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ASSET FINANCING POLICY AND MARKET VALUATION OF LISTED FIRMS IN NIGERIA

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Abstract: This study investigates the effect of asset financing policy on the market valuation of listed food and beverage firms in Nigeria, using panel data covering the period 2014–2023. Thirteen firms listed on the Nigerian Exchange Group were examined through a census approach, with market valuation proxied by Tobin's Q and asset financing policy captured by capital expenditure, fixed asset ratio, and debt maturity structure. Grounded in the Modigliani–Miller theorem and extended by the trade-off, pecking order, agency, and signaling theories, the study recognizes that financing decisions matter in imperfect markets such as Nigeria, where information asymmetry and financing frictions prevail. The methodology employed descriptive statistics, panel unit root tests, and fixed and random effects regression models, with the Hausman test confirming the appropriateness of the fixed effects specification. The empirical results reveal that capital expenditure exerts a positive and statistically significant effect on market valuation, suggesting that investors reward firms that invest strategically in long-term productive assets. Debt maturity structure also shows a strong positive influence on Tobin's Q, indicating that longer-term debt enhances firm value by reducing refinancing risk and improving financial stability. In contrast, the fixed asset ratio has a negative and significant effect on market valuation, implying that excessive asset rigidity undermines flexibility and investor confidence. The model explains a substantial proportion of variations in firm value, underscoring the importance of firm-specific financing decisions. The findings provide robust evidence that asset financing policy is a key determinant of market valuation in Nigeria's food and beverage sector. The study offers practical implications for managers, investors, and policymakers, emphasizing the need for balanced asset financing strategies that support growth while preserving financial flexibility.

Keywords: Asset financing policy, Market valuation, Tobin's Q, Debt maturity structure, Food and beverage firms.

1. Introduction

The valuation of firms in the capital market depends on investors' perceptions of financial soundness, growth prospects, and managerial efficiency. One major determinant of such perceptions is the firm's asset financing policy, which dictates the mix of financing sources used to acquire and maintain assets. Asset financing decisions reflect a firm's strategic balance between risk and return, influencing both profitability and market valuation (Karaca, 2025). In emerging markets, however, these financing decisions are heavily constrained by imperfect capital markets and macroeconomic instability (Adesina & Babalola, 2021).

In Nigeria, listed firms continue to face structural financing challenges, including limited access to affordable long-term debt, rising interest rates, and inflationary pressures that erode firm value (Etim et al., 2022). These conditions have compelled firms to rely on alternative sources of financing, such as leasing and internal funds, to support asset acquisition. Yet, the implications of such financing patterns for firm market valuation remain underexplored. While studies across Asia and Africa have found that prudent asset financing enhances firm value through improved capital efficiency and investor confidence (Bui et al., 2023; Suteja, 2023), the evidence in the Nigerian context remains mixed and inconclusive. Against this

backdrop, the present study investigates the influence of asset financing policy on the market valuation of listed firms in Nigeria.

2. Literature Review

2.1 Theoretical Foundation

The theoretical foundation of this study is anchored on established corporate finance theories that explain the relationship between asset financing policy and market valuation. The Modigliani–Miller (MM) theorem posits that under perfect market conditions, a firm's value is independent of its financing structure, suggesting that debt or equity financing should not affect market valuation (Modigliani & Miller, 1958). However, in developing economies such as Nigeria, where market imperfections, high borrowing costs, and information asymmetry exist, financing decisions do influence firm value (Karaca, 2025; Nguyen & Pham, 2023).

The trade-off theory complements this view by highlighting that firms seek an optimal balance between debt and equity, weighing the tax advantages of debt against the costs of financial distress, thereby affecting market valuation (Bui, Nguyen, & Pham, 2023; Etim, Asuquo, & Etim, 2022). In addition, the pecking order theory emphasizes that firms prefer internal financing first, followed by debt, and then equity when financing assets, a hierarchy influenced by information asymmetry and market conditions (Suteja, 2023; Adesina & Babalola, 2021). Agency theory further explains that financing decisions can mitigate or exacerbate conflicts between managers and shareholders, as debt obligations may discipline managerial behavior, whereas excessive leverage may induce risk-shifting (Nguyen & Pham, 2023; Bui et al., 2023).

