Debt Financing Strategy and Dividend Pay-Out Strategy on Financial Performance: Evidence from Listed Multinational Companies in Nigeria

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ABSTRACT

Empirical evidence suggests that over the last three years, more than fifteen multinational companies with a combined staff strength of over twenty thousand employees have either divested or partially closed operations in Nigeria. This has dire consequences not only on employees but also on government revenue. Thus, this study investigates the effect of debt financing strategy together with dividend payout strategy on the financial performance of listed multinational companies in Nigeria. The longitudinal panel research design was adopted with a population of all 32 listed multinational companies on the Nigerian exchange group as of 31st December 2024. The purposeful sampling technique was employed in selecting twenty-five (25) firms out of thirty-two (32) multinational companies in Nigeria for the 2012-2023 financial year. Secondary data from annual reports of listed multinational companies was collected, and Panel regression estimation was used for the analysis with the aid of E-views 13 statistical package. The finding revealed that debt financing percentage and dividend payout percentage have a positive and significant effect on the return on capital employed by listed multinational companies in Nigeria. The study concludes that debt financing strategy and dividend payout strategy have considerable effects on the financial performance of listed multinational companies in Nigeria. The study, therefore, recommends that the management of listed multinational companies in Nigeria should balance the quality of their capital structure through rational financing decisions because appropriate debt capacity and rational dividend payments offer the best advantage to the companies through maximizing return on capital employed.

Keywords: Debt Financing Strategy, Dividend Pay-Out Strategy, Financial Performance, Return on Capital Employed, Firm Size.

INTRODUCTION

Over time, the financial management strategy of many businesses has been strongly linked to their financial performance. Typically, each business entity bears the responsibility of producing returns. This duty is essential because a company's ability to maximize profit in a perfectly competitive market has a significant impact on its chances of long-term survival. Financial performance is a well-known important metric that shows how well a company uses its resources to maximize profit (Wuave & Yua, 2020). Financial performance is a picture of the firm's financial soundness that is analyzed using several financial analysis tools to ascertain the position and level of the company's financial soundness. It can also show how well a company has performed using the available resources over time. Evaluating the financial performance of a company, therefore, helps decision-makers in an organization to evaluate the success of business plans or objectives in monetary terms. (Emenyi, 2024). Financial performance refers to the act of conducting financial activity, the degree to which financial objectives are being fulfilled, and the process of measuring the results of a firm's policies and operations in

monetary terms.

Multinational companies' financial performance is particularly crucial due to the sector's importance in generating economic growth and promoting economic development in Nigeria (Ubokudom et al., 2024). However, issues like inadequate funding, cashflow constraints, high debt profile, insufficient returns, and risk management are the current issues affecting the financial performance of listed multinational companies in Nigeria. Given the prevalent consensus that a primary objective of a business is profit maximization, a company's profitability has become a crucial indicator of its corporate performance. Investors are particularly concerned about the company's performance, prompting them to make multiple attempts to engage in its operations (Eze & Agu, 2020). Nevertheless, investors must designate managers as their representatives to perform essential functions on their behalf in the prevailing tumultuous business environment to enhance financial performance. Consequently, debt financing strategy and dividend payout strategy are essential approaches that finance managers can implement to attain the objective of maximizing shareholder wealth and improve their financial performance.

Debt financing strategy is a part of corporate financial strategy, which entails borrowing funds from external sources such as bond markets, banks, and other financial institutions, to finance a company capital structure. Debt financing strategy is a fundamental functional area for every finance manager worldwide, serving as the nerve center of a firm, as it dictates the organization's success or failure. It is vital in enhancing profit maximization and facilitating good management to improve a company's financial performance and broaden economy of a nation (Anisulowo et al., 2023). A well-defined vision, strategy, and roadmap form the cornerstone of a good debt financing Strategy, which is a systematic development plan for the finance function. Debt financing is the main external funding source for businesses (Lenny & Tsholofelo, 2020). According to the capital structure hypothesis, an organization's capital structure is determined by how it finances its assets. There are two ways to finance a business: debt financing 100% equity financing or a mixture of both. Therefore, for financial managers, the crucial question is how much debt and how much equity should be used in their capital structure to enhance competitive advantage and improve financial performance as part of their corporate financial strategy decisions.

Dividend payout strategy is a financial technique that determines the percentage of profits that should be distributed to shareholders after setting aside some profits for prospective future investments. It is utilized to generate the money needed for upcoming investment goals and to maximize the return to shareholders (Ngwoke, 2021). Since the goal of a dividend policy is to maximize shareholders' wealth, the percentage of a company's post-tax profit that will be distributed as dividends to remaining shareholders in a given year should be strategically determined so as not to affect future investment plans. A good dividend payout strategy therefore boosts shareholder trust in the management group and thereby enhances financial performance and investors' confidence (Edmond et al., 2022). Debt financing and dividend payout strategy therefore enhance decision-making and promotes competitive advantage which results in improved resource allocation (Olaoye, 2020). Thus, managers can make smarter decisions which will favorably affect the financial performance of a firm.

To find out the effect of debt financing strategy and dividend payout strategy on financial performance, both strategies, therefore, need to be measured reliably, through debt financing percentage, dividend payout percentage and return on capital employed as well as firm size introduced as control variable, these must be correctly identified to provide an unbiased explanation. Debt financing percentage calculates a company's leverage by dividing its total debt by its total assets. Dividend payout percentage shows the portion of a business's profits that are distributed to shareholders after taxes. It is a dividend payout ratio adopted by a company. Return on capital employed, sometimes referred to as the 'primary ratio, is a financial ratio that is used to measure the profitability of a company and the efficiency with which it uses its capital, and the size of a company's operations is indicated by its firm size. Numerous metrics, such as a company's total assets, revenue, or workforce size, can be used to quantify it. However, the major problems facing multinational companies in Nigeria to achieve their stated objectives and goals include but are not limited to, weak regulatory environment, poor working capital management, insufficient funding, insecurity, and overall political instability have been barrier to the growth and development of multinational companies in Nigeria. This singular activity has eroded investors' confidence and generally led to weak economic growth and a decline in the overall performance of the sector thereby, leading to a decline in the financial performance of those companies (Ngwoke, 2021).

