The effect of credit facilities on corporate financial performance of consumer goods firms in Nigeria

By

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Abstract

The study examined the effect of credit facilities on corporate financial performance of Consumer goods firms in Nigeria. The Study specifically examined the effect of credit facilities on profit for the year, return on asset, retained earnings, turnover, return on equity and net asset of consumer goods firms in Nigeria. Data for the study were sourced from the annual reports and accounts of the sampled firms for the period of eleven years spanning through 2011 to 2021, the collected data were analyzed using multiple regression analysis, result of the analysis showed that credit facilities had significant and positive effect on profit for the year of the sampled Consumer goods firms in Nigeria. The result indicated that profit for the year of Consumer goods firms in Nigeria was influenced by credit facilities. It was also observed that the effect of credit facilities on return on asset of Consumer goods firms in Nigeria is significant and positive. Result of the analysis showed that retained earnings of Consumer goods firms in Nigeria were influenced by credit facilities, and the extent of the influence exerted is significant and positive. The study further revealed that credit facilities had significant and positive effect while size had an insignificant effect on turnover of the sampled Consumer goods firms in Nigeria. The study also showed that both credit facilities and size have significant and positive effect on return on equity of the sampled Consumer goods firms in Nigeria. The study further revealed that credit facilities have significant and positive effect on return on equity of the sampled Consumer goods firms in Nigeria. Considering the strong positive and significant effect of credit facilities on the profit for the year, consumer goods firms should strategically leverage credit facilities to maximize their profits. This implies that management should explore opportunities to obtain and utilize credit facilities efficiently to enhance overall financial performance.

1. Introduction

Credit facilities are one of the vital sources of income in establishing business in most economy across the world. The role of credit facilities in promoting financial performance in Nigeria to consumer goods profit, consumer goods return on assets, consumer retained earnings, consumer goods turnover, and consumer goods return on equity and net assets of consumer goods cannot be overemphasized.

In Nigerian economy over 65% of employment is offered by the consumer goods firms (CGFs) with a GDP of 18% exclusion of land and working capital and workforce of not less than 10 employees and not more than 300 employees which was reported by National Bureau of Statistics (NBS, 2018). Consumer goods firms, small scale industries and small scale entrepreneurship are used interchangeably to mean companies that make and sell products that are intended for direct use by the buyers for their own use and enjoyment. This sector includes companies involved with food production, packaged goods, clothing, beverages, automobiles, and electronics. Many enterprises in Nigeria are categorized as consumer goods firms, most of which are in the commercial sector that source fund from bank facilities to augment their working capital as well as to engage into importation of goods for commerce and industry through the means of letter of credit. Atieno (2009), posits that the entities cut across every sector of the economy such as farm activities, wholesale and retail trade and the manufacturing sector are also in need of the scheme for growth and development, and marketing of goods and services. However, the state controlled economic system does not allow for the practice, leaving the production to the consumer goods firms who are not influenced by the government. Such is a common market, but in situations where part of the economy is controlled by individuals and another by the government, such is mixed economy. Even though Nigeria is regarded as a mixed economy, it tends to indulge in highly capitalist behaviors. Henceforth, Nigeria has opportunity for vast types of business firms privately owned.

The need for consumer goods firms by the capitalist is usually satisfied through debt capital or via Equity financing. However, accessing credit facilities such as letter of credit have been a dwindling challenge that Africa's entrepreneurs constantly face. Hardly do consumer goods firms contain private equity market in many African countries as it is easily available with large markets and thus lacking in public debts (Aryeetey, 2005). To compensate for that, consumer goods firms settle for credit markets such as money lenders, trade credit, and informal lending strategies such as funds from family and friends or thrift society/institution. More so, banks often avail credit facilities that call for letter of credit to consumer goods firms for both short and long-term purposes mostly for those that are predominantly dominated into importation and exportation of goods and service. Additionally, Abor and Quarley, 2010 maintained, that there is need for exterior sources to ensure that proper allocation of resources is flexible which tend to reduce the cash flow problems impact. Companies can increase their inventories in case of crises from the banking sector to assist them with their existing sinking and contingency funds to keep the firms running during macroeconomic instability. Tentatively, incases of external shock, consumer goods firms without funding are more vulnerable (Chiliya&Roberts-Lombard,2012). Individuals can smooth out consumption with credit during tough economic seasons with changes in income and investments. However, to maintain rapport with creditors, firms must be tactical in their transactions to mitigate any form of deficiency in collateral and high default possibility.

Due to the nature of international dealing including factors such as distance differing laws in each country and difficulty in knowing each party personality, the use of letter of credit has become a very important aspect of international trade, beneficiaries of may need a letter of credit to issuing bank for payment thereby taken responsibility that the seller will be paid. A beneficiary must proof to the bank that they have enough asset to pay before the bank will guarantee the payment to the seller(Juliana and Kagan,2023).

The incapability to access long-term financing offers, pushes consumer goods firms into short term loans with high interest rates. These struggles are rooted in the main financial institutions that consider consumer goods firms as unreliably credit worthy, due to stringent measures established by financial institutions such as; commercial banks, microfinance Institutions, mortgage banks and other credit institutions to access credit facilities which have formed repression to upgrade industrialization in Nigeria economic sector.

