Chapter 9

Capital Structure on Firm Value of Listed Conglomerate Companies in Nigeria

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Abstract
This study investigated the effect of capital structure on firm value of listed conglomerate companies in Nigeria. The study adopted an ex-post facto research design and population of the study consisted of six (6) listed conglomerate companies in the Nigerian Exchange Group (NGX). The entire six (6) listed conglomerate companies were used as sample size employing census sampling technique with a timeframe of ten years 2015-2024. The methods of data analysis were descriptive statistics, unit root test and PMG/ARDL Model with the help of E-view 12. Findings revealed that; Short-term debt has a significant effect on market price per share of listed conglomerate companies in Nigeria in the long run but short-term debt has no significant effect on market price per share of listed conglomerate companies in Nigeria in the short run. Long-term debt has a significant effect on market price per share of listed conglomerate companies in Nigeria in the long run but long-term debt has no significant effect on market price per share of listed conglomerate companies in Nigeria in the short run. Share capital has a significant effect on market price per share of listed conglomerate companies in Nigeria in the long run but share capital has no significant effect on market price per share of listed conglomerate companies in Nigeria in the short run, and retained earnings has a significant effect on market price per share of listed conglomerate companies in Nigeria in the long run but retained earnings has no significant effect on market price per share of listed conglomerate companies in Nigeria in the short run, Based on the findings, the study concluded that, there is a significant effect of capital structure on firm value of listed conglomerate companies in Nigeria in the long run. The study recommended, among others, that, companies should carefully assess their capital structure decisions, considering the trade-offs between short-term debt utilization and current market benefits.

Keyword: ***Market Price Per Share, Share Capital and Retained Earnings***

Introduction

Capital structure decision remains a crucial decision by financial manager to ensure effective performance of the firm. Capital structure refers to the combination of investment funds contributed by numerous investors and shareholders in form of debt and equity. It is considered as permanent investment collected through different sources of long-term debt and preferred stock (Rasheed et al., 2022; Afolabi et al., 2025). According to Okezie et al. (2025) capital structure decision is important for any business establishment arising from the need to maximize the wealth of business stakeholders and because of the fact that such decision has a significant impact on the firms' ability to compete in the competitive atmosphere. To effectively maximize the firm performance, management carefully analyze the capital structure decision to achieve optimality. Corporate managers always try to arrive at and employ the optimal capital structure that will guarantee better returns on investment (Abata et al., 2017). So, to obtain optimum capital, the managers will have to act in the best interest of shareholders in such a way that they will have enough, but not excess free cash flow. Capital structure is a decision on how a firm is financed, which is a complex task often subjected to the management and suppliers of fund. It connotes how a firm finances its asset through the combinations of equity and debt. According to

Chaudhary et al. (2023), the capital structure may improve performance and value by providing tax benefits. Conversely, capital structure can negatively affect firms due to information gaps, agency costs, financial stress, and bankruptcy costs. To enhance the firm's value, managers should structure and utilize it effectively (Kijkasiwat et al., 2022). Firm value reflects investors' perceptions of the company's resource management effectiveness. The value of a firm indicates its prospective worth. Methods for assessing firm value differ based on the diverse objectives of business operations. This study will measure a firm's value using Tobin's Q. Ibthia et al. (2024) say that firm size is a moderating variable that affects firm value because it gives managers chances to increase the firm's assets, make shareholders happier, and make funding decisions that aim to maximize firm value.

The choice of an appropriate financing mix constitutes a critical decision for the survival and growth of any business organization not only because of the need to achieve the desired goal of an organization, as the impact such informed decision play on the financial performance of an organization in a competitive environment. The survival and growth of an organization need resources but the sources of financing these resources is limited. Therefore, it is fundamental and important for organization to take appropriate capital structure decision (mix of debt and equity) so as to yield maximum return to various stakeholders and hence the need to examine the role such decision plays on the financial performance of the firms. Vijayakumaran and Vijayakumaran (2018) opined that corporate capital structure decisions are not only important for firms to maximize their value but also for the growth and stability of firms and the corporate economy as a whole. Afolabi et al. (2025) pointed out that capital structure refers to the combination of debt and equity but giving priority over each other in a financial decision of a firm to invest in pursuit of maximizing value of the firm and its shareholders wealth. The financial decision of capital structure does not concentrate only on selecting the right kind of finance, but is also responsible for ensuring that the best selection is made for the overall mixture of these funding options for the commencement and running the operations of business enterprise. Therefore, the financial decision is considered to play a very important role in financial management to formulate the capital structure of the firms, which affects its overall operations, growth and performance (Bawa, 2022; Onyia et al., 2025).

Statement of the Problem

One of the challenges facing conglomerate companies is weak financial base. It thus critical for conglomerate companies in Nigeria to figure out the best way to fund their operations and grow over time, whether it's entirely through equity, retained earnings, debt, or a combination of both. The issue of how companies choose and adjust their strategic mix of securities has sparked a lot of discussion and debate in the corporate financial literature. Adeoye and Olojede (2022) stated that the problem of choosing between equity and debt confronts many firms, especially in funding their long term worthwhile investment opportunities. A firm contemplating to raise funds through the issue of debt must ensure that the earnings to be generated with such funds must at least be at equilibrium to the cost of debt. If the earnings that are generated fall below the cost of such funds, it will reduce the earnings due to shareholders because holders of debt instruments have prior claims to income before the equity holders. To realize the desired results, listed natural resources companies in Nigeria and even in other sectors need to plan for an optimum capital structure.

