Corporate Financing Sources and Financial Performance of Oil and Gas Firms in Nigeria

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Abstract

Research Objective: The study aimed to assess the relationship between corporate financing sources and financial performance of oil and gas firms in Nigeria from 2014 to 2023. Specifically, it sought to examine the effect of total equity, short-term debt, and long-term debt on profit for the year of selected oil and gas firms.

Methodology: The study adopted an ex-post facto research design and utilised secondary data obtained from the annual reports of Conoil Plc, Total Nigeria Limited, and Oando Plc. Multiple regression analysis was conducted using the Panel Least Squares method to determine the effects of total equity, short-term debt, and long-term debt on profit for the year.

Findings:

1. Total equity had a negative and non-significant effect on profit for the year (coefficient = -0.282573, P-value = 0.1452), suggesting that higher equity did not contribute significantly to profitability.
2. Short-term debt had a positive and significant effect on profit for the year (coefficient = 0.498277, P-value = 0.0013), indicating that short-term debt improved financial performance.
3. Long-term debt also had a positive and significant effect on profit for the year (coefficient = 0.562447, P-value = 0.0008), showing that long-term debt was a key driver of profitability.
4. The Adjusted R-squared value of 62% suggests that the model explains a substantial proportion of the variance in profit for the year.

Conclusion: The study concludes that short-term and long-term debt positively influence the financial performance of oil and gas firms in Nigeria, while total equity does not significantly impact profitability.

Recommendations:

1. Equity Management: Oil and gas firms in Nigeria should explore strategies to improve total equity, as it represents shareholder investment, even though the study found it had a non-significant effect on profitability. Effective equity management may enhance financial performance in the long term.
2. Short-Term Debt: Firms should prioritise maintaining short-term debt sustainability, considering environmental, social, and governance (ESG) factors, to ensure financing decisions support long-term profitability and maintain the firm's social licence to operate.
3. Profit Retention: Corporate bodies should establish policies that ensure a high percentage of net profit is retained for reinvestment purposes, given the significant impact of short-term debt on profitability. Retained earnings can support future investments and reduce the need for external borrowing.

Key words: *Corporate financing sources, Financial performance, Total equity, Short term debt, Long term debt.*

1.0 INTRODUCTION

Corporate financing sources refer to the various methods and channels through which companies raise capital or funds to finance their operations, investments, expansion plans, and other financial activities. Oil and gas firms in Nigeria typically utilise various corporate financing sources to fund their operations and projects which includes equity, short term debt and long term debt etc. Funding decisions have to do with the determination of funding sources needed to finance investments (Harjito & Martono, 2022). Equity financing involves raising capital by selling ownership stakes or shares of the company to investors while Debt financing involves raising capital by borrowing money from lenders and agreeing to repay the principal amount along with interest over a specified period.

There are two sources a company can explore to get funds - internal funding sources and external funding sources. Internal funds come from the company's operational results, for example retained earnings. External funding sources are the funds generated from outside the company such as debt sources and the issuance of new shares. The balance that comes from the use of own capital with debt is known as the capital structure. In its implementation, companies must be able to find efficient funding sources. This happens when the company has an optimal capital structure that can minimise capital costs and maximise the firm value. Company performance reflects the results obtained by the company in utilising the assets or equity held to get profit (Riyanto, 2023).

A good company is a company that is efficient in using its assets or capital. Company performance evaluates management activities in managing corporate finances. Performance measurement is carried out to evaluate the effectiveness and efficiency of company management in managing investment and funding sources of the company (Martono &

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Harjito, 2020). Assessment of the company's financial performance is conducted by analysing the company's financial statements. From the financial statements submitted by the company, the company's ability to manage short-term and long-term funding sources, the ability of companies to utilise their assets effectively and efficiently, and the company's ability to create value can be analysed (Ross et al., 2023).

It is based on this premise that this study is set to examine the effect of corporate financing sources on the Performance of oil and gas firms in Nigeria from 2014-2023.

Statement of the Problem

One of the problems faced by finance managers, shareholders and investors in managing cash is the determination of an appropriate source of funds for the company either to use equity, short term debt or long term debt as the source of finance in order to know the actual source that will give a higher return. (Eugena 2023). The oil and gas industry in Nigeria is a critical sector that significantly contributes to the country's economy. However, the performance of oil and gas firms is subject to various factors, including the sources of corporate financing they utilise. Understanding how different financing sources affect the performance of these firms is crucial for effective strategic management and decision-making. The ability to raise capital is important for businesses because it allows them to expand and purchase assets to increase profits. Businesses typically have two ways to raise funds – debt and equity financing. One of the problems of debt financing is that High levels of debt can lead to increased financial risk and interest expenses, which can strain cash flows, especially during periods of low oil prices or economic downturns. Oil and gas firms heavily reliant on debt financing may face challenges in meeting debt service obligations, leading to potential defaults and credit rating downgrades. The volatility of oil prices can make it difficult for oil and gas firms to maintain stable cash flows, making it challenging to service debt obligations.