To increase credit worthiness, consumer goods firms must create a relationship with the formal banking institutions with consistency such that there is a "formal" association. In the instant case, firms are more likely to access loans depending on the credit history of the firm. At the same time, the credit history of the owner of consumer goods firms tends to be fundamental to the accessibility of credit facility (Berger& Udell, 1995).

In addition, Access to finance boosts consumer goods firm's productivity and hence becomes sustainable by utilizing the economies of scale (Kira, 2013). Entrepreneurial activities such as access to new markets, expansion of business, reduction of risks, innovation and creativity enhancement all requires finances. A study by Makena, Kubaison &Njati.(2014) revealed that an increase of 10% in bank credit to a firm would lead to an increase of 18.14% in firm growth. On the other hand, lack of credit negatively affects profit margins of the business than any other challenges (Mbonyane & Ladzani, 2011). They also established that firms that borrow money from informal lenders to start businesses have lower profits compared to other sources.

The constraint to access direct payment method by the issuing bank makes payment to the beneficiary difficult. Also inability of the consumer goods firms to access credit facilities from the banks discourage accessibility of loans for letter of credits (Nyabwala, 2010). In this view, difficulties of funding lead to collapsing economically viable projects innovation, growth and economic development which is negatively affected that forms the basis at which this study tends to examine; the effect of credit facilities on corporate financial performance of Consumer goods firms in Nigeria.

The availability and utilization of credit facilities can significantly impact the financial performance of consumer goods firms in Nigeria. Here are discussions on how specific factors, including collateral, turnover, cash flow, and access to market information, can pose challenges:

Many financial institutions often require collateral as a security for loans. In the context of consumer goods firms, obtaining sufficient collateral can be challenging, as these businesses may lack significant assets to pledge. Limited access to credit due to insufficient collateral can hinder business expansion, investment in technology, and the ability to seize growth opportunities. Consumer goods firm, especially small ones, may have irregular or unpredictable turnover. Financial institutions may perceive them as risky borrowers, leading to higher interest rates or loan rejections. High-interest rates could increase the cost of capital, affecting profit margins and the ability to reinvest in the business.

Inconsistent cash flow is a common issue for consumer goods firm. Unpredictable income and expenses can make it challenging to meet loan repayment obligations. Poor cash flow management can lead to missed payments, affecting the creditworthiness of the enterprise and potentially leading to financial distress. Limited access to market information can hinder the ability of consumer goods firms to make informed business decisions and respond to market dynamics. Without accurate market information, consumer goods firms may struggle to identify opportunities, set competitive prices, and adapt to changing consumer preferences.

Addressing these challenges requires a collaborative effort between financial institutions, policymakers, and business support organizations. Implementing policies that promote financial inclusion, developing innovative lending approaches, and providing targeted support for improving financial literacy can contribute to enhancing the financial performance of consumer goods firms in Nigeria.

In the review of extant literature on effect of credit facilities on corporate financial performance of consumer goods firms showed that most of these extant literature was conducted in advanced countries of the world causing a paucity of such literature in Nigeria, thus, this study is geared towards filling this gap-which will also increase the currency of literature in the area of study. Therefore, in this paper, we will examine the effect of credit facilities on profit of consumer goods firms in Nigeria.

2. Review of Relevant Literature

Antao&Karnik (2022) examined bank performance and letter of credit from countries in the Asian Region during the period from 1996 to 2018. Letter of credit was income generated by banks from sources other than interest payments. Studies conducted in USA and Europe banks indicated that income diversification lowered risk in European banks but exacerbates it in American banks. Current research on Asian banks had not led to a coherent view of the relationship between letter of credit and bank risk. Data of over 25 years for 24 Asian countries were used to examine this relationship. Using the General Moment of Method estimation approach equations for two time-period, 1996-2007 and 2008–2018 were estimated to examine the non-interest-bank risk relationship in the presence of some controlling financial, macroeconomic and policy variables. Results of analysis showed that letter of credit worsened bank risk for all the 24 countries as well as for sub-groups of countries. We also found that, by and large, economic growth improved bank risk while inflation above a threshold worsened it. Finally, our proxy measure for monetary policy improved bank risk though fiscal policy seemed to have no effect.

Uddin, et al (2021) assessed the effects of bank diversification (that is, diversification of income and diversification of assets) on Bangladeshi banks' profitability. An unbalanced panel data from 32 banks spanning 318 bank observations were obtained from the annual report and account of the banks during the period from 2007 to 2016. Descriptive statistics, correlation and regression analysis were used to examine the data. Results indicated a significant positive association of income diversification and asset diversification on bank profitability. The results demonstrated that banks could generate profit from diversification of income and diversification of assets. It was anticipated that the results would have major consequences for Bangladeshi bank regulators and other related economies.

James and Iwedi (2020) examined the relationship between credit policy and return on investment of selected Nigerian quoted manufacturing firms from 1985-2014. Return on investment was the dependent variables while credit policy ratio, retention ratio and dividend yield were used as independent variables. Eighteen (18) manufacturing firms listed on Nigeria exchange group were selected based on data availability while ordinary least squares regression analyses were used to analyze the data. Also, Co-integration test, Granger Causality Test and Augmented Dickey Fuller Unit Root Test were used to examine the stationarity and the long run relationship between the dependent and the independent variable.