It is against this background that prior studies have conducted a research on capital structure and financial performance or firm value using conglomerate companies in Nigeria. For instance, Nwenda and Barinem (2025) investigated capital structure and financial performance of listed industrial goods firms in Nigeria. The findings reveal that equity capital has a positive strong relationship with return on asset in the listed industrial goods firms in Nigeria and also debt capital was found to have very strong relationship with return on asset. Afolabi et al. (2025) studied exploring the effect of capital structure on firm value in information and communication

technology listed on the Nigeria Exchange Group (Ngx). The research analyzed three categories of debt: total debt, long-term debt, and short-term debt. Each of the three factors demonstrated a positive impact on the company's value. The debt-to-equity ratio negatively impacted Tobin's Q. Irene et al. (2025) investigated the impact of capital structure on the financial performance of quoted oil and gas companies listed on the Nigerian Exchange Group. Sebil (2024) investigated the relationship between capital structure and the performance of 10 selected consumer goods in Nigeria. Multiple regression results reveal a positive but statistically insignificant effect of DE on ROI. Conversely, DE significantly positively influences ROA, underlining the importance of an optimal debt-equity mix for enhanced financial outcomes. Akinrinola et al. (2024) explored the effects of capital structure on financial performance of quoted manufacturing firms in Nigeria. The study findings indicated that there is a statistically significant link between total-debt-to-total-equity and return on assets of manufacturing entities in Nigeria. There is a statistically significant relationship between long-term-debt-to-total-assets ratio and financial performance of quoted manufacturing firms in Nigeria. Akib et al. (2024) investigated how capital structure, profitability, and dividend policy impact the stock prices of companies in the consumer goods manufacturing industry sector listed on the Indonesia Stock Exchange from 2018 to 2020. The Result of the research indicated that capital structure, profitability, and dividend policy have a simultaneous impact on the closing price of stocks. Partially, the debt-to-equity ratio, which proxies for capital structure, has a significant and negative effect on the stock price. The relationship or the effect between capital structure and firm value is controversial from the above prior studies, some found positive and significant effect while others found negative and insignificant. To the best of researcher, most of the prior studies focused on manufacturing firms, deposit money banks, oil and gas companies, pharmaceutical firms but conglomerate companies were left behind. Thus, this study investigated the effect of capital structure on firm value of listed conglomerate companies in Nigeria.

Aim and Objectives of the Study

The aim of the study was to investigate the effect of capital structure on firm value of listed conglomerate companies in Nigeria. The specific objectives are to:

1. ascertain the effect of short-term debt on market price per share of listed conglomerate companies in Nigeria,
2. determine the effect of long-term debt on market price per share of listed conglomerate companies in Nigeria,
3. evaluate the effect of share capital on market price per share of listed conglomerate companies in Nigeria,
4. investigate the effect of retained earnings on market price per share of listed conglomerate companies in Nigeria,

Research Questions

The research questions were formulated from the specific objectives of the study. These are:

1. What is the effect of short-term debt on market price per share of listed conglomerate companies in Nigeria?
2. How does long-term debt affect market price per share of listed conglomerate companies in Nigeria?
3. What is the effect of share capital on market price per share of listed conglomerate companies in Nigeria?
4. How does retained earnings affect market price per share of listed conglomerate companies in Nigeria?

Research Hypotheses

Based on the specific objectives of the study the following hypotheses were formulated to guide the study:

H_{01}: There is no significant effect of short-term debt on market price per share of listed conglomerate companies in Nigeria,

H_{02}: There is no significant effect of long-term on market price per share of listed conglomerate companies in Nigeria,

H_{03}: There is no significant effect of share capital on market price per share of listed conglomerate companies in Nigeria,

H_{04}: There is no significant effect retained earnings on market price per share of listed conglomerate companies in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

Capital Structure

Adeoye and Olojede (2022) define capital structure as the integration of various sources of funds within or outside the firms' terrain in financing its worthwhile investments or projects with positive net present value. It implies how a firm finances its overall operations and sustains its growth by using different sources of funds. Nwenda and Barinem (2025) defined capital structure as the proportion of debt and equity that the firm uses to finance its business. Dada and Ghazali (2016) described capital structure as a system in which equity as well as debts are employed for funding the firm's activities to yield optimum returns for the stakeholders to maximize firm's returns given a level of risk. Pranatal and Nugroho (2025) observed that capital structure is basically a firm's financial framework. They went further to define capital structure as a combination between debt and equity capital maintained by a firm. They also continued that capital structure is a mixture of various long-term sources of funds and equity shares including reserves and surpluses of an enterprise. According to Evbayiro-Osagie and Enadeghe (2022), capital structure refers to the percentage of long term funds (debt or equity) released or approved to embark on the activities of a business. Etale and Ekpulu (2020) affirmed that capital structure embodies the financial framework of corporate entity which comprises of the debt and equity employed to finance the firm assets and overall operations. The decision on capital composition has been a continuous process, mostly when the need for financing project emanates. Ajibola et al (2018) opined that capital structure is the mixture of diverse securities utilized by a company in financing its profitable ventures. What is common to the above definition is that capital structure reflects each component of finance from equity to debt that a company uses in financing its operations.

Dimensions of Capital structure

Short-term debts

Short term debt, also called current liabilities is a firm's financial obligations that are expected to be paid off within a year. It is listed under the current liabilities portion of the total liabilities section of a company's balance sheet (Anyam et al., 2024). According to Thenassoulis and Somekh (2016) the short-term debts is only accessible where the borrower and lender make a binding agreement. The borrower provides the lender with all relevant information regarding use and repayment capacity. Before approving short-term loans, the lender thoroughly investigates the borrower's capacity. The loans have a set interest rate and must be returned within a year. The short-term debts can help the company plan its business strategies and support its operational activities.

Long-term debts

According to Dinh and Pham (2020), long term debt financing is a debt financing that matures in more than one year. It arises when an organization raises money for working capital or capital disbursements by selling corporate bonds, trade bills or notes to individuals and/or institutional investors. In return for lending the money, the individuals or institutions become creditors and receive a promise the principal and interest on the debt will be repaid. Debt financing can be challenging to obtain, but for many firms, it offers funding at lower rates than equity financing, specifically in periods of historically low interest rates. Long-term debts show the percentage of

assets financed with debt which is payable after more than one year. It includes bonds and long-term loans, generally, 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. Long Term Debt Financing is measured as long-term debt to total assets (Orji & Agubata, 2021). Long Term Debt Ratio (LTDR): These are liabilities that will not be paid within the following year. Long-term debt is defined as a company's loans and other obligations that are not due within twelve months of the date of the statement of financial status (Ehiedu, 2022). Long Term Debt (LTD) is any amount of outstanding debt a company holds that has a maturity of 12 months or longer. It is classified as a non-current liability on the company's balance sheet (Ofulue et al., 2022).

