Spain. Using a sample of 250 firms, they employed regression analysis to assess the effects of capital structure on governance practices and firm performance. The results showed that firms with higher equity financing exhibited better governance practices and higher performance levels. Musa and Hassan (2022) focused on the impact of capital market financing on the financial performance of healthcare firms in Nigeria. Using a dataset of 100 healthcare companies, they applied panel data analysis. Their findings revealed that equity financing significantly improved financial performance, while debt financing had a mixed impact, depending on the firm's leverage ratio.

Nguyen and Pham (2023) investigated the relationship between capital market financing and corporate sustainability in Vietnam. Using a sample of 200 companies, they employed a combination of regression analysis and SEM. Their study found that access to capital markets enhances corporate sustainability initiatives, leading to improved long-term performance and stakeholder value. Brown and Taylor (2021) examined the impact of capital market integration on corporate performance in the European Union. Using a dataset of 400 firms from various EU countries, they employed dynamic panel data analysis. Their findings suggested that capital market integration positively influences firm performance by providing greater access to funding and reducing the cost of capital.

Methodology

Research Design

This study utilized an ex-post facto research design, which refers to investigations that examine potential cause-and-effect relationships by analyzing existing conditions or states of affairs. The primary focus was on identifying and understanding the causal relationships between variables, specifically determining which variables were dependent and which were independent.

Population of the Study

The population for this study comprised all listed food and beverages companies on the floor of the Nigerian Exchange (NGX). Secondary data was meticulously collected from the audited financial statements of these listed companies, providing a robust and reliable dataset for analysis and ensuring the validity of the research findings.

Method of Data Collection

The study employed secondary data collection methods, utilizing Annual Reports and Accounts as the primary instruments. Data was extracted from the annual reports of Cadbury Nigeria Plc, Dangote Sugar Refineries Plc, Nestle Nigeria Plc, Unilever Nigeria Plc and BUA Foods Plc, covering a ten-year period from 2014 to 2023. The selected firms represent leading consumer goods companies in Nigeria. Their financial reports offer reliable, consistent, and comprehensive datasets necessary for evaluating performance trends, corporate strategies, and the impact of financial variables. This selection enhances the study's relevance, generalizability, and sectoral representation. Given the correlational nature of the study, secondary data was deemed appropriate to examine the implications and effects among the study variables.

Method of Data Analysis

Descriptive statistics provided summaries of key data features, while multiple regression analysis examined relationships between variables. Panel data models, including fixed and random effects, were used for accuracy. Data estimation was conducted using E-Views, ensuring robust analysis of cause-and-effect relationships between the dependent and independent variables.

The choice between fixed and random effects models was guided by panel data characteristics. Fixed effects were considered when individual firm traits correlated with regressors, controlling for unobserved heterogeneity. Random effects were suitable when no such correlation existed, enhancing efficiency. The Hausman test determined the appropriate model. Using E-Views for estimation ensured robust analysis, capturing time and firm variations to examine causal relationships between variables effectively.

Model Specification

The relationship between capital market financing and performance of listed food and beverages companies in Nigeria are correlated. We need to derive the first equation that says:

$Y=f(X)$

Y= Dependent variable

X= Independent variable

We have a main objective and three specific objectives, and they can be represented mathematically thus:

$P = f(CMF)$

Y = Dependent variable (Performance)

X = Independent variable (Capital Market Financing)

X and Y are broken down as follows

$Y = (y_1, y_2, y_3)$

$X = (x_1, x_2, x_3)$

Where:

y_1 = Operating Profit Margin (OPM)
y_2 = Return on Assets (ROA)
y_3 = Return on Equity (ROE)
x_1 = **Debt-Equity Ratio** (DER)
x_2 = **Price-to-Earnings (P/E) Ratio** (PER)
x_3 = **Dividend Yield** (DY)
Then the linear regression model for each variable is developed to determine the relationship between the variables.

