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**MODERATING INFLUENCE OF MANAGERIAL OWNERSHIP ON DEBT FINANCING AND
FINANCIAL PERFORMANCE OF LISTED MANUFACTURING FIRMS IN NIGERIA**

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Abstract

This study aimed at investigating the influence of managerial ownership on financial performance of listed manufacturing firms in relation to debt financing. It was anchored by agency cost theory, pecking order theory and trade-off theory. Panel data regression model was used to analyze data for a period of 2011-2020. The source of data was mainly secondary and collected from twelve (12) of the forty-three (43) listed manufacturing firms in Nigeria. Findings revealed positive effect of long term debt financing on financial performance of listed manufacturing firms in Nigeria and negative effect of total debt financing on financial performance. Managerial ownership has negative relationship with financial performance. The results further showed that the interaction of debt financing and managerial ownership does not significantly influence the effect of debt financing on financial performance of listed manufacturing firms in Nigeria. The study recommends that listed manufacturing firms should consider their retained earnings to finance their day to day business operations instead of relying on debt financing, and directors should only own minority shareholding right in their companies.

Keywords: Managerial Ownership, Debt Financing, Financial Performance, Return on Equity, Moderating Effect

1 Introduction

Financing decision is among the list of financial management decisions that cannot be ignored by management of corporate entities, policy makers, financial analysts and trade promoters. It focuses on available options of financing business and investment opportunities, settlement of day to day operating expenses and maintenance of cost of capital. More than what can be overlooked is the source of fund of every organization because it serves as a major determinant of whether the business will run profitably or not (Alalade, James & Victor, 2015).

On the other hand, capital structure model has already built up funds structures for a going concern business,

such as equity capital, preference stock capital and debt capital from long term and short term loans. Aziz (2019) observed that companies should be able to strategize their activities with a mix of equity and debt which increases firm's value. If excessive amount of debt is employed its liabilities or associated high cost of debt may over stretch the firm's financial capacity, while an excessive employment of equity, weakens proprietorship premium and it opens the organization to outside control (Owoloja, Gbajumo, Umoru, Babatunde, & Ilimezekhe, 2020), and again, excessive equity holding is not a good policy as well in that it could reduce growth potential (Oghenero & Samuel, 2021).

Owoloja, Gbajumo-Sherifm, Umaoru, Babatunde and Ilimezekhe, (2020) evidently cited that the capital structure decision theory was propounded by Modigliani and Miller (1958). It was captioned as capital structure irrelevancy theory which argued that there is no relationship between capital structure and firm's profit. The statement was further repositioned as shareholders are indifferent about firm capital structure, reason being that the firm's value does not change with changes in debt. As investments and other business operational activities progress, the theory was debunked with its restrictive assumptions. In the year 1963, Modigliani and Miller suggested that firms should take advantage of tax shield when considering debt capital for the purpose of maximizing firm's value.

Debt implies borrowing, that is, any fund that is subject to the payment of fixed return, such as long term loans, preference shares and debentures (Alalade et al., 2015). However, debt capital with its associated risk and return, involves parting away funds from their owners. It is the interest rate companies, persons, or group of individuals pay on debt collected. It is supported by cost of debt capital, and from the borrowers point of view, Onkware, Joshua, and Muya (2021) see it as the opportunity cost of making a specific investment. They equally posit that it is the rate of return that could have been earned by putting the same money into different investment with equal risk. This cost of debt capital has to exist in order to check financial managers' excess and reckless spending on unprofitable and personal material things.

Most importantly, Sunday and Onatuyeh (2019) explained that it is essential that a study of debt structure involves an examination of the individual effects of all debts variants such as short term debt, long term debt and total debt due to their different risk and return profiles. In order to highlight their position, they categorically stated that using different components as measure of debt structure as against narrow measure would normally reveal occurrence of mismatch of funding by firms. They defined mismatching of funds as when long term investments are financed by short term debts rather than long term debts.