Share Capital

Share capital can be considered the first legal capital because it initiated the principle of maintaining capital created to protect the company's creditors from the extra risk related to the limited liability of shareholders for the company's liabilities (Tadeusz, 2021). Every company limited by shares must have a share capital. Share capital of a company is characterized as the amount invested in the company for it to carry out its operations. The share capital may be altered or increased, subject to certain conditions. Legal capital fulfils a similar role for creditors as a financial cushion which acts in the same way as financial adequacy provisions for financial institutions. Tadeusz (2021) believed that the capital-maintaining principle does not bring any benefits to creditors; on the contrary, in some cases it even harms them. Consequently, the accompanying burdens of this principle on companies and societies are completely unjustified. The authors are convinced that maintaining this principle in European law, despite its ineffectiveness, results only because of the influence of interest groups that benefit from the functioning of legal capital. These include incumbent management boards representing the interests of controlling shareholders, accounting officers providing required share valuation services, and lawyers assisting managers in navigating the maze of unnecessarily complicated laws regarding legal capital.

Retained Earnings

Retained earnings is the profit generated from the business in the previous years that a company keeps to be used for reinvestment purposes which in turn strengthens the company balance sheet while serving as a seed for expansion and further growth. Investopedia (2020) defined retained earnings as the amount of net income left over for the business after it has paid out dividends to its shareholders. A firm's dividend policy is its long term financial strategy with regards to deciding how much earnings to pay out as against retaining them for investment in the firm. Retained earnings leads to division of profits between dividend payment to shareholders and reinvestment in the firm. Hence, there are no transaction and bankruptcy costs associated with retained profits. Retained earnings is a technique of financial management under which all profit after tax is not distributed amongst the shareholders as dividend but a part of profits is retained or reinvested in the firm. They are also called earned surplus, retained capital or accumulated earnings. Retained earnings are the most important sources of financing growth of a firm. The level of internal funds conveys information about firm's financial performance. Firms pay lower dividends, reinvest more of their earnings, and provide a greater percentage of their total returns in the form of capital gains. Firms with a few major investment opportunities would limit paying out a larger percentage of their earnings. For this reason, higher dividends are paid in stable, low-growth industries. By contrast, firms with lots of investment opportunities are likely to pay low dividends because they have profitable uses for the capital.

Firm Value

The concept of firm value can be characterized as the valuation achieved by a commercial entity, reflecting the level of trust and confidence that society has placed in the organization since its establishment. According to Omesi and Appah (2021) value can be described from the notion of

fair market value, fair value, investment value, and intrinsic value. The authors further noted that the growth of the share price indicates the self-confidence of the investors to the firm, so they are willing to pay more with aim for higher financial returns. Niluthpaul and Khaled (2023), conducted a study in which they defined company value as the perception held by investors on the growth prospects of an organization, typically reflected in the organization's share price. A positive correlation exists between the share price and the firm's value, whereby an increase in the former leads to an augmentation in the latter. Consequently, these characteristics enhance market confidence and trust in the company. If investors believe that the firm will succeed in the future, this will result in a subsequent rise in the market value of its shares. Chukwudi et al. (2020) opine that firm value is the price paid by affluent investors once a company is sold and they further stated that it is the value from the eyes of the public in terms of the corporate survival of business. Firm value is an investor's perception of the company, often tied to the stock price. A shareholder's view of a firm's value is the extent to which a firm's ability to manage its resources is aimed at maximizing the firm's primary objective, namely its profits, as reflected in its stock price. Stock prices represent a company's value because changes in a company's stock price can provide signals to shareholders about the company's performance (Setyowati et al., 2020).

Measures of Firm Value

Market price per share

The concept of market price per share as a measure of financial performance is inherently tied to the notion of shareholder value. The value of a company's shares in the stock market reflects how well the company is perceived to be performing in terms of both current financial results and expected future performance. A higher market price per share typically indicates that investors expect strong future profitability, growth, and cash flows, signaling robust financial health and effective management. Market price per share is one of the most frequently used measures of a company's financial performance, reflecting how the market values a firm's stock at any given time. This price is determined by the supply and demand dynamics in the market, influenced by a variety of factors, including the company's financial performance, economic conditions, market sentiment, and investor perceptions. The market price per share represents a snapshot of a company's overall market value or equity value, and it plays a significant role in the investment decision-making process. Investors and analysts look to this metric as an indicator of a company's future prospects, profitability, and risk profile, with changes in the stock price often signaling shifts in a company's financial health and market perception (Mon et al., 2024).

Theoretical Review

Modigliani and Miller's Trade off Theory

The Modigliani and Miller theory is a theory propounded by Modigliani and Miller in 1958. They assert that there are some assumptions where firm will not be affected by its capital structure. They state that, the decision about a company's capital structure is irrelevant to the value of the firm. The assumption of the theory implies that companies operating in the world of perfectly efficient market do not pay any taxes and in an efficient market with homogenous expectations there no asymmetric information, transaction cost, and absence of bankruptcy costs (Tanko et al., 2021). However, in real world context there are taxes, transaction costs, bankruptcy costs, differences in borrowing costs, information asymmetries and effect of debt on earnings. The M&M capital-structure irrelevance proposition assumes no taxes and no bankruptcy cost. It is important to note that the weighted average cost of capital (WACC) will remain constant with changes in the company's capital structure. In addition, since there are no benefits accrued to company by any increase in debt, the capital structure will not influence a company's performance and the capital structure is therefore irrelevant to a company's stock price. The theory believed that firm value can be increased when firms effectively use their assets and it is assumed irrelevant if the assets originate from internal capital or external capital.

According to the MM theorem, capital structure theories function under perfect market and that the finances of a firm are not related to its value in perfect market. The real world however does not operate on the assumptions pointed out by the MM theorem. This brought about a new research named the static trade-off theory which focused on the relationship between capital structure theories and firm performance. According to the static tradeoff theory, the choice of a firm concerning the usage of debt finance or equity finance is based on the cost benefits related with each source of funds. The utilisation of debt can have the advantage tax saving and bankruptcy cost. Therefore in deciding the optimal capital structure, the company must strike a balance between the cost and benefits linked with each source.

Assumptions of MM Irrelevance Theory of Capital Structure

1. Perfect capital markets exist where individuals and companies can borrow unlimited amounts at the same rate of interest.
2. There are no taxes or transaction cost
3. Personal borrowing is a perfect substitute for corporate borrowing
4. Firms exist with the same business or systematic risk , but different levels of gearing
5. All projects and cash flows relating thereto are perpetuities and any debt borrowed is also perpetual.