Previous studies conducted on debt financing strategy and dividend payout strategy on financial performance in Nigeria have always revealed mixed and inconclusive outcomes. In Nigeria, several local studies on debt financing strategy, dividend payout strategy, and financial performance have not been thoroughly researched. For instance, the fewer earlier research that focused on the subject, Eze & Agu (2020); Akhter (2019), and Ibenyenwa et al. (2019) have at best-used durations that are time-restrictive. This is because their analysis' typical time range has been between 4 and 7 years. To guarantee an in-depth study, this study's time frame was extended to 12 years, from 2012 to 2023, to acquire a deeper understanding of the problem. Likewise, the majority of the earlier studies conducted in the area of debt financing strategy and dividend payout strategy such as Hussaini et al. (2025); and Adedamola (2024) have focused on industrial goods firms and deposit money banks resulting in institutional gap in the literature. Furthermore, to the best of the researcher's knowledge, fewer studies have considered debt financing strategy, dividend payout strategy, and financial performance of listed multinational companies in Nigeria resulting in institutional gaps in the literature. Likewise, studies such as Ugwu et al. (2021); Uchechi et al. (2022); and Gbeji (2019) have used primary data and questionnaires for data collection resulting in a methodological gap. Also, most of the previous studies conducted on debt financing strategy, dividend payout strategy, and financial performance of companies such as Xie and Li (2018), and Luh and Luh (2019) are studies outside Nigeria resulting to the geographical gap in the literature. Therefore, this study aimed to investigate the effect of debt financing strategy and dividend payout strategy on the financial performance of listed multinational companies in Nigeria for the period 2012 to 2023. The basic hypotheses underlying this study are stated thus.

Ho1 Debt financing percentage has no significant effect on the return on capital employed of listed multinational companies in Nigeria.

H02: Dividend payout percentage has no significant effect on return on capital employed of listed multinational companies in Nigeria
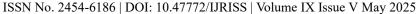
LITERATURE REVIEW

Conceptual Framework

Debt Financing Strategy

Debt financing strategy, which entails borrowing funds from external sources such as bond markets, banks, and financial institutions, is one method of raising capital for a firm. Debt finance is a sum of money obtained from outside sources and is a crucial part of capital structure. Debt significantly affects an organization's financial performance because of the ongoing need to pay interest on top of the principal amount. A debt financing strategy consists of a set of strategic sector growth goals and the plans to reach them. Debt financing is the main external funding source for businesses (Lenny & Tsholofelo, 2020). According to the capital structure hypothesis, an organization's capital structure is determined by how it finances its assets. There are two ways to finance a business: debt financing, 100% equity financing, or a mixture of both. Therefore, for financial managers, the crucial question is how much debt and how much equity. It appears that some considerations must be made before choosing an organization's capital structure. The structure may evolve, but depending on how much debt there is, adjustments may be made at any time. According to Adedamola (2024), more debt may put shareholders at more risk, but under the correct circumstances, it may also significantly boost their returns. A well-structured debt-equity ratio may result in a higher cost of capital, raising the firm's value (Arumona et al., 2021). How to fund the capital structure is the most important financial decision since it has a significant impact on the company's financial performance.

The process of obtaining funds for a business or organization from outside sources, usually through loans or the issuing of debt securities like bonds, is known as debt financing. With this approach, the borrower commits to paying back the principal plus interest within a predetermined time frame (Lenny & Tsholofelo, 2020). Managing working capital needs, financing operations, expanding the business, and making capital investments are just a few of the uses for this borrowed money. Debt financing is a common method used by businesses and organizations to obtain the funds they need for expansion and growth. However, it involves the monthly payment of principal and interest, which could affect the stability and cash flow of a corporation. According to Aamir et

al. (2021), debt financing is a sort of financing where a borrower receives cash for a set period or forever, repays the borrowed amount when the debt matures, and agrees to pay interest. It has advantages and disadvantages for business growth and strategic investments

Debt Financing Percentage

The debt-to-equity ratio, also known as the debt financing percentage, refers to the percentage of a company's assets that are funded by debt as opposed to equity; a lower ratio is typically regarded as safer. The debt percentage contrasts total assets with the total debt. According to Hussaini et al. (2025), debt financing percentage is a metric used to assess and quantify the proportion of a company's capital that is financed by debt financing. A debt ratio compares a company's total debt to its total assets to determine how much leverage it is using for analyzing a company's capital structure. Businesses that require a lot of capital typically have debt ratios that are significantly greater than those of other industries. To determine a company's debt ratio, divide its total debt by its total assets.

A financial ratio that gauges how much leverage a business has is called a debt ratio. The ratio of total debt to total assets, either as a percentage or decimal, is known as the debt ratio (Adedamola 2024). It can be thought of as the percentage of a business's assets that are funded by debt. The debt financing percentage of a firm is calculated using its financed debt, also known as interest-bearing obligations. The proportion excludes total liabilities (such as accounts payable) and refers to actual credit provided by direct lenders with interest obligations (such as bonds, commercial bank term loans, or subordinated debt). A ratio larger than one indicates that a corporation has more liabilities than assets and that a sizable portion of its assets are financed by debt. If interest rates abruptly increase, a company with a high ratio may be at risk of loan default. A ratio less than one indicates that equity funds have a larger share of a company's assets. In general, a low debt ratio is favorable, meaning that your assets are worth more than your loans. Additionally, this points to increased financial stability and possible simplicity in securing further funding. On the other hand, since a company depends on debt to maintain its assets, a higher debt ratio may indicate greater risk (Anisulowo et al., 2023).

