Chapter One.

1.1 Background to the Study.

There are many debates on the impact of capital structure on corporate performance all over the world Mubeem *et al* (2014). To determine the performance of any bank, its financial statement will play a vital role. How an organisation is funded is of paramount significance to stakeholders, and a business ' performance and strength is determined by the capital structure. By blending equity, debt, or hybrid securities, a company funds its property (William & Doreen, 2010). According to Chechet & Olayiwola (2014), whether a firm is newly founded or already in existence, it requires resources to carry out its activities. This fund is referred to as equity. Therefore, capital relates to means of financing an enterprise (Sebastain & Onuegbu, 2018). However, both the company executives and fund providers are subject to the decision on how to finance a company. Companies are able to acquire resources from external or internal sources (Ubesie, 2016). Internal sources of funds include retained income, while internal sources include loans from financial institutions, commercial credit, lending stock issuance, and issuance of equity shares. The capital structure of the banking establishment has become associated with increasingly exceptional issues in the finance globe, largely following the collapse of the banking system in 2008 and ensuring public bailout and institutional reorganization attempts.

Decisions on capital structure are crucial for any business organization because of the need to maximize return to the different stakeholders and also because such decisions have a major effect on the capacity of companies to cope with the competitive setting. (Badu and Awunyo 2012). On the other side, capital structure for any company and company is one of the most significant economic choices. This choice is essential because the organisation needs to improve the return to various organisations and also has an impact on the organization's value. Funds Framework

(CS) is really connected with different types of financing that a business uses to obtain assets that are vital for its activities and growth. The fund structure involves, in particular, long-term economic debt, preferred shares and real interest (Saeed *et al,* 2017.*).*

According to Akinyomi (2013), the seminar work of Modigliani and Miller (1958) developed studies on capital structure theory. The research postulated that capital structure is a major economic choice. Nigeria is targeting being one of the twenty (20) most developed economics of the world by 2020, the role of the banking sector in achieving this aim cannot be under estimated (Ihenetu, Iwo and Ebiware, 2016). Deposit money banks play a major role in Nigeria, they contribute to economic growth of the country by making funds available for investors to borrow as well as providing other financial services in the country. According to Central Bank of Nigeria, there are 21 licensed money deposit banks in Nigeria. Banks are financial intermediaries who pool cash from excess units together and loan it to society's deficit units (Kipesha & Moshi, 2014). Company financial performance can be evaluated by a multitude of ratios of which the main ones are Return on Asset, Return on Equity and Net Interest Margin (Alexandru et al., 2008). Return on Equity (ROE) is a financial ratio that relates to the amount of profit gained by an organisation compared to the total amount of shareholder equity invested. In exchange for their investment, ROE is what shareholders look for (Samuel, 2016). A company with a strong return on equity is more likely to be able to generate money internally. Thus, in terms of profit generation, the higher the ROE the better the organisation is. (Khrawish, 2011) further clarified that ROE is the share of Total Equity Capital's net income after tax. It represents the level of returns earned on the funds invested in the bank by its stockholders. However, ROE efficiently represents the use of shareholder funds by a bank management. Thus, from the above declaration, it can be presumed that the better the ROE, the more efficient the management is to

use the assets of the investors. Financial efficiency is a degree of how well a company can use assets from its main company mode and produce income. It is an overall economic health metric of a company over a specified period of time and can be used to compare comparable companies across the same sector. Asset Return (ROA) is also another important proportion indicating a bank's profitability. It's an income proportion to its complete asset (Samuel, 2016). It measures the flexibility of the bank management to generate income by utilizing company assets at their disposal. More so, it shows how efficiently the resources of the company are used to generate the income. It indicates more the potency of the management of a company in generating net income from all the resources of the organization (Khrawish, 2011). Wen (2010), state that a higher ROA shows that the organization is additional economical in exploitation of its resources.

In their research, Ningi and Usman (2017) gave a vivid summary of Nigeria's deposit cash banks (DMBs): this bank plays a vital role in the nation's economy by stimulating development (Ningi & Mairiga, 2015). By giving deposits mobilized in the form of loans to the productive operations, they attain development. In latest years, Nigeria's banking industry has experienced a series of reforms to make the sector the safest, strongest, and fastest growing in emerging markets. Furthermore, it is anticipated that the banking sector, which is a main player in the Nigerian economic industry, will quickly monitor the accomplishment of the extremely ambitious and much anticipated 20:20 vision. 21 Deposit Money Banks are currently licensed to operate in Nigeria. Four of them, while the rest are national banks, have foreign ownership. Fifteen of these are also listed on the Nigerian Stock Exchange (NSE) floors. In 2010, new operating guidelines for DMBs were issued to disaggregate the DMBs into three categories, namely regional banking with permission to operate within a minimum of six and a maximum of

twelve contiguous federal states, located within no more than two geo-political zones of the federation as well as within the federal capital territory. In addition, domestic banking license enables DMBs to conduct their banking company within each federation state. The regulation also allows DMBs to operate in all federation states within an international banking license, as well as to establish and maintain branches offshore. In 2010, CBN evaluated the capital requirements of these banks with at least N10bn for regional banks, N25bn for national banks, and N50bn for internationally authorized banks.

1.2 Statement of the Problem.

A company's optimum capital is very difficult to determine. Financial executives find it hard to find the ideal capital structure (Muhammad, Ammar & Muhammad, 2013). Despite public attempts, the capital market is not increasing at the speed anticipated, if slow growth persists, it may be a mirage to be one of the world's twenty (20) most advanced economies for 2020. (JeannineMauwa, Namusongeand &Onyango, 2016).

Nigeria's banking industry has risen over the years since Nigeria's Central Bank placed in place steps to regulate banks to streamline the activity and more so to stop the banking industry's collapse as it had been before. Nevertheless, Nigerian deposit money banks management's lingering issue of being unable to decide on the suitable financial mix that can shape the required output has called for much attention and discussion among academics before. Different writers who use varying models have distinct views on the impact on profitability of capital structure. This has resulted to the willingness to determine whether Nigeria's deposit cash banks ' capital structure has an impact on their profitability.

1.3 Objective of the Study.

The study's overall objective is to investigate the impact of capital structure in Nigeria on the financial performance of selected deposit money banks. The following particular goals are essential in order to attain this goal;

1. To determine the impact on economic results of deposit money bank in Nigeria of complete debt on total assets.

2. Determine the effect of complete debt on complete equity on the financial outcomes of Nigeria's deposit money bank.

3. To determine the effect of long-term debt on total assets on the financial outcomes of deposit money bank in Nigeria.

1.4 Research Questions.

In order to achieve the objective of this study, the following research questions are treated;

1. Is there any link between full debt to full assets and the financial outcomes of Nigeria's deposit money banks?

2. Is there a correlation between complete debt and complete equity and Nigeria's deposit cash banks' economic results?

3. Is there an important connection between long-term debt to complete assets and Nigeria's deposit cash banks ' economic results?

1.5 Research Hypotheses.

The following hypotheses are stated below

H_1: There is no important connection between total debt to total assets and Nigeria's deposit cash banks ' economic results.

H_2: There is no important correlation between total debt and full equity and Nigeria's deposit money bank's economic performance.

H_3: There is no important connection between long-term debt to complete assets and Nigeria's deposit money bank's economic results.

1.6 Scope of the Study.

This research tries to examine how economic performance is affected by the capital structure. This research is restricted to Nigeria's Deposit Money Banks (DMBs). Secondary data of five (5) chosen deposit cash banks in Nigeria from the published audit financial statement between 2008 and 2017 were used for the research.

