

## **EFFECT OF BANK CREDIT ON FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS COMPANIES IN NIGERIA**

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### **Abstract**

*This study examines the effect of bank credit on financial performance of listed consumer goods companies in Nigeria. The study adopted ex-post facto design by collecting data from annual reports and accounts of listed consumer goods companies in Nigeria for the period ten (10) years (2014 to 2023). The population of the study comprises the entire listed consumer goods companies in Nigeria, the target population becomes the entire 22 consumer goods companies quoted on the Nigerian Exchange Group (NGX) as at 2023. A sample size of 18 consumer goods companies listed on the NGX. Regression was used in analyzing the data. Findings from the study show that Short-term loan (STL) has a positive and significant effect on return on asset (ROA) of listed consumer goods companies in Nigeria while Long-term Loan (LTL) and Total Loan (TL) has a positive and insignificant effect on return on asset (ROA) of listed consumer goods companies in Nigeria. The study recommends among others that the consumer goods companies should focus more on Short-term loan other than Long-term loan. This is because short-term credit is significant in improving the financial performance of their companies.*

**Keywords:** Bank Credit, Financial Performance, Long term Loan, Short term Loan, Total Loan

### **1. Introduction**

Investments of hard earned resources have continuously been the option of people in the search for higher economic returns. Some of these investments are given by investors as borrowed funds to select companies in the hope of financial returns in the form of interests. To an investor, financial statements are the main tools used in depicting/showing the financial health and risk of a firm, and these affect investment decisions. One of the outstanding features in a typical financial statement, especially the capital structure section, is credit. Credit simply refers to as

money borrowed from another person or entity with an agreement of paying back with interest on an agreed date. Credit is a cheaper source of funding for most companies because it is tax deductible. In view of the fact that companies are allowed to charge interest expense on credit before arriving at the profit for the year, Bank credit has become a tempting source of finance to many companies. However, credits have fixed interests and principal commitments which can affect companies negatively if the credit profile grows out of control. In a worst-case scenario, successive default in interest payments could result in financial distress or bankruptcy. In this case, credit holders must be settled first and the equity owners stand the risk of losing their investments. Besides the negative implication of interest default, high credit profile requires surplus cash for credit servicing thereby limiting the ability of a firm to pay dividends. From historical sequence, the overdependence on credit has affected many big companies over time (Pandey, 2013). Therefore, companies must choose the best sources of finance that would enable them to reach the optimal financial structure so that they can make suitable financing options for positive outcomes

Corporate financing has attracted public interest as a result of its significance regarding investment decisions and economic wellbeing of companies. Indeed, the topicality of the concept has manifested in various studies, both in the developed and emerging economies. Though in exhaustive, these studies have mainly emphasized the choice of credit against equity structure, otherwise referred to as firm's capital structure, with a single leverage variant the dominant variable. The idea of credit as a non-heterogeneous source of funds is a strong theoretical construct, but studies that transcend leverage decision and explore other dimensions of the credit choice are necessary. This is because the nature of credit finance and its incentive features can change with its maturity (short or long) and fund providers (capital markets or banks).

Therefore, it is essential that a study of credits financing that will involve an examination of the individual effects of all credit variables such as short-term credit, long-term credit and total credit due to their different risk and return attributes (Zuraidah et al., 2012). Moreover, using different elements as measure of credit financing as against narrow measure will reveal occurrence of difference of funding by companies (Khan, 2012), which can hardly be revealed by a constricted study of credit structure. Lucey and Zhang (2011) highlighted long and short term credit ratios as good measure of leverage ratios in developing countries because of the fund mismatch caused by limited long term credit. The financial system in emerging economies, including Nigeria, is punctuated with poor credit markets. The external credit finance of most companies is mainly short term finance and greater reliance are placed on banks or other financial institutions for most of the external funds, thereby imposing extra burdens on the companies in the shape of exorbitant cost. This may account for the reasons why some scholars adopt different measures of credit ratio as against narrow measure of credit financial structure (For example, Chen, 2004; Khan, 2012; Ong et al., 2011). Mismatching funds is when long term investments are financed by short term credits rather than long term credits.