For this study debt financing percentage can be mathematically expressed below using the formula:

$$DFP = \frac{\text{year-end short-term borrowing + year-end long-term borrowing}}{\text{Year-end Total Assets}} \times \frac{100}{1}$$
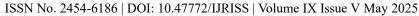
Dividend Pay-out Strategy

The dividend strategy is a financial technique used to calculate the percentage of profits that should be distributed to shareholders after keeping some profits as excess for potential future investments. It is used to produce the money required for upcoming investment goals and to optimize the return to shareholders. They seek to accomplish this while guaranteeing the lowest possible risk and cost of capital. The main goal of dividend strategies is to strike a balance between capital gains and current returns (Ngwoke, 2021). It can also be referring to the portion of a company's profit after tax to be paid to residual shareholders as dividends during a particular year, as the purpose of the dividend policy should be to maximize shareholders' wealth.

Edmond et al. (2022) describe dividend policy as the major decision area of financial management and assert that the ultimate choice would depend on the effect of the decision on maximizing the value of the companies. Finance managers are always concerned about the effect of long-term decisions on the overall financial performance. The proportion of profit distributed as dividends is called the dividend payout ratio.

Dividend Payout Percentage

The number of dividends distributed to shareholders as a percentage of the total net income generated by the business is known as the Dividend Payout Percentage or DPR. Stated differently, the dividend payout percentage calculates the portion of net income that is given to shareholders as dividends. By indicating that a company is making enough money to give its owners a piece of the profits, dividend payments boost shareholder trust in the management group (Edmond et al., 2022). The board of directors determines the dividend policy of a

corporation. It determines how often and when payments are made. The company's performance determines the quantities paid. Until the board declares them, no payments are required.

Essentially, the dividend payout ratio is the percentage of profits that are paid out as dividends to shareholders; the company retains the remaining funds to pay off debt or reinvest in its core operations (Ngwoke 2021). The payout ratio is another name for this. When evaluating a company's ability to pay its common dividend, investors look at its dividend payout ratio, which is expressed as a percentage and is computed by dividing the dividends paid (the product of the weighted average number of common share equivalents and the current per share dividend payment). The dividend payout percentage is computed by dividing dividends paid by earnings after tax and multiplying by 100 percent. It shows how much of a company's earnings after taxes are distributed to shareholders.

For this study dividend payout percentage can be mathematically expressed below using the formula.

DPOP = <u>Total Dividend paid this year</u>   X 100
         Net profit for the year   1

Financial Performance

Financial performance is a comprehensive evaluation of a company's overall status concerning its assets, liabilities, equity, costs, revenue, and overall profitability. A company's financial performance shows how well it manages its finances and achieves its goals. Money earned cash on hand, and the company's debt-repayment capacities are all covered. Financial performance has various measurements, but basically, two domains are emphasized in the literature. The financial measure is represented by profitability, growth, and market value, and the operational measure includes nonfinancial competitive aspects such as customer satisfaction, quality, innovation, employee satisfaction, and reputation (Sani et al., 2022). Omaliko et al. (2021) defined performance as; "An information system that supports managers in the performance management process mainly fulfilling two primary functions: the first one consists of enabling and structuring communication between all the organizational units (individuals, teams, processes, functions, etc.) involved in the process of target setting. The second one is that of collecting, processing, and delivering information on the performance of people, activities, processes, products, and business units.

Return on Capital Employed (ROCE)

Return on capital employed (ROCE) is a financial ratio that can be used to assess a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use (Uchechi et al., 2022). ROCE is a good baseline measure of a company's performance. ROCE is a financial ratio that shows if a company is doing a good job of generating profits from its capital. Companies have various financial resources they use to build and grow their businesses. This capital creates wealth through investment and can include such things as a company's marketable securities, production machinery, land, software, patents, and brand names. How a company chooses to allocate its capital assets can directly impact its performance. In many cases, it can mean the difference between the company generating a positive financial return and losing money.

ROCE = <u>Profit before interest and tax</u>   100
        Capital Employed   *   1

Firm Size

The term "firm size" refers to the size of a company's operations, which are typically measured by factors like total sales, number of employees, total assets, or market share. In other words, it indicates how large a company is in terms of its business volume and operational capacity; it's a quantifiable measure used to compare companies across industries and analyze their relative size within a market. Research generally shows that a larger firm size often has a positive effect on financial performance because larger companies can access better financing options, leverage economies of scale, and reach a wider market, all of which lead to higher profitability and improved

returns on assets (Aza, 2018). However, the precise relationship can vary depending on the industry and particular circumstances, and large firms may occasionally experience diseconomies of scale.
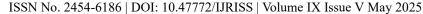
Large firms are more competitive than small businesses because they have a larger market and a greater chance of making significant profits. Because of a concept known as economies of scale that may be found in the traditional perspective of the corporation, firm size has a significant role in determining company profitability (Ikechukwu & Madubuko, 2016). One interpretation of this is that large companies can produce goods at a significantly lower cost. One way to determine the size of a business is to look at the number of employees at a company with a high market capitalization. The larger the total assets, the more assets that belong to the business.

Empirical Review

Hussaini *et al*. (2025) investigated the impact of financing decision ratios on the financial performance of listed industrial goods companies in Nigeria. The study aligned with the ex post facto research design. Data was collected from the thirteen (13) listed industrial goods companies on the Nigerian Exchange Group. All the companies were considered as the population of the study. Data was collected from the annual financial statements of the companies for a period of ten (10) years from 2014 to 2023. The Generalized Method of Moments (GMM) technique was applied for the analysis of data. The study found that the impacts of total debt to total assets and dividend to total debt are significant on return on assets. It was also seen that firm size, firm age, and leverage also play a substantial role as control variables. From the findings, the study concluded that focusing closely on the dynamics and interplay of debt financing and the proportion of dividends paid in the face of existing debt structure significantly helps firms make the right financing decisions, as the success of companies mostly depends on the combination of capital obtained and dividend decisions. From the findings and conclusion, the study recommended that the management of industrial goods firms should balance the quality of the financial structure through rational financing decisions because appropriate debt capacity and rational dividend payments offer the best advantage to the companies through maximizing return on assets. Based on institutional gaps, the findings and recommendations of industrial goods companies might not apply to listed multinational companies. Likewise, this present study used return on capital employed to measure financial performance, as against the use of ROA by the review study.

