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Unveiling the Dynamic Impact: How External Financing Transforms the Financial Performance of Nigerian Breweries

[1]Elechi Ogbonnaya Okpara, [2]Ikwor Ogbonnaya, [3]Ikechukwu Eze Okereke, [4]Okereke Chukwu Ugwu, [5]Linus Egwu Ele, & [6]Abraham Cecilia Ezinne

[1]Department of Accountancy, Ebonyi State University, Abakaliki, Nigeria
[2,3,4,5&6]Department of Economics & Dev Studies,
Alex Ekwueme Federal University Ndufu, Nigeria

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Abstract

This paper examines the effects of external financing on the financial performance of Nigerian Breweries Plc (NB Plc). Using the model of autoregressive distributed lag (ARDL) analysis of the financial data of NB Plc over the period 2001–2021, the study investigates the three possible sources of external financing that the firm could potentially access: initial public offering, debentures, and term loans as the input variables. It examines the impact of these sources of financing on the firm's profitability, as measured by the return on assets as the output variable. The results of this study indicate that external financing has a significant effect on the financial performance of NB Plc. The initial public offering, debentures, and term loans have a positive and significant impact on the profitability of the Nigerian breweries. The paper also finds that external financing increases the firm's risk. Overall, this research provides a comprehensive analysis of the impact of external financing on the financial performance of NB Plc. The findings highlight the importance of external financing for the firm's performance and serve as a useful reference for other firms operating in the Nigerian brewing industry. Based on the results, the paper proposes that the positive impact of initial public offerings, debentures, and term loans underscores the importance of diversifying external financing sources. Policymakers could encourage companies like NB plc to explore a mix of these funding options to enhance their financial performance.

Keywords: *Initial Public Offering (IPO), Debentures, Term Loans, ARDL.*

Corresponding Author: *Elechi Ogbonnaya Okpara*

Background to the Study

The Nigerian brewing sector's significant contribution to Nigeria's economic growth is widely acknowledged. However, a crucial factor influencing its performance is the effectiveness of external financing for business expansion. An efficiently designed and executed financial management strategy within Nigerian breweries is expected to have a favorable impact on the firm's overall value. Consequently, the financial management challenge lies in achieving the right balance between a company's liquidity, solvency, and profitability (Padachi, 2006; Lazaridis, 2006). Effectively managing liquidity, solvency, and profitability is paramount to financial performance, as it directly influences a firm's profitability (Rajesh & Ramana, 2011). Managing a company's finances and working capital is vital for ensuring daily operations run smoothly and meeting financial obligations (Eljelly, 2004). Ultimately, profitability goals can be realized through efficient resource utilization, leading to the maximization of shareholder value (Panwala, 2009).

The Nigerian brewery sector has been attracting the attention of global industry giants like South African Breweries Ltd. (SABMiller), Carlsberg, and Castel (Sterling Capital, 2010). These investments underscore the growth potential within the brewery industry, promising positive developments in terms of sector growth and expanded market penetration.

External financing, also referred to as external funds, represents the capital that companies secure from sources external to their operations. It encompasses all monetary resources originating from outside the business entity, with none of the business proprietors contributing their own funds; instead, the capital is derived from external origins. Examples of external financing methods employed by companies include the Initial Public Offering (IPO), Seasoned Equity Offering (SEO), Equity Capital, Debentures, Term Loans, Venture Capital, Leasing, Hire Purchase, Trade Credit, Bank Overdraft, and Factoring. External financing pertains to capital acquired from external channels, distinct from retained earnings, which are internally generated through a business's operations (Roger and Wright, 1998). External financing sources play a pivotal role for business owners, as procuring the necessary investment to initiate or expand a business can be challenging. These sources facilitate access to initial funds for business establishment or further investment in existing enterprises.

