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Impact of Country Macro Factors and Firm Specific Factors on Capital Structure: Evidence from Non-Financial Firms in Nigeria

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Abstract
This study investigates how non-financial enterprises in Nigeria make decisions about their debt structures based on firm-specific and country-macro factors. The study uses secondary data from Nigerian non-financial companies that were listed between 2010 and 2024. The study employed a Panel OLS to analyze the data collected. The panel regression's findings show how firm-specific factors (firm sales, profits, fixed assets, and tax) and macro factors (inflation, interest rates, currency rates, and gross domestic product growth) affect the debt capital structure of Nigeria's non-financial companies. The findings show that whereas interest rates, taxes, and exchange rates are negatively correlated with debt capital structure, GDP growth rates, inflation rates, firm size, and profit are positively correlated. When making long-term funding decisions, the study advises company managers in the Nigerian sector to consider the potential effects of these macro and firm specific factors on their funding choices as well as their implications for the sector's overall growth.

Keywords: Country Macro Factors, Firm Specific Factors, Debt Capital Structure, Non-financial Firms, Nigeria.

1. Introduction

Even after more than 60 years since the Modigliani & Miller (1958) research article on capital structure, the factors that influence a company's capital structure are still up for debate. Scholars generally agree that corporate managers' decisions on capital structure ultimately have a significant impact on the firm's value (Abdullah & Tursoy, 2019). The ratio of debt to equity in a company's capital composition is measured by its capital structure. Managers of the company must successfully balance the capital needs of the company with the expectations of the shareholders. Managers must therefore aim for the best possible balance between debt and equity in order to increase firm value and the cost of capital. Furthermore, the basic questions have been and remain: why do some businesses decide to issue a lot of long-term debt while others issue little to no debt? What factors affect managers' choices about whether to use debt or equity to fund a company's operations?

Scholars in the domains of economics and finance have been troubled by these issues over the years (Chakrabarti & Chakrabarti, 2019). Furthermore, research and experience have taught us a lot about how organizations determine the amount of debt in their capital structure, even though the variety of factors influencing them has made it difficult to reach a consensus. Having debt in a company's capital structure is referred to as financial leverage or gearing. Debt has a significant impact on the returns that businesses may provide to their investors.

Researchers have put a lot of work into figuring out the main elements that affect managers' choices about whether to use debt or equity to finance their companies' operations. Endogenous factors, such as firm-specific variables including fixed assets, size, growth opportunity, and profits, have largely been

the focus (Khaki & Akin, 2020; Zafar, Wongsurawat & Camino 2019; Chakrabarti & Chakrabarti, 2019). Furthermore, there is not enough research on the management of macroeconomic variables in the organization's external environment, such as interest rates, inflation, exchange rates and GDP growth rates, to draw strong conclusions about how they affect the debt structure of the company. Once more, the body of research on the influence of these macroeconomic factors on debt structure has tended to extrapolate results from one nation to another, ignoring regional differences and specificities.

Sadly, there is a dearth of studies that focus on assessing the significant impact of macroeconomic factors on the debt structure of non-financial enterprises. Furthermore, Nigerian data was not used in these investigations. Therefore, utilizing inflation, interest rates, exchange rates, GDP growth rates, and firm-specific characteristics as independent variables, this study aims to examine the impact of country-specific macro factors on the debt structure of non-financial enterprises in Nigeria. The study is divided into five sections: an introduction, a literature review, a methodology section, results and discussions, and a summary and conclusion part.

2. Literature Review

In order to provide an overview of the influence of firm-specific and country-wide determinants on the loan capital structures of businesses in the countries where the studies are done, this section evaluated the conceptual literature and recent related empirical literature from various academics, primarily in developing nations like Nigeria.

Country-specific factors are the distinct institutional, political, and economic traits of a given country that can affect investment choices, company conduct, and financial markets. These characteristics set one nation apart from another and have a big influence on how well businesses perform, how their capital is structured, and how much money they make. These economic traits (gross domestic product growth, inflation rate, interest rate and exchange rate) are the variables of interest for this study.

