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RESEARCH ARTICLE

# Enhancing the Performance of Consumer Goods Firms through the Equity Capital in Nigeria (2011-2021)

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**Abstract:** This study examined whether or not equity capital enhances the performance of listed consumer goods firms in Nigeria. The study purposively sampled fourteen (14) out of twenty-one (21) consumer goods firms listed on the Nigerian Exchange Group Plc. The study used secondary sources to obtain panel data from the annual financial statements of the selected companies. Data sourced for were analyzed using random effects model and arithmetical means. Findings from the study revealed that the coefficient of share capital is positive (0.903050) and statistically significant ($p=0.0099<0.05$), but the beta value of retained earnings is negative (−0.683966) and significant ($p=0.0023<0.05$) for listed consumer goods firms in Nigeria. The average results found that 45% and 7% of total assets of the firms were financed by retained earnings and share capital respectively. The study confirmed that the appropriate mode of finance that could be considered for the effective performance of the firms in Nigeria is the share capital. The study concluded that share capital enhanced the performance of firms while the retained earnings did not in the country. The research recommended that the government of Nigeria should try to rebrand its dead local enterprises especially the affected consumer goods firms to enable them to attract more foreign investors into the country to enhance its economic growth.

**Keywords:** Consumer goods firms, Equity capital, Performance

## 1. Introduction

Investigating whether or not equity capital enhances the performances of consumer goods firms is imperative to their stakeholders. Equity includes the share capital and retained earnings. It may be internal or external. Omaliko E. et al. [1] explained that equity capital comprises share capital, share premium, retained profits and general reserved. Ravi T. [2] believed that any companies that are us-

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ing equity alone to finance their operations are regarded as the unleveraged firms. Kornom-Gbaraba M. E. et al. [3] affirmed that using equity to run the activities of a business may favor the shareholders than debts as running companies with it alone will relieve them from some financial burdens like loan interest payments, redemption of loans and the difficulty associated with gaining the lenders' credit worthiness while obtaining loans.

Orshi T. S. et al. [4] however described the retained earnings as the cheapest source of equity finance. Its usage doesn't impose any financial obligation such as loan redemption and interest payments among others on the companies. Retained earnings are the most preferable internal funds to any other sources as it attracts no additional cost and financial risk. Bassey E. B., et al. [5] explained further that there are no expenses to be incurred and no extra tax or dividend is payable in using the internal source called retained earnings to run the business. Ravi T. [2] believed that one of the aims of retaining some part of companies' earnings is to make funds available for the new profitable investments that will enhance their performance and enable them meet other financial needs such as the administrative expenses and procurement of new materials to avoid production stoppage. Kornom-Gbaraba M. E. et al. [3] was of the opinion that retained earnings are the most convenient and cheapest source of capital for a business. Jason, S. K. [6] affirmed that the companies that are using retained earnings for assets acquisition rather than issuing new share capital during the firms' capital expansions will always be at a saver side.

Mwangi L. [7] explained that share capital is another source of equity finance involves share issue. It is an external equity capital comprising ordinary share capital and other parts of preferred share capital and preferred share capital including any convertible loan stock. Ravi T. [2] established the fact that mobilizing new or additional share capital through the share issuing will switch up the value of equity and assist firms to improve their performance. Orshi T. S. et al. [4] defined it as the combination of various capital mobilized through the shares as usually being specified in the companies' annual financial reports. Kajirwa H. I. [8] confirmed that the holders of shares capital are called the shareholders.

Adesina J. B. et al. [9] perceived that measuring performance is a way of satisfying the interests of all those have stakes in a business. Assessing performance will serve as a criterion for making an inter firms comparisons. Furthermore, firms' performance can be evaluated in some ways like assessing the firms' efficiency, productivity, profitability and market premium. However, according to Makanga A. M. [10], performance is measured in terms of company's assets efficiency will serve as a yardstick in evaluating the past and current situation and position of the firms to the stakeholders. Ubesie M. C. [11] described return on equity as a measure of performance and it is estimated as the proportion of retained earnings after corporate income tax and finance charges on the total equity. Omaliko E. et al. [1] viewed that return on equity is one of the famous models many researchers have previously used to measure the performance of the companies. Abubakar Y. et al. [12] described the return on equity as one of the most widely fitted models that have been used by various researchers in the past to measure firms' performance across the globe.