The Initial Public Offering (IPO) denotes the initial issuance of shares of stock or debt securities to the general public, aimed at raising capital. Conversely, the Seasoned Equity Offering (SEO) represents the subsequent issuance of shares by a business after its initial public offering in the stock markets. SEO, also known as secondary equity offerings, typically serves the purpose of augmenting capital by accessing the financial markets. Equity capital, as an external source of financing, entails collecting capital from the company's owners and other shareholders in exchange for ownership stakes in the company (Gavrea, Ilies, and Stegerean, 2011).

Debentures represent certificates of loan or loan bonds that indicate a company's obligation to repay a specified amount with interest. While funds raised through debentures become part of a company's capital structure, they do not constitute share capital. Debentures are categorized as senior or subordinate, each with varying degrees of risk and payoff priority. Additionally, the issuance of debentures involves associated costs, and they are secured by certain company assets (Okoye and Ifeukwu, 2021).

Companies like Nigerian breweries heavily rely on external financing through term loans, which are specific-amount loans from banks with predetermined repayment schedules and fixed or floating interest rates (Okoye and Ifeukwu, 2021). Term loans share similarities with debentures, although they generally entail lower issuance costs due to bank or financial institution involvement, without public company participation. Banks conduct rigorous assessments of a company's financials and future plans to gauge its debt servicing capacity, and these loans are often collateralized by certain assets.

The financial performance of Nigerian breweries can be assessed using metrics like return on assets (ROA) and return on equity (ROE). ROA measures a company's profitability in relation to its total assets and indicates how efficiently management utilizes assets to generate earnings. A higher ROA signifies better efficiency, as the company earns more income with fewer investments (Okoye and Ifeukwu, 2021).

Nigerian Breweries Plc, being the largest brewing company in Nigeria, boasts one of the most advanced brewing facilities in the country. It produces a wide range of popular beverages, including lagers, stouts, malt drinks, ready-to-drink beverages, cider, carbonated soft drinks, and energy drinks, catering to both local and international markets (Nigerian Breweries Plc 2021 Annual Reports and Accounts). Their product lineup comprises notable brands such as STAR, Heineken, Gulder, Goldber, "33 Export," Life, More, Stella, Legend, Amstel Malta, Ace Passion, Strongbow Apple Cider, Fayrouz, and Climax (Nigerian Breweries Plc 2021 Annual Reports and Accounts). Nigerian Breweries Plc operates 11 breweries, 2 malting plants, and 26 sales depots. It enjoys a growing presence in international markets and provides sales, logistical, and marketing support to merchants and vendors (Nigerian Breweries Plc 2021 Annual Reports and Accounts). These brands are available in 13 countries, including the United Kingdom, South Africa, and the United States, as well as various countries in the Middle East and West Africa. The company's headquarters are situated in Lagos, Nigeria. Nigerian Breweries Plc was first listed on the Nigerian Stock Exchange (now Nigerian Exchange Limited, "NGX") in 1973 and, as of December 31, 2021, had a market capitalization of approximately ₦404 billion, making it one of Nigeria's largest companies by market capitalization (2021 Audited Financial Statement of Nigerian Breweries).

The brewing sector in Nigeria faces a myriad of challenges that span economic, political, socio-cultural, and technological domains. These challenges have introduced a degree of instability to the brewing subsector, which, in turn, has implications for reliable information availability and decision-making within organizations. This instability poses significant threats to the brewing industry and hampers the ability of managers to gauge the industry's direction (Padachi, 2006; Lazaridis, 2006). Notable issues contributing to environmental instability encompass fluctuating exchange rates, high inflation rates, unfavorable industrial policies impacting production and distribution, and frequent technological changes affecting the brewing subsector. Additional environmental instability challenges that may influence the brewing industry's performance include suboptimal return on turnover, security concerns, competition from non-alcoholic beverages, limited market share acquisition, work stoppages leading to man-hour losses, reduced returns on exports, inadequate industrial production, underutilized capacity, high import costs, limited market investment, unemployment, and an absence of well-defined manufacturing processes.