Adedamola (2024) examined the effect of debt financing on the financial performance of listed deposit money banks in Nigeria. This study adopted an ex post facto research design. Twenty-two deposit money banks made up of the twenty-two deposit money banks that made up the research population, 13 listed deposit money banks were selected for sampling. Secondary data were utilized by extracting relevant data from financial statements for a period ranging from ten years (2014 – 2023). The findings revealed that debt financing has a significant effect on the return on assets and return on equity of Nigeria-listed deposit money banks. The study, therefore, concluded that debt financing has a positive effect on the financial performance of listed deposit money banks in Nigeria. The study therefore recommended that DMBs should focus on optimizing prudent debt financing practices to effectively manage their loan-to-deposit ratios. Based on the institutional gap, the findings and recommendations of deposit money banks might not apply to multinational companies in Nigeria due to different operating activities. This present study uses ROCE to measure financial performance as against ROA used by the review study.

Anisulowo *et al*. (2023) studied the financial strategy and corporate performance growth of selected food and beverages manufacturing companies in Nigeria. The four selected food and beverage manufacturing companies in Nigeria made up the study's population. With a total number of 168 staff, the study population involved both the middle and top management. The study adopted the purposive sampling technique, which is the deliberate choice of a researcher due to the qualities of information it possesses. Primary data was used for this study. Regression analysis was also used for data analysis. The result of the analysis reveals that the strategy of investing in company assets has a significant effect on profitability. The study concluded that there is a significant positive effect of financial strategy and the corporate performance growth of selected food and beverages manufacturing companies in Nigeria. The study therefore recommends management adoption of a suitable financial strategy for corporate performance. This study was carried out using food and beverage companies in Nigeria, and the use of primary data for data analysis. This kind of study should have used secondary data and a robust statistical tool for data analysis. Based on institutional gaps and different operating activities, the findings

and recommendations of food and beverage companies might not apply to listed multinational companies.
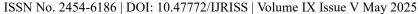
Lateef *et al*. (2023) investigated the influence of financial management practices on the earnings per share of quoted industrial companies in Nigeria. An ex-post facto research design was used; the population consists of all listed industrial goods firms in Nigeria, out of which five (5) companies were sampled. The findings from the regression model showed that financial management practices had a significant effect on earnings per share of quoted consumer goods companies in Nigeria. The regression results also revealed that debt had a negative and significant effect. It was recommended that investors consider appropriate variables that impact earnings per share positively before investing. Based on the methodological gap, five companies cannot be used to generalize for all the thirteen listed industrial goods companies in Nigeria. This present study used twenty-five listed multinational companies as a sample size.

Folajimi and Christopher (2022) studied financial strategy and corporate performance growth of quoted cement manufacturing companies in Nigeria. The study adopted an ex post facto research design. The population of the study comprised all the quoted cement manufacturing companies on the Nigerian Stock Exchange (NSE) as of 31 December 2017. Findings revealed that financial strategy measures had significant effects on corporate performance growth, measures. The study concluded that financial strategy does not jointly affect the corporate performance growth of quoted cement manufacturing companies in Nigeria, but is affected on an individual basis. The study recommended that the management should do a proper analysis of the use of combined financial strategies to guide the appropriate selection of financial strategies that will engender the achievement of corporate performance growth for competitive advantage. This study used cement manufacturing companies as a case study. This type of study should have utilized a larger sample size since the study is panel in nature. The findings and recommendations of the listed cement companies in Nigeria cannot be generalized to generalize for all manufacturing companies. Likewise, the findings and recommendations of a cement company might not apply to multinational companies in Nigeria due to different operating activities.

Edmond *et al*. (2022) examined the relationship between dividend policy, investment decisions, financial performance, and survival of the firms in Kenya. The study adopts a survey research design. The study conducted a literature search to establish linkages between dividend policy and other financial aspects. The results show that investors favor companies with higher dividends than retained earnings because they tend to have greater liquidity, which is what investors in the many financial markets require. Dividend policy is significantly positively correlated with size, profitability, and interest coverage ratios. The study, therefore, recommends an appropriate dividend payout strategy by the management. This study was carried out in Kenya, and based on geographical gaps, the findings and recommendations might not apply to listed multinational companies in Nigeria.

Ogunmakin *et al*. (2022) examined the impact of sound financial management practices on the overall performance of manufacturing companies in Nigeria. In this study, an ex-post-facto research design was used; secondary data was collected so that the researchers could investigate the link between the variables. The population of the study consists of all listed manufacturing companies, out of which five companies were sampled, which were randomly chosen from the population as a whole. The information was taken from the company's annual financial report, which covered a period of ten (10) years (2010-2020). Ordinary Least Squares (OLS) regression analysis was used to make sense of the gathered information. It was discovered that financial management practices have a significant positive effect on Profit after tax. The research concluded that there is a considerable positive association between effective financial management practices, profit after tax, and retained profits. This relationship is robust. The study therefore recommended that the management of manufacturing organizations should try to place a greater emphasis on the practice of financial management to improve the efficacy and efficiency of their operations. The sample size used in this study is very small; five companies cannot be used to generalize to all the listed manufacturing companies in Nigeria.

Ngwoke (2021) assessed the effect of dividend policy on the financial performance of manufacturing firms in Nigeria. The study had a population of 31 manufacturing firms in the consumer and industrial goods segment quoted on the Nigerian Stock Exchange. A judgmental sampling technique was employed to arrive at our sample size of five (5) firms, Secondary panel data were pooled from the audited financial statements of these companies for the period of 2015–2018. Regression analysis was carried out on the data with the aid of the E-views package.

