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Determinat Of Corporate Finance Decision On Firms Performance: Evidence From Nigeria Manufacturing Small And Meduim Enterprises

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Abstract: *The main purpose of this study is to examine the determinant of corporate finance decision on firms' performance among Nigeria listed manufacturing small and medium enterprises. The OLS has been employed on a sample of conveniently selected 100 Nigeria listed manufacturing small and medium enterprises over the period of 2018 to 2023. Financing decisions are measured through debt to equity and firm's performance measured through ROE, ROA, Tobin's Q and market capitalization. Our results show that corporate financing decisions have no significant impact on firm's performance among Nigeria listed manufacturing small and medium enterprises. The study concluded that size of the listed firms significantly influence financial decision. The study recommended among others that fiscal policy makers and other financial regulatory authorities should develop and articulate plans on how to inject fund to sectors highly considered critical to the development of the economy.*

Keywords: *Financing decisions, firm's performance, ROE, ROA and Tobin's Q.*

1.0 INTRODUCTION

Corporate finance plays a very important role in the overall functioning, growth and development of a business. In Nigeria, finance advisors help entrepreneurs and businesses by providing them with vital information through market research and analysis. This helps them to make decisions, expand their business, and survive in a competitive market in the long run. Funding decisions concern the specific mix of long-term debt and capital that the company uses to finance its operations, i.e., optimal capital structure. Financing decisions entail the choice between internal funds, debt and equity (Koropp, Kellermanns, Grichnik, and Stanley, 2014). The decision about how the company should be financed, whether with debt or equity, is referred to as the capital structure decision. Working-capital decisions include the management of short-term assets and liabilities in a way that ensures the adequacy of resources for company operations. Assuming the corporate aim is to maximize profits, it is important for businesses to seek the optimum combination of the three kinds of financial decisions namely- the investment, financing, and dividend. All businesses have to invest their resources wisely, find the right kind and mix of financing to fund these investments, and return cash to the owners if there are not enough good investments.

The importance of financial decisions in business is evident, since many of the factors that contribute to failure can be managed properly with strategies and financial decisions that drive growth and the organization's objectives. According to a number of studies (Ibarra, 1995; Van Auken and Howard, 1993) the main causes of business failure are the lack of financial planning, limited access to funding, lack of capital, unplanned growth, low strategic and financial projection, excessive fixed-asset investment and capital mismanagement. Many of these causes of failure are challenges that can be successfully managed with financial strategies developed and implemented by the organization. However, small businesses do not have specialized personnel with expertise for planning, administration and financial decision-making, and the owner has to make decisions without a solid foundation. Because small-business owners concentrate mainly on obtaining resources for operating expenses, it is difficult to develop financial plans: there is no knowledge of how to implement them, daily problems overwhelm entrepreneur decision-making and the urgency is to solve basic problems in order to generate income.

This does not imply that financial decisions should not be based on financial planning. Small businesses' problems are very clear in Nigeria. Sixty-five percent of small businesses shut down in less than two years, while twenty-five percent survive during this period with a very low probability of development. Although small businesses do not struggle only in the financial area, it represents a central problem that affects their development. Even though firms clearly recognize the importance of financial decisions; they still face the difficulties in making appropriate financial decisions. In order to address these difficulties, it is important to identify the determinants of firm's financial decisions. Based on this basis, the managers in the firms will have a basis to make reasonable financial decisions. However, these determinants include profitability, liquidity, tangibility, and firm growth, and firm size.