Debt financing deals with borrowing money and repaying it with interest. Too much long term debt is generally risky for a company, because the interest on debt must be repaid no matter how the business is doing. Oil and gas firms determine how much debt is firm – specific and depends on many things including the interest rate a company pays on its debt, and the stability of the firm’s earnings and cash flows (Augustine and Agu, 2022). Issuing equity can dilute existing shareholders' ownership and reduce earnings per share, potentially leading to conflicts with investors and management. If the market perceives equity issuance negatively, it can result in a decline in share prices, reducing the firm's market capitalization and overall valuation. Oil and gas firms face challenges in raising equity capital during periods of market volatility or unfavourable industry conditions, limiting their ability to finance growth initiatives. Nigerian oil and gas firms face difficulties accessing external financing sources due to factors such as credit constraints, limited access to capital markets, and perceived country risk of which this study is set to proffer a lasting solution to the above mentioned problems. It is essential for oil and gas firms to carefully evaluate the advantages and risks associated with different financing options and develop sound financial strategies to support their growth and development objectives.

Objectives of the Study

The broad objective of the study is to appraise the effect of Corporate financing sources on the performance of oil and gas firms in Nigeria from 2014-2023.

Specifically, the study is set to;

i. Examine the effect of total equity on profit for the year of oil and gas firms in Nigeria.
ii. Determine the extent to which short term debt affects profit for the year of oil and gas firms in Nigeria.
iii. Ascertain how long term debt affects profit for the year of oil and gas firms in Nigeria.

Research Questions

The following questions are stated for the study:

i. What is the effect of total equity on profit for the year of oil and gas firms in Nigeria?
ii. To what extent does short term debt affect profit for the year of oil and gas firms in Nigeria?
iii. How does long term debt affect profit for the year of oil and gas firms in Nigeria?

Statement of Hypotheses

The following null hypotheses are formulated for the study:

$H0_{1:}$ Total equity does not have a significant effect on profit for the year of oil and gas firms in Nigeria.

$H0_{2:}$ Short term debt does not significantly affect profit for the year of oil and gas firms in Nigeria.

$H0_{3:}$ long term debt does not have a significant effect on profit for the year of oil and gas firms in Nigeria.

Significance of the Study

The study will be of immense significance to these groups;

The Management and Staff of Oil and gas firms in Nigeria: The study will enlighten them on the concepts of corporate financing sources as well as how it affects the performance of oil and gas firms in Nigeria. The recommendations of the study will suggest for them the appropriate financing sources that will expand their business endeavours. Understanding how different financing sources impact performance can help oil and gas firms in Nigeria make informed decisions about their capital structure and financing strategies.

Investors and shareholders: Investors and shareholders, both domestic and international, have a vested interest in understanding how corporate financing decisions affect the performance and value of oil and gas firms in Nigeria. Insights from such studies can help investors assess the risk-return profile of investing in these firms and make informed investment decisions.

Scope of the Study

The study on the effect of corporate financing sources on performance of oil and gas firms in Nigeria from 2014-2023. The oil and gas firms covered are Conoil Plc, Total Nigeria limited and Oando Plc. The duration of the study spanned from 2014 to 2023. The study covered the following proxies as the variables of independent variable total equity, short term debt and long term debt while the dependent variable was proxy with profit for the year.

2.0 REVIEW OF RELATED LITERATURE

Conceptual Review

Corporate Financing

Corporate financing refers to the various methods and mechanisms that corporations use to raise capital to fund their operations, investments, and growth initiatives. It involves obtaining funds from different sources, managing financial resources, and making strategic decisions regarding the optimal mix of debt and equity financing. Oil and Gas firms can raise funds by issuing debt securities such as bonds, short term debt, long term debt or obtaining loans from financial institutions. Debt financing involves borrowing money with the obligation to repay the principal amount along with interest over a specified period. Corporations can raise capital by issuing shares of ownership (equity) to investors (Augustine and Agu, 2022).