Chidiebere E. M. et al. [13] affirmed that in Nigeria, the contribution of consumer goods firms to the economy is immense as the firms are among the growing establishments that dominate the large consumer-based markets that have contributed to the economic growth of the country. However, Omaliko E. et al. [1] lamented that wrong selection of modes of finance is one of the factors that were responsible for the recent failure and poor performance of many business organizations around the world including the consumer good firms. Chidiebere E. M. et al. [13] further explained that the global economic crisis and current level of inflation in Nigeria have also reduced the financial capabilities of many people of the country to be able to frequently patronize the products of many businesses like consumer goods firms which might consequently reduce their turnover and retained earnings.

A review of related studies such as Omaliko, E. et al.[1], Ravi T. [2], Kornom-Gbaraba M. E. et al. [3], Jason, S. K. [6], Mwangi L. [7], Adesina J. B. et al. [9], Makanga A. M. [10], Ubesie M. C. [11], Abubakar Y. et al. [12], Chidiebere E. M. et al. [13], Salim M. [14], Koskei N. [15], Omete F. I. [16] and Chinonso J. U. et al. [17] among other researchers have concentrated their investigations on other sectors like health care services, financial services and industrial sectors instead of consumer goods sector but this study focused on consumer goods firms to cover the periods between 2011 and 2021. Also, previous studies have conducted many researches on debt capital or financing, but this study focused on equity capital. Besides that, most of the studies that used equity capital as their independent variables were not conducted in Nigeria necessitating this research.

## 1.1 Objectives of the Study

The main objective of this study is to investigate whether or not the equity capital enhances the performance of listed consumer goods firms in Nigeria. Specifically, the study:

i. evaluate whether or not share capital enhances the performance of listed consumer goods firms in Nigeria;

ii. assess whether or not retained earnings enhances the performance of listed consumer goods firms in Nigeria.

## 1.2 Literature Review

### 1.2.1 Equity Capital

Abubakar Y. et al. [12] defined equity as a collective use of external and internal equity sources to run a business. External equity is the left-over in the value of a business after settling all the liabilities. Orshi, T. S. [4] explained that it is the monetary value that is returned to the firms' shareholders after liquidating all the assets and settling all the liabilities. Ravi T. [2] described external equity called the shares capital as the owners' invested capital in an undertaking. Internal equity known as retained earnings in the other hand is the left-over net income of the business after the payment of dividends and corporate tax. Omaliko, E. et al. [1] perceived equity as a mix of share capital and retained profits including reserves which a business employed to finance its activities. Internal equity comprises the share premium, retained earnings and other internal equity components. Adam, M. H. M. [22] regarded it as the net amount of the company's assets that belong to the shareholders after deducting all liabilities. Salim M. [14] perceived equity as the residual assets the shareholders have in an establishment after all the liabilities have been paid. Equity according to Ravi T. [2] is the funds obtained from the firms' investors through the share issue, retained earnings, reserves and share premium. Mwangi L. [7] affirmed that equity comprises the share capital, retained earnings, and other equities employed to run a concern.

### 1.2.2 Share Capital

Omete F. I. et al. [16] referred to the share capital as a long-term external equity of a business. Share capital is the funds generated by the firms by issuing ordinary shares (common stock) or preferred stock (preference share) and other external equity. Additionally, share capital is a financial resource raised through the issue of ordinary share and convertible loans stock. Precisely speaking, share capital involves issuing of ordinary shares, preference shares and converted debentures to run a concern. Bassey C. et al. [19] explained that shares can be raised through various ways like public subscription, right issues, offer for sale, bonus issue, offer for sales by tender, private placement and convertible loan stocks. This study therefore hypothesized that:

Share capital does not enhance the performance of listed consumer goods firms in Nigeria.

