EFFECT OF CAPTIAL STRUCTURE ON FINANCIAL PERFORMANCE OF MANUFACTURING COMPANIES IN NIGERIA

JOSIAH, Faith Onyinyechi, UGURU, Leonard C. PhD& NKWAGA, Louis C. PhD
Department of Accountancy
Ebonyi State University, Ebonyi-Nigeria
anaglicsmilefaith@gmail.com

Abstract
This study examined the effect of capital structure on financial performance of manufacturing companies in Nigerian exchange group (NXG). *Ex post facto* research design was used with a sets of data for of 10 years spanning from 2011–2021 as gathered from the annual reports and account of the ten (10) sampled companies. The study employed cross sectional panel multiple regressions. It was anchored on the stakeholder theory. The result revealed that equity capital financing has a negative relationship and insignificant effect on return on assets of listed manufacturing firms in Nigeria. This can be observed from the value of beta coefficient of (-0.046194) with p-value of 0.8934 indicating that the p-value is not statistically significant at 5%. Monetary policy interest rate and total debt capital financing also has a negative relationship and insignificant effect on return on assets. This can be seen from the beta coefficient of (-3.895932) and (-3.857009) respectively and p-value of 0.5319 and 0.3054 respectively indicating that the p-value is not statistically significant at 5%. The implication of the findings is that many companies in Nigeria are into window dressing of accounts which is not favourable to fund providers in the Nigerian manufacturing firms. It is therefore recommended among others that companies should look critically and make comparison between the cost of obtaining a particular source of capital and the benefit that can be derived from it instead of making capital structure decisions on baseless generalizations. This will help managers ensure that there will be a gain at the end of the day.

Keywords: Return on Assets, Total Debt Financing, Equity Financing, Monetary Policy Interest Rate, Financial Performance.

Introduction

Finance is a very important factor in an organization and it is germane to its sustainability, growth and existence. Availability of finance plays a major role in running the daily activities of a firm; it is the life wire of any entity. Firms that are willing to raise capital for their activities normally source their funds through two major sources. These sources are internal and external sources. The internal source refers to the funds generated from within an enterprise which is mostly retained earnings. It is derived from the proceeds the enterprises earn from their activities. Firms may in the same vein look outside to source for needed funds to enhance firm's activities. Any fund sourced not from within the earnings of their activities is termed external financing. The external funding may be by increasing the number of co-owners of a business or outright borrowing in form of loan. Many companies collapsed within few years of starting up because of a lack of access to funds. It is the goal of a company to maximize its value and create more wealth the providers and as such companies need to maintain an appropriate capital structure that would maximize performance and minimize financing cost (Okolo, Okwu, Ugwuoke &Kornom-Gbaraba, 2019)

In the financing decision the manager is concerned with determining the best financing mix or capital structure. Debt comes in the form of bond issues or long term notes payable while equity is classified

as common stock or preferred stock. Habimana (2014) opined that capital structure as the proportion of debt and equity that the firm uses to finance its business. Capital structure as the proportion of debts which include long term debt, short term debt as well as equities such as ordinary shares, preference shares, debentures, convertible loan stock that the business enterprises utilize to finance the activities of the enterprise. Olusuyi and Felix, (2017) sees capital structure as the most significant part of financing for a firm, in which case the financing manager is concerned with the determination of the best financing decision in terms of the combination of debt and equity to be used for its efficient operation. Etale and Ekpulu (2019) affirmed that capital structure embodies the financial framework of corporate entity which comprises of the debt and equity employed to finance the firm assets and overall operations. The decision on capital composition has been a continuous process, mostly when the need for financing project emanates.

Dada and Ghazali (2016) maintained that capital structure is system where a firm uses both or either equity or debt to finance its activities to yield maximum returns. Achieving an optimal capital structure to minimize the cost of capital and maximize profitability is of paramount importance to management. Also, as affirmed by Ishaya and Abduljeleel (2014), an optimal finance cost is the best equity to debt ratio of a firm which maximizes the value of the firm and the success of a business depends on the management identifying the optimal capital to sustain the business. Capital structure has become a major issue in finance since Modigliani and Miler propounded the "irrelevance theory of capital structure" in 1958. The theory was based on the assumptions of a tax-free economy, no transaction costs, a perfect capital market, and investors' homogeneous expectations.

