

## FINANCIAL LEVERAGE AND FIRMS' VALUE: A STUDY OF SELECTED FIRMS IN NIGERIA

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### ABSTRACT

The main objective of this study is to determine the relationship between financial leverage and firms' value, as well as evaluate the effect of financial leverage on firms' value. A sample of 5 firms listed on Nigerian Stock Exchange (NSE) for a period of 6 years from 2007-2012 was used. Data were sourced from annual reports of selected firms. The Ordinary Least Square (OLS) statistical technique was used for data analysis and hypothesis testing. The study revealed that there is significant relationship between financial leverage and firms' value and that financial leverage has significant effect on firms' value. The study concludes that financial leverage is a better source of finance than equity to firms when there is need to finance long-term projects. However, various economic factors may have despicable effects on the profitability of Nigerian firms, as such the use of debt financing in such firms may yield negative impact such as bankruptcy as well as low firm value. The study therefore recommends that financial leverage be optimized by firms to aid maximization of firms' value.

**Keywords:** Financial Leverage, Firms' Value, Financing, Profitability.