According to Harelimana (2015) bank credit decision refers to the financial framework of credit levels maintained by an entity. It is vital to managers by reason of the fact that it constitutes the basis for making financing decisions in any firm. Basically, the choice of credit structure a firm adopts is both financial and marketing problem and it depends on the risk and return characteristics of such firm and/or its management (Tudose, 2012). It is difficult to determine a firm's credit structure because the exact optimal credit mix can hardly be determined. For this reason, the firm must issue different securities in a countless mixtures to produce the

combination that maximizes its overall value (San & Heng, 2011), and increase performance. Optimal credit structure means a combination of funds which minimizes the weighted average cost of capital (WACC) and increases firm value.

The literature on the finance choice between credit and equity dwarfs studies on corporate credit facilities and performance dynamics. In other words, while several studies abound on the determinants of financing mix (both credit and equity structure), relatively only a handful of them are on the effects of credit financing on performance of consumer goods companies, especially in the developing countries. Due to these empirical inconsistencies, and given that most studies on the link between firm financial structure and performance are domiciled in the developed countries of Europe, America and Asia, a study based on empirical evidence from an emerging economy like Nigeria becomes warranted. The economies of the countries within these continents are reasonably stable, and so, it will be misleading to assume that results of studies carried out in those countries can be used to draw reliable conclusions on the emerging economies within the African continents because of the peculiarities associated with the different economies. For example, the regulatory framework, general business legal and audit environment of the developed countries are very much different from those of the developing countries. All these factors could alter the result of a study. This means that country-specific findings will be important in provoking a global discourse of the association between bank credit and corporate performance. This is a gap in literature upon which this study is deeply rooted. In filling this gap, the researcher attempted a robust combination of credit finance choices of short-term credit to asset ratio, long-term credit to asset ratio and total credits to asset ratio in modelling for corporate performance within the Nigerian environment.

Consumer goods industry in Nigeria is expected to be the most stable in the manufacturing sector, but unfortunately, the sector is grappling with series of challenges that have negatively affected the value of this sub-sector. Lack of modern technology, inadequate capital structure, excessive Bank credit, lack of electricity, natural disasters and inefficient use of available resources have put consumer goods companies in Nigeria in a very uncompetitive situation.

The delisting of some of the consumer goods companies by Nigerian Securities and Exchange Commission has generated so much worries in the minds of investors, financial analysts and academic researchers and fingers have pointed at the financial institutions and managers on how the affected companies were funded and managed, which led to their being delisted from trading on the floor of Nigeria Stock Exchange (NGX). Consumer goods companies such as Jos International Breweries Plc. in 2016, PS Mandrides Plc. in 2016, Premier Breweries Plc. in 2016 and UTC Nigerian Plc. in 2017 were delisted from the floor of Nigerian Exchange Group because of their regular failure to meet up with the listing rules and regulations stated in the NGX Rule Book 2015. The affected companies were unable to settle their creditors and the companies' assets were taken over by creditors. The affected companies failed to pay dividend and also failed to file their quarterly and annual financial statements as required by rule 21(1-5) of the Nigerian Exchange Group Rule Book 2015. According to Onyema (2019), first and second notice were issued to the affected companies for them to improve on their failure but they could not meet the requirement, hence the striking out of their names from NGX list.

Besides the downward trend of the performance in the consumer goods industry, what gave motivation to the present study is that a review of studies conducted on Bank credit and companies' performance with data from this sector have shown conflicting outcomes. Because of the importance of bank credit as a life wire and financial option for companies, it is needful to

conduct this current study with the view to exploring new outcomes in credit capital as a driver of the aforementioned companies' performance.

The main objective of this study is to investigate the influence of bank credit on the performance of listed consumer goods companies in Nigeria. The specific objectives are to:

- i. Examine the effect of long-term loan on the financial performance of listed consumer goods companies in Nigeria.
- ii. Examine the effect of short-term loan on the performance of listed consumer goods companies in Nigeria;
- iii. Examine the effect of total loan on the financial performance of listed consumer goods companies in Nigeria.

