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EQUITY FINANCING AND CONSUMER GOODS FIRMS' PERFORMANCE: A DIFFERENTIAL ANALYSIS BETWEEN NIGERIA AND SOUTH AFRICA (2011-2021)

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ABSTRACT

This study investigated the differences in the effect of equity financing on the performance of listed consumer goods firms in Nigeria and South Africa. The study covered a period of eleven (11) years (2011-2021). The study purposively sampled twenty-four (24) firms from the study's population of forty one (41) consumer goods firms listed on the Nigerian Exchange Group Plc and the Johannesburg Stock exchange of South Africa. The study employed an ex-post fact research design and used secondary source of data to obtain panel data from the annual accounts and reports of the selected firms. Data sourced for were analyzed using random effects model and the average values (means). Findings from the study revealed that the coefficient of share capital is positive (0.903050) and statistically significant ($p=0.0099<0.05$) for listed consumer goods firms in Nigeria, but negative (−1.86262) and insignificant ($p=0.7961>0.05$) for the similar firms in South Africa. The beta value of retained earnings is negative (−0.683966) and significant ($p=0.0023<0.05$) for listed consumer goods firms in Nigeria, but positive (3.55649) and insignificant ($p=0.2617>0.05$) for the same firms in South Africa. The average results found that 45% and 7% of total assets of the firms in Nigeria were finance by retained earnings and share capital respectively, while 34%, and 1% of total assets of the same firms were respectively finance by retained earnings and share capital in South Africa. The study discovered that there are differences in the effect of capital and retained earnings on the performance of listed consumer goods firms in Nigeria and South Africa. The study confirmed that the appropriate modes of finance that could be considered for the effective performance of the firms in South Africa is the retained earnings, while in Nigeria is the share capital. The study concluded that the effects of equity financing on the performance of listed consumer goods firms in the two countries are differ. The recommended that Nigerian and South African governments should formulate new industrial policies or implement any existing one that will help rebranding the dead local enterprises including especially the affected consumer goods firms.

Keywords:

Consumer goods firms' performance, equity financing

1 INTRODUCTION

Equity financing has to do with funds mobilization and utilization through retained earnings and share capital to run a business. Consumer goods firms like other business entities need appropriate sources of funds to finance their activities, but the funds must be properly mobilized and utilized to avoid financial mismatches and negative effects on performance. Share capital and retained earnings are among the sources of capital through which various companies are being financed around the world (Mutie, Willy & Agnes, 2019). The cheapest mode of financing the business activities is the retained earnings. Firms with enough reserved profits will be well off and be able to invest its excess on profitable projects for their expansions and performance improvement than those firms with inadequate of it (Ravi, 2013). Using retained earnings to finance doesn't involve any financial risk and appears to be

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the most economical source of funding a business compared with other sources like equity capital (Abshir & Nigib, 2016). Shares may be issued through the public subscription, offer for sale, right issues, bonus issue, private placement, debt conversion, and offer for sales by tender (Abubakar & Olowe, 2019) Evaluating performance is very essential to the business owners and other stakeholders. Measuring performance is therefore a way of satisfying the interests of all those have stakes in a business. Return on equity is a measurement for performance and is estimated as the retained earnings after corporate income tax and finance charges divided by total equity (Anizawati, Wan-Mohd, Norlia, & Wan-Anisah, 2016). The recorded better performance of some businesses in African countries like South Africa, Ghana and Nigeria among others was as a result of strong links between the judicious capital utilization and effective finance management Chinonso & Micheal, 2019).

However, wrong choice of modes of finance is one of the factors that responsible for the recent failure and poor performance of many business organizations around the world (Omaliko & Okpala, 2020). Furthermore, the poor economic conditions and current inflation rates in Nigeria have reduced the abilities of many businesses to raise additional capital and lower the ratio of disposable income to the purchasing powers of the households Chidiebere and Inyiama (2014). These situations could also adversely be affecting the consumer goods firms in South Africa and Nigeria as the business entities by reducing the households patronage of consumer items in the two countries and consequently reduced the turnover rates and their profitability positions.

Besides that, most of the reviewed related studies such as Anizawati et al. (2016); Abshir and Nigib (2016); Jason (2018); Ahmad and Ghazalat (2019); Chizoba et al. (2019); Abubakar and Olowe (2019); Ali (2020) Omaliko and Okpala (2020) among others have concentrated their investigations on other sectors like financial services, Small and Medium Enterprises, education, health care services and industrial sectors apart from consumer goods sector which is the focus of this study. Above all, the studies that have investigated the differential effect of equity financing on the performance of listed consumer goods firms between 2011 to 2021using Nigeria and South Africa for comparison are rare in literature. It is against the above background that this study is examining the differential effect of equity financing on the performance of listed consumer goods-producing firms in Nigeria and South Africa between 2011 and 2021. From the problem of the study the following research questions are raised: What are the differences in the effect of share capital on the performance of listed consumer goods firms in Nigeria and South Africa? and is there any differences in the effect of retained earnings on the performance of listed consumer goods firms in Nigeria and South Africa?