Statement of problem

The capacity of companies to control its financial policies is the therefore critical if the business is to make profit from its specialized resources. Poor capital structure decision could lead to a reduction in the value of strategic assets. The decision of what should consists optimal mix becomes much more complicated at a time when the economic climate in which business operates poses in high degree of uncertainty like the case of Nigeria. Warokka, Herrera and Abdullah (2011) observed that the subject of optimal capital structure has been the focus of several studies. Capital structure of a firm is a blend of debt and equity employed in financing its operations.

According to Okolo, *et al.* (2019), literature has been flooded with several researches about the relationship that exists between capital structure and financial performance of firms across the globe. Unfortunately, results have been conflicting, neutral and non-significant relationships between capital structure and financial performance (Onaolapo&Kajola, 2010; Warokka, *et al.,* 2011).. While some researchers reported positive relationships between capital structure and financial performance (Akintoye, 2008) others reported negative relationship. The studies ofIorpev and Kwanum (2012), find inconsistent and non-conclusive relationship between capital structure and financial performance. Also, researchers reported that no relationship exists between capital structure and financial performance Prahalathan and Ranjan, (2011). The reason behind these contradictory results could be explained by the inconsistencies or vagueness in the construct of the measurement aimed at capturing capital structure and financial performance. Hence, the need for this study to adequately capturing components of capital structure and financial performance of firms like equity capital financing, monetary policy interest rate and total debit capital financing which were not found in previous literature in Nigeria. Again, it is important to establish whether there is a relationship between capital structure and financial performance for effective and robust results.

Objectives of the Study

1. To determine the effect of equity capital financing on return on assets of listed manufacturing firms in Nigeria.

2. To establish the effect of Monetary Policy interest rate on return on assets of listed manufacturing firms in Nigeria
3. To investigates the effect of total debt Capital financing on return on assets of listed manufacturing firms in Nigeria.

Review of Related Literature

Conceptual Review

Capital Structure

It is the proportion of debt and equity that forms the total capital structure of the firm. Salawu (2009) envisaged capital structureas the mixture of diverse securities utilized by a company in financing its profitable ventures. Modigliani and Miller (1958) were the first scholars to theorize the concept of capital structure using different propositions. It is referred to as capital mix or financing mix. A firm can generate capital through the issuance of stock (equity capital) or debentures or bonds (debt capital). A firm can finance it activities through any of these options; 100% equity, 100% debt or a mixture of both equity and debt (Tifow, &Sayilir, 2015).. The capital structureof a company is crucial because it has to maximize returns to various sectors of the company and the impact its financing decision would have in a competitive environment, (Arikekpar, 2020).

Equity Capital

Equity financing is the method of raising capital by selling firm's stock to investors, in return for investment. The shareholders receive ownership interest in the firm. In order to grow, a firm will need additional capital, which may be obtained through debtor equity. Equity financing involves the sale of firm's stock and giving a portion of the ownership of the firm to the investors in exchange for cash. It is of interest to note that deposit money banks in Nigeria had access to the stock market before the 2008 financial crisis to raise fund, but since the incidence, it has become increasingly difficult to raised fresh equity, thereby either relying on old equity such as resulting to retained earnings or even raise from the private placement (Okolo, *et al.* 2019). The proportion of the firm that will be sold in an equity financing depends on how much the owner has invested in the firm and the worth of the investment at time of the financing Equity total capital financing is money acquired from the small business owners themselves or from other investors. Equity capital is the mode that enables equity-holders to exert influence and monitor managerial decisions continuously through the board of directors. It is also likely to result in greater value to equity holders and thereby increasing firm performance. Booth, Aivazian, Demirguc-Kunt, and Maksimovic, (2001) argues that the firm that uses equity finance is able to make its performance better since there is direct control and because all the equity holders are the residual claimants they have to ensure that resources are allocated efficiently to be able to maximize shareholders wealth. Booth's arguments have been supported by Boateng (2004) who found that use of equity capital is positively related to the financial performance of firms.

