**CAPITAL STRUCTURE AND CORPORATE PERFORMANCE OF CONSUMER GOODS'
FIRMS IN NIGERIA**

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**BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF
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DECLARATION

I hereby declare that this project report written under the supervision of Dr. Omokehinde Joshua, is a product of my own research work. Information and data obtained from various sources have been rightly acknowledged in the text and list of references provided. This research project report has not been previously presented anywhere for the award of any degree or certificate.

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CERTIFICATION

This is to certify that this project work was prepared and submitted by Scott Ayomide Samuel; Matric Number 16020101011 of the Department of Accounting, College of Humanities Management & Social Sciences, Mountain Top University, Makogi Oba, Nigeria, in partial fulfillment of the requirements for the award of Bachelor of Science Degree (B.Sc.Hons) in Accounting.

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External Examiner

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DEDICATION

This research project is dedicated to God Almighty who saw me through my academic period in MTU, the General Overseer, Chancellor of Mountain Top University Dr. Daniel Olukoya, Governor Babajide Sanwo- Olu of Lagos State who happens to be my mentor with his inspiring song which goes "I have a Father, he will never ever fail me" and my lovely parent Mr & Mrs Enitan Scott who happen to be the pillar of my educational pursuit.

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ABSTRACT

This study examined CAPITAL STRUCTURE AND CORPORATE PERFORMANCE OF CONSUMER GOODS FIRMS IN NIGERIA. Secondary data based on extracts from annual report and accounts of selected consumer goods firms listed on the Nigeria stock exchange market was used in this study. Multiple regression method was used to analyse the relationships between the dependent and independent variable. The model was estimated using E-view packages (version 7.0). Findings from the analysis revealed that capital structure has significant impact on performance of consumer goods firms in Nigeria. This study recommends that government should create an enabling environment so that businesses can thrive and thus increase firm's performance level. This is evident in the fact that macroeconomic variables positively affect the performances of most firms in Nigeria

Keywords: Multiple Regression, Capital Structure, Corporate Performance Management

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CHAPTER ONE

INTRODUCTION

1.1   Background to the Study

Finance decision has been an issue of great interest in the corporate finance literature. This is so because the mix of funds affects the cost and the availability of capital and firms' investment source. To date, much empirical research has been applied on companies listed on stock markets. In practice, firms differ from one another in respect of size, nature, earnings, and cost of funds, competitive conditions, market expectations and risk. Therefore, capital structure theories can only provide a broad theoretical framework for the study of the correlation between leverage, capital cost and firms value.

A financial manager however, should go beyond these factors as no empirical model In truth, there are a variety of qualitative, quantitative and subjective considerations that should be considered and taken into account in the planning and design phase of a capital structure. Asides, these considerations, Finance managers should discover which capital structure has more advantage to the firm. The interest of the shareholders, debt holders and management should also be taken care of. Above all, the legal provisions that regulates the structure of the capital should also be considered.

 A list of factors relative to capital structure decisions such as profitability, growth of the firm, size of the firm, debt ratio, tax, tangibility and age have been identified. Capital Structure of a firm must be developed putting risk into consideration as it has a direct link with the value (Krishnan & Moyer, 1997). Risk could be factored in for two purposes which are; that capital structure is consistent with the firm's business risk, and capital structure results in a certain level of financial risk. A firms' business risk is the correlation between the its revenue and its earnings before interest and taxes (EBIT). In general, the higher the operating leverage of a firm, the higher its business risk.

Although business risk is being affected by operating leverage, two other factors also affecting business risk are revenue stability and cost stability. Revenue stability is simply the relative variability of the firm's revenue. This behaviour depends on both the stability of demand and the

price of the firm's products. Firms with reasonably stable levels of demand, and products with stable prices have stable revenues that result in low levels of fixed costs.