Results indicated that credit policy Ratio, retention ratio and dividend yield had positive but insignificant relationship with Return on Investment. The Augmented Dickey Fuller test showed stationarity of the variables at first difference. The co-integration test revealed longrun relationship between the variables while the Granger CausalityTest revealed bi-directional relationship running through the variables. The study concluded that credit policyhad no significant relationship with the return on investment of the quoted manufacturing firms in Nigeria.

Chinnaiah (2020) adopted descriptive statistics and panel data regression analysis to investigate the impact of credit policy on the firm value: A study of non-financial firms listed on national stock exchange. All the non-financial firms which were being consistently part of NSE's Ninety-100 index from March 2010 to March 2019 constituted the population of the study. A sample reached thirty-nine (39) of the non-financial firms were selected for the study. Along with the Credit policy, Current year's profit, firm Size, Leverage, Growth Opportunities, Market risk, Price Earnings ratio and firm Age were considered in the model as independent variables while

Tobin Q was the dependent variable and measure of firm value. Findings from the study disclosed that, credit policy positively, but significantly affect firm value. Whereas, Current year's profit, Firm Size, Growth Opportunities and Price-Earnings were the variables that significantly influenced firm value during the period.

Simanjuntak and Suriyawinata (2020) examined influence of non-performing loans, interest income margins, efficiency and non -interest income on stock value (Banking Industry Study Listed in IDX 2013-2017). The dependent variables in this study were stock value while the independent variables in this study were non-performing loans, interest income margins, efficiency levels and letter of credit. The method used was a multiple linear regression analysis method. The samples in this study were 28 banking companies selected with purposive sampling method. It could be concluded that variable non-performing loans had a negative but insignificant effect on the value of the shares. Interest income margins had apositiveandsignificanteffectonthevalueofshares.Thelevelofefficiencyindicatednegative and significant effect to the value of the stock. Non-bunga income had a positive and significant effect on the value of the shares.

Surwanti and Pamungkas (2020) conducted a study to investigate the impact of credit policy, firms' characteristics and the impact on the Southeast Asian non-financial corporate sectors firm value during 2000 to 2015. Large sample of firms were selected from three countries in Southeast Asia using multiple criteria while descriptive statistics and multiple regression analysis were used to analyze the data collected from the sampled firms. Findings suggested that in Indonesia, the dividend payment was determined by the firm's size, while in the Philippines, it was determined by the condition of the firm's liquidity. Firms in five (5) countries consistently showed that size was a significant factor affecting firm value. Findings further showed that the dividend payment showed a positive impact on the firm value in Malaysia and Philippian. Companies in the Philippines showed that dividends significantly affected firm value. Meanwhile, dividends were significantly influenced by firm liquidity. Based on this study's results in the Philippines, credit policy mediated the effect of liquidity on firm value. Mahmood, et al (2020) studied the effect of credit policy on firm performance in Nigerian oil and gas sector. Credit policy ratio was the dependent variable and while net profit margin, return on asset and return on equity were the independent variables and measures of firm profitability. The study sample consisted of two oil and gas firms (Mobil Plc and Total Plc) listed on the Nigeria Exchange Group during the period from 2015 to 2018. The secondary data obtained from the annual report and financial statements of the selected firms were analyzed using regression analysis and percentages. The study found that Credit policy Ratio had a negative and insignificant effect on firm performance of Mobil Plc and Total Plc in2017and2018, while the results showed significant effect in 2015 and 2016 for Total Plc, and significant effect for Mobil Plc in 2015 but insignificant effect in 2016. The study concluded that dividend payment enhanced financial performance. Ahmed, et al (2020) studied the impact of letter of credit and revenue concentration on bank risk in South Asia. The study was conducted using the period from 2009 to 2018. Specifically, the study examined the impact of letter of credit and revenue concentration on banks' risk in South Asian countries such as Pakistan, Sri Lanka, India and Bangladesh. Panel data forty-five banks from 2009 to 2018 was used. Generalized Method of Moments regression analysis was employed to analyze the data. Result showed that non-interest source income and revenue concentration significantly affected bank risk in the overall analysis. The study found different results depending on the regulations and application of the regulatory system in each country. Letter of credit revealed a significant impact on bank risk for Pakistan, India and Bangladesh, but insignificant for SriLanka. Revenue concentration had a significant effect on bank risk in Pakistan and India. However, it did not affect bank risk in Sri Lanka and Bangladesh. This study recommended that bank managers should focus on different sources of revenue generation in order to minimize their level of risk through a diversification strategy to enhance efficiency.