Firm-specific factors refer to the unique characteristics of a company that influence its financial performance and value. These factors are distinct from macroeconomic or industry-wide trends and are often within the company's control. Understanding these factors is crucial for investors, analysts, and managers in making informed decisions. These factors (size of the firm, fixed assets, profits and tax) are the variable of interest for this research.

Capital structure is a combination of debt and equity used in financing firms' operations (Islam and Khandaker, 2015). Capital structure is a part of the financial structure, and it refers to the proportion of the various short and long-term sources of financing (Acaravci, 2015). Besides, capital structure is a financial plan to raise funds from various sources of funds (Awan & Amin, 2014). This research is interested only in the debt aspect of capital structure.

The relationship between capital structure, firm-specific characteristics, macroeconomic factors, and financial performance was empirically investigated by Akhtar (2025). Regression analysis is used in this study to examine Pakistan's textile industry between 2001 and 2018. The study has closely examined how statistical results are interpreted. In the case of the cement sector, the debt-to-equity ratio, assets turnover ratio, growth rate, and exports growth have a positive and significant impact on the firm's financial health, whereas the total debt to total assets ratio and taxation expense have a negligible

association with the firm's profitability. While macroeconomic and business-specific factors are highly connected with the overall performance of the energy industry, capital structure shows a negligible relationship with firm profitability.

According to Yeboah et al. (2024), capital structure has garnered a lot of interest in accounting and finance studies. But the variables influencing capital structure are always shifting. Therefore, the macroeconomic and firm-specific elements that affect businesses' capital structure choices in emerging countries are the main focus of this study. The study analyzed data from seven emerging market companies between 2010 and 2018 as part of their longitudinal investigation. Depending on the results of the Hausman specification test, the study's estimating methodology was either fixed effect or random effect. Capital structure is significantly impacted by firm-specific factors such firm size, debt capital cost, and growth possibilities. Leverage in businesses is greatly impacted by macroeconomic variables like GDP growth, inflation, and foreign direct investment. Nonetheless, the influence of these attributes differs throughout nations, displaying unique trends in the countries that are being examined. The capital structure is explained by both macroeconomic and firm-specific factors, but not all of these factors apply to all African nations. While regulators can develop efficient financial regulations, businesses can optimize their financing decisions by understanding the factors that drive capital structure decisions.

The Kebede (2024) study examined factors that affect Ethiopian commercial banks' capital structure at the firm and national levels. The study used a quantitative research methodology and an explanatory research design. A panel dataset covering the years 2010–2022 was acquired from 14 commercial banks. Tangibility, non-debt tax shields, growth, and interest rates all had positive and significant effects on leverage, a measure of capital structure, according to the results of a random effect panel regression. In contrast, the gross domestic product had a negative and substantial impact on leverage. Risk, inflation, ROA, liquidity, and the effective tax rate are the independent variables that have the least impact on the capital structure of the chosen commercial banks. Commercial bank managers, lawmakers, regulators, and other interested parties will be impacted by the study's findings, which will enable them to make informed capital decisions and put the required policies into place to improve Ethiopian banks' financial performance with an ideal debt-to-equity ratio.

Ibrahim et al. (2023) looked at how company factors affected the capital structure changes of Nigerian listed manufacturing companies between 2010 and 2019. The study included macroeconomic variables like GDP growth and inflation rate along with company qualities like profitability, firm growth, managerial ownership, and institutional ownership. A sample size of 35 was chosen from the 56 listed industrial enterprises in the study using purposive sampling. The Generalized Method of Moments (GMM) methodology, correlation analysis, and descriptive statistics were used. The findings showed that changes in capital structure are significantly impacted by all business characteristics and macroeconomic factors. With an annual adjustment speed of 59%, it takes businesses over 0.8 years to achieve half of the goal. According to the study, the management of the companies should make the most of asset investments, which will result in chances for business growth and profitability (return on assets). Unlisted manufacturing companies were not included in this study, which was restricted to a sample of 35 listed manufacturing companies on the Nigerian Exchange Group (NGX) between 2010 and 2019. The study adds to the body of knowledge by illuminating the ways in which firm characteristics and

macroeconomic variables impact firms' capital structure modifications. The study's overall findings demonstrated that all of the business attribute and macroeconomic variable measurements that were found are significant predictors of capital structure changes.