Debit Capital Financing

Total debt is a combination of both short-term and long-term debt. Short-term debts are those that must be paid back within a year. This type of debt applies to things like lines of credit or short-term term bonds. Long-term debt generally includes every liability that must be paid off in more than a year. This typically includes large senior debts like mortgages and loans to purchase equipment or construct buildings debt is a necessity or obligation to transfer assets and provide services in the future or the future. This is also the capital from external sources a firm generates to fund its investment activities and it is accompanied with a long period of repayment. Mumtaz, Rauf, Ahmed, and Noreen (2013) argued that many of these large companies are dependent on leverage as bank

credit is the predominant source of financing and the equity market has a insignificant role in meeting financing needs of firms

Monetary Policy Interest Rate

In the pursuit of macroeconomic stability, the managers of monetary policy interest rate often set targets on intermediates variables which include the short-term interest rate, growth of money supply, and exchange rate. According to Owolabi & Adegbite (2014), monetary policy interest rate is seen as a critical instrument for the attainment of macroeconomic stability, often viewed as pre-requisite to achieving sustainable output growth. Monetary policy interest rate is the control of money stock in order to influence other broad objectives which include price stability, high level of employment, sustainable economic growth and balance payment. Those objectives are achieved through the use of aggregate instruments or tools depending on the level of economy in which monetary policy rate is being hyphen on.

Financial performance

It is measuring the results of a firm's policies and operation in monetary terms. Financial performance is the level of performance of a firm over a specified period of times, expressed in terms of overall profit or losses during time. It has been perceived only through its ability to obtain profits. The concept of performance, having different meanings, depends on the user's perspective of the available financial information. These measurements include the return-on-assets (ROA), return-on-investment (ROI), residual income (RI), earning per share (EPS), dividend yield, price earnings ratio growth in sales, market capitalization and so on. Pandey (2008) defines financial performance as a subjective measure of how well a firm uses assets from its primary mode of business to generate revenues. He further stated that the term can also be used as a general measure of a firm's overall financial health position 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. Evaluating performance of firms is critical in order to ascertain whether the business is viable. A key performance measure used in modern financial management is the financial ratio analysis. The type of financial analysis varies according to the specific interests of the party involved. They are more interested in the cash flow ability of the firm to service debts in the long run. The bondholders may evaluate this ability by analyzing the capital structure of the firm, the major sources and uses of funds.

Return on Assets (ROA)

Most organization's financial performance is measured by return on assets (ROA). Manufacturing companies in Nigeria are drivers of the nation's economy; however, this sector has witnessed the collapse of companies at an alarming rate as most of them collapsed due to enormous debt. Return on asset is a financial measure as the rate of profit a company gets from its total resources. It is a measure of a company's profitability in relation to its total assets. Warokka, Herrera, and Abdullah, (2011). asserted that return on asset is commonly defined as net income divided by total assets. Total assets of corporations are obtainable from the balance sheet which includes cash equivalent items such as inventories, receivables, capital equipment as depreciated, land, and intellectual property value such as patents

Empirical Review

Mwangi, Makau (2014) examined the link between capital structure and performance of firms listed on the NSE. The study employed a sample of forty-two non-financial companies for the period 2006-2012 with fixed and random effects panel regression models. The analysis indicates that performance (ROA) and equity (ROE) are statistically significantly negatively linked to capital structure. Tifow, *et*

al.(2015) examined the relationship between capital structure and firm performance. It used 130 manufacturing firms listed on Borsa Istanbul for the period of 2008-2013 using panel data analysis. The variables are short term debt to total asset (STDTA) and long term debt to total asset (LTDTA) as proxies of financial leverage. Return on equity (ROE), return on asset (ROA), earnings per share (EPS) and Tobin‟s Q ratio were used as proxies of firm performance. Sales growth rate and firm size were used as control variables in the study. It was found that STDA has a significant negative relationship with ROA, EPS and Tobin‟s Q ratio. Besides, we find that LTDTA has a significant negative relationship with ROE, EPS and Tobin‟s Q ratio, while it is positively and significantly correlated with ROA.