3. Data and Methodology

To analyze the effect of credit facilities on corporate financial performance of consumer goods in Nigeria, the following functional relationship is specified;

ROA = f (INTR, CPS, LNS, DPS) .... (3.1)

Where:

ROA = Return on Assets (proxy for corporatefinancial performance)

INTR = Interest Rate

CPS = Credit to Private Sector

LNS = Loans from commercial banks, MFBs and others

DPS = Deposit

To specify the Autoregressive Distributed Lag Model (ARDL), all variables will be differenced, therefore reducing their lag length by 1;

Mathematical Form of the Model:

$$\Delta \mathrm{ROA}_t = \alpha_0 + \sum_{i=1}^{n} \alpha i \, \Delta \mathrm{ROA}_{t-1} + \sum_{i=1}^{n} \alpha i \Delta \, \mathrm{INTR}_{t-j} + \sum_{i=1}^{n} \alpha i \, \Delta \mathrm{CPS}_{t-j} + \sum_{i=1}^{n} \alpha i \, \Delta \mathrm{LNS}_{t-j} + \sum_{i=1}^{n} \alpha i \, \Delta \mathrm{DPS}_{t-j} \quad \text{.........}(3.3)$$

Econometric Form of the Model:

$$\Delta \mathrm{ROA}_t = \alpha_0 + \sum_{i=1}^{n} \alpha i\, \Delta \mathrm{ROA}_{t-1} + \sum_{i=1}^{n} \alpha i \Delta\, \mathrm{INTR}_{t-j} + \sum_{i=1}^{n} \alpha i\, \Delta \mathrm{CPS}_{t-j} + \sum_{i=1}^{n} \alpha i\, \Delta \mathrm{LNS}_{t-j} + \sum_{i=1}^{n} \alpha i\, \Delta \mathrm{DPS}_{t-j} + \cup_{it} \qquad (3.4)$$

Where**:**

α_0 = Constant

t = time

$\cup_t$= Stochastic error term

Table 3.1: Detailed Description of the Variables

Variables Name	**Labels**	**Explanation of Variables**
Return on Asset	ROA	Return on Asset is communicated as a percent, proportions of the organization's capacity to profit from its assets. To quantify the ROA, take the expert forma net wage isolated by the aggregate assets. On the off chance that the proportion higher or lower than anticipated, one should take a gander at the assets to perceive what could be finished or down playing.
Loans and advances	LNS	Loans and advances entail the financial transactions whereby money is borrowed by individuals, businesses, or organizations from a lender with the expectation of repayment over a specified period of time.
Interest rate	INTR	Interest rate is the price a borrower pays for the use of money they borrow from a lender or fee paid on borrowed assets. Favourable interest rate is beneficial to the corporate financial

		performance. Also, the lower the interest rate, the more willingness of people to borrow money to make big purchases. And when there is willingness of people to borrow through lower interest rate, there is a favourable corporate financial performance.
Credit to Private Sector	CPS	Private sector credit encompasses financial support extended to the private sector, including loans, advances, acquisitions of non-equity securities, trade credits, and other outstanding account obligations that require repayment.
Deposits with Commercial Banks & MFBs	DPS	Deposits in commercial banks are funds kept for safety and potential interest in the bank. Also, MFBs (Microfinance Banks) both safeguard deposits and provide specialized financial services to underserved or low-income groups.

Source: Author's Conceptualization (2023)

Estimation Procedures

To accomplish this, the study utilized the Autoregressive Distributed Lag (ARDL) model, developed by Pesaran, Shin, and Smith (2001). One notable advantage of the ARDL model is its flexibility in handling variables with different orders of integration, whether they are integrated of order I(0), I(1), or of mixed order.

The application of the ARDL model offers efficient parameter estimates, even in cases where sample sizes are small or when endogenous explanatory variables are present. It effectively addresses the issue of endogeneity in explanatory variables, particularly in small sample settings. The utilization of the ARDL model in this study involved a three-step process, following the determination of the order of integration of the system. The initial step involved examining the lag length using established criteria such as AIC, SBIC, and HQIC. Subsequently, the study tested for the presence of co-integration among the variables utilizing the bounds testing approach. Once co-integration was confirmed, the subsequent procedure entailed estimating both the long-run and short-run coefficients using the ARDL approach, as well as the Error Correction Model (ECM) associated with ARDL.

The decision to employ the ARDL model in this study was based on the objective of capturing the short and long-term relationships between the variables. Additionally, it was suitable for the dataset at hand, as the variables exhibited different orders of integration, specifically stationary at level form I(0) and at first difference I(1).

The Generalized ARDL (p, q) model is represented as:

$$Yt = \alpha_{0j} + \sum_{i=1}^{p} \pi 1 iYt - i + \sum_{i=0}^{q} \pi 2 iXt - i + \omega t \quad \text{(3.5)}$$

Where: provided that p and q do not necessarily suggest symmetry of lag-lengths,

p = optimum lag length for the predicted parameter.

q = optimum lag length for the predictors

The ARDL Bounds Test for the Objectives:

$$\Delta ROAt = \alpha_0 + \sum_{i=1}^{p} \phi i \Delta ROAt - i + \sum_{i=0}^{p} \Theta i \Delta INTRt - i + \sum_{i=0}^{p} ⱶ i \Delta CPSt - i + \sum_{i=0}^{p} \Psi i \Delta LNSt - i + \sum_{i=0}^{p} \Omega i \Delta DPSt - i + \delta_1 INTR_{t-1} + \delta_2 CPS_{t-1} + \delta_3 LNS_{t-1} + \delta_4 DPS_{t-1} + \varpi_t \quad \text{(3.6)}$$

Where;

Δ = first difference operator.