Oyewale and Adewale (2014), discovered that there is a low level of sustainable financial performance among Nigerian manufacturing small and medium enterprises with reference to cash flows generated from asset utilization. From the end of the 1980s to date, many problems are responsible for this low sustainable financial performance of Nigerian companies. One major problem is scarcity and high costs of financing options (Atoyebi, Okafor and Falana, 2014). The financial sector, which plays a crucial role in the economy and provides credit facilities and infrastructure to other sectors, has also been experiencing financial distress as can be seen from their inability to meet the loan-to-deposit ratio and cash reserve requirements in recent years (Komolafe, 2019; Nairametrics, 2020). This financial distress in the financial sector eventually rubs off on other sectors (Adeyemi, Omobude and Udofia, 2019). The scarcity of loan facilities has caused an increase in the costs of debt financing (leverage). Also, making use of external sources of finance may expose the company to some financial risks which might scare potential equity investors and cause current equity holders to demand higher dividend pay-out, thus reducing the sustainable cash flows that can be used for growth and expansion (Egboro, 2016). It is against this backdrop that this study is out to examine the effect of corporate finance decision on firms' performance among Nigeria listed manufacturing small and medium enterprises.

This research paper aims to contribute to the existing knowledge in the field of manufacturing small and medium sized enterprise (SMEs) management through the study of financial decisions and their impact on the development of manufacturing SMEs in Nigeria. Pertinent to say, the objectives the study is: 1) to examine major financial decisions made by manufacturing SMEs in Nigeria; 2) to analyze the correlation between SMEs' strategies and financial decisions. 3) to

ascertain the relationship between financial decisions and the competitiveness level of manufacturing SMEs.

2.0 LITERATURE REVIEW

2.1Corporate Financial Decisions

Corporate finance deals with the strategic management of financial resources to achieve its goals and maximize shareholder value. Much of this also involves investment, funding, and risk management decisions. Corporate finance works like a financial compass that guides businesses through changing times, ensuring they make sound financial decisions to thrive in competitive markets (Swetha, 2024). One area that has received little attention in the establishment of strategies, especially in the study of micro, small and medium-sized enterprises, is that of financial decisions, even though it is a determinant of business competitiveness. Financial analysis and planning, which represent basic features that support organizational strategy, are nonetheless virtually non-existent in micro and small enterprises, which impose a constraint on the kind of financial decisions business people, can take (López, 2016).

2.2.1 Determinants of Corporate Financial Decisions

The determinants of corporate financial decisions include liquidity, tangibility, profitability, firm growth, and firm size.

i. **Impacts of Liquidity on Financing Decision:** The liquidity shows the ability that the firms can pay short-term liabilities. Therefore, the liquidity is usually measured through the ratio of short-term assets divided by short-term liabilities. Most previous studies have suggested that liquidity negatively affects the financial decisions, such as: Wahab and Ramli (2014), Cevheroglu-Acar (2018). Accordingly, when the liquidity increases, the firms can be proactive in paying short-term liabilities. And also, the amount of working capital in the firms is also increasing, which may make these firms restrict their use of liabilities. However, there are also a few studies that have found positive impacts of liquidity on the financial decisions, such as Pahuja and Sahi (2015).

ii. **Impact of Tangibility on Financing Decisions:** As tangible fixed assets increase, the firms tend to increase the liabilities to take advantage of the tax shield benefits, which is consistent with the view of Wahab and Ramli (2014), Cevheroglu-Acar (2018). However, Acaravci (2015), Windayu (2016), and Li and Islam (2019) argue that tangible fixed assets can negatively impact the financial decisions. Accordingly, when tangible fixed assets increase, the firms often restrict the use of liabilities to reduce the risk of bankruptcy due to the burden of liabilities. In emerging economies, short-term liabilities have accounted for a major proportion of total loans. Therefore, the firms in these economies tend to restrict the use of liabilities to invest in tangible fixed assets to limit the financial risks.

iii. **Impacts of Profitability on a Financing Decision:** When the profit of the firm increases, the firm can take advantage of retained earnings to reinvest, thus reducing the amount of capital that needs to be mobilized from the outside through debt financing. Thereby, the firm will be more active in raising its capital, while limiting the increased financial risks due to loans. Therefore, increased profits can make the financial decisions lower. This impact was also found in most previous studies, such as Chang et al. (2014), Wahab and Ramli (2014), Acaravci (2015), Windayu (2016), Vuran et al. (2017), Cevheroglu-Acar (2018), Li and Islam (2019), Ha (2019) and Sutomo et al. (2019).