Firms with highly volatile product demand, products and prices have unstable revenues that result in high levels of business risk. Cost stability deals with the relative predictability of input price. The more these input prices can be predicted and stabilized, the lower is the business risk, and vice-versa.

Business risk varies among firms, regardless of the line of business, and has no effect on capital structure decisions (Krishnan & Moyer, 1997). Therefore, the value of business risk must be taken as given. The greater a firm's business risk, the more cautious it must be in establishing its capital structure. Firms with high business risk therefore tend to be financed by a less levered capital structure, and vice-versa (Stohs & Mauer, 1996). The firm's capital structure affects its financial risk directly and this may be described as the risk resulting from the use of financial leverage.

Pandey (1999) distinguished between a firms capital structure and financial structure by suggesting that the various sources of funds available to the firm reflects the financial structure of the firm, while the capital structure simply reflects the proportionate relationship between equity capital and long-term debt. Thusly, the company's capital structure just alludes to the blend of equity financing and long term debts.

Be that as it may, regardless of whether an ideal capital structure exists comparable to firm esteem, is one of the most significant and complex issues in corporate finance. Capital structure is the mix or combination of equity and debt of the organization, which guarantees financial stability, generation of revenue, growth, and expansion. Abor (2015) considers the company's capital structure as the exact blend of equity and debt used in funding the activities of the firm.

Capital structure means the technique utilized by a firm in funding its assets through the mixture of debt, equity or hybrid securities (Saad, 2010). In this context, Hybrid securities are a group of securities that incorporates the both debt and equity elements, which have fixed or floating rate of return, and the investor has the choice of transmogrifying it to the underlying value of the firm. Capital structure is a combination of a debts (short-term and long-term) of a company, common equity and preferred equity (San & Heng, 2011).

Today however, apart from investment decision, capital structure decision has become one of the   important financial decisions of business organizations. This is because it has a long-term financial impact on its operations specifically on maximization of returns and valuation of the firm.

A firm can issue a significant amount of debt or equity; so it is important for a firm to enforce the appropriate balance of equity and debt that can optimize its overall market value.

A strategy being used by corporate managers to improve their financial performance is through use of debt and equity levels (Maina & Ishmail, 2014). This, therefore, requires much attention by corporate entities on their capital structure contents to achieve a reasonable financial performance and value of the firm.

Conversely, performance is very key in assessing the perpetuity of a business set up, It is perceived as the foremost aim of profit-oriented organizations. A successful business is often one that is effective and efficient in ensuring long-term success (i.e. one that reasonably follows its standards and judiciously uses its resources towards achieving high performance). Managers of corporate entities are much concerned with how to achieve high financial performance as it has a long-term effect on their corporate set-ups which ranges from management productivity (usage of restricted assets available to them); speculators objective (maximization of wealth) and creditor driven (reimbursement of obligation and interest charge subsequently).In reality, a firm's capital structure is difficult to ascertain (Ong & Teh, 2011). Following the fundamental work of Modigliani and Miller (1958), the current literature is full of theories on capital structure. In a innumerable mixture, firm needs to issue different securities to come across unique combinations that can increase its general value which implies an optimum capital structure (Ong & Teh, 2011). Therefore, the problem of how a firm is funded is of uthmost significance to the directors and suppliers of assets. If a wrong combination of financing is used, the productivity and sustainability of the business enterprise may be significantly impaired.

1.2   Statement of the Problem

Financial managers encounter a constraint in deciding the optimal capital structure of a firm (Noreen, 2013). To come across specific combinations that can maximize its total value, a firm needs to issue different securities in an endless blend hence an optimum capital structure. If an inappropriate financial mix is used; the effectiveness and endurance of the business endeavour can be severely affected. Survival and development requires resources but there is a constraint on funding of these resources. The investment sector is expected to play an important part in the growth and in an effort to achieve the government's vision 2030.

