



Cost of Capital on Financial Performance of Selected Quoted Consumer Goods Companies

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Abstract

The study examined the effect of cost of capital on financial performance of selected quoted consumer goods companies in Nigeria. The specific objectives were to ascertain the effect of weighted average cost of capital on financial performance of listed consumer goods companies in Nigeria and to determine the effect of market value of equity on financial performance of listed consumer goods companies in Nigeria. The study adopted ex-post facto research design. The study data were sourced from annual financial statement of ten selected consumer goods companies in Nigeria. The stated hypotheses were analysed with descriptive statistic, correlation coefficient and panel regression. The correlation coefficient result revealed that weighted average cost of capital and market value of equity have positive relationship with financial performance of listed consumer goods companies in Nigeria. The panel regression revealed that weighted average cost of capital had positive and significant effect on financial performance of selected listed consumer goods companies in Nigeria and Market value of equity had positive and significant effect on financial performance of selected listed consumer goods companies in Nigeria. It was recommended that listed consumer goods companies should continue to embrace the use of equity financing. In conclusion, effective and efficient cost of capital will enhance the financial performance of consumer goods companies.

Key words: financial performance, consumer goods, weighted cost of capital, market value

Introduction

The manufacturing sector of any economy is the key sector that springs up the availability of goods and services for human consumption and supply of raw materials for other sectors to grow by taking into consideration shareholders value creation and wealth maximization. The main goal of corporate organizations are to improve financial performance, minimize the cost of capital, create value, and provide dividends to shareholders (Khan, Mustafa, & Abu, 2022). Unfortunately, the separation of ownership from control engenders a specific issue known as the agency dilemma, arising from conflicting interests, along with its associated repercussions and cost implications. A way to figure out an organization's cost of capital that takes into account both its own money and money that its sourced from external ways and means as the average cost of capital (WACC). The firm's financing choice is substantially swayed by the cost of capital, which acts as a vital link between the investment decision and the financing decision (Rasheed & Siddiqui, 2019; Isaac & Marshal, 2020; Ahmed et al., 2021).

The cost of capital has a big impact on financial success, because it determines investments, profits, the value of the business, and loan payments

(Ibrahim, Abdelkarim, Muktar & Peter, 2021). To get the best financial results and the most value for shareholders, the cost of cash and investment returns must be perfectly balanced. In Nigeria of today, the manufacturing industries are marked by escalating production costs attributed to elevated tariffs, increasing energy input expenses, high financing prices, and a shortage of foreign currency (FX), insufficient infrastructure, among other factors, such that the industrial capacity utilisations have been consistently low in recent years, averaging 57.8 percent in 2019. (Chukwu & Nduka, 2022).

However, researches have attributed several factors like the insufficient infrastructure, high energy costs, and restricted access to finance, high capital costs, ineffective governance structures, unstale financial system, agency costs, and informational asymmetries to have contributed to Nigeria's low manufacturing capacity utilisations, thereby making businesses to pay a lot to borrow money since they can't get credit easily or the interest rates are too high (Yusuf & Mbatuegwu, 2021). Notwithstanding, the high demand for consumer goods across the globe have made many organizations to capitalise on the opportunity to provide consumer-packaged items to meet these needs. Yinka (2019) noted that the Director General of the Manufacturers Association

in 2018 observed that over 50 percent (%) of manufacturing sub-sectors had experienced a decline in profitability of 2017 and perhaps may have led to closure of some factories. The buildup of debt and the failure to repay loans to creditors are the primary causes of the financial crisis and bankruptcy faced by several firms.

Statement of Problems

The 2008 global economic crisis which originated in the United States and subsequently affecting several nations, including Nigeria, has affected the input of costs of capital and other expenses for enterprises. Certain companies for instance; Enron, Maxwell Communications, and Cadbury, were declared bankrupt owing to accumulated debt resulting from superb performance attributed to accelerated capital costs (Abubakar, Oluwafemi & Esenohor, 2022). This cost of capital constrains the ability to pursue lucrative ventures and grow operations. One of the disadvantages of cost of capital is the reduction in profitability, because firms find it challenging to produce returns that surpasses cost of finance (Ibrahim, Abdelkarim, Mukhtar & Peter, 2021). This allegedly has reduced the values of shares, eroded investors confidence, and distorted the strengths of many companies that engaged in consumer goods. In Nigeria, the rise in the rate of cost of capital is alarming and this has created a wide gap in literature in and across boarder.