The result of the data analysis showed that dividends per share and dividend payout ratio exert a positive but insignificant effect on return on assets. The study, therefore, concluded that dividend policy has no significant effect on the financial performance of manufacturing firms in Nigeria. The study recommended that the dividend payout ratio should be drastically reduced to ensure that a major part of the earnings of the company is not paid out as dividends but rather plowed back into the firm to be reinvested or as part of the cash reserves. Based on the methodological gap, the sample size used was too small to be used to generalize the findings and recommendations of the study.

Abdirahim and Willy (2021) studied the effect of financial management practices on manufacturing firms' financial performance in Somalia. The study adopts a descriptive research design. The study has a population of 76 registered manufacturing companies in Bosaso City, where 64 sample sizes were selected. The study's primary data collection instrument was a structured questionnaire through a four-point Likert scale, showing the extent to which each factor affects financial performance. Data analysis was done using SPSS, and presentations were made in pie charts, distribution graphs, diagrams, and figures to clearly show the respondents' responses according to the different variables in the tables. The study found that the management of working capital did not impact the financial output of manufacturing companies. It was recommended that business owners collect enough information before deciding on the financial source to use. The study was carried out in Somalia, and as such, its findings and recommendations may not apply to Nigeria's multinational companies. This present study makes use of secondary data with regression analysis as against primary data used by the study under review.
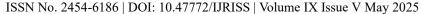
Ibenyenwa *et al*. (2019) studied the effect of dividend policy on shareholders' value: evidence from consumer goods firms quoted in the Nigerian stock exchange (2011 to 2015). A convenience sampling technique was adopted to select seven (7) firms from the consumer goods sector of the Nigerian stock exchange. The data were collected from financial statements and annual reports of the companies from 2011 to 2015. The random effect panel data regression model was adopted from the Fixed Effect Model and the Random Effect Model. The results showed that 93.82% of the total variation in shareholders' value is significantly and collectively explained by dividend policy variables of dividend per share, dividend payout ratio, and earnings per share. The study concludes that dividend policy is a sound corporate financial decision strategy for enhancing shareholders' value in consumer goods firms quoted in the Nigerian stock market. The study thus recommends that firms in consumer goods firms should pay a dividend every year, provided that the firm makes a profit. This type of study should have used a sample size above 7 to be able to generalize simply because a sample size of 7 cannot be used to generalize to more than 20 listed consumer goods firms in Nigeria. This present study intends to use 25 sample companies and also to cover the period from 2010-2024 to make the study timely.

Akhter (2019) investigated the financial performance and dividend payout of energy companies in the Chittagong stock exchange of Bangladesh. The objective of this study was therefore to ratify whether dividend payout is significant in making investment decisions. The study further sought to establish the implications of dividend payment on the financial performance of listed companies in the energy and petroleum sector in the Chittagong Stock Exchange. Secondary data from all five listed companies in the energy and petroleum sector was used for the period 2009-2018. A descriptive design was deemed appropriate for the study. The dividend payout ratio was used as the independent variable of the study, whereas Return on Assets was the dependent variable of this study. Multiple regression analysis was used to determine relationships between the predictor and the dependent variable. The study found that dividend payout has a positive effect on the return on assets of the Energy Company. The study therefore recommends payment of dividends to shareholders. Based on the methodology gap, this present study intends to use an ex-post facto research design with a longitudinal panel, which is more appropriate for secondary data than the descriptive research design used by the study.

Theoretical Framework

Pecking Order Theory.

The pecking order theory was developed by Myers and Mailuf (1984), and it suggests that firms have a particular preference order for capital used to finance their businesses. Due to the information asymmetries between the firm and potential investors, the firm will prefer retained earnings to debt, short-term debt over long-term debt, and debt over equity. Myers and Majluf (1984) argued that if firms issue no new securities but only use their

retained earnings to support investment opportunities, the information asymmetric can be resolved. That implies that issuing equity becomes more expensive as asymmetric information between insiders and outsiders increases. Firms whose information asymmetry is large should issue debt to avoid selling underpriced securities.

Pecking order theory postulates that the cost of financing increases with asymmetric information. Financing comes from three sources: internal funds, debt, and equity. The theory suggests that companies prioritize their financing. They first prefer internal financing, then debt, and lastly issuing equity as a last resort.

Resource-Based View Theory

Resource-Based Theory (RBT) was first put forward by Penrose (2009), who proposed a model for the effective management of firms' resources, diversification strategy, and productive opportunities. These resources are made up of both physical assets and intangible capabilities in about the same proportion. According to the resource-based firm theory, "unique organizational resources of both the physical and intangible type are the major source of competitive advantage." This is the essential factor that contributes to a competitive edge. According to Wade and Hulland (2004), the resources that are available to an organization may be broken down into six unique categories. The degree of competition that takes place for a resource may be ex-ante constrained by the characteristics of the resource itself. These characteristics may include the resource's value, its scarcity, its appropriability, its imitability, and its sustainability. Mobility and sustainability are two examples of resource traits that might be used after the competition has already taken place to lessen the effect of the competition. According to Wade and Hulland (2004), some resources are responsible for the creation of competitive advantages, whereas other resources are responsible for the maintenance of competitive advantages after they have already been established. If ex-ante competition limitations are seen to be resources that may be used to gain a competitive advantage, then they may be considered to have a positive impact. On the other hand, one may look upon ex post competition restraints as resources that help them sustain their competitive advantages.

The fundamental theoretical underpinning for this study was the Resource-Based View (RBV) theory, which postulates that an organization's performance is shaped by the one-of-a-kind mix of resources it has access to. This theory was used as the basis for the investigation. This theory was selected because it postulates that the distinct combination of resources that an organization has access to is what shapes the company's performance. The RBV theory was chosen because it postulates that the unique mix of resources available to an organization is the major determinant in defining the degree of performance that the organization is capable of achieving.

METHODOLOGY

This study adopts the ex-post facto research design with a longitudinal panel to investigate the effect of debt financing strategy and dividend payout strategy on the financial performance of listed multinational companies in Nigeria. The design is considered appropriate for the study because it has been subjected to a very stringent level of control. It is an after-the-fact design that explains the relationship between the variables after their occurrence for several years. The population of the study consists of all the thirty-two (32) listed multinational companies on the Nigerian Exchange Group as of 31st December 2024, ranging from 2012 to 2023. Twenty-five (25) companies were sampled using the purposive sampling techniques. Panel regression technique was used with the aid of the E-View 13 statistical package.