There are a lot of studies on the relationship between debt financing and financial performance of firms in Nigeria. These existing studies have done justice to the

effect of debt financing option on firm's value, where the basic components of debt capital such as long term debt, short term debt and total debts were separately utilized to investigate the extent to which debt financing impacts on financial performance of diverse firms in Nigeria. Some of these studies include Orji, Nwadiator and Agubata (2021), Oghenero and Samuel (2021), Owoloja et al. (2020), Sunday and Onatuyeh (2019), Usman, Samaila and Dalhat (2018), Kalu and Ken (2016) and Oyesola (2009). However, none of research seems to acknowledge the possible effect of managerial ownership on financing. Therefore, against this background, a study needs to be conducted on the moderating influence of managerial ownership on debt financing and financial performance of listed manufacturing firms in Nigeria.

It is of paramount significance to investigate the association of debt financing and financial performance of listed manufacturing firms in Nigeria, since managers are assigned responsibility of utilizing both human and other material resources, giving consideration to financial leverage. It is equally necessary to examine the extent to which managerial ownership exert influence on financial performance of listed manufacturing firms in Nigeria. The study is to test the following null hypotheses:

Ho₁: Short-term debt capital does not significantly impact on financial performance of listed manufacturing firms in Nigeria.

Ho₂: Long-term debt capital does not significantly impact on financial performance of listed manufacturing firms in Nigeria.

Ho₃: Total debt capital does not significantly impact on financial performance of listed manufacturing firms in Nigeria.

Ho₄: Managerial ownership does not significantly impact on financial performance of listed manufacturing firms in Nigeria.

Ho₅: The interaction between debt financing and managerial ownership does not impact on financial performance of listed manufacturing firms in Nigeria.

2. Literature Review

Concept of Long Term Debt Capital

According to Orji, Nwadiator and Agubata (2021), long term debt is the percentage of assets financed with debt which is payable after more than one year. These include debentures, bonds and long term loans issued by commercial banks. As noted by Sunday and Onatuyeh (2019), these bonds and loans carry a higher interest rate as lenders demand a higher return in exchange for taking on the greater risk of loaning money over a long period of time. But the major increase in external financing over longer period of years shows the economic expansion of firms (Mamaro & Tsholofelo, 2020). The expansion processes of firms are acquisition of plant and machinery for the business, land and buildings, information and communication technology installations and upgrades. On the contrary, in the study conducted by Oyesola (2009), he was able to discover that firms with more investment opportunities apply less leverage which supports both the trade off model and a complex version of the pecking order model.

Concept of Short Term Debt

Orji, Nwadiator and Agubata (2021) stated that short term debt is used to finance current assets that can be quickly turned back to cash; examples of these types of debts are account receivables and inventories. They further explained that more debts could increase shareholders risk but when the conditions are right, it could increase their returns substantially. Short term debts have less than a year maturing period when both cost of debt capital and principal sum collected are required to be repaid. Meyers (1977) as cited by Oghenero and Samuel (2021), argued that enterprises that employ short term debts are likely to have more growth options in their investment opportunities.

Concept of Total Debts

Oghenero and Samuel (2021) see total debt as that which measures the amount of total assets which are financed by creditors in relation to that which are financed by investors. These will tell the proportion of corporate assets that are financed by long term and short term debt capital. Debt capital increases the pressure on managers thereby motivating them to perform more efficiently and as a result, debt financing reduces moral hazard behavior by reducing free cash

flow (Usman, et al., 2018). The total debt capital ratio could enable creditors and loan issuers to examine the difference between financing with equity capital and total debts. But as part of steps towards tax planning, managers usually consider debt financing more than equity financing for specific transactions to add value to the firm's operations (Oghenero & Samuel, 2021). In another words equally expressing the position of Alalade and Victor (2015), even though debt financing may be highly disadvantageous to firm, if not properly motivated it equally has the advantage of tax reduction on the firm which could make it important for consideration.