Nworie, Onyeka and Anaike (2023), argued that the effect goes beyond individual businesses and have rippled negative effect on the economy because, an unfair cost of capital has an attribute of crumbling the economic growth, job creation and reduces the overall development of a society. Orji and Agubata (2021), Ibrahim, Muktar, Abdulkarim, (2021), and Giwa (2019), in a separated studies narrated the resulting conflicts in empirical evidence on the exclusively appraised of either the cost of capital on firm performance and economic performance with divergent views and recommendations. Hence, the motivation of this study arose from the deficiencies and gaps in literature. indicating a need for a comprehensive examination of cost of capital with the following objectives.

- i. To ascertain the effect of weighted average cost of capital on financial performance of listed consumer goods companies in Nigeria
- ii. To determine the effect of market value of equity on financial performance of listed consumer goods companies in Nigeria.

Review Of Related Literature

Market value of equity

When making an investment selection, fiscal performance is a major consideration for many organizations that optimizes profits. If an enterprise wants to keep its high firm value and attract investors, it has to improve its fiscal performance. Alternatively, stock price movements are always reflective of an enterprise's fiscal health; nonetheless, there are situations when other factors have a greater sway on stock price movements than the firm's

health. Investors' opinions on an enterprise's worth determine its Market Value of Equity (MVE). Observed in Shea (2019), market capitalization, or MVE, is the sum of an enterprise's share values or multiplying the sum of outstanding shares by the closing price of the enterprise's shares yields the MVE. The market value of equity measures a security's worth by comparing its share price to the amount of dividends given out each year, hence MVE is tied to stock prices. Stockholders' dividends are defined as a percentage of an enterprise's stock market price. When deciding whether or not to put money into an investment, the idea of the equity's market value is crucial.

For income-focused investors, the market value of stock is also quite important. Considering the present value of the stock on the market. The market's valuation of an enterprise is reflected in its equity market value. Management-created value (MVE) is therefore a proxy for management-created value beyond the value of investors' money. Since the market value of debt is often unavailable, the market value of equity and book value of debt are the two components that make up a public limited enterprise's market value. an enterprise's MVE indicates the quality of its investors.

Weighted Average Cost of Capital

An organization's total cost of capital, including debt, equity, market value, and taxes, is known as the weighted average cost of capital, or WACC. The sum of all the money that the enterprise has spent on its assets, broken down by the percentage that each part of the capital makes up. Due to inadequate funding, several startups failed during the first few years of operation. The same holds true for how an enterprise funds its working capital operations and investments; these factors determine the enterprise's viability. Internally, an enterprise may use its profits to support operations, and externally, it can raise capital via the sale of shares to the public for subscription or the taking out of loans. The borrowings made by businesses in the form of bonds or debentures are often referred to as debt, while equity refers to the sale of shares to the public as a whole. Mumtaz, Rauf, Ahmed, and Noreen (2013) argued that equity market has a trivial role in meeting financing needs of firms compared to the total amount of bank credit in issue.

However, Myers theoretical perspective of (1984) maintained that equity is not the best way to raise capital because investor's view managers issuing new equity as taking advantage of the firm's overvaluation. An enterprise may choose between three different financing options when working with an external source; all debt, all equity, or a combination of the both. (Ohayemi, & Fakayode, 2021). Gurnam (2012), subscribed to the view that whenever funds have to be secured, the financial manager should weigh the rewards and disadvantages of the various sources of funds and choose the more profitable sources keeping in view the expected capital structure. Okolo, Okwu, Ugwuoke and Kornom-Gbaraba (2019) argued that choice of any corporate body to structure its equity

financing in this era has become a thing of concern. Hence, it has become necessary for the firm's management to describe the cost of their loans and equity when selecting the ideal resources, and appraise the implications of these costs on the firm's fiscal performance. Utilising the right combination of funds may bring down the price. The worth of an enterprise and its economic profit are both enhanced when the financing cost declines. Management relies on the financing cost concept when making decisions, however there is currently no accepted way to calculate the WACC, especially for equity financing (Chen, Jorgensen & Yoo, 2004). In computing for cost of debt, only the returns that creditors anticipate are computed, while the Cost of Equity (COE) just analyses the returns that owners anticipate, but WACC encompasses the total cost of capital metric making it a more accurate reflection of the real cost of capital.