Corporate financing decisions are influenced by various factors including the company's financial position, risk tolerance, cost of capital, market conditions, regulatory environment, and strategic priorities. Effective corporate financing strategies aim to optimise capital structure, minimise financing costs, mitigate financial risks, and support long-term value creation for shareholders and stakeholders. Corporate financing plays a crucial role in enabling corporations to invest in projects, expand operations, pursue strategic initiatives, and achieve sustainable growth and profitability. The relationship between corporate financing sources and the performance of oil and gas firms in Nigeria is complex and multifaceted. Afza (2019) noted that bondholders review a company's debt financing to understand internal factors that might prevent the business from repaying its outstanding loans. They also pay attention to external elements such as the state of the economy and business performance, trying to make sure market forces won't have adverse effects on borrowers' solvency and financial soundness. The choice of financing sources, such as debt or equity, and the composition of the firm's capital structure can significantly impact its financial performance.

Equity financing

Gomis and Khatiwada (2023) opined that equity financing is a method through which companies raise capital by selling ownership shares (equity) in the company to investors. In equity financing, the company issues shares of common stock or preferred stock to investors in exchange for funds. These funds become part of the company's equity capital and do not require repayment like debt financing. The relationship between equity financing sources and the performance of oil and gas firms in Nigeria can be significant and multifaceted, influenced by various factors specific to the industry and the country's economic environment. Equity financing provides oil and gas firms in Nigeria with capital to fund exploration, production, and development activities.

Unlike debt financing, equity financing does not involve fixed repayment obligations or interest payments. Oil and gas firms that rely on equity financing may have lower financial leverage and reduced exposure to financial risk, especially during periods of fluctuating oil prices or economic uncertainty. By avoiding excessive debt levels, oil and gas firms can maintain financial flexibility and resilience, which may enhance their ability to withstand market volatility and sustain long-term performance (Javed, Younas and Imran, 2022). Equity financing aligns the interests of shareholders with the performance of oil and gas firms. Shareholders invest capital in the company with the expectation of receiving returns in the form of dividends and capital appreciation. Firms that effectively utilise equity financing to generate value for shareholders may experience increased investor confidence, improved stock performance, and enhanced access to capital markets, which can contribute to overall performance and shareholder value creation.

Short Term Debt Financing

Short-term debt financing refers to the practice of borrowing funds for a relatively brief period, typically one year or less, to meet short-term financial needs or working capital requirements of a company. Short-term debt financing is used to finance temporary deficits in cash flow, cover operating expenses, manage inventory, and fund other short-term obligations. short-term debt financing plays a critical role in meeting the short-term liquidity needs and working capital requirements of companies. While it offers flexibility and immediate access to capital, companies must carefully manage short-term debt obligations to avoid financial strain and ensure sustainable operations (Ajibolade, 2022).

According to Abor (2021) effective short-term debt management involves maintaining adequate liquidity, monitoring cash flow, assessing repayment capacity, and considering the cost and risk implications of short-term borrowing. Short-term debt instruments have a maturity period of one year or less, distinguishing them from long-term debt instruments, which have longer repayment periods. The short duration of these loans means they must be repaid relatively quickly, often within a few months or at the end of the fiscal year. Short-term debt financing is typically used to address short-term cash flow needs or finance short-term operating expenses. Companies may use short-term debt to cover payroll, purchase inventory, finance accounts receivable, or fund seasonal fluctuations in business activity.

Long term Financing

Long-term financing refers to the practice of obtaining funds for a company's operations, investments, and capital expenditures with a maturity period typically exceeding one year. Long-term financing provides companies with access to capital for extended periods, allowing them to undertake projects, expand operations, and pursue growth initiatives that require substantial investment over time. Long-term financing instruments have a maturity period that extends beyond one year. These financing arrangements provide companies with a longer repayment timeline compared to short-term debt instruments, allowing for more extended periods to repay the borrowed funds (Nwidobie and Adesina, 2022).

Long-term financing is used to finance large-scale investments, such as the acquisition of property, plant, and equipment (PP&E), expansion of facilities, research and development initiatives, and strategic acquisitions. It supports the company's long-term growth objectives and capital expenditure requirements. Long-term financing can take various forms, including long-term loans, bonds, debentures, convertible securities, preferred stock, and equity financing. These instruments offer companies flexibility in structuring their financing arrangements based on their capital needs, risk tolerance, and cost considerations. long-term financing plays a crucial role in supporting companies' strategic growth initiatives, funding capital expenditures, and ensuring sustainable operations over the long term.

