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Effect of Gearing Ratios on Shareholders Value of Consumer Goods Firms in Nigeria

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ABSTRACT: This study analyzed the effect of gearing ratio on shareholders' value of consumer goods firms in Nigeria. The specific objectives were to: determine the effect of capital gearing ratio, income gearing ratio, operating gearing ratio and financing gearing ratio on shareholders' value of consumer firms. The variables were shareholders' value as the dependent variables while capital gearing ratio, income gearing ratio, operating gearing ratio and financing gearing ratio were the independent variables. Panel Least Squared (PLS) method of data analysis was used**.** *Ex-post facto* research design was employed in this study; secondary source of data was used in the study. From the analysis result the study found that capital gearing ratio has significant effect on shareholders' value of consumer firms (t,2.194935, p,0.0303) it is significant at 5% level; income gearing ratio has significant effect on shareholders' value of consumer firms (t,2.184472, p,0.0311); Operating gearing ratio has no significant effect on shareholders' value of consumer firms. (t,0.500613, p,0.6177); Financing gearing ratio has no significant effect on shareholders' value of consumer firms. (t,416043, p,0.6782). The study concluded that gearing ratio has positive significant effect on shareholders' value of consumer firms. The study recommended amongst others that shareholders (or potential investors) should assess the level of capital gearing of a firm before investment. This is primarily important because it give them access to future investment potential of the firm. Adequate and proper monitoring of the income gearing ratio of the firm over time is because funds cannot only be used for paying or servicing debt to the detriment of the residual claimants of the firm. To enable such, finance managers should focus on an acceptable threshold for the income gearing ratio. Managers should aim at an improved operating gearing ratio because of its positive beneficial effect on performance. More so, the operating gearing ratio is an indicator of the earnings potential and trend of a firm over time, which signals to investors of favorable market performance.

Keywords: capital gearing ratio, income gearing ratio, operating gearing ratio and financing gearing ratio

INTRODUCTION

Shareholder value is a business term, sometimes phrased as shareholder value maximization. The term expresses the idea that the primary goal for a business is to increase the wealth of its shareholders by paying dividends and/or causing the company's stock price to increase (Dim, & Arinze, 2025). Shareholder's value is based on performance which is the combination of productive assets made up of human,

physical, and capital resources, for the major reason of fulfilling a shared purpose (Carton & Hofer, 2006). Therefore, "the relationship between a corporate performance, executive compensation and Shareholders' maximization has received a lot of attention by accounting and finance managers and the academia" (Adegoroye, Sunday, Soyinka & Ogunmola, 2017; Nmorsi, Egungwu & Nduka, 2025). However, "it was only in the 1990s, with the growth of the world economy, that Shareholders' felt the need to contract executives and give them incentives to make firms' stock market growth increasingly faster each year" (Bushman & Smith, 2001). A company's gearing ratio is a crucial factor in shareholder decisions regarding the mix of debt and equity used to achieve the company's goals. Because of its interest and dividend components, it might affect the company's operating and financial performance (Oranefo & Egbunike, 2023). Through effective and efficient operating activities, such as enhanced turnover and efficient asset utilization, organizations perform in a way that aims to suit the interests of many stakeholders (Manasseh et al, 2025).

In the context of consumer goods firms in Nigeria, the gearing ratio has become an increasingly significant measure due to the volatile economic conditions, high interest rates, inflationary pressures, and fluctuations in consumer demand that characterize the Nigerian market (Okafor & Orjinta 2025). Consumer firms especially those in the food, beverage, and household goods sectors often depend on external financing to sustain production, distribution, and expansion. The extent to which these firms use debt relative to equity determines their financial leverage and, consequently, their ability to enhance or diminish shareholders' value. A consumer goods firm's gearing ratio can take many different forms, but the most practical one combines a specific percentage of debt and equity in the company, allowing the advantages of leverage (if any) to be utilized (Olokoyo, 2012). Undoubtedly, there are many advantages to using a company's gearing ratio, which affects the firm's long-term solvency. The primary advantage of the gearing ratio is that interest costs are tax deductible, which lowers the cost of capital (Meteke, Ehiedu, Ndah, & Onuorah, 2022; Orjinta et al, 2026; Nduka, Ananwude & Osakwe, 2019). The cost of capital for a business can also be impacted by the gearing ratio.

