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FINANCING CONFIGURATION CHOICES AND PERFORMANCE DYNAMICS IN NIGERIA'S OIL AND GAS INDUSTRY

DR. OKOLOGUME, HENRY CHUKWUDI; & DR. ABUBAKAR ALASAN BILLYAMINU

Department of Banking and Finance, School of Financial Studies, Auchi Polytechnic, Auchi, Edo State, Nigeria

Corresponding Author:
okologumehenry@auchipoly.edu.ng

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Abstract

This project work examines financing configuration choices and performance dynamics in Nigeria's oil and gas industry. The objective of the study was to investigate if short term and long term debt capital and as well equity capital has significant impact on the financial performance of listed indigenous oil and gas firms in Nigeria. The research design adopted for the study is cross-sectional research design. The result was analyzed using regression analysis. The study reveals that short term debt capital have significant impact on the financial performance of listed indigenous oil and gas firm in Nigeria and long term debt capital does not have significant impact on the financial performance of listed indigenous oil and gas firms in Nigeria. The study however concludes that financial performance of oil and gas firms in Nigeria is intricately linked with their financing choices, specifically equity and debt. The study has demonstrated a robust and positive correlation between financial performance and these factors, indicating that improvements in financing choices can enhance the financial performance of these firms. The study also recommends that finance sector in Nigeria needs to focus on debt proportion as part of their financing choices and also consider resource utilization that enables leverage and liquidity performance by

Keywords: Financing choices**, financial performance,** short term debt, long term debt, equity capital

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expanding the sector and amount of capital investment on fixed asset in oil and gas sector in Nigeria. Finally, there is need for investors and stakeholders' interaction process for proper feedback to credit organizations, customers and suppliers on the financial strength and weaknesses of the firms.

Introduction

Finance is an important element which every firm requires to drive its force. It can otherwise be seen and the lifeblood being required by firms to function and run its operations. Finance forms the bedrock of a business startup cost and also enables the business to run smoothly and carrying out its day-to-day operational costs such as payment of wages, rent, raw materials, and utility bill (Gupta & Gupta, 2024). An improper financial management system can lead to capital loss which invariably can lead to business fail, even if the business is being seen as making profit. The essential element of a firm is capital and this capital are often threatened. This threats are often labeled as risk. Fundamentally, the concept of capital are often entwined. Capital serves as a source of fund for business growth and also as a buffer against business risk (equity and debt) (Hendrawan *et at.,* 2023). Just as blood is to human, so as financing is to business firms (lifeblood).therefore the business needs fund day one of its setup to run its operation in other to also meets its day to day with a sound financial management which is required for the firms survival. The major worry of financial managers is how to determine the best financing mix for an organization. Setting up a firm's value is essential as it permits precise examination of its ability to manage debt, estimate investment return, and properly approximate its market value (Bryan, 2014; Damodaran, 2024).

In many case, finance is mostly intensified in business areas like energy, transport, manufacturing, and banking because they often require heavy running cost, resulting from huge upfront investments in fixed assets such as plants, equipment, and infrastructure with a bid to withstand economic vitality for business survival. A good example of this business area is the oil and gas industry that requires huge setup cost and running cost. The oil and gas industry comprises two divergent refinements; the field and the corporate setting. Moreover, there are peculiarities in the oil and gas sector which make it different from other industries in the manner in which they are valued by the financial community (Bryan, 2014).This industry requires steady operations across the entire value chain ranging from the exploration, production (upstream), to transportation and storage (midstream), and refining and marketing (downstream), of which requires huge setup and running cost and efficient financial management dynamism. The complexity of the oil and gas industry in prone to price volatility, which requires diverse financing modes, significant risk management, regulatory, environmental, social, and governance pressures (Akin, 2025).