### 1.2.3 Retained Earnings

Magoro M. [18] referred to the retained earnings as the long tenure internal financial sources that form a part of firms' total equity. It is a firm's cumulative retained profits, reserves, share premium and other available internal financing sources. It is the earnings after tax and dividends retained by a company. Retained profits are the internally generated long-term funding sources meant for running firms' activities. Kariuki, S. [20] defined retained earnings as the long-term internal equity fund in forms of revenue and other reserves. The study also hypothesized that:

Retained earnings do not enhance the performance of listed consumer goods firms in Nigeria.

## 1.3 Performance

Onoja, E. E. et al. [21] described performance as a measure of how well an establishment has judiciously utilized its resources to maximize its shareholders' wealth and improve its profitability. Adam, M. H. M. [22] believed that Firms' performance is a wide difficult concept to measure in an organization. Makanga A. M. [10] explained that performance indicates the current financial condition of an enterprise in a particular period as reflected in its income operating statement. Mwangi L. [7] affirmed that performance indicates the outcome of financial dilemma of an establishment already compared with other related firms in the similar industry or sector. Koskei N. [15] believed that the performance of a company may be greatly influenced by its ability or inability to get more access to credit facilities and issuing of new equity.

Saad, R. M. et al. [23] therefore, were of the opinion that measuring performance is a financial evaluation method of knowing the well being of the corporate organizations. Measuring the impact of retained earnings and share capital on the performance of listed consumer goods firms in Nigeria and South Africa is imperative to the international investors and other capital providers. It helps to show the result of any investment activities of the companies that will inform and send either good or bad signals to the public about the firms' value that will aid potential investors' decisions. Adam, M. H. M. [22] confirmed that performance is measurable in various ways, but it has to be evaluated accurately. Return on equity according to Mwangi L. [7] is estimated as the earnings after corporate tax and loan interest divided by shareholder's equity. Chinonso J. U. et al. [17] believed that the shareholders on several occasions are highly interested to assess the returns yielded by their capital invested as to predict their expected dividends.

## 1.4 Theoretical Review - Theory of Corporate Financing

This study is pinned on the Theory of Corporate Financing introduced by Tirole, J. [24]. Onoja E. E. et al. [21] affirmed that Tirole was one of the first corporate analysts and theorists who used the principles of organizations to analyze the entity's financing issues and policies involving the appropriate mode of finance that can be employed, the reformation of corporate governance and auditing, evaluation of companies' takeovers, determination of the efficient leverage, liquidity assessment, dividend payments methods and policies, and management of risk among others. Onoja E. E. et al. [21] further explained that the theory is one of the oldest finance theories that analyze the relationship between the firms' financing modes and performance. However, firms' management must be able to surely discover the suitable sources of finance that will lead to the maximization of their firms' profits. The Theory according to Onoja E. E. et al. [21] stated that any modes of finance applied should generally base on the self-generated sources of capital contributed by way of the retained earnings, and through other external funds which include but not limited to short-term and long-term debts or convertible securities. However, Onoja E. E. et al. [21] submitted that whichever funding sources employed, proceeds from them must be utilized properly in such ways that will improve firms' performance.

Bassey, E. B. et al. [5] explained that the theory focused on how to achieve effective performance using the appropriate modes of capital and judicious investments in assets. Corporate financing is an area of finance that deals with the monetary decision on the modes of finance to be employed to finance a business by making use of some analytical tools for making such decisions. Bassey, E. B. et al. [5] confirmed that the theory is a financing decision and performance evaluation theory across the globe that analyzed the relationship between the different modes of finance and firms' performance. This is because the theory claimed that the modes of financing corporate organizations are generally based on self-generated capital like retained earnings and the capital from external funders like debts, equity and convertible loan securities.