Okolo, *et al.* (2019) examines the implications of equity capital financing on the corporate financial performance of deposit money banks in Nigeria. The study sampled 14 banks listed on Nigerian Stock Exchange for a period of 11 years (2006-2016). Secondary data were extracted from annual reports and accounts of the various Banks and employed ex-post facto research design, and Pooled Ordinary Least Square Method in the analysis. It also revealed that both ROE and EVA has a positive effect on the corporate financial performance of Deposit Money Banks in Nigeria. The study concludes that Equity financing has positive effect on corporate financial performance of Deposit Money Bank in Nigeria. It recommended that the implications of scheduling banks capital into equity financing, short-term debt and long-term debt by managers should be closely supervised and monitored by both shareholders and bondholders' so as to avoid the company adding negative value to them who are contributors of finance.

Siyanbola, Olaoye and Olurin (2015) investigated the impact of gearing on performance of companies, focusing on some selected companies in Nigeria. The study adopted the survey method in which twenty workers of selected manufacturing companies were used and data were collected using questionnaire. The study found that efficiently managed gearing could lead to increase in earnings of a firm; gearing is important for a firm to stand the test of time in a competitive market; and a direct relationship between gearing and the performance of the selected firms.

Olalade, Omotosho and Adeniyi (2017) examined capital structure on corporate performance of Nigerian quoted firms by establishing the relationship that exists between the capital structure choices of firms in Nigeria and their return on assets, return on equity, sales growth and earnings per share. Secondary data obtained from the Nigerian stock exchange fact book were utilized. Multiple regression were used as a tool of data analysis and the result of the findings revealed that, capital structure has no significant effect on return on equity but has significant effect on return of assets, earnings per share and sales growth of listed manufacturing firms in Nigeria. It is therefore recommended that management of Nigerian quoted manufacturing firms should work very hard to optimize the capital structure of their quoted firms in order to increase the returns on equity, assets and earnings per share.

Ajibola, Wisdom and Qudus (2018) examined the impact of capital structure on financial performance of quoted manufacturing firms in Nigeria over the period 2005-2014. Panel methodology was applied. The findings of the panel ordinary least square show that a positive statistically significant relationship exist between long term debt ratio(LTD) (0.0001), total debt ratio (TD) (0.0065) and return on equity (ROE) while a positive statistically insignificant relationship between ROE (return on equity) and STD (Short term debt ratio). There was also a negative insignificant relationship between all the proxies of capital structure (LTD, STD and TD) and ROA which makes ROE a better measure of performance. It was recommended that every firm should make good capital structures decision to earn profit and carry on their business successfully.

Senan, Ahmad, Anagreh, Tabash and Al-Homaidi, (2020) investigated the determinants of financial performance, firm liquidity and leverage ratio of Indian listed firms of Indian listed firms on the Bombay Stock Exchange. The study focused on balanced panel data for 1,333 Indian companies collected over a 12-year period from 2007 to 2018. The study used both static models (pooled, fixed and random effects) and the Generalized Moment Method (GMM). It is revealed that the current ratio and the quick ratio have a significant impact on the financial leverage of Indian listed firms. The results indicated that profit after tax; return on equity, return on capital employed, and Tobin-Q are the most significant financial success variables that influence financial leverage of Indian listed companies. In the case of firm liquidity, the findings show that the current ratio and the quick ratio have a substantial effect on the financial leverage of Indian listed companies.