The Nigeria oil and gas sector is often seen to be the largest oil and gas market in Africa. Though the oil sector in Nigeria was founded at the beginning of the 20th century, it was not until the end of the Nigerian civil war (1967-1970) that the sector started playing a substantial role in the economic life of the country (Azaiki & Shagari, 2020). Following the discovery of oil in Nigeria in 1956 and the subsequent collapse in agricultural production, crude oil sales became the mainstay of the economy. This has led some indigenous firms to invest in the oil and gas sector. However, the managers and funds providers place importance on how to finance an organization as a result of bad consequence if a wrong mix is adopted. The wrong mix may affect the performance of the organization (Osuji & Odita, 2012). Financial performance is a determinant of an organization's income, profits, increase in value as evidenced by the appreciation in the entity's worthiness (Asimakopoulos, Samitas & Papadogonas, 2021).Measures of financial performance fall into investor returns and accounting returns. The basic idea of investor returns is that, the return should be measured from the perspective of shareholders e.g. share price and dividend yield. Accounting returns focus on how firm earnings respond to different managerial policies, which can be measured using different accounting ratios (Alan, 2018) The difficulty facing firms in Nigeria has got to do more with the financing whether to boost debt or equity capital (Ubesie, 2016). Thus, firms in Nigeria, including indigenous oil and gas firms must pay attention to how to fund their operating and other activities, record brilliant performance and grow over time, and predominantly create value by maximizing wealth. Also, security and sabotage, regulatory and inconsistent policies, limited local capacity (exchange rate exposure) had an adverse effect on the Nigerian oil and gas sector. Hence, it becomes important to examine how the financing choice of firm's impact on their performance. In the light of the above, there are few empirical studies in Nigeria concerning the financing choices and firm performance in the oil and gas sectors. The main objective of this study is to examine the impact of financing configuration choices and performance dynamics in Nigeria's oil and gas industry, while the specific objectives are to investigate whether short and long term debt capital and as well equity capital has significant impact on the financial performance indigenous oil and gas firms in Nigeria.

Finance Choices

Financing choices are part of the financial structure and refer to the proportion of the various sources of financing. It is concerned with making the array of the sources of funds in a proper manner, which is in relative magnitude and proportion (Chandra, 2011; Osirim, Wadike & Idatoru, 2020). Designing a proper capital structure maximizes value, minimizes cost, increases the share price and provides investment opportunities. According to Akeem (2014) and Geronimo (2019), financing choices is the combination of the Debt and

equity structure of a company. It can also be referred to as the way a corporation finances its assets through some combination of equity, Debt or hybrid securities; that is, the combination of both equity and Debt.

Short-Term Debt (STD) Finance

Short-term Debt is made up of any debt incurred by a company that is due within the current fiscal year. The value of STD is very important when determining a company's financial performance. According to Muchugia (2013), STD financing tends to be less expensive and increasing it with a relatively low interest rate which could lead to an increase in profit levels and therefore performance. Short-term financing matures quickly and needs to be renewed at frequent intervals. Hence, this could be used as a monitoring device to control self-interested managers' actions. Short-term funds are spontaneously generated sources such as accounts payable, provisions and accruals, and non-spontaneously generated sources such as unsecured and secured short-term borrowings and off-balance sheet financing instruments. Marx, de Swardt, Beaumont Smith and Erasmus (2011) stated that spontaneous sources of financing arise from the ordinary course of business, are directly related to the sales level and increase or decrease in direct proportion to sales. According to Syed & Attaullah (2017), secured short-term borrowings are usually made up of short-term bank loans, cash credit overdraft, and working capital demand loans. Unsecured financing (also known as financial statements lending) is short-term financing obtained from the money market without pledging any specific assets as collateral, and include negotiable certificates of deposit (NCD), commercial paper and banker's acceptances (BAs).

Long-Term Debt (LTD) Finance

Along term debt is a loan from a financial institution. LTD can be raised in a relatively short period, because LTD is negotiated directly between the lender and the borrower, and documentation is minimized (Muchiri, Muturi & Ngumi, 2016). Terms and conditions of LTD can be revised by mutual agreement between the lender and borrower. LTD has lower issuance costs. Funds raised from LTD are typically used to finance permanent working capital, to pay for fixed assets or to discharge other loans a firm had borrowed (Athreya, 2018; Olonite, Gurowa, Ibrahim & Ajewole, 2021). LTD minimize time spent saving for investments and investors are able to realize potential earnings sooner to help offset the cost. LTD increases the flexibility of an investor's limited capital by allowing for its distribution over multiple investments, and minimizing the immediate impact on operational cash flow. LTD provides an opportunity to finance potential investments while maintaining control of the firm (Ahmed & Wang, 2013).Generally, LTD have a very structured payment thus builds credit. It can be very advantageous to take out a LTD for

a business. After the maturity date and when full ownership is assumed, the former debtor and now owner can use the asset and the credit they have developed, paying for it for future borrowing. Thus, reliable debtors experience a compounding effect of the advantages of a LTD (Abu-Rub, 2012).