Financial Performance

One of the management methods that is utilised to assess the effectiveness of directing and controlling the application of fiscal resources and resources into an organisation is performance. Opuene (2022) opined that performance is a subjective measurement that represents how well a firm is able to produce revenues and utilise assets that are located in its major business location. Financial performance is a means to assesses how effectively businesses utilise their resources in creating returns (Bacha & Attia, 2016). Financial performance is a vital tool for many stakeholders in an enterprise since it measures how well firms use their resources and an objective measure of how successfully an enterprise uses assets from its principal method of operation to create revenues.

Many variables have been employed to measure and represents financial performance and one of such is return on assets (ROA) which refers to the capacity of a business unit to acquire a certain quantity of assets that are held by the business unit. ROA is a statistic that provides the stakeholders with information about the efficiency and how a firm utilises its assets to create money. The net income that is created by all assets is what is referred to as the rate of ROA. Abbadi and Abu-Rub (2016) argued that the ROA is a performance indicator that shows the relative profitability of a business endeavour during a certain time period. It assesses the efficiency with which an enterprise's assets are utilised to create cash. These assets are either obtained via the purchase of debt from debt holders or through the purchase of stock from shareholders. ROA is a measure that indicates how lucrative a firm is in comparison to the total assets.

Firm Size

The firm size as a moderating variable may be considered as one of the factors that might sway profits. In most cases, the amount of return and profitability is determined by the size of the firm. As the size of an organisation grows, it may be exposed to a greater sum of hazards and have access to a greater sum of resources. As a result, bigger firms

are more likely to execute an enterprise resources program. The empirical researches have as proven with evidence that there is a substantial favourable association between the size of the enterprise and the adoption of enterprise programs. Against the study of Okolo *et al.* (2019), that observed that the financing cost has an unfavourable correlation with the firm size. However, bigger firms perhaps choose a more riskier investment owing to the profitability level of such Investment than a smaller firms that are risky averse in nature. Firm size and financial performance are positively or negatively correlated depending on the size and structures of operations.

Theoretical Framework

An explanation for managers' investment financing choices is the pecking order theory as proposed 1961 by Donaldson's but modified in Myers and Majluf (1984). The propounder of this theory argued that internal financing is the most practical and cost-effective option for satisfying external stakeholders' demands for better returns. The pecking order idea is that, organisations' preferred methods of funding are ranked in order of preference such that retained profits should come first, thereafter issuance of debt, and lastly, the issue of stock.

This theory further estimated that large companies would make references to to use internal source of financing to generate more capital for internal financing needs, if necessary, the company seeks external sources of debt. If a company uses internal funds to experience a financial deficit, they will prefer to use safe funds, namely debt than equity source of financing. Octavia, Wicaksono, Sari, & Mambay (2021).

Myers and Majluf's (1984) postulated that insiders and outside investors share irregular information. Managers have an insider's view of the enterprise's real worth in comparison to outside investors. The consequences of taxes, the cost of distributing new shares, intervention expenses, and the economic pain of the enterprise prospects are not considered by pecking order theory, which is among its many shortcomings.

Khan and Nafees (2013) argued that the allowance of a perfect market, preference for internal finance over debt, and absence of an objective capital structure are all assumptions are all the assumptions made in using pecking order theory. Internally generated funds, debt issuance, and equity issuance are the three pillars upon which pecking order is rested. A business should tap into its own cash reserves before turning to external sources of funding like debt and stock offerings. The theory is owing to the idea of asymmetric information, which states that managers have access to knowledge about all of the enterprise's investments and projects, revealing the firm's actual values, but investors do not.