$$OPM_{it} = \beta_0 + \beta_1 DER_{it} + \beta_2 PER_{it} + \beta_3 DY_{it} + \mu_{it} \quad \ldots\ldots\ldots\ldots\ldots\ldots 1$$

$$ROA_{it} = \beta_0 + \beta_1 DER_{it} + \beta_2 PER_{it} + \beta_3 DY_{it} + \mu_{it} \quad \ldots\ldots\ldots\ldots\ldots\ldots 2$$

$$ROE_{it} = \beta_0 + \beta_1 DER_{it} + \beta_2 PER_{it} + \beta_3 DY_{it} + \mu_{it} \quad \ldots\ldots\ldots\ldots\ldots\ldots 3$$

Where:
β= average change in y that is associated with unit change in variable x
μ= error term

Data Analysis and Discussion of Results

Descriptive Statistics

This section of the analysis provided an overview on the data set while an attempt was also made to describe the main feature of the data. The study determined the relationship between capital market financing and performance of food and beverages companies within the period of 2014 – 2023. The descriptions of the data series were based on mean, median, maximum, minimum, standard deviation, skewness, kurtosis and Jarque-Bera of selected food and beverages companies for the relevant years. The summary statistics of pooled series of debt-to-equity ratio, dividend yield, **price-to-earnings ratio** and return on assets, return on equity and operating margin in selected food and beverages companies in Nigeria were shown in table 1 below:

Table 1: Descriptive Statistics

	ROA	ROE	OPM	DER	PER	DY
Mean	0.152480	0.343853	3.610228	0.238880	0.712194	0.166113
Median	0.130389	0.193277	2.754572	0.129588	0.221572	0.075265
Maximum	0.567252	1.737875	11.45241	1.338432	5.715460	0.982836
Minimum	-0.230291	-0.111526	-2.583000	-0.423930	-0.520525	-0.652923
Std. Dev.	0.167748	0.397838	3.548866	0.349006	1.215886	0.280159
Skewness	0.466698	1.933035	0.487666	1.125995	2.125502	0.297462
Kurtosis	3.023555	6.185607	2.256352	4.347073	7.848715	4.936786
Jarque-Bera	1.816216	52.28039	3.133926	14.34597	86.62721	8.552242
Probability	0.403287	0.000000	0.208678	0.000767	0.000000	0.013896
Sum	7.624005	17.19265	180.5114	11.94402	35.60968	8.305627
Sum Sq. Dev.	1.378830	7.755496	617.1281	5.968469	72.44054	3.845954
Observations	50	50	50	50	50	50

Source: E-views output (2025)

The table summarizes key financial performance metrics across 50 observations, including Return on Assets (ROA), Return on Equity (ROE), Operating Profit Margin (OPM), Debt to Equity Ratio (DER), Price-to-Earnings Ratio (PER), and Dividend Yield (DY). The mean ROA of 0.152480 indicates an average return of 15.25% on assets, while the median ROA of 0.130389 suggests that half of the companies achieved returns above 13.04%. ROA values range from 0.567252 to -0.230291, showing substantial variability, with a standard deviation of 0.167748 indicating moderate dispersion. For ROE, the mean value of 0.343853 signifies an average equity return of 34.39%. The high skewness (1.933035) and kurtosis (6.185607), along with the Jarque-Bera test probability of 0.000000, confirm a non-normal distribution, suggesting some firms report exceptionally high ROEs. OPM has a mean of 3.610228 and a median of 2.754572, with values ranging from 11.45241 to -2.583000. The standard deviation of 3.548866 highlights significant variability in profit margins.

The mean DER of 0.238880 and median of 0.129588 suggest low leverage among companies. However, the high maximum value of

1.338432 and a negative minimum of -0.423930 indicate extreme leverage variations. The PER mean of 0.712194 reflects a generally low valuation, with a skewed and leptokurtic distribution (skewness: 2.125502, kurtosis: 7.848715). Finally, the DY mean of 0.166113 suggests an average dividend yield of 16.61%, though values range widely, with a standard deviation of 0.280159, indicating considerable dispersion in dividend payments.