Fakayode and Olayemi (2020) examined the effect of capital gearing on financial performance of quoted manufacturing companies in Nigeria. The study covered ten companies for a period of seven years from 2013 to 2019. It used ex-post facto design with panel data analysis. The independent variables used were total debt to total asset ratio (TDTAR), long-term debt to total assets (LDTAR), and short term debt to total assets (SDTAR); while the dependent variable was the return on asset (ROA). The study found that all the gearing ratio variables (short-term debt to asset ratio, long-term debt to asset ratio, and total debt to asset ratio have positive but insignificant effects on ROA. It therefore recommended that firms should be cautious in accumulating debt that could eventually have adverse effects on their value and financial performance.

Theoretical Framework

Trade off Theory

The trade-off theory was propounded by Miller in 1977. The theory is based on the concept that a firm would consider how much of debt finance and equity finance to be used, taking its benefits and costs into consideration. It is based on a trade-off between tax savings and distress costs of debts. The theory states that target debt-equity ratio is approached at the point where the tax advantage of debt is offset by the costs of prevailing market imperfections. As opined by Muritala (2012), the theory is premised on the fact that a company will choose how much debt finance and equity finance will be needed by balancing the costs and benefits. In investigating the effect of gearing on the sustainability of firms, the pecking order theory also supports the trade-off theory. According to the study of Tifow, *et al*.(2015), trade-off theory predicts that safe firms, firms with more tangible assets and more taxable income to shield should have high debt ratios.

Trade-off theory is one of the foundational theories in capital structure. Trade-off theory is the evolution from the Modigliani and Miller theory but taking consideration the effects of taxes and bankruptcy costs. This theory explains the differences of the debt-to-equity ratios in different companies but does not explain differences in the same company. It assumed that the further marginal will get advantages or benefits will increase, when debt is rejected as the borrowings rise, while the cost of marginal increase, so that a company that is limiting its overall value will focus on this trade-off for choosing how much debt and equity needed to use to finance their company.

Methodology

This study adopted *Ex-post facto research* design. It was adopted to interpret the past value of the model variables to explain present output and estimate future output. It made use of secondary data sourced from the annual reports and accounts of the 10 sampled quoted manufacturing companies listed on the floor of the Nigerian Exchange Group. The study covers a period of 10 years spanning

from 2011-2021. The study employed cross sectional panel multiple regressions. It was anchored on the stakeholder theory. The model was a multivariate regression was adopted

Model Specification

The model for this study is adopted from the study of Okolo (2018) as $Y_{it} = f(\beta_0 + \beta_1 EQF_{it} + \beta_2 + STD_{it} + \beta_3 LTD_{it} + \beta_{4SIZEit} + \beta_{5AGEit} + \varepsilon$----------1

Transforming this model to suit this study, it becomes

$ROA_{it} = \beta_0 + \beta_1 EQTC_{it} + \beta_2 + TDCF_{it} + \beta_3 MPIR_{it} + U_{it}$----------2

Where:

ROA = Return on Assets; EQTC= Equity Total Capital; MPR = Monetary Policy Interest Rate; TDCF = Total Debit Capital finance

β_0= Intercept of the model

β_1= coefficient of Equity Total Capital

β_2= coefficient of Monetary Policy interest Rate

β_3= coefficient of Total Debit Capital financing

u= Error Term

Data Presentation

The result obtained from the study data is shown below:

Table 1: Descriptive Test Result

	ROA	EQCF	MPIR	TDCF
Mean	0.187058	0.057974	5.87E+08	0.034633
Std. Dev.	0.071440	0.050676	7.92E+08	0.054278
Skewness	0.921319	2.314603	1.221918	5.057888
Kurtosis	2.971586	8.881206	3.710838	35.99856
Observations	99	99	99	99

Source: Researchers' computation 2023 (E-Views 9.0)

The table 1 shows selected statistical summary of the results. As observed, performance as proxied with the return on asset (ROA) as an dependent variable has a mean value of 0.187, while the mean value for the independent variables have equity financing (EQF) 0.058, monetary policy interest rate (MPIR) 5.87, and total debit capital (TDCF) 0.035. By implication, total debit capital financing has a higher volume and therefore suggests greater acceptance for the improvement of financial performances of selected manufacturing firms in Nigeria. The result shows that all the variable data have a normal distribution. The kurtosis also implied that the data employed for this study has satisfied the expectation of normalcy of distribution and fit for use in policy decision making.