1.7 Significance of the Study.

The research also tries to define assets that will add to the banking organization's general value and efficiency. The hope is that the correct implementation of the theory of capital structure and values will reduce the danger of a bank. The findings of this study will also form part of the action plans to help deposit money banks in Nigeria to improve the countrywide banking sector.

1.8. Operational Definition of Terms.

1. **Capital Structure:** It is the way a company finances its sources of investment funds mainly through investments using the mixture of debt and equity (Saad, 2010).

2. **Deposit Money Banks**: A bank whose main company accepts deposits from demand and makes short-term loans.

3. **Equity**: It's complete assets minus complete commitments. In other words, it is a company's net value

4. **Debt**: Money owed or needed to be paid to another by one individual or entity, usually as a consequence of a loan or other financial transaction.

Chapter Two

Literature Review

2.0 Introduction.

The literature will cover the conceptual, theoretical and empirical framework of which the study renowned theories and studies by other researchers in the field of capital structure that provide foundation to the study and shows the effect of capital structure on financial performance of selected commercial banks Nigeria.

2.1 Conceptual framework.

A conceptual framework is used to identify the concepts, conventions, expectations that supports a research. The following are the concepts used mostly in this study.

2.1.1 Debt.

Debt is money spent but not yet earned. It is any amount owed by an organization or individual. To a lay man debt means borrowed money. Debt financing is also a way of financing a firm, debt can be divided into two categories; long-term debt and short-term debt. According to Caroline and Willy (2015), long-term debt is money owed to lenders for a period of more than one year from the date of current balance sheet while short-term debt has maturity period of one year or less, they must be repaid quickly within 90-120 days. Debt can also be issued by companies in form of bonds which is payable at an appropriate date, there is always an interest rate attached to any amount of money borrowed. In this study the total long term liability will proxy for debt.

2.1.1.1 Debt to Equity ratio

The debt-to-equity ratio is used to assess the financial leverage of a company. A significant metric used in corporate finance is the debt-to-equity ratio. It is a measure of how much debt and wholly-owned funds a business finances its activities. More specifically, it represents shareholder equity's capacity in the case of a company downturn to cover all exceptional debts.

This formula can be used to calculate it;

$$\text{Debt/Equity} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Information needed for the debt equity ratio is on the company's balance sheet.

2.1.2Equity.

In this study, total equity will proxy for the portion of the capital employed contributed by the owner of the business (shareholders). Other forms of equity include; retained earnings and ordinary share capital.

2.1.2.1 Retained Earnings.

Retained earnings have been the amount of the profit of the company after dividend payments since the start of the company. They are also known as surplus gained, capital maintained, or income accumulated. It is essential to realize that retained earnings after dividends have been paid are not excess money or money left over. Rather, they are the profit that the company has reinvested since its beginning in the business. Retained earnings show a company's situation because they represent the choice of a firm either to reinvest profits or to pay them out to shareholders. Unlike other funding sources, using retained earnings enables to prevent cost-

related issues. Retained earnings are the complete sum remaining after all required costs have been incurred, a company's management may decide to restore that quantity to business or otherwise pay it out to shareholders as a dividend. Lastly, most retained earnings analyzes concentrate on evaluating which action would produce the shareholders ' greatest return. Consequently, dividend payment is the opportunity cost of retained earnings (Pandey, 2011).

2.1.2.2 Ordinary Share Capital.

It can also be called external equity because from the sales of normal shares to its company shareholders it is raised from the public. Ordinary shareholders are entitled to the residual profit of an organization. There is no maturity date for ordinary shares. It can be passed on or sold at any moment to a next kin. Also, the rights attached to ordinary shares is clearly stated in their article of association.

2.1.3 Return on Assets.

Asset Return (ROA) is an indicator of how lucrative a business is with respect to its total assets. ROA provides stakeholders with an idea of how effectively an organization's management uses its assets to generate revenue. In 1920, DUpont first used Return on Assets (ROA) as an analytical instrument to calculate the return on farm investments (Pandey, 2017). The company's assets include both debt and equity. Figures acquired from asset exchange (ROA) give investors an idea of how efficiently the organisation converts cash generated from investment into net income. ROA is frequently referred to as ROI (investment return). ROA's main flaw is that the metric does not consider the borrowed fund's impact. The formula below can be used to calculate it:

$$ROA = \frac{\text{Profit after Tax}}{} \times \frac{100}{}$$

Total Assets 1

ROA measure how profitable the firm is in term of assts.

2.1.4 Return on Equity.

Return on equity (ROE) could also be used to evaluate economic efficiency, a measure of how efficiently management uses the resources of a company to produce profit is regarded. According to Ang (2001), the greater the return on equity ratio, as Heikal (2014) cites, will boost profit development. ROE is calculated as follows;

ROE= Profit after Tax x 100

Equity 1

Return on equity is a common measure of the return of shareholders from the investment made in the firm.

2.1.5 Earnings per share.

Earnings per share (EPR) evaluate the profitability of shareholders by showing how much profit a share generates from cash shareholders has invested and calculated using this formula

EPS= Net Earnings x 100

num. of Shares 1

2.1.6 Return on Investment

Also a main performance measure is the return on investment that can also be referred to Return on Capital Employed (ROCE). The primary reason for its extensive use is that it is directly linked to the accounting method and can be obtained from an organization's income statement and economic position statement. According to ACCA Study Text for Paper F9 Financial Management, it is calculated as follows (2009)

$$ROI = \frac{\text{Earnings before Interest and Tax}}{\text{Capital Employed}}$$

2.1.7 Dividend.

Dividend could be a payment to its shareholders made by a business. The organisation pays a share of the profit as a dividend to shareholders when an organisation earns profit. Profit distribution to shareholders can be in money or if the organisation has a reinvestment plan then the sum can be paid for issuing additional stocks. A dividend is paid in proportion to its shareholding as a set sum with investors getting a dividend. Companies issue dividends to investors at the end of each economic period from the company's gain (Uremadu & Efobi, 2008). A company funded with all equity, all of its after-tax profit is a dividend advantage to shareholders (Chechet & Olayiwola, 2014). William and Scott (2006) refer to dividend as a regular money payment made by companies to shareholders holding the common stock of companies. Dividend can be regular dividend policy, stable dividend policy and stable naira dividend plus extra dividend policy (Ubaka, 2017). Dividend payout of the firm affects its prevailing stock prices Mehta *et al.* (2014). Dividend payment generates an understanding of the

liquid and financially stable organisation to shareholders. Dividend contains relevant information used by current and potential investors to decide whether to invest or not.

2.1.8 Profitability.

Two words, profit and capacity (Monica, 2014) coincide with the word ' profitability.' Profit implies while capacity relates to a company's earning power. Therefore, profitability maybe defined as the ability of an organization to make profit. Profitability is the ability of a company to make profits from all its operations-operating, investing and financing activities (Owolabi & Obida, 2012). Profit and profitability are two different concepts, that is to say, in spite of their similarities each one of them has different role in business.

2.1.9 Element of Capital Structure

First of all, a business that formulates its long-term economic strategy should evaluate its present economic framework. The following are significant aspects that require adequate scrutiny and evaluation of the economic structure of the company.

2.1.9.1 Maturity and Priority

The securities used in the capital combination vary in maturity. Equity is the capital that is the most permanent. Commercial document has the shortest maturity within debt and the longest government debt. Similarly, securities priorities vary as well. Capitalized debt such as hire-purchase financing is quite safe from the point of view of the lender and the value of the debt-backed assets provides protection for the lender.

Secured debts are relatively safe and, in the event of insolvency, have priority over unsecured debt.