Finally, signaling theory asserts that the choice of financing communicates important information to investors about firm quality and growth prospects, influencing their perception and, ultimately, market valuation (Suteja, 2023; Karaca, 2025). Collectively, these theories provide a robust framework for understanding how asset financing policies affect the market valuation of listed firms in the Nigerian context, integrating considerations of risk, capital structure, managerial behavior, and investor perception.

2.2 Conceptual Clarification

2.2.1 Asset Financing Policy

The strategic choices businesses make when funding their long-term and fixed assets, balancing debt and equity as well as short- and long-term financing instruments, in order to maximize capital allocation, control risk, and increase market value are referred to as asset financing policy (Myers, 2001; Harris & Raviv, 1991). This study uses loan maturity structure, fixed asset ratio (FAR), and capital expenditure to total assets (CAPEX/TA) as proxies for asset financing policy.

The intensity of investment in long-term projects like plant, property, and equipment is shown in CAPEX/TA, which indicates growth initiatives that, if effectively financed, can improve future profitability and market valuation (Taipi & Ballkoci, 2019; Temuhale & Ighoroje, 2022).

Firm value in industries like food and beverage manufacturing is impacted by FAR, which quantifies the percentage of total assets linked to fixed investments. This indicates reliance on physical capital and the necessity for consistent financing (Brealey, Myers, & Allen, 2019; Etim, 2019). Although limited access to long-term financing in Nigeria frequently forces reliance on short-term debt, which influences both financial policy and market valuation, debt maturity structure captures the share of long-term debt in total financing, aligning debt tenor with asset life to reduce liquidity risk (Barclay & Smith, 1995; Stulz, 2000; Ukhriyawati, Rahayu, & Nurhayati, 2017).

2.2.2 Market Valuation

Metrics like Tobin's Q, serve as proxy for market valuation, which shows how investors see a company's risk profile, growth potential, and financial health. Businesses with good asset finance practices balanced fixed assets, optimal CAPEX allocation, and suitable debt maturity are more likely to win over investors and increase their market value.

2.3 Empirical Review

Melina and Endri (2025) examine how investment decisions and total asset turnover (TATO) affect firm value in Indonesian property and real estate firms, with profitability (ROA) as a moderating factor. Using panel data and the Fixed Effect Model, they find that investment decisions (proxied by PER) negatively impact firm value, while TATO positively and significantly influences it. The moderating effect of ROA is mixed: it slightly offsets the negative impact of PER but diminishes the value-creating effect of TATO. Notably, ROA alone shows a negative relationship with firm value, suggesting that higher profitability does not always enhance firm value in this sector.

Alohan and Oghogho (2024) investigated the effect of asset management on the firm value of listed Nigerian service firms, focusing on Current Asset Turnover and Total Asset Turnover ratios, with Tobin's Q as a proxy for firm value. Using an ex-post facto design and multiple regression analysis on data from annual reports, the study found that Current Asset Turnover had a positive but non-significant effect on firm value, while Total Asset Turnover had a negative but non-significant effect. The findings indicate that efficient management of current assets may enhance revenue generation, whereas overall asset utilization does not significantly influence firm value in the service sector. The study recommends that firms improve current asset management through better inventory control and working capital optimization to support value creation.

The study by Eleba and Tubotamuno-Ojas (2024), offers another dimension to the financial decision-performance nexus by focusing on capital expenditure. Analyzing data from 22 quoted food and beverage firms over a decade (2012–2022), the authors investigated the impact of various forms of capital expenditure on market value. The results indicate that expenditures on plant facilities and sustainability projects positively affect firm value, highlighting the long-term productivity and environmental alignment of such investments. Conversely, capital outlays on expansion and equipment showed a negative relationship with firm value, suggesting inefficiencies, overcapitalization, or suboptimal project selection. This study makes an important contribution by differentiating among types of capital investment and their respective effects on firm valuation, suggesting that not all capital spending contributes equally to firm growth. It also underscores the relevance of investment appraisal techniques and strategic alignment in capital budgeting decisions. The implication is that firms must balance growth ambitions with financial prudence to avoid value erosion.