The gap identified in this research work is the inability of firms to adequately mix-up their capital structure so as to maximise their profitability. This is because a wrong mixture of finance would seriously affect the efficiency and sustainability of the business enterprise. Bad capital structure decisions may lead to a potential reduction or decrease in the value that will be derived from

strategic assets. This research work is to find out an optimum level of capital structure through which a firm can increase its earnings.

1.3   Objectives of the Study

The main objective of this study is to determine the impact of capital structure on corporate performance of quoted Consumer goods firms in Nigeria. It therefore has the following specific objectives:

1. To establish the relationship between debt to EBITDA ratio and return on assets of consumer goods' firms.
2. To determine the effect of Interest coverage on return on assets of consumer goods' firm.
3. To examine the effect of leverage ratio on return on assets of consumer goods' firm.
4. To investigate the relationship between long-term leverage ratio and return on assets of consumers goods in Nigeria.

1.4   Research Questions

1. What is the relationship between debt to EBITDA ratio and return on assets of consumer goods' firms?
2. What is the effect of Interest coverage on return on assets of consumer goods' firm?
3. What effect does leverage ratio have on return on assets of consumer goods' firm?
4. What is the relationship between long-term leverage ratio and return on assets of consumers goods in Nigeria?

1.5   Statement of Hypotheses

Based on research questions, the following hypotheses are formulated:

H_I: There is no significant relationship between Debt to EBITDA ratio and return on assets of consumer goods' firms.

H_2:   Interest coverage does not significantly affect the performance of firms in the consumers' goods in Nigeria

H_3:   Leverage ratio has no significant effect on the performance of firms in the consumers' goods in Nigeria

H_4:   There is no significant relationship between long-term leverage ratio and return on assets and return on assets of consumers' goods in Nigeria

1.6   Significance of the Study

A suitable capital structure happens to be a crucial decision for any business enterprise. The decision is significant not just in view of the need to optimize returns to different stakeholders in the organization; but also,because of the effect such a decision has on the capacity of a firm to compete with its competitive environment.

A business may use debt and/or equity to fund investment decisions. This is known as financing decision which could affect the debt- equity mix of firms. The debt-equity blend has a significant impact on the shareholders earnings and risk which has an effect on the firms cost of capital and market value. Therefore it is important that financial managers of firms assess the proportion of equity and debt capital (capital structure) in the need to achieve a debt financing mix that will optimize the valuation of the firm that is, an ideal capital structure.

The prediction of the Modigliani and Miller Model that the value of the firm is independent of its capital structure in a perfect capital market, and thus equity and debt are perfect substitutes for each other, is generally accepted. However, once the assumption of ideal capital markets is relaxed, the option of capital structure becomes an important value-determining factor. This paved the way for the establishment of alternative capital structure decision theories and their empirical analysis. Although, the option between equity and debt is now known to rely on firm-specific characteristics, the empirical evidence is mixed and often difficult to interpret.

1.7   Scope of the study

In terms of coverage, this study will concentrate on capital structure and corporate performance in relation to Nigerian consumer goods' firms. Specific emphasis would be on selected consumers' goods companies listed on the Nigerian Stock Exchange (NSE) as at 31st December 2019. This implies that the main focus would be the key variables relating the capital structure and corporate performance .

Looking at the technicalities involved, it would be impractical to conclude that all relevant information were obtained during the study process. Information is limited to those accesses and availability of data needed for the study.

1.8   Limitations of the Study

The analysis of this study is restricted to the accounting performance such as return on asset and return on equity; EPS, this study will not discuss the instantaneous impact of any changes in corporate governance structure on corporate performance. The effects of the geographical location of the firms and ongoing global economic downturn on the decisions of capital structure and corporate performance of Nigerian firms will not be studied as this on its own deserves a separate study.

The study will be limited in scope to only quoted firms that are non-financial in Nigeria given that as comparison with quoted companies in advance countries will be practically impossible. This is attributable to the differences and the size of the market. The attitude of companies to debt also differs across countries. This study is also limited in scope to 5 years from 2015 to 2019.