Do the company's assets and liabilities match maturities? If not, what is the company's trade-off? A company can acquire a risk-neutral stance by matching the maturity of assets and liabilities; that is, it can use current liabilities to finance present assets and short-and long-term resources in maturity funding of fixed assets.

2.1.9.2 Terms and Condition

Companies have decisions about the basis of interest payments. They can receive loans at fixed interest rates or floating interest rates. The company may want to return revenue in the form of big dividends or big capital gains in the event of equity. Before making some choices, some questions are asked; what is the company's preference on the grounds of interest and dividend payments? How do the interest and dividend payments of the firm match its income and cash flows in operation? Assessment by management of future interest rates and income of the company. Does the company have security against changes in interest rates? Through interest rate derivatives, the financial director can safeguard the company against interest rate changes.

2.1.9.3 Currency

Companies in several nations have the option to raise funds from foreign markets. Financial overseas markets offer possibilities to raise big quantities of resources. Accessing capital internationally also helps company to globalize its operations fast. The exchange rate fluctuation can create a risk for the firm in servicing it foreign debt and equity. The financial manager will have to ensure a system of risk hedging.

2.1.9.4 Financial Innovations

Companies can raise capital through easy securities problems or through creative securities problems. The purpose of financial innovations is to create the safety problem an alternative to investors and to decrease capital costs. A further innovation could be that the company may offer higher simple interest on debenture and offer to convert interest amount into equity. The financial manager will have to continuously design innovative securities to be able to reduce cost. An innovation introduced once does not attract investors anymore.

2.1.9.5 Financial Market Segments

There are several financial market segments from where the company can tap capital. For instance, to raise long-term debt, a company can tap personal or public debt marketing. The company can collect short-term debt either from banks or by listing business documents or money market certificates, and the company also has an alternative way to raise short-term funds through government deposits.

2.1.10 Framework for Capital Structure

From the point of view of the owners, return, risk and value are important considerations for a financial structure, in short, it is the FRICT Analysis. Flexibility and feasibility assume excellent importance from a strategic point of perspective. By balancing all these factors, a sound capital structure will be accomplished;

2.1.10.1 Flexibility

In the company's debt capital, the capital structure should be determined and this capability should not be ##s. A company's debt capability relies on its capacity to produce future cash flows. It should have sufficient money to pay the set fees and principal amount of creditors and

leave some surplus money to satisfy future contingency. The composition of capital should be flexible. If justified by a changed scenario, the business should be able to adapt its capital structure with a minimum price and delay. The business should also be able to provide funding whenever necessary to finance its lucrative operations.

2.1.10.1 Risk

The danger relies on the variation in the activities of the company. The macroeconomic variables and industry and firm-specific variables may cause it. Excessive debt utilization magnifies the variability in the income of shareholders and threatens the company's solvency.

2.1.10.2 Income

The company's capital structure should be most advantageous to the company's owners. It should create value; it should create value subject to other factors; it should produce maximum yields with minimum extra costs to shareholders subject to other factors.

2.1.10.3 Control

The capital structure should include the company's minimum control. Dilution of control is of particular concern to the owners of tightly owned businesses.

2.1.10.3 Timing

Given the present and future situation of the capital market, the capital structure should be viable to enforce. The sequencing of funding sources is essential. The present choice has an impact on the future capital raising option.

The evaluation of FRICT offers the overall framework for assessing the capital structure of a company. A company's specific characteristics may represent some extra specific characteristics. In addition, each of these characteristics will be emphasized differently from business to business.

2.1.11 Practical consideration in determining capital structure

In practice, determining the capital structure requires further consideration of the significance of ROE, ROA, and EPS. A company may have sufficient capacity for debt servicing but may not have assets to give as collateral. Some of the key choices include ;

2.1.11.1 Assets

A company's holding forms of assets are significant determinants of its capital structure. Fixed tangible assets serve as debt collateral. In case of financial distress, the lender can access and liquidate these assets in order to realize the resources they lend. Companies with higher tangible fixed assets will have lower financial distress costs expected and higher debt ratios. On the other side, those businesses whose main assets are intangible assets will have little collateral to offer and will have greater economic distress expenses. Companies have intangible assets in the form of human capital, relationships with stakeholders, brands, and their value states eroding as the company faces economic hardships and increases its financial risk.

2.1.11.2 Growth opportunities

The nature of possibilities for development has a significant impact on the economic performance of a firm. There are high growth opportunities for companies with a high market-to-book value ratio. A significant portion of these companies ' value is derived from intangible assets. These companies have plenty of possibilities for investment. These companies use reduced debt ratios to prevent underinvestment and financial distress expenses. Companies with growth prospects are likely to discover debt funding quite costly owing to the absence of

excellent collateral and investment chances to be lost in terms of high interest payable. High growth companies would prefer lower-maturity loans to maintain interest rates down and maintain economic flexibility as their performance can alter suddenly at any time. They would also prefer to have working flexibility to unsecured debt.

2.1.11.3 Flexibility and Operating Strategy

An assessment of the cash flow could show that a company could bear heavy debt without the risk of insolvency. Meanwhile, the company can still make conservative use of debt in practice as the future is unsure and it is hard to consider any possible adversity situations. Therefore, maintaining economic flexibility that allows the company to adapt to any changes in future occurrences or forecast errors is prudent. A business should be able to raise funds without undue delay and price, and be prepared to repay its debt whenever the future circumstances warrant.

2.1.11.4 Loan covenants

Flexibility relies on contracts for loans. Loan contracts may include restrictions on distributing money dividends, incurring capital expenditure, raising extra internal finances, or maintaining working capital at a specific level. Covenant breaches can have severe adverse effects.

2.2 Theoretical Review

This chapter reviews the theories to which this research is referred. Modigliani and Millar, theory of pecking order, theory of agencies, trade off theory, theory of market timing. The theoretical framework, meanwhile, is on the concept of pecking order.

2.2.1 Modigliani and Miller Theory.

In 1958, Modigliani was created by the two economic scientists and Miller contributed extensively to capital structure by Proposition I Theorem showed that under certain restrictive

assumptions the company's value was not affected by the debt. They later created Proposition II, which relaxed the assumptions under Proposition I and regarded corporate taxes further. Miller advanced the two proposals in 1977 and created a model that acknowledged personal taxes. Proposition I, also known as net operating income, asserted that in determining the firm's value, the capital structure is meaningless. Capital structure decisions do not affect the value of the company since the firm value is independent of its leverage, there is no advantage in using debt since there are no corporate taxes, the weighted average capital cost of the leveraged company and the unleveraged company is independent of the capital structure, the equity cost increases as the gearing increases and the debt cost remains unchanged at the level. Under the restrictive assumptions of a perfect market, tax-free economy, no transaction costs and investor homogeneous expectations, capital structure is meaningless to the determination of firm value.