Rodríguez and Anderson (2024) investigated how capital investment decisions affect stock valuation in Nigerian quoted food and beverage firms using panel data from 22 companies (2012–2021). Employing fixed effects regression, the study found that overall capital investments explained 86.2% of the variation in stock value. Specifically, investment in plants and sustaining capital slightly reduced stock value, while investments in expansion projects, equipment, and especially human capital positively influenced firm value, highlighting the importance of strategic investment allocation. Komolafe (2023) examined the impact of capital investment decisions on stock valuation in Nigerian quoted food and beverage firms using panel data from 22 companies (2012–2021). Employing a fixed effects regression model, the study found that overall capital investments explained 86.2% of the variation in stock value. Investments in human capital and expansion projects positively influenced stock valuation, while plant and sustaining capital expenditures had negative effects, highlighting that different types of investments affect firm value differently.

3. Methodology

The study employed a panel research design that combined time-series and cross-sectional data to examine the effect of asset financing policy on the market valuation of listed food and beverage firms in Nigeria. Secondary data were obtained from the Nigerian Exchange Group (NGX) and firms' published annual reports covering 2014–2023. A census approach was adopted since only thirteen firms met the listing criteria, ensuring complete population coverage. The key variables included asset financing policy indicators (Capital Expenditure (CPX) Fixed Asset Ratio (FAR) and Debt Maturity Structure (DMS) and market valuation measured by Tobin's Q. Data derived from

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audited financial statements complied with IFRS and FRCN standards, ensuring accuracy and comparability across firms and years. Data analysis involved descriptive and correlation analyses to summarize and explore relationships among variables. Panel unit root tests were conducted to confirm data stationarity, followed by fixed and random effects regression models to determine the impact of asset financing policy on market valuation. The Hausman test guided the choice between models, ensuring consistent and unbiased estimates. All analyses were performed using E-Views 12, providing robust empirical evidence on how capital structure policies influence firm value in Nigeria's food and beverage sector. The study adopts a multiple linear regression framework within the panel data structure, given that the data covers 13 quoted food and beverage firms in Nigeria over a 10-year period (2014–2023). The general functional relationship is expressed as:

$$MVit = f(AFPit, \mu it) \quad (1)$$

The explicit econometric model is formulated as:

$$TBQit = \beta 0 + \beta 1 CPXit + \beta 2 FARit + \beta 3 DMSit + \varepsilon it \quad (2)$$

Pooled Regression Model Specification

$$TBQ = \beta_0 + \beta_1 CPX_{it} + \beta_2 FAR_{it} + \beta_3 DMS_{it} + \mu_{it} \quad (3)$$

Fixed Effect Model Specification

$$TBQ = \alpha_0 + \alpha_1 CPX + \alpha_2 FAR + \alpha_3 DMS + \sum_i^9 = 1 \alpha_i idum \varepsilon 1_{it} \quad (4)$$

Random Effect Model Specification

$$TBQ = \alpha_0 + \alpha_1 CPX + \alpha_2 FAR + \alpha_3 DMS + \mu i + \varepsilon 1_{it} \quad (5)$$

Where:
CPX = Capital Expenditure to Total Assets
FAR = Fixed Asset Ratio
DMS = Debt Maturity Structure
β0 = Intercept,
β1−β3 = Coefficients of the explanatory variables,
εit = Random error term.

4. Results and Interpretation

4.1 Descriptive Statistics

Table 1 Descriptive Statistics between Asset Financing Policy and Tobin's Q

	TBQ	CPX	FAR	DMS
Mean	1.091769	5.196154	6.511538	0.501923
Median	1.050000	5.100000	6.000000	0.480000
Maximum	1.620000	9.500000	16.00000	0.720000
Minimum	0.650000	2.000000	1.500000	0.300000
Std. Dev.	0.229257	1.549464	3.081946	0.110777
Skewness	0.506657	0.307244	0.714123	0.201100
Kurtosis	2.445275	2.854650	3.117433	1.895768
Jarque-Bera	7.228684	2.159747	11.12408	7.480923
Probability	0.026935	0.339639	0.003841	0.023743
Sum	141.9300	675.5000	846.5000	65.25000
Sum Sq. Dev.	6.780093	309.7081	1225.293	1.583019

