

Effect of Long-Term Debt on Financial Performance of Cement Manufacturing Companies: A Review

Jibrin Abdulhamid; Dr. Abubakar Sadiq Usman; and Dr. Abubakar Bala

Department of Business Administration, Faculty of Arts and Social Sciences, Gombe State University.

Corresponding author: abdulhamidjibrin6@gmail.com

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Abstract

Due to its critical role in overall economic development, the cement industry is identified as one of the areas of the first and second Growth and Transformation Plan (GTP) as a sector of special consideration. However, the main objective of this study is to examine the effect of long-term debt on financial performance in cement manufacturing companies. Moreover, the specific objectives include; to examine the effect of long-term debt on return on assets in cement manufacturing companies, also, to examine the effect of long-term debt on return on equity in cement manufacturing companies, in addition, the study identifies two financial performance measures which include; return on assets and return on equity, and directly considered with the relationship of long-term debt. The methodology of this study is exclusive criteria; because the study reviewed only recent studies from 2019-2023 that reported on long-term debt and financial performance. The data is gathered through the means of review and analyzed through identifying the outcome of the reviewed studies. Therefore, based on the majority, the study found a significant negative influence of long-term debt (LTD) on financial performance measured by return on assets (ROA) of cement manufacturing companies and also, a negative effect was found with the financial performance measured by return on equity (ROE) of cement manufacturing companies. In line with the findings, the study concludes that there is a negative effect of long-term debt on financial performance measured by both the (ROA and ROE) of cement manufacturing companies. Similarly, the study recommends that cement manufacturing companies avoid the use of debt in financing their assets; also, the cement manufacturing companies should also focus much on internal financing so as to improve shareholder returns.

Keywords: Long-Term Debt, Financial Performance, Returns on Assets, Returns on Equity, Cement Companies.

Introduction

Enhancing financial performance is a crucial role of business managers, and this can be done through the minimisation of cost with the aim to maximise return. According to researchers, financial performance is the backbone of any business, which shows the extent at which a firm maximise its profit through the utilization of available resources (Olayinka & Mustapha, 2022). Chemosit (2021) depict that it is a general measure of a firm's overall financial health over a given period, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. it is also a subjective measure of how well a firm can use assets from its primary mode of business and generate

revenues (Oko & Elemi, 2023). Similarly, the extent to which the financial objectives of the company have been accomplished, which is very essential in financial risk management of the organization (Hassan *et al.*, 2022). It's also a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Okwii-Njelita & Egbunike, 2022). Orji & Agubata, (2021) argue that is a benefit emanating from shares and those from the functioning and operational activities of a firm. Usman and Abdulkadir (2023) stated that it is part of financial performance for a company to efficiently manage its short-term obligations (working capital). Furthermore, it reflects a company's monetary achievements over time, it also compare similar firms in the same industry can also be done based on such achievements, companies can measure their financial performance with relative and absolute metrics of their operational and administrative expenditures, income and revenue, perhaps, ROE and ROA are commonly cited measures of performance in most studies (Olaoye & Adesina, 2022). Therefore, financial performance can be express as the ability of a firm to generate maximum profit through the utilisation of available capital.

Long-term debt can be used to finance assets of a firm as a result of being a liability that is not require repayment quickly. It shows the percentage of assets financed with debt which is payable after more than one year, and it includes bonds and long-term loans, generally, these bonds and loans carry a higher interest rate, as lenders demand a higher return in exchange for taking on the greater risk of loaning money over a long period of time. (Orji & Agubata, 2021). These are liabilities that will not be paid within the following year, as a company's loans and other obligations that are not due within twelve months of the date of the statement of financial status (Ehiedu, 2022). Any amount of outstanding debt a company holds that has a maturity of 12 months or longer. It is classified as a non-current liability on the company's balance sheet (Ofulue *et al.*, 2022). Another argument is that Long-term debt is normally raised by financially stable enterprises for a period of seven years and above and secured by collaterals (Li *et al.*, 2022). Gajdosikova and Valaskova (2022) Also argue on the fact that the fact that such loans are suitable for depositing financial institutions and other financial service providers justifies the need to quantify their effects on the financial performance of SMEs. Long Term Debt (LTD) therefore, refers to the financial liability that has a long maturity such as a year or even be young that.