### **Hypotheses of the Study**

Based on the research questions above, we therefore proposed the following hypothesis:

H<sub>01</sub>: Long-term loan has no significant effect on financial performance of listed consumer goods companies in Nigeria.

H<sub>02</sub>: Short-term loan has no significant effect on financial performance of listed consumer goods companies in Nigeria.

H<sub>03</sub>: Total loan has no significant effect on financial performance of listed consumer goods companies in Nigeria.

## **2. Literature Review**

### **2.1 Conceptual Review**

#### **Bank Credit and its Effects**

In general context, Bank credit is the use of credit in a firm's financial structure. It involves the use of fixed-charge sources of funds such as loan and preference share capital along with the owner's equity in the capital structure. Bank credit is also gearing or trading on equity. The use of the term 'trading on equity' is derived from the fact that, it is the owner's equity that is used as a basis to raise credit. Bank credit impose restrictive power on the holders, that is, the suppliers of credit have limited participation in the company's profits, and this make them to insist on protection of the value of their resources by equity owners. In profit sharing, credit holders are first paid, that is their interest are settled before dividend is paid to the equity owners, besides they are also preferred in settlement in case of liquidation. It is therefore expected that owners or equity fund be levered or priced far above the contributions of the credit holders in the capital structure (Pandey, 2013).

Mathematically, if a firm borrows N100 at 8 percent interest rate per annum and invests it to earn 12 percent return per annum, the balance of 4 percent after payment of interest will belong to the shareholders and this constitute the profit from Bank credit. On the other hand, if a firm borrows the same amount and invests it to earn 6 percent interest/return on that investment, it means that, the shareholders will lose 2 percent per annum.

Arising from the double implications of using credit capital, it is often said that Bank credit is a double edged sword in that it provides the potential for increasing the shareholders' earnings as well as creating the risk for losses in case of default in settlement of timely obligations. In the observation of Black (2015) and Abor (2007), they submit that Bank credit affects not only the performance of the organization, but also the market value of the organizations. Management of Bank credit is very crucial in the organization because the funds obtained from creditors have to

be returned with interest. Also, the negative implication of using Bank credit is that it could multiply losses when interest payment accumulates. More so, failure to repay credit could result in bankruptcy and complete loss of shareholders' investment. Thus, Bank credit must be traded with caution because credit position positively affects return to shareholders in good times and adversely affects them in bad times (Sajid, 2016). This double implication of Bank credit makes it needful to assess its impact on firm value of consumer goods in Nigeria.

For the purpose of this study, bank credit is measured by use of total credits, long-term credits and short-term credits as proxies.

### **Concept of financial Performance**

The term financial performance refers to the benefits emanating from shares and those from the functioning and operational activities of a firm (Rouf, 2012). The performance a firm can be analysed via its financial statements such as the statements of financial position, comprehensive incomes, cash flow and statement of cash flows. Broadly speaking, the performance of a firm can be analysed via the use of financial ratios which express relationships between variables reported in financial statements of companies (Latridis, 2010). Financial ratios are useful and can meaningfully be used as performance measures when compared with other related meaningful information, either at present or past similar indicator(s) for the same firm or similar companies in the same industry.

According to Akle (2011), accounting-based measurements are generally considered as an effective indicator of a firm's performance. Accounting-based measurement indicates the profitability of companies on the short-term in the past years. Thus, it assists management in measuring the firm's overall efficiency. It is usually used as a measure for earnings generated by a firm during a period of time based on its level of sales, assets, capital employed, net worth and earnings. It is considered an indicator of growth, success and control. Shareholders also are interested in profitability since it indicates the progress and the rate of return on their investments. In the accounting literature, financial performance can be measured by means of profitability indicators such as earnings per share (EPS), dividend per share (DPS), return on asset (ROA), return on equity (ROE), operating profit (OP), return on capital employed (ROCE), profit margin (PM), return on investment (ROI) or market-based measurement ratios like Tobin's Q, market value added (MVA), market-to-book value (MTBV), annual stock return (RET) among others. In view of the aforementioned, this study shall focus on profitability measure of performance such as the return on asset (ROA).

For the purpose of this research, the study focused on Return on Asset (ROA) as a proxy to financial performance.