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Observations	130	130	130	130

Source: Extracted from E-view 10 Output

Table 1 provides descriptive statistics for asset financing policy. Capital Expenditure (CPX) averages 5.20, while Fixed Asset Ratio (FAR) averages 6.51, both showing substantial investments in physical assets. Debt Maturity Structure (DMS) averages 0.50, suggesting that half of firms' debt is typically long-term, which is consistent with stable financing patterns. The distributions of FAR and DMS deviate significantly from normality, with Jarque-Bera probabilities below 0.05. These results point to heterogeneity in asset financing strategies across firms, which may account for differences in Tobin's Q.

4.2 Unit Root Results

Table 2 Panel Unit Root Test Results (ADF-Fisher and ADF-Choi)

Variable	Method	Statistic	Prob.	Decision
D(TBQ)	ADF-Fisher Chi-square	151.043	0.0000	Stationary
	ADF-Choi Z-stat	-9.1822	0.0000	Stationary
D(CPX)	ADF-Fisher Chi-square	118.858	0.0000	Stationary
	ADF-Choi Z-stat	-8.2151	0.0000	Stationary
D(FAR)	ADF-Fisher Chi-square	115.005	0.0000	Stationary
	ADF-Choi Z-stat	-8.0678	0.0000	Stationary
D(DMS)	ADF-Fisher Chi-square	158.612	0.0000	Stationary
	ADF-Choi Z-stat	-9.7112	0.0000	Stationary

Source: Extracted from E-view 10 Output

Table 3 Hausman Test Results for Asset Financing Policy and Market Valuation

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.204692	3	0.0026
Period random	0.084181	3	0.9937
Cross-section and period random	15.156833	3	0.0017

Source: Extracted from E-view 10 Output

The Hausman test result for the relationship between asset financing policy and market valuation (Tobin's Q) of quoted food and beverage firms in Nigeria provides useful insights into the appropriate model to adopt. The test summary shows that the chi-square statistic for cross-section random effects is 14.204692 with 3 degrees of freedom and a probability value of 0.0026. Similarly, the chi-square statistic for cross-section and period random effects is 15.156833 with a probability value of 0.0017. Both values are statistically significant at the 5 percent level, implying that the null hypothesis of random effects being appropriate is rejected. This suggests that the fixed effect model is more consistent and reliable for explaining the relationship between asset financing policy and market valuation of the sampled firms.

The results from the cross-section random effects test comparison further confirm this position. For CPX, the fixed effect coefficient is 0.034296, which is higher than the random effect coefficient of 0.025192, with a probability of 0.0433 indicating significance. For FAR, the fixed effect coefficient is -0.035353, compared to the random effect coefficient of -0.011882, and the difference is highly significant with a probability value of 0.0003. Similarly, for DMS, the fixed effect coefficient of 2.156191 exceeds the random effect coefficient of 1.826374, with the probability value of 0.0003 confirming strong statistical significance.

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Taken together, these findings imply that differences across firms in asset financing policies, such as capital structure positions, fixed asset ratios, and debt maturity structures, are more effectively captured by the fixed effect model. The significance of these variables under the fixed effects framework shows that firm-specific characteristics strongly influence market valuation in Nigeria's food and beverage sector, making the fixed effect model preferable for robust policy and managerial inferences.

Table 4 Relationship between Asset Financing Policy and Market Valuation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.053039	0.061163	0.867168	0.3878
CPX	0.036649	0.017934	2.043526	0.0435
FAR	-0.037862	0.011248	-3.366099	0.0011
DMS	2.181294	0.188073	11.59814	0.0000
	Effects Specification			
Cross-section fixed (dummy variables)				
Period fixed (dummy variables)				
R-squared	0.826802	Mean dependent var		1.091769
Adjusted R-squared	0.787213	S.D. dependent var		0.229257
S.E. of regression	0.105754	Akaike info criterion		-1.484368
Sum squared resid	1.174302	Schwarz criterion		-0.932919
Log likelihood	121.4839	Hannan-Quinn criter.		-1.260296
F-statistic	20.88504	Durbin-Watson stat		2.331393
Prob(F-statistic)	0.000000			

