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Corporate Financial Policy and Profitability of Industrial Goods Firms in Nigeria

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Abstract

Research Objectives: The study examined the effect of corporate financial policy on profitability of industrial goods firms in Nigeria. The specific objectives of the study were to determine the effect of share Capital, Long term Debts, Debt Equity Ratio, Debts Asset Ratio and Interest Coverage Ratio on Return on Asset of Industrial goods firms in Nigeria.

Methodology: The study was based on 100 panel data observations from the annual financial statement of sampled Ten (10) industrial goods firms quoted on the Nigeria exchange Group as at 2013-2022. Descriptive Statistics, Unit Root test and Panel Least Square Regression Analysis were used to analyze the data.

Findings: Research results suggest that the effect of Share Capital on Return on Assets of industrial goods firms in Nigeria is positive and also statistically significant. {SHC Coefficient is 0.027780, while the P-value is 0.0062 (0.0062<0.05)}. The effect of Long Term Debt on Return on Assets of the firms is positive, but statistically non-significant. {LTD Coefficient is 0.001630, while the P-value is 0.7198 (0.7198>0.05)}. Debt Equity Ratio (DER)on Return on Assets (ROA) of the firms is positive, but statistically non-significant. DER Coefficient is 0.000481, while the P-value is 0.6110 (0.6110>0.05)}. The effect of Debt Assets Ratio (DAR) on Return on Assets (ROA) of the firms is positive, but statistically non-significant during the period.{DAR Coefficient is 0.097675, while the P-value is 0.0651 (0.0651>0.05)}. The effect of Interest Coverage Ratio (ICR) on Return on Assets (ROA) of the firms is positive and also statistically significant. {ICR Coefficient is 0.001232, while the P-value is 0.0000 (0.0000<0.05)}.

Conclusion: The implication of these findings is that return on assets will improve as any of the explanatory variables is increased.

Recommendation: The study recommends that the firms should use public offering, bonus or right issue to increase the proportion of share capital, use long term debt and a mixture of debt and equity to fund their long term assets and should continue to mix various forms of debts in their capital structure while being guided.

Key words: *Corporate Financial Policy, Profitability, Industrial Goods Firms.*

1. Introduction

Firms are established to maximize profit and create wealth for stakeholders especially the shareholders. In large firms such as industrial goods manufacturing firms, the management of

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the company is entrusted in the hands of firm managers who manage the affairs of the company on behalf of owners. The owners want management to take such decisions which will give a positive signal to the market, increase firm value, enhance profitability and maximize returns (Afza & Nazir, 2008). One of the various and most important corporate decision areas encountered by the firm managers in an attempt to achieve the objectives of the firm owners is the corporate financial decision. Corporate finance deals with maximizing shareholder value through long- and short-term financial planning and the implementation of various strategies. It primarily involves sourcing capital in the form of debt or equity, which are done in line with the corporate financial policy formulated by the board (Hayes, et al 2023).

A scan through literature shows that some researchers have been conducted in the area of corporate financial police in Nigeria. However, the studies so far mainly focused on the effect of corporate financial policy on firm value while little or none has been done on the effect of corporate financial policy on profitability of firms. Literature equally suggests that the studies conducted in the manufacturing sector basically focused on the entire manufacturing sector of the Nigeria economy as a whole whereas none specifically addressed the issue of corporate financial policy on the profitability of industrial goods manufacturing firms in Nigeria. This research gap prompted the present study to appraise corporate financial policy on the profitability of industrial goods firms in Nigeria.

1.1 Objectives of the Study

The main objective of the study is to examine corporate financial policy and profitability of industrial goods firms in Nigeria. The specific objectives of the study are to:

i. Ascertain the effect of share capital on return on assets of industrial goods firms in Nigeria.
ii. Determine the effect of long term debts on return on assets of industrial goods firms in Nigeria.
iii. Assess the effect of debt equity ratio on return on assets of industrial goods firms in Nigeria.
iv. Appraise the effect of debt assets ratio on return on assets of industrial goods firms in Nigeria.
v. Examine the effect of interest coverage ratio on return on assets of industrial goods firms in Nigeria.