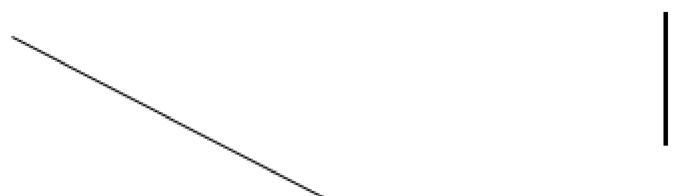
Profit for the year

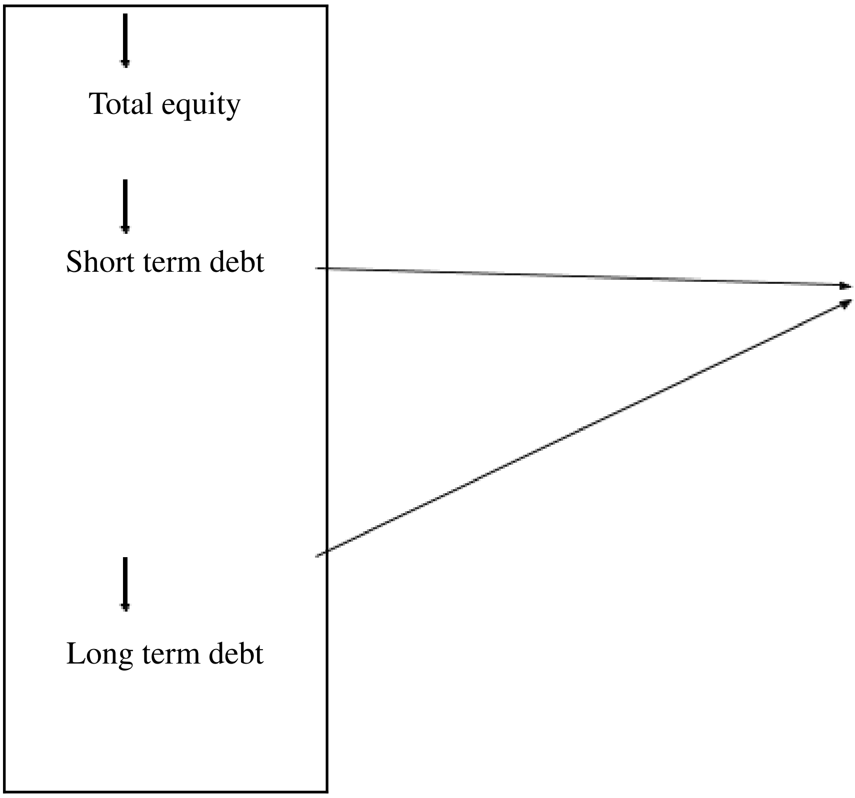
Profit for the year refers to the financial gain realised by a business or an individual over the course of a fiscal or calendar year. It is the difference between the total revenue generated from sales or other income sources and the total expenses incurred during that specific period. The profit for the year is a key indicator of the financial health and success of a business, as it reflects the extent to which the business's operations are generating income and covering costs. It is also crucial for assessing the performance of the business over a specific time frame and for making strategic decisions regarding investments, expansion, dividends, and other financial matters. Anichebe & Agu (2022) are of the view that corporate profits reflect the income earned by corporations as a result of current production; the measure is defined as receipts arising from current production less associated expenses. Receipts exclude income in the form of dividends and capital gains, and expenses exclude bad debts, natural resource depletion, and capital losses. Panigrahi (2019) opines that most businesses prepare two sets of profits information: financial and tax. Both financial accounting and tax accounting define a corporation’s profits as the difference between its receipts and its expenses, but they differ with respect to the definition of some receipts and expenses; in the timing of when the receipts and expenses are recorded and for whom the information is prepared.

Fig. 2.1 Conceptual Framework

The conceptual review of the study indicated a diagrammatic expression of the relationship existing between independent and dependent variables of the study:

Independent Variable **Dependent Variables**





Theoretical Framework

The theoretical framework of the study is centred on Pecking Order Theory. The study is anchored on the Pecking Order Theory based on the premise that the theory emphasises on the fact that managers follow a hierarchy to choose sources of finance. The hierarchy gives first preference to internal financing. If internal financing is not enough, then managers would have to shift to external sources such as loans, etc.

Pecking Order Theory.

The Pecking order theory was first suggested by Donaldson in 1961 and it was modified by Myers and Majluf (1984). Pecking order theory states that firms prefer to finance new investment, first internally with retained earnings, then with debt, and finally with an issue of new equity (Adekunle, 2009). It is argued that an optimal capital structure is difficult to define as equity appears at the top and the bottom of the 'pecking order'. Internal funds incur no flotation costs and require no disclosure of the firm's proprietary financial information that may include firm's potential investment opportunities and gains that are expected to accrue as a result of undertaking such investments.