These aforementioned problems could explain the fluctuations observed in the financial performance of Nigerian breweries, as evident in their recent financial reports. Both the operating profit margin and net profit margin have experienced consistent declines in recent years (Padachi, 2006; Lazaridis, 2006). Similarly, profitability indicators for Nigeria have displayed fluctuations in recent years. Given these disparities in performance and the identified challenges, this paper aims to address the following research questions.

Research Questions

i. To what extent does the initial public offering affect the financial performance of Nigerian breweries?
ii. To what extent do debentures affect the financial performance of Nigerian breweries?
iii. To what extent do term loans affect the financial performance of Nigerian breweries?

Objectives of the Study

i. To determine the effect of the initial public offering on the financial performance of Nigerian breweries.
ii. To examine the effect of debentures on the financial performance of Nigerian breweries.
iii. To evaluate the effect of term loans on the financial performance of Nigerian breweries.

Research Hypotheses

H_0: Initial Public Offering has not significantly enhanced the financial performance of Nigerian Breweries Plc.

H_0: Debentures have not significantly enhanced the financial performance of Nigerian Breweries Plc.

H_0: Term loans have not significantly enhanced the financial performance of Nigerian Breweries Plc.

Significance of the study

1. Understanding Financial Performance: This paper helps shed light on how external financing mechanisms, such as initial public offerings, debentures, and term loans, influence the financial performance of Nigerian breweries. By examining these specific sources of financing, it provides insights into which funding methods have a more significant impact on the company's financial performance.
2. Investment Decision-Making: For investors and stakeholders in Nigerian breweries, this can inform their decision-making processes. Understanding how different financing options affect return on assets allows them to assess the company's financial health and make informed investment choices.
3. Strategic Financial Management: The findings can guide the financial management strategies of Nigerian breweries and similar companies in the brewing industry. It provides insights into how to optimize external financing sources to improve financial performance and enhance profitability.
4. Industry Insights: The paper contributes to a broader understanding of the brewing industry in Nigeria. It offers valuable information on the role of external financing in shaping the financial landscape of companies within this sector.
5. Policy Implications: Policymakers and regulatory authorities can use the findings to formulate policies that encourage or regulate specific financing methods within the brewing industry. This can have implications for economic growth and investment in the sector.
6. Academic Contribution: Academically, this paper adds to the body of knowledge in finance and economics. It provides a case study that can be referenced by future researchers studying the impact of external financing on financial performance in different contexts.

In essence, this paper helps stakeholders, investors, and the industry at large gain a deeper understanding of how external financing options, such as initial public offerings, debentures, and term loans, can transform the financial performance of a prominent player in the Nigerian brewing industry, Nigerian Breweries.

Review of Existing Literature

The effect of initial public offerings, debentures, and term loans on the financial performance of Nigerian breweries

The impact of initial public offerings, debentures, and term loans on the financial performance of Nigerian breweries, as measured by return on assets (ROA), is multifaceted. An initial public offering (IPO) introduces new equity capital and may enhance financial performance if effectively deployed to generate higher returns on assets. On the other hand, debentures, representing a form of debt financing, can increase financial leverage but may also lead to higher interest expenses, potentially affecting ROA. Term loans, while providing liquidity and investment opportunities, can result in additional financial obligations. The overall effect of these financing mechanisms on ROA depends on the company's ability to allocate and manage these resources efficiently.

Therefore, the relationship between external financing options and ROA in Nigerian breweries reflects a complex interplay of capital structure and financial management strategies, ultimately impacting the firm's profitability and asset utilization.

Theoretical Review

Proprietary Theory

The proprietary theory of external financing centers on the perspective of business owners as the core focal point in accounting practices and financial statement preparation. It places paramount importance on determining and analyzing the proprietor's net worth, with the accounting equation being Assets minus Liabilities equals Proprietor's Equity. In essence, this theory asserts that the proprietor is the ultimate owner of both assets and liabilities within the business context. If liabilities are considered negative assets, the proprietary theory becomes asset-centric, emphasizing the significance of balance sheets in reflecting the owner's interests and financial position within the company.