The theory is relevance to this study because, the theory emphasizes the relevance optimal capital structure decisions can have in improving the financial performance of a firm by reducing the overall cost of capital and boosting shareholder's wealth. So in Nigeria where our capital market experience regulatory problems and information asymmetry issues, firms should consider the importance of their capital structure decisions with regards to tax shields from debts, interest and the capacity to attract investors with variations of risk preference.

Empirical Review

Afolabi et al. (2025) studied the effect of capital structure on firm value in information and communication technology listed on the Nigeria Exchange Group (Ngx). The specific objective of the was to examined the effect of total debt to assets equity, total debt to assets, long-term debt to assets, and short-term debt to assets on the valuation of publicly listed Information and Communication Technology (ICT) firms in Nigeria from 2014 to 2023. Size was utilized as a moderating variable. The study population comprises seven (7) information and communication technology firms. The sample selection was conducted utilizing the census sampling method. As a result, we collected all seven samples. Secondary data was obtained from the annual reports of the selected companies, and panel data analysis was conducted using fixed effects, random effects, and pooled ordinary least squares methods. Hausman's Chi-square statistics were employed to analyze the data. The research analyzed three categories of debt: total debt, long-term debt, and short-term debt. Each of the three factors demonstrated a positive impact on the company's value. The debt-to-equity ratio negatively impacted Tobin's Q. The study recommended that ICT firm management reduce the debt-to-equity ratio, achievable through a decrease in debt and an increase in equity. ICT companies listed on the stock market should aim to replace a minimum of 75% of their debt with equity by utilizing bonus issues, rights issues, and increasing retained earnings to enhance the company's value.

Pranatal and Nugroho (2025) investigated the relationship between capital structure and financial performance, with a particular focus on the moderating influence of agency costs. It analyzes the impact of capital structure on financial outcomes through the perspective of agency costs. Data was obtained from non-financial firms listed on the Indonesia Stock Exchange (IDX) between 2020 and 2022. Capital structure is represented using metrics such as the debt-to-asset ratio and debt-to-market capitalization, while financial performance is measured through indicators like return on assets (ROA), Tobin's Q, and earnings per share (EPS). The results reveal that, although capital structure can negatively influence financial performance, agency costs can serve as a positive

moderating factor. By considering various performance metrics, the study highlights the significance of adopting a holistic approach to analyzing capital structure. The research aims to provide a deeper understanding of the dynamic interplay between capital structure and financial performance.

Irene et al. (2025) investigated the impact of capital structure on the financial performance of quoted oil and gas companies listed on the Nigerian Exchange Group. Specifically, it examines the effects of total debt ratio, long-term debt ratio, short-term debt ratio, and equity ratio on the market value of firms, measured by Tobin's Q, over the period from 2014 to 2023. The research utilizes a longitudinal approach with a sample of eight publicly traded oil and gas companies, employing data obtained from annual reports. A random effects model, analyzed through panel least squares regression, was used to assess the relationships between the financial ratios and firm performance. The results revealed that total debt ratio positively influences firm performance, indicating that higher total debt is associated with increased firm market value. Conversely, long-term and short-term debt ratios exhibit negative impacts on firm performance as measured by Tobin's Q, suggesting that excessive long-term and short-term debt can reduce market value. The equity ratio shows a significant positive relationship with Tobin's Q, implying that a higher equity ratio enhances firm performance.

Said (2025) examined the impact of capital structure on firm performance in Egypt. This study used a sample size of 40 companies listed on the Egyptian stock exchange during the period from 2019 to 2023. Return on assets (ROA), return on equity (ROE) and Tobin’s Q (TQ) are used as performance measures, while short-term debt ratio (STD), long-term debt ratio (LTD), and debt to equity ratio (DE) are represented as capital structure variables. Fixed effects regression model is applied to assess the impact of capital structure on firm performance variables. The results show that there is a significant negative impact of STD and LTD on ROA and a significant positive impact of DE on ROA. Moreover, there is a significant positive impact of LTD on ROE and a significant negative impact of DE on ROE. When using TQ as a dependent variable, the results reveal that there is a significant negative impact of LTD and DE on TQ and there is a positive and significant impact of STD on TQ. The results suggest that capital structure theories, such as pecking order theory and trade-off theory, can be applied to explain the impact of capital structure on firm performance in Egypt. This study contributes to corporate finance literature by providing empirical evidence regarding the impact of capital structure on firm performance from Egypt as an emerging market.

Obafunso and Saifullahi (2025) investigated the impact of capital structure on the financial performance of listed consumer goods firms in Nigeria. The study adopted ex post-facto research design and extracted data from secondary source. A quantitative approach was employed for data analysis to analyze data sourced and drawing a sample of 12 using a stratified sampling technique through filtering criteria, out of the population of 21 listed consumer goods firms on the Nigerian Exchange Group PLC's Data Fact Sheet. The study covered a 10-year period (2014-2023). The study concludes that Short Term Debt Ratio (STDR) has a significant negative relationship with the return on capital employed for consumer goods firms in Nigeria, while Long Term Debt Ratio (LTDR), Leverage Ratio (LEVR), and Profitability Ratio (PR) have an insignificant negative association with the return on capital employed. The study recommends that the sampled firms should reduce reliance on short-term debt which may lead to improved financial performance. Firms should assess their capital structure to find an optimal balance of long-term debt, as its influence on performance was not significant in this study, firms should limit short-term debt levels and explore cost-effective, longer-term financing, firms should nonetheless monitor leverage ratios to ensure they remain within manageable levels, and firms can enhance their proprietary ratios by retaining profits or improving operational efficiency to strengthen the firm's equity base.

METHODOLOGY

The study utilized the ex-post factor research design. The population of the study consisted of six (6) conglomerate Companies listed on the floor of the Nigerian Exchange Group as at 31st December 2024. They includes: Chellarams Plc, Custodian Investment Plc, John Hold Plc, Scoanig Plc, Transnational Corpoation Plc and Uacn Plc. The sampling technique used in this study was census sampling technique. As the name implies, it is a sample "chosen purely on the basis of convenience. Six (6) listed conglomerate companies were chosen simply because as at the time of this research work and analysis, it was only six conglomerate companies that were listed in the Nigeria Exchange Group.