## **2.2 Theoretical Framework**

There are several theoretical paradigms which highlight the influence of credit on financial performance. This section provides an overview of the Trade-off Theory which is used in this study.

### **Trade off Theory**

Trade off theory (TOT) was developed by Myers and Majluf (1984). This theory reveals an idea of a company on how to choose how much credit finance and how much equity finance to be used in balancing costs and benefits. The root of this theory goes back to Kraus and Litzenberger (1973) when they considered a state preference model of optimal Bank credit and a balance

between the dead-weight costs of bankruptcy and the tax saving benefits of credit. This theory is often set up as a competitor theory to the pecking order theory of capital structure. The essential aspect of this theory is to explain the fact that companies usually financed partly with credit and partly with equity. The marginal benefit of further increases in credit declines as credit increases, while the marginal cost increases, so a firm that optimizing its overall value would focus on this trade-off when choosing how much credit and equity to use for financing.

Therefore, this theory has a very good relevance in this study as it provides an overview of the matching concepts between cost of credit and its benefits to the management of listed consumer goods companies in Nigeria where this study was carried out.

### **2.3 Empirical Review**

In this section, the focus is on the evaluation of some of the research works done by other researchers in this area of study.

Akaji et al. (2021) examined the effect of Bank credit on performance of companies in Nigeria. The researchers measured Bank credit using the variables of long-term Bank credit (LTDF), short-term Bank credit (STDF) and preferred stock financing (PSF). Three hypotheses were formulated to guide the study. The design used in the study was ex-post facto research design while data for the study were collected from the annual reports and NGX fact book. The collected data were analysed using ordinary least square (OLS) statistic. Findings showed that, Bank credit has significant and positive effect on firm's performance in Nigeria at 5% level of significant. The researchers concluded that, Bank credit has improved firm's performance over the years. Based on this, it was recommended that, companies should try to finance their investment activities with credits and consider equity as a last option. They further stated that, companies should be credit intensive in their financing decisions as it influences performance.

Aamir et al. (2021) conducted a study on Bank credit and firm performance of Pakistan Stock Exchange. The purpose of their study was to investigate the relationship between the listed companies' credit level and performance from the period of 2013 – 2017. The researchers used pooled ordinary least square regression and fixed random effects models to analyse a cross-sectional sample of thirty (30) Pakistani companies operating on the Pakistan Stock Exchange (PSX). The result of their study indicated that, both short term and long term credit had negative and significant impacts on firm performance. This suggested that agency issues may lead to a high-credit policy, resulting in lower performance. However, both sales growth and firm size have positive effects on the profitability of non-financial sector companies. The researchers concluded that, company owners and managers should find a satisfactory credit level when Bank credit significantly and negatively influences firm performance. They recommended that, the external source of financing should be the last option for management. This study is conducted on companies performance listed on the Pakistan Stock Exchange and their findings may not be applicable to the companies listed on the Nigerian Exchange Group, this is as a result of differences in laws.

Lenny and Tsholofelo (2020) investigated the impact of Bank credit on financial performance of retail companies listed on Johannesburg Stock Exchange for a period of 2010–2019. The researchers stated that extant literature showed contradicting results on the financing structure for retail companies. Longitudinal research design was adopted while data were collected from secondary source which is the annual reports/financial statements of the selected companies in South Africa. Convenience sampling technique was adopted to select seventeen retail companies

listed on the Johannesburg Stock Exchange (JSE) based on the availability of data within their study period.

The independent variables in their study include: lagged return on equity, long term credit to total asset, total credit to total assets, growth in sales and firm size. The method of data analysis was descriptive and inferential statistic and findings showed that size and long term credit to total asset had a negative influence on the financial performance of retail companies, which is consistent with the trade-off theory, and inconsistent with the pecking order theory. According to them, the possible reason could be that, most established retail companies prefer internal source of financing such as equity over credit. Findings further showed that lagged return on equity, total credit to total asset and growth in sales influence the financial performance of retail companies listed on the Johannesburg Stock Exchange (JSE) positively. The study recommended that, retail firm managers should be careful when considering options for financing and should preferably use internal source of financing rather than the external source of finance. The researcher uses longitudinal research design while this research uses ex-post facto research design. The findings may differ as methodology used differs. Moreover, the research was conducted in Johannesburg and his findings cannot be generalized due to differences in laws governing Stock Exchange.