The pecking order theory is about what the firm's management prefers; a pecking order of alternative sources of finance that the firm faces. First, firms chose internal finance that is using profits from previous years. Second, if there is no internal finance available, firms choose to lend money from credit institutions such as banks. Third, only as a last option will firms issue new shares. Basically, the pecking order theory says that management favours internal financing to external financing.

Empirical Review

Equity Financing and Profit for the year

Sohail and Ulfat (2018) studied the effect of Equity financing on firm performance: A study on the non-financial sector of Pakistan from 2010 to 2017. The study adopted multiple regression and found out that Equity financing has a negative but also significant impact on firm performance in Pakistan. This study recommended that companies should rely more on their internal source of finance because it is the cheap and reliable source of finance in the Pakistani context.

Nwude, Itiri, Agbadua and Udeh (2019) carried out a study on the impact of Equity financing on firm performance in Nigeria. The study employed three regression estimations (Pooled OLS, Fixed Effects and Random Effects) as a result of unobserved heterogeneity in the dataset. The outcome from the regression estimations showed that Equity financing has a negative and significant impact on the performance of Nigerian quoted firms within the period under review. The study concludes that Equity financing contributes negatively to performance of Nigerian quoted firms, thereby agreeing with pecking order theory.

Short term Debt Financing and Profit for the year

Jaramillo and Schiantarelli (2020) Investigated the effect of short-term debt on firms' performance in Ecuador. There was a positive correlation between short-term debt and performance of firms. Older firms have easy access to finance and improved their performance. GMM model used in this study for estimation. There was a positive relationship between short term debt and productivity and increase in debt caused increased productivity.

Abor (2021) examined the relation between short-term debt and performance of (SMEs) in Ghana and South Africa. The study employed three regression estimations (Pooled OLS, Fixed Effects and Random Effects) as a result of unobserved heterogeneity in the dataset. The study concluded that total debt and short-term debt decrease the gross profit margin in both countries while long-term debt leads to increased gross profit margin in both countries. Results indicated that short-term debt negatively affects SMEs performance.

Long term Debt Financing and Profit for the year

Kumar and Woo (2022) examined the relationship between Long Term Debt and economic growth. The methodology adopted in the study was GMM (SGMM) dynamic panel regression. His study concluded that the impact of Long Term Debt on growth is negative. So, an increase in Long term Debt causes the decrease in growth.

Iavorskyi (2023) explored the relationship of Long Term Debt and performance. The variables used in the study for performance measure were total factor productivity (TFP), ROA and EBIT while leverage includes the total leverage and long term leverage. The methodology adopted in the study were fixed effect regressions and dynamic models. The study concluded leverage caused the decrease in performance.

Gap in Empirical Review

Most of the studies reviewed empirically left some gap which was filled by this study. For instance, Nwude, Itiri, Agbadua and Udeh (2019) studied the effect of equity financing on organisational performance using regression analysis which left a 5-year gap which was filled by this study. Jaramillo and Schiantarelli (2020) studied short term debt and Financial Performance: Evidence from Listed SMEs in Ghana and South Africa using ordinary least squares left a 4 years gap which was filled by this study. These authors used just one analytical tool to arrive at their result. But this study on the effect of Corporate financing sources on the performance of oil and gas firms in Nigeria from 2014-2023 used diverse analytical tools to arrive at a better finding. For instance, the researcher used descriptive statistics to describe the individual characteristics of the variables and the normality of the variables, while a random panel regression model was used to examine how Corporate financing affects the profit for the year of oil and gas firms in Nigeria.

3.0 RESEARCH METHODOLOGY

Research Design

The study adopted *ex-post facto* research design based on the premise that the research relied on already recorded events, and researchers do not have control over the relevant dependent and independent variables they are studying with a view to manipulating them.

Area of the Study

The study focused on the Nigerian oil and gas firms.

Sources of Data

This study made use of secondary data covering a period of 10 years i.e. 2014-2023 and was obtained from the financial statements of the selected oil and gas firms in Nigeria.

Population of the Study

The population of study comprised all the firms in the oil and gas industry quoted in the Nigeria exchange group. They are forty-two (42) oil companies in Nigeria.

Sample Size Determination

The sample size consists of three (3) selected oil and gas firms : Conoil Plc, Total Nigeria Limited and Oando Plc. These firms were selected based on the premise that the data from the selected variables of study were complete for all the years under study. These firms were selected using judgmental sample size techniques.