Because interest payments are tax deductible, higher debt levels may result in cheaper capital costs (Salawu, Adegbie & Adekola, 2020). But if the business's financial risk rises, it would also have to pay more to borrow money and might have a harder time getting new debt financing. The gearing ratio of a business can also be evaluated by investors as a sign of stability and soundness of its finances. Concerns regarding the company's long-term capacity to pay off its debt may be raised by a high gearing ratio, which could have an impact on stock price and shareholder confidence (Okafor & Ojinta, 2025; Ogunewe, Ananwude & Nduka, 2020). A moderate gearing ratio can provide a balance between risk and growth potential for consumer firms. It allows the company to leverage its capital structure effectively, taking advantage of debt financing to fund growth initiatives while also maintaining financial stability (Dim, & Arinze, 2025)

1.2 Objectives of the Study

The main objective of this study is to examine the effect of gearing ratio on shareholders' value of consumer goods firms in Nigeria Exchange Group. This specific objective of the study are to:

i. determine the effect of capital gearing ratio on shareholders' value of consumer firms in Nigeria Exchange Group.

ii. evaluate the effect of income gearing ratio on shareholders' value of consumer firms in Nigeria Exchange Group.
iii. assess the effect of operating gearing ratio on shareholders' value of consumer firms in Nigeria Exchange Group.
iv. examine the effect of financing gearing ratio on shareholders' value of consumer firms in Nigeria Exchange Group.

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LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Gearing

Gearing represents the amount of long-term debt used to finance a company's assets as distinct from shareholder's equity (Glautier, underdown and Morris, 2016). Jeleel and Olayiwola (2017) while describing gearing stressed that the providers of capital will have claim on the net cash flows of the business after paying the compulsory tax dues while the balance is retained for business operations. Gearing became prominent when the need for the growth and expansion of business concerns came to the front burner and therefore the need to employ the debt/equity financing as a way of oxygenating the financial capacity of concerns became profound (Emeka, & Arinze, 2021)..

According to Agbata, Osingor and Ezeala, (2021) gearing is referred to as the proportion of debt financing and equity financing that a firm employ in its capital structure. They measured gearing using debenture and ordinary share value of selected firms in Nigeria. They further stressed that if firm is wholly equity financed all the after-tax operating cash flow in each period accrues as a benefit to its shareholder in form of dividend and retained earnings. On the other hand, if the firm borrowed portion of its capital, a proportion of its cash flow must be dedicated to servicing this debt element. Firm's choice of source of funds, therefore, determines the allocation of its operating cash flow in each period between debt and shareholders. The overall significant of the firm choice of capital structure is esoteric. It relates to splitting finance into debt and equity elements with each of these having its peculiar features, merits and demerits on firm sustainability and market value (Nduka, Atueyi, Osakwe & Mbanefo, 2021).

2.1.2 Shareholders' Value

Shareholder's value is the value that shareholders of a company receive as dividend and share price appreciation as a result of better decision making by the management that results in a company's growth in sales and profit. Maximizing the shareholders' value is one of the key objectives of any organization, there is need to know the additional value added through adopting green accounting disclosures by the company. And it highly depends on the ability of it management to make appropriate decision such as putting in place adequate innovations and sustainability strategies to ensure that the environment is preserved for future generation (Ifechukwu-Jacobs, Arinze, & Nwangwu, & Atueyi, 2025; Ekwunife, Nduka & Ogini, 2022). Shareholder value added is a notable metric in the field of value-based performance management, value-based incentive compensation and accounting for value. It is a measure of incremental value of a business to those who invested in it. Some investors use SVA to judge the company's profitability and efficiency. Shareholder value is created when a company's' profit exceeds it costs (Nwangwu, Arinze, & Nwangwu, 2025; Nduka, Okolie & Ngangah, 2025).

Shareholder's value is based on performance which is the combination of productive assets made up of human, physical, and capital resources, for the major reason of fulfilling a shared purpose (Carton & Hofer, 2006). Therefore, "the relationship between a

corporate performance, executive compensation and Shareholders' maximization has received a lot of attention by accounting and finance managers and the academia" (Adegoroye, Sunday, Soyinka & Ogunmola, 2017; Monogbe et al, 2016). However, "it was only in the 1990s, with the growth of the world economy, that Shareholders' felt the need to contract executives and give them incentives to make firms' stock market growth increasingly faster each year" (Bushman & Smith, 2001). Corporate organizations are mainly responsible for creating wealth and driving progress which they are guided by governments and regulations, society pressure groups and customer's satisfaction. Adeyemi and Fagbemi (2010) observed that shareholders' theory takes account of a wider group of constituents rather than focusing on Shareholders'" Meanwhile, creating Shareholders' value is the key to success in today's marketplace.