Statement of the Problem

So many challenges are affecting financial performance of cement companies. Therefore, from the world perspectives, World Credit Rating Agency (2023) reveals that cement production in China declined by more than 10 per cent in 2022 compared to 2021, In Pakistan, cement consumption fell by 7.1 per cent year-on-year (y-o-y) in February 2023 with total dispatches reaching 4.04 Mt (million tons) against 4.35 Mt dispatched in February (2022). In Brazil, cement demand was down by almost 3 per cent in 2022 compared to the corresponding year 2021 (Malik *et al.*, 2023). Also, from the Nigerian perspectives Manufacturers association of Nigeria (MAN) reported in the recent 2023, the inability of the Nigerian cement industry to meet the domestic demand. However, the issue of demand

and supply is not the main problem here rather a symptom to a problem. As well the main problem may be capital structure problem that is the inability of the companies to balance between debt and equity. Because, a company with a balanced debt to equity can produce as much as possible and even produce at lower cost than competitors by utilizing scale of preference (that is the higher you produce the lower you spend).

Though, previous studies attempted to contribute their quarter by conducting several studies and recommended different ways of leveraging to improve the performance of firms in general (Manyanga *et al.*, 2023; Rahman *et al.*, 2020; Hajisaaid, 2020; Karim *et al.*, 2022; Akhtar *et al.*, 2021; Islam and Ullah, 2020; Yasmin and Hassan, 2021; Al-Habsi and Khalil, 2021; & Ehieduet *et al.*, 2022). However, these studies have been criticized for several reasons. Despite the important of cement industry in the world as well as Nigeria in specific, to the best of my knowledge no study conducted and examine the effect of long-term debt on financial performance in a context of cement companies. Moreover, 80% of the studies conducted in different sectors are not from Nigeria too. Also, most of these studies utilizes the same method of data analysis and data collection as a result the studies produces mix findings. In addition, most of the earlier studies on financial leverage analysis commonly used ratios are debt to equity, and debt to assets ratio (Sylvester & James, 2022; Ibe & Pibowei, 2022; Chemosit, 2021; and Omondi, 2022). In some studies hospitality firms are highly indebted (Garcia-Gomez *et al.*, 2021). Also, this study utilizes Long-term debt as an independent variable which shows the percentage of assets financed with debt which is payable after one year (Orji & Agubata, 2021).

Therefore, due to the above-mentioned problems and identified gaps, a comprehensive study needs to be carried out in this area of study to provide a tangible solution to the existing problems. Failure to do so can lead to the continues escalation of the problems which in turn might lead to the closure of these companies and may even affect the national income multiplier negatively.

Objectives of the Study

The main objective of this study is to examine the effect of long-term debt on financial performance in cement manufacturing companies. Moreover, the specific objectives include;

- To examine the effect of long-term debt on return on assets in cement manufacturing companies.
- To examine the effect of long-term debt on return on equity in cement manufacturing companies.

Literature Review

This section discussed the concept of financial performance (return on assets, and return on equity) as well as the concept of long-term debt.

Financial Performance

The main objective of every business firm is to maximise the value of the firm, by doing so the value of shareholders is maximised and the financial performance can remain strong. The financial performance is the dependent variable in this study and so many studies attempt to explain what is all about. According to Chemosit (2021) financial performance is a general measure of a firm's overall financial health over a given period, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Financial performance refers to the degree to which financial objectives have been accomplished and the process of measuring the results of a firm's policies and operations in monetary terms (Oko& Elemi, 2023). Financial performance examines the extent to which the financial objectives of the company have been accomplished, which is very essential in financial risk management of the organization (Hassan *et al.*, 2022). Performance evaluation also reflects a company's monetary achievements over time. Comparing similar firms in the same industry can also be done based on such achievements, Companies can measure their financial performance with relative and absolute metrics of their operational and administrative expenditures and income and revenue. More so, Usman and Abdulkadir (2023) stated that it is part of financial performance for a company to efficiently manage its short-term obligations (working capital). Therefore, financial performance can be express as the ability of a firm to generate maximum profit through the utilisation of available capital.