1.1 Objectives of the Study

The main objective of this study is to investigate the differences in the effect of equity financing on the performance of listed consumer goods firms in Nigeria and South Africa. Specifically, the study:

i. evaluate the differences in the effect of share capital on the performance of listed consumer goods firms in Nigeria and South Africa;
ii. assess the differences in the effect of retained earnings on the performance of listed consumer goods firms in Nigeria and South Africa.

1.2 Research Hypotheses

The following hypotheses stated in null forms guide this study:

i. There are no differences in the effect of share capital on the performance of listed consumer goods firms in Nigeria and South Africa.

ii. There are no differences in the effect of retained earnings on the performance of listed consumer goods firms in Nigeria and South Africa.

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2 LITERATURE REVIEW

2.1 Equity Capital

Equity is a collective use of external and internal equities sources to run a business. External equity is the left-over business value after settling all the liabilities. Additionally, equity is a mix of share capital and retained profits including reserves which a business employed to finance its activities. Internal equity comprises the share premium, retained earnings and other internal equity components (Ali, 2020). It is the net amount of the company's assets that belong to the shareholders after deducting all liabilities (Adam, 2014). Equity are the funds obtained from the firms' investors through the share issue, retained earnings, reserves and share premium (Anizawati et al., 2016). Equity comprises the share capital, retained earnings, and other equities employed to run a concern (Mwangi, 2018). In another ways, equity is the money acquired from the investors of the undertakings through the issue of shares, other equities and earnings retained (Ahmad & Ghazalat, 2019). Firms that rely solely on equity are being regarded as unleveraged (Ahmad & Ghazalat, 2019). Chinonso and Micheal (2019) affirm that equity capital includes paid-up share capital, retained earnings, and share premium.

2.1.1 Retained Earnings

Retained earnings are the capitalized profits and the internal equity of a business. It refers to the long tenure internal financial sources that form a part of firms' total equity. It is the portion of profits retained and other reserves profits by the concern for re-investment instead of distributing them as a dividend to shareholders. Retained profits are the internally generated long-term funding sources meant for running firms' activities (Ravi, 2013). Furthermore, retained earnings are the profits reinvested for the expansion of an undertaking (Bassey Godwin & Aganyi, 2016). Retained earnings are the profits plugged back into the company in the form of reserves (Kornom-Gbaraba & Ugwuoke, 2019). Retained earnings are the long-term internal equity fund in forms of revenue and other reserves (Kariuki, Maina & Njagi, 2017). The most common internal source of financing a firm is the retained earnings (Kariuki et al., 2017).

2.1.2 Share Capital

Share capital is a long-term external funding source of a business. It is the portion of the company's external equity raised through the share issue. Share capital is the funds mobilized by selling of variety of shares to the existing or potential stockholders (Mathewos, 2016). Share capital is the funds generated by the firms by issuing ordinary shares (common stock) or preferred stock (preference share) and other external equity (Anizawah, 2016). Additionally, share capital is a resource bill raised through the issue of ordinary share and convertible loans stock (Magoro, 2017). More so, share capital involves issuing of ordinary shares, preference shares and converted debentures to run a concern (Chinonso & Micheal, 2019). Convertible loan stocks are the debentures converted into the ordinary share capital. Shares may be issued through the public subscription, offer for sale, right issues, bonus issue, private placement, offer for sales by tender, and convertible loan stocks (Adam, 2014).

2.2 Performance

Performance is the expected achievable result by an individual or group of individuals in an establishment. Performance simply means the stage at which the financial goals of a business have been achieved (Adam, 2014). Measuring performance is a financial evaluation method of knowing the well being of the corporate organizations. Measuring performance is a financial strategy of satisfying the interest of all stakeholders in a business (Ali, 2020). Performance is measurable in various ways, but it has to be evaluated accurately (Adam, 2014). Return on equity discloses the ways an establishment has judiciously and utilized its assets, and economically mobilized funds to generate profits. Abubakar

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and Olowe (2019) used return on equity to evaluate the financial performance of some listed corporate bodies in Nigeria.