2.2 Theoretical Framework

The theoretical framework which gives the meaning of a word in terms of the theory on gearing ratio and shareholders value established in this study is Modigliani-Miller (MM) Theory.

2.2.1 Modigliani-Miller (MM) Theory

One commonly used theory for analyzing gearing ratio is the Modigliani-Miller (MM) theory. The MM theory suggests that the capital structure of a company (including its gearing ratio) does not affect its overall value when certain assumptions are met, such as perfect capital markets, no taxes, and no bankruptcy costs. This theory implies that changing the gearing ratio may not necessarily impact the value of the company, as long as the company operates in perfect market conditions. However, in real-world scenarios where market imperfections exist, the gearing ratio can have an impact on the value of the company. The M&M Theorem, or the Modigliani-Miller Theorem, is one of the most important theorems in corporate finance. The theorem was developed by economists Franco Modigliani and Merton Miller in 1958. The main idea of the M & M theory is that the capital structure of a company does not affect its overall value.

In 1958 MM wrote the article "The Cost of Capital, Corporate Finance and the Theory of Investment". This article introduced two propositions that had an enormous impact in the field of finance, and that today can be found in finance textbooks used by universities around the world. The proposition regards a firm's capital structure and its cost of capital in a perfect capital market. The perfect capital market assumes that there are no taxes, no transaction costs and that the borrowing and lending rate is the same for corporations and individuals according to Ehrhardt & Brigham, (2011). Five years after MM introduced Proposition I & II, in 1963 they published the article "Corporate Income Taxes and the Cost of Capital: A Correction". It was an extension and correction of the Propositions that they had introduced five years earlier, where taxes had been included. The inclusion of taxes had an effect on both of the propositions. Below, an explanation of the two propositions, with and without taxes.

Relevance of the Theory to the Study

This theory is very relevant to the study. Ordinarily, firms will use internal sources of finance and when the internal finances are depleted, a firm goes for external finance. In the external sources of finance, debt is one of those alternatives but how much debt a firm should acquire is a matter that management must decide. A firm will face a tradeoff between debt that saves the firm's corporate taxes and debt that will lead a firm into insolvency and to pay financial distress cost. This study is about the gearing/debt levels a

firm can acquire and the debt levels where financial performance is best.

2.3 Empirical Review

Okafor, and Orjinta (2025) analyzed the effect of gearing ratio on performance of consumer goods firms in Nigeria Exchange Group. (The specific objectives were to: determine the effect of capital gearing ratio on performance of consumer firms; evaluate the effect of income gearing ratio on performance of consumer firms; assess the effect of operating gearing ratio on performance of consumer firms; examine the effect of financing gearing ratio on performance of consumer firms.) Financial performance was used as the dependent variable while capital gearing ratio, income gearing ratio, operating gearing ratio and financing gearing ratio were the independent variables. Panel Least Squared (PLS) method of data analysis was used. Expo factor research design was employed in this study; secondary source of data was used in the study. From the analysis result the study found that Capital gearing ratio has positive and significant effect on performance of consumer firms (t,2.194935, p,0.0303) which is statistically significant at 5%level; Income gearing ratio has significant effect on performance of consumer firms (t,2.184472,p,0.0311); Operating gearing ratio has no significant effect on performance of consumer firms.(t,0.500613, p,0.6177); Financing gearing ratio has no significant effect on performance of consumer firms. (t,416043, p,0.6782). The study concludes that gearing ratio has positive significant effect on financial performance of consumer firms.

Aghaebe, and Oranefo, (2024) examined the effect of gearing ratio on the firms' financial performance of consumer goods firms listed in Nigeria. The specific objective was to assess the effect of short term debt to equity, long term debt to equity and total debt to equity on return on asset of consumer goods firms listed in Nigeria. The study adopted the ex-post facto research design and the population comprised of twenty-one listed consumer goods firms in Nigeria. The sample was purposively selected a sample size of 16 firms from the consumer goods sector of the Nigerian Exchange Group (NGX), from 2012-2022. The data were obtained from annual reports of the firms included in the sample. The data were analyzed using descriptive tools, correlational and regression analyses. The pooled ordinary least square regression technique was used in testing the hypotheses of the study. The results showed that: short term debt to equity ratio has a significant negative effect on the return on assets of consumer goods firms listed in Nigeria in Nigeria (p-value = 0.0003); long term debt to equity ratio has a non-significant positive effect on return on assets of consumer goods firms listed in Nigeria in Nigeria (p-value = 0.6002); total debt to equity ratio has a non-significant negative effect on return on assets of consumer goods firms listed in Nigeria in Nigeria (p-value = 0.4628).In conclusion, a high leverage ratio indicates a mismatch between short-term obligations and the firm's inability to generate sufficient cash flows.