According to Modigliani and Miller, if the assumptions do not hold, there will be an arbitration method where investors take advantage of the market imperfections and opt to sell the stocks in the overvalued companies and purchase the shares in the undervalued companies resulting in arbitration profit. They supported their argument that the capital structure is irrelevant in determining the company's value by applying the arbitration process to two companies that are identical in every respect as investors take advantage of arbitration opportunities, when the prices of overvalued shares drop and the undervalued shares rise (Ryan, 2007; Watson and Head, 2007; Welch, 2009 & Pandey, 2010). With the exception of their leverage levels, Modigliani and Miller (1958) regard have equal investment costs and should therefore not have distinct market values (Welch, 2009). Studies later concluded that these hypotheses do not hold and prompted scientists to rationalize the MM proposal I and its fundamental hypotheses to demonstrate that capital structure impacts company value and efficiency. Watson and Head (2007) found that,

based on their restrictive assumptions, the theory had severe flows. First, the hypothesis that people and businesses can borrow at the same pace can be questioned because individual borrowing is more risky and expensive. Secondly, the existence of no transaction costs is untrue since borrowing costs occur and risk-free profit is eliminated thus influencing arbitration gain. Thirdly, investors have a version of expectations and lastly there is no perfect market. They later created a second document, Proposition II, also known as the Net Income Approach, which relaxed the unrealistic assumptions under Proposition I (Net Operating Income) and acknowledged the existence of corporate tax and the tax shield profit connected with debt capital.

They found that they shield more of their profit from corporation tax as businesses take on more debt. They also asserted that a leveraged firm's value would always be greater than that of unlevered by an quantity equivalent to the tax shield interest (Watson and Head, 2007; Pandey, 2010 and Welch, 2009). Merton Miller expanded Proposal I and II in 1977, introducing personal taxes and their impact on the firm's value. Miller created a model that includes gearing levels, corporate taxation, debt and equity return private taxation, and the quantity of debt and equity accessible to investors. He asserted that investors choose investment in businesses that match their private tax preferences, given the capital structure of the company that is the level of debt and equity.

Investors who pay income tax are inclined to invest in equity to take benefit of the debt avoidance capital benefit tax allowance (Welch, 2009). The US and UK have altered their tax system to guarantee minimal differences in private tax treatment in capital structure, but this does not eliminate corporate tax connected with enhanced gearing (Watson and Head, 2007).

2.2.2 Trade-off Theory.

Miller's (1977) trade-off theory is an off-shot of Modigliani and Miller's theorem. By adding corporate income tax to the original irrelevance, this produced a debt advantage by shielding earnings from taxes. Since the company's objective function is linear and the price of debt is not offsetting, this meant 100% debt funding (Caroline & Willy, 2015). According to several elements of Myers ' definition of trade-off merit debate, if companies are more lucrative, they prefer debt funding compared to equity for profit (Myers, 2010). There are four major trade-off theory predictions. First, the trade-off theory predicts that companies will have a target debt ratio and that this ratio will vary from company to company. Graham and Harvey (2001) establish this forecast, reporting that most of the Chief Financial Officers surveyed agreed to follow a target debt ratio.

Second, the trade-off theory predicts that firms with tangible assets that are comparatively safe are less exposed to financial distress costs and are therefore expected to borrow more. In contrast, companies with dangerous intangible assets are likely to be more vulnerable to financial distress expenses and less borrowing is anticipated. Various Rajan and Zingales (1995) confirm this forecast for companies in seven developed countries, Frank and Goyal (2009) for non-financial companies in the United States. Third, the trade-off theory predicts the association between the greater marginal tax rate and greater leverage concentrations. Contrary to the current forecast of the trade-off theory, Negash (2002) reports a adverse connection for 64 companies listed in the industrial sector of JSE between tax rate factors and debt.

Finally, the theory of trade-off predicts that companies with more taxable income and comparatively few shields of non-debt tax such as investment tax shields such as investment tax credits and depreciation will have more incentives to borrow (De Angelo & Masulis, 1980). In

their capital structure, companies with more non-debt tax shields should have less debt, while companies with less non-debt tax shield should be anticipated to borrow more.

In conclusion, significant proof exists for the trade-off theory's first three primary predictions. The fourth forecast is endorsed moderately.

2.2.3 Pecking Order Theory.

The concept of pecking order propounded was by Myers and Majluf (1984), and the expansion of this hypothesis investigated by George Lucas and McDonald (1990) endorsed the unfair data between executives and investors. Managers have more data about the company's true value and risk than external investors. According to Myers (1984), retained revenues are also, where feasible, a means of funding a company, but if retained earnings are insufficient, then debt is used. The order of economic sources used was also the source of revenues, short-term securities, debt preferred stock, and last common stock inner funds. The concept of pecking order suggests that the bigger the company, the greater the cost of asymmetric information and the more tedious a company can raise internal resources. The pecking order theory is now widely accepted, and many businesses do not seek to discover the ideal mix of debt and equity, but instead try to finance their fresh project through inner sources, as the data available does not provide assurance (Frank and Goyal, 2009). The fundamental assumptions put forward by Myers and Majluf (1984) in the pecking order theory and extended by Abosede (2012) are that;

I. It is necessary to issue new stocks to outsiders. The hypothesis is that the current shareholders sell their shares if a correct problem is used. An impact is that the power of the model can be lowered to the extent that shares are issued using the right issue method

and shareholders choose to assume their privileges. The model collapses if all rights are assumed by current shareholders.

II. Even if rights issues are worked, the company will incur expenses that are not treated in the same way as the debt source expenses. Equity is more likely to be undervalued than debt in the same vein.

III. From the above two assumptions, at the end of new issues, ownership structure is altered.

IV. Managers understand more about the true value of current assets of the company than shareholders (this is what leads to asymmetry of data).

V. Managers know a lot about the value of the prospective investment project of the company

The pecking order theory includes a funding hierarchy where companies first use their internally produced cash flow and equity to finance their projects before, if needed, using debt. Also, Van Horne (1998) suggests organizational management uses pecking order to finance their investments because the technique provides the following benefits for leadership.

I. First, the use of retained earnings makes management avoid capital scrutiny and cost of floating.

II. Using debt next ensures less intrusion by capital providers into management, and the cost of floating is lower than other types of external financing.

III. Investors consider playing on asymmetric information and signaling impacts to raise debt problems as "excellent news".

IV. Debt issues mean that management thinks the equity inventory is undervalued and also the debt is overvalued or reasonably valued by the market.

2.2.4 Agency Theory.

The theory of the agency as postulated by Jensen and Meckling (1963), explained the conflict of interest between shareholders and company agents, this conflict stems from differences in decision-making by pointing out that the parties often have different objectives and different risk tolerance. It is possible to distinguish between normative agency theories and positive agency theories, according to Abosede (2012) in the field of agency theories of capital structure A normative agency model is one that recommends the most favourable debt-equity ratio that maximizes the wealth of shareholders, while a positive agency model is one that seeks to predict how much debt-seeking executives can effectively use within the constraint of optimizing the wealth of shareholders.

The concept of the organization is a theory about the connection between the principal (shareholders) and the main officer (directors of the company) Akeem, Terer, Kiyanjui and Kayode, (2014). This indicates that the company can be regarded as a nexus between resource owners of agreements (loosely specified). Whenever one or more people, called principals, employ one or more other people, call agents, conduct some service and then delegate decision-making power to the agents, an agency connection occurs. The notion of the agency theory was originally created by Berle and Means (1932), who argued that ownership and control became more separate owing to a constant dilution of equity ownership of big companies (Akeem et al., 2014). Jensen and Meckling (1976) describe an agency partnership as a agreement whereby theprincipal(s) engage another individual (the agent) to conduct some service on their behalf involving delegating to the officer some decision-making power. If both parties to the relationship are utility maximizers, there is reason to believe that the agent will not always act in the principal's best interests (Jensen & Meckling, 1976)

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Agency costs theory illustrates that firm's capital structure is determined by agency costs, which includes the costs for both debt and equity issue. The costs related to equity issue may include:

i. The monitoring expenses of the principal (the equity holders);
ii. The bonding expenses of the agent (the manager);
iii. Reduced welfare for principal due to the divergence of agent's decisions from those which maximize the welfare of the principal.