2.3 Theoretical Review - Pecking Order Theory

This study is pinned on the Pecking Order Theory introduced by Myers and Majluf (1984). The theory assumed that there is no target capital structure and the principle of prioritizing financing should be followed while designing capital composition of the corporate organizations by starting from the cheapest source to the most expensive one (Adam, 2014). The theory proposed that companies should firstly consider retained earnings followed by debts and finally the share capital as the last alternative. Pecking Order Theory was coined by Myers and Majluf. The theory focused on the application of pecking order's principles of 'least cost-effort' and 'last resort' by funding the firms from the cheapest source capital that required least effort (retained earnings) to the highest cost of capital (share capital) as the last alternative (Ahmad & Ghazalat, 2019). The theory assumed that there is no target structure for any firms' capital but least cost order should be followed while choosing the capital sources for a company (Ahmad & Ghazalat, 2019)

From the view of the above theory, Pecking Order Theory supported that during capital structure financing decision, retained earnings should be considered being the most preferable and cheapest capital mode but, when the source is unavailable then the next cheaper funding source (debts) should be used which external equity (share capital) should be finally considered as the last alternative. Precisely and according to the theory, retained earnings sources of financing should be employed first, followed by debts capital and finally by equity. Conclusively, the theory proposes preference order to select capital sources as to improve the performance of the firms. However, the theory made an assumption that no target capital structure for any firms but the principles of least cost-effort and last resort regarding the choice of sources of corporate financing should be emulated to enhance firms' performance. The theory helped the managers to have an understanding of how to prioritize their firms' capital which put them at a liberty to have an absolute control over their concerns. Thus, Pecking Order Theory worth under-pinning the study.

2.4 Empirical Review

The research reviewed some studies from Nigeria, South Africa, other developing countries and developed countries as follow: A research was conducted by Ravi (2013) to look into "firms' growth and retained earnings behavior: a study of Indian firms" by covering a period of five years from 1996 to 2010. The study examined the behavior of earnings retained on firms' growth but uncovered the behavior of share capital and debts on the response variable that will be covered by this study. Secondary data used was analyzed using correlation and multiple regressions analysis. The study's results revealed that 'cash flow and dividend could influence retained earnings across the classifications of sample companies. The study concluded that retained earnings can be used for the acquisition of new assets and involve no financial risk in any business. The study carried out by Maswadeh (2016) to investigate "the effect of financing structure on the profitability and their dividends of Jordanian industrial companies" focused on the industrial goods sector. The study used a random sample of forty-seven companies that had all required information between 2008 and 2014. The study employed simple and multiple regressions to test the hypotheses and found a negative effect of debt capital on the firms' income, but a positive effect of the capital paid-up and returned earnings on the companies' income. The conclusion was reached that dividend effect on the income is higher than capital paid-up effect on returned earnings of the companies.

Ravi (2020) examined the efficiency implications of corporate earnings retentions' for 15 years, between 2002 and 2016 in India. The study used a multiple regression for data analysis. Findings from the work indicated that retained earnings were ineffectively used in the selection of financial

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performance parameters that the shareholders will use as a basis for' investment appraisal leading to distortion of the relationship between corporate profitability and shareholders' enrichment. A research work was conducted by Jason (2018) to examine "capital structure and profitability of listed retail firms in South Africa". The study obtained panel data and used regression models to analyze data. The study used a sample of 16 retail firms and covered the periods between 2008 and 2016 and the study's results showed that short-term significantly and negatively relate to profitability, long-term significantly and negatively related to profitability, and total debt significantly and negatively related to profitability. Bassey, Godwin, and Aganyi (2016) carried out a study assessing "the impact of retained profit on corporate performance: empirical evidence from Niger Mills Company, Calabar, Nigeria". The research work employed a secondary source of data and Karl's Pearson product-moment correlation coefficient for data analysis. It was discovered that retained earnings positively related to the company's performance and that the accumulated retained profits have the possibility of boosting future profitability. The study concluded that firms should be retaining more profits instead of distributing them all to shareholders. The study, therefore, recommended retaining a larger profit is necessary for a business to gain a more competitive edge over their competitors

Chizoba, John-Akamelu, and Ezejiofor (2019) examined the effect of financial mix on the profitability of beverage firms in Nigerian quoted Beverage Companies. The work applied regression analysis for the analysis of the obtained panel data. The study however found a positive and significant influence of short-term debt on the profitability of the companies while long-term debt lacks a positive significant impact on the firms' profitability. The study recommended 'that the firms need to be engaging retained earnings rather than debts and share capital to avoid liquidation'. Abubakar and Olowe (2019) "examined the impact of capital structure on the financial performance of selected quoted firms in Nigeria" using a cross-sectional time-series data comprising ten firms and covered seven years (2012-2018). A sample of ten (10) quoted firms on the Group of Stock Exchange Nigerian limited was purposively selected. The study used a panel multiple regression model for data analysis. The study discovered that there is a positive significant influence of short-term debt on the financial performance of the firms. The study recommended that the Security and Exchange Commission should motivate quoted firms in the country to go for more loan capital as it enhances the firms' financial performance.