Equity (EQ) Finance

Equity finance is the capital invested in exchange for shares of ownership in the enterprise plus any surpluses of income over expenditure. Osirim, Wadike & Idatoru (2020) assert that equity finance include share capital, share premium, reserves and retained earnings of an entity. Equity financing is the process of raising capital through the sale of shares in a company. Equity financing involves not just the sale of common equity, but also the sale of other equity or quasi-equity instruments such as preferred stock, convertible preferred stock and equity units that include common shares and warrants. With equity financing, companies have less burden of repaying loans, issues associated with credit worthiness are gone; however, owners of the company lose control, share profits and potential conflict may arise (Eriki & Osagie, 2017; Olonite, Gurowa, Ibrahim & Ajewole, 2021). In this manner, financing choices of firms' is the capital mix of equity and capital utilized as a part of financing its operations and assets acquisition. Be that as it may, most essential and complex issue in corporate fund is that whether there exists ideal capital structure or not. Equity means invested money that, in contrast to debt capital, is not repaid to the investors in the normal course of business. It represents the risk capital staked by the owners through the purchase of a company's common stock (ordinary shares) (Omran & Pointon, 2009) Nwude & Anyalechi (2018). According to Rahman, Saima & Jahan (2020), equity ratio is measured by the natural logarithm of total shareholders' equity.

Financial Performance

Financial performance is the measuring of results of a firm's policies and operations in monetary terms. These results are reflected in the firm's return on investment, return on assets, value-added, among others. According to Eriki & Osagie (2017), financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. In the words of Firch (2013) argues that performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time, often with reference to past or projected cost efficiency management, responsibility or accountability or the like. Thus, not just the presentation, but the quality of results achieved refers to the performance. This implies that performance refers to the act of

performing: execution, accomplishment, fulfilment, and among others. In broader sense, performance refers to the accomplishment of a given task measured against pre-set standards of accuracy, completeness, cost, and speed (Eriki & Osagie, 2017).

Farah et at. (2016), define financial performance as the magnitude to which the financial health of an organization is measured over time. Alternatively, financial performance means the outcome of an organizational efforts in managing its non-current and current assets, getting higher sales, minimizing costs and appropriately managing its working capital. Its main purpose is to avail the shareholders and other stakeholders a complete information to encourage them in making decisions. There are various parameters in measuring financial performance in an organization. The obvious is the use of ratios by establishing relationships in the items of the financial statements and using data on stock market prices (Berger & Patti, 2006). These ratios indicate whether the owners' objectives of becoming wealthier are achieved or not and the trend of performance over time by comparing the ratios with that of previous years, competitors or industry average.

Ali et at. (2012) emphasized that capital structure is the blend of equity capital and debt capital of an organization. This is because the way an organization funds its activities and assets procurement by pooling debt, equity, or hybrid securities; that is the mixture of both debt and equity. Inanga and Ajayi (2021) opined that capital structure may be classified into equity capital, preference capital, and long-term loan (debt) capital. Equity capital, also known as ordinary shares, implies the money initially invested in the business is in exchange for shares and retained earnings. Preference capital refers to a hybrid that combines the features of debentures and equity shares except for the benefits while debt capital refers to the long term bonds used by the firm in financing its investment decisions while noting its principal and also return interest.

Trade-off Theory

The trade-off theory is originated from the discussion of Modigliani and Miller (1958) and Modigliani and Miller (1963). The idea of the trade-off theory is that firm should balance how much debt finance and how much equity finance to use by balancing the cost and benefits. In other words, the assumption of this theory is that the cost of Debt can protect firm earnings from corporate income tax, therefore 100% capital from Debt can bring high benefit for firm, however this issue is also extremely risky because there are no firms dare to take advantage from Debt for operation without thinking of debt disadvantages. Firms in trade off theory set the target debt to value ratio and slowly acquire the target (Myers, 1984). The rationale of trade-off theory is that marginal benefits exists and firms can leverage within a financing choice that forms the capital structure of a given firm up until the optimal capital structure is reached. A firm that aims at optimizing its capital structure has to focus on this trade-off between marginal costs and marginal benefits when

choosing what percentage of debt finance and equity finance should be used in financing its operations (Omete & Isabwa, 2017).