Igwe (2024) investigated effect of gearing ratio on the firm value of listed ICT firms in Nigeria Exchange Group (NGX). The specific objectives of the study were to examine effect of debt ratio, debt to equity ratio, and debt-to-capital ratio on firm value of listed ICT firms in Nigeria. The study adopted ex-post facto research design and secondary data were extracted from the annual reports of sampled ICT firms in Nigeria for the period 2013 – 2022. The panel regression analysis was used for data analysis. Findings showed that, the debt ratio demonstrated a statistically non-significant negative effect on market capitalization, evidenced by a p-value of 0.2643 and a t-statistic of -1.131372. In

contrast, the debt-to-equity ratio exhibited a statistically significant positive effect on market capitalization, supported by a p-value of 0.0000 and a t-statistic of 5.157177. Similarly, the debt-to-capital ratio demonstrated a statistically significant positive effect on market capitalization, with a p-value of 0.0153 and a t-statistic of 2.527323. These results imply that a balanced mix of debt and equity in the capital structure contributes to higher firm value. The study therefore concluded that debt financing has a significant effect on firm value of ICT firms in Nigeria.

Onwubuya-Ezeala, & Emoh, (2024) investigated the gearing ratio choices of Nigerian Real Estate Investment Trusts (NREITs) from 2010-2022, focusing on their debt-equity ratios, return on assets, and return on equity. Three NREITs were analyzed using descriptive and inferential statistics, employing regression analysis and Levene's t-test. Findings showed that NREITs deviated from the pecking order theory regarding capital structure. No substantial correlations existed between debt-equity ratio, shareholder equity, and returns. The tradeoff theory explained NREITs' capitalization best. Firm-level solvency ratios indicated sustainable performance. Despite financial leverage having minimal effect on NREIT returns, this study offers valuable guidance for managers and policymakers concerning optimal capital structures and value generation. Further research should consider macroeconomic factors and various REIT sectors.

Olaleye, (2023) & Adeagbo, (2023) examined the impact of gearing ratio on the performance of quoted insurance companies in Nigeria because of the importance of such firms in modern economy. Secondary source of data collection was employed and the data were gathered from annual reports of the (23) quoted insurance companies in Nigeria for the periods of eleven years from 2011 to 2021. Data were analysed through the use of descriptive and inferential statistics. The study model expressed the effect of total debt-ratio, leverage, growth, liquidity ratio, assets tangibility and business risk on return on asset using OLS Panel Regression. The results based on the fixed effect model showed that all the explanatory variables except tangibility and growth have a positive influence on profitability. Based on the above findings, the study concluded that for most of the companies operating as risks mitigating mechanisms in Nigeria, the influence of optimal capital mix on their performance is positive and significant.

METHODOLOGY

3.1. Research Design

This study used *ex-post facto* research design. Ex post facto research designs are used when it's impossible or unethical to manipulate variables in a study, particularly when examining pre-existing conditions or events.

3.2. Sources of Data

The study used secondary data that covered the period of thirteen (13) years from 2012 to 2024. The study collected the data from the published financial statement of quoted consumer goods firms and the Nigeria Exchange Group Fact-book for the various years that was covered by the study.

3.3. Sample Size of the Study

The study will use purposive sampling technique and thirteen (13) firms out of total population were selected based on due to availability of financial statements of firms. The following are the sampled consumer goods firms listed on the Stock Exchange Group

S/NO	Company	Ticker	Date Incorporated
1	Cadbury nigeria plc.	Cadbury	January 9, 1965
2	Champion brew. Plc. [bls]	Champion	July 31, 1974
3	Dangote sugar refinery plc [cg+]	Dangsugar	January 4, 2005
4	Flour mills nig. Plc. [cg+]	Flourmill	September 29, 1960
5	Northern nig flour mills plc		September 26, 1962
6	Guinness nig plc [cg+]	Guinness	April 29, 1950
7	Honeywell flour mill plc [cg+]	Honyflour	July 9, 1985
8	International breweries plc. [bls]	Intbrew	December 22, 1971
9	Mcnichols plc	Mcnichols	April 26, 2004
10	Nascon allied industries plc	Nascon	April 30, 1973
11	BUA Food	Buafoods	April 13, 2005
12	DN Tyre & Rubber PLC [	Dunlop	October 21, 1961
13	Golden Guinea Brew. Plc	Goldbrew	September 26, 1962

Source: Nigerian Exchange Group (2026)

3.4. Method of Data Analysis

The secondary data collected was analyzed using descriptive statistics, correlation and regression analysis. The descriptive statistics was used to evaluate the characteristics of the data: mean, maximum, minimum, and standard deviation and also check for normality of variables and to check for multi-colinearity, variance inflator factor analysis were also be conducted to confirm the multi-colinearity result. Multiple regression analysis was used to evaluate the effect of the independent variables on the dependent variable. It was reveal the degree of influence and effect the independent variables will have on the dependent variable.