1.9   Structure of the Study

This Study Is Divided Into Three Parts. Chapter One introduces The Background Of Study, The Objectives Of Study, The Statement Of Problem, Research Questions, Hypotheses to be tested, Significance Of The Study, The Scope And Limitation Of Study and Definition Of Terms. Chapter Two reviews the Existing Literature on Capital Structure And Firms Performance and Past Empirical Studies on the Capital Structure effect on Corporate Performance. Chapter Three examines the Theoretical Framework And Methodology Adopted for the Study as to the Model Specification, Analytical Method, Study Population and Sample Size.

1.10   Definition of Terms

Capital Structure: Is the manner by which a company funds its resources with the mixture of equity, debt or hybrid security.

Consumer Goods Firms: They are otherwise referred to as Consumer Packaged Goods.

Common Equity: is the sum that has invested in the company by all common shareholders . This involves, most importantly, the amount of the common shares themselves. However, it also covers retained earnings and extra paid-in capital.

Optimal Capital Structure: Simply means a minimum weighted-average cost of capital that will maximize the firm's worth.

Return on Asset: Is an indication of how successful a business is compared to its overall assets.

Return on Equity: It estimates the rate of return on the ownership interest (shareholders equity) of the common stock owners. It measures the firms' efficiency at generating profit from every unit of shareholders' equity.

Long Term Debts: These are liabilities of a firm whose repayment exceeds one year.

Equity: is ordinary share capital or shareholders' fund that is otherwise known as ordinary capital plus other reserves.

Equity Capital: Alludes to the contributed capital: cash initially put resources into business in return for portions of stock, and held benefits: benefits from past years that have been stayed with by the to reinforce the assertion of budgetary position, development, securing and extension of the business.

Leverage: This alludes to purchasing a greater amount of a resource by utilizing acquired assets with the conviction that the pay from the resources will be more than the expense of borrowing. It could also be defined as a relative change in profit due to a change in revenue(sales). It can be further broken down into operational leverage, financial leverage and combined leverage.

Debt Capital Debt: Refers to the long-term bonds used by the firm in funding its investment decisions while coming up with its principal and also paying back interest.

Dividend per Share: This shows the measure of profit paid-out on every conventional offer.

Preference Capital: alludes to a hybrid that joins the highlights of debentures and value shares aside from the advantages while debt capital alludes to the long term bonds utilized by the firm in financing its investment decisions while coming up with its principal and also paying back interest.

Gearing: is a proportion of financial leverage of a company and shows the degree to which lenders and shareholders inclusively finance their operations.

Risk: The possibility of experiencing damage or loss in the face of uncertainty regarding the result of an action, future events or circumstances. It is the deviation of an actual from the anticipated outcome in the presence of uncertainty.

Financial Risk:. This is attributable primarily to the company's capital structure or gearing degree. It is the increased risk of equity holders due to financial gearing.

Business Risk: This is the inconstancy in earnings before interest and tax (EBIT) related with a company's normal operation.

Weighted Average Cost of Capital (WACC): This is the composite cost of capital representing the aggregate of the different means of finance in use. It is used in the estimation of new investments as a discount rate.

Tax: Tax is based on the profit made by an entity. It is being paid at the end of the taxable year based on the profit made during the year.

Corporate Performance Management: It entails reviewing business performance and determining how the business can more readily arrive at its objectives and determining how the business can better reach its goals. This requires the coordination of strategic and operational objectives and the business collection of activities in order to control efficiency.

Preferred Stock: A corporation can raise equity by giving favored investors own piece of the organization yet have no democratic rights. A business typically delivers fixed profits to favored investors and disseminates these installments prior to delivering regular profits, despite the fact that payment of dividends is not an obligation.