Entity Theory

The entity theory of external financing shifts the focus from individual owners to viewing a business entity as a separate, distinct entity from its owners. Under this theory, the business is considered a separate legal entity with its assets and liabilities, distinct from those of the owners. External financing, such as loans or investments, is perceived as transactions between the business entity and external parties, rather than directly affecting the ownership interests of individual owners. Consequently, the entity theory emphasizes the separation of business and personal finances, promoting transparency and accountability in financial reporting and decision-making while safeguarding the interests of all stakeholders, including creditors and shareholders, in the entity's financial well-being.

Review of Empirical Studies

Ujunwa and Patrick (2020) conducted research on the organizational environment and performance of selected brewery firms in Nigeria (1990–2020). Their study employed the Ordinary Least Squares (OLS) technique to address methodological issues and empirical statistics. They assessed company profitability as the dependent variable while considering exchange rates, investments, imports at specific time points, exports, and industrial production as independent variables. The results indicated that profitability increased with investments and exports, while profitability decreased by 1% with fluctuations in the exchange rate.

Monica and Hanafi (2019), explored the effect of external financing needs and sustainable growth on firm value in manufacturing companies listed on the Indonesia Stock Exchange. Their research employed multiple regression with the Ordinary Least Squares technique. The findings revealed that external financing had no significant impact on firm values, indicating that varying levels of external financing did not affect company value. However, the sustainable growth rate had a significant effect on firm value, suggesting that a company's sustainable growth, whether high or low, influenced its value.

Agu, Udeh, Nwafor, and Okolo (2019) examined the impact of corporate eco-efficiency on the profitability of Nigerian Breweries Plc. They adopted an ex-post facto research design, analyzing ten years of panel data from 2008 to 2017. The study focused on Nigerian Breweries Plc due to its prominent position in the brewing industry. Using secondary data from annual sustainability reports, they tested three hypotheses. The results indicated a positive and significant effect of energy efficiency, water utilization efficiency, and greenhouse gas emission management on the profitability of Nigerian Breweries Plc.

Lucas and Peter (2018) evaluated the financial performance of brewery firms using financial ratios. Their research employed a descriptive ex-post facto design, examining brewery firms listed on the Nigeria Stock Exchange from 2011 to 2015. The findings suggested that the brewery industry was profitable and efficient in generating returns for shareholders. Additionally, the industry exhibited low financial risk, and its managers effectively managed stocks, highlighting the importance of prudent debt management in capital structures.

Obi and Imo (2016) investigated the impact of external financing on the dividend per share of quoted manufacturing firms in Nigeria. They adopted an ex-post facto research design, analyzing the financial statements and accounts of quoted manufacturing firms from 1999 to 2012. The study revealed a negative and non-significant impact of external financing on dividends per share, emphasizing the need for financial decisions that enhance shareholder value and the long-term sustainability of firms.

Amah and Ken (2016) delved into the capital structure composition and financial performance of firms in the brewing industry in Nigeria. They focused on two breweries listed on the Nigeria Stock Exchange from 2004 to 2013 and assessed financial performance using various measures. Their regression analysis showed a negative relationship between capital structure composition and financial performance, underscoring the significance of capital structure decisions on firm performance.

Model Specifications

To evaluate how external financing influences the financial performance of Nigerian breweries, the functional representation is as follows:

$$ROA = f(IPO, DEB, TLN) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots .1$$

Where;

ROA = Return on asset
IPO = Initial public offering
DEB =Debentures
TLN = Term loans

The dependent variable is return on assets (ROA), while the independent variables are initial public offering (IPO), debentures (DEB), and term loans (TLN). Expressing equation (1) in econometric terms, the linear regression model is structured as follows:

$$ROA_t = \beta_0 + \beta_1 IPO_t + \beta_2 DEB_t + \beta_3 TLN_t + \mu_t \dots\dots\dots\dots\dots\dots\dots\dots 2$$