Model Specification

The following model will be used to evaluate the study:

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PFY = F (TE, STD, LTD) ………………………….. (1)

Where:

PFY = Profit for the year

TE = Total equity

STD = Short term debt

LTD = Long term debt

In a linear regression form, it will become:

$PFY_t = \beta o + \beta_1 TE_t + \beta_2 STD_t + \beta_3 LTD_t + \mu$ ………………… (2)

βo = Constant Term

β_1 = Coefficient of TE

β_2 = Coefficient of STD

β_3 = Coefficient of LTD

μ = Error Term

Description of Variables in the model.

The variables used in this study are divided into dependent and independent variables profit for the year is the dependent variable whereas total equity financing, short term debt and Long term debt formed the independent variables

Model Variables Description

Short Form	Details	Source of Data measurement
PFY	Profit for the year	Audited Annual Report & Accounts
TE	Total Equity financing	Audited Annual Report & Accounts
STD	Short term debt financing	Audited Annual Report & Accounts
LTD	Long term debt financing	Audited Annual Report & Accounts

Source: Author's Compilation, 2024

Method of Data Analysis

Data covering a period of (2014-2023) 10 years were estimated using a fixed panel regression model to test the hypotheses of the study and equally determine the volatility in corporate Financing of the selected oil and gas firms in Nigeria.

Decision Rule

Reject H_O when the t-statistics is greater than 2.0 and the probability value is less than 0.05, otherwise accept the null hypothesis.

4.0 DATA PRESENTATION AND ANALYSIS

Data Presentation

Data for the study, sourced from the annual report of the selected companies were presented, tested and analysed. The data collected were organised and used for testing the hypotheses. From the analysis and results generated, deductions and logical conclusions were obtained. The abbreviations used to signify the variables of study in all the tables are shown in the appendix.

Table 1 shows the processed data for analysis from excel

YEARS	COMPANIES	TE/TA	STD/TA	LTD/TA	PFY/TA
2014	Conoil Plc	0.18389873	0.799374	0.016727	0.009533
2015	Conoil Plc	0.25522879	0.726995	0.017776	0.033256
2016	Conoil Plc	0.26442453	0.721489	0.014086	0.040638
2017	Conoil Plc	0.28466967	0.700741	0.014589	0.025113
2018	Conoil Plc	0.23201916	0.683803	0.015674	0.029493
2019	Conoil Plc	0.24056026	0.673485	0.020345	0.031019
2020	Conoil Plc	0.39947105	0.019744	0.580785	0.029473
2021	Conoil Plc	0.40364625	0.01466	0.581694	0.057107
2022	Conoil Plc	0.37949481	0.609097	0.011408	0.075221
2023	Conoil Plc	0.30469334	0.68824	0.007066	0.089138
2014	Total oil	0.16678636	0.802028	0.031186	0.05539
2015	Total oil	0.19416367	0.764462	0.041375	0.048379
2016	Total oil	0.17213477	0.826074	0.001791	0.108065
2017	Total oil	0.26139157	0.712517	0.026092	0.074265
2018	Total oil	0.23189486	0.724294	0.043811	0.060073
2019	Total oil	0.21167699	0.746677	0.041646	0.017034
2020	Total oil	0.19601987	0.764682	0.039298	0.014368
2021	Total oil	0.19939401	0.763865	0.036741	0.080785
2022	Total oil	0.16336661	0.805548	0.031085	0.052364
2023	Total oil	0.11364293	0.865489	0.020868	0.0262

Table 4.1 continued

2014	Oando Plc	0.18938874	0.797215	0.016604	-0.21333
2015	Oando Plc	0.15937877	0.831701	0.008921	-0.19518
2016	Oando Plc	0.19398472	0.40787	0.345179	-0.02832
2017	Oando Plc	0.2532608	0.384611	0.362128	-0.02943
2018	Oando Plc	0.25703029	0.418904	0.322987	-0.01699
2019	Oando Plc	0.06994812	0.64893	0.281122	-0.06592
2020	Oando Plc	0.06976157	0.692179	0.258509	-0.04633
2021	Oando Plc	0.07584913	0.853583	0.28504	-0.03016
2022	Oando Plc	0.0667218	0.588186	0.000757	0.183834
2023	Oando Plc	0.06255276	0.544758	0.000949	0.236122

Authors compilation from Excel

Panel Data Analysis.

