The Effect of Firm Performance on the Cost of Capital for JSE Listed Mining Companies

Lieketseng Motalingoane
Lecturer, University of Fort Hare, South Africa

Prof. Rajendra Rajaram
Professor of Financial Management, Unisa, School of Business Leadership

Abstract

This study examines the influence of firm performance on the cost of capital (CoC) among mining firms listed on the Johannesburg Stock Exchange (JSE). Employing a panel dataset covering the period from 2018 to 2022, the study utilizes Panel Least Squares regression models to explore whether indicators such as return on assets (ROA), return on equity (ROE), firm size, leverage, book-to-market ratio, and market beta significantly impact CoC. Although the analysis identifies a negative relationship between firm performance and CoC, the association is not statistically significant. These findings underscore the nuanced role that firm-level financial performance may play in determining financing costs in South Africa's capital-intensive mining sector. The paper contributes to the broader corporate finance literature and provides practical insights for improving financial strategies in extractive industries.