Sources and Method of Data Collection

The panel data were obtained from secondary sources and it was extracted from published annual reports and financial statements of the conglomerate companies listed on the Nigeria Exchange Group (NGX) covering the periods of ten (2015 to 2024).

Measurement of Variables

Table 1 Measurement of variables

Dimensions/ Measures	*Category*	*Abbreviation*	*Measurements*	*Apori-expectation*
Short-term Debt	Independent Variable	STD	Nature log of total debt	Negative/Positive
Long-term Debt	Independent Variable	LTD	Nature log of total debt	Negative/Positive
Share Capital	Independent Variable	SCAP	Nature log of total ordinal share capital	Positive
Retained Earnings	Independent Variable	RETIAN	Nature log of total debt	Positive
Market price per share	Dependent Variable	MPPS	Market Capitalization / Total number of shares outstanding	Negative/Positive

Model Specification

In order to investigate the effect of capital structure on firm value of listed conglomerate companies in Nigeria from (2015 to 2024), we develop the Linear Regression analysis using E-View 12. In line with the study objective and operational framework developed in chapter two and measurement of variables above, the required functional effect to test the developed hypotheses is presented as follows:

Model: Market Price Per Share (MPPS)

MPPS = f (STD, LTD, SCAP, RETAIN) ……1

This can be written in Panel Least Square (PLS) form as:

$MAPPS_{it} = a_o + a_1STD_{it} + a_2LTD_{it} + a_3SCAP_{it} + a_4RETAIN_{it} + U_{it}$……2

$a_1>0; a_2>0; a_3>0; a_4>0;$

Where: MPPS = Market price per share, as proxy for firm value
TBQ = TobinQ, as proxy for firm value
STD = Short-term debt as proxy for capital structure
LTD= Long-term debt as proxy for capital structure
RETAIN = retained earnings as proxy for capital structure
SCAP = Share capital as proxy for capital structure
t = time period under study
a_o = constant
a_1-a_4 = parameter or coefficient of explanatory variable
u = error term

Method of Data Analysis

This study adopted descriptive statistics, unit root test, diagnostics test and Panel ARDL multiple regression with the aid of Microsoft Excel and Eview v 12.

DATA ANALYSIS AND DISCUSSION OF FINGINGS

Descriptive Analysis

Table 2 Descriptive Statistics of the Variables

	STD	LTD	SCAP	RETAIN	MPPS
Mean	5.868974	7.133333	4.450367	6.168041	0.212003
Median	6.228937	7.000000	4.730027	6.772592	0.005238
Maximum	7.800470	10.00000	6.938085	7.657229	5.858769
Minimum	3.248464	5.000000	2.283301	1.477121	0.000558
Std. Dev.	1.295197	1.227740	1.324594	1.630701	0.787421
Skewness	-0.821894	0.187345	-0.138678	0.372919	6.346604
Kurtosis	2.592439	2.531324	1.664328	2.433009	45.64027
Jarque-Bera	7.170362	0.900125	4.652366	2.194381	4948.276
Probability	0.027732	0.637588	0.097668	0.333808	0.000000
Sum	352.1385	428.0000	267.0220	98.00000	12.72018
Sum Sq. Dev.	98.97450	88.93333	103.5184	29.93333	36.58190
Observations	**60**	**60**	**60**	**60**	**60**

Source: Researcher Computation using E-Views, 12

The results in Table 2 indicated the descriptive statistics results of the capital structure variables represented as short-term debt (STD), long-term debt (LTD), share capital (SCAP) retained earnings (RETAIN). The dependent variables firm value measure market price per share (MPPS) for the period 2014 to 2023 under investigation. The independent variables short-term debt (STD), long-term debt (LTD), share capital (SCAP) and retained earnings (RETAIN) disclosed a mean value 5.868974, 7.133333, 4.450367 and 6.168041 with a standard deviation for the study variables short-term debt (STD), long-term debt (LTD), share capital (SCAP), retained earnings (RETAIN) which recorded 1.295197, 1.227740, 1.324594, 1.630701. The results disclosed that dependent variable market price per share (MPPS) recorded a mean value 0.212003 with a standard deviation 0.787421. Furthermore, the mean and standard deviation values for all the variables are clear indications that the variables are not constant over time. The skewness statistics indicated that four out of six variables are positively skewed which shown the variables has a long right tail except return on asset. The Jarque-Bera test statistic is used to ascertain the difference of the skewness and kurtosis of the series with those from the normal distribution. The null hypotheses of the Jarque-Bera test statistics disclosed that the variables long-term debt (LTD), share capital (SCAP) and retained earnings (RETAIN) is normally distributed. This implied that their corresponding probability value was greater than 5% significant level while short-term debt (STD), market price per share (MPPS) are not normally distributed. This implied that their corresponding probability value was less than 5% significant level

Unit Root Test

Table 3 Result for stationarity Checking of data

Variable	ADF FISHERS At Level	I ADF FISHERS At 1st Difference	ORDER OF INTEGRATION	REMARK
STD	0.8057	0.0085	I(1)	Stationary
LTD	0.3175	0.0032	I(1)	Stationary
SCAP	0.1971	0.0396	I(1)	Stationary

RETAIN	0.4117	0.0010	I(1)	Stationary
MPPS	0.0349	-	I(0)	Stationary

Source: E-View Output, Version 12

The empirical results of the unit root test at 5 percent critical levels in table 2 above shows that one variables of interest are I(0), that is, stationary at levels while four variables of interest are 1(1), that is stationary at first difference. Their p-values are less than 5% with respect to ADF Fisher. Hence, this study adopted Panel ARDL model due to the mix order of integration.

Table 4 VAR Lag Order Selection Criteria (MPPS)

VAR Lag Order Selection Criteria
Endogenous variables: MPPS STD LTD SCAP RETAIN
Exogenous variables: C
Date: 09/13/25 Time: 19:04
Sample: 2015 2024
Included observations: 60

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-138.6065	NA	0.040660	8.148944	8.326699	8.210305
1	-84.71193	92.39075*	0.004700*	5.983539*	6.872309*	6.290342*
2	-72.87778	17.58216	0.006203	6.221588	7.821374	6.773834
3	-66.09561	8.526160	0.011632	6.748320	9.059123	7.546009
4	-47.61553	19.00808	0.012436	6.606602	9.628421	7.649733

Source: E-View Output, Version 12

From the result presented in table 4, the appropriate lag length for this model is one, since all the criteria for selecting optimum lag length choose one as the lag length.