The study adapts the model of Xie and Li (2018): PBV $\beta_0 + \beta_1 FS + \beta_2 IS + \beta_3 DS + \epsilon$………..(i)

ROCE = $\beta_0 + \beta_1 DFP + \beta_2 DPOP + \beta_3 FSZ + \epsilon it$...……(ii)

Where:

β_0 = the autonomous parameter estimates (Intercept or constant term)

$\beta_1\ \beta_3$ = Parameter coefficient of Debt financing and Dividend payout strategy

ROCE = Return on Capital Employed

FS $\qquad$ = Debt Financing Percentage (DFP)

DPOS $\qquad$ = Dividend Pay-out Percentage (DPOP)

FL $\qquad$ = Firm Size

ϵit $\qquad$ = Stochastic Error term

A priori expectation: The coefficient of debt financing strategy and Dividend payout strategy are expected to have a positive and significant effect on the financial performance of listed multinational companies in Nigeria. i.e. $\beta 0 - \beta 3 > 0$

Table 3.3: Variables Measurement

Variable	Type	Measurement	Source
Return on Capital Employed (ROCE)	Dependent	$\dfrac{\text{PBIT}}{\text{Capital Employed}}$	Gupta (2017)
Debt Financing Percentage (DFP)	Independent	$\dfrac{\text{Short- term borrowing + long-term borrowing}}{\text{Total Assets}} \times \dfrac{100}{1}$	Adedamola (2024)
Dividend Pay-out Percentage (DPOP)	Independent	$\dfrac{\text{Total Dividend paid this year}}{\text{Net profit this year}} \times \dfrac{100}{1}$	Xie and Li (20I8)
Firm Size (Fsz)	Control	Natural Logarithm of Total Assets.	Meiryani *et al.* (2020)

Source: Researcher Computation (2025*)*

RESULT AND DISCUSSION

Descriptive Statistics

In order to have a glimpse of the data used in the study, a first pass at the data in the form of descriptive statistics was carried out. This gives us a good idea of the patterns in the data used for the analysis. The summary statistics are presented in Table 1.

Table 1: Descriptive Analysis Result

	ROCE	DFP	DPOP	FSZ
Mean	19.94473	3.223108	847.1456	7.096056
Median	16.11749	11.82364	27.53420	6.940000
Maximum	1.665661	5.012410	14.54300	9.549000
Minimum	-2.589483	0.003640	-41.88354	2.837000
Std. Dev.	14.02472	3.901309	9.096323	0.752917
Skewness	10.47052	12.11473	14.43494	0.284267
Kurtosis	118.4206	148.2064	225.5254	6.732704
Jarque-Bera	170285.4	268190.6	623094.0	176.4218
Probability	0.000203	0.000340	0.000102	0.000000

Sum	592358.6	9.572510	251602.3	2107.529
Sum Sq. Dev.	5.825210	4.506221	2.453210	167.7978
Observations	300	300	300	300

Source: E-View 13 Output (2025)

Table 1 presents the descriptive statistics of debt financing percentage and dividend payout percentage on the financial performance of listed multinational companies in Nigeria from 2012 to 2023. The table shows that return on capital employed (ROCE) as a measure of financial performance has a mean of 19.94473 with a standard deviation of 14.02472, a minimum value of -2.589483, and maximum values of 1.665661. Although the range between the minimum and maximum is wide, it implies a stable return on capital employed, as the standard deviation indicates that there is no wide dispersion of the data from the mean value. For the other measures of independent variable, Debt financing percentage (DFP) and Dividend payout percentage (DPOP), the table shows a mean of value of 3.223108 and 847.1456 with standard deviation of 3.901309 and 9096.323 with minimum values of 0.003640 and -411.8835 with maximum values of 5.012410 and 146543.0 and respectively. This implies that debt financing and dividend payout percentage witnessed a substantial increase during the study period. The control variable measure using firm size shows a mean value of 7.096056 with a standard deviation of 0.752917. The kurtosis value measures the peakness and flatness of the distribution of the series. If the Kurtosis value is less than 3, it means the distribution of the variable is normal, but when it is more than 3, the distribution of the variable is said to be abnormal.

Correlation Analysis

Table 2 presents correlation values between dependent and independent variables and the correlation among the independent variables themselves. These values are generated from Pearson Correlation output. The Table below contains a correlation matrix showing the Pearson correlation coefficients between the dependent and independent variables and among the independent variables of the study.

Decision Rule: The Correlation is between two variables which must be -1 and +1

Table 2: Correlation Analysis Result

Covariance Analysis: Ordinary				
Date: 02/17/25 Time: 18:25				
Sample: 2012 2023				
Included observations: 300				
Balanced sample				
Correlation				
Probability	ROCE	DFP	DPOP	FSZ
ROCE	1.000000			

DFP	0.551705	1.000000		
	0.0408	-----		
DPOP	0.012198	0.067162	1.000000	

	0.0342	0.0022	-----		
FSZ	-0.653018	0.004168	0.000437	1.000000	
	0.3626	0.7430	0.6940	-----	

Source: E-View 13 Output (2025)

Table 2 shows the correlation between the dependent variable, ROCE, and the independent variables of DFP and DPOP and among the independent variables themselves on the other hand. Generally, a high correlation is expected between dependent and independent variables, while a low correlation is expected among independent variables. According to Gujarati (2004), a correlation coefficient between two independent variables of 0.80 is considered excessive, and thus, certain measures are required to correct that anomaly in the data. From the table, it can be seen that all the correlation coefficients among the independent variables are below 0.80. This points to the absence of possible multicollinearity among the independent variables, and the correlation between the variables shows that there is a mix of both positive and negative correlations among the dependent and independent variables. There exists a positive and significant relationship of 55% correlation between ROCE and DFP, respectively, indicating that the higher the financial performance, the higher the debt financing percentage. Furthermore, it is notable from the analysis that there is a weak negative significant relationship between ROCE and DPOP to the tune of 12%.