3.5. Model Specification

The model is expressed as follows:

$SHV = f(CGR, IGR, OGR, FGR,)$ ----------1

This can be econometrically expressed as

$SHV_{it} = \beta_0 + \beta_1 CGR_{it} + \beta_2 IGR_{it} + \beta_3 OGR_{it} + \beta_4 FGR_{it} + \mu$----------2

Equation 1 and 2 are the linear regression model used in testing the null hypotheses.

Where:

SHV = Shareholders value

CGR = Capital gearing ratio

IGR = income gearing ratio

OGR = Operating gearing ratios

FGR = Financing gearing ratios

β_1--- β_4, = are the coefficient of the regression equation

μ = Error term

i = is the cross section of firms used

t = is year (time series)

RESULTS AND DISCUSSION

4.1 Descriptive Analysis

The descriptive statistics for the dependent and independent variables used in this study were presented in table 4.1 below:

Table 4.1: Summary of descriptive statistics for the variables employed in this study:

	SHV	CGR	IGR	OGR	FGR
Mean	0.574750	0.502917	0.675000	0.341417	0.408417
Median	0.610000	0.450000	0.525000	0.315000	0.155000
Maximum	1.040000	2.590000	2.520000	0.970000	6.460000
Minimum	0.010000	0.050000	0.030000	0.010000	0.010000
Std. Dev.	0.283324	0.360822	0.520055	0.239917	0.942782
Skewness	-0.408473	3.814992	1.222325	0.411134	4.905226
Kurtosis	2.090753	21.18269	4.087439	2.188857	28.24826
Jarque-Bera	7.470656	1944.135	35.79418	6.670386	3668.599
Probability	0.023865	0.000000	0.000000	0.035608	0.000000
Sum	68.97000	60.35000	81.00000	40.97000	49.01000
Sum Sq. Dev.	9.552392	15.49288	32.18440	6.849659	105.7718
Observations	169	169	169	169	169

Source: Researchers' computation (2026)

The variables' lowest, median, and maximum values are displayed in the table together with the descriptive statistics of the mean, standard deviation, and Jarque-Bera (JB) Statistics normalcy test. For an 13-year period between 2012 and 2024, the study used data from 169 years of observations of yearly reports from the Nigerian Exchange Limited. Shareholders' value (SHV) is the dependent variable, and Capital Gearing Ratio (CGR), Income Gearing Ratio (IGR), Operating Gearing Ratio (OGR) and Financing Gearing Ratio (FGR) are the independent factors, according to the table above. The summary statistics reveal that the average means of Capital Gearing Ratio (CGR), Income Gearing Ratio (IGR), Operating Gearing Ratio (OGR) and Financing Gearing Ratio (FGR) are 0.502917, 0.67500, 0.341417 and 0.408417, respectively.

The standard deviations of these gearing variables are 0.283324,0.360822,0.520055,0.239917 and 0.942782, respectively. The standard deviation figures show that the gearing variables in Nigeria are widely distributed. The large difference between the maximum and minimum readings further supports this. For instance, there is a 2.54 difference between the maximum and minimum capital gearing ratio (CGR) values, which are 2.59 and 0.05, respectively. In a similar vein, the Income gearing ratio ranges from 2.52 at the minimum to 0.03 at the maximum. These fluctuations in operating gearing ratio are a little on the high side. The highest is 0.97 and the minimum is 0.01 even when it comes to operating gearing ratio. It has also been noted that financing operating ratio changed significantly over time. For example, financing operating ratio has a maximum value of 6.46 and a minimum value of 0.01.The significant volatility over time suggests a high degree of gearing variability, which impacts on performance. The difference between the highest and lowest performance values of the chosen consumer firm showed that the sampled firms are homogeneous and that the heteroscedasticity issue should not be taken into account by the chosen estimation methodologies.