Return on Asset (ROA)

One of the accounting measures of performance is (ROA). The return on assets is a measure of the relationship between net profit or earnings and the total assets of the company. Net asset is not as preferred as the return on equity ratio in measuring the profitability of a company because of reasons such as the variability in the asset composition between firms or across different industry or sectors, generally because some capital intensive industries such as automobile manufacturers or utilities industry will mostly report lower return on asset as compared to firms in the service industry such as law firms, accounting firms or software development firms (Hassan *et al.*, 2022). This variable is calculated by dividing the net profit by the total value of the assets in the form of a percentage (Abuamsha & Shumali, 2022). More so, Sylvester *et al.* (2022) the return on asset can be calculated by dividing the profit after interest and tax to total assets of a firm.

Therefore, return on asset can refers to the net profit (profit after tax) to total asset of a firm. Is also, a measure of strength of profit generated within a specified period of time as a result of using available assets in an organization. Though, some studies argue that return on assets can be measured using profit before tax to total assets, however, this study will concentrate on that of interest after tax to total assets.

Return on Equity (ROE)

Return on equity (ROE) is a ratio that informs investors how effectively a firm manages the funds that stockholders originally gave to it. In other terms, return on equity evaluates a company's financial performance in proportion to its shareholders' capital. The greater the ROE, the more effective leadership is at producing revenue and expansion from equity investment (Chandrasekaran & Munawer, 2023). Return on equity is a financial ratio which measures the profitability of a firm in relation to the shareholder investment, or equity. Return on equity is generally considered as the most appropriate measure of profitability in accounting and is mostly the preferable by investors in evaluating a firm's profitability (Hassan *et al.*, 2022). More so, Sylvester *et al.*, (2022) the return on equity can be calculated by dividing the profit after interest and tax to total equity of a firm.

However, ROE is a blueprint of an organization's operations in the eye of the shareholders. It is also, a figure that leads to the decision of the shareholders, that is to retain the ownership or to transfer the ownership. Similarly, the ROE can affect firm value positively or negatively depending on the final outcome. As stated earlier on ROA also some studies argue that return on equity can be measured using profit before tax to total equity, perhaps, this study will concentrate on that of interest after tax to total equity.

Moreover, return on assets (ROA) and return on equity (ROE) are considered the dependent variable in this study. Return on assets (ROA) measures how financially viable a firm's assets are at generating income (Chandrasekaran & Munawer, 2023). Return on equity is generally considered as the most appropriate measure of profitability in accounting and is mostly the preferable by investors in evaluating a firm's profitability (Hassan *et al.*, 2022). Also, Furhmann (2022) reported that Return on equity (ROE) and return on assets (ROA) are two of the most important measures for evaluating how effectively a company's management team is doing its job of managing the capital entrusted to it. Therefore, this study is unique in the sense that, it's the first study conducted on the effect of long-term debt on financial performance in Nigeria. Moreover, the study combined the two most important measures of financial performance which are ROA and ROE (Furhmann, 2022). Firms can also use long-term debt to finance their assets for better performance. Nigerian cement companies are in need of studies that can expose opportunities as well as recommend on ways to overcome their problems. Furthermore, the study concentrates only on the three listed cement manufacturing companies in Nigeria so as to have a concise scope and recommend base on their performance.

Long-term Debt Ratio

Long-term debts show the percentage of assets financed with debt which is payable after more than one year. It includes bonds and long-term loans, generally, these bonds and loans carry a higher interest rate, as lenders demand a higher return in exchange for taking on the greater risk of loaning money over a long period of time. Long Term Debt Financing is measured as long-term debt to total assets (Orji & Agubata, 2021). Long Term Debt Ratio (LTDR): These are liabilities that will not be paid within the following year. Long-term debt

is defined as a company's loans and other obligations that are not due within twelve months of the date of the statement of financial status (Ehiedu, 2022). Long Term Debt (LTD) is any amount of outstanding debt a company holds that has a maturity of 12 months or longer. It is classified as a non-current liability on the company's balance sheet (Ofulueet *al.*, 2022). Therefore, Long Term Debt (LTD) refers to the financial liability that has a long maturity such as a year or even be young that. It is also a type of debt the mostly bigger companies used in financing their non-current assets as a result of long maturity period of the loan.

