

**EFFECT OF DEBT FINANCING ON FINANCIAL PERFORMANCE
OF FAST-MOVING CONSUMER GOODS COMPANIES IN NIGERIA**

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JULY 2022

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BY

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF
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SCIENCES, COVENANT UNIVERSITY.**

JULY 2022

ACCEPTANCE

This is to attest that this dissertation is accepted in partial fulfillment of the requirements for the award of the degree of Master of Science (Finance) in the Department of Banking and Finance College of Management and Social Sciences, Covenant University, Ota, Nigeria.

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DECLARATION

I, **AGUZUE, SANDRA ADAEZE (15AG01906)** declare that this research was carried out by me under the supervision of Dr. Benjamin. I. Ehikioya of the Department of Banking and Finance, College of Management and Social Sciences, Covenant University, Ota, Nigeria. I attest that the dissertation has not been presented either wholly or partially for the award of any degree elsewhere. All sources of data and scholarly information used in this dissertation are duly acknowledged.

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Signature and Date

CERTIFICATION

We certify that this dissertation titled **EFFECT OF DEBT FINANCING ON FINANCIAL PERFORMANCE OF FAST-MOVING CONSUMER GOODS COMPANIES IN NIGERIA**” is an original research work carried out by **AGUZUE, SANDRA ADAEZE (15AG01906)** in the Department of Banking and Finance, College of Management and Social Sciences, Covenant University, Ota, Ogun State, Nigeria under the supervision of Dr. Benjamin. I. Ehikioya. We have examined and found this work acceptable as part of the requirements for the award of Master of Science in Finance.

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DEDICATION

This dissertation is dedicated to God almighty for the grace, strength, wisdom and understanding bestowed on me to carry on this research. Also, to my parents Mr. & Mrs. Aguzue for their endless love and support. To my siblings, my friends and family at large who has been a blessing to me one way or the other through the course of this program. I am grateful to you all and may God bless you richly.

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LIST OF ABBREVIATIONS

DCR	Debt-to-capitalization ratio
DAR	Debt-to-asset ratio
DER	Debt-to-equity
ROA	Return on assets
ROS	Sales return
FS	Firm Size

ABSTRACT

This study aimed at examining the effect of debt financing on financial performance of fast-moving consumer goods companies in Nigeria. The study established a link between some debt financial ratios, presumably debt-to-asset ratio (DAR), debt-to-capitalization ratio (DCR), and debt-to-equity ratio (DER) on financial performance of fast-moving consumer goods firms in Nigeria measured by return on assets (ROA) and sales return (ROS). The study gathered secondary data on ten listed fast-moving consumer goods companies from 2012 to 2021. Two models were drawn for the study. The dependent variables were return on assets (ROA) and sales return (ROS) while the independent variables were debt-to-asset ratio (DAR), debt-to-capitalization ratio (DCR), and debt-to-equity ratio (DER) of the selected companies. The fixed effect and the random effect regressions were conducted for both models while the Hausman test selected the random effect regression as the best fit for analysis for both models also. From the analysis, debt-to-asset ratio (DAR), debt-to-capitalization ratio (DCR), and debt-to-equity ratio (DER) were all negatively and statistically significant in impacting returns on asset (ROA). Also, debt-to-asset ratio (DAR) and debt-to-capitalization ratio (DCR) were positively and statistically significant in impacting sales returns (ROS), but debt-to-equity ratio (DER) was negatively not significant in impacting (ROS). The study therefore recommended that the consumer companies should focus on debt financing in order to improve their financial performances. This was due to the fact that debt financing ratios of debt-to-asset ratio (DAR), debt-to-capitalization ratio (DCR), and debt-to-equity ratio (DER) were significant in impacting return on assets).

Keywords: Sales Return (ROS), Panel data regression, Debt financing, debt-to-capitalization ratio (DCR), financial performance