Free Cash Flow Theory

Jensen & Meckling (1976) & Jensen (1986) argued that high leverage can help a firm's performance by reducing conflicts among shareholders and managers concerning Free Cash Flow. Jensen (1986) stated that firms with high Free Cash Flow and low growth opportunities are expected to have high debt levels. He further argued that firm managers tend to use internal funds (FCF) to avoid shareholder control. However, shareholders tend to avoid this by reducing cash flow by raising Debt. Some studies have considered Debt and equity as tools to reduce Free Cash Flow problems (Harris & Raviv, 1991; Jensen 1986). Firms' managers can use Free Cash Flow to finance projects with negative Net Present Value and to expand a firm beyond its optimal size (Jensen, 1986). Using higher debt levels can reduce the ability of managers to use Free Cash Flow. This leads to the assumption that equities are the first and best choice for firms with Debt considered the last choice. The Trade-off Theory and Free Cash Flow theory are used to underpin this study. This is because the Trade-off theory explained that an effective leverage plan that works for any firm that intends to maximize its profits and shareholders wealth is a plan which upon its successful implementation, the marginal benefits exceeds the marginal costs.

Pecking Order Theory

The major prediction of the model is that firms will not have a target or optimal capital structure, but will instead follow a pecking order of incremental financing choices that places internally generated funds at the top of the order, followed by debt issues, and finally, only when the firm reaches its "debt capacity" new equity financing. Myers and Majluf (1984) opined that this theory is based upon costs derived from asymmetric information between managers and the market and the idea that trade -off theory costs and benefits to debt financing are of second order importance when compared to the costs of issuing new securities. The development of a Pecking order based Apon costs of adverse selection requires an adhoc specification of the manager's incentive contract and a limitation on the types of financing strategies that may be pursued (Dybrig and Zender, 1991). Despite the theoretical criticisms, the pecking order theory remains one of the predominant theories of incremental financing choice. In a recent set of papers, tests designed to distinguish between these competing theories have been considered.

Empirical Review

Olokoyo (2012) investigated the relationship between capital structure and performance of Nigerian quoted firms from 2003 to 2007. The study employed panel data analysis by

using fixed effect estimation, random effect estimation, and a pooled regression model. The study acknowledged among others that the leverage measures future debts to total assets, short term debts to total assets, and total debts to total assets have a positive and highly significant relationship with the performance of quoted firms in Nigeria. The maturity structure of debts affected the performance of firms significantly and therefore the size of the firm featured a significant positive effect on the performance of firms in Nigeria.

Shahara and Shaharb (2015) investigated the impact firm leverage towards the Performance of Shariah-compliant listed companies with the non-compliant Shariah listed companies. A total of 70 construction companies listed in Securities Commission Malaysia (SC) main board belonging to construction sector for Shariah and non-Shariah compliant listed companies are analyzed covering the period from 2008 until 2012. Using pooled ordinary least square (POLS) method and generalized least square (GLS) with random and fixed effects, the results clearly indicated that firm leverage's choice between Shariah and non-Shariah compliant companies are totally difference. It shows that debt ratio does not give an impact towards Shariah-compliant company's performance based on return in asset (ROA) and return on equity (ROE) but short-term Debt and long-term debt does give an impact to Shariah-compliant company's performance based on Market to-book value (MTBV) with negative relationship. On the other hand, in Non-Shariah Compliance Company, invese result shows when long-term Debt and total Debt does give an impact to Non-Shariah compliant company's performance based on ROE. While, size also represent a positive relationship toward Non-Shariah- compliant Company's performance. The study recommended that firms should be very careful when choosing finance for business activities.

Muchiri, Muturi and Ngumi (2016) examined the relationship between financial structure and financial performance of listed firms at the East Africa Securities Exchanges. Feasible Generalized Least Squares method, random effect for models without moderator and fixed effect for models with moderator, based on Hausman specification test were used. The study found out that short term debt, long term debt, retained earnings and external equity had an insignificant negative relationship with return on assets but insignificant positive relationship with return on equity. While combined, financial structure had a significant positive and negative relationship with return on equity and return on assets respectively. The study recommended that firms should endeavour to use combination of leverage to improve their financial performance.

Omaliko and Okpala (2020) conducted a study on effect of financing mix on the financial performance of firms. The research design used is Ex-Post Facto design and data for the study were obtained from the published annual financial reports of the entire9 firms listed under health care sector of Nigeria Stock Exchange (NSE) with data spanning from 2014-

2018. The statistical test of parameter estimates was conducted using multiple regression models. The findings generally indicate that equity financing, Debt and debt-equity financing have significantly influenced firms' performance. Preferred stock financing was found negatively and insignificantly related to firms' performance. Based on this, the study concludes that the financing mix of firms have exerted significant influence on firms performance over the years. The study however, recommended that firms should always thrive to attain that optimal mix in order to achieve the overall objective of the organization.