Empirical Review

The study of Orinya, Kado, Kurfi, Bala (2024) which sought to mediate the ways of WACC in Nigeria. The secondary data were culled from the

yearly reports of fifteen consumer products businesses that were made public on the Nigerian stock market from 2005 to 2019. The research found that debt ratio substantially affects financial performance as assessed by ROA and EPS. It was recommended that the firms' management teams should use a mix of 50% debt and 50% equity capital. The factors influencing share prices on the Colombo Stock Exchange (CSE) were also the subject for Gineshi, Diwakara, and Nuwan (2024). In the study, the dependent variable is the share price while the independent variables are firm's COE, COD, and WACC. The upshots of the descriptive, correlational, and regression analyses revealed a statistically substantial interaction between the share price and the WACC, cost of debt, and COE of manufacturing firms. The study recommended that both the Investors and the firms management should consider the projection of share price movements in the capital market before undergoing such investments.

Tamunotonye and Obutor (2023) researched on the effect of cost of capital on firm performance of listed construction firms in Nigeria from 2012 to 2021. It employed the *ex-post facto* design and conducted some diagnostic tests, including tests for multicollinearity and heteroscedasticity and engaged the ordinary least square (OLS) regression to observe interreaction between variables. The results showed that cost of debt had an insubstantial unfavourable outcome on firm performance, while COE had an insubstantial favourable effect on firm performance, as measured by ROA. The study suggested that available options should be employed for cost effectiveness. Ogiriki and Olorunleke (2023) sought to assess how the financing cost, including loan and equity costs, impacted the financial performance of construction firms in Nigeria from 2008-2017. The study was built on *ex post facto* design. It made use of the multiple Linear Regression and descriptive statistics to test the hypotheses in the research. Among others, the study revealed that the financial performance is unfavourably affected by cost of debt.

Ochoki, Oloo, and Kamau (2023) studied the effects of cost of capital on firm performance in Kenya. The study argued that the cost of capital is affected by various factors such as interest rates, inflation, market conditions, and government policies. But financial managers are only interested in the use of discounting cash flow techniques to evaluate capital

investments, which requires the estimation of the project's cash flows and the discount rate. The research maintains the need for a mix of financing sources between debt and equity because high costs of capital can limit a firm's access to financing, while low costs of capital can improve a firm's investment and growth opportunities. Marshal, Chigozirim, and Edeh (2023), investigated the impact of cost of capital on market value of manufacturing companies in Nigeria from 2007-2021. The variables of consideration are cost of debt, the COE, WACC, and share prices. It made use of the purposive selection technique to choose 15 manufacturing enterprises from a pool of 63 that were listed. The study employed a variety of econometric methods such as, Unit Root Test, Co-integration Test, Granger Causality Test, and Panel data regression, addition to descriptive and inferential statistics, to analyse the secondary data. Okolo, et al. (2019), examined the implications of equity capital financing on the corporate financial performance of deposit money banks in Nigeria. It made use of 14 banks on the Nigerian Stock Exchange for a period of 11 years. It adopted the *ex-post facto* research design, and Pooled Ordinary Least Square Method and the analysis used panel data structure with E-View package (version 13). It also revealed that both ROE AND EVA have a positive effect on the corporate financial performance of Deposit Money Banks in Nigeria. It recommended that the implications of scheduling banks capital into equity financing, short-term debt and long-term debt by managers should be closely supervised and monitored by both shareholders and bondholders' so as to avoid the company adding negative value to them who are contributors of finance.

Methodology

This study focused on manufacturing firms quoted on the Nigerian Exchange (NGX) for a period of 16 years 2008-2023 with 160 observations. It adopts the *ex-post facto* design. ten manufacturing firms were observed with 160 observations. The information obtained are secondary in nature collated from the annual reports and accounts of the firms, the purposive sampling was used to generate a sample size of ten (10) consumer goods since the population was fewer than thirty. The sampled firms and the year of listing are:

Table 3.1: Targets 10 sample consumer goods firm

S/N	Name of Company	Year of Incorporation	Year of Listing
1	Cadbury Nig.	1965	1976
2	Dangote Sugar	2005	2007
3	Flour Mills of Nigeria	1962	1979
4	Guinness Nig.	1950	1965
5	International Breweries	1971	1995
6	Nascon Allied	1973	1992
7	Nestle Nig.	1969	1979
8	Champion Breweries	1946	1973
9	Unilever Nigeria	1923	1978
10	PZ Cussons	1948	1974

Source: Author's Compilation as extracted from NGX website, 2023.