Multicollinearity Test (VIF)

Multicollinearity arises in multiple regression models when two explanatory (independent) variables are "collinear" that is, when they stand in an exact or almost exact linear relationship to each other (or to one another). In other words, when one or more independent variants have a stronger influence on others and this condition is a violation of the linear regression model, that so it may affect the validity of the outcome in any analysis. Variance Inflation Factor (VIF) is used to detect multicollinearity in regression analysis. VIF measures how much the variance of an independent variable is influenced or inflated by its interaction or correlation with other independent variables.

The diagnostics test was performed using the variance inflation factor (VIF) to further confirm the absence of a multicollinearity problem between the independent variables. A Centered VIF of less than 10 is an indication of an absence of Multicollinearity, while a centered VIF of more than 10 is a sign of Multicollinearity.

Decision Rule:

H0: Reject the null hypothesis if the Centered VIF is greater than 10

H1: Accept the alternative hypothesis if the centered VIF is less than 10

Table 3:   Multicollinearity Test (VIF)

Variance Inflation Factors			
Date: 02/17/25 Time: 18:27			
Sample: 2012 2023			
Included observations: 300			
	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
DFP	4.413214	1.006933	1.000069

DPOP	0.008088	1.008755	1.000052
FSZ	1180562.	90.12753	1.000018
C	60118547	90.13585	NA

Source: E-View 13 Output (2025)

As noted above, the law of multicollinearity test rule uses a variance inflation factor that is centered on VIF less than 10, indicating a lack of multicollinearity, while VIF intermediate than 10 indicates the presence of multicollinearity. Table 3 above shows the absence of multicollinearity between independent variables, as all independent variables (DFP, DPOP, and FSZ) have less than 10 centered VIF.

Heteroskedasticity Test

To validate the robustness of the estimates, the Heteroskedasticity test was conducted as a diagnostic check. Heteroskedasticity happens when the standard errors of a variable, monitored over a specific amount of time, are non-constant. Heteroskedasticity is a violation of the assumptions for linear regression modeling, and so it can impact the validity of the result from any analysis while heteroskedasticity does not cause bias in the coefficient estimates, it does make them less precise; lower precision increases the likelihood that the coefficient estimates are further from the correct population value. The Null Hypothesis is to be accepted if the P-value is greater than a 5% level of significance.

Hypothesis

H0: The Error Variances are all Equal (Homoskedastic)

H1: The Error Variances are not Equal (Heteroskedasticity)

Decision Rule:

H0: Reject the Null Hypothesis if the P-value is less than 5% level of significance

H1: Accept the Null Hypothesis if the P-Value is greater than a 5% level of significance
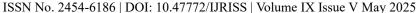
Table 4: Heteroskedasticity Test

Panel Cross-section Heteroskedasticity LR Test			
Equation: EQ01			
Specification: ROCE DFP DPOP FSZ C			
Null hypothesis: Residuals are homoscedastic			
	Value	Df	Probability
Likelihood ratio	2831.114	25	0.0620

Table 4 shows the results of the panel cross-section Heteroskedasticity regression test. From the result above, with a ratio value of 2831.114 and a corresponding probability value of 0.0620, which is greater than 5%, the study therefore posits that there is no reason to reject the null hypothesis. The residuals are homoskedastic, indicating that the samples give a true reflection of the population

Hausman's Test

The Hausman specification test is a model specification test used in panel data analysis to select between fixed and random effects models. Since the datasets utilized in this investigation were panel, both fixed and random effects regressions were performed. A Hausman specification test was then used to choose between the fixed-

effects and random-effects regression models. This test determined if the error term was connected to the regressor. As a result, the decision rule for the Hausman specification test is presented at a 5% level of significance: the hypothesis is stated as follows;

H0: Random effect is more appropriate for the Panel Regression analysis

H1: Fixed effect is more appropriate for the Panel Regression analysis

Decision Rule:

If the P value is greater than 0.05 (5%), the alternate hypothesis is rejected, and the null hypothesis should be accepted

Table 5: Hausman Specification Test.

Correlated Random Effects - Hausman Test			
Equation: EQ01			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.680422	3	0.6413

Source: E-View 13 Output (2025)

The result of the Hausman test appended in the table above provides sufficient evidence not to reject the null hypothesis at a 5% level of significance, as it can be seen that the probability value of 0.6413 is greater than the critical value of 0.05. Therefore, the study upholds that the difference in coefficients is not systematic and hence, the random effect model is the most appropriate model for the study.

Langranger Multiplier Test (Test between Random and Pooled)

The Langranger Multiplier test is a test for model specification in panel data analysis, which is employed to choose between the pooled effect model and the random effects model. Due to the panel nature of the data set, both pooled effect and random effect regression analyses were run (as shown in Appendix II, as attached). The breach-pagan Langranger multiplier test was then conducted to choose the preferred model between the pooled effect and the random effect regression models, and the decision rule for the breach-pagan Langranger multiplier test is stated thus: at a 5% Level of significance.

H0: The pooled effect is not appropriate for the Panel Regression analysis

H1: Random effect is most appropriate for the Panel Regression analysis

As encapsulated above, if the p-value is less than 0.05, the decision rule is to reject the null hypothesis, which states that the pooled effect is most appropriate for the Panel Regression analysis (meaning that the preferred model is random effects). Similarly, if the p-value is greater than 0.05 the decision rule is to accept the null hypothesis which states that the pooled effect is most appropriate for the Panel Regression analysis (meaning that the random effect model is to be rejected).

Table 7: Breusch-Pagan Langranger Multiplier Test

Lagrange Multiplier Tests for Random Effects	
Null hypotheses: No effects	
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided	

(all others) alternatives			
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	21.28360	0.505048	21.78865
	(0.0000)	(0.4773)	(0.0000)

Source: E-View 13 Output (2025)

Based on the probability value of the Breusch-Pagan Langranger Multiplier Test at 0.0000, the null hypothesis is rejected, thus, the random effect is most appropriate when compared to the pooled effect.