The parameters $\alpha 1 - \alpha 4$ = short-run relationship parameters.

The parameters $\beta 1 - \beta 4$= long-run relationship parameters.

(t – i) = Lagged term on respective variables.

Σ *and* ϖ_i = Summation operator and error term of the equation.

The Error Correction Model (ECM) representation is specified as:

$$\Delta ROA_t = \alpha_0 + \sum_{i=1}^{p} \alpha 1i\Delta ROAt - i + \sum_{i=1}^{q} \alpha 2i\Delta INTRt - i + \sum_{i=1}^{q} \alpha 3i\Delta CPSt - i + \sum_{i=1}^{q} \alpha 4i\Delta LNSt - i + \sum_{i=q}^{q} \alpha 5i\Delta DPSt - i + \pi ECT_{t-1} + e_t \quad (3.7)$$

Where:

$\sum^{q}_{i=0}\alpha i$ = Long run parameter

πECTt-1: This term represents the lagged value of the error correction term

et: This is the error term or residual.

α0, α1i, α2i, α3i, α4i, α5i = are the short run dynamic coefficient of the model's adjustment long-run equilibrium.

4. Results

Table 4.1: Data of the Variables – Cadbury Nig

YEAR	COMPANY	ATC	PFTY	ROA	ROE	RE	TOV	NAS
2011	Cadbury Nig	1.17	1.21	10.91	22.13	49.29	9.48	41.23
2012	Cadbury Nig	1.1	2.34	8.6	17.24	49.9	8	42.1
2013	Cadbury Nig	1.92	4.32	13.95	25.1	55.58	11.1	33.32
2014	Cadbury Nig	0.75	3.28	5.25	13.11	40.05	11.23	48.72
2015	Cadbury Nig	0.61	1.51	4.06	9.39	43.23	15.77	41
2016	Cadbury Nig	-0.16	1.19	-1.04	-2.68	38.94	15.91	45.15
2017	Cadbury Nig	0.16	1.53	1.06	2.55	41.31	14.6	44.08
2018	Cadbury Nig	0.44	1.07	2.99	6.49	46.05	17.32	36.64
2019	Cadbury Nig	0.57	1.06	3.72	7.9	47.07	18.52	34.38
2020	Cadbury Nig	0.5	0.77	2.81	6.88	40.8	15.62	43.58
2021	Cadbury Nig	0.51	1.10	2.87	6.71	48.09	18.22	39.04

Source: ***Author's Computation from Annual Report and Accounts, 2023.***

In Table 4.1, the data indicate that the dependent and explanatory variables which are credit facilities, profit for the year, return on asset, retained earnings, turnover, return on equity and net asset have some level of linearity among them. This linearity or otherwise is revealed in subsequent analysis.

Table 4.2: Log Transformation of the Data of the Variables - Cadbury Nig.

YEAR	ATC	PFTY	ROA	ROE	RE	TOV	NAS
2012	1.38	9.04	7.42	0.04	-	-	5.64
2013	1.02	9.50	7.52	0.11	0.41	-	5.66
2014	1.41	9.50	7.90	0.44	0.79	-	5.69
2015	1.06	9.50	7.55	0.06	0.33	0.99	5.71
2016	1.46	9.50	7.96	0.43	0.66	1.43	5.73
2017	1.77	9.50	8.27	0.71	0.88	1.45	5.75
2018	1.60	9.27	7.88	0.39	0.77	1.58	5.77
2019	1.23	9.27	7.51	0.06	0.42	1.45	5.79
2020	1.01	9.27	7.29	(0.19)	0.24	-	5.81
2021	1.20	9.27	7.47	(0.05)	0.40	1.99	5.83

Source:Author's Computation from Annual Report and Accounts, 2023.

In Table 4.2, the data show the log transformation of the panel series; credit facilities, profit for the year, return on asset, retained earnings, turnover, return on equity and net asset. This was done in order to control the large variances in the variables and make the data fit for additional analysis.

Table 4.3: Descriptive Statistics of the Variables – Cadbury Nig.

	ATC	PFTY	ROA	ROE	RE	TOV	NAS
Mean	1.314000	9.362000	7.677000	0.200000	0.490000	0.889000	5.738000
Median	1.305000	9.385000	7.535000	0.085000	0.415000	1.210000	5.740000
Maximum	1.770000	9.500000	8.270000	0.710000	0.880000	1.990000	5.830000
Minimum	1.010000	9.040000	7.290000	-0.190000	0.000000	0.000000	5.640000
Std. Dev.	0.255613	0.160817	0.307320	0.277729	0.278288	0.801616	0.063561
Skewness	0.354347	-0.657843	0.630568	0.438718	-0.140044	-0.144000	-0.101146
Kurtosis	2.049768	2.371901	2.277001	2.149791	2.069875	1.339369	1.831044
Jarque-Bera	0.585496	0.885641	0.880497	0.621979	0.393159	1.183599	0.586408
Probability	0.746210	0.642223	0.643876	0.732721	0.821536	0.553331	0.745870
Sum	13.14000	93.62000	76.77000	2.000000	4.900000	8.890000	57.38000
Sum Sq. Dev.	0.588040	0.232760	0.850010	0.694200	0.697000	5.783290	0.036360
Observations	11	11	11	11	11	11	11