The theory discussed the relationship between the modes of financing corporate entities such as share capital and retained earnings, and the firms' performance. This theory emphasized on the usefulness of judicious utilization of the proceeds from any capital employed as a way of improving firms' profitability. The theory clarified that for a firm to achieve its goals of better performance and continuity in business requires effective capital mobilization and judicious investment. Also inferred from the theory is the understanding that achieving effective performance will safeguard consumer goods firms' going concerned and survival in the long run in Nigeria. The theory's emphasis on the importance of applying the correct combination of funding sources that would enhance firms' performance makes the theory to be relevant for discussion in this study.

## 1.5 Empirical Review

Bassey C. et al. [19] carried out a research on "the effect of financing mix on the financial performance of firms in Nigeria". The study used descriptive statistics as well as ordinary least square regression for the estimation of data gathered. The study found "that gender of owners has a significant positive impact on long debt ratio, age of the firms has a significant positive impact on long debt ratio and export status has a significant positive impact on long term debt ratio, while size has a significant positive impact on short term debt ratio, business risk has a significant positive impact on short term debt ratio, and profitability of firms has a significant positive impact on short term debt ratio. The work concluded that only educational and firms' growth levels could determine assets structure. A study was conducted by Saad, R. M. et al. [23] to investigate "the association between the source of funds via equity and leverage, and the performance of Small and Medium Enterprises in Malaysia". The study used secondary data and the "ordinary least squares method" for data analysis. The research found that equity has a positive impact on performance. However, the study concluded that small and medium enterprises in Malaysia should engage more equity sources of financing as it has the potentiality of improving firms' performance.

Ubesie M. C. [11] examined "the effect of Nigerian banks' capital structure on the performance of conglomerates firms quoted on the floor of the Nigerian stock exchange" from the year 2011 to 2015. The study engaged means, standard deviation, and the pooled ordinary least square for data analysis. The study found that capital structure positively impact on returns on assets and asset turnover, but capital structure does not positively impact return on equity and earnings per share of the conglomerate firms in the economy. Kornom- Gbaraba M. E. et al. [3] conducted a study on "the implications of equity financing on the corporate financial performance of Money Deposit Banks in Nigeria". The study adopted an "ex-post facto research design" and concentrated on the financial services sector, but this study covered the consumer goods sector. The study employed secondary sources to obtain data and which were analyzed using the "pooled ordinary least square method". The research work found that "both returns on equity and economic value added have positive effects on the financial performance of the firms and equity capital showed a positive effect on financial performance. The work recommended that long-term debt and short-term debt require close monitoring to avert adding negative value to the funds contributed by some stakeholders".

A research work was conducted by Jason, S. K. [6] to examine "capital structure and profitability of listed retail firms in South Africa". The study obtained panel data and used regression models to analyze the data. The study used a sample of 16 retail firms and covered the periods between 2008 and 2016 and the study's results showed that short-term debt significantly and negatively relate to profitability, long-term debt significantly and negatively related to profitability, and total debt significantly and negatively related to profitability. Omaliko, E. et al. [1] investigated "the effect of financing mix on the financial performance of health care firms in Nigeria" from 2014 to 2018 using regression models models for the analysis of data obtained from secondary sources. Findings from the work indicated that "equity capital has a positive significant influence on the firms' performance and debt-equity financing has a positive significant influence on the firms' performance" but the preferred stock has a negatively and insignificantly influence on the firms' performance. The study concluded that financing-mix significantly influences the firms' performance. The research recommended that health care firms should always dare to attain optimal financing-mix to achieve the firms' overall objective. Ravi T. [2] examined the efficiency implications of corporate earnings retentions' for 15 years, between 2002 and 2016 in India. The study used a multiple regression for data analysis. Findings from the work indicated that retained earnings were ineffectively used in the selection of financial performance parameters that the shareholders will use as a basis for' investment appraisal leading to distortion of the relationship between corporate profitability and shareholders' enrichment.