Model Specification

The model was adopted from Giwa (2019) and modified to suit the hypotheses of this study as follows: one.

$$ROA = f(WACC, MV, FS \varepsilon) \quad \text{equ.1}$$

Explicitly rewritten as:

$$ROA_{it} = \beta_0 + \beta_1 WACC_{it} + \beta_2 MV_{it} + \beta_3 FS_{it} + \varepsilon_{it} \quad \text{equ. 2}$$

Modified into to log forms in order to be well captured as:

$$\text{LOG ROA}_{it} = \beta_0 + \beta_1 \text{LOGWACC}_{it} + \beta_2 \text{LOGMV}_{it} + \beta_3 \text{LOGFS}_{it} + \varepsilon_{it} \quad \text{equ. 3}$$

Where:

LOG ROA = Log of Return on Asset as proxy financial performance

LOG WACC = Log Weighted Average cost of capital

LOG MV = Log of Market Value of Equity

LOG FS = Log of Firm Size

β_0 = constant slope to be estimated; $\beta_1 - \beta_5$ = parameter estimate

ε_{it} = error term; i = firm, t = time period, *A priori expectation*: $\beta_0 + \beta_1 + \beta_2 + \beta_3 > 0$.

Presentation of Results and Discussion

Descriptive analysis

The descriptive analysis displayed the basic features of the cross Sectional and time series data. The outcome of the descriptive analysis is presented in table 4.1.

Table 4.1: Descriptive Analysis

	ROA	FS	MV	WACC
Mean	10.7526	625.8131	737190.1	6834530
Median	7.27921	7.919100	2481040	3516620
Maximum	79.7581	9887600	18000000	5991723
Minimum	0.12858	6.00474	1.793608	2.458280
Std. Dev.	11.2189	7816.211	1595180	997883.8
Skewness	2.95840	12.53021	8.191372	2.734797
Kurtosis	16.0153	158.0063	87.23392	10.77431
Jarque-Bera	1362.72	164366.5	49091.65	602.3761
Probability	0.00000	0.00000	0.000000	0.000000
Sum	1720.42	100130.1	11800.00	109000.00
Sum Sq. Dev.	20012.5	97100.00	40500.00	158000.00
Observations	160.000	160.0000	160.0000	160.0000

Source: Researcher computation from E-View 12, 2023.

From the descriptive analysis in table 4.1, the mean value of ROA for the period was 10.7526. ROA of about 10.7 percent is indicated by the mean figure, which pertains to the sample of Nigerian consumer products enterprises. A return on asset might be as high as 79.7581 or as low as 0.12, due to the data set.

With a maximum ROA of 79.8 percent, it is clear that the majority of the firms under consideration were doing well. One way to look at the dispersion of data relative to the mean is by utilising a standard deviation. Data points are more densely packed around the mean when the standard deviation is

small, and dispersed when the standard deviation is big. Since ROA had a small standard deviation of 11.2189 across the research period, we may infer that the data were well concentrated around the mean. The skewness shows an imbalance of a normal distribution. This means that the data set has outliers or extreme values in its distribution. Also, skewness of the data-set had a favourable value of 2.95840, meaning the data is skewed to the right. Kurtosis is utilised to measure how data disperse between a distribution's center and tails, with larger values indicating a data distribution may have "heavy" tails that are thickly concentrated with observations or that are long with extreme observations. Observably, the kurtosis was 16.0153 > 3, which revealed that the dataset has heavier tails than a normal distribution. Additionally, the average firm size (FS) was 625.8131. The average FS is 625 percent, which means that consumer goods businesses grew in size by an average of 625 percent over the research period. The maximum value of FS was ₦29,390,260 while the minimum value of COE was ₦10075.80. Standard deviation of COE for the period was 452674.7 which shows that the standard deviation was high and that the data are a far from the mean over the period. The skewness of the study shows a favourable value of 5.121569, meaning that the data is skewed to the right and Kurtosis, was 28.86836 > 3, which is the normal value, this indicates which indicates the dataset has heavier tails than a normal distribution.