Abatcha and Bala (2020) studied the determinants of capital structure in listed insurance companies in Nigeria for the period of thirteen years, from 2006-2018. Ex-post facto research design was adopted for this study. The population of the study is made up of the 28 insurance companies listed on the floor of the Nigerian Stock Exchange (NSE) as at 2018. The data used in this study were secondary data derived from annual reports of insurance companies that are listed on the NSE. The study used panel regression with respect to the use of the Hausman specification test to determine the use of fixed or random-effect model. The random effect regression result revealed that that firm size has an insignificant positive effect on capital structure (CST) of listed insurance companies in Nigeria. The study showed a significant positive effect between age and CST of listed insurance companies in Nigeria. Based on the regression result, asset tangibility has insignificant negative effect on CST, the regression result shows that risk has insignificant positive effect on CST, while the study found that insurance growth has significant positive effect on CST of listed insurance companies in Nigeria. The study recommended that insurance companies should have a high consideration for the value of total assets when determining their capital mix.

Methodology

The research design adopted for this study was the cross-sectional research design and the population of this study is made up of all indigenous oil and gas companies listed at the floor of the Nigerian Exchange Group (NGX Group) index of the oil and gas sector. The study sample size selected for the study is equal to the population. On this ground, 10 oil and gas companies on the NGX were used to carry out the analysis which includes; Oando Plc, Seplat Petroleum Development Company Plc, MRS Oil Nigeria Plc, Mobil Oil Nigeria Plc, Ardova Plc (formerly Forte Oil Plc), Conoil oil, Star Deep Water Petroleum, Japaul Gold and Ventures Plc, Capital Oil Plc and Total Nigeria Plc. The sampling technique used in this study was the non-probability sampling method that is self-selection. The study used panel data generated from secondary source. The data was extracted from the annual reports and accounts of the companies obtained from the Nigeria Exchange Group (NGX Group) fact book for a period of ten years spanning through 2025-2024. The study focuses

on determinant of firm's financial performance among oil and gas companies in Nigeria, which is the domain.

Model Specification

The study employed the panel data econometric model adapted in order to establish the relationship between the independent variable firm performance (proxies: Short Term Debt (STD),Long Term Debt (LTD), Equity Capital (EQC) and the Dependent variable Performance (PERF disclosure index). It adapted a model employed by Fasua (2019) with modification. The model for this study can be expressed as:

Mathematical model; PEF= f(STD, LTD, EQC)……(i)

Statistical model; PEFit=α+β1STDit+β2LTDit+β3EQCit+cit …….. (ii)

Where:

PEF= Financial Performance
STD= Short Term Debt
LTD= Long Term Debt
EQC= Equity Capital

Results and Discussion

Table 1: Descriptive Statistic

Variable	Level	1st Difference	Order of Integration
STD	-3.2077	-4.4394(1)	1(0)
LTD	-0.65711	-4.3476(1)	1(1)
EQC	.0.2571	-3.4712(1)	1(0)

Source: *E-Views Computation (2025)*

Table 1 contains the descriptive statistics for all the variables involved in the study. Short term debt level of dependent variable (STD) is -3.2077 with a different -4.4394 and Long Term Debt (LTD) is -0.6571 with a different of -4.3476, while the Equity Capital (EQC) value show .0.2571 with different of -3.4712.

Table 2: Bounds Test for Co-integration

	5% level		10% level	
K	1(0)	1(1)	1(0)	1(1)
5	2.39	3.38	2.08	3.00

Computation F-statistic (STD, LTD, EQ,) =2.5661 (0.84)

Source: *E-Views Computation (2025)*

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Table 3: Summary of Regression Results

Variable	Coefficient	T- Values	P-Value
STD	-3.5096	-3.9653	(.079)
LTD	-0.65711	-3.0424	(.011)
EQC	.0.2571	2.7543	(0.9)

Source: *E-Views Computation (2025)*

Table 3 shows the regression procedure which uses the individual significance test (t-test) and the overall significance test (F-test). The goodness of fit on the model is tested using the coefficient of determination. The estimation of these statistics is done using the E-Views computer software. The main focus of testing in this study is to examine the significance of effects on the dependent variable by the explanatory variables.