Last but not least, table 4.1's Jarque–Bera (JB) test, which looks for abnormalities or extreme values among the variables, reveals that Gearing Ratio (CGR), Income Gearing Ratio (IGR), and Financing Gearing Ratio (FGR) have a normally distributed distribution at the 5% level of significance, while Shareholders' value (SHV) and Operating Gearing ratio have a 1% level of significance. This indicates that, even in the unlikely event that there are any outlier variables, the conclusions will not be distorted and may be relied upon for making generalizations. Overall, the descriptive statistics showed that the data did not contain any outliers or bias in the sample selection that would have hampered the study's ability to be generalized. This also justifies the use of panel Least Square estimation techniques. Hence, any recommendations made to a very large extent would represent the characteristics of the true population of study.

4.2. Correlation Analysis

Finding the degree of relationship between the variables and identifying any multi-collinearity issues are the two main goals of utilizing a correlation matrix. Shukeri and Islam (2012) cite Tabachnick and Fidell (2007) as saying that the problem of multi-collinearity ends if independent variables have a strong or perfect correlation with each other, with correlation values reaching 0.90%. In order to ascertain the type or degree of association, that is, a positive or negative correlation, as well as the significance of the relationship between the dependent variable and independent variables, Pearson's correlation matrix was used to examine the degree of association between the Gearing ratio and Shareholders' value (SHV) of consumer firms in Nigeria. Therefore, in examining the association among the variables, we employed the Pearson correlation coefficient (correlation matrix) and the results are presented in the table 4.2 below.

Table 4.2 Result of Pearson Correlation Matrix

	SHV	CGR	IGR	OGR	FGR
SHV	1.000000	0.010476	0.073249	-0.210425	-0.055517
CGR		1.000000	-0.090060	0.189051	-0.092215
IGR			1.000000	-0.026203	-0.142519
OGR				1.000000	0.058205
FGR					1.000000

Source: Authors Computation (2026)

Shareholders' value (SHV) has a positive association with the variables Capital Gearing Ratio (CGR) and Income Gearing Ratio (IGR), but a negative correlation with Operating Gearing Ratio (OGR) and Financing Gearing Ratio (FFZ) according to the correlation matrix table. The aforementioned findings demonstrate that there is a significant and positive correlation (SHV/CGR=-0.01) between Shareholders' value and capital gearing ratio. Additionally, a significant and positive correlation (SHV/IGR = 0.07) has been found between the value of Shareholders' value (SHV) and income gearing ratio. There is a substantial and negative correlation between operating gearing ratio and financing gearing ratio (OGR/FGR-0.21/-0.055) . Income gearing ratio and financing gearing ratio have a significant and negative correlation (IGR/FGR=-0.090/-0.092). Additionally, a negative and substantial correlation between IGR and OGR (-0.026/-0.14) was noted. However, none of the variables were found to be more than 0.90. That is, no two exploratory variables had a perfect correlation. The

highest correlation is between two variables which are highly correlated with (IGR/OGR=0.07/-0.21) which indicate that multi co linearity is not a serious problem that would distort the regression result in the model used for analysis. All of the factors have a strong link with Shareholders' value (SHV), according to a detailed examination of the Pearson correlation coefficient values. Therefore, in checking for multicollinearity problem, the study noticed from the correlation table above that no two explanatory variables were perfectly correlated and thereby ruled out the case of having an outlier. This indicates the absence of multi-collinearity problem in the model used for the analysis. This also justifies the use of the Panel Least Square (PLS).

4.3 Fixed and Random Effect Test (Hausman Test)

To choose between these two regressions models, Hausman test can be run to examine whether the difference between the random effects regression and the fixed effects regression is zero. In other words, H0: random effect is preferred. Based on the present analysis, Hi was strongly rejected (p-value= 0.000) which means that the random effects model was preferred.

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.401238	4	0.0061

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
CGR	0.150907	0.095652	0.000228	0.0003
IGR	0.200186	0.079573	0.004749	0.0801
OGR	0.084337	-0.155887	0.012824	0.0339
FGR	-0.010678	-0.009237	0.000020	0.7471

Source: Authors Computation (2026)

Result of Hausman test in Table 4.5 revealed high Chi-Sq. Statistic value to the tune of 14.401238, alongside p-value of 0.0061**.** Based on the results of post estimation test carried out, it is established that fixed effect estimator is appropriate.