Omaliko and Okpala (2020) investigated "the effect of financing mix on the financial performance of health care firms in Nigeria" from 2014 to 2018 using regression models for the analysis of the obtained secondary data. Findings from the work indicated that 'equity capital has a positive significant influence on the firms' performance and debt-equity financing has a positive significant influence on the firms' performance' but the preferred stock has a negatively and insignificantly influence on the firms' performance. The study concluded that 'financing-mix significantly influences the firms' performance. The research recommended that health care 'firms should always dare to attain optimal financing-mix to achieve the origination's overall objective. Mutie, Willy, and Agnes (2019) examined "the effect of equity finance on the financial performance of Small and Medium Enterprises in Kenya". The study's population comprised all the Small and Medium Enterprises. Random sampling was to source primary data through the questionnaire. Data obtained was analyzed using percentage, means, standard deviations, ordinary regression models, and correlation analysis. Findings from the study discovered that share capital and retained earnings are positively and significantly related to the performance of SMEs in the country. The study concluded that equity should be employed to finance the firms' activities. It was recommended by the study that SMEs in the economy should be using retained earnings and share capital sources of finance more often to finance their activities.

2.4.1 Gaps in Literature

This study has filled lacuna having discovered that most of the reviewed related empirical studies such as (2013); Bassey, Godwin et al. (2016); Mutie et al. (2019); Kornom-Gbaraba and Ugwuoke (2019) and Ali (2020) among others have used financing-mix, corporate earning retention, equity finance, financing structure, retained earnings, capital structure, retained profits, as their independent

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variables, but this study used equity financing that combined all them to evaluate firms' performance. The review also uncovered that the studies that have examined the differences in the impact of short-term debt, share capital, long-term debt, and retained earnings on the performance of listed consumer goods firms in South Africa and Nigeria from 2010 to 2020 are yet be discovered. The study has filled an identified gap as most of the reviewed related studies from Nigeria and South Africa only concentrated their investigations on the other sectors. For instance, Omaliko and Okpala (2020) focused on health care services sector in Nigeria instead of consumer goods sector which is the focus of this study. Without missing words, this study has fill another slit as most of the reviewed related studies have reduced their data analysis techniques to correlation analysis, ordinary regression models, and descriptive statistics. But, this study includes the panel data regression models of the pooled ordinary least square, fixed effect model and random effect model to together with some post-data analysis tests such as the F-test, Lagrange multiplier test, Hausman test, Woodridge test, panel unit root test, Ward test and to generate more robust results as all the employed techniques appear to be more suitable for the studies of this nature that use cross-sectional time-series data.

3 METHODOLOGY

This research employed an ex-post fact research design and covered a period of eleven (11) years from 2011 to 2021. The study's population is made up of forty one (41) consumer goods firms listed on the Nigerian Exchange Group Plc and the Johannesburg Stock exchange of South Africa which made up of twenty-one (21) firms from Nigeria and twenty (20) firms from South Africa. The study used purposive sampling technique to select twenty-four (24) listed consumer goods firms; fourteen (14) from Nigeria and ten (10) from South Africa based on the availability of data. The study used panel data from secondary source obtained from the annual accounts and reports of the selected firms. Using the secondary source of data is justifiable as the data on the study's variables could not be easily obtained through the primary sources. To achieve the study's stated objectives, both descriptive statistic and panel regression models comprising pooled ordinary least square, fixed effect and random effect modes were used for data estimation. The study conducted three post data analysis tests namely F-test, Lagrange Multiplier test and Husaman test to choose the most fitted data estimator that will generate more robust results.

The selected listed consumer goods firms in Nigeria are Nigerian Breweries Plc, Champion Breweries Plc., International Breweries, Flour Mills Nigeria Plc, Honey-well Flour Mill Plc, Dangote Sugar Refinery Plc, Cadbury Nigeria Plc, Nestle Nigeria Plc, Union Dicon Salt, PZ Cussons Nigeria, Unilever Nigeria Plc, Nascon Allied Industry Plc and Vitafoam plc, while the selected listed consumer goods firms in South Africa are Distell Group Holding, Crookes Brothers Limited, Tiger Brands Limited, RCL Foods Limited, Astral Foods Limited, British American Tobacco Plc, AH-Vest Limited, Oceana Group Limited, Anheuser-Buch Inbev and Tongaat Hulett Limited This study used the independent variable of equity financing proxied by of share capital measured in term of ration of share capital to total assets and retained earnings measured in term of ration of retained earnings to total assets as previously used by Abata et al. (2017) and Ravi (2020), while the dependent variables of return on equity (ROE) is measures in term of proit after tax and interest divided by total equity retained earnings abd share capital, and dependent variable of return on equity as used recently by Abubakar and Olowe (2019)

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4 RESULTS AND DISCUSSION

4.1 Descriptive Analysis

Table 4.1: Descriptive Statistics Result

Variables	Mean	Median	S.D.	Min	Max
ROE	0.112	0.0900	0.1990	-0.330	0.5600
SCP	0.137	0.0100	0.0045	0.0000	0.0100
RE	0.856	0.4300	0.2390	-0.2100	0.5100

Source: Author's Analysis, 2022

Table 4.1 presents the result of descriptive statistics in respect of listed consumer goods firms (LCGFs) in South Africa. Thus, the average value of the return on equity (ROE) is 0.112 implying that the firms achieve a low positive performance level of 11%. The standard deviation reflects that the dispersion of the data about the mean is quite low at 0.1990. The average value of the share capital (SCP) is 0.137 meaning that 1% of the firms' assets were financed by the SCP. The standard deviation of 0.0045 less than the mean value indicates a considerable clustering around the distribution means. The mean value of the retained earnings (REs) stood at 0.856 implying that 86% of the firms' assets were financed by it. The standard deviation of 0.2390 less than the mean value indicates a considerable clustering around the distribution means.