## 2. Materials and Methods

This study made use of secondary data sourced from the annual financial statements of the selected companies in Nigeria to obtain a cross-section time series data. The use of the data source is necessary as it was not easy to get the required data through the primary sources. This study's population comprised of twenty-one (21) listed consumer goods firms in Nigeria (LCGFs) which includes DN Tyre & Rubber Plc (DUNLOP), BUA Foods Plc (BUAFOODS), Cadbury Nigeria (CADBURY), Dangote Sugar Refinery (DANGSUGAR), MultiTrex Integrated Foods (MULTITREX), Flour Mills of Nigeria (FLOURMILL), Champion Breweries (CHAMPION), Golden Guinea Breweries (GOLDBREW), International Breweries (INTBREW), McNichols (MCNICHOLS), Guinness Nigeria Plc (GUINNESS), Honeywell Flour Mill (HONYFLOUR), Nestle Nigeria Plc (NESTLE), N Nig. Flour mills Plc (NNFM), Nascon Allied Industries (NASCON), Nigerian Enamelware (ENAMELWA), Nigerian Breweries Plc (NB), Union Dicon Salt (UNION-DICON), PZ Cussons Nigeria (PZ), Unilever Nigeria (UNILEVER) and Vitafoam Nigeria Plc (VITAFOAM). A sample of the following fourteen (14) LCGFs in the country was purposively selected based on the availability of data. The firms are: Cadbury Nigeria, Dangote Sugar Refinery, Flour Mills of Nigeria, Champion Breweries, International Breweries, Guinness Nigeria Plc, Honeywell Flour Mill, Nestle Nigeria Plc, Nascon Allied Industries, Nigerian Breweries Plc, Union Dicon Salt, PZ Cussons Nigeria, Unilever Nigeria and Vitafoam Nigeria Plc. The dependent variable of the study is performance measured in terms of return on equity (ROE), while the independent variables are the share capital (SCP) and retained earnings (REs). SCP is the ratio of the share capital to total assets, while REs is the ratio of retained earnings to total assets. To achieve the study's stated objectives, both descriptive and panel regression models comprising mean, pooled ordinary least square, fixed effect and random effect modes were used for data estimation along side with some post data analysis tests like F-test, Lagrange Multiplier test and Husaman test among others.

## 3. Results

The follow section analyzed and discussed the study's findings.

### 3.1 Descriptive Analysis

Table 1 presents the result of descriptive statistics with a special focus on the mean (average) to predict the proportion of SCP and REs used to finance the assets of the companies. Thus, the mean value of retained earnings (REs) is –0.0509 implying that the firms achieve a low-performance level of –5% (losses). The standard deviation reflects the dispersion of the data about the mean is quite low at 0.0477. The average value of share capital (SCP) stood at 0.0736 meaning that 7% of the firms' assets were financed by share capital. The mean value of retained earnings (REs) stood at 0.445 implying that 45% of the firms' assets were financed by REs.

**Table 1.** Descriptive Statistics Result

| Variables | Mean | Median | S.D. |
|---|---|---|---|
| ROE | –0.0509 | –0.0400 | 0.0477 |
| SCP | 0.0736 | 0.0500 | 0.0505 |
| RE | 0.445 | 0.410 | 0.0744 |

Source: Author's Analysis, 2022

### 3.2 Pooled Ordinary Least Square

Table 2 presents the result of pooled ordinary least squares (POLS). The result of the coefficient of SCP is positive (0.9030500) and statistically significant (p=0.0109<0.05) showing that it negatively and significantly impact the firms' ROE. The coefficient of REs is negative (−0.683966) and statistically significant (p=0.0027<0.05) meaning that REs show a positive and significant impact on the ROE. The result of Durbin-Watson Statistics of approximately 2 indicates the absence of serial autocorrelation between the successive units of the error terms and the study explanatory variables.