1.2 Statement of Hypotheses

The following null hypotheses were formulated to address the research questions of this study

i. Share capital does not significantly affect return on assets of industrial goods firms in Nigeria.

ii. Long term debts do not significantly affect return on assets of industrial goods firms in Nigeria

iii. Debt equity ratio does not significantly affect return on assets of industrial goods firms in Nigeria

iv. Debt assets ratio does not significantly affect return on assets of industrial goods firms in Nigeria

v. Interest coverage ratio does not significantly affect return on assets of industrial goods firms in Nigeria.

2. Review of Related Literature

2.1 Conceptual Framework

2.1.1 Corporate Financial Policy

Hayes, et al (2023) described corporate finance as a subfield of finance that deals with how corporations address funding sources, capital structuring, accounting and investment decisions. It primarily involves sourcing capital in the form of debt or equity. A firm may borrow from financial intermediaries or may issue debt securities in the capital markets through investment banks. The firm may also choose to sell stocks to equity investors, especially when it needs large amounts of capital for business expansions. The focus of corporate finance is maximizing shareholder value through long- and short-term financial planning and the implementation of various strategies. The activities range from capital investment to tax considerations, day-to-day demands on business cash flows as well as with long-term financing goals. It also deals with accounting, preparing financial statements and taxation. It determines whether or not the firms should pay dividends to shareholders.

2.1.2 Share Capital

Mukhopadhyay and Vaidya, (2023) defined **s**hare capital is defined as the amount of money the companies raise from the issue of common shares of the company from public and private sources. It is shown under the owner's equity on the liability side of the company's balance sheet. James and Schmitt (2023) noted that authorized share capital is the maximum amount a company has been approved to raise in a public offering.

2.1.3 Long Term Debts

Cheong (2015) described long term debts as debts whose repayment exceeds twelve months or one business operating cycle. Long-term debt, or long term-loans are used to finance long-term assets, such as the purchase of land and construction of a building, build a new plant, invest in research and development, or adopt a new technology while short term loans are used for working capital needs of the firm. Schwab (2017) noted that debt financing occurs when a firm raises money for working capital or capital expenditures by borrowing from banks and individuals and/or institutional investors.

2.1.4 Debt Equity Ratio

Boyle (2022) defined debt equity ratio as a measure of the proportion of debts in a firm's capital structure. It is a measure of the extent to which a firm can cover its debt. It is calculated by dividing a firm's total debt by its total shareholders' equity.

2.1.5 Debt Assets Ratio

Walsh (2008) described debt assets ratio as a measure of solvency of a firm, which is often expressed as a percentage of total debts to total assets. It is calculated by dividing the total debt of a business by its total assets. If the percentage is too high, it might indicate that it is difficult for the business to pay off its debts and continue operations.

2.1.6 Interest Coverage Ratio

Muthee; et al (2016) defined interest as the cost of borrowing capital for a given period of time. The prevailing interest rates are key to financing decisions, because of indexing of interest rates to inflation and floatation cost. Thus, interest coverage ratio affects capital structure decisions. Robinson, et al (2015) described interest coverage ratio as the number of times that net profit before interest and taxes related to a firm can cover interest payments during a period of time.

2.1.7 Return on Assets

Firer, et al (2006) described return on assets is a measure of a firm's profit generated relative to its investment in assets. It provides an indication of whether a firm's assets are under or over utilized. It is thus an indicator of operating performance. It is an indicator of how profitable a firm is relative to its total assets.

2.1.8 Conceptual Framework

Source: Authors Compilation 2024

2.2 Theoretical Framework

The study was supported with three theories, namely, Pecking Order Theory was propounded by Myers and Majluf, (1984). Capital Structure Irrelevance Theory put forward by Modigliani and Miller in 1958. The Trade-Off Theory developed by Myers (1977). Capital Structure Irrelevance Theory has a link with all the explanatory variables of the study, therefore, we anchored the study on Capital Structure Irrelevance Theory.

2.3 Empirical Review

Taqi, et al (2016) investigated the impact of capital structure on profitability of selected Trading Companies of India. The time period of the study comprises ten years i.e. 2006-07 to 2014-15 and the data of eight trading companies listed in Bombay Stock Exchange (BSE) have been analyzed. The collected data was entered into the Eviews and multiple regression analysis method was used for analyzing and testing hypotheses. Results reveal that capital structure influences the financial performance of a firm. The findings show that equity and

long term debt have a positive and significant effect, whereas short term debt has a negative impact on financial performance. Thus, from the findings and results it can be concluded that equity and long term debt financing enhances financial performance.