4.2 Panel Data Regression Analysis

Table 4.2: Pooled Ordinary Least Square Estimation Result

SERIES: ROE, SCP, RE

Total panel (balanced) observations: 110 Included 10 cross-sectional units Time-series length = 11				
Variables	Co-efficient	Std. Error	t-Statistic	Probability
C	−1.77077	4.45052	−0.3979	0.6915
SCP	−1.86262	7.20948	−0.2584	0.7966
RE	3.99209	3.55649	1.1220	0.2643
Model Parameters: R-squared Adjusted R-squared	 0.806104 0.794809			

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

Table 4.2 exhibits the result of the pooled ordinary least square (POLS) in respect of listed consumer goods firms (LCGFs) in South Africa. The R-square result shows that 81% (0.806104) of the total changes in return on equity (ROE) is jointly accounted for by share capital (SCP) and retained earnings, while other variables in the error term accounted for the remaining 19% changes in the value of the ROE. The adjusted R-square value of 0.794809 measured in terms of the ROE implies that even if other variables accounted for in the stochastic parameter were included in the model, the explanatory variables would still account for an 80% increase in the performance of the firms in South Africa. The result of the coefficient of SCP is negative (−1.86262) and statistically insignificant (p=0.7966>0.05) meaning that the variable shows a negative and insignificant impact on the ROE. The coefficient of REs

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is positive (3.99209) and statistically insignificant (p=0.2643>0.05) meaning it shows a positive and insignificant impact on the ROE.

Table 4.3: Fixed Effect Estimation Result (Cross-sectional period-specific)

SERIES: ROE, SCP, RE

Total panel (balanced) observations: 110 Included 10 cross-sectional units Time-series length = 11				
Variables	Co-efficient	Std. Error	t-Statistic	Probability
C	−1.77077	4.65871	−0.3801	0.7047
SCP	−1.86262	7.54673	−0.2468	0.8056
RE	3.99209	3.72285	1.0720	0.2863
R-squared	0.806104			

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

Table 4.3 exhibits the fixed effect model result for LCGFs in South Africa. The R-square result reveals that 81% (0.806104) of the total changes in the value of return on equity (ROE) is jointly accounted for by the explanatory variables, while other variables in the error term accounted for the remaining 19% changes in the ROE. The coefficient of share capital is negative (−1.86262) and statistically insignificant (p=0.8056>0.05) showing that it negatively and insignificantly impact the ROE. The coefficient of retained earnings is positive (3.99209) and statistically insignificant (p=0.2863>0.05) showing that its impact is positive and insignificant on the ROE.

Table 4.4: Random Effect Estimation Result (Cross-sectional period-specific)

SERIES: ROE, SCP, RE

Total panel (balanced) observations: 110 Included 10 cross-sectional units Time-series length = 11				
Variables	Co-efficient	Std. Error	t-Statistic	Probability
C	−1.77077	4.45052	−0.3979	0.6907
SCP	−1.86262	7.20948	−0.2584	0.7961
RE	3.99209	3.55649	1.1220	0.2617
R-squared Adjusted R-squared F-Stat P (f-stat)	0.806104 0.775163 26.05307 0.00000			

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

Table 4.4 presents the result of the random effect model for LCGFs in South Africa. The R-square result shows that 81% (0.806104) changes in the value of return on equity (ROE) will be jointly accounted for by the study's explanatory variables, while other variables in the error term will account for the remaining 19% changes on ROE. The adjusted R-square value of 0.775163 implies that even if other variables accounted for in the stochastic parameter were included in the model, the retained earnings (REs) and share capital (SCP) would still account for a 78% increase in the performance of the firms in the country. This indicates that the study's explanatory variables have joint and global significant effects on the performance of the firms. The F-statistics result is 26.05307 with a probability value of

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0.000000 at a 5% level of significance implying that the study's model is statistically significant and suggests that the significant linear relationship between the explanatory variables and return on equity (ROE) does not exist. That is, there is the overall significance of the study's parameters, the appropriateness of the model used for data analysis, and the probability values employed are valid enough to explain the outcome of the ROE. The result of the coefficient of SCP is negative (−1.86262) and statistically insignificant (p=0.7961>0.05) meaning that the variable shows a negative and insignificant impact on the ROE. The coefficient of retained earnings is positive (3.99209) and statistically insignificant (p=0.2617>0.05) meaning that the variable show a positive and insignificant impact on the ROE.