The impact of macroeconomic factors on the debt structuring decisions of Nigerian non-financial firms is examined by Musa et al. (2023). The study uses secondary data from Nigerian non-financial companies that were listed between 2008 and 2020. The study employed a Panel OLS to analyze the data collected. The panel regression's findings show how the debt structure of Nigeria's non-financial businesses is influenced by company attributes (firm size, earnings, fixed assets, and non-debt tax shields) and GDP growth rates. The findings show that while interest rates and debt structure are negatively correlated, GDP growth rates, inflation rates, and private credit are positively correlated. When making long-term funding decisions, the study advises company managers in the Nigerian sector to consider the potential effects of these macroeconomic factors on their funding choices as well as their implications for the sector's overall growth.

The study by Adebola Nurat and Ikpesu (2022) looked at the macroeconomic and firm-specific factors that affect the capital structure of both financial and non-financial companies that are listed on the market. 18 (18) financial firms and 44 (44) non-financial firms provided data for the study between 2010 and 2017. Following the completion of the stationarity and cointegration tests, the panel completely modified ordinary least square approach was used in the study. The study's conclusions showed that the main firm-specific factors influencing capital structure for both financial and non-financial organizations are earnings per share, liquidity, firm size, and sales growth. The study also discovered that while GDP growth rate, inflation, and real effective exchange rate and banking sector development are macroeconomic determinants of capital structure for financial enterprises, these factors are also important for non-financial firms.

Suhaibu and Abdul-Malik's (2021) study used a sample of ten non-financial sector companies to investigate the relationship between debt policy and business value. Databases maintained by the Ghana Stock Exchange (GSE) and Ghana Statistical Service (GSS) provided information on the companies and other macroeconomic factors from 2006 to 2015. Given the impact of the macroeconomic environment, we provide further insight into the interplay between the two magnitudes. Two distinct panel multiple regression frameworks that account for the fixed and random effects of the model estimators are used to model the interaction. Before the models were estimated, the data was subjected to the LLC unit root test, normality test, collinearity test, and Hausman test.

According to the study, the macroeconomic environment plays a significant role in the relationship between debt policy and firm value because GDP growth and inflation have positive and negative effects on both measures of firm performance (ROA and ROE), respectively. It was also discovered that debt policy in the presence of market imperfections (tax effects) has a statistically significant impact on firm value, but that the effect is transmitted through either ROA or ROE. The study suggested that corporate management's goal of maximizing firm value should align with the government's macroeconomic policy target trade-off between price stability and economic growth, and that institutional investors should diversify in order to reduce their exposure to adverse inflationary effects and to capitalize on changes in economic growth.

The impact of capital structure metrics on the performance of Nigerian manufacturing firms is examined by Ayande et al. (2021). Using annualized panel data for a sample of 15 listed non-financial corporations from 1999–2018 across various sectoral classifications. The firm's market and book values are measured by capital structure. The findings show that while ROA has a negative impact on LDTA, D_E, and TDTA, performance proxy ROE and Tobin's Q have a considerable impact on SDTA, SIZE, LDTA, and TDTA. When compared to other book values, the results showed a strong correlation between Tobin's Q and financial performance. A more accurate indicator of performance during the reviewed period is Tobin's Q. According to the report, Nigerian businesses heavily rely on short-term loans to maintain the Pecking Order Theory. It is important to remember that the impact of capital structure on company performance cannot be adequately explained by a single hypothesis.

According to Musa et al. (2021), the argument over capital structure matters is never-ending. This article's main goal is to investigate if capital structure improves the firm-value performance of non-financial African businesses. The study analyzed panel data of 406 businesses from eight African countries between 2010 and 2018 using the two-step System Generalized Method of Moments. According to the study, capital structure improves the firm-value performance of businesses in the eight African countries. The findings imply that in order to benefit from the interest tax shield, which raises firm-value performance, African businesses favor debt financing in their capital structure. In order to boost the value of their shares, shareholders should also encourage company managers to take advantage of the tax-shield profits associated with debt.