Table 5 Panel Co-integration (MPPS)

Pedroni Residual Cointegration Test
Series: MPPS STD LTD SCAP RETAIN
Date: 09/13/25 Time: 21:30
Sample: 2015 2024
Included observations: 60
Cross-sections included: 4 (2 dropped)
Null Hypothesis: No cointegration
Trend assumption: No deterministic trend
User-specified lag length: 1
Newey-West automatic bandwidth selection and Bartlett kernel

Alternative hypothesis: common AR coefs. (within-dimension)

	Statistic	Prob.	Weighted Statistic	Prob.
Panel v-Statistic	-0.690897	0.7552	-0.554638	0.7104
Panel rho-Statistic	0.979219	0.8363	1.451887	0.9267
Panel PP-Statistic	-8.939219	0.0000	-6.594255	0.0000
Panel ADF-Statistic	-6.075489	0.0000	-2.765310	0.0028

Alternative hypothesis: individual AR coefs. (between-dimension)

	Statistic	Prob.
Group rho-Statistic	2.419201	0.9922
Group PP-Statistic	-7.255443	0.0000

Group ADF-Statistic	-4.397648	0.0000

Source: E-View Output, Version 12

Table 5 present Panel co-integration test. The results indicate two co-integrating equation at 0.05 level in the Trace test indicates while two co-integrating Group rho-Statistic at 0.05 level. We therefore reject the null hypothesis and conclude that there exists long run relationship among the variables.

Multivariate Data Analysis

Table 6: ARDL Analysis of Model one (MPPS)

Dependent Variable: D(MPPS)
Method: ARDL
Date: 09/13/25 Time: 21:40
Sample: 2015 2024
Included observations: 60
Maximum dependent lags: 1 (Automatic selection)
Model selection method: Akaike info criterion (AIC)
Dynamic regressors (1 lag, automatic): STD LTD SCAP RETAIN
Fixed regressors: C
Number of models evalulated: 1
Selected Model: ARDL(1, 1, 1, 1, 1)
Note: final equation sample is larger than selection sample

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
Long Run Equation				
STD	-0.375895	0.036983	-10.16387	0.0000
LTD	-0.966133	0.091095	-10.60573	0.0000
SCAP	0.489753	0.050090	9.777504	0.0000
RETAIN	0.453722	0.047263	9.599940	0.0000
Short Run Equation				
COINTEQ01	-0.181013	0.147846	-1.224333	0.2351
D(STD)	0.279965	0.296426	0.944468	0.3562
D(LTD)	0.456286	0.440622	1.035549	0.3128
D(SCAP)	-1.005439	0.993393	-1.012126	0.3236
D(RETAIN)	-0.010036	0.042012	-0.238872	0.8136
C	0.436360	0.364602	1.196812	0.2454

Mean dependent var	-0.088731	S.D. dependent var	0.697829
S.E. of regression	0.123361	Akaike info criterion	-11.38037
Sum squared resid	0.304360	Schwarz criterion	-9.984139
Log likelihood	381.4111	Hannan-Quinn criter.	-10.83423

*Note: p-values and any subsequent tests do not account for model selection.

Source: E-View Output, Version 12

Statistical Test of Hypotheses

Statement of Hypothesis

Ho_1: The effect of short-term debt on market price per share of listed conglomerate companies in Nigeria is not significant.

Decision Rule: Accept Ho if P > 0.05. Otherwise reject

Decision: The findings from table 6 discovered a significant effect of short-term debt (STD) on market price per share (MPPS) in the long run. The probability value P= 0.000; revealed that the significant effect of short-term debt (STD) on market price per share (MPPS) is statistically significant at 0.05 alpha level in the long run. But in the short run, short-term debt (STD) has insignificant effect on market price per share (MPPS). The probability value P= 0.3562 > 0.05 revealed that the significant effect of short-term debt (STD) on market price per share (MPPS) is statistically insignificant at 0.05 alpha level in the short run. Thus the null hypothesis one is rejected in the long run and accepted in term the short ruwhich implied that short-term debt has significant eff**e**ct on market price per share of listed conglomerate companies in Nigeria in the long run while short-term debt has insignificant effect on market price per share of listed conglomerate companies in Nigeria in the short run. This result is consistent with the work of the following prior studies; Okezie et al. (2025) examined the impact of capital structure on financial performance of listed firms in Nigerian stock exchange. The result of analysis indicates that short term debt to total investments have significant positive impact on return on investments. Ekokotu (2025) investigated the effect of capital structure on financial performance of listed manufacturing firms in Nigeria. The findings generally indicate that Short-Term Debt Financing (STDF) exerted significant influence on firms' performance (NAPS). Obafunso and Saifullahi (2025) investigated the impact of capital structure on the financial performance of listed consumer goods firms in Nigeria. The study concludes that Short Term Debt Ratio (STDR) has a significant negative relationship with the return on capital employed for consumer goods firms in Nigeria. Adedamola (2024) examined the effect of debt financing on financial performance of listed deposit money bank in Nigeria. The findings revealed that debt financing takes a significant effect on debt has high significant effect on ROA and ROE on Nigeria listed deposit money banks. Oko et al. (2025) evaluated the effect of short-term debts on return on asset of listed deposit money banks in Nigeria. Result from the Haussmann test statistics reveals that short-term debts/total asset had a negative and significant impact on profitability of deposit money banks in Nigeria. Hossain et al. (2022) study demonstrated that short term leverage has a significant negative impact on ROA (OLS model) and a strong positive impact on ROE (REM estimation) of the listed food and allied firms. Bawa (2022) findings showed that short-term debt to total assets (STTA) had significant impact on financial performance. However, the following prior studies disagree with the result and they include; Irene et al. (2025) investigated the impact of capital structure on the financial performance of quoted oil and gas companies listed on the Nigerian Exchange Group. The results revealed that short-term debt ratios exhibit insignificant impacts on firm performance as measured by Tobin's Q. Prena et al. (2024) analyze the impact of the capital structure on the performance of non-listed companies. The results of empirical tests indicate that a capital structure composed of short-term debt is insignificant influencing the performance of the companies measured by ROA. Obumneme et al. (2023) study finding shows that long-term debt to total assets has a insignificant influence on return on assets, also, short-term debt to total assets had insignificant impacts. Nwafor et al. (2022) study revealed that total debt ratio (TDR) was found to be insignificant related to profitability of pharmaceutical firms in Nigeria.