Source: Extracted from E-view 10 Output

Table 4 presents the relationship between asset financing policy and market valuation of quoted food and beverage firms in Nigeria, using Tobin's Q as the dependent variable. The constant term (C) has a coefficient of 0.053039 and is not statistically significant (p = 0.3878), indicating that when all asset financing variables are held constant, the baseline effect on market valuation is negligible. The capital expenditure ratio (CPX) has a positive coefficient of 0.036649 and is statistically significant at the 5% level (p = 0.0435). This implies that increases in capital expenditure are positively associated with higher market valuation. In other words, firms that channel more resources into long-term investments such as property, plant, and equipment are rewarded with better market valuation, as investors interpret such spending as a signal of future growth potential.

The fixed asset ratio (FAR) carries a negative coefficient of –0.037862 and is significant at the 1% level (p = 0.0011). This suggests that a higher proportion of fixed assets relative to total assets reduces market valuation. The negative relationship may indicate that over-concentration in fixed assets ties down resources, reduces flexibility, and potentially increases operating risks, which investors perceive as unfavorable for firm value. The debt maturity structure (DMS) has the strongest influence, with a large positive coefficient of 2.181294 and very high statistical significance (p = 0.0000). This shows that firms with longer-term debt structures enjoy significantly higher market valuations. A stable debt maturity profile signals financial discipline and reduced refinancing risks, which investors reward with higher firm value.

The overall model is strong, with an R-squared of 0.826802, meaning that asset financing policy variables explain about 83% of the variation in market valuation. The adjusted R-squared (0.787213) further confirms the robustness of the model. The F-statistic (20.88504) is highly significant (p = 0.000000), demonstrating that the model is statistically valid. The Durbin-Watson statistic (2.331393) is close to 2, suggesting no serious autocorrelation issues. In summary, asset financing policy

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plays a significant role in shaping the market valuation of food and beverage firms in Nigeria. Capital expenditure and debt maturity structure positively and significantly enhance Tobin's Q, while excessive reliance on fixed assets reduces firm value. This indicates that balanced and strategic investment in assets, alongside effective management of debt maturity, is critical for improving market valuation.

4.3 Discussion of Findings

The results on asset financing policy revealed a nuanced relationship with market valuation (Tobin's Q) of quoted food and beverage firms in Nigeria. Specifically, capital expenditure (CPX) and debt maturity structure (DMS) exerted positive and statistically significant effects, indicating that strategic investment in assets and appropriate structuring of debt maturity enhance market valuation. In contrast, fixed asset ratio (FAR) exhibited a negative and significant effect, implying that an excessive reliance on fixed assets relative to total assets reduces firm value. The intercept term was insignificant, suggesting that asset financing on its own does not influence market valuation unless channeled into productive and balanced investments. With an adjusted R-squared of 0.79, the model confirms that asset financing policy explains a substantial portion of the variation in market valuation among the sampled firms.

These findings align with the Pecking Order Theory (Myers & Majluf, 1984), which posits that firms prefer internal financing for asset growth but, when external financing is necessary, they rely on debt before issuing equity. The significance of DMS supports this theory, as the maturity structure of debt reflects a firm's financing strategy and risk profile. Properly managed, longer-term debt reduces refinancing risks and enhances investor confidence, thereby improving firm valuation. Conversely, the negative effect of FAR resonates with the Agency Theory (Jensen & Meckling, 1976), which argues that excessive investment in fixed assets can lead to inefficiencies, higher maintenance costs, and resource misallocations, ultimately reducing shareholder value.

The results also find grounding in the Resource-Based View (RBV) of the firm (Barney, 1991). Capital expenditure (CPX) reflects strategic investments in tangible resources that can enhance production capacity, efficiency, and long-term competitiveness. When such investments are perceived as value-adding by the market, they improve firm valuation. The positive influence of CPX validates the RBV argument that resource acquisition and utilization, if strategically aligned, become sources of sustained competitive advantage. On the other hand, a disproportionately high FAR may reflect asset rigidity, reduced financial flexibility, and slower responsiveness to market opportunities, which explains its adverse impact on valuation.