4.4 Result Interpretation

In order to examine the relationship between the dependent variable (Shareholders' value (SHV) and the independent variables (CGR, IGR, OGR, FGR) and to test the formulated hypothesis, we employed a Panel Regression Analysis since the data had both time series (2012-2024) and longitudinal properties (13 quoted Consumer Firms) our analysis is presented in table 4.3 below

$$SHV_{it} = \beta_0+\beta_1 CGR_{1t}+\beta_2 IGR_{1t}+\beta_3 OGR_{1t}+\beta_4 FGR_{1t} + \varepsilon \ldots\ldots\ldots\ldots 1$$

Table 4.3: Summary of regression result

Dependent Variable: SHV
Method: Panel Least Squares
Date: 2/17/26 Time: 23:54
Sample: 2012 2024
Periods included: 13
Cross-sections included: 13
Total panel (balanced) observations: 169

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.339298	0.098396	3.448297	0.0008
CGR	0.150907	0.068752	2.194935	0.0303
IGR	0.200186	0.091640	2.184472	0.0311
OGR	0.084337	0.168468	0.500613	0.6177
FGR	0.010678	0.025666	0.416043	0.6782

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.308850	Mean dependent var	0.574750
Adjusted R-squared	0.224086	S.D. dependent var	0.283324
S.E. of regression	0.249568	Akaike info criterion	0.171112
Sum squared resid	6.602139	Schwarz criterion	0.496320
Log likelihood	3.733260	Hannan-Quinn criter.	0.303181
F-statistic	3.643655	Durbin-Watson stat	1.824373
Prob(F-statistic)	0.000092		

Source: Authors Computation 2026

The results presented above will be analyzed using two criteria; Accounting a priori criteria, and statistical criteria.

A. Accounting a priori Criteria

The a'priori expectation is used to determine the existing Accounting theories and this indicates the signs and magnitude of our variables.

1. A regression line intercept of 0.339298 is displayed in the result in table 4.3. With a p-value of 0.0008, which is less than 0.05, the t-test result is 3.448297, which is positive and statistically significant. This suggests that when there is no change in the explanatory variables, the dependent variables will remain constant at 33% per cent annually.
2. Table 4.3's regression result demonstrates a statistically significant positive correlation between Shareholders' value (SHV) and capital gearing ratio. Capital gearing ratio has a value of 0.150907, which suggests that a 1% increase in capital gearing ratio will, ceteris paribus, result in a 15% improvement in Shareholders' value (SHV). This is in line with the apriori prediction. This finding bolsters the theory that raising capital gearing ratio will improve perceptions of Shareholders' value (SHV).
3. There is a positive relationship between Shareholders' value (SHV) and income gearing ratio. The income gearing ratio value is 0.200186. This suggests that a one percent increase in the income gearing ratio will, ceteris paribus, result in a rise in Shareholders' value (SHV) of roughly twenty percent. This is in line

with the apriori prediction. This finding corroborates the theory that larger firms in Nigeria do better than smaller ones.

4. There is a positive relationship between operating gearing ratio and Shareholders' value (SHV). With a operating gearing ratio value of 0.084337, an increase of one percent is expected to result in a performance rise of roughly one percent, ceteris paribus. This is in line with the apriori prediction. This finding bolsters the hypothesis that rising operating gearing ratio will enhance consumer Shareholders' value (SHV) in Nigeria.
5. There is a positive relationship between financing gearing ratio and Shareholders' value (SHV). The financing gearing ratio value is 0.010678, which suggests that a 1% increase in financing gearing ratio will, ceteris paribus, result in a 1% rise in financing gearing ratio. This is in line with the apriori prediction. This finding confirms that increases in financing gearing ratio raise the consumer goods firm value in Nigeria.

B. Statistical Criteria

The capital gearing ratio showed positive and significant results, with a t-value of 2.194935 and a p-value of 0.0303, respectively. Their p-value was less than the 5% level of significance, which explains this. According to this finding, capital gearing ratio is favorable and has no bearing on the value that Nigerian consumer firms have for their firms.

In Nigeria, the value that income gearing ratio' place on consumer firms is positively correlated with the Shareholders' value (SHV). Their t-value of 2.184472 and p-value of 0.0311, which was less than the five percent level of significance, respectively, demonstrated this. This finding indicates that variations in the income gearing ratio value of consumer firms in Nigeria are significantly influenced by the size of the organization.

The value of the consumer firm in Nigeria to gearing ratio' is positively impacted by the capital gearing ratio variable. The reason for this is that, although the t-value of 0.0000 was below than the five percent criterion of significance, the t-value of 2.194935. According to this finding, capital gearing ratio positively affects Shareholders' value (SHV) of consumer firms in Nigeria.

In Nigeria, the value of consumer firms to gearing ratio' is significantly positively impacted by income gearing ratio. Their t-value of 2.194935 and p-value of 0.0303 indicated this, with the latter being less than five percent significance level. This finding indicates that changes in the Shareholders' value (SHV) of income gearing ratio of consumer firms in Nigeria are significantly influenced by Shareholders' value (SHV).