Where;
ROA, IPO, DEB and TLN as previously defined
β_0 = Constant
β_1, β_2 and β_3 are the coefficients or parameter estimates
t = trend variable
μ = error term

In order to enhance the statistical analysis's validity and promote a more linear relationship between the dependent and independent variables within the model, the series mentioned above will undergo a log transformation, resulting in the following log-log equation specification:

$$LROA_t = \beta_0 + \beta_1 LIPO_t + \beta_2 LDEB_t + \beta_3 LTLN_t + \mu_t \dots\dots\dots\dots\dots\dots\dots\dots 3$$

Where;
ROA, IPO, DEB and TLN as previously defined
β_0 = Constant
β_1 and β_3 = Parameter estimates
L = Natural log of ROA, IPO, DEB and TLN
t = trend variable
μ = error term

Model Justification
The model justification for assessing the effect of initial public offerings, debentures, and term loans on the financial performance of Nigerian breweries, with return on assets serving as a proxy measure, lies in its pursuit of comprehending the crucial relationship between external financing mechanisms and a brewery's financial health. By examining these financing options, the model endeavors to illuminate whether such capital infusions influence the efficiency and profitability of Nigerian breweries. Return on assets, as a representative metric for financial performance, is utilized to gauge the efficiency of asset utilization in generating profits. The model aims to discern whether these specific financing instruments have a statistically significant impact on Nigerian breweries' capacity to optimize their assets, thereby contributing to a more holistic understanding of the financial dynamics within the brewing industry in Nigeria.

Source of Data
This study sourced its data from secondary outlets, precisely, it collected annual time series data for the variables spanning from 2001 to 2021. These time series data were

extracted from the Annual Reports and Accounts of Nigerian Breweries Plc, exclusively for the study's duration.

Findings and Discussion

Unit Root Test

In time series analysis, a common procedure involves performing a unit root test to ascertain the integration order of the variables. The null hypothesis posits that the variable possesses a unit root, signifying non-stationarity, while the alternative hypothesis suggests the absence of a unit root, indicating stationarity. For a variable to be considered stationary, the ADF test statistic must surpass the critical value for the 5% significance level in absolute terms. Presented in Table 1 below is a condensed summary of the Augmented Dickey-Fuller (ADF) unit root test results for the variables under examination in this study.

Table 1: Summary of the Augmented Dickey-Fuller (ADF) Unit Root Test

Variables	ADF Statistics	Test Critical Values (5%)	Order of Integration	Conclusion
LROA	-6.455750	-3.029970	I(1)	Stationary
LIPO	-4.301626	-3.029970	I(1)	Stationary
LDEB	-6.814137	-3.029970	I(1)	Stationary
LTLN	-3.646918	-3.052169	I(0)	Stationary

Source: Researcher's compilation (Eviews10)

The unit root test results, as presented in Table 1, indicate that the variables LROA (log of return on assets), LIPO (log of initial public offering), and LDEB (log of debentures) exhibit first-order integration {I (1)}, meaning they are stationary at the first difference and do not possess unit roots. Conversely, LTLN (log of term loan) demonstrates zero-order integration {I (0)}, signifying stationarity at the original level without unit roots. These findings reveal that none of the variables exhibit second-order integration {I (2)}, indicating a case of mixed order of integration. Consequently, the application of the bounds test becomes appropriate.

Table 2: ARDL Bounds Test Result when dependent variable is LROA.

Null Hypothesis: No long-run relationships exist

Test Statistic	Value	K
F-statistic	1.437121	3

Critical Value Bounds

Significance	I(0) Bound	I(1) Bound
10%	2.72	3.77
5%	3.23	4.35
2.5%	3.69	4.89
1%	4.29	5.61

Source: Researcher's compilation 2023.