Furthermore, debt issue increases the incentive of the owner-manager to invest in high-risk projects that yield high returns to the owner-manager but increase the likelihood of failure that debt holders will have to share if realized. If debt holders anticipate this, they will need a greater premium, which in turn will boost debt expenses. Then, the debt agency costs include the chance expenses induced by the debt effect on the firm's investment choices; the bondholders' and owner-manager's surveillance and bond expenses; and the bankruptcy and reorganization-related expenses (Hunsaker, 1999). Since both equity and debt incur agency costs, a trade-off between the two price kinds is involved in the ideal debt-equity ratio.

2.2.5 The Market Timing Theory

Baker and Wurgler (2002) advocated the market timing hypothesis of capital structure. In corporate finance, the intensification of equity market timing I d to exploit temporary changes in equity costs relative to other types of capital, according to Baker and Wurgler (2002).

The price of distinct types of capital varies separately in the inefficient and embedded capital markets studied by Modigliani and Miller (1958), so there is no profit in switching between

equity and debt. In segmented capital markets, market timing benefits continuing shareholders at the cost of entry and exit. Therefore, managers have incentives to plan the market if they believe it is feasible and if they are more concerned with outgoing shareholders.

There are two versions of equity market timing that lead to similar capital structure dynamics.

The first assumes rational economic agents. Companies are presumed to issue equity immediately following a favorable release of data that decreases the problem of asymmetry between the leadership of the company and the stockholders. The data decline coincides with the stock price rise. Companies are creating their own timing possibilities in reaction.

The second theory assumes irrational economic agents (Baker and Wurgler, 2002). There is a time-varying mispricing of the company's inventory due to irrational behaviour. Managers issue equity when they think that their costs are irrationally small and repurchase equity when they think that their costs are irrationally large. Knowing that the second version of market timing does not require the market to be inefficient is essential.

2.4 Empirical Review

Many researchers have obtained different results. Below are various empirical studies that are related to capital structure.

Ozioma and Ofoegbu (2017) examined the effect of capital structure over the period 2005-2014 on the economic results of cited building and real estate firms in Nigeria over 10 years. In their research, the factors used to evaluate economic efficiency were Earnings per share (EPS), Return on Capital Employed (ROCE), and Return on Earnings. The research results show that the

capital structure of the building and immovable industry companies listed on the Nigerian stock exchange has a substantial effect on the economic performance of companies based on the following performance proxies (EPS, ROCE, ROE but does not have a substantial effect on ROA). Companies were also advised to invest in investments that will produce favorable yields to enhance their ROA.

Varian et al. (2015) surveyed the connection between the capital structure and financial performance of Malaysia's publicly listed oil and gas companies, and study was undertaken on 12 Oil and Gas Companies over the period (2003-2013) using short-term debt to complete assets, long-term debt complete assets and complete debt to complete assets (STDTA, LTDTA and TDTA) to measure independent variables. The outcome indicates that the composition of capital is negatively linked to the return on equity of companies.

Tariq, Waqar and Muhammad (2014) tried to evaluate the effect of capital structure on the results of 63 firms listed on the Karachi stock exchange. Five-year data gathered from 2007-2011. To discover the connection between company results and capital expenditure, the pooled regression model was used. The results of this research are that there is a connection between factors, but the relationship direction has been mixed. When using ROA as dependent variable capital spending showed beneficial effect on the performance of companies, while when using ROE as a dependent variable, capital expenditure reflected a adverse effect on economic performance. It was then created that capital structure has an effect on firm results, so that executives should be careful when making choices about the company's capital structure.

Nwude and Chikeze (2018) worked on the effect of capital structure on the performance of commercial banks in Nigeria using correlation analysis and results showed that debt financing had a adverse effect on ROA while debt equity had a beneficial and substantial effect on ROE

and found that there was no unidirectional or bidirectional connection between capital structure and per capita

Osuji and Odita (2012) conducted studies on the effect of capital structure on Nigerian firms ' economic results using a sample of thirty non-financial companies listed on the Nigerian Stock Exchange over seven years (2004-2010). The usual least square estimation technique has been used to evaluate the gathered information. The outcome demonstrates that the capital structure of a company surrogated by the debt ratio has a significant adverse effect on the financial measures of the company (Return on Asset, ROA, and Return on Equity, ROE). Studying these results indicates consistency with prior empirical research and provides evidence to support the price theory of the Agency.

Jeannine et al. (2016) looked at the impact of capital structure on the economic results of Rwanda Stock Exchange (RSE) listed companies. These information were evaluated using descriptive statistics, correlation analysis and regression analysis using SPSS version 20 in this research, both secondary and primary data were performed on six (6) firms mentioned in RSE. Study findings suggested that the connection between capital structure and both ROA and ROE is the other way around, and capital structure explains a bigger ROA shift than ROE.

Siddik, Kabiraj and Joghee (2016) used panel information to conduct empirical research on the effect of capital structure on bank performance in a developing economy for a 10-year span 2005-2014. Pooled normal less square analysis has been used and the outcome demonstrates that capital structure has a negative impact on the results of banks.

Ihenetu, Ebiware and Iwo. (2016) conducted studies to assess the effect on bank performance of the capital structure in Nigeria. Secondary data from the audited financial statements of four (4) banks for twelve years (12) between 2002 and 2013 were gathered in this research. The statistical

instrument used is usually less square, and the outcome demonstrates that extremely geared capital structure improves deposit money efficiency compared to low geared capital.

Muhammad, Ammar and Muhammad (2013) performed a five-year survey from 2007-2011 on the effect of capital structure on banking results in Pakistan. In order to assess the connection between capital structure and banking performance, multiple regression model was used to evaluate the information. Return on investments, return on equity and income per share are measured by performance. Long-term debt-to-capital ratio, short-term debt-to-capital ratio, and complete debt-to-capital ratio are determinants of capital structure. Finding on this research validated a beneficial connection between capital structure determinant and banking industry banking performance performance results.

Ajayi and Araoye (2017) examined the impact of capital structure on the economic results of Nigerian manufacturing companies. The main source of information from this study is secondary data gathered from ten sampled manufacturing companies from published annual reports for the period 2008-2014. Variables of asset returns and equity returns were used to evaluate economic performance, as well as variables of debt-equity ratio, asset turnover and company age were used to assess the sampled production firms ' capital structure. The research proposes that when using debt as its source of funding its operations, management should be cautious.

Arulvel and Ajanthan (2013) researched the capital structure and economic results relationship of CSE (Colombo Stock Exchange) trading firms from 2007 to 2011. Secondary data was used and the technique for analyzing the information was used for regression analysis. Results indicate that debt ratio is negatively associated with all economic performance measures[Gross Profit (GP); Net Profit (NP); Return on Equity (ROE) and Earnings Per Share (EPS)] likewise d debt-

equity ratio (D / E) is negatively correlated with all economic performance measures except GP (Gross Profit).

In his research, Niresh (2010) examined the effect of capital structure on the profitability of ten listed Srilankan banks for an 8-year period 2002-2009. The research outcome may guide banks, loan creditors, and policy planners to formulate better policy choices with respect to capital structure. Based on the study results, some main points can be used to conclude this study. It is very essential that complete debt is Sri Lanka's banking industry's determining profitability factor.

Ogebe, Ogebe and Alewi (2013) conducted studies using panel data on the effect of capital structure on the performance of companies in Nigeria. The information of the panel was analyzed using the regression estimation model of fixed effect regression. Findings show that companies should use more equity than debt to finance their company operations; to the extent that a business ' value can be improved with debt capital, it becomes harmful.