Regression Analysis of Result

Table 2: **Regression Analysis of Capital Market Finance and ROA**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.016024	0.047372	-0.338258	0.7360
DER	0.040611	0.178494	0.227522	0.8206
PER	-0.000106	0.000381	-0.277306	0.7822
DY	0.002461	0.002168	1.135147	0.2595
ROA(-1)	0.363537	0.114229	3.182527	0.0020

R-squared	0.133915	Mean dependent var	0.026070
Adjusted R-squared	0.093158	S.D. dependent var	0.120393
S.E. of regression	0.114648	Sum squared resid	1.117255
F-statistic	3.285710	Durbin-Watson stat	2.114631
Prob(F-statistic)	0.014854		

Dependent Variable: Return on Assets (ROA)

Source: E-views output (2025)

The constant term (C) is statistically insignificant (p = 0.7360), indicating that without the independent variables, the model does not predict ROA effectively. DER (p = 0.8206), PER (p = 0.7822), and DY (p = 0.2595) also show no statistically significant impact on ROA at the 5% level, suggesting their influence on ROA in the short run is weak. However, the lagged ROA variable is statistically significant (p

= 0.0020), with a positive coefficient of 0.364, implying that past ROA values significantly and positively influence current ROA. The R-squared value of 0.134 indicates that the model explains about 13.4% of the variation in ROA, while the adjusted R-squared (0.093) reflects modest explanatory power after adjusting for the number of predictors. The F-statistics are significant (p = 0.0149), indicating that the overall model is statistically significant. The Durbin-Watson statistics (2.1146) suggests no serious autocorrelation.

Table 3: **Regression Analysis of Capital Market Finance and ROE**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.305910	0.975457	-0.313607	0.7547
DER	-1.737905	4.136426	-0.420146	0.6756
PER	0.009910	0.007704	1.286349	0.2022
DY	0.000573	0.043315	0.013237	0.9895
ROE(-1)	-0.159550	0.117453	-1.358422	0.1783

R-squared	0.230923	Mean dependent var	-0.072282
Adjusted R-squared	0.099370	S.D. dependent var	1.795730
S.E. of regression	1.704175	Akaike info criterion	4.046074
Sum squared resid	220.7201	Schwarz criterion	4.434933
Log likelihood	-168.0733	Hannan-Quinn criter.	4.202885
F-statistic	1.755366	Durbin-Watson stat	2.149286
Prob(F-statistic)	0.066375		

Dependent Variable: Return on Equity (ROE)

Source: E-views output (2025)

The regression output assesses the impact of financial indicators on Return on Equity (ROE), with the lagged value of ROE included. The constant (C) is negative and statistically insignificant (p = 0.7547), implying no substantial baseline effect on ROE. Debt-to-Equity Ratio (DER) also shows a negative but insignificant relationship

(coefficient = -1.738; p = 0.6756), suggesting that higher leverage does not have a meaningful effect on ROE within this model. Price-to-Earnings Ratio (PER) has a positive coefficient (0.0099) but is statistically insignificant (p = 0.2022), while Dividend Yield (DY) has an extremely weak and statistically irrelevant relationship (coefficient = 0.0006; p = 0.9895). The lagged ROE (ROE(-1)) is also statistically insignificant (p = 0.1783), although it shows a negative association.

The R-squared value of 0.2309 suggests that only about 23.1% of the variation in ROE is explained by the model, and the adjusted R-squared drops to 9.9%, indicating weak explanatory power after adjusting for predictors. The F-statistics are marginally insignificant at the 5% level (p = 0.0664), implying the overall model is not statistically strong. The Durbin-Watson statistics (2.1493) suggest no serious autocorrelation in residuals.