Table 2 – Descriptive Statistics of the Industry Level

	PFY/TA	TE/TA	STD/TA	LTD/TA
Mean	0.025040	0.208548	0.652707	0.115875
Median	0.030256	0.197707	0.717003	0.028588
Maximum	0.236122	0.403646	0.865489	0.581694
Minimum	-0.213334	0.062553	0.014660	0.000757
Std. Dev.	0.087772	0.092667	0.213301	0.173016
Skewness	-0.575610	0.288299	1.855205	1.555513
Kurtosis	5.058554	2.800677	5.968452	4.222326
Jarque-Bera	6.953690	0.465243	28.22356	13.96570
Probability	0.030905	0.792453	0.000001	0.000928
Sum	0.751193	6.256455	19.58120	3.476237
Sum Sq. Dev.	0.223412	0.249030	1.319428	0.868102
Observations	30	30	30	30

Source: Author's compilation using E-view 10.0 standard software

Table 4.3 above reveals the variable description of the 30 observations of the panel data for sampled mean firms. The normality of the distribution of the data series is shown by the coefficients of skewness, kurtosis and jarque-Bera probability. The probability of the jarque-Bera statistics from the above table shows that profit for the year, short term debt and long term debt are significant with P-value lower than 0.05. PFY (0.030905), STD (0.000001) and LTD (0.000001), The significant P-value shows that the variables are normally distributed because their probability value is less 5% while the probability of the jarque-Bera statistics shows that total equity is non-significant with P-value greater than 0.05 TE (0.792453). The significant P-value shows that the variable is abnormally distributed. Skewness will also be a second confirmation of the above normal distribution with skewness coefficient which have values > 1. (STD 1.855205 and LTD 1.555513) whereas the Skewness of profit for the year -0.575610 and total equity 0.288299 are < 1 which shows abnormal distribution.

The kurtosis coefficient provides a s third level of confirmation that the profit for the year 5.058554, short term debt 5.968452 and long term debt 4.222326 are normally distributed with the coefficients above 3 while total equity 2.800677 is below 3 which showcases abnormal distribution.

Regression Analysis

Method: Panel Least Squares

Date: 03/08/24 Time: 18:49

Sample: 2014 2023

Periods included: 10

Cross-sections included: 3

Total panel (balanced) observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TE/TA	-0.282573	0.188155	-1.501810	0.1452
STD/TA	0.498277	0.138181	3.605985	0.0013
LTD/TA	0.562447	0.148785	3.780270	0.0008
C	0.474372	0.131133	3.617496	0.0013

Root MSE	0.068673	R-squared	0.666730
Mean dependent var	0.025040	Adjusted R-squared	0.623660
S.D. dependent var	0.087772	S.E. of regression	0.073767
Akaike info criterion	-2.252250	Sum squared resid	0.141480
Schwarz criterion	-2.065423	Log likelihood	37.78375
Hannan-Quinn criter.	-2.192482	F-statistic	5.018907
Durbin-Watson stat	0.474539	Prob(F-statistic)	0.007066

Source: Author's compilation using E-view 10.0 standard software

Table 4.2.3 reveals that total equity has a non-significant (P-value 0.1452) with negative effect (coefficient -0.282573) on profit for the year. Short term debt has a significant (P-value 0.0013) with positive (coefficient 0.498277) effect on profit for the year. Long term debt is found to have a significant (P-value 0.0008) with positive effect (coefficient 0.562447). The adjusted R-squared indicated that 62% of the changes in profit for the year are accounted for by the explanatory variables (total equity, Short term debt and Long term debt) and . The remaining 38% could be explained by other factors capable of influencing profit for the year in the industry. The probability of the F-statistics (0.007066) is significant which indicates the statistical fitness of the multiple regression model. The Durbin-Watson statistics range from 0 to 4. Since Durbin-Watson statistics 0.474539 is below 2, it shows that there is positive autocorrelation in the panel data extracted from audited annual reports.

Test of Hypotheses

Decision Rule: Reject H0 if P-value is less than the A-value of 0.05, otherwise, do not reject.

1. **Hypotheses One:** total equity has no significant effect on Profit for the year of Oil and Gas firms in Nigeria.

   Decision: From the panel data regression in table 4.2.3, The P-Value of 0.1452 is more than the P-Value of 0.05; therefore, the null hypothesis is accepted and the alternate hypothesis is rejected. This implies that total equity has a negative and non-significant effect on profit for the year of Nigeria Oil and Gas firms.

2. **Hypotheses Two:** Short term debt has no significant effect on Profit for the year of Nigeria Oil and Gas firms.

Decision: From the panel data regression in table 4.2.3, The P-Value of 0.0013 is less than the P-Value of 0.05; therefore, the null hypothesis is rejected and the alternate hypothesis is accepted. This implies that short term debt has a positive and significant effect on profit for the year of Nigeria Oil and Gas firms.

3. **Hypotheses Three:** Long term debt has non-significant effect on Profit for the year of Nigeria Oil and Gas firms.