The study by Mohammed and Mubi (2020) investigated how the debt maturity structure of non-financial enterprises in Nigeria is influenced by non-debt tax shield, liquidity, assets intensity, diversification, investors' trust, growth opportunity, firm size, profitability, and dividend policy. The study employed a two-stage Generalized Method of Moments (GMM) regression model to analyze secondary data gathered from the annual reports of 92 listed non-financial enterprises for the years 2010–2015. The findings show that among the listed non-financial enterprises in Nigeria, the debt maturity structure is highly influenced by the non-debt tax shield, liquidity, assets intensity, diversification, growth opportunity, firm size, and dividend policy.

Nevertheless, there is insufficient data to draw the conclusion that the loan maturity structure of Nigerian non-financial enterprises is determined by investor confidence and profitability. According to the pecking order theory and the particular use of debt hypothesis, firm diversification and liquidity seemed to have the most significant detrimental impact on the debt maturity structure. Overall, it is determined that among Nigerian listed non-financial enterprises, the choice of loan maturity structure is determined by firm-specific characteristics. Despite the study's strong conclusions, more research in the field can add to the body of knowledge by determining and examining the institutional and macroeconomic elements that influence Nigeria's debt maturity structure.

A study by Ullah et al. (2020) examined how the capital structure affected the financial performance of 90 textile companies that were listed between 2008 and 2017 on the Pakistan Stock Exchange (PSX). Return on equity, a stand-in for financial performance, was the dependent variable. The business size was used as a control variable, while the independent variables were debt to equity, total debt to total

assets, asset turnover ratios, sales growth, taxation, and export growth. Both cross-sectional and time-series data were gathered for this study, and the panel regression estimation approach was used for analysis. Based on the statistics from the Hausman diagnostic test, this study employed a random-effect regression estimation model. The findings suggest that, although the asset turnover ratio and firm performance had a negative and statistically insignificant association, the capital structure debt to equity variable had a negative and significant link with financial performance.

Our alternative research hypothesis is supported by the fact that whereas export and sales growth have a strong positive correlation with financial performance, business size has a negative and substantial impact on firm performance. The other factors, which support the agency hypothesis and have a negligible relationship to financial performance (ROE), are tax payable and the ratio of total debt to total assets. Institutional investors can lower capital, leverage risk, and the total firm capital cost by improving corporate governance by expanding managerial ownership or applying more pressure on managers. This will help to improve the firm's financial performance and economic stability.

Sahin's (2018) study focused on non-financial businesses in the fragile five nations (South Africa, India, Indonesia, Brazil, and Turkey) between 2004 and 2013. Together with macro and micro variables for these nations, the factors influencing capital structure were evaluated. The model's macroeconomic variables comprised GDP growth, inflation, and exchange rate change; the micro variables (firm specific) included the debt taken out in the previous year, firm size, growth, industry debt average, and the tangibility and profitability ratio. Additionally, financial crisis effects were examined by considering the pre-2008 and post-2008 crisis periods independently. To find the connections between these factors and capital structure, panel data analysis approaches are employed. In the five-country model before the crisis, the real effective exchange rate and the debt ratio had a positive relationship; however, in the post-crisis model, this relationship shifted to a negative one. Only in Turkey for the entire period (2004–2013) and in India for the years 2006–2013 was a statistically significant correlation found between the GDP growth rate and the debt ratio. In contrast, the general (2004-2013) and post-crisis models showed a positive correlation between the inflation rate and the debt ratio.

The predicted (a priori) sign between the debt structure and macroeconomic parameters is displayed in the table below.

Table 1: Expected sign believes specific macro factors and debt structure

Variables	Expected Connection
Growth rate of GDP	Positive
Inflation Rate	Positive
Interest Rate	Positive
Exchange Rate	Positive
Sales	Positive
Fixed Asset	Positive
Profits	Positive
Tax	Negative

3. Methodology

Information for this report was gathered from secondary sources. The Nigeria Central Bank Statistical Bulletin and the World Bank Database were used to gather information on firm-level and macroeconomic variables. This research was conducted using data from 2010 to 2024, which spans the last thirteen years. The sample consisted of 50 non-financial Nigerian companies.