Concept of Managerial Ownership

Ida, Made and Mintarti (2015) defined managerial ownership as the percentage of equity shares owned by management. The management is composed of the directors manning the affairs of the company. Bodunde, Clement and Rosemary (2016) stated that the relationship between managerial ownership and firm performance arises from the need to reduce agency cost of delegating control of firms to professional managers by owners of the firm. According to Jensen and Meckling (1976) as cited Bodunde, Clement and Rosemary (2016), increasing managerial stake in the equity holdings of the firm serves as incentive to align the interest of the managers with those of the shareholders. They posit that managers possess superior information about potentials of a company over and above those possessed by the shareholders. Against this backdrop, the extent to which managers will deplore their expertise in getting the company to maximize its potential and hence firm value will depend on their ownership stake in the firm. According to Ruan, Gary and Shiguang (2011), an increase of managerial ownership helps to connect the interests of insiders and shareholders, and leads to better decision making and higher firm value.

Concept of Financial Performance

According to Owkware, Joshua and James (2021), financial performance is the capacity to work profitably, proficiently and successfully, withstands ecological dangers while exhibiting the current chances and aptitude to develop. They also declared financial performance of a firm as that which can be analyzed in terms of profitability, dividend growth, sales turnover, asset base, capital employed among others. Sunday and

Onatuyeh (2019) stated that financial performance can be measured by means of profitability indicators such as earning per share (EPS), dividend per share (DPS), return on assets (ROA), return on equity (ROE) among others. Kalu and Ken (2016) viewed financial performance as that which can be measured based on variables that involve productivity, returns, growth or even customers satisfaction. Alalade and Victor (2015) added that financial performance can be reflected in profit maximization, maximization of return on assets and maximization of shareholders' return. In a nutshell, firm's profitability is the primary objective of all business activities, the long run stay of every business entity relies upon profitability for survival and growth.

Empirical Review

Oghenero and Samuel (2021) examined capital structure optimality and performance metrics of selected multinationals in Nigeria. The results of their investigation indicate that total debt to equity ratio, exerts negative significant impact on return on capital employed of Multinational corporations. Besides that, both total debt to asset ratio and short term debt to asset ratio exert positive yet statistically insignificant impact on return on equity of Multinationals. However, long term debt to asset ratio exerts negative statistical insignificant impact on return on equity. They were of the opinion that Multinationals located in Nigeria can achieve optimal performance if they utilize both total debt to asset ratio and total debt to equity ratio maximally. Also management of multinationals should opt for capital structure optimality by increasing their equity level and reducing dependence on debts so as to avoid being cash strapped and debt ridden. Orji et al. (2021) evaluated the relationship between debt financing and firms' performance. They also examined the effect of preferred stock financing on firm's performance. Ex Post Facto Design was employed for the Oil and Gas Sector, Health Care Sector and Information and Communication Technology Sector of the Nigerian Stock Exchange. The span of their study covered 2013 to 2020 and data were collected through Nigerian Stock Exchange Factbook and annual reports and accounts of the firms. Ordinary least square regression technique was used for the data analysis. The result of their study shows that there is a significant and positive relationship between debt financing both long term debt and short term debt and firms' performance in

Nigeria. The result further revealed a negative and insignificant relationship between preferred stock financing and firms' performance in Nigeria. Based on their findings, they rejected preferred stock financing and recommended long term and short term debts for improving corporate performance. These studies ignored the role of managerial ownership in debt financing.