Furthermore, the mean value of market value of equity (MV) for the period was 737190.1. The maximum value of MV was ₦1,800,000 while the minimum value of MV was ₦1.793608. Standard deviation of MV for the period of this study was 1595180 which shows that the standard deviation

was high and that the data are a far from the mean over the period. The skewness of the study shows a favourable value of 8.191372 meaning the data is skewed to the right and Kurtosis, was 87.23392 > 3, which is the normal value, this indicates which indicates the dataset has heavier tails than a normal distribution

Furthermore, the mean value of market value of equity (MV) for the period was 737190.1. The maximum value of MV was ₦1,800,000 while the minimum value of MV was ₦1.793608. Standard deviation of MV for the period of this study was 1595180 which shows that the standard deviation was high and that the data are a far from the mean over the period. The skewness of the study shows a favourable value of 8.191372 meaning the data is skewed to the right and Kurtosis, was 87.23392 > 3, which is the normal value, this indicates which indicates the dataset has heavier tails than a normal distribution.

Additionally, the WACC for the given time frame was 6834530. There was a somewhat high financing cost for the research during the study period, as shown by the average WACC of 6834530. There is variation in the WACC among the consumer goods companies. The maximum value of WACC was ₦5991723 while the minimum value of MV was ₦2.458280. Standard deviation of WACC for the period of this study was 997883.8 which shows that the standard deviation was high and that the data are a far from the mean over the period. The skewness of the study shows a favourable value of 2.734797 meaning the data is skewed to the right and Kurtosis was 10.77431 > 3, which is the normal value, this indicates which indicates the dataset has heavier tails than a normal distribution.

Table 4.2: Summary of correlation coefficient

	ROA	FS	MV	WACC
ROA	1.0000			
FS	0.00412	1.0000		
MV	0.11970	0.0243	1.0000	
WACC	0.00377	-0.0062	-0.0239	1.0000

Source: E views 12 computations, (2024)

The correlation coefficient as obtained in Table 4.2 emphasized on the link between the dependent variable, ROA, and the independent variables vis-a-vis the moderating variable. The correlation coefficients range from -1 to 1. The link's indication reveals the direction of the connection (favourable or unfavourable), while the absolute values of the

correlation indicate the strength, with bigger values signifying stronger correlations. The upshots indicated a favourable correlation between ROA and firm size (FS), market value of equity (MV), and WACC, with correlation coefficients of 0.00412, 0.11970, and 0.00377, respectively.

Table 4.3. Correlated Random Effects - Hausman Test

Equation: Untitled
 Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.439263	6	0.9634

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
FS	-0.000013	-0.000004	0.000000	0.4613
MV	-0.000000	-0.000000	0.000000	0.9410
WACC	-0.000000	-0.000000	0.000000	0.4961
@TREND	-0.706921	-0.727959	0.001090	0.5239

The Hausman test in table 4.3, was conducted to determine the appropriate model between the random effects model and the fixed effects model in the study. This served as a test to identify the appropriate model between the fixed and random-effects models. The Hausman test posits the null hypothesis that the random effects model is preferable, while the alternative hypothesis asserts the superiority of the fixed effects model. The

random effects model was chosen because the p-value of Hausman's test exceeds 0.05. This indicates that the research accepts the null hypothesis of the Hausman test and rejects the alternative hypothesis that the random effects model is favoured. Therefore, the random effects model was utilised as the most effective estimator of the impact of capital costs on the fiscal performance of selected publicly listed consumer goods firms in Nigeria.