Correlation Matrix Test Result

Table: 2 Correlation Matrix Test Result

	ROA	EQF	MPIR	TDCF
ROA	1.000000			
EQTC	-0.203786	1.000000		
MPR	0.024761	-0.101716	1.000000	
TDCF	-0.194528	0.098137	-0.084242	1.000000

Source: Researchers' computation 2023 (E-views 9.0)

In statistics, we're often interested in understanding the relationship between two variables. One way to quantify relationship is to use the correlation statistics which is a measure of the linear association between two variables. It has a value between -1 and 1 where: -1 indicates a perfectly negative linear correlation between two variables, 0 indicates no linear correlation between two variables, 1 indicates a perfectly positive linear correlation between two variables. The further away the correlation coefficient is from zero, the stronger the relationship between the two variables. The table 2 reveals that Equity financing, and debit capital financing of the manufacturing firms are negatively correlated with the return on asset. -0.203786, -0.194528 which is against the findings of Ajibola, *et al.* (2018), but supports that of Fakayode, *et al.*(2020).and monetary policy interest rate of the manufacturing firm is positively correlated with the return on assets 0.024761

Panel Regression Test

Table 3: Baseline Panel Regression Results

Series	Pooled regression (1)	Fixed effect regression (2)	Random effect regression (3)
C	-	0.177031	0.197850
		[0.0000]**	[0.0000]**
EQC	1.314420	0.256217	-0.105097
	[0.0000]**	[0.2715]	[0.6093]
MPIR	5.46E-11	6.27E-12	4.18E-12
	[0.0000]**	[0.2638]	[0.6102]
TDCF	0.486221	-0.245653	-0.206497
	[0.0305]*	[0.0701]*	[0.1150]
OBSERVATION	99	99	99
R-SQURAED	-2.373284	0.375646	0.039566
F-VALUE	-	4.758557	1.304549
		[0.000011]**	[0.277529]
HAUSMAN TEST	2.239554	P-VALUE	0.5242

Source: Researchers' computation 2023 (E-views 9.0)

** indicates 5% level of significance

Table 3 considered the pooled regression, fixed effect and random effect ordinary least square (OLS) panel regression. Observing this result, the study pools all 99 observations together and ran the regression model. The R-squared value for the pooled regression model is -2.373284 indicating that about 37.22% of total variation in the return on asset of the quoted firms is explained by the finance cost (equity capital, monetary policy interest rate and debt capital financing). However, following the pooled regression estimation, only total debt capital financing and the monetary policy rate

significantly influences the return on asset. This is confirmed by their P-values [0.0000 and 0.2775 respectively]. In considering reliability, the pooled regression model is unreliable as it is fraught with inadequacies including its inability to distinguish between the various firms sampled. The individual peculiarities of the firms are lost during pooling.

To accommodate the specific or peculiar characters of each individual firms studied, they are allowed to have their own intercept value, hence the progression of the analysis to the fixed effect model (FEM). The fixed effect model is necessary because it is time invariant so that despite change in the intercept across the sampled firms, it however does not change over time. The R-squared value of 0.287608 indicates that 28.76% of the total variation in financial performance (ROA) is explained by the combined effect of the capital structure variables as modeled in this study. Meanwhile only the only the total debt capital financing appeared to significantly influence the return on asset, the P-value was [(TDCF = 0.0271).