Aniefor and Onatuyeh (2019) examined the effect of Bank credit on the corporate performance of listed consumer goods companies in Nigeria. The researchers stated that, the concept of Bank credit has assumed considerable importance in recent years given the fundamental role credits play in forming the financial structure of corporate companies. Data for the study were collected from the audited annual reports of fifteen (15) consumer goods companies listed in the Nigerian Exchange Group (NGX) for the period of 2006-2017. The data were analysed using descriptive statistics and panel regression technique. Findings showed that, total credit, long-term credit and short-term credit to asset ratio positively influenced the performance of consumer goods companies in Nigeria. The researchers recommended that, there is need for the Nigerian companies to rely less on short-term credits, which forms the major part of their leverage, and focus more on developing internal strategies that can help improved their performance. The time period differs as this research is for the period of ten years, ranging from 2014-2023

Shamsuddeen et al. (2019) examined the effect of Bank credit on firm's value of listed companies in Nigeria using panel data analysis for the period of 2008-2017. The researchers used correlational research design in their study. The population of the study consisted of 300 companies. The researchers sourced data from annual accounts and reports for the study. Enterprise value and earnings before interest and tax credit to asset ratio (EV /EBITDAR) were used as a proxy for firm value. The result from their study showed an insignificant effect on the short-term credit to total assets ratio on companies' value while the ratio for long-term credit to total assets, total credit to total assets and total credit to total equity showed positive effect on companies' value. The board size and firm growth showed no significant effect on companies' value whereas, firm size showed a negative effect on companies' value. From the findings of their study, the researchers concluded that, capital structure influence the companies' value of listed companies in Nigeria. The researchers recommended that, to reduce information asymmetry and moral hazard, managers of companies need to be mindful of the significance of transparency measures, which can improve their affairs with financial institutions in the business environment.

Nurul-syuhada *et al.* (2019) examined the influence of Bank credit on companies' performance using consumers' product industry in Malaysia. The purpose of their study was to investigate the influence of Bank credit on companies' performance in the consumer product industry in Malaysia. The companies' performance was measured based on return on assets (ROA), while the independent variables examined were accounts payable (AP), short-term credit (STD), long-term credit (LTD), and firm size. The data for this research were collected from consumer product companies in Malaysia that are listed by Bank Negara Malaysia. Fifteen years of data, from 2001-2015, were analysed. Simple random sampling technique was adopted by the researchers and the data collected were analysed using descriptive statistic and regression analysis. Findings revealed a significant relationship between short term credit and long-term credit on the performance of consumers' product companies in Malaysia. However, an insignificant relationship was found between account payable and firm's size on the performance of consumer product companies in Malaysia. The researchers stated that, other factors can be considered when measuring the performance of consumers' product companies in Malaysia. It was concluded in the study by the researchers that, the result of their research work can be useful to consumers' product companies in Malaysia to make a better financing decision. They recommended that, next research should improve by adding other variables that can influence firm's performance of consumers' product. This study is conducted on companies performance listed on the Pakistan Stock Exchange and their findings may not be applicable to the companies listed on the Nigerian Exchange Group, this is as a result of differences in laws.

Magoro and Abeywardhana (2017) conducted a study on credit capital and financial performance of listed companies operating in the wholesale and retail sector of South Africa. The researchers used panel data sample of twenty- five (25) South African wholesale and retail sector companies to examine the effect of credit capital on the financial performance of listed companies over the period of 2011 – 2015. Fixed – effects (within) regression model was adopted to measure profitability and financial performance. Finding from the study confirmed that credit capital in terms of short-term credit and long term credit had a negative effect on the financial performance of wholesale and retail sector companies of South Africa.