Table 4.4: Summary of Panel Regression (dependent variable, ROA)

Variables	Fixed Effect Model	Random Effect Model ++
FS	3.054308 (0.87511)	2.759866 (2.486020)***
MV	3.054308 (0.885920)	2.933908 (2.463723)**
WACC	-1.701614 (-0.638572)	2.978604 (2.704591)***
C	18.07022 (7.536795)***	18.13506 (4.606381)***
R-Squared	0.581917	0.764213
Adjusted R-Squared	0.512585	0.727515
F-Statistics	0.512585	9.749789
Prob (F-Statistic)	0.000006	0.003127

Source: Author's computations 2024 utilising Eviews 12.0

*** and ** denotes significance @ 5 percent level, respectively. Values in parenthesis () are t- values of variables, ++ show the accepted Model

Lucky (2017) contended that the focus on panel regression relies on either the fixed effect model or the random effect model, depending upon the upshots of the Hausman test. Kurt asserts that the pooled OLS estimator disregards the panel structure of the data, resulting in inaccurate parameter estimates and standard errors. In congruent with the Hausman test outlined above, the selected model is

the random effects model, since it exhibits the maximum sum of substantial variables and is also the model favoured by the Hausman test. In congruent with the random effects model, the adjusted R-squared value of 0.727515 signifies that the firm size (FS), market value of equity (MV), and WACC collectively explain 73 percent of the variance in ROA as the dependent variable, while the remaining 27 percent is attributed to the error term. The F-statistic probability of 0.003127 indicates that the upshots are statistically substantial.

The t-statistic for firm size (FS) was 2.486020 with a probability value of 0.0118, indicating that company size (FS) had a favourable and substantial sway on the ROA of the chosen consumer goods businesses in Nigeria. The T-statistic for the market value of equity (MV) was 2.463723, with a probability value of 0.0214, indicating that the

market value of equity (MV) has a favourable and substantial sway on the ROA of the chosen consumer goods businesses in Nigeria. The T-statistic for the WACC was 2.704591, with a probability value of 0.0068, indicating that WACC has a favourable and substantial sway on the ROA of the chosen consumer goods businesses in Nigeria.

Test of Hypotheses

Table: 4.5. Test of Hypothesis 1

H0₁: Weighted average cost of capital has no significant effect on financial performance of selected consumer goods companies in Nigeria,

Variable	Coefficient	t-statistic	Prob.
Log WACC	2.978604	2.704591	0.0068

Source: *Extracted from panel regression result table*

At a significance level of 5 percent, the data in the table 4.5 shows that the Log WACC coefficient is 2.978604, the p-value is 0.0068, and the t-statistic is 2.704591. At the 5 percent level of significance, the p-value is below 0.05, and the coefficient value is

favourable, hence alternative hypothesis one is accepted. This suggests that a sum of listed Nigerian consumer goods businesses' financial performance is favourably and significantly impacted by WACC.

Table: 4.6 Test of Hypothesis 2

H0₂: Market value of equity has no substantial effect on financial performance of selected consumer goods companies in Nigeria.

Variable	Coefficient	t-statistic	Prob.
Log MV	2.933908	2.463723	0.0214

Source: *Extracted from panel regression result table*

At the 5 percent level of significance, the following values are shown in the table: 2.933908 for the coefficient of the Log MV, 0.0214 for the probability value, and 2.463723 for the t-statistic. With a favourable coefficient and a p-value below 0.05 at the 5 percent threshold of significance, we may accept alternative hypothesis one. It follows that the fiscal performance of a subset of Nigerian consumer goods businesses made public on stock exchanges is favourably and substantially impacted by their market value of equity.

Discussion of Results

The purpose of this research was to appraise the impact that the cost of capital has on the fiscal performance of a selection of consumer products firms that are listed in Nigeria. Between the years 2008 and 2023, the research was conducted.