   Decision: From the panel data regression in table 4.2.3, The P-Value of 0.0008 is less than the P-Value of 0.05; Therefore, the null hypothesis is rejected and the alternate hypothesis is accepted. This implies that long term debt has a positive and significant effect on Profit for the year of Nigeria Oil and Gas firms.

Discussion of findings.

Total equity and profit for the year.

The result of the panel regression data shows that total equity has negative and non-significant effect on Profit for the year of Oil and Gas firms in Nigeria. This implies that there is a negative relationship between total equity and profit for the year because their coefficient is positive whereas total equity has non-significant effect on profit for the year because increase in total equity will likewise decrease in profit for the year at a non-significant level and vice versa. This is true because total equity increase is a sign that the company earnings have also increased. This result is in agreement with the finding of Sohail and Ulfat (2018) whose studies show a negative and non-significant effect of total equity on profitability of companies. This implies that total equity by the Oil and Gas firms studied in Nigeria does not promote their performance.

Short Term Debt and profit for the year.

Short term debt has a positive and significant effect on Profit for the year of Nigeria Oil and Gas firms. This implies that when short term debt increases, profit for the year increases in return. It is also in agreement with the finding of Abor (2021) who studied the relationship between short term debt and Firms Profitability. The author found out that there is association between short term debt and Firms Profitability indicating that null hypothesis was accepted.

Long term debt and profit for the year

Long term debt has a positive and significant effect on Profit for the year of Nigeria Oil and Gas firms. This result is in agreement with the findings of Iavorskyi (2023) whose studies establish that long term debt has a significant effect on the profitability of companies. This finding was also in agreement with the statement of Bradbury (2023) which established that long term debt has a significant effect on a company's financial performance.

Summary of Findings

The findings are summarised as follows:

1. Total equity has negative (coefficient -0.282573) and significant (P-value 0.1452) effect on profit for the year of Oil and Gas firms in Nigeria.
2. Short term debt has a positive (coefficient 0.498277) and significant (P-value 0.0013) effect to Profit for the year of Oil and Gas firms in Nigeria.
3. Long term debt has a positive (coefficient 0.562447) and significant (P-value 0.0008) effect on Profit for the year of Oil and Gas firms in Nigeria.

5.0 CONCLUSION AND RECOMMENDATIONS

Conclusion

The study examined the effect of Corporate financing sources on the performance of oil and gas firms in Nigeria. From the data collected and analysed, total equity has a negative and non-significant effect on profit for the year, short term debt has a positive and significant effect on profit for the year while long term debt has a positive and significant effect on profit for the year. The adjusted R-squared (R^2) indicated that 62% of the changes in profit for the year are accounted for by the explanatory variables (Total equity, short term debt and long term debt). Hence the study concluded that short term debt and long term debt exerts a positive and significant effect on the performance of Oil and Gas firms in Nigeria. This shows that the Oil and Gas firms should manage their short term debt and long term debt properly.

Recommendations

Following the result of the analysis of the study, the researcher made the following recommendations:

1) The study recommended that Oil and Gas firms in Nigeria should adopt diverse strategies aimed at improving their total equity as it shows how much money a shareholders invested in the business, moreover the study found out that total equity has non-significant effect on profit for the year of Oil and Gas firms in Nigeria.
2) Oil and gas firms should prioritise short term debt sustainability in their financing decisions. This includes considering the environmental, social, and governance (ESG) factors associated with different financing sources, as well as the potential impact on the firm's performance and social licence to operate. A policy or policies should be instituted by corporate bodies whereby a high percentage of net profit is retained in the business for investment purposes as the study found out that short term debt significantly affects profit for the year of Oil and Gas firms in Nigeria.
3) Oil and gas firms in Nigeria should carefully consider market conditions and economic factors when choosing long term debt financing sources. For example, during periods of low oil prices or economic instability, firms may face challenges in securing traditional financing and may need to explore alternative sources. Oil and Gas firms in Nigeria should improve their long term debt as it is used by investors to

show how their investment fund are being source as the study found out that long term debt is significantly affect profit for the year of Oil and Gas firms in Nigeria

Contributions to Knowledge

The aim of every research is its contribution to existing knowledge; hence, this study contributes to the existing knowledge by evaluating the effect of Corporate financing sources on the performance of oil and gas firms in Nigeria. It contributes to existing knowledge by establishing that short term debt and long term debt shows a positive and significant effect on profit for the year of Oil and Gas firms in Nigeria.

Suggested Area for further Studies

Other researchers can examine further the effect of Corporate financing sources on the performance of the conglomerate sector in Nigeria as the current study was done on oil and gas firms.

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