4.3 Descriptive Analysis

Table 4.5: Descriptive Statistics Result

Variables	Mean	Median	S.D.	Min	Max
ROE	-0.0509	-0.0400	0.0477	-0.190	0.000
SCP	0.136	0.0500	0.0505	0.0400	0.180
RE	0.845	0.410	0.0744	0.370	0.610

Source: Author's Analysis, 2022

Table 4.5 presents the result of descriptive statistics in respect of LCGFs in Nigeria with a special focus on the mean (average) to predict the outcome of the study's explanatory variables. Thus, the mean value of retained earnings (REs) is -0.0509 implying that the firms achieve a low-performance level of -5% (losses). The standard deviation reflects the dispersion of the data about the mean is quite low at 0.0477. The average value of share capital (SCP) stood at 0.0156 meaning that 2% of the firms' assets were financed by share capital. The standard deviation of 0.0505 less than the mean value indicates a considerable clustering around the distribution means. The mean value of retained earnings (REs) stood at 0.875 implying that 98% of the firms' assets were financed by REs. The standard deviation of 0.0744 less than the mean value indicates a considerable clustering around the distribution means.

4.4 Panel Data Regression Analysis

Table 4.6: Pooled Ordinary Least Square Estimation Result

SERIES: ROE, SCP, RE

Total panel (balanced) observations: 254 Included 14 cross-sectional units Time-series length = 11				
Variables	Co-efficient	Std. Error	t-Statistic	Probability
C	0.0705939	0.288428	0.245	0.8070
SCP	0.9030500	0.350323	2.578	0.0109
RE	−0.683966	0.223928	−3.05	0.0027
R-squared	0.968611			

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

Table 4.6 presents the result of pooled ordinary least squares (POLS) in respect of LCGFs in Nigeria. The R-square (Regression coefficient) result exhibits that 97% (0.968611) of the total variation in return on equity (ROE) is jointly accounted for by retained earnings (RE) an share capital (SCP), while other variables in the error term accounted for the remaining 13% of the variation in the ROE. The

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result of the coefficient of SCP is positive (0.9030500) and statistically significant (p=0.0109<0.05) showing that it negatively and significantly impact the firms' ROE. The coefficient of REs is negative (−0.683966) and statistically insignificant (p=0.0027<0.05) meaning that REs show a positive and significant impact on the ROE.

Table 4.7: Fixed Effect Model Estimation Result (Cross-sectional period specific)

SERIES: ROE, SCP, RE

Total panel (balanced) observations: 254 Included 14 cross-sectional units Time-series length = 11				
Variables	Co-efficient	Std. Error	t-Statistic	Probability
C	0.07059	0.302095	0.234	0.8156
SCP	0.90305	0.366923	2.461	0.0151
RE	−0.68397	0.234539	−2.916	0.0042
R-squared	0.96861			

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

Table 4.7 reveals the result of the fixed-effect model for LCGFs in Nigeria. The R-square result reveals that 97% (0.968611) of the total variation in return on equity (ROE) is jointly accounted for by the retained earnings (REs) and share capital (SCP), while other variables in the error term accounted for the remaining 19% of the variation in the ROE. The result of the coefficient of SCP is positive (0.9031) and statistically significant (p=0.0151<0.05) showing a negative and significant impact of the variable on the ROE. The coefficient of RE is negative (−0.68397) and statistically insignificant (p=0.0042<0.05) meaning it has a positive and significant effect on ROE.

Table 4.8: Random Effect Estimation Result (Cross-sectional period specific)

SERIES: ROE, SCP, RE

Total panel (balanced) observations: 254 Included 14 cross-sectional units Time-series length = 11				
Variables	Co-efficient	Std. Error	t-Statistic	Probability
C	0.070594	0.288428	0.2448	0.8066
SCP	0.903050	0.350323	2.5780	0.0099
RE	−0.683966	0.223928	−3.054	0.0023
R-squared Adjusted R-squared F-Stat. P (f-stat)	0.968611 0.967330 756.0289 0.000000			

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

Table 4.8 reveals the result of the random effect model for LCGFs in Nigeria. The R-square result shows that 97% (0.968611) of the total variation in return on equity (ROE) is jointly accounted for by the retained earnings (REs) and share capital (SCP), while other variables in the error term accounted for the remaining 3% of the variation in the ROE. The adjusted R-square value of 0.967330 for the ROE implies that even if other variables accounted for in the stochastic parameter were included in the model, the study's explanatory variables would still account for a 96% increase in the performance of the firms in South Africa. This indicated that the study's explanatory variables have a joint and global significant effect on the firms' performance. The F-statistics result is 756.0289 with a probability value of 0.000000 at a 5% level of significance implying that the study's model is statistically significant. This

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suggests no significant linear relationship between the explanatory variables and the ROE. That is, the study's parameters, the appropriateness of the model used for data analysis, and the probability value are valid enough to explain the outcome of the ROE. The result of the coefficient of SCP is positive (0.903050) and statistically significant (p=0.0099<0.05) showing a negative and significant impact of the variable on the ROE. The coefficient of the RE is negative (−0.683966) and statistically insignificant (p=0.0023<0.05) meaning that it has a positive and significant impact on the return on equity.