H0₁: Weighted average cost of capital has no substantial effect on financial performance of selected consumer goods companies in Nigeria

In congruent with the upshots of the third hypothesis, the WACC has a favourable and substantial impact on the fiscal performance of a selection of consumer goods businesses that are listed in Nigeria. In congruent with this finding, the WACC is an extremely important factor to consider when making fiscal decisions for a company. As a result of the WACC, a crucial choice must be made on whether to accept debt financing or

equity financing, taking into consideration the effect that this funding will have on costs. It is possible to calculate the rate of return by utilising the WACC. This rate of return represents the return that shareholders need in a way to purchase capital. The risk of cash flows and the attractiveness of firm shares, projects, and possible acquisitions are also evaluated by investors with the assistance of this system. In addition to this, it determines the discount rate for future cash flows, which is necessary in a way to determine the value of a company. The upshots of the study seem to be consistent with the upshots of the research. Ibrahim and others (2021). The fact that the WACC has a favourable and substantial sway on the variables that measure fiscal performance (ROA) suggests that shareholders are more interested in investments that result in an upsurge in the value of the company. It also indicates that the value of the company will grow while the COC of the company is decreasing.

H0₂: Market value of equity has no substantial effect on financial performance of selected listed consumer goods companies in Nigeria.

In congruent with the upshots of the previous hypothesis, the market value of equity has a favourable and considerable impact on the fiscal performance of a sum of consumer goods firms that are listed in Nigeria. The conclusion is supported by the fact that the market value of stock represents the market's assessment of the current worth of a firm.

In the majority of cases, prior to making an investment choice on a certain business, investors will first consider the market worth of the stock that the company has. Specifically, this is due to the fact that the market value of the firm's stock reflects the overall success of the company within a given year. In congruent with Marshal (2023), the upshots of the study are consistent with the upshots of the research. On the other hand, the coefficients of firm size (SIZE), market value (MVE), sales growth (GROWTH), and ROA variables are favourable, which is consistent with the research performed by Francis et al. (2005), Lopes and Alencar (2010), and Reverte (2012); however, it was discovered that these coefficients were statistically insubstantial during the time period that was appraised. Contrary to what is found in the literature. Owing to the analysis of the models, it has been shown that the size of the company has a favourable sway on the ROA.

Summary of Findings

A sum of publicly traded Nigerian consumer goods firms had their financing needs analysed to determine the impact of cost of capital. The study however showed that:

1. The financial success of some listed consumer goods businesses in Nigeria is favourably and substantially impacted by their WACC.
2. The financial performance of some listed consumer goods businesses in Nigeria is favourably and substantially impacted by the market value of equity.

Conclusion

The expansion and profitability of consumer products firms in Nigeria and throughout the globe are heavily swayed by the choices they make about financing. In a way to maximise shareholder value, it finds the optimal debt-to-equity ratio for the fiscal structure. When companies are deciding how to finance themselves, financing cost is a major factor. Investment managers strive to choose a capital structure pattern that minimises financing cost while maximising return for the firm, taking into account the varying degrees of risk associated with different financing sources. For analysts and investors, the financing cost is a key metric.

If a company's projected return on capital is greater than its financing cost, then the investment becomes substantial. This is due to the fact that increasing business value necessitates maximisation of profits for the benefit of shareholders. Companies' financial performance is impacted by the financing cost, which must be acknowledged (Alrjoub & Ahmad, 2017). As a means of acquiring money for long-term projects, the Nigerian capital market is undeveloped in comparison to its international equivalent, which means that its value is low. Consequently, the principal duty of carefully collecting money from economic surplus units and directing them to the deficit sector to cover its capital requirements in the long run has not been duly carried out. The high financing cost is a result, for example, of the limited liquidity of the Nigerian capital market, which is

caused by the small sum of listed businesses, low transaction volumes, and low market capitalisation. Most research on the topic have focused on other nations, therefore there is still a lack of understanding on how financing cost affects fiscal performance, even if there is more and more literature on the subject. So, the research. A sum of publicly traded Nigerian consumer goods firms had their fiscal performance analysed to determine the impact of financing cost. In conclusion. A company's bottom line will benefit from a financing cost that is both effective and efficient.

Recommendations

The researcher offered the following suggestions:

1. It is recommended that consumer goods companies made public onstock exchanges maintain a capital structure that is roughly 50 percent debt and 50 percent equity. This is because the average of these two factors greatly impacts financial health of the said entities performance, which in turn ensures long-term sustainability.
2. Owing to the market value of equity, managers of listed consumer goods businesses in Nigeria should choose equity borrowing over debt borrowing when it comes to financing their operation.

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