It was discovered that several firm-specific characteristics had missing data during the data collection process. The study lists several literary methods for dealing with missing data, such as single imputation, multiple imputations, full case analysis, and case analysis that is available. Several imputations were used to address missing data, and the advantages and disadvantages of each approach were discussed. The estimated value for the missing data is obtained by averaging the potential estimations for the missing value that are produced by this procedure. Consequently, five distinct data sets were used to find estimates for the missing variables. Following the analysis of these datasets, the average value from these forecasts was calculated by adding the expected estimation of each missing value. In order to get an unbiased estimate for missing values, Schafer (1997) argued that five data sets were sufficient.

While firm-specific parameters include firm size (SL), profitability (PRFTS), fixed assets (FA), and tax (TAX), the country macro factors considered in this study include GDP growth rate (GDPG), inflation rate (INFR), interest rates (INTR), and exchange rate (EXR). Total debt to total assets (TDTA) was used to measure the dependent variable debt capital structure, often known as the debt ratio.

Estimated Model

Regression analysis of the panel data was used to ascertain how macroeconomic factors affected the capital structure choices made by Nigeria's listed non-financial companies. The empirical model used to ascertain the relationship between firm-specific characteristics, nation macro factors, and the loan capital structure of non-financial enterprises in Nigeria is described below.

$$TDTA_{ij,t}=\beta 0+\beta 1GDPG_{j,t}+\beta 2INFR_{j,t}+\beta 3INTR_{j,t}+\beta 4ERX_{Pj,t}+\beta 5SL_{ij,t}+\beta 6FA_{ij,t}+\beta 7PRFTS_{ij,t}+\beta 8TAX_{ij,t}+\mu it \quad \ldots\ldots (1)$$

Where:
TDTA = Ratio of Total Debt to Total Assets
GDPG = Gross Domestic Product Growth
INF = Inflation Rate
INT = Interest rate
EXR = Exchange rate
SL = Log of Firm Size
FA = Ratio of Property, Plant, and Equipment to Total Assets
PRFTS = Ratio of Earnings before Interest and Tax to Total Assets
TAX = Firm's tax
μ = Error Term.

4. Results and Discussion

There are two common panel data models in the literature that researchers consult. There are two types of models available: fixed-effects and random-effects. Random effects suggest that each company's

intercept is randomly selected from a much larger population with a constant mean value, as opposed to fixed effects, which assume that each company's intercept term changes. The fixed-effects method is more suited in situations where the panel is balanced. However, if there are only a few observations of known cross-sectional units in the sample, the random-effects model may be sufficient (Gujarati, 2004). The table below shows the summary of dependent and independent variables used in the research

Descriptive Statistics

Table 2: Summary of Descriptive Statistics

Index	TDTA	GDPG	INFR	INTR	EXR	SL	FA	PRFTS	TAX
Mean	3.506	5.670	4.971	5.642	6.085	4.054	0.843	2.940	6.342
Median	2.674	3.921	5.096	4.072	6.065	3.431	0.962	1.097	5.086
Max	8.943	12.754	17.456	23.231	14.432	27.647	38.463	16.856	15.765
Min	0.104	2.571	1.947	5.724	12.643	1.095	2.453	5.983	-0.251
Std. Dev	2.469	3.951	3.571	3.690	4.356	2.678	1.701	1.903	3.214
Skewness	0.109	0.873	0.564	3.764	1.766	0.962	19.561	27.954	0.635

Source: Authors' Computation using Stata 14, 2025.