Ajibola, Wisdom and Qudus (2018) verified the effect of capital structure in Nigeria over the period 2005-2014 on the economic results of 10 cited manufacturing companies. The study's goal was accomplished using the panel's ordinary least square technique, and OLS results show that there is no adverse connection between all capital structure proxies (long-term debt, short-term debt, and complete debt) and asset returns that makes equity return a better measure of economic results. Furthermore, the research proposes that each company should make a good choice on the capital structure to gain profit and effectively carry on its company.

Akinyomi (2013), conducted a 2007-2011 survey on the impact of capital structure on corporate performance in Nigeria. The research uses asset return (ROA) and equity return (ROE) as measure of economic performance and long-term debt to capital, debt to capital, debt to common

equity, short-term debt to complete debt (LDC, DC, DCE and SDTD) as capital structure measurements. Secondary data were acquired from 5 manufacturing firms and the information was analyzed using correlation analysis. The results indicated that each DC, DCE, SDTD is linked to ROE considerably and positively, while LDC is connected to ROE substantially but negatively.

Alhassan (2017), analyzed the relationship between capital structure and commercial bank profitability in Ghana. Secondary data from 23 banks ' annual accounts over a six-year period from 2010-2015. Using descriptive statistics, correlation analysis and panel regression analysis, these information were evaluated. The findings indicate that Ghana's commercial banks rely on short-term funding (deposit) decreases the profitability of banks and as such banks should change their focus from deposit to other sources.

Abubakar I. Shaba Y., Yaaba B.N. (2016) The effect of the capital structure on bank profitability in Nigeria has been empirically examined. Applying a sample of 13 Deposit Money Banks (DMBs) from 2005-2014 to autoregressive distributed lag model. The research proposes that DMBs study and comprehend the capital structure dynamics to allow them to create appropriate decisions about the capital combination. Mathewos (2016), used secondary data gathered from commercial banks ' financial statements to investigate the effect of capital structure on the economic results of chosen commercial banks in Ethiopia over the previous 5year period 2011-2015. The research used asset returns and equity returns as dependent variable and five measurements of capital structure (debt ratio, debt-to-equity ratio, loan-to-deposit, bank size and tangibility of assets) as dependent variable. The findings indicate that both ROA's measured economic performance is negatively linked with capital structure.

Chapter Three

Methodology

3.0 Introduction.

This section focuses on the overall methodology used in this research. To conduct the survey, it will undertake research design, study population, sampling technique, sample size determination, information collection method, data analysis method, model specification, variables operationalization.

3.1 Research Design.

The research design to be used for the study is based on the choice to investigate the ex-post factor. This involves determining the effect of previous variables on the company's capital structure.

3.2 Population of The Study.

Population relates to the number acquired from objects or articles that have common characteristics. There are twenty-one (21) Deposit Money Banks (DMBs) listed in CBN as at 31

December 2018 in Nigeria. The sample population acquired in this research comprises of 5 of the 21 deposit money banks registered or listed by Nigeria's central bank. Due to their broad spread across the nation and based on capital, these banks are chosen.

3.3 Sampling Technique.

The sample used in this research is the sampling of judgments based on banks ' prevalent identity and operation.

3.4 Sample Size Determination.

According to Ezejuele and Ogwo (1990), it is regarded appropriate to sample a minimum of 10 percent of the population in account. But for the purpose of this research, 5 out of 21 Deposit Money Banks(DMBs) mentioned by Nigeria's central bank will be used to improve generalization. Secondary data from these 5 chosen business banks ' economic statements were obtained over the 10-year period from 2008 to 2017.

3.5 Method of Data Collection.

Secondary data from audited financial statements were gathered in this research. Secondary data are information that are accessible in written and storage format used for prior research.

3.6 Method of Data Analysis.

Using the Statistical Package for Social Science (SPSS) version 22 software, the information gathered for this technique will be evaluated using regression analysis.

3.7 Model Specification.

FP= f(CS)

CS= TDTA, TDTE, LDTA, TA

FP= ROE

Therefore,

ROE= f (TDTA, TDTE, LDTA, TA)

$ROE = \alpha + \beta_1 TDTA_t + \beta_2 TDTE_t + \beta_3 LDTA_t + \beta_4 TA_t + \varepsilon_t$

Where;

α= Intercept

β_1, β_2, β_3 and β_4= slope coefficients

ε_t= error term

TDTA= total debt to total assets

TDTE= total debt to total equity

LDTA= long term debt to total assets

TA= total assets

3.8 Measurement of variables

Financial performance will be evaluated with Return on Equity (dependent variable) and the capital structure will be analyzed with complete debt to complete assets, complete debt to complete equity and long-term debt to complete assets, while total assets will be evaluated as control variable.

Chapter Four

Data Presentation, Data Analysis and Result Interpretation

4.1 Data Presentation

Secondary data collected from audited annual reports from selected deposit money banks(DMBs) in Nigeria for 10 years 2008- 2017 was used for this study and the presentation of these data see(Appendix).

4.2 Test for Hypothesis and Discussion

OBJECTIVE 1: To examine the relationship between return of equity and total debts to total equity

H_0: There is no significant relationship between total debt to total assets and the financial performance of deposit money banks in Nigeria.

H_1: There is significant relationship between total debt to total assets and the financial performance of deposit money banks in Nigeria.

Table 4.1.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.245[a]	.060	.040	.12260

a. Predictors: (Constant), Total debts to total assets.

Source: Researchers computation, 2019

The model summary shows the predictive power of the model. R is the correlation coefficient between the dependent variable (observed) and the independent variable(s) (the predictor(s). The sig of R indicates the direction of the relationship (positive or negative). The value of R range from -1 to 1. The absolute value of R indicates the strength, with larger absolute value indicating strong relationship.

In Table 4.1.1, R= O.245 This means that there is a positive relationship between the return on equity and total debts to total assets, while its value shows moderate relationship.

The R squared (coefficient of determination) show the degree of linear- correlation of variables (goodness of fit) in regression analysis. This is the proportion of variation in the dependent variable explained by the regression model. In other words, it shows the extent to which the independent variable(s) can explain the variance in the dependent variable. The sample R squared tends to be optimistically estimate of how well the model fit the population.

Table 4.1.1 show R square of 0.060, which means that total debts to total assets can only explain 22.3% variation in the value of return on equity while holding other independent variables constant.

Adjusted R square only adjust for the number of variables in the regression model. Standard error of the estimate is the standard deviation of the residuals. It attempts to correct R squared to a more closely reflect the goodness of fit of the model. It is also R squared value adjusted for the number of variables in the regression model. The value of Adjusted R in this table is 0.040.

The standard error of estimates is the standard deviation of the residuals. As R squared increases, the standard error of the estimate decreases. In other words, a better fit leads to less estimate error. It is an important indicator of how precise an estimate of the population parameter the sample statistic is.

Table 4.1.2: **ANOVA[a]**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.046	1	.046	3.060	.087[b]
	Residual	.722	48	..015		
	Total	.767	49			

a. Dependent Variable: Return on equity

b. Predictors: (Constant), Total debts to total Assets

Source: Researchers' computation, 2019

The ANOVA table tells us the overall significance of the model. The F-statistics is the regression mean square (MSR) divided by the residual mean square. F-Statistics determine whether the model is a good fit for the data based on its significance level. A significant value of F- statistics shows that the model is better at predicting the outcome value of the dependent variable than its average. If the significance value of the F-statistics is smaller than 0.05 then the independent variable(s) is significant to explaining the variation in the dependent variable and the null hypothesis is accepted. Table 4.1.2 show a value of 0.087 which is more than 0.05. It suggests that there is no significant relationship between the return on equity and total debts to total assets. H_0 is therefore accepted and H_1 rejected.