Josephat *et al.* (2011) conducted a study on the impact of Bank credit and value of companies in developing countries. Their study was on the present and potential investors that needed information for their investment decisions, which included the value creating potentials of relevant companies. They stated that, the information produced was to help investors to estimate the value of the firm which in turn would aid the process of investment decision making. It was from this background that their study examined the impact of Bank credit on the value of Nigerian companies adopting a bankruptcy model as a measurement for dependent variable. The study was based on the historical accounting data obtained from the financial statements and accounts of 28 quoted companies on the Nigerian Exchange Group and covered the period of 2004-2008. A bankruptcy model and multiple discriminant analysis (MDA) were adopted and the benchmark of 2.675 Z score was used to enhance the value or not. The result from their findings revealed that, twenty companies had value created as a result of external funds in their financial mix; eight companies did not create value under the same condition. Therefore, the use of Bank credit enhances the value of selected companies in Nigeria. The study recommended that, companies should be encouraged to make an effective financing decision in order to magnify the contribution to their economic growth and development.

### 3. Method

This study employed ex-post facto research design. This research design was adopted because it seeks to analyze secondary data which can hardly be manipulated by the researchers. The population of the study comprises the entire listed consumer goods companies in Nigeria, the target population becomes the entire 22 consumer goods companies quoted on the Nigerian Exchange Group (NXG) as at 2023. A sample size of 18 consumer goods companies listed on the NGX. Data used for analysis in the study were extracted from the published financial statements of the companies covering a period of 10 years from 2014 to 2023. This was supported, where required, with the financial information of the companies as contained in the NXG facts book. Both descriptive statistics (such as mean, standard deviation, and minimum, maximum) and inferential statistics (such as the panel regression model) were used to analyse the study data. The data obtained were subjected to regression analysis via STATA 13.0 version.

#### Model Specification/Measurement

The following is the regression models used in this study:

$$Y_{it} = \alpha_0 + \beta_1 LTL_{it} + \beta_2 STL_{it} + \beta_3 TL_{it} + \beta_4 SIZE_{it} + e_{it}$$

Where:

- Y = Return on asset (ROA) (Profit after tax/Total assets)
- SIZE = Company size (Log of total assets)
- TL = Total Loan (LTL+STL/Total assets)
- LTL = Long-term Loan (Long term Loan/Total assets)
- STL = Short-term Loan (Short term Loan/Total assets)
- e = Error term
- $\alpha$  = Constant term
- $\beta$  = Coefficients of the explanatory variables
- i = Listed Companies
- t = Period

### 4. Data Presentation, Analysis and Interpretation

#### Descriptive Statistics

Presented in Table 1 is the descriptive statistics of the dependent variable (return on asset: ROA), independent variables (total loan to assets ratio, long term loan to assets ratio and short term loan to assets ratio) and control variables (firm size).

**Table 1: Descriptive Statistics (Dependent, Independent and Control Variables)**

Variable	Obs	Mean	Std. Dev.	Min.	Max
ROA	180	6.296333	14.46057	-88.99	28.57
TL	180	1.563056	.4512831	.81	3.06
LTL	180	1.253222	.3855166	.61	2.87
STL	180	.3018333	.1944604	.07	1.2
SIZE	180	5.124667	.682228	3.28	6.33

**Source: Researcher’s Computation, 2023**

It can be seen that the mean value of ROA, TL, LTL, STL and SIZE are 6.2963, 1.5630, 1.2532, 0.3018 and 5.1246 respectively with standard deviations of 14.4805, 0.4512, 0.3855, 0.1944 and 0.6822 respectively. The maximum value of the variables was recorded by ROA with value 28.57 and its minimum value (-88.99). The descriptive statistics of mean and standard deviation implies that the variables are relatively clustered around the mean of 6.3%, 1.6%, 1.3%, 0.31% and 5.1% for ROA, TL, LTL, STL and SIZE respectively.

