

The Effect of Financial Leverage on Corporate Performance of Some Selected Companies in Nigeria

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Abstract

This paper empirically examines the effect of financial leverage on selected indicators of corporate performance in Nigeria. In an attempt to juxtapose the earlier findings that were specific of developed nations, econometric technique of Vector Auto Regression (VAR) model was employed. The findings revealed that Leverage shocks exert substantially on corporate performance in Nigeria. In addition, Earnings Per Share (EPS) depends more on feedback shock and less on leverage shock. Leverage shocks on Earnings Per Share indirectly affect the Net Assets Per Share of firms as the bulk of the shocks on the Net Assets Per Share was received from Earnings Per Share of the firms. Leverage therefore significantly affect corporate performance in Nigeria. Thus, theories that are adequate for indigenous macro economic variables should be developed instead of depending on the structured theories of the advanced developed countries of the world, as these theories cannot be appropriate proxies for advancing the course of the developing nations.

Key words: Financial Leverage; Corporate Performance; Earnings Per Share (EPS); Net Assets Per Share (NARS); Leverage Stocks; Capital Structure; Vector Auto Regression Model (VAR)

Résumé Cet article examine de façon empirique l'effet de levier financier sur les indicateurs sélectionnés de la performance des entreprises au Nigeria. Dans une tentative de juxtaposer les résultats antérieurs qui étaient spécifiques des pays développés, la technique économétrique de régression automatique Vector (VAR) a été employée. Les résultats ont révélé que les chocs de levier exercent essentiellement sur la performance des entreprises au Nigeria. En outre, le bénéfice par action (EPS) dépend de plus sur le choc des commentaires et moins sur le choc de levier. Chocs de levier sur le bénéfice par action indirecte sur les actifs nets par action des entreprises comme la majeure partie des chocs sur les actifs nets par action a été reçue de bénéfice par action des entreprises. L'effet de levier conséquent affecter significativement les performances de l'entreprise au Nigeria. Ainsi, les théories qui sont adéquates pour les autochtones variables macroéconomiques devraient être développées au lieu de dépendre des théories structurées des pays avancés du monde, que ces théories ne peuvent pas être procurations appropriées pour faire avancer le cours des nations en développement.

Mots clés: Effet de levier financier; Rendement organisationnel; Bénéfice par action; Actif net par action; Les stocks de levier; La structure du capital; Modèle de régression du Vecteur Auto

Keywords

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