Empirical Review

Literatures related to Long-term Debt Ratio and financial performance will be discuss below and it will be related to two variables which are the proxies of the financial performance in the study return on assets (ROA) and return on equity (ROE).

Manyangaet *al.* (2023) in Zimbabwe established the effect of debt financing (short-term debt, long-term debt, and trade credit) on the financial performance of SMEs in Zimbabwe. Financing SMEs has been a challenge for many SMEs worldwide. Notwithstanding that SMEs contribute immensely to the growth of an economy, SMEs remain underfunded especially in developing economies. Their contributions include poverty reduction, increased job opportunities, competitiveness, and productivity in the industrial sector. This study adopted a positivism philosophy and a cross sectional survey design. Quantitative data were gathered from 210 SMEs using a structured questionnaire with Likert-type responses. The findings show that debt financing, (long-term debt) positively influences the financial performance in emerging markets.

However, the study was in Zimbabwe also on SMEs where short-term debt, long-term debt, and trade credit were used as the dimensions of debt financing, therefore, this study will use debt to equity ratio in replacement of the trade credit previously used by the study. Financial performance is not measured by any proxy in the study. The study also used primary data while the current study will use secondary data.

Rahman *et al.* (2020) in Bangladesh investigated the impact of capital structure choice on the firm performance of the firms listed under the Dhaka Stock Exchange of Bangladesh. Multiple regressions have been employed in this research to determine the relationship between the capital structure and the firm's financial performance. Three ratios of financial performance, i.e., return on assets, return on equity, and gross margin, have been used as a sample of non-financial Bangladeshi companies, selected from 2010 to 2015. The study records numerous findings. First, the result shows a significant negative influence of long-term debt (LTD) on firm financial performance measured by return on assets (ROA) and no significant effect is found with (ROE).

However, the study is conducted in different geographical area Dhaka Stock Exchange of Bangladesh while the current study will be conducted in Nigeria. SPSS was used as a tool for the data analysis which is common in the recent studies, therefore, different tool might look better like the Stata intended to use by this current study. Also, the study was not specific on the measure of total debt (TTD) either measured to total assets or equity.

According to Hajisaaid (2020) from Saudi Arabia investigated the relationship between capital structure and profitability of eight companies working in the basic material sector in Saudi Arabia during the period 2009 to 2018. The statistical techniques used are regression analysis, fixed effect model, random effect model, and Hausman test. All basic materials shareholding companies that satisfy the following conditions will incorporate in the study sample: Share price data are available during the study period (2009-2018), and there is an availability of data required to calculate study variables, the company did not enter in a consolidation process or allocated free shares because these events affect the company figures such as earnings. The dependent variable is the return on equity (ROE). In contrast, independent variables are a short-term debt to total assets ratio (SDA), long-term debt to total assets ratio (LDA), and total debt to total assets ratio (DA). The study reveals that both the long-term debt (LDA) and short-term debt have negative relationship with profitability. However, the study is concentrated also on different context that is the basic material sector in Saudi Arabia while the current study is concentrated specifically on cement companies listed on the Nigerian exchange group. The study also conducted in Saudi Arabia and the current one will be conducted in Nigeria. Also, the third variable used in measuring the IV was total debt to total assets ratio while this study will adopt debt to equity ratio in order to see the effect of debt on the existing ownership of the shareholders.

Rahman *et al.* (2020) in Bangladesh empirically investigated the impact of capital structure choice on the firm performance of the firms listed under the Dhaka Stock Exchange of. Multiple regressions have been employed in this research to determine the relationship between the capital structure and the firm's financial performance. Three ratios of financial performance, i.e., return on assets, return on equity, and gross margin, have been used as a sample of non-financial Bangladeshi companies, selected from 2010 to 2015. The study records numerous findings. First, the result shows no significant relationship is found between long-term debt (LTD) and this measure of firm's financial performance (ROA & ROE).