Yazdanfar and Ohman (2015) carried out an empirical study on debt financing and firm performance. The study examined the relationship between debt level and performance of small and medium-sized enterprises in Sweden. They used three-stage least squares (3SLS) and fixed-effects models to analyze a comprehensive, cross-sectional sample of 15,897 Swedish SMEs operating in five industry sectors during the 2009-2012 period. The study found that debt ratios, in terms of trade credit, short-term debt and long-term debt, negatively affect firm performance in terms of profitability.

Kajirwa (2015) analyzed the effects of debt on firm performance using commercial banks listed on Nairobi Securities Exchange. The specific objective was to determine the effects of debt on firm performance. The study used a longitudinal research design in collection of data. A target population of 11 commercial banks was considered in the study. The data were analyzed using correlation and regression analysis. Result indicates that debt negatively affects firm performance though not statistically significant as measured by ROA (β = -.442, p-value =0.242 which is more than α = 0.05). The study concluded that the use of debt in a firms' capital structure negatively affects the performance of commercial banks in Kenya though not statistically significant. The management of sugar firms should identify alternative low risk sources of financing to swap with debt financing.

3 Methodology

3.1 Research Design

The study adopted *ex-post facto* research design. This implies that historical financial data were obtained from the audited annual reports and financial statements of the selected industrial goods firms listed on Nigeria Exchange Group during the period from 2013 to 2022 and were used to conduct the study.

3.2 Sample Size Determination

A sample of ten (10) firms were selected from the industrial firms listed on the Nigeria Exchange Group during the period. Only the industrial goods firms that use debt financing in their capital structure for at least six out of the ten years (10) period of the study were considered in the sample. The selected firms are: Cutix Plc, Meyers Plc, Lafarge Africa Plc, Berger Paints Plc, Beta Glass Plc, Portland Paints Plc, BUA Cement Plc, Premier Paints Nigeria Plc, Triple-G Plan Notore Chemicals Nigeria Plc.

3.3 Model Specification

The following model which is in line with the variables of the study was adopted (Wahyuni and Gani (2022)).

$$ROA = \alpha_0 + (\beta_1 SHC) + (\beta_2 LTD) + \beta_3 (DER) + \beta_4 (DAR) + \beta_5 (ICR) + \varepsilon$$

Where:

ROA = Return on Assets

LnSHC =Natural Log of Share Capital

LnLTL = Natural Log of Loan Term Debts

DER = Debt Equity Ratio

DAR = Debt Asset Ratio

ICR = Interest Coverage Ratio

β=beta

ε = error margin

3.4 Method of Data Analysis

Panel Least Square Regression Analysis was used to test the four hypotheses formulated for the study while Descriptive Statistics was used to test the normal distribution of the data set. This was done using Jarque-Bera Statistics, Skewness and Kurtosis tests. Also, the data volatility was tested using the Mean and Standard Deviation. The predictive power of the model was tested using F-Statistics while Adjusted Coefficient of Determination (R^2)was used to test the extent to which the explanatory variables explained the dependent variable (ROA). Durbin Watson Statistics was used to test for the presence of autocorrelation in the model. The explanatory variables and measures of corporate financial policy are, share capital, long term debts, debt equity ratio, debt assets ratio and interest coverage ratio while the dependent variable and proxy for profitability is return on assets.

3.5 Decision Rule

Level of significance (α) = 0.05. Reject the null hypothesis if the significant value in the regression coefficient is less than the level of significance (0.05), otherwise accept the null hypothesis. This rule was used to test the null hypotheses formulated for the study.

4. Data Presentation and Analysis

4.1 Data Presentation

The effect of corporate financial policy on profitability of industrial goods firms in Nigeria was evaluated using *ex-post facto* research design. The study was conducted on a sample of ten (10) industrial goods firms quoted on Nigeria Exchange Group during 2013-2022 periods. A total of one hundred (100) balanced panel data observations obtained from the annual reports and audited financial statements of the selected firms were used to carry out the study.

4.2 Data Analysis

The data from the annual reports and financial statement of the ten selected firms were examined using, Descriptive Statistics, Levin, Lin & Chu t*Unit Root test and Panel Least Square Regression Model. Specifically, Panel Least Square Regression Analysis was used to

test the five null hypotheses formulated for the study. The results of all the analysis are presented in tables 4.2.1- 4.2.3 of the study.