In panel analysis, unobserved effects in the fixed model are very important as they inform policy decisions. To imbue this into the system, the random effect regression model was applied. The random effect model shows that (63.12%) of the total variations in the financial performance of the quoted firms under study are accounted for, by the explanatory variables (EQTC, MPR and TDCF). This is evidenced from the R-squared value of 0.631282. However, the output values indicate that all the capital structure variables (as modeled) significantly and jointly influence financial performance (the return on assets) as confirmed by the P-values [EQTC = 0.0000, MPIR = 0.0006, and TDCF = 0.0181

To affirm direction and properly inform policy statements arising from the study, there is need to decide between the fixed effect model and the random effect model, the Hausman test solves this. The Hausman test selects the model most appropriate for estimation; it is performed under null hypothesis that the random effects model is the most appropriate. In the alternative, the fixed-effects model is appropriate. The selection of either fixed effect model or random effect model is based on the statistical significance of the P-value. Following the result in table 4, the Hausman test statistics P-value is [0.5242]. This is greater than the 5% (0.05) chosen level of significance. Consequently, the null hypothesis cannot be rejected. Therefore, it is concluded that random effect model is desirable for prediction. It further reveals that the monetary policy interest rate (MPIR) has significant negative impact on the financial performance of the quoted manufacturing firms in Nigeria. This result is in conformity with the apriori expectation that capital adequacy ratio is a determinant of asset quality of banks. The panel regression result also reveals that equity capital (EQTC), debt capital financing (TDCF) had significant positive impact on the financial performance of the firms studied.

Conclusion and Recommendations

Based on this finding, this study concludes that equity capital financing have positive significant effect on the financial performance of listed firms in the Nigeria manufacturing firms. While monetary policy interest rate and total debts have no significant effects on the financial performance of listed firms in the Nigeria manufacturing firms. It further concluded that there are other things that majorly affect capital structure other than equity capital financing, monetary policy interest rate and total debit capital financing as used in this study.

Emanating from the above, it recommended among other thing that:

- In making a decision on what the composition of their capital structure, companies should look critically and make comparison between the cost of obtaining a particular source of capital and the benefit that can be derived from it instead of making capital structure decisions

on baseless generalizations. This will help managers ensure that there will be a gain at the end of the day.

- The study has established that equity capital financing is of essence if firm financial performance is to be enhanced. In order to benefit from direct control and appropriate utilization of resources, there is need to increase financing through equity.
- Total debt capital financing improves firm financial performance. It is therefore imperative for financial institutions to develop a favorable credit policy that will facilitate long term lending by small firms.

References

Ajibola, A., Wisdom, O., &Qudus O., (2018). The Impact of Capital Structure on Financial Performance of Quoted Manufacturing Firms In Nigeria. *Journal of Research in International Business and Management, 5*(1), 81-89.

Akintoye, I. R. (2008). Sensitivity of Performance to Capital Structure. *European Journal of Social Science, 7*(1), 163-144.

Arikekpar, O. A. (2020). Capital Structure and Firm performance: An Empirical Study of Manufacturing Companies in Nigeria. *World Journal of Finance and Investment Research, 5*(1), 48 – 60.

Boateng, A. (2004), Determinants of capital structure: Evidence from international joint ventures in Ghana. *International Journal of Social Economics, 31*(1/2), 56-66.

Booth, L., Aivazian, V., Demirguc-Kunt, A., & Maksimovic, V. (2001). Capital structure in developing countries. *The Journal of Finance, 56,* 87-130.

Dada, A.O. & Ghazali, Z.B. (2016). The Impact of Capital on Firm Performance: Empirical Evidence from Nigeria. *Journal of Finance and Economics*, 7, 23-30.

Etale, l. M., &Ekpulu, G. A. (2019). Capital structure composition and financial performance: Empirical evidence from quoted deposit money banks in Nigeria. *International Journal of Interdisciplinary Research Methods, 6*(5), 27-39.

Fakayode, O. P., & Olayemi, O. O. (2020). Effect of capital structure on financial performance of quoted manufacturing companies in Nigeria. *European Journal of Accounting, Auditing and Finance Research*, 9(5), 77-89.

Habimana, O. (2014). Capital structure and financial performance: Evidence from firms operating in emerging markets. *International Journal of Academic Research in Economics and Management Sciences*, 3(6), 159-166.

Iorpev, L., &Kwanum, I. M. (2012). Capital structure and firm performance: Evidence from manufacturing companies in Nigeria. *International Journal of Business and Management Tomorrow, 2*(5), 1-7.