However, the study is conducted in different geographical area Dhaka Stock Exchange of Bangladesh while the current study will be conducted in Nigeria. SPSS was used as a tool for the data analysis which is common in the recent studies, therefore, different tool might look better like the Stata intended to use by this current study. Also, the study was not specific on the measure of total debt (TTD) either measured to total assets or equity.

Karim *et al.* (2022) also in Bangladesh evaluated how the financial structure's elements affect the profitability of DSE listed cement manufacturing companies in Bangladesh. Analyzing the secondary panel data for the fifteen-year period between 2006 and 2020, through the use of pooled OLS, fixed effect, and random effect regression estimation model, empirical findings demonstrated that the long-term debt ratio (LTDR) has a significant negative association with the profitability indicators ROA and ROE.

However, the study is conducted in different geographical area Bangladesh as the economy, taste, perception, religions and other cultural values might not be the same with that of Nigeria where the current study is intended to take place. The period by which the

study was conducted also differs, the study was in 2022 while the current study will be conducted in 2024, which shows a clear interval of two years. Also, the study used SPSS was used as a tool for the data analysis while this study will use Stata in its data analysis.

In the study of Garcia-Gomez *et al.* (2021) from U.S. analyzes leverage and performance in the context of the U.S. hospitality industry. In addition to Ordinary Least Squares (OLS) and Fixed-Random effects (FE-RE) estimations, the study also employed System Generalized Method of Moments (GMM) panel data techniques to avoid the endogeneity issue. Thus, using a sample of 313 U.S. hospitality firms for the period 2001–2018, the primary results are consistent with the pecking order theory, suggesting a negative relationship between leverage and firm performance. The main finding suggests that given that hospitality firms are highly indebted, there is a negative relationship between leverage and performance, according to the pecking order principles.

However, the study is concentrated on different context, that is U.S. hospitality industry while the current study is concentrated specifically on cement companies listed on the Nigerian exchange group. Also, the study used 313 U.S. hospitality companies as a sample which is too much and very difficult to avoid replacement of information which will seriously affect the findings of the study. Therefore, the current study will concentrate on three (3) cement companies listed on the Nigerian exchange group. More so the study used SPSS was used as a tool for the data analysis while this study will adopt the use of Stata.

Ngui (2021) in Kenya investigated the relationship around financial leverage and firm value of cement manufacturing firms in Kenya. The study was based on correlational form of design. The study targeted six cement manufacturing firms in Kenya between 2011 and 2020. Secondary data was mined from individual publicly available audited financial statements from the company websites. Data collection schedule containing annual total debt, total equity, total assets, total liabilities, current assets and current liabilities was used. SPSS was used to analyse the data through descriptive, correlation and regression statistics. Between 2011 and 2020, The study concludes that financial leverage relates negatively with firm value of cement manufacturing firms in Kenya.

However, the study was conducted in Kenya while the current study will be conducted in Nigeria. Also, the study fails to identify appropriate measures of the dependent and the independent variables. SPSS was used as a tool for the data analysis which was used multiple times in related studies, therefore, this study will use Stata in order to provide a tangible solution.

Also, Akhtar *et. al.* (2021) in Pakistan measures the impact of financial leverage on the performance of 424 Pakistani nonfinancial listed companies over the 2001–2017 period. Three measures of financial leverage, i.e., short-term debt (STD), long-term debt (LTD), and total debt (TLEV), were applied to examine their impact on performance, i.e., sustainable growth (SGR), Tobin's Q, return on assets (ROA), return on equity (ROE), and return on sales (ROS). Robust results obtained using the generalized method of moments (GMM) report a significant negative impact of financial leverage on performance.

However, there is a clear geographical gap based on the location where the study was conducted which is Pakistani on listed nonfinancial companies over the 2001–2017 which represented a very outdated period with a large area covered by the study, which might not give a proper result. Also, total leverage was measured in the study while in the current study debt to equity will be considered as the third measure of the IV.