iv. However, Aggarwal and Singh (2014) argue that profitability can positively impact the financial decisions. Accordingly, when borrowing, the firms will gain many benefits from the tax shield, which has stimulated the firms to increase the liabilities instead of using retained earnings. Although there are some views that profits can have a positive impact on the financial decisions. However, most previous studies have suggested that the financial decisions are negatively impacted by the profits. In the emerging economies, raising capital through the form of liabilities is not always easy, and often takes more time than the decision to retain profits. Therefore, the firms still prioritize raising capital through retained earnings.

v. Impact of Firm Growth on Financing Decisions: The firms with high growth rates often need large amounts of capital to invest. This amount of capital can be mobilized from equity, or loans. Raising equity can take a long time because the procedure for issuing shares is complicated, which is clearly shown in the emerging economies. Therefore, the firms with high growth rates often seek financing from loans. With the decision to use the liabilities, the firms can mobilize a large amount of capital in a short time, avoiding missing out on potential business opportunities, but facing high financial risks is unavoidable. The positive impact of firm growth on financial decisions is also found in Sutomo, Wahyudi, Pangestuti, and Muharam, 2019).

vi. Impact of Firm Size on a Financing Decision: Large-sized firms are more likely to access capital from credit institutions than small firms. As a result, large firms often borrow more. In other words, firm size can positively impact financial decisions. This was also found in several empirical studies, such as Chang et al. (2014), Vuran et al. (2017), Li and Islam (2019), Sutomo et al. (2019). In addition, there is still a small number of studies suggesting that large firms should still prefer to use equity (i.e. restricting liabilities), such as Acaravci (2015). Therefore, most previous studies have suggested that firm size has a positive impact on financial decisions.

2.2.3 Concept of Small and Medium Scale Enterprises Performance

Generally speaking, there is no consensus on the definition or nature of SMEs worldwide. Different countries, institutions and individuals have put forwards various descriptions of a small business based on some parameters. Obitayo (1991) in Ali (2023) argued that; the main criteria used throughout the world to describe small-scale enterprise include: number of employees, sales volume, financial strength, relative size, initial capital outlay, and independent ownership. Furthermore, In an agreement signed by a committee comprising the Central Bank of Nigeria, Nigerian Industrial Development Bank (NIDB) and the National Council on Industry cited in Charles and Babatunde (2023), SMEs were defined based on the total capital employed (including working capital but excluding cost of land) and number of employees. Micro: having not more than N1, 500,000 and less than 10 workers, Small: N1, 500, 000-N50, 000, 000 and a labour size between 10-35 workers. Medium: N50, 000,000-N100, 000,000 and 35-100 workers. At the 13th Council meeting of the National Council on Industry held in July, 2001, SMEs were redefined by the Council as follows: micro enterprises as those with a labour size of not more than 10 workers, or total asset not more than N1, 500,000 including working capital but excluding cost of land, Small enterprises with a labour size of 11-100 workers or a working capital between N1, 500,000-N50, 000,000, including working capital but excluding cost of land. Medium Enterprises: with a labour size of between 101-300 workers or a total cost between N50, 000,000- N200, 000,000, including working capital but excluding cost of land (Adebisi and Gbegi, 2013). Usman (2023), also had a similar view as they define SMEs as any legal business privately owned and operated

with a small number of employees and relatively low volume of sales. The study was also not categorical on the number of employees or the amount of capital required. Based on the preceding review, it is worth deducing that the Nigerian classifications of SMEs are basically in three dimensions i.e. in terms of capital employed or the number of employees or a combination of both. Since there is no uniformity in the various definitions, the study adopts the SMEDAN definition above.