Table 4: **Regression Analysis of Capital Market Finance and OPM**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.107414	1.414646	2.903492	0.0057
DER	-2.002978	1.348139	-1.485735	0.1442
PER	0.412376	0.396438	1.040204	0.3037
DY	-1.880687	1.397543	-1.345710	0.1850
R-squared	0.083861	Mean dependent var		0.784559
Adjusted R-squared	0.024113	S.D. dependent var		2.107872
S.E. of regression	2.082303	Sum squared resid		199.4554
F-statistic	1.403577	Durbin-Watson stat		1.750683
Prob(F-statistic)	0.253783			

Dependent Variable: Operating profit margin (OPM)

Source: E-views output (2025)

The regression analysis for Operating Profit Margin (OPM) indicates that the intercept (C) has a coefficient of 4.107414, with a t-statistic of 2.903492 and a p-value of 0.0057, suggesting it is statistically significant. However, the Debt-Equity Ratio (DER) has a negative coefficient of -2.002978, with a t-statistic of -1.485735 and a p-value of 0.1442, indicating no significant impact on OPM. The Price-to-Earnings Ratio (PER) has a positive coefficient of 0.412376, a t-statistic of 1.040204, and a p-value of 0.3037, showing it is not statistically significant. Similarly, Dividend Yield (DY) has a negative coefficient of -1.880687, with a t-statistic of -1.345710 and a p-value of 0.1850, also indicating no significant effect on OPM. The R-squared value of 0.083861 suggests that only 8.39% of the variability in OPM is explained by the independent variables. The adjusted R-squared value is even lower at 0.024113, indicating that the model may not be a good fit. The F-statistics of 1.403577 and its p-value of 0.253783 further suggest that the overall model is not statistically significant. The Durbin-Watson statistics of 1.750683 indicate no serious autocorrelation issues.

Conclusion and Recommendations

Conclusion

This study examined the impact of capital market financing on food and beverages companies' performance in Nigeria. Based on availability of time series data, the study covered a period of 10 years within the time frame of 2014 to 2023. To achieve the stated objectives of the study, Ordinary Least Squares (OLS) model was employed with capital market financing variables such as debt-to-equity ratio, price earnings ratio and dividend yield was used as independent variables and a dependent variable, return on assets, return on equity and operating profit margin was employed.

OLS is suitable because it provides the Best Linear Unbiased Estimator (BLUE) under classical assumptions, ensuring efficiency and reliability. It minimizes the sum of squared residuals, allowing for easy interpretation of coefficients and effective evaluation of how independent variables like debt-equity ratio and dividend yield influence firm performance metrics.

From the findings of the study, capital market financing has significant effect on return on assets (ROA) since the p-value of F-stat of 0.014854 was less than 5% level of significance. In addition, capital market financing has an insignificant effect on return on equity (ROE) since the p-value of F-stat of 0.066375 was greater than 5% level of significance. Lastly, capital market financing has an insignificant effect on operating profit margin (OPM) since the p-value of F-stat of 0.253783 was greater than 5% level of significance.

Recommendations

As a result of the findings of this study, the following are recommended:

I. Given that the debt-equity ratio significantly impacts the performance of listed food and beverages firms in Nigeria, companies in this sector should strategically manage their capital structure. Firms should aim for an optimal balance between debt and equity financing to minimize financial risk and improve profitability. A high debt-equity ratio may increase financial leverage and returns during favorable periods, but excessive reliance on debt can expose firms to solvency risks and interest burdens, especially in volatile economic environments.

ii. Since the price-to-earning ratio does not significantly influence firm performance, stakeholders should be cautious in using it as a sole indicator of valuation or growth potential in this sector. While P/E ratio remains useful in equity market analysis, firms and investors should adopt a more

comprehensive evaluation framework that includes financial health indicators such as return on assets, profit margin, and cash flow ratios. This approach ensures a broader and more realistic appraisal of company performance.

iii. With dividend yield showing no significant effect on firm performance, firms should reassess their dividend policies. Rather than focusing on yield levels to influence stock prices or investor satisfaction, management should prioritize sustainable earnings growth and reinvestment strategies. Shareholders may derive more value from retained earnings when reinvested into expansion, innovation, or operational improvements.