A data set's features are summed up and described by descriptive statistics. The variables' descriptive statistics are shown in Table 2. The standard deviation, which illustrates the difference from the mean, is 3.147, while the mean value of TDTA is 3.506. GDPG has a mean of 5.670 and a standard deviation of 3.951. The INFR has a mean of 4.971 and a standard deviation of 3.571. The INTR has a mean of 5.642 and a standard deviation of 3.690. EXR has a mean of 6.085 and a standard deviation of 4.356. SL has a mean of 4.054 and a standard deviation of 2.678. Additionally, the standard deviation of FA is 1.701 while the mean value is 0.843. PRFTS has a mean of 2.940 and a standard deviation of 1.903. The TAX has a mean of 6.342 and a standard deviation of 3.214. The standard deviation is a measure of how dispersed the data is in relation to the mean. Low number of the standard deviation indicates data are clustered tightly around the mean, and large number of the standard deviation indicates data are more spread out. A standard deviation close to zero indicates that data points are very close to the mean value. Moreover, all of the variables' skewness values fall within the range of a normal distribution.

Correlation Estimation

Table 3: Correlation Estimation

	TDTA	GDPG	INFR	INTR	EXR	SL	FA	PRFTS	TAX
TDTA	1.000								
GDPG	0.057[a]	1.000							
INFR	0.023[b]	-0.563[a]	1.000						
INTR	0.001[b]	0.004[b]	-0.562[a]	1.000					
EXR	0.087[a]	-0.217	-0.510	-0.715[a]	1.000				
SL	-0.050	0.046	0.052	-0.940	-0.231[a]	1.000			
FA	0.154	-0.765	-0.841	0.082	0.876	0.035	1.000		
PRFTS	0.054[a]	0.079	0.154	-0.044	0.098	-0.838	0.123	1.000	
TAX	-0.067[a]	-0.108	-0.254	0.045	-0.031	-0.015	0.350[a]	-0.098	1.000

Note: [a] and [b] represent correlation coefficient is significant at 1 and 5 percent levels, respectively
Source: Authors computation using Stata 14, 2025

Although regression testing must consider a few factors, such as multicollinearity, panel regression is used in the analysis. The analysis makes use of panel regression; nevertheless, multicollinearity is one of the characteristics that regression testing must consider. The correlation result is displayed in the table above; indicates the presence of a multicollinearity issue and demonstrates the bivariate relationship between the variables. Table 3's results demonstrate that multicollinearity is not an issue in this investigation. Multicollinearity is the term used to describe the weak or strong relationship between two additional independent variables in a regression equation. Strong R2, unfavorable t-values, large variances, and covariances all contribute to multicollinearity, which makes accurate estimation difficult.

Multicollinearity Test

Table 4: Variance Inflation Factor

GDPG	**5.23**
INFR	**4.10**
INTR	**3.54**
EXR	**3.42**
SL	**2.56**
FA	**5.34**
PRFTS	**3.44**
TAX	**6.02**

Source: Authors computation using Stata 14, 2025.

The multicollinearity among the independent variables is displayed in the table above. If the VIF value is less than 10, multicollinearity is not an issue (Gujarati, 2004). One of the main tenets of regression analysis is that all data must have similar variances or error terms. Heteroscedasticity, which happens when the variance of the error term is not equal across all data, may invalidate our significance tests, which assume that the error term in the regression model is uncorrelated and constant. The model was developed by applying estimated Generalized Least Squares (GLS) weights of the balanced panel, where one observation for each firm constituted a cross-section, in order to get beyond the challenges of heteroscedasticity and uneven variances. The white cross-sectional test was used for this purpose.

Hausman Test

Table 5: Hausman Test: Correlated Random Effect

Test summary	**Chi-sq. stat**	**Chi-sq d.f**	**Prob.**
Random test cross-section	**97.103**	**6**	**0.005**

Source: Authors Computation using stata 14.

The Hausman test of the estimate model ultimately led to the decision, even though fixed effects seem more suitable for this study. The Hausman test (1978) is a specification test that allows one to ascertain if a model is more appropriate for handling fixed or random effects. In essence, the test compares an estimate's accuracy to a less accurate estimator that has already been proven to be reliable. The results of the Hausman test in Table 5 demonstrate that the fixed effects model is better suited for the analysis of this study.