Mamaro and Tsholofelo (2020) studied the impact of debt financing on performance of retail firms listed on the Johannesburg Stock Exchange for a study period of 2010 to 2019. In order to source for data, they examined Thomson Reuters data stream. The study used the longitudinal research design and employed secondary data. They followed quantitative research design and data was analyzed using ordinary least square through regression technique with the help of E-views 10. The result of their findings revealed that firm size and long term debt to asset negatively influence financial performance of retail firms which is consistent with the trade off theory, and inconsistent with the pecking order theory. They were of the opinion that the possible reason could be that most established retail firms prefer internal source of financing such as equity over debt. Aziz (2019) investigated the effect of debt financing on firm performance utilizing secondary data from 14 different sectors in Pakistan Stock Exchange for the time period of 2006 to 2014. 360 companies were taken and data was sourced from the financial statements of the corporations. Panel least square and Hausman test for selection of the fixed effect model were adopted for data analysis. The result of the study indicated negative effect of long term debt and short term debt on profitability. This means that when long term debt and short term debt are increasing then the corporate profitability is decreasing. The study recommended that the companies in Pakistan should use the less level of debt because it decreases the performance of companies in Pakistan. Though managerial ownership influence was considered, the finding remains limited to the sampled Pakistan corporate firms.

Sunday and Onatuyeh (2019) examined the effect of debt financing on the corporate performance of listed consumer goods firms in Nigeria. In order to achieve their set objective 15 consumer goods firms listed on the Nigerian Stock Exchange were observed using 2006 to 2017 study periods. The result of their investigation

revealed that debt ratios exert positive and significant impact on corporate performance of listed consumer goods firms in Nigeria. Kalu and Ken (2016) using a sample taken from two prominent firms in the brewery industry listed in the Nigerian Stock Exchange during the period of 2004 to 2013, result of which indicated that there is no statistical significant relationship between current liability, total liability, and financial performance of firms in Nigeria.

Oyesola (2009) examined the relationship between debt financing and profitability. The result of his investigation suggests that firms in Nigeria depend on external financing, and that a high proportion which is about 60% of the debt is represented in the short term debt. Most importantly, there was positive relationship between profitability and short term debt. They accordingly declared that the results from their study have important implications for financial stability as higher ratios of short term debt to total assets makes the corporate sector highly vulnerable to changes in economic conditions and may increase the economy wide impact of a financial crisis.

Theoretical Framework

Agency Cost Theory

The research work is anchored by agency cost theory as was sufficiently explained by Jensen and Meckling (1976). They defined agency relationship as a contract under which one or more persons (principals) engage another person (the agents) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationship are utility maximizers, there is good reason to believe that the agent will not always act in the best interests of the principal. The principal can limit divergences from his interest by establishing appropriate incentives for the agent and by incurring monitoring cost designed to limit the aberrant activities of the agent. Their approach to the agency problem focuses almost exclusively on the normative aspects of the agency relationship that is how to structure the contractual relation (including compensation incentives) between the principal and the agent to provide appropriate incentives for the agent to make choices which will maximize the principal's welfare, given that uncertainty and imperfect monitoring exist.

According to Jensen and Meckling (1976), debt would be utilized if the ability to exploit potential profitable investment opportunities is limited by the resources of the owner. If the owner of a project cannot raise capital he will suffer an opportunity loss represented by the increment in value offered to him by the additional investment opportunities. Thus even though he will bear the agency costs from selling debt, he will find it desirable to incur them to obtain additional capital as long as the marginal wealth increments from the new investment projects are greater than the marginal agency cost of debt. If the returns from assets are not perfectly correlated an individual can reduce the riskiness of the returns on his portfolio by dividing his wealth among different assets that is diversifying. Thus a manager who invests all of his wealth in a single firm will generally bear a welfare loss (if he is risk averse) because he is bearing more risk than necessary. The manager's desire to avoid risk will contribute to his becoming a minority shareholder.

Trade-off Theory

Jahanzeb, Sai-ur-Rehman, Norkhairul, Meisam and Aiyoub (2014) declared that the trade-off theory's original version came into being after the debate of Modigliani-Miller theorem (1958). That when the irrelevance theorem was added with the corporate income tax, this favored benefit for debt, that is it shields the earnings from taxes. Firm's managers evaluate and analyze the various costs and benefits of several alternatives of leverage plans. They posit that most of the time it is presumed that the interior solution should be obtained so that balance can be acquired between marginal costs and benefits.