Islam and Ullah (2020) from Bangladesh investigated the relationship of different capital structure determinants with the profitability of multinational companies (MNC) in order to determine the optimal choice of the capital structure. We have used the financial statements of 10 MNC listed in the Dhaka Stock Exchange (DSE) in Bangladesh in the year 2006–2017. The profitability is measured using the return on assets (ROA) and the return on equity (ROE). Data are analyzed using multiple panel regression which reveals that the financial ratios, namely, the long-term debt (LTD) and debt to equity (DE) are the significant variables in predicting the optimal capital structure of those MNC. The research findings imply that MNC financial managers should avoid long-term debt financing and therefore rely more on short-term financing options from the perspective of the capital market in Bangladesh.

However, the study is conducted in Bangladesh and the current one will be conducted in Nigeria. More so, the study eliminated the use of short-term debt in measuring the IV while the current study will consider it as a very important variable in measuring the IV.

Al-Habsi and Khalil (2021) analyzed and examines the effect of financial leverage that is measured by debt ratio on performance of the firms' that are listed under MSM. Firm performance is measured through ROA and ROE. The research included a set of selected companies listed on MSM, which are consisting of 6 companies and the data contains for the period starting from 2015 to 2019. E-views statistical software was used to analyze the financial data, and to run the correlation and regression models. The results of the study indicate that there is a negative impact of financial leverage on firm performance in the service sector. However, the financial leverage has a positive impact on performance of firms categorized under financial and industrial sector.

However, only debt ratio cannot be enough in measuring financial leverage and also SPSS is overloaded in previous studies. Therefore, this study will use Stata as a tool for data analysis and also employ more variables that can measure financial leverage more appropriately.

Subsequently, Kaluarachchi *et al.* (2021) in Sri Lanka examines the impact of financial leverage on the performance of listed manufacturing companies in Sri Lanka. Methodology: The present study employed ratio analysis to examine whether the financial leverage in listed manufacturing firms in Sri Lanka affected their performance involving the financial performance indicators of return on assets (ROA), return on operating assets (ROOA), return on net operating assets (RNOA), return on equity (ROE) and the impact on the financial level indicators as the debt to equity (DE) and financial spread. Findings: The results found both a positive and negative relationship between financial leverage and the firms' performance.

However, listed manufacturing companies in Sri Lanka were the context of the study, while this study will utilise cement companies listed on the NGX Group as context of the study. Also, the variables used in measuring financial leverage are too much and confusing therefore, this study concentrated on ROA and ROE to provide the precise result for the problem.

Oli (2021) also in Pakistan examines the determinants of return on assets, net profit margin, and earnings per share in Nepalese commercial banks to examine the performance proxy of commercial banks by using the secondary sources of data that are collected from the 20 Nepalese commercial banks through 2011/12 to 2016/17. The OLS regression models are estimated to test the significance and importance of leverage on the bank's performance (ROA & ROE). While has a negative influence on Tobin's Q. The study reveals that long term debt ratio has a positive relationship with return on assets, net profit margin, and earnings per share.

Pecking order theory (POT)

Where external financing is required, debt should be used. Companies can internally source funds Where external financing is required, debt is the best and finally the equity financing. The tenets and foundations of the theory were first suggested by Donaldson (1961) and later modified by Myres and Majluf (1984). According to the theory firms prioritizes their sources of finance with the ease of obtaining it owing to the changing level of information asymmetry and agency costs. The managers will prefer internal sources to external sources in the following manner, first through retained earnings, debt and equity financing as a last resort. The theory posits that as the cost of finance increases and so do the risk. Therefore, several factors must be put in play including the risk factor in order to choose the level of the finance. Therefore, the more firms require external financing, debt should be used because is the best.

The basic assumptions of this theory include: cost of debt remains constant regardless of the gearing level, weighted average cost of capital remains constant regardless of rise in gearing level, the cost of equity will rise in such a way as to keep the weighted average cost of capital constant, perfect market exists where individuals and companies can borrow unlimited amount at the same rate of interest, No corporate taxes or transaction cost, personal borrowing is a perfect substitute for corporate borrowings, and firms exist with the same business or systematic risk but different levels of gearing.