**Table 2.** Pooled Ordinary Least Square Estimation Result

SERIES: ROE, SCP, RE

Total panel (balanced) observations: 254
Included 14 cross-sectional units
Time-series length = 11

| Variables | Co-efficient | Std. Error | t-Statistic | Probability |
|---|---|---|---|---|
| C | 0.0705939 | 0.288428 | 0.245 | 0.8070 |
| SCP | 0.9030500 | 0.350323 | 2.578 | 0.0109 |
| RE | −0.683966 | 0.223928 | −3.05 | 0.0027 |

Source: Author's Analysis, 2022 and 5% level of significant

### 3.3 Fixed Effect Model

Table 3 reveals the result of the fixed-effect model. The result of the coefficient of SCP is positive (0.9031) and statistically significant (p=0.0151<0.05) showing a positive and significant impact of the variable on the ROE. The coefficient of RE is negative (−0.68397) and statistically insignificant (p=0.0042<0.05) meaning it has a positive and significant effect on ROE. The result of Durbin-Watson Statistics of approximately 2 indicates the absence of serial autocorrelation.

**Table 3.** Fixed Effect Model Estimation Result (Cross-sectional period specific)

SERIES: ROE, SCP, RE

Total panel (balanced) observations: 254
Included 14 cross-sectional units
Time-series length = 11

| Variables | Co-efficient | Std. Error | t-Statistic | Probability |
|---|---|---|---|---|
| C | 0.07059 | 0.302095 | 0.234 | 0.8156 |
| SCP | 0.90305 | 0.366923 | 2.461 | 0.0151 |
| RE | −0.68397 | 0.234539 | −2.916 | 0.0042 |

Source: Author's Analysis, 2022 and 5% level of significant

### 3.4 Random Effect Model

Table 4 reveals the result of the random effect model. The R-square result shows that 97% (0.968611) of the total variation in return on equity (ROE) is jointly accounted for by the retained earnings (REs) and share capital (SCP), while other variables in the error term accounted for the remaining 3% of the variation in the ROE. The adjusted R-square value of 0.967330 for the ROE implies that even if other variables accounted for in the stochastic parameter were included in the model, the study's explanatory variables would still account for a 96% increase in the performance of the companies. This indicated that the study's explanatory variables have a joint and global significant effect on the firms' performance. The F-statistics result is 756.0289 with a probability value of 0.000000 at a 5% level of significance implying that the study's model is statistically significant. This suggests no significant linear relationship between the explanatory variables and the ROE. That is, the study's parameters, the appropriateness of the model used for data analysis, and the probability value are valid enough to explain the outcome of the ROE. The result of the coefficient of SCP is positive (0.903050) and statistically significant (p=0.0099<0.05) indicating a positive and significant effect of the variable on the ROE. The coefficient of the RE is negative (−0.683966) and statistically insignificant (p=0.0023<0.05) meaning that it has a negative and significant effect on the return on equity. The result of Durbin-Watson Statistics of approximately 2 indicates no serial autocorrelation.

The results of post data estimation test revealed that the F-test between POLS and fixed-effect models shows a statistical value of 0.00017 and probability value of 1.000 which assumes that a low probability value counts against the null hypothesis that POLS is not adequate in favor of

**Table 4.** Random Effect Estimation Result (Cross-sectional period specific)

SERIES: ROE, SCP, RE

Total panel (balanced) observations: 254
Included 14 cross-sectional units
Time-series length = 11

| Variables | Co-efficient | Std. Error | t-Statistic | Probability |
|---|---|---|---|---|
| C | 0.070594 | 0.288428 | 0.2448 | 0.8066 |
| SCP | 0.903050 | 0.350323 | 2.5780 | 0.0099 |
| RE | −0.683966 | 0.223928 | −3.054 | 0.0023 |
| R-squared | 0.968611 | | | |
| Adjusted R-squared | 0.967330 | | | |
| F-Stat. | 756.0289 | | | |
| P (f-stat) | 0.000000 | | | |
| Durbin-Watson | 2.129612 | | | |
| F-test (0.00017) | P(1.000) | | | |
| Lagrange Multiplier (7.700) | P (0.006) | | | |
| Hausman test (0.000) | P (1.000) | | | |
| Ward test (1.7919) | P (1.000) | | | |
| Wooldridge t-test (2.522586) | P (2.21116) | | | |