Source: *Authors' E-views Output, 2023.*

In Table 4.3, the descriptive statistics for all the variables (credit facilities, profit for the year, return on asset, retained earnings, turnover, return on equity and net asset), that operationalized the study in a common sample was presented. The maximum value for credit facilities in our sample was ₦5.83m with a minimum value of ₦5.64m approximately. Also, the maximum and minimum values for the other variables were also captured. The skewness estimate was used to capture how the variables for the sampled firms lean to one side of the distribution. Hence, it was observed that most of the variables were negatively skewed. This indicated that probability distribution of the variables means has fatter tails to the left of the distribution. It can also be observed that the relative skewness of the variables lied closer to zero which implied that the probability distribution was evenly distributed around their respective mean which guaranteed an approximate normal distribution.

4.1.2 Champion Breweries

Table 4.4: Data of the Variables – Champion Breweries

YEAR	COMPANY	ATC	PFTY	ROA	ROE	RE	TOV	NAS
2011	Champion Breweries	-1.33	1.82	-17.16	57.05	-30.07	4.46	125.61
2012	Champion Breweries	-1.49	2.05	-19.66	38.97	-50.45	0.93	149.52
2013	Champion Breweries	-1.31	3.16	-12.89	25.56	-50.43	0.69	149.75
2014	Champion Breweries	-0.24	2.6	-7.87	-12.85	61.2	1.49	37.31
2015	Champion Breweries	0.01	2.71	0.75	1.08	68.95	1.29	29.76
2016	Champion Breweries	0.07	2.01	5.32	6.91	77.01	0.83	22.17
2017	Champion Breweries	0.07	1.78	5.13	6.36	80.64	3.23	16.13
2018	Champion Breweries	-0.03	1.71	-2.52	-3.32	75.67	2.35	21.98
2019	Champion Breweries	0.02	0.88	1.53	2.1	73.14	3.51	23.35

2020	Champion Breweries	0.02	0.79	1.4	1.97	70.75	9.45	19.81
2021	Champion Breweries	0.03	2.09	4.09	5.77	81.87	0.92	23.08

Source: ***Author's Computation from Annual Report and Accounts, 2023.***

In Table 4.4, the data indicate that the dependent and explanatory variables which are credit facilities, profit for the year, return on asset, retained earnings, turnover, return on equity and net asset have some level of linearity among them. This linearity or otherwise has been revealed in subsequent analysis.

Table 4.5: Log Transformation of the Data of the Variables - Champion Breweries

YEAR	ATC	PFTY	ROA	ROE	RE	TOV	NAS
2012	1.11	9.70	7.80	0.12	0.44	1.33	4.92
2013	1.00	9.70	7.70	(0.09)	0.27	0.95	4.92
2014	1.23	9.70	7.92	0.09	0.50	1.49	4.92
2015	0.70	9.70	7.40	(0.42)	(0.02)	1.55	4.93
2016	0.91	-	7.61	0.14	0.21	-	4.93
2017	1.01	-	7.71	0.23	0.45	-	4.94
2018	0.66	-	7.36	(0.26)	0.37	-	4.94
2019	0.40	-	7.10	(0.59)	-	-	4.95
2020	0.63	-	7.33	(0.70)	(0.06)	0.30	4.95
2021	1.08	-	7.78	(0.32)	0.21	0.62	4.95

Source:Author's Computation from Annual Report and Accounts, 2023.

In Table 4.5, the data show the log transformation of the panel series; credit facilities, profit for the year, return on asset, retained earnings, turnover, return on equity and net asset. This was done in order to control the large variances in the variables and make the data fit for additional analysis.

Table 4.6: Descriptive Statistics of the Variables – Champion Breweries

	ATC	PFTY	ROA	ROE	RE	TOV	NAS
Mean	0.873000	3.880000	7.571000	-0.180000	0.237000	0.624000	4.935000
Median	0.955000	0.000000	7.655000	-0.175000	0.240000	0.460000	4.935000
Maximum	1.230000	9.700000	7.920000	0.230000	0.500000	1.550000	4.950000
Minimum	0.400000	0.000000	7.100000	-0.700000	-0.060000	0.000000	4.920000
Std. Dev.	0.262638	5.009058	0.260147	0.327210	0.207206	0.656137	0.012693
Skewness	-0.405107	0.408248	-0.428017	-0.259120	-0.235855	0.341704	0.520217
Kurtosis	2.032772	1.166667	2.036981	1.694516	1.617698	1.448698	1.456599
Jarque-Bera	0.663324	1.678241	0.691749	0.822026	0.888862	1.197326	0.992536
Probability	0.717730	0.432090	0.707601	0.662978	0.641189	0.549546	0.608799
Sum	8.730000	38.80000	75.71000	-1.800000	2.370000	6.240000	49.35000
Sum Sq. Dev.	0.620810	225.8160	0.609090	0.963600	0.386410	3.874640	0.001450