Table 4.1.3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.054	.063		1.112	.394
	Total debts to total equity	.020	.011	.245	1.749	.087

a. Dependent Variable: Return on equity

Source: Researchers' computation, 2019

The standardized coefficients or beta is an attempt to make the regression coefficient more comparable. It provides a useful way of seeing what impact of changing the explanatory variable by one standard deviation it will have on the dependent variable. It is usually equal to the correlation coefficient between the variables.

Hypothesis 2:

OBJECTIVE: To ascertain the effect of total debt to total equity on financial performance of deposit money bank in Nigeria.

H_0: There is no significant correlation between total debt to total equity and the financial performance of deposit money bank in Nigeria.

H_1: There is significant correlation between total debt to total equity and the financial performance of deposit money banks in Nigeria

Table 4.2.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.237[a]	.056	.031	.13604

a. Predictors: (Constant), Total debts to total equity.

b. Source: Researchers' composition, 2019

In Table 4.2.1, R value is 0.237. This mean that the positive correlation between the return on equity and total debts to total equity is 23.7%. The R square value is 0.056 (5.6%) meaning that total debts to total assets can only explained 5.6% variation of return on equity while holding other independent variables constant.

Table 4.2.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.042	1	.042	2.261	.141[b]
	Residual	.703	38	.019		
	Total	.745	39			

a. Dependent Variable: Return on equity

b. Predictors: (Constant), Total debts to total equity

Source: Researchers' composition, 2019

Table 4.2.2 show an F-statistics value of 2.261 with a p-value of 0.141. This is more than 0.05 (5%) the critical value. This suggest the adoption of H_0 of no significant relationship and the rejection of H_1 of significant relationship between return on equity and total debts to total equity

Table 4.2.3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.048	.145		-.331	.742
	Total debts to total Assets	.253	.168	.237	1.504	.141

a. Dependent Variable: Return on equity

Source: Researchers' computation,2019

Hypothesis 3:

OBJECTIVE: To determine the effect of long term debt to total assets on financial performance of deposit money bank in Nigeria.

H_0: There is no significant relationship between long term debt to total assets and the financial performance of deposit money bank in Nigeria.

H_1: There is significant relationship between long term debt to total assets on financial performance of deposit money bank in Nigeria.

Table 4.3.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.295[a]	.087	.063	.13379

a. Predictors: (Constant), Long term debts to total Assets

Source: Researchers composition, 2019

In Table 4.3.1, R = 0.295. This mean there is a positive relationship between Return on equity and long term debts to total assets. The positive relationship is weak (29.5%). The R squared result show a value of 0.087. This mean the long term debt to total assets can only explain the variation to the return on equity by 8.7%.

Table 4.3.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.065	1	.065	3.623	.065[b]
	Residual	.680	38	.018		
	Total	.745	39			

a. Dependent Variable: Return on equity

b. Predictors: (Constant), Long term debts to total Assets

Source: Researchers computation, 2019

Table 4.3.2 showed an F-Statistics value of 3.623 with a p-value of 0.065. This is more than the 0.05 or 5%. This suggest the rejection of H_1 and the adoption of H_0 of no significant relationship.

Table 4.3.3: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	.105	.039		2.702	.010
	Long term debts to total Assets	.600	.315	.295	1.904	.065

a. Dependent Variable: Return on equity

Source: Researchers' composition, 2019

Table 4.4.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.506[a]	.256	.194	.12407

a. Predictors: (Constant), Total debts to total equity, Long term debts to total Assets, Total debts to total Assets

Source: Researchers' computation, 2019

The overall result in Table 4.4.1 revealed R value of 0.506 (50.6%). This means that jointly, the independent variables has a positive correlation coefficient of this value. Although this is a strong value, the R squared value is 0.256. This means that the independent variables jointly can only explain the variation in the return to equity to the tune of only 25.6%. The remaining 74.4% is explained by other variables outside the model.

Table 4.4.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.191	3	.064	4.135	.013[b]
	Residual	.554	36	.015		
	Total	.745	39			

a. Dependent Variable: Return on equity

a. Predictors: (Constant), Total debts to total equity, Long term debts to total Assets, Total debts to total Assets

Source: Researchers' composition, 2019

Table 4.4.2 show F-Statistics value of 4.135 with a p-value of 0.013 which is less than 0.05. This means that jointly the independent variables has a statistically significant relationship with the dependent variable (return on equity) which is a measure of financial performance.

Table 4.4.3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	
		B	Std. Error	Beta		
1	(Constant)	.025	.158		.159	.875
	Long term debts to total Assets	.517	.408	.254	1.266	.214
	Total debts to total Assets	-.202	.234	-.189	-.862	.394
	Total debts to total equity	.057	.020	.479	2.846	.007

a. Dependent Variable: Return on equity

Source: Researchers' computation, 2019

Table 4.4.3 revealed the overall contribution of each variable to the model. It is also used for predictive purposes. Long term debts to total assets and total assets to total assets contributions (p-values of).214 and 0.394 respectively) are not significant, while total debts to total equity contribution (0.007) is significant to the model.

Therefore:

ROE = 0.025 g+ 0.517LDTA -0.202TDTA + 0.057TDTE +e_t

4.3 Discussion of findings

The study carried out using chosen deposit cash banks in Nigeria on the impact of capital structure on economic results disclosed the general contribution of each variable to the model. It is also used for purposes of prediction. Long-term debt to full assets and total debt to total asset contributions (p-values of 0.214 and 0.394 respectively) are not important, while total capital contribution debt (p-value of 0.007) is important to the model.

This research discovers that from variance analysis (ANOVA) two out of the three independent variables created a statistically insignificant model. This means a good explanation of the capital structure is provided by the factors. The regression result shows the positive relationship exists between the independent variables and the financial performance. There is no important connection between the factors because banks are usually funded by customer deposit. A similar study was conducted by Mathewos (2016), who examined the impact of the capital structure on the financial performance of commercial banks in Ethiopia over a five-year period from 20011 to 2015 using secondary data, and the results of the regression show that the debt ratio, the debt equity ratio (with a p-value of 0.018 and 0.008 respectively) has a significant effect on ROE, whereas long debt has no ROE effect.

The effect of post-consideration capital structure on Nigeria banks ' economic results was examined by Adesina et al. (2015). Ten banks have been used for eight years. As a dependent variable, profit before tax was used, and debt and equity were used as independent variables. To analyze the data, the usual least square regression was adopted. The research results showed a important beneficial connection between the capital structure and the economic results of banks cited by Nigeria.

In contrast to the above, most studies provide results or evidence of significant negative impact of capital structure and financial performance. For instance;

Akeem, Terer, Kiyanjui and Kayode (2014) examined the effect of the capital structure on the results of 10 randomly chosen firms listed on the Nigerian Stock Exchange (NSE), using the least square regression to evaluate secondary information between 2003 and 2012. The research used complete debt to total assets, complete debt to complete equity, and long-term debt to capital to evaluate capital structure and corporate age as a control variable show a adverse impact of capital structure on corporate performance measured by investment return and asset return.

Also, Abubakar (2015) examined the connection between financial leverage and economic results of deposit money banks in Nigeria, using a sample of 11 deposit money banks for an 8-year period from 2005 to 2013. Debt-to-equity ratio and debt ratio were used as a proxy of performance to proxy capital structure and return on equity. Data were evaluated using descriptive analysis and analysis of correlation. The outcome of the correlation showed a substantial inversion of the debt-to-equity ratio and equity return. There is no substantial connection between debt ratio and equity return in the same vein.