Source: Author's Analysis, 2022 and 5% level of significant

fixed effect for listed consumer goods firms (LCGFs) in Nigeria. Thus, the null hypothesis of no fixed effect is accepted in favor of POLS. The result of Lagrange Multiplier test between POLS and random effect model shows a statistical value of 7.700 and probability value of 0.006 < 0.05 which assumes that a low probability value counts against the null hypothesis that POLS is not the appropriate model in favor of random effect alternative. Thus the null hypothesis of no common effect (POLS) is rejected in favor of random effect. To confirm the result of the second test, the Hausman test was conducted between fixed effect and random effect models with a chi-square statistical value of 0.000 and a probability value of 1.000 > 0.05 level of significant which assumes that a low probability value counts against the null hypothesis that the random effect is not a suitable model for data estimation in favor of fixed effects model, thus the alternative hypothesis random effect is accepted. Thus, the random effect model is more appropriate for data analysis than POLS and fixed effect models and it is therefore, considered the most appropriate model for data analysis and the confirmation of the study's hypotheses for LCGFs in Nigeria. The of Ward test result with a chi-square of 1.7919 and probability value of 1.000 is greater than the 0.05 level of significance indicating the absence of heteroscedasticity, while the result of the Wooldridge t-test with a Statistical value of 2.522586 and a probability value of 2.21116 at 0.05 significant levels indicating no autocorrelation.

## 4. Discussion

This study investigated whether or not share capital and retained earnings enhance the performance of listed consumer goods firms in Nigeria. The results of post-data estimation tests conducted to choose the most suitable model estimator among the pooled ordinary least square, the fixed-effect and it is considered as the most fitted model supported random effect model and it is therefore considered for the confirmation of the study's hypotheses. Based on the random effect model results, the study found that share capital positively and significantly impact the performance of listed consumer goods firms in Nigeria. The result implies that a unit increase in the value of share capital of the firms will increase their performance by 90%. This finding serves as a basis for rejecting the null hypothesis one. Findings from the study also discovered that retained earnings enhance the performance of listed consumer goods firms negatively and significantly in Nigeria. The results indicate that a unit increase in the value of retained earnings of the firms will consequently reduce their performance by 68%. That is, the more the profits of the companies in Nigeria are retained the poor their performances will be. The unexpected negative impacts of the retained earnings on the firms' performance in the country may be due to the wrong application of the profits reserved on the unviable projects. Thus, the firms in the country should investigate the causes before continuing to be financing their operations with retained earnings to avoid generating poor performance. This result is similar to the research outcome of Ravi T. [5], which revealed that retained earnings were not effectively used by the sampled firms causing its negative effects on their performance. From the study's results, there is also a discovery that an appropriate mode of finance that can be considered for the effective performance of the listed consumer goods firms is the share capital. On a final note, the results of F-statistics statistics discovered that there is overall significance of the study's parameters, the appropriateness of the models employed for data analysis and that the probability values are sufficient enough to explain the outcome of return on equity. Both Wooldridge and Durbin-Watson statistical tests results confirmed the absence of autocorrelation.

## 5. Conclusions

The study concluded that equity capital enhances the performance of listed consumer goods firms differently in Nigeria as the study discovered that retained earnings do not enhance the performance, while the share capital enhance it. Finding from the study affirmed that an appropriate mode of finance that could be considered for the effective performance of the firms in Nigeria is the share capital. The study's findings discovered a negative impact of retained earnings on the performance of the firms. The result is implicative as the source of finance that the companies ought to rely on during the capital deficiency has turned to negate their performance. This study has contributed to knowledge by discovering that share capital can enhance the performance of the firms, while the retained earnings cannot and continuous financing the operations of listed consumer goods companies with retained earnings in Nigeria will harm their performance. The study however could only cover the consumer goods sector to the investigation how equity capital enhances the performance of the firms in Nigeria between 2011 and 2021. Further research should be conducted to cover other African Countries like South Africa, Ghana and others using the same variables combinations and similar sectors. However, the government of the countries should try to rebrand its dead local enterprises especially the affected consumer goods firms as to enable them to attract more foreign investors into the countries and to enhance its economic growth.

## Conflict of Interest

There is no conflict of interest.

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