Observations	11	11	11	11	11	11	11

Source: *Authors' E-views Output, 2023.*

In Table 4.6, the descriptive statistics for all the variables (credit facilities, profit for the year, return on asset, retained earnings, turnover, return on equity and net asset), that operationalized the study in a common sample was presented. The maximum value for credit facilities in our sample was ₦4.95m with a minimum value of ₦4.92m approximately. Also, the maximum and minimum values for the other variables were also captured. The skewness estimate was used to capture how the variables for the sampled firms lean to one side of the distribution. Hence, it was observed that most of the variables were positively skewed. This indicated that probability distribution of the variables means has fatter tails to the right of the distribution. It can also be observed that the relative skewness of the variables lied closer to zero which implied that the probability distribution was evenly distributed around their respective mean which guaranteed an approximate normal distribution.

Hypothesis Evaluation

Ho_1: Credit facilities do not significantly affect profit for the year of consumer goods firms in Nigeria.

Ha_1: Credit facilities significantly affect profit for the year of consumer goods firms in Nigeria.

4.2.1.2 Decision Rule

Reject the null hypothesis (H_0), if the p-value of the t-statistics is less than 0.05. Otherwise accept the null hypothesis and reject the alternate hypothesis.

Presentation and Analysis of Result

Table 4.34: Result of the Regression for Hypothesis One

Dependent Variable: CFT
Method: Panel Least Squares
Date: 05/12/23 Time: 12:06
Sample: 2011 2021
Periods included: 10
Cross-sections included: 10
Total panel (balanced) observations: 110

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PFTY	0.062258	0.019762	3.150456	0.0020
SIZE	-0.009733	0.025071	-0.388210	0.6984
C	-0.083825	0.195289	-0.429233	0.6684

R-squared	0.563348	Mean dependent var	0.065648
Adjusted R-squared	0.550604	S.D. dependent var	0.428615
S.E. of regression	0.417629	Akaike info criterion	1.111351
Sum squared resid	25.63886	Schwarz criterion	1.171564
Log likelihood	-80.35132	Hannan-Quinn criter.	1.135813
F-statistic	4.970950	Durbin-Watson stat	1.368712
Prob(F-statistic)	0.008147		

Source: ***Author's E-views Output, 2023***

In Table 4.34, the regression result indicated that profit for the year was influenced by credit facilities and size. The extent of the influence exerted on profit for the year by credit facilities is significant and positive. This implies that a unit increase in credit facilities value will have a corresponding increase in profit for the year of the sampled Consumer goods firms in Nigeria. Size which was used as a control variable was seen to have a negative and insignificant impact on profit for the year of the sampled consumer goods firms. The adjusted R^2 is 0.550604 and this reveals that about 55% of the variations in profit for the year could be explained by credit facilities and size while 45% could be explained by other factors.

4.2.1.4 Decision

The p-value of 0.0020 for credit facilities is less than a-value of 0.05; therefore, H_0 was rejected and the alternate hypothesis accepted. Though, the control variable output being size of firms do not have similar outcome with CFT test. However the study concludes that credit facilities has significant and positive effect on profit for the year of the sampled Consumer goods firms in Nigeria.

Table 4.35: Result of the Regression for Hypothesis Two

Dependent Variable: CFT
Method: Panel Least Squares
Date: 05/12/23 Time: 12:41
Sample: 2011 2021
Periods included: 10
Cross-sections included: 10
Total panel (balanced) observations: 110

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	0.094889	0.028884	3.285220	0.0013
SIZE	0.048460	0.036643	1.322480	0.1881
C	0.684330	0.285436	2.397493	0.0178

R-squared	0.783255	Mean dependent var	1.378941
Adjusted R-squared	0.670782	S.D. dependent var	0.633231
S.E. of regression	0.610409	Akaike info criterion	1.870423
Sum squared resid	54.77209	Schwarz criterion	1.930635
Log likelihood	-137.2817	Hannan-Quinn criter.	1.894885
F-statistic	6.674973	Durbin-Watson stat	1.762766
Prob(F-statistic)	0.001680		

In Table 4.35, the regression result indicated that return on asset of consumer goods firm was influenced by credit facilities and size. The extent of the influence exerted on return on asset by credit facilities is significant and positive. This implies that a unit increase in credit facilities will have a corresponding increase in return on asset of the sampled Consumer goods firms in Nigeria. Size proxied by turnover which was used as a control variable was seen to have a positive and insignificant impact on return on asset of the sampled consumer goods firms. The adjusted R^2 is 0.670782 and this reveals that about 67% of the variations in return on asset could be explained by credit facilities and size while 33% could be explained by other factors.

4.2.2.4 Decision

The p-value of 0.0013 for credit facilities is less than a-value of 0.05; while the p-value of 0.1881 for size is more than a-value of 0.05. Therefore, considering CFT, the null hypothesis (H_0) was rejected and the alternate hypothesis accepted. Hence, the study concludes that credit facilities has significant and positive effect on return on asset of the sampled Consumer goods firms in Nigeria.