Table 4.9: Post Data Estimation Tests Results

	LCGFs in South Africa	LCG Fs in Nigeria
F- Test of Joint Significant of Differing Group Mean (JSGM): Statistics P-value 0.99 > 0.05	 0.000345 1.00. > 0.05	 0.00017 1.000 > 0.05
Breusch-Pagan Lagrange Multiplier Test: Statistics P-value	 5.500 0.019 < 0.05	 7.700 0.006 < 0.05
Hausman Test: Statistics P-value	 0.000 1.00	 0.000 1.00
Wald Test for Heteroskedasticity: Chi-square stat. P-value	 0.0073 1.0000	 1.7919 1.000
Wooldridge Test for Autocorrelation: t-stat p-value	7.86356 2.5120	2.522586 2.21116

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

Table 4.9 shows the study's results for the post-data estimation tests conducted to select the best data estimator. From the results, the F-tests between POLS and fixed effect with a statistical value of 0.000345 and probability value of 1.000 goes against the null hypothesis that POLS is not adequate in favor of fixed effects for listed consumer goods firms (LCGFs) in South Africa. Thus, the null hypothesis of no fixed effect is accepted in favor of POLS. The Lagrange multiplier test result between POLS and random effect model reveals a statistical value of 5.500 and probability value of 0.019 < 0.05 supporting the null hypothesis that POLS is not appropriate in favor of the random effect alternative. Thus the null hypothesis of no random effect is rejected. Also, the Hausman test was conducted between fixed effect and random effect models with a chi-square statistical value of 0.000 and a probability value of 1.000 > 0.05 level of significant which supports the null hypothesis of no fixed effect in favor of random effects alternative, thus the alternative hypothesis is accepted. Therefore, random effect is the most appropriate model for data analysis and for the confirmation of the study's hypotheses for LCGFs in South Africa. The findings from other post data estimation tests for LCGFs in South Africa show that the Ward test with a chi-square of 0.0003 and probability value of 1.000 is greater than 0.05 level of significant, thus the null hypothesis is insignificant indicating there is absence of heteroscedasticity in the series. The Wooldridge t-Statistical result of 7.86356 with a probability value of 2.5120 > 0.05 level significant implies that there is no autocorrelation.

Also, for the selected firms in Nigeria, the result of F-test between POLS and fixed-effect models shows a statistical value of 0.00017 and probability value of 1.000 which assumes that a low probability value counts against the null hypothesis that POLS is not adequate in favor of fixed effect for listed consumer goods firms (LCGFs) in Nigeria. Thus, the null hypothesis of no fixed effect is accepted in favor of POLS. The result of Lagrange Multiplier test between POLS and random effect model shows a statistical value of 7.700 and probability value of 0.006 < 0.05 which assumes that a low probability

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

Table 4.10: Comparisons of the Results

Variables	Listed Consumer Goods Firms in Nigeria		Listed Consumer Goods Firms in South Africa	
	Random Effect Model		**Random Effect Model**	
	Beta Value	P-value	Beta Value	P-value
SCP	0.903	p=0.009 < 0.05	−1.86	0.800> 0.05
RE	−0.684	p=0.0023 < 0.05	3.992	p=0.2617>0.05

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

Table 4.10 shows the comparative results random effect model for listed consumer goods firms in both Nigeria and South Africa.

4.5 Confirmation of Hypotheses

H_O1: There are no differences in the effect of share capital on the performance of listed consumer goods firms in Nigeria and South Africa.

The results of the study's hypotheses one in table 4.10 revealed that the beta value of share capital has a positive and significant effect on the performance of listed consumer goods firms in Nigeria, while the coefficient of share capital has a negative and insignificant effect on the performance of listed consumer goods firms in South Africa. Therefore, the null hypothesis is rejected. Thus there are differences in the effect of share capital on the performance of listed consumer goods firms in Nigeria and South Africa.

H_O 2: There are no differences in the effect of retained earnings on the performance of listed consumer goods firms in Nigeria and South Africa.

The coefficient of retained earnings for hypothesis two from table 4.10 shows a positive and significant effect on the performance of listed consumer goods firms in Nigeria, while the beta of retained earnings also shows a is positive but insignificant effect on the performance of of listed consumer goods firms in South Africa. Thus, the null hypothesis is also rejected implying that here are differences in the effect of retained earnings on the performance of listed consumer goods firms in Nigeria and South Africa.