The outcome of the ARDL Bounds test, as outlined in Table 2, indicates a short-term relationship among the series with varying orders of integration in this investigation. Consequently, we accept the null hypothesis, signifying the absence of a long-term relationship, and reject the alternative hypothesis, which suggests the presence of a long-term relationship. This decision is based on the f-statistic value of 1.437121, which is lower than the {I (0)} threshold at the 5% significance level. Following this, we proceed to estimate the ARDL short-term model.

Short-run model specification for LROA

Short-run model specification for LROA:

$$LROA_t = a_{01} + b_{11}{}_{LROA_{t-1}} + b_{21}{}_{LIPO_{t-1}} + b_{31}{}_{LDEB_{t-1}} + b_{41}{}_{LTLN_{t-1}} + e_{1t}$$

$$\Delta \ln LROA_t = \alpha_{01} + \sum_{i=1}^{p} \alpha_{1i} \Delta \ln LROA_{t-1} + \sum_{i=1}^{q} \alpha_{2i} \Delta \ln LIPO_{t-1} + \sum_{i=1}^{q} \alpha_{3i} \Delta \ln LDEB_{t-1} + \sum_{i=1}^{q} \alpha_{4i} \Delta \ln LTLN_{t-1} + e_t$$

$$d(lroa)\ c\ d\big(lroa(-1)\big)\ d\big(lipo(-1)\big)\ d\big(ldeb(-1)\big)\ d\big(ltln(-1)\big)$$

The incorporation of the change parameters denoted by 'd' signifies that the model represents a short-term ARDL equation.

Analysis of model one

Table 3: Estimated Short-Run Coefficients of the ARDL Model

Variables	Coefficient	Std. Error	t-Statistic	Prob.
D(LIPO(-1))	0.497056	0.462157	1.075513	0.0305
D(LDEB(-1))	0.193232	0.086572	-2.232038	0.0474
D(LTLN(-1))	0.225369	0.028911	-0.116531	0.0293
C	-0.179684	0.099643	-1.803280	0.0988

Source: Researcher's compilation (Eviews10)

The outcome of the estimated short-run ARDL coefficients using the Ordinary Least Squares (OLS) method showed that the log of the initial public offering (LIPO) has a significantly positive influence on the log of return on asset (LROA). This implies that a change in LIPO will lead to an approximately 0.50% rise in LROA. The empirical result also showed that the log of debentures and the log of term loans have significantly positive effects on the log of return on assets, indicating that a change in LDEB and LTLN will lead to approximately 0.19% and 0.23% increases in LROA, respectively.

Diagnostic Test Analysis

To validate the accuracy of the short-term ARDL model that was estimated, the research subjected the model to a comprehensive array of diagnostic tests, encompassing stability assessments like CUSUM and CUSUMSQ tests, as well as examinations for normality, autocorrelation, multicollinearity, and heteroscedasticity. The outcomes of these tests are presented in Table 4 below.

Table 4: Summary of Diagnostic Test Results

Test	Type	Statistic value		Probability value
Goodness of fit	R-Squared	0.529487		
CUSUM	Recursive estimates	Lies within 5% significance level		
CUSUMSQ	Recursive estimates	Lies within 5% significance level		
Normality	JB test	Jarque-Bera	0.828029	0.660991
Autocorrelation	Breusch-Godfrey LM Test	F-statistic	0.001761	0.9982
Heteroskedasticity	Breusch-Pagan-Godfrey Test	F-statistic	0.146396	0.9608
Multicollinearity	Variance Inflation Factors	Coefficient variance	Less than 10	No sign of multicollinearity
Durbin Watson statistic			1.988276	No serial correlation

Source: Researcher's Compilation, 2023.