4.2.1 Descriptive Statistics

	ROA	SHC	LTD	DER	DAR	ICR
Mean	0.056800	1633143.	22812161	-0.748500	0.215600	19.46390
Median	0.050000	249986.0	626109.5	0.205000	0.140000	2.240000
Maximum	1.250000	16932177	2.66E+08	4.150000	0.880000	586.9600
Minimum	-0.260000	61500.00	0.000000	-94.04000	0.000000	-323.9800
Std. Dev.	0.156417	3880478.	50646031	9.655623	0.211690	91.11935
Skewness	4.657509	3.264070	2.853236	-9.198906	1.175181	3.908179
Kurtosis	36.04278	12.64679	11.81223	88.98214	3.915979	28.04219
Jarque-Bera	4910.812	565.3217	459.2467	32214.20	26.51339	2867.528
Probability	0.000000	0.000000	0.000000	0.000000	0.000002	0.000000
Sum	5.680000	1.63E+08	2.28E+09	-74.85000	21.56000	1946.390
Sum Sq. Dev.	2.422176	1.49E+15	2.54E+17	9229.874	4.436464	821970.9
Observations	100	100	100	100	100	100

Source: Eview10.0 Output 2024.

Table 4.2.2: Levin, Lin & Chu t*Unit Root test

Null Hypothesis: Unit root (common unit root process)

Series: ROA

Date: 06/30/24 Time: 00:51

Sample: 2013 2022

Exogenous variables: Individual effects

User-specified lags: 1

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 80

Cross-sections included: 10

Method	Statistic	Prob.**
Levin, Lin & Chu t*	-2.33438	0.0098

** Probabilities are computed assuming asymptotic normality

Intermediate results on ROA

Cross section	2nd Stage Coefficient	Variance of Reg	HAC of Dep.	Lag	Max Lag	Band-width	Obs
1	-1.71053	0.0003	0.0003	1	1	8.0	8
2	-0.54079	0.0181	0.0153	1	1	2.0	8
3	-0.69400	0.0011	0.0025	1	1	1.0	8
4	-1.04288	0.0004	8.E-05	1	1	8.0	8
5	-0.62457	0.0004	0.0004	1	1	1.0	8
6	-3.24023	0.0138	0.0286	1	1	4.0	8
7	-0.11206	0.1385	0.0318	1	1	8.0	8
8	-0.66019	0.0062	0.0077	1	1	1.0	8
9	-0.83333	7.E-05	4.E-05	1	1	3.0	8
10	-1.62679	0.0010	0.0006	1	1	8.0	8

	Coefficient	t-Stat	SE Reg	mu*	sig*	Obs
Pooled	-1.04072	-7.085	1.118	-0.554	0.919	80

Source: Eview10.0 Output, 2024.

The result of the Unit Root test is presented in table 4.1.2. Unit Root test is an important diagnostic tool used in a regression model to detect the presence of unit root in a time series data. The presence of a unit root in a regression model leads to spurious regression. The results of the Levin, Lin & Chu t*Unit Root test in table 4.2.2 reveals that all the variables of the study are integrated of order 0(0) with p-value = 0.0098. This finding implies that all the variables of the study have zero-unit root during the period, as all are integrated in the same order, signifying a co-integration among the six variables of the study.

Table 4.2.3: Pane Least Square Regression Analysis

Dependent Variable: ROA

Method: Panel Least Squares

Date: 06/30/24 Time: 00:44

Sample: 2013 2022

Periods included: 10

Cross-sections included: 10

Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
SHC	0.027780	0.009914	2.802038	0.0062
LTD	0.001630	0.004530	0.359766	0.7198
DER	0.000481	0.000942	0.510405	0.6110
DAR	0.097675	0.052317	1.866980	0.0651
ICR	0.001232	0.000102	12.11847	0.0000
C	0.284250	0.097147	2.925988	0.0043

R-squared	0.696754	Mean dependent var	0.056465
Adjusted R-squared	0.680451	S.D. dependent var	0.157177

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S.E. of regression	0.088850	Akaike info criterion	-1.945036
Sum squared resid	0.734177	Schwarz criterion	-1.787756
Log likelihood	102.2793	Hannan-Quinn criter.	-1.881400
F-statistic	42.73639	Durbin-Watson stat	2.160878
Prob(F-statistic)	0.000000		