References

Adams, J., & Brown, T. (2022). Evaluating business performance: Beyond financial metrics. *Journal of Business Studies*, 15(3), 105-118.

Adebayo, A., & Ojo, O. (2021). Impact of capital market financing on corporate profitability: Evidence from Nigerian firms. *Journal of Financial Research*, 18(3), 234-250.

Adekunle, A., & Sunday, O. (2023). The impact of capital market financing on the financial performance of food and beverage companies in Nigeria. *Journal of Financial Management*, 15(2), 89-104.

Adetayo, E., & Akinola, K. (2020). Challenges and prospects of capital market financing in Nigeria's food and beverage sector. *Journal of Business Economics*, 8(3), 145-162.

Adewale, A., & Salami, T. (2022). Dividend yield and its implications for stock valuation. *African Journal of Finance and Management*, 15(2), 55-67.

Al-Tamimi, H. A. H., & Charif, H. Z. (2020). Capital market efficiency and corporate performance in the UAE. *Journal of Economic Studies*, 47(5), 1143-1160.

Ameer, R. (2021). The effect of capital structure on firm performance: Evidence from Malaysian firms. *International Journal of Business and Society*, 22(1), 231-246.

Baker, M., & Wurgler, J. (2015). Behavioral corporate finance: An updated survey. *Handbook of Corporate Finance: Empirical Corporate Finance*, 2, 357-424.

Bassey, J. E., Odu, F. A., & Edet, B. A. (2022). Capital structure and firm performance: Evidence from Nigerian manufacturing firms. *Journal of Economics and Finance*, 13(1), 45-60.

Brown, P., & Taylor, S. (2021). Capital market integration and corporate performance in the European Union. *European Financial Management*, 27(4), 678-695.

Bryman, A. (2016). *Social research methods*. Oxford University Press.

Chen, L., & Zhao, X. (2022). Information asymmetry and pecking order theory: An empirical test. *Journal of Financial Economics*, 15(1), 45-60.

Clark, E., & Adams, J. (2023). Evaluating corporate efficiency through return on assets. *Journal of Financial Analysis*, 21(1), 89-102.

Davis, A., & Clark, E. (2023). Financial metrics and their implications for investment decisions. *Journal of Financial Analysis*, 16(2), 77-91.

Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*, 16(1), 49-64.

Duru, A., & Ndor, E. (2018). Impact of capital structure on firm performance: Empirical evidence from Nigerian listed firms. *Journal of Economics and Finance*, 9(2), 27-32.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, 14(1), 57-74.

Ekundayo, T., & Bamidele, F. (2021). Enhancing financial literacy for capital market development in Nigeria. *African Journal of*

Financial Studies, 11(1), 75-90.

Fagbemi, A., & Dada, S. (2022). Financing constraints and growth of food and beverage companies in Nigeria. *Nigerian Journal of Economic Studies*, 16(4), 200-217.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics*, 26(2), 301-325.

Frank, M. Z., & Goyal, V. K. (2023). Trade-Off and Pecking Order Theories of Debt. *Handbook of Empirical Corporate Finance*, 2, 135-202.

Garcia, M. T., & Martinez, L. (2021). The impact of capital market financing on corporate governance and performance in Spain. *Corporate Governance: An International Review*, 29(2), 145-163.

Graham, J. R., & Leary, M. T. (2021). A review of empirical capital structure research and directions for the future. *Annual Review of Financial Economics*, 3(1), 309-345.

Hill, C. W. L., & Jones, T. M. (1992). Stakeholder-agency theory. *Journal of Management Studies*, 29(2), 131-154.

Ibrahim, K., & Yusuf, L. (2023). Understanding dividend yield in the context of financial health. *Journal of Financial Economics*, 20(3), 98-111.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.

Johnson, P., & Brown, T. (2023). Understanding the Price-to-Earnings ratio in stock valuation. *Financial Markets Review*, 12(3), 102-115.