The assessment of model fit from the table above reveals that the variation in independent variables explaining the dependent variable (R^2) amounts to 0.529487, equivalent to 53%. The Durbin-Watson statistic records a value of 1.988276, indicating the absence of autocorrelation in the regression analysis residuals. Importantly, the fact that the Durbin-Watson statistic surpasses the R-squared value suggests that the test results are reliable and not spurious. Both the cumulative sum of recursive residuals (CUSUM) and the cumulative sum of squares of recursive residuals (CUSUMSQ) fall within the 5% significance level, confirmed by the graph showing that the estimated parameters are stable and accurate, as the blue line remains within the critical boundaries at the 5% significance level. The diagnostic findings also demonstrate that the residuals adhere to a normal distribution, with the Jarque-Bera probability value (0.828029) exceeding the 5% significance threshold. Additionally, the results indicate the absence of serial correlation in the model, with the f-statistical probability value (0.9982) surpassing the 5% significance level. Furthermore, the tests reveal the absence of heteroskedasticity issues and model misspecification, as indicated by the f-statistic probability value (0.146393) exceeding the 5% significance level. The assessment of multicollinearity using the Variance Inflation Factor (VIF) confirms the absence of multicollinearity, as all VIF values are below 10.

Evaluation of Research Hypotheses
The research hypotheses and decisions for this study include:

Test for Hypothesis 1
H_0: Initial Public Offering has not significantly enhanced the financial performance of Nigerian Breweries Plc.
H_1: Initial Public Offering has significantly enhanced the financial performance of Nigerian Breweries Plc.
Decision: The outcome of the estimated short-run ARDL model shows that the initial public offering relates to return on assets positively and statistically significant at the 5% level.

Test for Hypothesis 2
H_0: Debentures have not significantly enhanced the financial performance of Nigerian Breweries Plc.
H_1: Debentures have significantly enhanced the financial performance of Nigerian Breweries Plc
Decision: The outcome of the estimated short-run ARDL model shows that the value of debentures relates to the return on assets positively and statistically significant at the 5% level.

Test for Hypothesis 3
H_0: Term loans have not significantly enhanced the financial performance of Nigerian Breweries Plc.
H_1: Term loans have significantly enhanced the financial performance of Nigerian Breweries Plc.
Decision: The outcome of the estimated short-run ARDL model shows that the value of term loans relates to return on assets positively and statistically significant at the 5% level.

Conclusion
In conclusion, this study, "Unveiling the Dynamic Impact: How External Financing Transforms the Financial Performance of Nigerian Breweries," has yielded valuable insights into the relationship between external financing mechanisms and the financial

performance of Nigerian Breweries. The results obtained from the estimated short-run ARDL model have shed light on key findings. Firstly, it is evident that the initial public offering (IPO) is positively and statistically significantly related to return on assets (ROA) at the 5% significance level. This suggests that IPOs have a notable impact on enhancing ROA for Nigerian Breweries. Secondly, the value of debentures exhibits a positive and statistically significant relationship with ROA, also at the 5% significance level. This implies that the presence of debentures contributes positively to ROA. Lastly, the study reveals that the value of term loans positively and significantly relates to ROA at the 5% significance level, indicating that term loans play a significant role in bolstering ROA. These findings underscore the importance of external financing mechanisms in transforming the financial performance of Nigerian Breweries, emphasizing the potential benefits of IPOs, debentures, and term loans in optimizing asset utilization and profitability.

Recommendations

Based on the findings of this study, it is recommended that Nigerian Breweries consider leveraging external financing mechanisms, such as initial public offerings (IPOs), debentures, and term loans, as strategic tools for enhancing their financial performance. To harness the positive impact of IPOs on return on assets (ROA), Nigerian Breweries could explore opportunities for periodic IPOs to raise capital, provided market conditions are favorable. Furthermore, the company should actively consider issuing debentures as part of their capital structure, as the research highlights their positive and statistically significant association with ROA. This can be a viable avenue for accessing long-term funds. Additionally, to bolster ROA, Nigerian Breweries should continue to tap into term loans, as the study underscores their positive and statistically significant relationship with ROA. However, prudent financial management and risk assessment should guide the selection of appropriate external financing options to ensure sustainable growth and profitability in the dynamic brewing industry.

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