Source: Eview11.0 Output. 2024

Table 4.2.3 presents the Panel Least Square Regression results of the ten (10) industrial goods firms selected for the study. Results from the table reveal that the Adjusted Coefficient of Determination (R^2) of the model is 0.680451. This suggest that about 68% of the variations in the ROA of the firms are explained by the explanatory variables {Capital (SHC), Long Term Debts (LTD), Debt Equity Ratio (DER), Debt Assets Ratio (DAR) and Interest Coverage Ratio (ICR)} while the remaining 32% are explained by error terms and other factors not captured in the model of the study. Another important statistical element in the model is Durbin Watson Statistics, which was used to test the presence of autocorrelation on the model. Results from the table indicate that the Coefficient of Durbin Watson Statistics is 2.160878. This result falls exactly within the Durbin Watson Statistics range of 2-4. Based on this evidence, we conclude that there is no autocorrelation in the model of the study.

4.3 Test of Hypotheses

Decision Rule: P-value (α) = 0.05. Reject the null hypothesis if the p-value of the regression coefficient is less than 0.05, otherwise accept the null hypothesis.

Hypothesis One

Restating of the Hypothesis in Null and Alternate Forms

H_0: Share capital does not significantly affect return on assets of industrial goods firms in Nigeria.

H_1: Share capital significantly affects return on assets of industrial goods firms in Nigeria.

Decision: The Panel Least Square Regression Model in table 4.2.3 reveals that the P-value of Share Capital (SHC) is 0.0062, which is less than 0.05 (0.0062<0.05). Therefore, the null hypothesis is rejected, while the alternative hypothesis is accepted, which states that Share Capital significantly affects Return on Assets (ROA)of industrial goods firms in Nigeria.

Hypothesis Two

Restating of the Hypothesis in Null and Alternate Forms

H_0: Long term debts do not significantly affect return on assets of industrial goods firms in Nigeria

H_1: Long term debts significantly affect return on assets of industrial goods firms in Nigeria

Decision: The Regression Model also shows that the P-value of Long Term Debt (LTD) is 0.7198, which is greater than 0.05 (0.7198>0.05). Thus, the null hypothesis is accepted, which states that Long Term Debts do not significantly affect Return on Assets (ROA) of industrial goods firms in Nigeria.

Hypothesis Three

Restating of the Hypothesis in Null and Alternate Forms

H_0: Debt equity ratio does not significantly affect return on assets of industrial goods firms in Nigeria

H_1: Debt equity ratio significantly affects return on assets of industrial goods firms in Nigeria.

Decision: The Regression Model further indicates that the P-value of Debt Equity Ratio (DER) is 0.6110, which is greater than 0.05 (0.6110>0.05). Hence, the null hypothesis is accepted, which states that Debt Equity Ratio do not significantly affect Return on Assets (ROA) of industrial goods firms in Nigeria.

Hypothesis Four

Restating of the Hypothesis in Null and Alternate Forms

H_0: Debt assets ratio does not significantly affect return on assets of industrial goods firms in Nigeria.

H_1: Debt assets ratio significantly affects return on assets of industrial goods firms in Nigeria

Decision: The Regression Model equally disclosed that the P-value of Debt Assets Ratio (DAR) is 0.0651, which is greater than 0.05 (0.0651>0.05). Therefore, the null hypothesis is accepted, which states that Debt Assets Ratio does not significantly affect Return on Assets (ROA) of industrial goods firms in Nigeria.

Hypothesis Five

Restating of the Hypothesis in Null and Alternate Forms

H_0: Interest coverage ratio does not significantly affect return on assets of industrial goods firms in Nigeria.

H_1: Interest coverage ratio significantly affects return on assets of industrial goods firms in Nigeria.

Decision: The Regression Model also indicates that the P-value of Interest Coverage Ratio (ICR) is 0.0000, which is less than 0.05 (0.0000<0.05). Hence, the null hypothesis is rejected,

while the alternative hypothesis is accepted, which states that Interest Coverage Ratio significantly affects Return on Assets (ROA) of industrial goods firms in Nigeria.