Empirical evidence strengthens these observations. Ebaid (2009) found that capital structure and asset financing decisions significantly affect firm performance and valuation in Egyptian listed firms, highlighting that overinvestment in fixed assets could constrain returns. In Nigeria, Ogebe, Ogebe, and Alewi (2013) reported that firms with well-structured debt maturity and effective capital expenditure allocation tend to have higher valuation metrics. Similarly, Titman and Wessels (1988) argued that asset structure plays a key role in financing choices and valuation, with firms that rely heavily on tangible fixed assets often facing lower market valuations due to reduced flexibility.

From a practical perspective, the findings suggest that quoted food and beverage firms in Nigeria must strike a balance in asset financing. While capital expenditure and debt maturity structure are important tools for enhancing long-term growth and valuation, excessive concentration in fixed assets without corresponding revenue growth may erode value. Investors appear to reward firms that demonstrate disciplined asset financing policies, channeling funds into productive investments and structuring debts in ways that minimize refinancing risks. Managers, therefore, should ensure that capital expenditures are strategically aligned with revenue-generating opportunities and that asset portfolios remain flexible to adapt to Nigeria's dynamic economic environment. In summary, asset financing policy is a major determinant of market valuation. Effective allocation of capital expenditure and prudent management of debt maturity enhance firm value, while overreliance on fixed

assets diminishes market perception and valuation. This highlights the need for food and beverage firms in Nigeria to adopt balanced asset financing strategies that optimize both growth and financial flexibility, thereby maximizing shareholder wealth.

5. Conclusion

This study examined the effect of asset financing policy on the market valuation of listed food and beverage firms in Nigeria over the period 2014–2023, using Tobin's Q as the valuation proxy and capital expenditure, fixed asset ratio, and debt maturity structure as key financing indicators. The fixed effects panel model, supported by the Hausman test, provided robust evidence that asset financing policy is a significant determinant of firm value in the sector. The findings show that capital expenditure has a positive and statistically significant effect on market valuation, indicating that the equity market rewards firms that commit resources to productive long-term investments. This suggests that capital expenditures are interpreted by investors as signals of growth prospects, operational expansion, and strategic positioning. Debt maturity structure also exerts a strong positive influence on Tobin's Q, highlighting the importance of long-term debt financing in enhancing firm value through reduced refinancing risk, improved liquidity management, and stronger financial stability.

In contrast, the fixed asset ratio negatively and significantly affects market valuation. This implies that excessive accumulation of fixed assets relative to total assets may constrain operational flexibility, increase agency and maintenance costs, and expose firms to higher business risk. Investors appear to discount firms with rigid asset structures, especially in a volatile macroeconomic environment such as Nigeria's. Overall, the results confirm that asset financing policy explains a substantial proportion of variations in market valuation among quoted food and beverage firms. Based on the empirical findings, the following recommendations are proposed for managers, investors, and policymakers:

i. Management of food and beverage firms should prioritize capital expenditures that are clearly linked to productivity improvements, capacity expansion, and revenue generation. Capital investment decisions should be guided by rigorous project appraisal techniques to ensure that expenditures translate into sustainable value enhancement rather than asset accumulation for its own sake.
ii. Firms should adopt a balanced debt maturity profile with a greater emphasis on long-term debt financing for long-lived assets. Aligning asset life with debt maturity can reduce refinancing risk, stabilize cash flows, and strengthen market confidence, thereby improving firm valuation.
iii. Managers should be cautious about over-investment in fixed assets that may reduce flexibility and increase operating risk. Asset portfolios should be periodically reviewed to ensure optimal utilization, divestment of underperforming assets, and reallocation toward more productive or technology-driven investments.
iv. Clear disclosure of asset financing policies, capital expenditure plans, and debt maturity profiles in annual reports can improve investor understanding and confidence. Transparent communication helps the market to correctly price firms' financing strategies and long-term growth prospects.
v. Investors and analysts should evaluate not only the size of firms' asset bases but also how those assets are financed and structured. Greater weight should be placed on firms with disciplined capital expenditure programs and well-matched debt maturities, as these characteristics are associated with higher market valuation.

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