Ishaya, L.C. &Abduljeleel, B. O. (2014). Capital Structure and Profitability of Nigerian Quoted Firms: The Agency Cost Theory Perspective. *American International Journal of Social Science.* 3(1), 39-57.

Modigliani, F. and Miller, M.H. (1958). The Cost of Capital, Corporation Finance and the Theory of Investment. *American Economic Review* 48, 261 – 291

Mumtaz, R., Rauf, A. S., Ahmed, B., & Noreen, U. (2013). Capital structure and financial performance: Evidence from Pakistan. *Journal of Basic and Applied Scientific Research, 3*(4), 113-119.

Mwangi, L. W., & Makau, M. S., &Kosimbei, G. (2014). Relationship Between Structure and Performance on Non-Financial Companies Listed in Nairobi Securities Exchange, Kenya. *Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics, 1,* 72-90.

Okolo, M. N. (2018).Capital Structure and Corporate Financial Performance of Deposit Money Banks in Nigeria. 2001-2016 *(Unpublished M.Sc dissertation). Department of Accountancy, University of Nigeria, Nsukka.*

Okolo, M. N., Okwu, P. I., Ugwuoke, C. J., &Kornom-Gbaraba, M. E. (2019). Implications of Equity Capital Financing on Corporate Financial Performance of Deposit Money Banks in Nigeria. *Research Journal of Finance and Accounting, 10*(12), 86- 93. DOI: 10.7176/RJFA

Oladele, A. S., Omotosho, O., & Adeniyi, D. S. (2017). Effect of Capital Structure on the Performance of Nigerian Listed Manufacturing Firms. *European Journal of Business and Management, 9*(7), 22-32.

Olusuyi, A. E., & Felix, A. E. (2017). The effect of capital structure on the financial performance of manufacturing firms in Nigeria. *Journal of Accounting and Financial Management, 3*(3), 37-48.

Onaolapo, A. A. &Kajola, S. O. (2010). Capital structure and firm performance: Evidence from Nigeria. *European Journal of Economics, Finance and Administrative Sciences, 25,* 70-82.

Owolabi, S.A. and Obida, S.S. (2012). Liquidity Management and Corporate Profitability: Case Study of Selected Companies Listed on the Nigerian Stock Exchange. Business Management Dynamics 2(3), 10 – 25.

Pandey, I.M (2010). *Financial management*, Tenth Edition, New Delhi: Vikas Publishing Home PVT Ltd

Prahalathan, B., & Ranjan, R. P. C. (2011). The impact of capital structure-choice on firm performance: Empirical investigation of listed companies in Colombo stock exchange, *Srilanka. International Journal of Research in Commerce and Management, 2*(4), 12-17.

Salawu, R.O. (2009). The Effect of Capital Structure on Profitability: An Empirical Analysis of Listed Firms in Nigeria. International Journal Business Finance 3,121 – 129.

Senan, N. A., Ahmad, A., Anagreh, S., Tabash, M. I. & Al-Homaidi, E.A. (2019). An empirical analysis of financial leverage and financial performance: Empirical evidence from Indian listed firms. *Investment Management and Financial Innovations, 18*(2), 322-334. 25.

Siyanbola, T. T., Olaoye, S. A., &Olurin, O. T. (2105) Impact Of Gearing On Performance Of Companies. Arabian Journal of Business and Management Review, 3(1), 68-80.

Tifow, A. A., &Sayilir, O. (2015). Capital Structure and Firm Performance: An Analysis of Manufacturing Firms in Turkey. *Eurasian Journal of Business and Management, 3*(4), 13-22. 10.15604/ejbm.2015.03.04.002.

Warokka, A., Herrera, J. J. and Abdullah, H. H. (2011). East Asian corporate governance: A test of the relation between capital structure and firm performance. *International Journal of Economics and Finance Studies, 3*(2), 1-10.

Warokka, A., Herrera, J. J., & Abdullah, H. H. (2011). East Asian corporate governance: A test of the relation between capital structure and firm performance. *International Journal of Economics and Finance Studies, 3*(2),1-10.