4.4 Discussion of Findings

4.4.1 Effect of Share Capital on Return on Access

The Panel Least Square Regression Model in table 4.2.3 reveals that the regression coefficient of Share Capital (SHC) is 0.027780, which is positive, while the P-value is 0.0062 (0.0062<0.05). Based on these results, we conclude that the effect of Share Capital on Return on Assets (ROA) of industrial goods firms in Nigeria is positive and statistically significant during the period. The result is in line with the result is consistent with Capital Structure Irrelevance Theory, propounded by Modigliani and Miller in 1958.

4.4.2 Effect of Long Term Debt on Return on Assets

The Regression Model also shows that the regression coefficient of Long Term Debts (LTD) is 0.001630, which is positive while the P-value is 0.7198 (0.7198>0.05). In the light of these results, we opine that the effect of Long Term Debts on Return on Assets (ROA) of industrial goods firms in Nigeria is positive, but statistically non-significant during the period

4.4.3 Effect of Debt Equity Ratio on Return on Assets

The Regression Model further disclosed that the regression coefficient of Debt Equity Ratio (DER) is 0.000481, which is positive, while the P-value is 0.6110 (0.6110>0.05). Therefore, we postulate that the effect of Debt Equity Ratio on Return on Assets (ROA) of industrial goods firms in Nigeria is positive, but statistically non-significant. This result is consistent with the result is in line with The Trade-Off Theory, developed by Myers in 1977

4.4.4 Effect of Debt Assets Ratio on Return on Assets

The Regression Model equally reveals that the regression coefficient of Debt Assets Ratio (DAR) is 0.097675, which is positive, while the P-value is 0.0651 (0.0651>0.05). Hence, we assert that the effect of Debt Assets Ratio on Return on Assets (ROA) of industrial goods firms in Nigeria is positive, but statistically non-significant. This result is consistent with Pecking Order Theory, propounded by Myers and Majluf, (1984).

4.4.5 Effect of Interest Coverage Ratio on Return on Assets

The Regression Model also shows that the regression coefficient of Interest Coverage Ratio (ICR) is 0.001232, which is positive, while the P-value is 0.0000 (0.0000<0.05). Hence, we state that the effect of Interest Coverage Ratio on Return on Assets (ROA) of industrial goods firms in Nigeria is positive and also statistically significant during the period. This result is consistent with the result in line with The Trade-Off Theory, developed by Myers in 1977.

5. Summary of Findings, Conclusion

5.1 Findings

In line with the results of the data analysis, the test of the null hypotheses formulated for the study, the findings from the tests and the ensuing discussions, we summarize the findings of the study as follows.

i. The effect of share capital on return on assets of industrial goods firms in Nigeria was positive and also statistically significant {SHC Coefficient is 0.027780, while the P-value is 0.0062 (0.0062<0.05)}.

ii. The effect of long term debts on return on assets of industrial goods firms in Nigeria was positive, but statistically non-significant {LTD Coefficient is 0.001630, while the P-value is 0.7198 (0.7198>0.05)}.

iii. The effect of debt equity ratio on return on assets of industrial goods firms in Nigeria was positive, but statistically non-significant {DER Coefficient is 0.000481, while the P-value is 0.6110 (0.6110>0.05)}

iv. The effect of debt assets ratio on return on assets of industrial goods firms in Nigeria was positive, but statistically non-significant {DAR Coefficient is 0.097675, while the P-value is 0.0651 (0.0651>0.05)}

v. The effect of interest coverage ratio on return on assets of industrial goods firms in Nigeria was positive and also statistically significant {ICR Coefficient is 0.001232, while the P-value is 0.0000 (0.0000<0.05)}.

5.2 Conclusion

The effect of corporate financial policy on profitability of industrial goods firms in Nigeria was evaluated by the study using *ex-post facto* research design. The study was based on a sample of ten (10) industrial goods firms quoted on the Nigeria Exchange Group during 2013-2022 periods. Time series data were obtained from the annual audited financial statements of the selected firms and examined using appropriate statistical tools of analysis, which include, Descriptive Statistics, Unit Root test and Panel Least Square Regression Analysis. Specifically, the Panel Least Square Regression Analysis was used to test the five null hypotheses formulated for the study. Based on the results of this test, the study concludes that, the effect of Share Capital (SHC) and Interest Coverage Ratio (ICR) on Return on Assets of industrial goods firms in Nigeria are positive and also statistically significant while the effect of Long Term Debt (LTD), Debt Equity Ratio (DER) and Debt Assets Ratio (DAR) are positive, but statistically non-significant during the period.

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