Though, the theory faced with a lot of criticisms, which the critics argued are not feasible in practical world of today. Some of such arguments are as follows: that the markets for securities are not perfect, also transaction cost exists and all these hinder the effective working of arbitrage transactions, that in practice, companies can usually borrow more easily at lower cost than individuals, a tax-free world does not really exist. Therefore, the effect of taxation reduces the cost of debt finance which will ultimately lead to a steady decline in cost of capital, Investors are assumed to act rationally which may not be the case

in practice, and also, In practical realities, some earnings may be retained and so the assumption of paying out all earnings as dividend would not apply.

However, the pecking order theory is used as the underpinning theory to guide this study. The cement companies are unable to meet the domestic demand as reported by the Manufacturers Association of Nigeria (MAN) in the late (2023). As well the companies are no longer making profit large enough to be retained as source of additional funding to satisfy the demand and if they do make profit is just in figures and the effect of inflation is not considered. This means when the effect of inflation is considered the profit might not be as large as that of previous years in terms value, which signifies a problem in using retain earnings for additional financing since the demand exist, thereby making them to resort to use of debt over issuing of new stocks because of the high fluctuating cost associated with new issues. Therefore, since these companies cannot produce enough to satisfy the domestic demand, something may be wrong with their financing. As such the study will investigate the effect of financial leverage on financial performance of cement companies, so as to see if there is any need to advise them to go for debt to expand their production level or another way round depending on the outcome of the study.

Methodology

The methodology of this study is exclusive criteria; because the study reviewed only recent studies from 2019-2023 that is a period of five (5) years that reported on long-term debt and financial performance. However, the study used the exclusive criteria in order to have updated results that are conducted within the same pattern of economy and to have a conciseness for better understanding of readers. The data is also gathered through the means of review and analyzed through identifying the outcome of the reviewed studies.

Discussion of Results

The study examines the effect of long-term debt on financial performance of cement manufacturing companies. However, based on the majority the study found that; there is a negative effect of long-term debt on return on assets of cement manufacturing companies. The result implies that an increase in long-term debt will definitely lead to a decrease in ROA, and also, a decrease in long-term debt will definitely lead to an increase in ROA. Therefore, the study is consistent with that of; Rahman *et al.* (2020); Hajisaaid (2020); Rahman *et al.* (2020); Karim *et al.* (2022); Garcia-Gomez *et al.* (2021); Ngui (2021); Akhtar *et al.* (2021); Ullah (2020); Kaluarachchi *et al.* (2021). However, the study is inconsistent with that of Oli (2021); Manyanga *et al.* (2023).

The study also found that; there is a negative effect of long-term debt on return on equity of cement manufacturing companies; the result also implies that an increase in long-term debt will definitely lead to a decrease in ROE, and also, a decrease in long-term debt will definitely lead to an increase in ROE. Therefore, the study is consistent with that of; Hajisaaid (2020); Rahman *et al.* (2020); Karim *et al.* (2022); Garcia-Gomez *et al.* (2021); Ngui

(2021); Akhtar *et al.* (2021); Ullah (2020). However, the study is inconsistent with that of Oli (2021).

Conclusion

The study concludes that there is a negative effect of long-term debt on financial performance of cement manufacturing companies. Therefore, the study shows clearly the implication of long-term debt of its financial performance (ROA and ROE) as its presence reduces return and its absence increases return. Moreover, this study is of vital importance to the management of cement manufacturing companies as they can use these findings to find out optimal capital structure for better return.

Recommendations

Based on the Findings the study is therefore come up with the following recommendations:

- Cement manufacturing companies should avoid the use of debt in financing their assets.
- Cement manufacturing companies should concentrate much on internal financing so as to improve shareholders return.

Suggestion for Further Research

- Future researches can maintain the same topic by coming with an empirical paper, that is by adopting different method of data analysis.
- Future researches can also maintain the same topic by changing the context of the study in to food production companies and others.

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