Oghenero and Samuel (2021) stated that the trade-off theory is further categorized into two: The static trade off theory and the dynamic trade off theory. The static trade off theory is premised on the firms choosing an appropriate financial policy that hinges upon comparing the costs and benefits of debt (Rasiah & Kim, 2011 as cited by Oghenero & Samuel 2021). They further explained that static trade off theory determines a capital structure optimally by adding various imperfections including agency cost, cost of financial distress, tax advantage of debt and free cash flow but still retain information asymmetry and market assumptions (Baker & Wurgler, 2011, as cited by Oghenero & Samuel, 2021). The dynamic trade off

theory as developed is that capital structure decision is a continuous one that different firms allow real gearing ratio to differ from expected gearing ratio (Fischer, Heinkel & Zechner, 1986, as cited by Oghenero & Samuel, 2021). The static trade off theory predicted that debt financing is directly related to firms' profitability while the dynamic trade off theory predicts indirect relationship between financial leverage and profit level.

Most importantly, the major benefit of securing debt is the tax shield. On the other side, cost of potential financial distress may be the disadvantage of debt, particularly when a firm acquires too much debt (Jahanzeb, Sai-ur-Rehman, Norkhairul, Meisam, & Aiyoub, 2014).

Pecking Order Theory

Kalu and Ken (2016) explained that pecking order theory of the capital structure as introduced by Donaldson (1961) is among the most influential theories of corporate leverage. Accordingly, the theory says that when a firm is seeking for ways of financing its long term investments, it has a defined order of preference with respect to the sources of finance it uses. It states that a firm's first preference should be the utilization of internal funds also referred to as the retained earnings, followed by debt and then external equity. They stated that Donaldson (1961) argued that the more profitable the firms become, the lesser they borrow because they would have sufficient internal funds, and that when the internal finance is inadequate, that is firm should source for external finance and most preferably bank borrowings or corporate bonds. The theory believes that equity should be the last resort when debt financing cannot be actualized.

3. Methodology

The study used secondary data from a population of forty-three (43) selected listed manufacturing firms in the Nigerian Stock Exchange for the period of 2011 to 2020. A sample size of twelve (12) companies out of the 43 listed manufacturing firms was selected using purposive sampling technique. According to Tongco (2007) the purposive sampling technique also called judgmental sampling is the deliberate choice of an informant due to the qualities the informant possesses. As for this study, reason is not far from data easy accessibility and disclosure. With the efficient use of $ROE = f(SDA, LDA, TDA, MOS, FS, SDA*M, LDA*M, TDA*M)$2

Statistical Package for the Social Science (SPSS) version 20, Ordinary Least Square regression model was used for data analysis. Panel data also referred to as time series-cross sectional data for 10 years each of the twelve (12) sampled manufacturing firms were utilized.

3.1 Model Specification

This study adopted the econometric model as was used by Aziz (2019) which portrays linear relationship between the managerial ownership, debt financing components and financial performance as follows:

$$y = \alpha + \beta_1 x + \epsilon \dots\dots\dots 1$$

y = The dependent variable

α = The constant term

β = The coefficient/parameter of the independent variable

ϵ = The error term

The dependent variable of this study is the financial performance and is measured using return on equity (ROE). The independent variables are short term debt ratio, long term debt ratio, total debt ratio, while managerial ownership and firm size are the influencing factors in the presence of debt financing.

Short Term Debt (SDA) ratio = Short Term Debt to Total Assets Ratio

Long Term Debt ratio (LDA) = Long Term Debt to Total Assets Ratio

Total Debt Ratio (TDA) = Total Debt to Total Assets Ratio

Managerial Ownership (MOS) = Percentage of Directors' Share Capital of the Company's Total Share Capital.

Firms Size (FS) = Previous Sales Value less Current Sales Value divided by Previous Sales Value, which is a control variable in this study.

Return on Equity = Profit After Interest to Equity Ratio.

Short Term Debt and Managerial Ownership (SDA*M) = The interaction of short term debt and managerial ownership

Long Term Debt and Managerial Ownership (LDA*M) = The interaction of Long Term Debt and Managerial Ownership.