2.2.4 Performance

In the wide field of Management, terminology is a delicate material to use, as each term defines a specific concept. There are difficulties in finding a single definition of the word, in fact, multiple definitions came-out, as we shifted from an article to a another new conceptualizations of the concept. Performance is used to indicate the hard work to attain a particular goal. The attainments of goal include combination of human, fiscal and natural resources. The performance is an activity applied to a part or all of performance of an actions in a time period, often with connection to previous or proposed expenditure efficiency, management responsibility or accountability. According to Nuhu (2023) Performance‟ not only indicates demonstration of something but it also indicates the satisfactory output of an organization. Samsonowa (2012) in Adeosun (2021) argues that all the different definitions she had to review, in the performance measurement literature, have one common characteristic; they all are related to two terms: effectiveness and efficiency; effectiveness as an indicator of the degree of a goal attainment, and efficiency as an indicator of the resources that were consumed to reach the level of achievement. In her work (2012), she uses the term performance" as the level/degree of goal achievement of an organization/department rather than of individuals.

Here are the definitions she built her conclusions on: Venkatraman and Ramanujam (1986): Performance is the time test of any strategy. Cordero (1989): Effectiveness (i.e. measuring output to determine if they help accomplish objectives). Lebas (1995): Performance is about deploying and managing well the components of the causal model that leads to the timely attainment of stated objectives within constraints specific to the firm and to the situation. Neely et al. (1995): Efficiency and effectiveness of purposeful action. Rolstadas (1998): Performance is a complex interrelationship between seven performance criteria: effectiveness, efficiency, quality, and productivity, quality of work life, innovation, and profitability/budget-ability. Anderson (2022).

In fact, we believe that Grüning (2002) confirms our idea when he defines performance as the ability of a company to achieve goals, so for him a company should be able to achieve goals, not just to be able to reach a level of the goal achievement. We assent Grüning and believe that performance is about achieving the goal entirely, while the level/degree of goal attainment is just the progress carried out by the organization towards its final aim, and we take this level of goal attainment to be a level of performance. In fact, Samsonowa (2012) stated that performance to Grüning (2002) depends on the one hand from the results (over or under performance) and on the other hand from the goal setting, in the light of Grüning's ideas we define three levels of performance: level (-1) is the under-performance level; at which the company is going through a process to achieve its pre-defined goals and trying to reach them, level (0) is the performance level; in other words the goal achievement level, it's the stage where the company successfully achieves its pre-determined goals, the level (1) is the over performance level, which we like to name as the excellence level; at this level the company is beyond its expectations of only achieving its goals, it exceeded expected results and got better results.

2.2.5 Measures of Performance

i. Profitability: is the ability for an organization to make profit from its activities. Agha (2019) cited in Usman and Agbogbo (2021), defined profitability as the ability of a company to earn profit. Profit is determined by deducting expenses from the revenue incurred in generating that revenue. Profitability is therefore measured by incomes and expenses. Income is the revenues generated from activities of a business enterprise. The higher the profit figure the better it seen as the business is earning more money on capital invested. Profit margins are computed by dividing profits by total operating revenue and thus express profits as a percentage of total operating revenue while return on assets is the ratio of income to average total assets, both before tax and after tax, and measures managerial performance.

2. Sales Growth: sales growth refers to the amount a company derives from sales compared to a previous corresponding period of time in which the later sales exceed the former. It is usually given as a percentage. Sales growth is considered positive for a company‘s survival and profitability. It is an important measure of performance. Sales growth targets play a major role in the perceptions of business managers. Kaplan and Norton (1996) argue that firms must use a wide variety of goals, including sales growth, to effectively reach their financial objectives. Factors that influence sales growth range from promotion to internal motivation and retaining of talented employees to the implicit opportunities for investments in new technologies and equipment in the production process.

2.2 Theoretical Framework

This study is anchored on two main theories: Dual Process Theory and Trade-Off Theory.