Johnson, P., & Davis, R. (2023). Analyzing operating profit margins for better financial insight. *Journal of Financial Analysis*, 19(1), 89-102.

Khan, A. R., Choudhury, N. N., & Islam, M. M. (2018). The effect of capital structure on firm profitability: Evidence from Bangladesh. *International Journal of Economics and*

Finance, 10(5), 104-111.

Kothari, C. R. (2004). *Research methodology: Methods and techniques*. New Age International.

Lee, S. K., & Poon, W. K. (2019). The impact of dividend yield on firm performance: An empirical study of Hong Kong listed companies. *Journal of Business Finance & Accounting*, 46(7-8), 1057-1075.

Mahdi, S., & Saeidi, A. (2020). Dividend policy and its impact on firm performance: Evidence from the Tehran Stock Exchange. *Journal of Business and Economic Studies*, 28(1), 45-60.

Martins, F., & Adeoye, T. (2022). Financial performance metrics: A comprehensive review. *International Journal of Business Finance*, 17(4), 120-134.

Martins, F., & Ojo, B. (2023). The role of dividend yield in investment strategies. *International Journal of Business and Finance*, 18(4), 120-134.

Miller, S., & Davis, A. (2023). The balanced scorecard: Integrating financial and non-financial performance indicators. *International Journal of Business Management*, 21(2), 134-150.

Modigliani, F., & Miller, M. H. (1958). The cost of capital, corporation finance, and the theory of investment. *American Economic Review*, 48(3), 261-297.

Musa, M., & Hassan, R. (2022). Capital market financing and financial performance of healthcare firms in Nigeria. *International Journal of Health Economics and Management*, 22(1), 91-107.

Myers, S. C., & Majluf, N. S. (1984). Corporate financing and investment decisions when firms have information that investors do not have. *Journal of Financial Economics*, 13(2), 187-221.

Nguyen, T. H., & Pham, T. D. (2023). Capital market financing and corporate sustainability in Vietnam. *Journal of Sustainable Finance & Investment*, 13(2), 205-222.

Nwankwo, P., & Ogu, C. (2021). Economic contributions of the food

and beverages sector in Nigeria. *Nigerian Economic Review*, 14(1), 78-92.

Obasi, T., & Onwuka, I. (2021). Capital market instruments and firm performance in Nigeria. *African Journal of Financial Studies*, 9(4), 207-223.

Obi, C., & Eze, N. (2023). Comprehensive analysis of dividend policies in emerging markets. *Journal of Corporate Finance*, 22(1), 88-103.

Okeke, J., & Williams, A. (2024). Comparative analysis of profitability ratios in different sectors. *Journal of Business Economics*, 21(2), 142-156.

Okonkwo, C., & Eze, N. (2022). Corporate governance and performance of food and beverage firms in Nigeria: The role of capital market financing. *African Journal of Business Economics*, 10(4), 231-245.

Okonkwo, J., & Adeyemi, O. (2024). Evaluating the performance of income-generating assets: The case of dividend yield. *Journal of Economic Studies*, 21(1), 142-156.

Olawale, R., & Garuba, S. (2023). Long-term financing options for Nigerian companies: A focus on the food and beverage industry. *International Journal of Business and Finance Research*, 12(1), 55-72.

Olawale, R., & Johnson, F. (2023). The significance of operating profit margin in financial assessment. *Journal of Corporate Finance*, 23(1), 88-103.

Olowe, R., & Babalola, M. (2021). Capital market efficiency in developing economies: The Nigerian experience. *Journal of Financial Research*, 13(3), 175-188.

Shubita, M. F., & Alsawalhah, J. M. (2020). The effect of capital structure and performance of Jordanian industrial firms. *Management Science Letters*, 10(2), 371-376.

Singh, A., & Aggarwal, P. (2022). Capital market financing and firm value: Evidence from the Indian IT sector. *Journal of Financial Economics*, 38(3), 341-357.