Total Debt and Managerial Ownership (TDA*M) = The interaction of total debt and managerial ownership.

$$ROE = \alpha + \beta_1 SDA + \beta_2 LDA + \beta_3 TDA + \beta_4 MOS + \beta_5 FS + \epsilon \dots \dots \dots 3$$

$$ROE = \alpha + \beta_1 SDA + \beta_2 LDA + \beta_3 TDA + \beta_4 MOS + \beta_5 FS + \beta_6 (SDA * M) + \epsilon \dots \dots \dots 4$$

$$ROE = \alpha + \beta_1 SDA + \beta_2 LDA + \beta_3 TDA + \beta_4 MOS + \beta_5 FS + \beta_6 (LDA * M) + \epsilon \dots \dots \dots 5$$

$$ROE = \alpha + \beta_1 SDA + \beta_2 LDA + \beta_3 TDA + \beta_4 MOS + \beta_5 FS + \beta_6 (TDA * M) + \epsilon \dots \dots \dots 6$$

4. Results and Discussions

Table 1 The Model Summary Generated from SPSS

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.730 ^a	.533	.517	.05344	.533	32.798	4	115	.000	1.205

a. Predictors: (Constant), TDA, FS, MOS, LDA

b. Dependent Variable: ROE

Source: SPSS Print-out 2021

Table 1 indicates that the Pearson R correlation coefficient of 73% means positively strong correlation exists between the predicting variables and the dependent variable. In a nutshell, a positively strong relationship exist between the explanatory variables such as Total Debt Ratio, Firm Size, Managerial Ownership, Long term Debt, and the explained variable, which is the Return on Equity. But there is no correlation between Short Term Debt ratio and the Return on Equity.

The R^2 is referred to as the coefficient of determination and it is at 53.3%, meaning that the above predicting variables (total debt ratio, firm size, managerial

ownership, and long debt) could explain changes or variations in the return on equity at the rate of 53.3%.

The Durbin Watson test for serial correlation at 1.205 which is approaching 2, indicates that the autocorrelation among the residual values is not a serious threat that could distort the regression formula in the course of investigating the effect of debt financing on financial performance of listed manufacturing firms in Nigeria when managerial ownership is present and an independent variable.

Table 2: The Analysis of Variance Generated from SPSS

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.375	4	.094	32.798	.000 ^b
Residual	.328	115	.003		
Total	.703	119			

a. Dependent Variable: ROE

b. Predictors: (Constant), TDA, FS, MOS, LDA

Source: SPSS Print-out 2021

Table 2 shows that the P-value at 0.000 which is less than the critical value of 0.05 is an indication that the regression model is statistically fit to reveal the effect of the explanatory variables on debt financing and financial performance of listed manufacturing firms in Nigeria.

Table 3: The Coefficients Generated from SPSS

Coefficients ^a													
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Partial	Tolerance	VIF
1	(Constant)	.928	.102		9.107	.000	.726	1.129					
	LDA	1.287	.418	.387	3.076	.003	.458	2.116	-.398	.276	.196	.257	3.895
	FS	-.145	.031	-.361	-4.595	.000	-.207	-.082	-.621	-.394	-.293	.659	1.518
	MOS	-.236	.089	-.294	-2.662	.009	-.411	-.060	-.560	-.241	-.170	.334	2.998
	TDA	-1.034	.241	-.509	-4.295	.000	-1.511	-.557	-.587	-.372	-.274	.289	3.457

a. Dependent Variable: ROE

Source: SPSS Print-out 2021

Table 3 shows that long term debt ratio with a parameter of 1.287 reveals that the long term debt ratio impacts positively on return on equity, which means a unit increase in long term debt when other explanatory variables remain unchanged, the corporate return on equity will in the like manner increase at that rate of 1.287. It is an indication that most of the listed manufacturing firms in Nigeria rely on long term debt capital to finance profitable business opportunities. With the P-value at 0.003 less than the critical value of 0.05, the null hypothesis can now be rejected, and accept the alternative hypothesis that long term debt financing significantly impact on financial performance of listed manufacturing firms in Nigeria. This is supported by the work of Sunday and Onatuyeh (2019).