Statement of Hypothesis

Ho_2: Long-term has no significant effect on market price per share of listed conglomerate companies in Nigeria.

Decision Rule: Accept Ho if P > 0.05. Otherwise reject

Decision: The findings from hypotheses 2 table 6 discovered a significant effect of long-term debt (LTD) on market price per share (MPPS) in the long run. The probability value P= 0.000 <

0.05 revealed that the significant effect of long-term debt (LTD) on market price per share (MPPS) is statistically significant at 0.05 alpha level in the long run. But in the short run, long-term debt (LTD) has insignificant effect on market price per share (MPPS). The probability value P= 0.3128 > 0.05 revealed that the significant effect of long-term debt (LTD) on market price per share (MPPS) is statistically insignificant at 0.05 alpha level in the short run. Thus the null hypothesis two is rejected in the long run and accepted in term the short run which implied that long-term debt has significant eff**e**ct on market price per share of listed conglomerate companies in Nigeria in the long run while long-term debt has insignificant effect on market price per share of listed conglomerate companies in Nigeria in the short run. This result is consistent with the work of the following prior studies; Okezie et al. (2025) examined the impact of capital structure on financial performance of listed firms in Nigerian stock exchange. The result of analysis indicates that long term debt to total investments have significant positive impact on return on investments. Ekokotu (2025) investigated the effect of capital structure on financial performance of listed manufacturing firms in Nigeria. The findings generally indicate that Long Term Debt Financing (LTDF) exerted significant influence on firms' performance (NAPS). Said (2025) examined the impact of capital structure on firm performance in Egypt. The results revealed that there is a significant impact of LTD on TQ. Jeremiah et al. (2025) studied effects of debt finance on financial performance of listed deposit money banks in Nigeria. The results showed that whereas long-term debt to total assets (LTDTA) has a considerable and positive impact on ROA. Nwankwo and Anichebe (2025) analyzed the effect of debt financing on the financial performance of oil and gas firms in Nigerian Exchange Limited for the period of 2012-2023. The study found that Long term debt has positive and significant impact on the return on assets of oil and gas firms in Nigeria. Akinrinola et al. (2024) explored the effects of capital structure on financial performance of quoted manufacturing firms in Nigeria. The study findings indicated that there is a statistically significant relationship between long-term-debt-to-total-assets ratio and financial performance of quoted manufacturing firms in Nigeria. However, the following prior studies disagree with the result and they include; Irene et al. (2025) investigated the impact of capital structure on the financial performance of quoted oil and gas companies listed on the Nigerian Exchange Group. The results revealed that long-term ratio exhibit negative impacts on firm performance as measured by Tobin's. Obafunso and Saifullahi (2025) investigated the impact of capital structure on the financial performance of listed consumer goods firms in Nigeria. The study concludes that Long Term Debt Ratio (LTDR) have an insignificant negative association with the return on capital employed. Jibrin et al. (2024) examined the effect of long-term debt on financial performance in cement manufacturing companies. The study found insignificant influence of long-term debt (LTD) on financial performance measured by return on assets (ROA) of cement manufacturing companies.

H_{03}: The effect of share capital on market price per share of listed conglomerate companies in Nigeria is not significant

Decision Rule: Accept Ho if P > 0.05. Otherwise reject

Decision: The findings from hypotheses 3 table 6 discovered a significant effect of share capital (SCAP) on market price per share (MPPS) in the long run. The probability value P= 0.000 < 0.05 revealed that the significant effect of share capital (SCAP) on market price per share (MPPS) is statistically significant at 0.05 alpha level in the long run. But in the short run, share capital (SCAP) has insignificant effect on market price per share (MPPS). The probability value P= 0.3236 > 0.05 revealed that the significant effect of share capital (SCAP) on market price per share (MPPS) is statistically insignificant at 0.05 alpha level in the short run. Thus the null hypothesis three is rejected in the long run and accepted in term the short run which implied that share capital has significant eff**e**ct on market price per share of listed conglomerate companies in Nigeria in the long run while share capital has insignificant effect on market price per share of listed conglomerate companies in Nigeria in the short run. This result is consistent with the work of the following prior studies; Gara et al. (2025) examined capital structure and its influence on the financial performance of selected listed goods in Nigeria between 2014 and 2023. The findings from the study showed that a higher equity ratio significantly improved financial performance; and

a higher debt ratio equally impacted on the financial performance positively. Nwafor et al. (2022) investigated the effect of capital structure on profitability of listed pharmaceutical companies in Nigeria. The study revealed that equity ratio was positively related to profitability of pharmaceutical firms in Nigeria. Ezuma (2022) study revealed a positive and significant relationship between equity capital and profit before tax of listed pharmaceutical companies in Nigeria. It also revealed the existence of a positive and significant relationship between equity capital and return on assets of listed pharmaceutical companies in Nigeria. Olaniyi et al (2022) study found that equity capital has the potential to positively and significantly influence the financial performance of manufacturing firms in Nigeria. Adeoye and Olojede (2022) result revealed that size of firm and equity are positively correlated with financial performance. However, the following prior studies disagree with the result and they include; Idolor and Omehe (2022) investigated the effect of capital structure on the financial performance of quoted deposit money banks in Nigeria. Result from panel regression revealed that shareholder's equity had insignificantly impacted return on assets. Olaoye and Adesina (2022) study result revealed that debt in relation to equity has insignificant effect on return on assets.