2.2.1 Dual –Process Theory

The dual-process theory was propounded by Lusardi and Mitchell (2011). This theory posits that financial decisions can be driven by both intuitive and cognitive processes which mean that financial literacy may not always yield optimal financial decisions. The Dual Process theory argues that the behavior of people with a high level of financial literacy might depend on the prevalence of the two thinking styles: intuition (system 1) and cognition (system 2) (Lusardi and Mitchell, 2011; Glaser and Walther, 2013). Intuition is the ability to acquire knowledge without inference or the use of reason. Intuition provides views, understandings, judgments, or beliefs that cannot be empirically verified or rationally justified. Taylor (1981) as cited by Chan and Park (2013) asserts that individuals who rely on intuition prefer to use mental short cuts as they make decisions which tend to be largely influenced by their emotions. Glaser and Walther (2014) point out that the positive effect of financial literacy on reasonable investment decisions is diminished by a high prevalence of intuition. Therefore, increased use of intuition results to sub optimal investment decisions.

Cognition on the other hand is the process by which the sensory input is transformed, reduced, elaborated, stored, recovered and used. Cognition is the mental processing that includes the comprehending, calculating, reasoning, problem solving and decision making (Chan and Park 2013). High cognition individuals enjoy thinking, are analytical and are better at retaining information and more likely to search out new information. The dual process theory is considered relevant to this study because it shows that individuals who are high on cognition will seek out for information on decision making and are more likely to be influenced by a relevant message. Moreover, use of intuition may be reduced by provision of relevant information to support decision-making through financial education since individuals tend to rely on intuition where

relevant information is lacking. However optimal results may not be achieved where individuals trust their intuitions in decision making.

2.2.2 Trade-Off Theory

The theory is also known as the theory of the balance between the dead-weight cost of bankruptcy and the tax shield benefits. It is derived from debt related theories as propounded by Kraus and Litzenberger and Ramaswimy (1973). Trade-off theory therefore, assumes that a firm's capital composition of debt and equity is determined by taxes and costs of financial distress. It emphasized the balance between tax saving arising from debt, decrease in agent cost and bankruptcy and financial distress costs (Wan, Shahzlinda, Nor, Nurul, Shafina and Nurauliani, 2015). The crux of the theory is the ideology that a company chooses how much debt finance and how much equity finance to use by balancing the costs and benefits. As noted by Wolfgang and Roger (2003) cited in Atseye, Edim and Eke (2014), trade-off theory suggests that firm's target leverage is driven by three opposing forces of taxes, costs of financial distress (bankruptcy costs) and agency conflicts which give rise to agency cost. This however, explains further why companies don't have 100% debt or equity financing. Additionally, the trade-off theory maintains that for a firm to reach its optimal financial structure, the firm needs to balance these opposing forces that is, the benefits of debt (tax shields) and the costs of debt (expected bankruptcy). Therefore, determining the percentage ratio of debt and equity in the financial structure of the company forms the basis of the trade-off theorist. Essentially, the justification for the adoption of this theory centres on its explanation on the relationship between the specific objectives (tangibility, profitability and size of the firms) of this study and the dependent variable (financial structure) to the listed selected manufacturing firms in Nigeria.

The theory also upholds the relevance and significance of size of a firm on the financial structure decision. It is assumed that smaller firms may find it relatively more costly to resolve information asymmetries with lenders and other financiers which may discourage the use of outsiders finance and stand to suffer from liquidation as a result of any little financial distress, unlike the larger firm (size) which enjoys economies of scale in bankruptcy costs (Akingunola and Oyetayo, 2014 and Ishaya, Sannomo and Abu, 2021). The concept behind the trade-off theory which is to minimize the cost of capital by employing an appropriate debt and equity financing like every other theory and proposition has its own limitations. Majorly among them is that, trade-off theory has failed to recognize the impact of capital market signals thereby putting both the investors and managers of these corporations off the alterative opportunities offered by the market through its signals indices. Another limitation of trade-off theory is that it has no explanation on proprietary data and in many cases, cannot be practical or justifiable in a real world (Thomas, 2002).

2.3 Empirical Review

In the same way, Akingunola and Oyetayo (2014), in their study on financial decision in small and medium enterprises pilot study of selected registered companies in Nigeria pointed at profitability and size as the major drivers of financial structure of firms under study. Collaborating to the above findings, Babalola (2014) investigated the major cause of financial decision pattern of listed firms in Nigeria. In his view, he maintained that some factors are responsible for the financial decision of corporate firms. According to the findings, he enumerated the following as being culpable for the patterned financial structure of firms: financial distress, bankruptcy threats, solvency problem and unstable economic and changing political environment situations.