Table 4.36: Result of the Regression for Hypothesis Three

Dependent Variable: CFT
Method: Panel Least Squares
Date: 05/12/23 Time: 13:07
Sample: 2011 2021
Periods included: 10
Cross-sections included: 10
Total panel (balanced) observations: 110

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RE	0.042449	0.022577	1.880211	0.0421
SIZE	0.002470	0.028642	0.086231	0.9314
C	0.362126	0.223110	1.623086	0.1067

R-squared	0.723865	Mean dependent var	0.531196
Adjusted R-squared	0.610584	S.D. dependent var	0.479669
S.E. of regression	0.477124	Akaike info criterion	1.377718
Sum squared resid	33.46418	Schwarz criterion	1.437930
Log likelihood	-100.3288	Hannan-Quinn criter.	1.402180
F-statistic	1.796946	Durbin-Watson stat	1.550125
Prob(F-statistic)	0.169427		

Source: ***Author's E-views Output, 2023.***

In Table 4.36, the regression result indicated that retained earnings was influenced by credit facilities and size. The extent of the influence exerted on retained earnings by credit facilities is significant and positive. This implies that a unit increase in credit facilities will have a corresponding increase in retained earnings of the sampled Consumer goods firms in Nigeria. Size proxied by turnover which was used as a control variable was seen to have a positive and insignificant impact on retained earnings of the sampled consumer goods firms. The adjusted R^2 is 0.610584 and this reveals that about 61% of the variations in retained earnings and size could be explained by credit facilities while 39% could be explained by other factors.

4.2.3.4 Decision

The p-value of 0.0421 for credit facilities is less than a-value of 0.05; therefore, H_0 was rejected and the alternate hypothesis accepted. However the study concludes that credit facilities has significant and positive effect on retained earnings while size which is the control variable have no significant effect on retained earnings of the sampled Consumer goods firms in Nigeria.

5. Discussion and Conclusion of Results

Hypothesis one concludes that credit facilities has significant and positive effect on profit for the year of Consumer goods firms in Nigeria. This agrees with the findings of Acar Erdur & Kara (2014), Poddi & Vergalli (2009), Musa (2016), Awan & Saeed (2015) that were of the opinion that the effect of credit facilities on profit for the year is positive. However, Bidhari, Salim & Aisjah (2013), Simionescu & Gherghina (2014), Mwangi & Oyenje (2013) and Wissink (2012) findings revealed that credit facilities's effect on profit for the year is negative and insignificant.

Hypothesis two finding is that credit facilities has significant and positive effect on return on asset of the sampled firms. The p-value of 0.0013 for CFT is less than a-value of 0.05 while the p-value of 0.1881 for size is more than a-value of 0.05. This finding tallies with those of Heidera &Reza (2015), Flammer (2012), Muller & Wiksfrom (2016), Mwamburi (2015) and Dornean &Oanea (2017) which showed that credit facilities has significant impact on return on asset while the works of Solomon, Oyerogba & Olaleye (2014), Ravlic & Yarnold (2015), Fiori, di Donato & Izzo (2015) revealed that credit facilities has negative effect on return on asset of sampled firms. Notwithstanding, Anderson & Preteni (2011) maintained that credit facilities has no effect on return on asset of corporations.

Hypothesis three revealed that credit facilities has significant and positive effect while size which is the control variable has no significant effect on retained earnings of the sampled firms. The p-value of 0.0421 for CFT is less than the a-value of 0.05 and this implies that a unit increase in CFT will have a corresponding increase on retained earnings of the firms. This agrees with the findings of Haryono & Iskander (2015), Razafindrambinina & Sabran (2014), Myskova & Hajek (2017) and Pijourlet (2013). However, the finding of Alsaid (2016) showed that credit facilities has a negative effect while that of Smprini & Ouzouni (2010) maintained that it has no effect whatsoever on retained earnings of firms.

In conclusion, the analysis of the effect of credit facilities on the corporate financial performance of consumer goods firms in Nigeria has revealed several key insights. The findings suggest that access to credit facilities plays a crucial role in shaping the financial health and overall performance of these companies. The positive correlation between credit facilities and financial performance highlights the importance of sound financial management and strategic utilization of credit resources in navigating the dynamic business environment.

The study underscores the significance of a well-developed credit management strategy that aligns with the unique characteristics of the consumer goods industry in Nigeria. Firms should focus on building strong relationships with financial institutions, negotiating favorable credit terms, and implementing effective credit risk management practices to mitigate potential challenges associated with credit utilization.

Additionally, it is evident that prudent financial decision-making, coupled with a proactive approach to capital structure optimization, is essential for consumer goods firms. Striking the right balance between debt and equity financing is crucial for sustaining growth and maximizing shareholder value. Management should carefully evaluate the cost of debt, consider alternative financing options, and assess the long-term impact of credit facilities on the company's capital structure.

The findings of the study suggest that credit facilities have varying effects on different financial indicators of consumer goods firms in Nigeria. Notably, credit facilities exhibit a positive and significant impact on the profit for the year, retained earnings, return on equity, and net assets of these firms. These results imply that access to credit contributes positively to the financial performance and stability of consumer goods firms in the Nigerian market.

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