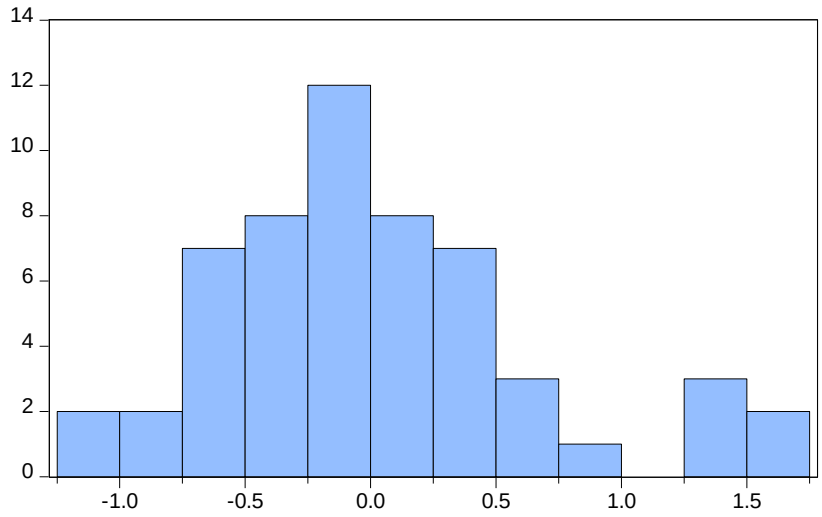
H_{04}: The effect of retained earnings on market price per share of listed conglomerate companies in Nigeria is not significant

Decision Rule: Accept Ho if P > 0.05. Otherwise reject

Decision: The findings from hypotheses in table 6 discovered a significant effect of retained earnings (RETAIN) on market price per share (MPPS) in the long run. The probability value P= 0.000 < 0.05 revealed that the significant effect of retained earnings (RETAIN) on market price per share (MPPS) is statistically significant at 0.05 alpha level in the long run. But in the short run, retained earnings (RETAIN) has insignificant effect on market price per share (MPPS). The probability value P= 0.8136 > 0.05 revealed that the significant effect of retained earnings (RETAIN) on market price per share (MPPS) is statistically insignificant at 0.05 alpha level in the short run. Thus the null hypothesis four is rejected in the long run and accepted in term the long run which implied that retained earnings has significant eff**e**ct on market price per share of listed conglomerate companies in Nigeria in the long run while retained earnings has insignificant effect on market price per share of listed conglomerate companies in Nigeria in the short run. This result is consistent with the work of the following prior studies; Ekokotu (2025) investigated the effect of capital structure on financial performance of listed manufacturing firms in Nigeria. The findings generally indicate that Equity Financing (EF) exerted significant influence on firms' performance (NAPS). Nwankwo and Anichebe (2025) study found that, equity financing has positive and significant impact on return on assets of oil and gas firms in Nigeria. Akani and Chukwuemeka (2021) examined the relationship between capital structure decision and performance of quoted small and medium scale enterprise in Nigeria. Findings proved that retained earnings have positive but no significant effect with financial performance measures. Alves et al. (2018) study show that retained earnings are influenced by the firms' growth opportunities. Many managers of listed companies in Vietnam indicate their preference of keeping cash in retained earnings. However, the following prior studies disagree with the result and they include; Ikin et al. (2022) result showed that capital structure has a negative and insignificant effect on Financial Performance. Bindu (2021) study results revealed that capital structure has a negative influence on the financial performance. Uremadu and Onyekachi (2018) the study revealed a negative and insignificant impact of capital structure on corporate performance of the consumer goods sector of Nigeria.

Post Estimation Test Results

Figure 1: Residual Normality Tests for Model (MPPS)



Series: Standardized Residuals	
Sample 2015 2024	
Observations 60	
Mean	7.25e-16
Median	-0.077338
Maximum	1.535936
Minimum	-1.117517
Std. Dev.	0.635523
Skewness	0.742280
Kurtosis	3.316677
Jarque-Bera	5.280466
Probability	0.071345

Source: E-View Output, Version 12

The Jarque-Bera is a statistical process used to determine if a sample or any group of data fits a standard normal distribution. The result of the Jarque-Bera normality test (5.280) with a probability value of 0.071 indicates that the model residuals are normally distributed.

Conclusions

This study investigated the effect of capital structure on firm value of listed conglomerate companies in Nigeria from 2015 to 2024. The study adopted short-term debt, long-term debt, share capital and retained earnings as dimensions of capital structure while market price per share were used as measures of firm value. The study adopted descriptive statistics, unit root test, and PMG/ARDL model with the help of Eview 12. Based on the discussion of findings, the conclusion followed:

1. There is a significant effect of short-term debt on market price per share of listed conglomerate companies in Nigeria in the long run but in the short run, there is an insignificant effect of short-term debt on market price per share of listed conglomerate companies in Nigeria under the study period 2015-2024.
2. There is a significant effect of long-term debt on market price per share of listed conglomerate companies in Nigeria in the long run but in the short run, there is an insignificant effect of long-term debt on market price per share of listed conglomerate companies in Nigeria under the study period 2015-2024.
3. There is a significant effect of share capital on market price per share of listed conglomerate companies in Nigeria in the long run but in the short run, there is an insignificant effect of share capital on market price per share of listed conglomerate companies in Nigeria under the study period 2015-2024.
4. There is a significant effect of retained earnings on market price per share of listed conglomerate companies in Nigeria in the long run but in the short run, there is an insignificant effect of retained earnings on market price per share of listed conglomerate companies in Nigeria under the study period 2015-2024.

Note: The study generally concluded that there is a significant effect of capital structure and firm value of listed conglomerate companies in Nigeria in the long run but there is an insignificant effect of capital structure on firm value of listed conglomerate companies in Nigeria in the short run.

Recommendations

Based on the conclusions above, the following recommendations were made:

1. Thus, companies should carefully assess their capital structure decisions, considering the trade-offs between short-term debt utilization and current market benefits.

2. This study recommends that listed conglomerate companies decrease the use of long-term debt capital in financing their business because, the result of the study prove that employing more long-term debt affect TobinQ in the short run.
3. The study recommended that the management of conglomerate companies should increase the financing option of retained earnings because, this study disclosed that financing business with retained earrings has significant effect on firm value in term of long run.
4. The study recommended that there is need for the management of conglomerate companies to engage competent and qualified personnel. The right personnel will ensure that the right decisions are made especially with the optimal level of equity capital financing option when considering shareholder wealth.

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