Usman and Agbogbo (2021), studied the relationship between financial decision-making and economic value creation in Mexican companies. They found that companies that use supplier financing are more likely to create economic value as long as they do not have collection problems,

and that investment decisions must take inventory into account. However, their study is based on small-business owners' perceptions of the importance of decisions, leaving aside the study of variables such as business performance and competitiveness when carrying out financial strategies. Zopounidis and Doumpos (2021), examined a technique called "Multi-criteria decision Aid" (MCDA) that helps with financial decision-making, by evaluating aspects such as corporate performance, investment, financial problems and credit; the authors showed the advantages of this technique in financial decision-making. Likewise, there has been research focused on the analysis of financial decisions and their impact on creating value for investors. Escalera and Herrera (2006) studied the relationship between financial decision-making and economic value creation in Mexican companies. They found that companies that use supplier financing are more likely to create economic value as long as they do not have collection problems, and that investment decisions must take inventory into account. However, their study is based on small-business owners' perceptions of the importance of decisions, leaving aside the study of variables such as business performance and competitiveness when carrying out financial strategies.

3.0 METHODOLOGY

Th**is** study is anchored on causal comparative research design. This research design is often employed when a research endeavour is intended to find out the cause-effect relationship between the exogenous and endogenous variables with the purpose of arriving at the causal link between them (Onwumere, Onudugo and Imo, 2013). The justification for the choice of this design is on the ground that the researchers are investigating events that have already taken place and the researchers do not intend to control any of the variables. For the purpose of analysis researchers take debt to equity ratio as independent variable, and size as control variable. Size is measured in term of natural log of total assets. Dependent variables are ROE, ROA, Tobin's Q, and market capitalization. Return on equity (ROE) measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROA gives an idea as how efficient management is at using its assets to generate earnings. Abor, (2005) and Ebaid (2009) used the same variable in their research to measure the performance of the firm. They used Tobin'Q as performance measure in their studies. Market capitalization represents the public consensus on the value of a company's equity. It provides a total value for the company's shares and thus for the company as a whole. However, the researchers identified that firm's size may influence its performance. To this end, this study controls the differences in firm's operating environment by including the size variable in the model. Size is measured by the natural Log of total assets of the firm and included in the model to control for effects of firm size on dependent variable that is performance. The population of the study was all publicly traded manufacturing small and medium firms in Nigeria during the period of 2018-2023. In the present research the sample size of 100 companies was taken. The data of these firms was taken from balance sheet analysis, published on the sites of selected manufacturing small and medium enterprises in Nigeria. The firms are from the different industrial sector of Nigeria that includes foam, chemicals, pharmaceuticals, plastics, paints, upholstery works, packaging, building materials, pure water / yoghurt manufacture and textile materials. Data was taken from 2018 to 2023. Panel data refers to multi-dimensional data. Panel data contains observations on multiple phenomena observed over multiple time periods for the same firms or individuals. In the present research the researchers observe the 100 firms over the period of 5 year. The data was analyzed by the application of common effect model. OLS was used to measure the impact of independent variable on the dependent variables.

4.0 RESULTS ANALYSIS

This chapter shows the results of Ordinary Least Square regression to test the relationship between financing decisions and firm performance.

These relationships are measured by ratio of ROE, ROA, Tobin's Q and Market capitalization.

Table 1 Dependent Variable: ROE

ROE =α + β1D/E+ β2Size Error

Particulars	Coefficient	T-value	P-values
Constant	0.2432	2.4324	0.0000*
D/E	-0.0113	-0.3592	0.7896
Size	0.1658	2.2722	0.0000*
R-Square		0.1690	
p-value(F)		0.0000	

(*significant at 1%)

Table 1 show that there is insignificant relationship between D/E and ROE, while positive and significant relationship between size and ROE. The value of R2 (0.1690) shows 16.90% change in ROE due to 1 unit change in D/E and size. P- value of F-statistics shows model is fit at 1% level of significance.