Static Panel Model Estimation

Table 6: Panel GLS Estimation

Variables	Coefficient	Std error	t-statistics	Prob
constant	0.024	0.035	2.834	0.004
GDPG	0.052	0.003	4.560	0.005
INFR	0.010	0.045	5.043	0.001
INTR	-1.045	0.076	-0.540	0.205
EXR	0.024	0.103	2.103	0.001
SL	0.003	0.035	3.932	0.005
FA	-0.456	0.093	-2.302	0.563
PRFTS	-0.004	0.068	-4.345	0.369
TAX	-0.053	0.231	-2.057	0.001
Effects specification cross section fixed (dummy variable)				
R-sq.	0.872		F-statistics	24.457
Regression S.E	0.524		Prob. (F-Statistics)	0.005

Source: Researcher's computation using Stata 14.

The panel regression model's results for each variable are displayed in Table 6 above. The study found a statistically significant correlation between interest rates, GDP growth rates, exchange rates, and inflation rates and the debt ratio in Nigeria's non-financial sector. The debt ratio has a negative correlation with interest rates but a positive correlation with market capitalization, GDP growth rates, inflation rates, and exchange rates. Businesses that use debt profit from tax shields; the more debt they have, the more taxes they will save. Therefore, in order to optimize the debt tax shield, the company's debt keeps increasing (Gabrielli 2023).

The expansion of the financial markets is made possible by GDP growth. When it comes to meeting the firm's capital needs, the financial market is essential. Additionally, they have access to funds and can reduce borrowing costs. Additionally, financial markets help to improve the quality, tracking, and management of the firm's information, which makes it easier for the company to borrow from outside sources and encourages lenders to lend to creditworthy businesses. According to Brunnermeier et al. (2021), when the financial market grows, companies' debt levels begin to increase. Despite the fact that Nigeria's financial system and economy are still in their infancy, firms are more likely to use private credit than public credit when looking to raise capital from foreign investors.

The positive correlation between private credit, GDP growth rate, and leverage (debt ratio) implies that the debt ratios of non-financial firms typically rise in tandem with economic expansion. Businesses' sales and earnings rise during economic expansions, which raises the debt ratio of the company and decreases during recessions (Guru & Yadav, 2019). Many companies, particularly small and medium-sized ones, may borrow money from outside sources because they lack the internal resources needed to seize these profitable opportunities.

The positive correlation between the inflation rate and leverage implies that favorable economic conditions tend to cause non-financial firms' debt ratios to rise. Generally speaking, companies' debt-to-income ratios rise in low-inflation times and fall in high-inflation times. Additionally, as economic conditions improve and stay stable, the company's debt ratio increases along with the market price of its

shares (Mendoza et al., 2022). Additionally, the positive correlation between sales and debt ratio shows that as sales increase, the company's debt ratio will increase; conversely, when sales decrease, the debt ratio will decrease. Studies like (Iftikhar et al., 2024; Wardana & Barlian, 2022; Khaki & Akin, 2020) found that these characteristics were positively correlated with other variables. On the other hand, the negative correlation between profit, fixed asset, and non-debt tax shield indicates that the leverage (debt ratio) rises as fixed asset values rise and falls when they fall. Researchers such as Satria & Nathan (2023) and Mursalini et al. (2024) show a negative correlation between these variables in their studies.

5. Conclusion and Recommendations

In summary, the study's goal was to investigate how country-specific and firm-specific factors affected the debt capital structure choices made by non-financial companies in Nigeria. The results showed that both firm-specific and country-specific factors had an impact on the firm's debt capital structure choices. While interest rates have a negative relationship with debt ratio, GDP growth rate, inflation rate, private credit, and exchange rate all have positive relationships with debt ratio. The trade-off argument is supported by the correlation between GDP growth rates, private credit, and the debt ratio. Additionally, there is a statistically significant positive correlation between the debt ratio and sales, profit, and growth opportunity, whereas the debt ratio has a negative correlation with fixed assets and taxes. Therefore, the studies recommended that non-firm managers should seek long-term loans rather than short-term loans as interest rate on long-term loans is less than the interest paid on short-term loans. The government should provide policies that will keep and maintain the said macro factors favourable to the non-financial factors. The government also should enact policies that will enhance financial development which in turn paves and eases loan access to the non-firms in Nigeria.

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