**Correlation Analysis**

**Table 2: Correlation Matrix (Dependent, Independent and Control Variables)**

Variable	ROA	SIZE	LTL	STL	TL
ROA	1.0000				
SIZE	0.3512	1.0000			
LTL	-0.1122	0.0397	1.0000		
STL	0.0042	0.0855	0.0935	1.0000	
TL	-0.2651	-0.0763	0.5299	0.1155	1.0000

**Source: Researchers’ Computation, 2023**

The Correlation Matrix in the table above shows the values of the correlation coefficient range from -1 to 1. The sign of the correlation coefficient indicates the direction of the relationship (positive or negative), the absolute values of the correlation coefficient indicates the strength, with larger values indicating stronger relationships. The correlation coefficient on the main diagonal are 1, because each variable has a perfect positive linear relationship with itself. It can be seen from the table above that ROA has a positive relation with STL and SZE of 0.0042 and 0.3512 respectively. However, ROA has a negative relationship with LTL and TL of -0.1122 and -0.2651 respectively.

**Table 4: Regression Results**

Roa	coef.	Std. Error	t	P-V.	[95] Cont.	[Interval]
LTL	-0.3760063	2.653149	-0.37	0.723	-6.221929	4.255896
STL	-17.85801	3.162730	-3.51	0.010	-21.57578	-1.823355
TL	-4.022933	2.235668	-1.80	0.074	-1.442007	.2965331
SIZE	7.369550	1.463221	4.29	0.001	4.462774	10.30590
const.	-21.17036	2.823740	-3.37	0.001	-41.23859	-12.13031

Source	SS	DF	MS	Number of obs.	180
Model	5542.50162	2	2407.91526	F ( 2, 177)	15.44
Residual	87004.6245	177	213.821374	Prob > F	0.000
Total	34467.7533	179	208.269130	R-squared	0.1478
				Adj R-squared	0.1369
				Root MSE	13.511

**Source: Researchers' computation, 2023**

From the table above, the coefficient of determinations (R-squared) revealed a value of 0.1478 indicating that about 14.78% of the variation in financial performance proxy by ROA of listed consumer companies in Nigeria are strongly caused by the independent and control variables (Long-term Loan, Short-Term Loan, Total Loan, and Size) and the remaining percentage is covered by the other factors that are not captured by the combine effect of explanatory variables. The adjusted R square is 13.69% which further indicates the fitness of the model. Finally, the summary of the model shows that the model is fit and that all explanatory variables have been carefully selected.

Long-term Loan (LTL) has a negative and insignificant effect on return on asset (ROA) of listed consumer goods companies in Nigeria with a p-value of 0.723. This implies that with or without long-term loan, the company can yield return on the ROA of listed consumer goods companies in Nigeria. Therefore the hypothesis which states that "Long-term loan has no significant effect on financial performance of listed consumer goods companies in Nigeria" is accepted.

Short-term Loan (STL) indicates a negative and significant effect on return on asset (ROA) of listed consumer goods companies in Nigeria at 1% level of significant which is lower than 5% level of significant. This may be as a result of less interest rate charge on short-term Loan. In lieu of this, the hypothesis which states that "Short-term credit has no significant effect on financial performance of listed consumer goods companies in Nigeria" is rejected.

Total Loan (TL) has a negative and significant effect on return on asset (ROA) of listed companies goods companies in Nigeria with a p-value of 0.074. Therefore the hypothesis which states that "Total Loan has no significant effect on financial performance of listed consumer goods companies in Nigeria" is rejected.

## **5. Conclusion**

The primary objective of this study was to investigate the effect of Bank credit on financial performance of listed consumer goods companies in Nigeria. To achieve this objective, we used 180 firm year observations in a panel data form for 18 consumer goods companies listed on the Nigerian Exchange Group from 2014 to 2023. We proxy financial performance using return on assets (ROA), which was calculated as profit after tax scaled by total assets. Component of Bank credit adopted as explanatory variables for the present study are total loan, long term loan and short term loan.

We conclude that Long-term Loan (LTL) has a negative and insignificant effect on return on asset (ROA) of listed consumer goods companies in Nigeria while Short-term Loan (STL) and Total Loan (TL) has a negative and significant effect on return on asset (ROA) of listed consumer goods companies in Nigeria

Based on the findings of the study, we recommend that listed consumer goods companies should focus more on shot-term credit other than Long-term credit. This is because short-term credit is significant in improving the financial performance of their companies. Moreover, consumer goods companies in Nigeria should seek to balance the trade-off between the benefits of credit and bankruptcy costs. This implies that a firm needs to choose credit ratio at certain proportion to be better off.

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