Chapter Five

Summary, Conclusion and Recommendation

5.1 Summary of the Study.

The purpose of this study is to determine the impact on the financial performance of deposit money banks in Nigeria of the capital structure. In order to make a comprehensive study analysis, the researcher sought different ideas from several articles and authors who had previously studied in this area.

Chapter one introduces the topic by providing insight into the capital structure of various firms and the Nigerian banking industry. This chapter also covers the study's overall statement of the problem, study goals, research questions, hypothesis and plan.

Several literatures appropriate to the research were reviewed in Chapter Two, some fundamental ideas were also described to help improve study comprehension. Some concepts reviewed during this research include Modigliani and Miller theorem, the theory of pecking order, trade off theory and the theory of agencies, but the research was anchored on the theory of pecking order, several literatures were also evaluated during the research.

The methodology is included in chapter three. Ex-post research design has been used in this study, secondary data gathered from banks ' audited economic statements for the period 2008 to 2017, the data analysis technique and model specification has also been referenced. Chapter four uses SPSS version 22 and testing hypothesis to discuss the outcomes acquired from the regression analysis.

5.2 Conclusion

The study examined the effect of capital structure on the financial performance of deposit money banks in Nigeria and the general objective of this study was to determine effect of capital structure on the performance of money deposit banks in Nigeria helped in the conclusion of this study. Data gathered over a 10-year period from audited annual accounts of 5 deposit cash banks in Nigeria. The results of the analysis showed the relationship between return on equity and total debt total assets is positive and has no significant relationship. Also, the correlation between return on equity and long term debt to assets is positively significant. And as such it was concluded that for hypothesis 1 and 2 the null hypothesis should be accepted and the alternative

should be rejected. Finally, it was concluded that the hypothesis 3 was important, the option was to be accepted and the null hypothesis was to be dismissed.

Therefore, the conclusion bank executives should encourage clients because depositing clients has a favorable important connection to deposit money banks ' economic performance.

5.3 Recommendation

Based on our and conclusion drawn, the study therefore recommends that managements of deposit money banks should ensure that the right optimal capital structure should be employed and not just by focusing its financing solely on debt but it should be varied among debt and equity, in order to enhance the performance of banks in terms of ROE shareholders should be carried along in any process that calls for extra funding.

Furthermore, top management of every banking firm should make prudent financing decision in order to remain profitable and competitive.

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Appendix:

T.D	T.A	L.D	T.E	PAT	ROE	TDTE	TDTA	LDTA
738728	918279	66767	179551	28073	0.16	4.11	0.80	0.07
831436	1019912	82224	188476	23848	0.13	4.41	0.82	0.08
862005	1067172	91418	205168	36512	0.18	4.20	0.81	0.09
1289009	1523528	242880	234180	51653	0.22	5.50	0.85	0.16
1332162	1620317	182432	288154	85264	0.30	4.62	0.82	0.11
1574719	1904366	251058	329647	85546	0.26	4.78	0.83	0.13
1757071	2126608	256787	369530	93432	0.25	4.75	0.83	0.12
1872021	2277629	344926	405608	94308	0.23	4.62	0.82	0.15
2136422	2613340	344265	476918	126837	0.27	4.48	0.82	0.13
2240585	2824929	315618	578574	166920	0.29	3.87	0.79	0.11
1341549	1680032	42333	338483	46524	0.14	3.96	0.80	0.03
1244813	1573196	39084	328383	18365	0.06	3.79	0.79	0.02
1439004	1789458	35119	350414	33335	0.10	4.11	0.80	0.02
1797056	2169073	81172	372017	41301	0.11	4.83	0.83	0.04
1998883	2436886	76777	438003	95803	0.22	4.56	0.82	0.03
2406071	2878693	119678	472622	83414	0.18	5.09	0.84	0.04
2911112	3423819	359342	512707	92479	0.18	5.68	0.85	0.10
3203381	3750327	654810	546946	98784	0.18	5.86	0.85	0.17
3667383	4283736	796923	616353	119285	0.19	5.95	0.86	0.19
4126133	4833658	1134944	707525	157145	0.22	5.83	0.85	0.23
795803	907074	4355	111271	24737	0.22	7.15	0.88	0.00
1175140	921230	219411	253910	28616	0.11	4.63	1.28	0.24
981125	845231	208892	135894	118016	0.87	7.22	1.16	0.25
664203	843763	88727	179560	3239	0.02	3.70	0.79	0.11

714797	886468	83319	171671	3170	0.02	4.16	0.81	0.09
694313	882097	55496	187784	5121	0.03	3.70	0.79	0.06
714962	920936	85660	205974	20486	0.10	3.47	0.78	0.09
767469	998137	80289	230668	17721	0.08	3.33	0.77	0.08
872144	1123158	92585	251339	15885	0.06	3.47	0.78	0.08
1013533	1334921	96537	321388	12839	0.04	3.15	0.76	0.07
1520091	1331936	991	188155	40002	0.21	8.08	1.14	0.00
1213160	1400879	16604	187719	12889	0.07	6.46	0.87	0.01
1244902	1432632	85942	187730	2167	0.01	6.63	0.87	0.06
1485407	1655465	194543	170058	16385	0.10	8.73	0.90	0.12
1712748	1933065	169994	220317	47345	0.21	7.77	0.89	0.09
1957879	2217417	104519	259538	46483	0.18	7.54	0.88	0.05
2056925	2338858	119112	281933	40083	0.14	7.30	0.88	0.05
1878106	2216337	215516	338231	47642	0.14	5.55	0.85	0.10
2148685	2539585	345905	390900	47541	0.12	5.50	0.85	0.14
2530966	2931826	567950	402515	42438	0.11	6.29	0.86	0.19
862283	1034346	20113	172063	17163	0.10	5.01	0.83	0.02
490034	674965	14104	184831	22886	0.12	2.65	0.73	0.02
544456	726961	23041	182505	12931	0.07	2.98	0.75	0.03
1436938	1629003	35570	169010	17078	0.10	8.50	0.88	0.02
1504187	1745177	72851	232891	42862	0.18	6.46	0.86	0.04
1590984	1835466	67812	242714	36298	0.15	6.55	0.87	0.04
1826950	2104361	83144	273880	42976	0.16	6.67	0.87	0.04
2051515	2411944	387005	360429	58925	0.16	5.69	0.85	0.16
2673282	3094960	619197	421679	64026	0.15	6.34	0.86	0.20

3527315	3499683	586880	465239	51335	0.11	7.58	1.01	0.17

Appendix II

List of Deposit Money Banks in Nigeria as at 31st December, 2017.

1. Access Bank plc
2. Citibank Nigeria Limited
3. Diamond Bank Plc
4. Eco bank Nigeria Plc
5. Fidelity Bank Plc
6. First Bank Nigeria Limited
7. First City Monument Bank
8. Guaranty Trust Bank
9. Heritage Banking Company Ltd
10. Key Stone Bank
11. Polaris Bank
12. Providus Bank
13. Stanbic IBTC Bank
14. Standard Chartered Bank Nigeria Ltd
15. Sterling Bank Plc
16. SunTrust Bank Nigeria Limited
17. Union Bank of Nigeria Plc
18. United Bank for Africa Plc
19. Unity bank Plc
20. Wema bank Plc

21. Zenith Bank

Appendix III

List of selected banks

1. Guaranty Trust Bank
2. Zenith Bank
3. Union Bank
4. United Bank for Africa Plc
5. Access Bank Plc