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4.6 Discussion of Findings

This study investigated the differences in the effect of equity financing on the performance of listed consumer goods firms in Nigeria and South Africa. The results of three post-data estimation tests conducted supported random effect model as the most the most suitable model for data estimation and confirmation of the study's hypotheses for both listed consumer goods firms in Nigeria and South Africa. The result found that the coefficient of share capital is positive and significant for listed consumer goods firms in Nigeria, but negative and insignificant for the similar firms in South Africa. This result implies that a unit increase in the value of share capital of the firms in Nigeria will increase their performance by 90%. Also, any unit increase in the value of share capital of the same companies in South Africa will reduce their performance by 186%.

Findings from the study also discovered that the beta value of retained earnings impact the performance of listed consumer goods firms negatively and significantly in Nigeria, but positively and insignificantly in South Africa. The results indicate that a unit increase in the value of retained earnings of the firms in Nigeria will consequently reduce their performance by 68%. That is, the more the profits of the companies in Nigeria are retained the poor their performances will be. This result is similar to the research outcome of Ravi (2020) which revealed that retained earnings were not effectively used by the sampled firms causing its negative effects on their performance. In the other side, the results showed that any unit increase in the value of retained earnings of the firms in South Africa will aftermath improve their performance by 356%, That is, the more the profits of the firms in South Africa are retained the greater and better their performances will become. The result supports the study' outcome of Bassey et al (2016) that retained earnings positively and significantly impact the firms' performance and they are a reliable and available capital source for boosting future earnings of any company. On a final note, the results of F-statistics statistics discovered that there is overall significance of the study's parameters, the appropriateness of the models employed for data analysis and that the probability values are sufficient enough to explain the outcome of return on equity.

5 Conclusion and Policy Recommendations

The study revealed that equity financing affect the performance of listed consumer goods firms differently in Nigeria and South Africa. The study discovered that there are differences in the effects of retained earnings and share capital on the performance of the firms in the two economies. As the share capital appeared to be the appropriate modes of finance that could be considered for the effective performance of the firms in Nigeria, it imply that the companies financial directors were able to judiciously utilize the proceeds from the share issued to generate return to the shareholders than their counterpart in South Africa. But the ability of consumer goods firms in South Africa to manage their retained earnings is a reflection of the positive effect their retained earnings on their performance recorded. This result is consistent with result of the study conducted by Chizoba, John-Akamelu, and Ezejiofor (2019); Abubakar and Olowe (2019) of positive effect of retained earnings on financial performance of the firms.

Theoretically, consumer goods firms in the two economies appeared to have followed the pecking order theory's assumption during their capital structure decisions as the results disclosed that the firms use to prioritize their sources of finance having firstly consider the cheapest mode of finance known as retained earnings and using the share capital as the last resort. This shows the relevance of the application of the theory in financing decision of the business globally. However, the two countries can achieve greater economic growth by rebranding their dead local enterprises including the affected consumer goods firms as those firms with better performance will attracting more foreign investors into their countries as a contribute to their economic growth. Based on the findings and conclusion reached, the study recommended that Nigerian and South African governments should formulate new industrial

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policies or implement any existing one that will help rebranding the dead local enterprises including especially the affected consumer goods firms instead of insisting on the annual corporate tax hike.

5.1 Significant Contributions to Knowledge

The outcome from this research provided information that the effects of share capital and retained earnings on the performance of listed consumer goods firms in Nigeria and South Africa are not the same as the results revealed that there is a negative effect of share capital on the performance of consumer goods firms in South Africa but the effect is positive for their counterparts in Nigeria, while the retained earnings has a negative effect on the performance of these firms in Nigeria but the effect is positive for their counterparts in South Africa. The study detected that the appropriate modes of finance that could be considered for the effective performance of listed consumer goods firms in Nigeria is the share capital and in South Africa is the retained earnings.

5.2 Practical Implications of the Study

Discovery of a negative effect of share capital on the performance of listed consumer goods firms in South Africa implying that proceeds from it was not judiciously utilized and this has to be noted for remedial actions by the stakeholders of the firms in the affected country. The finding is implicative because the fear of the Directors of the companies not to to raise additional equity will switch up the firms' gearing positions which are also financially risky. The study's also detected that retained earnings of listed consumer goods firms in Nigeria negatively affect their performance because some of the firms in the industry were not making profits but operating at a loss. The result is implicative as the mode of finance that the companies ought to fall back with during their funding shortages has turned to negate their firms' performance in the country.

5.3 Limitation and Future Scope of the Research

The coverage of this research is limited to Nigeria and South Africa and uncovered other African Countries. The study only investigated the effect of equity financing on performance but uncovered debt financing. The study used the period range between 2011 and 2021 and only concentrated on the consumer goods sector. However, further research should be conducted to cover other African Countries apart from the two already covered economies using similar variables combinations and the same sector.

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