Test of Research Hypotheses.

The goal of panel regression analysis is to examine the relationship between dependent and independent variables. Calculate the coefficients for each independent variable in the model. The sign of the coefficient of the independent variable indicates its relationship with the dependent variable, and the amount of the coefficient signifies the dependent variable's reaction to the independent variable. For each of these tests, the decision procedures for accepting or rejecting the null hypothesis are based on probability values (PV) and probabilities (F-statistics). If the P value is less than 5%, it means that the null hypothesis should be rejected, that is, the p-value is statistically significant, while the alternative hypothesis should be accepted and viz versa.

Ho1 Debt financing percentage has no significant effect on the return on capital employed of listed multinational companies in Nigeria

H02: Dividend payout percentage has no significant effect on return on capital employed of listed multinational companies in Nigeria
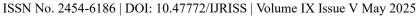
Decision Rule:

H0: Reject the Null Hypothesis if the P-value is less than 5% level of significance

H1: Accept the Null Hypothesis if the P-value is greater than 5% level of significance

Table 8: Panel Regression Result (Random Effect)

Dependent Variable: ROCE			
Method: Panel EGLS (Cross-section random effects)			
Date: 02/17/25 Time: 18:31			
Sample: 2012 2023			
Periods included: 12			
DFP	1.503408	2.021407	0.743743	0.0410
DPOP	0.037319	0.086714	0.430369	0.0372
FSZ	-316.7058	1270.529	-0.249271	0.8033
C	427.4981	9104.947	0.046953	0.0000
	Effects Specification			
			S.D.	Rho

Cross-section random		5204.764	0.1343
Idiosyncratic random		13213.38	0.8657
	Weighted Statistics		
R-squared	0.753868	Mean dependent var	11.81799
Adjusted R-squared	0.729362	S.D. dependent var	13.11897
S.E. of regression	1.318030	Sum squared resid	5.093210
F-statistic	0.084806	Durbin-Watson stat	1.736539
Prob(F-statistic)	0.000303		

Source: E-View 13 Output (2025)

Table 4.8 displays and analyses the panel random regression results of the explained variable proxied by ROCE as well as the explanatory variables DFP, DPOP, and FSZ. Between the R2 and the adjusted R2, there is a range of values of 75.3% and 72.9%, respectively. The variation in the dependent variable (ROCE) as a result of a change in the independent variables is explained by the R2 of 75.3%. Therefore, it can be concluded that the independent variables have a combined predictive power of influencing the financial performance of listed multinational companies in Nigeria, with the remaining 24.7% being explained by other factors not included in the model. Furthermore, the regression results as presented above reveal an intercept of 4.274981, which is positive. This simply implies that when other variables are held constant, the financial performance of listed multinational companies increases by 427.4981. The result of the constant is statistically significant, as indicated by a P-value of 0.0000.
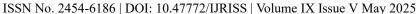
The coefficient of the variable DFP is 1.503408 with a p-value of 0.0410 (<0.05). It can be deduced that debt financing percentage has a positive and significant effect on the return on capital employed of listed multinational companies which provides support for the alternative hypothesis. This result further shows that a unit increase in ROCE will lead to an increase of 1.503 in debt financing percentage, and the result is statistically significant.

Also, the second hypothesis revealed that the coefficient of the variable DPOP was 0.037319 with a p-value of 0.0372 (<0.05). It can be deduced that dividend payout percentage has a positive and significant effect on the return on capital employed of listed multinational companies, which provides support for the alternative hypothesis. This result shows that a unit increase in ROCE will lead to a 0.037319 increase in dividend payout percentage, and the result is statistically significant. Finally, it is evident from the control variable that firm size has a negative and insignificant effect on the return on capital employed of listed multinational companies in Nigeria.

DISCUSSION OF FINDINGS

The result of the analysis, as explained above, revealed that the debt financing percentage has a positive and significant effect on the return on capital employed of listed multinational companies. This suggests that there is a significant relationship between how multinational companies manage their debt (short-term and long-term) and their overall financial performance. In other words, the way these companies handle their capital structure does appear to have a substantial impact on their overall performance of the organization. The finding is in tandem with the studies of Adedamola (2024), Folajimi and Christopher (2022), but disagrees with the study of Kipkirui (2018). The research outcome, therefore, agreed with the a priori expectation.

It is also evident from the second hypothesis that a positive and significant effect exists between dividend payout percentage and return on capital employed of listed multinational companies. The research outcome is in tandem with the a priori expectation. This statement suggests that there is a meaningful and measurable relationship between how multinational companies manage their dividend payment and their overall performance. In this case, the way these companies handle their dividend policy appears to have a notable impact on their overall

worth as measured by their financial performance. This study is in tandem with the study of Edmond et al. (2022) and Ngwoke (2021) but disagrees with the study of Ibenyenwa et al. (2019). Looking at the control variable (firm size), it revealed that firm size has a negative and insignificant effect on the return on capital employed.

CONCLUSION AND RECOMMENDATIONS

The study evaluated the effect of debt financing strategy and dividend payout strategy on the financial performance of listed multinational companies in Nigeria. Based on the study findings reached through the study objectives guided by the study hypotheses, the following conclusions were made; the study affirmed that debt financing strategy has a positive and significant effect on financial performance, while the second hypothesis concluded that dividend payout strategy revealed positive and significant effect on financial performance of listed multinational companies in Nigeria. Therefore, based on the findings of this study, the following recommendations are made for the efficient corporate financial strategy of listed multinational companies on the Nigerian Exchange Group;

i. The study recommended that multinational companies should implement accurate debt-to-equity financing in their capital structure and allocate resources effectively in order to make informed decisions about financing and investments.

ii. Multinational companies should engage in a systematic evaluation of their dividend strategy so as to enhance financial sustainability and shareholders' wealth.

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