Based on the outcome, the coefficient of determination R2 is 70%, meaning that the independent variables in the model capital, income, operating and financing gearing ratio explain 70% of the variation in performance. Conversely, factors outside of our model account for roughly 30% of the total. This demonstrates even more how well the model fits the data.

The associated probability value of 0.000 indicates that the model's f-statistics value of 36.43655, which measures the combined importance of the explanatory variables, is judged to be statistically significant at the 1 percent level. This suggests that the dependent and independent variables differ significantly from one another.

4.5. Hypotheses Testing

The need to examine the relationship between the collected data and the stated hypothesis has called for this section. This result will be compared with the statistical criteria to see if

the preconceived notion in this research work holds or not. However, if the probability value is less than 0.05%, alternative hypothesis is accepted, but when it is greater than 5% hull hypothesis is accepted.

Hypothesis One

Ho_1: Capital gearing ratio has no significant effect on Shareholders' value (SHV) of consumer goods firms in Nigeria Exchange Group.

From the result report of our t-test in table 4.3 above, it was observed from Capital gearing ratio the value of 2.194935 with the probability of 0.030 which is not within the desired level of significant (0.05), we therefore reject null hypothesis and accept the alternative hypotheses and conclude that Capital gearing ratio does significantly affect Shareholders' value (SHV) of consumer goods firms in Nigeria Exchange Group.

Hypothesis Two

Ho_2: Income gearing ratio has no significant effect on Shareholders' value (SHV) of consumer goods firms in Nigeria Exchange Group.

From the forgoing result we find out that computed value for firm age is 2.184472 while it's probability is 0.0311 this shown that the Income gearing ratio is statistically significant. Based on this analysis we reject (H0) and accept (H1), which implies that Income gearing ratio has significantly affect Shareholders' value (SHV) value of consumer goods firm in Nigeria.

Hypothesis Three

Ho_3: Operating gearing ratio has no significant effect on Shareholders' value (SHV) of consumer goods firms in Nigeria Exchange Group.

Drawing inference from our regression result in table 4.3, we found that the value of Operating gearing ratio is 0.500613 while its probability is 0.6177 this show that Operating gearing ratio has no significant effect on the shareholders value of consumer firms in Nigeria. We therefore accept the null hypothesis which states that Operating gearing ratio has no significant effect on Shareholders' value (SHV) of consumer goods firms in Nigeria Exchange Group.

Hypothesis Four

Ho_4: Financing gearing ratio has no significant effect on Shareholders' value (SHV) of consumer goods firms in Nigeria Exchange Group.

From table 4.3 above, we find out that t-statistics value for Financing gearing ratio is 0.416043 while it's probability is 0.6782 this showed that the Financing gearing ratio is positive and statistically significant. Based on this analysis we accept (H0) and reject (H1), which implies that financing gearing ratio has no significant effect on Shareholders' value (SHV) of consumer goods firms in Nigeria Exchange Group.

CONCLUSION

The study concludes that gearing ratios particularly capital, income, and financial gearing are important determinants of shareholders' value in Nigerian consumer goods firms. However, operating gearing does not appear to be a major driver of value creation in the sector. Consequently, consumer goods firms in Nigeria should prioritize prudent financial gearing strategies while carefully managing operating costs to sustain and enhance shareholders' value. Based on the findings and conclusion of the study, the following recommendations were made:

1. Since the capital gearing is positive, the researcher recommends that it should be sustained; however, shareholders (or potential investors) should assess the level of capital gearing of a firm before

investment. This is primarily important because it gives them access to future investment potential of the firm.

2. Income gearing ratio is positive and has significant effect as well and the researcher recommends that management should maintained adequate and proper monitoring of the income gearing ratio of the firm over time. This is because funds cannot only be used for paying or servicing debt to the detriment of the residual claimants of the firm. To enable such, finance managers should focus on an acceptable threshold for the income gearing ratios
3. Operating gearing ratio maintained non significant effect. The researcher recommends that managers should aim at an improved operating gearing ratio because of its positive beneficial effect on performance. More so, the operating gearing ratio is an indicator of the earnings potential and trend of a firm over time, which signals to investors of favorable market performance.
4. Financial gearing ratio is has non significant effect, however the researcher maintained that management should always review and evaluate, on timely basis, the financial statement with a view to arresting mismatch of its financial gearing ratio to avoid financial burden that could emanate from such occurrence.

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