Hypothesis Testing

The level of significance adopted in this study in testing the stated hypothesis of this study is 5%. This level is usually considered adequate for studies in management and other behavioural sciences

Decision Rule

The critical p-value used in these tests is 0.05. Thus, the research accepts a given alternative hypothesis that there is no significant effect.

Hypothesis One

H_o: Short term debt capital does not have significant impact on the financial performance list of indigenous oil and gas firms in Nigeria

Table 4: Computed Values for Testing Hypothesis 1

Coefficient	-3.5096
Probability	(.079)

Source: *E-Views Computation (2025)*

Decision: A coefficient -3.5096 of Short term debt capital reflects a negative influence on financial performance, while a probability of (.079) shows a positive influence of short term debt capital which is significant at 5%. This means that the alternative hypothesis is not accepted at 5% level of significance.

Hypothesis Two

H_o: Long term capital does not have significant impact on the financial performance of listed indigenous oil and gas firms in Nigeria

Table 5: Computed Values for Testing Hypothesis 2

Coefficient	**-0.65711**
Probability	(.011)

Source: *E-Views Computation (2025)*

Decision: A coefficient -0.65711 of long term capital has a positive impact on financial performance, while a probability of (.011) shows a negative influence on long term capital and financial performance which is not significant at 5%. This means that the alternative hypothesis is not accepted at 5% level of significance.

Hypothesis Three

H_o: Equity capital does not have significant impact on the financial performance of listed indigenous oil and gas firms in Nigeria

Table 6: Computed Values for Testing Hypothesis 3

Coefficient	**.0.2571**
Probability	(0.9)

Source: *E-Views Computation (2025)*

Decision: A coefficient 0.2571 of equity capital has a positive influence on financial performance, while a probability of (0.9) shows equity is significant at 5%. This means that the alternative hypothesis is accepted at 5% level of significance.

Discussion of Results

There are three specific objectives in this study. The first goal of evaluating whether financing have significant impact of firm performance in oil and gas sectors in Nigeria. The outcome showed that short term debt capital has a negative influence on financial performance and on the other hand a probability of (.079) shows that a positive influence of short term debt capital is significant at 5%. The result agrees with Nweze and Edame (2016), which concluded that short-term economic growth has a detrimental relationship, but is contrary to Asagunla and Agbede (2018).

The second goal of deciding whether long term debt capital have significant impact on the financial performance of listed indigenous oil and gas firms in Nigeria, the outcome shows that a negative and clear link existed between long term debt capital and financial performance of listed firms in Nigeria. However, there is a significant relationship between equity capital and financial performance of listed indigenous oil and gas firms in Nigeria as revealed in the analysis.

Conclusion and Recommendations

Based on the findings of the study, it can be deduced that the financial performance of oil and gas firms in Nigeria is intricately linked with their financing choices, specifically equity and debt. The study has demonstrated a robust and positive correlation between financial performance and these factors, indicating that improvements in financing choices can enhance the financial performance of these firms. To improve their financial performance, oil and gas firms in Nigeria may consider implementing a range of strategies by configuring their financing choices. One of such strategy is to focus on effective cash flow management, which can enable them to optimize their resources and minimize unnecessary expenditures. Additionally, reducing the debt-to-equity ratio can increase the firm's financial flexibility and improve its ability to access capital markets, while increasing profitability through cost-cutting measures and revenue growth can drive long-term financial success.

Moreover, strategic partnerships and investments can offer firms the opportunity to expand their operations, diversify their portfolio, and secure additional resources. By regularly monitoring and assessing their financial performance, oil and gas firms in Nigeria can identify areas for improvement and make necessary adjustments to their strategies, further optimizing their capital structure and financial performance. In conclusion, the study highlights the critical importance of financial choices in enhancing the financial performance of oil and gas firms in Nigeria. By focusing on improving their equity and debt positions, implementing effective financial management strategies, and seeking strategic partnerships and investments, these firms can increase their competitiveness and achieve long-term success. This can be achieved by focusing on debt proportion and considering resource utilization that enables leverage and liquidity performance by expanding the sector and amount of capital investment on fixed asset in the oil and gas sector in Nigeria. Investors should critically appraise firms' strengths through equity and debt (gearing) ratio.

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EDITOR-IN-CHIEF
Prof. A.I. Mteiye [MALAWI]