The firm size with a coefficient of -.045 indicates that firm size impacts negatively on financial performance

of listed manufacturing firms in Nigeria. A unit increase in firm size with unchanged other predicting variables the return on equity will decrease at the rate of 0.045. This may be attributed to other cost of sales and costs of debt financing. The result of this study is in line with the same study conducted by Mamaro and Tsholofelo (2020). With P-value at 0.000 less than the significant level of 0.05 we reject the null hypothesis and accept the alternative hypothesis that firm size impact significantly on financial performance of listed manufacturing firms in Nigeria.

From table 3 the managerial ownership with a parameter of -.236 shows that a unit increase in managerial ownership while other predicting variables remain unchanged, the return on equity will decrease at the rate of 0.236. This is in support of the agency cost theory that suggested directors' ownership of the

minority firm's equity. At the threshold of 5% significant level, the P – value at 0.000 less than the sig. level of 0.05, we reject the null hypothesis and accept the alternative hypothesis that managerial ownership significantly impact on financial performance of listed manufacturing firms in Nigeria.

The parameter of the independent variable (β) at -1.034 indicates a negative effect of the Total Debt ratio on Return on Equity. This means a unit increase in the company's total debt ratio, the Return on Equity will decrease by 1.034. These firms have to select more of the long term debts and avoid short term debt since the combination of the debt financing components impact negatively on firms' financial performance. The measurement of the effect of the independent variable on the dependent variable is at 5% significant level. The p – value is the calculated value, and is at 0.000 less than the significant level of 0.05, we reject the null hypothesis and accept the alternative hypothesis that total debt capital significantly impact on financial performance of listed manufacturing firms in Nigeria.

Finally, the analysis tables as they are captured in appendices 1 – 3, have shown that the regression model is statistically fit to investigate the moderating effect of managerial ownership on the relationship between debt financing and financial performance of listed manufacturing firms in Nigeria. The results indicate that the interaction of short term debt and managerial ownership; the interaction of long term debt and managerial ownership, and the interaction of total debt and managerial ownership do not influence the effect of debt financing on financial performance of listed manufacturing firms in Nigeria. Even though there are positively strong correlation between the interactive variables and their influence on the effect of debt financing on financial performance listed manufacturing firms in Nigeria, all results indicate that they are statistically insignificant.

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5. Conclusions and Recommendations

Based on the results of this research there is strong relationship between obtaining debt financing components and financial performance of listed manufacturing companies in Nigerian Stock Exchange (NSE). The study has confirmed the argument extended by the pecking order theory which sees growing profitability of firms is as a result of internal source of financing and with less borrowing.

The negative relationship between firm's size and financial performance of the listed manufacturing firms is the impact of cost of sales and frequent borrowing through long-term debt and short term debt with associated cost of debt capital. Therefore cost of debt financing is negatively affecting the growth of the listed manufacturing firms in Nigeria. This study supports the trade off theory that demands for the balancing of costs and returns.

The study reveals a strong relationship between managerial ownership and financial performance of listed manufacturing firms in Nigeria. This study confirms the agency cost theory that sees the existence of this relationship. The negative result as was predicted by the agency theory, placed directors to acquire less capital holding (minority shareholding) of firms in order to improve financial performance and avert risk.

Finally, the study indicates that managerial ownership is an independent variable but does not influence the effect of debt financing on financial performance of listed manufacturing firms in Nigeria.

The study recommends that firms should rely on their retained earnings because debt financing is reducing the corporate financial performance. Equally, frequent borrowing is negatively affecting the size of the firms that are listed in the Nigerian Stock Exchange.

If firms want to improve their financial performance, the directors' shareholding must be within the limit of minority shareholders and should be encouraged to diversifying their funds into other profitable business opportunities.

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