Table 2 Dependent Variable: ROA

ROA=α + β1D/E+β2Size+ Error

Particulars	Coefficient	T-value	P-values
Constant	0.1820	2.9347	0.0005*
D/E	-0.0001	-1.0440	0.2968
Size	0.1280	3.5805	0.0002*
R-Square		0.2210	
p-value(F)		0.0010	

(*significant at 1%)

Table 2 shows that there is insignificant negative relationship is found between D/E and ROA, while positive relationship between size and ROA. The value of R2 (0.2210) shows 22.10% change in ROA due to 1 unit change in Size and D/E. Significance value of F-statistics shows model is fit at 1% level of significance.

Table 3 Dependent Variable: Tobin's Q

Tobin's Q =α + β1D/E+ β2Size+ Error

Particulars	Coefficient	T-value	P-values
Constant	13.1470	2.3450	0.0005*
D/E	-0.0011	0.0311	0.2968
Size	0.2801	-2.5657	0.0002*
R-Square		0.1500	
p-value(F)		0.0420	

(*significant at 1%)

Table 3, shows the positive relationship between D/E and Tobin's Q is not statistically significant, while the negative relationship between size and Tobin's Q is statistically significant. The value of R2 (0.1500) shows 15% change in Tobin's Q due to 1 unit change in D/E and size. P-value of F-Statistics is (0.0420) shows model is fit.

Table 4 Dependent Variable: Market Capitalization

Market Cap=α + D/E+ Size+ Error

Particulars	Coefficient	T-value	P-values
Constant	28667748	4.6758	0.0000*
D/E	-20738.0263	0.0796	0.9365
Size	0.1256	2.0482	0.0000*
R-Square		0.2604	
p-value(F)		0.0050	

Table 4, shows the relationship between D/E and market capitalization is not statistically significant, while the relationship of size and market capitalization is positive and statistically significant. The value of R2 (0.2604) shows 26.04% change in market capitalization due to 1 unit change in D/E and size. P-value of F-Statistics (0.0050) shows model is fit.

5.0 Conclusion and Recommendations

5.1 Conclusion

In conclusion, it is pertinent to bear in mind that this study set out to ascertain the determinant of corporate finance decisions of selected manufacturing SMEs and their performances in Nigeria. The study concludes that size of the listed firms significantly influence financial decision. In order to measure the relationship between the financing decisions and performance of the firm, various financial indicators were analysed. ROE, ROA, Tobin's Q and Market capitalization were taken as the firm's performance indicators while D/E was taken as financing decisions indicators. Based on the OLS regression estimation it was found that if a firm is highly levered its ROE will not be affected. Firms with huge assets base will have greater ROA. The market value of the firm is not affected by the financing decisions of the firm. Based on the Tobin's Q ratio it is suggested that due to the new added cost of the capital the market value of the firm's assets is not affected. Firm's market capitalization (public consensus about firm's market value) is not affected by the financing decisions of the firm. The positive relationship between firm's size and capital financing indicates that Firm's with strong assets base will incur high financing cost. It means that most of the assets are financed through debt. Similar to the earlier literature it was concluded that the performance of the firm is not affected by its financing decisions. Firm can use its internal funds or external funds (equity or debt) to finance its projects.

5.2 Recommendations

From the analysis, findings and the conclusion, the following recommendations are put forward in other to strengthen the manufacturing sector in Nigeria:

1. The fiscal policy makers and other financial regulatory authorities should develop and articulate plans on how to inject fund to sectors highly considered critical to the development of the economy.

2. Financial intermediaries like Deposit Money Banks (DMBs) and Bank of Industry (BOI) could be directed to invest certain percentages in the manufacturing sector considering its contribution to the growth of the economy.
3. Owing to the peculiarities in the manufacturing sector, the study recommended that a special bank be established to cater for the financial needs of the sector considering its immense benefits to the economy.

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