Retained Earnings: Reflects the income a company has held in operation since its inception and is yet to be paid out as dividends. This is also known as equity capital generated internally . These re-invested benefits belong to basic investors and increment their proportionate stake in the business, an organization concludes how to spend held income. An enterprise reports held income independently from normal and favored stock in the investors' value part of the balance sheet .

A **finance charge reflects** the total sum you pay to a lender for money borrowed. Finance charges gives lenders the chance to make a profit from the use of their money.

Interest cost is sum of the amount of interest charged on a loan by a borrower over the life of the loan compared to the cash earned up front.

CHAPTER TWO

LITERATURE REVIEW

2.0   Introduction

This chapter comprises of the review of numerous literatures advanced by researchers, scholars and academia in area of this study, in order to give insight on the connection with capital structure and organisational performance in corporate firms. Specifically, this section of the study consist of the conceptual review, theoretical review and empirical review literatures relating the core constructs of the topic of this study.

2.1 Conceptual Review

2.1.1   Concept of Capital Structure:

The term 'structure' refers to the management of the different parts. Therefore, capital structure is the management of capital from different sources in order to obtain the requisite long-term funds for the company. It applies to the mixture of equity share capital, preference share capital, long-term loans, retained earnings, debentures and other long-term sources of funds in the total sum of capital to be raised by the firm for the purpose of running the business. According to Inanga and Ajayi (1999), the various components of firms capital structure quoted in *Akeem et al. (2014)* can be divided into equity capital, preference share capital and long- term loan (debt) capital.

According to Uremadu and Efobi (2012), capital structure consists of a firm consists of both the long-term funding (debt and equity), and the short-term financing, such as cash, reserves etc. Myers (1984) as cited Uremadu and Efobi (2012) noted that a company's capital structure varies from internal financing to external financing. To him internal financing include retained earnings while external financing consists of debt financing and equity financing.

Zoppa and McMahon (2002) as refered to in Uremadu and Efobi (2012) saw that an organization's capital structure ought to incorporate the accompanying: (a) Reinvested benefits (R.Es); (b) Short-term obligation financing like exchange credit; (c) Long-term obligation financing like debentures and long long term debts and so forth; (d) New infusions of equity capital from current proprietors and owner managers; (e) New value capital from uninvolved parties, for example, outside speculators, investors and so forth.

Modigliani and Miller (1958) shows that under specific suppositions, the estimation of a firm isn't influenced by its capital structure. Capital market is thought to be wonderful in Modigliani and Miller's reality, where insiders and untouchables have free admittance to data; no exchange cost, insolvency cost and no tax collection exist; equity and debt decision becomes useless, and interior and outer funds can be consummately substituted.

Debts

Organizations regularly use debts while developing their capital structure since it has certain points of interest contrasted with value financing (Way, 2019). When all is said in done, utilizing debts assists with retaining income inside an organization and gets charge tax savings. However, there are ongoing financial obligations to be handled, which may impact the cash flow. Relative to equity, debt needs lower financing cost. That is on the grounds that debt is limited – you are authoritatively expected for a set timeframe to make yearly intrigue installments and return debt principal. After that, the debt is paid off. Equity, on the other hand, is infinite. Once you have sold a share in the company, you're going to be paying some of your earnings to the equity investor forever.

A safer debt investment requires less cost compensation. While using debt may bring strain to a company's ongoing operations as a result of needing to meet interest-payment obligations, it allows to maintain more income within the company compared to using equity (Way, 2019). This is because equity involves the sharing of company profits with equity shareholders. Organizations need to pay just the measure of interest from their income utilizing debts. Utilizing equity, then again, the more benefits an organization makes, the more it needs to allocate to equity holders. All together exploiting such an obligation financing capacity, organizations regularly use debts to finance beneficial business activities in which they can make progressing interest installments effectively and, meanwhile, keep up the remainder of the returns to themselves. Owing to the impact of financial leverage, the utilization of debts is likewise beneficial to current proprietors. Since organizations use debts to give extra funding to their business operations, after any premium installments, value proprietors will keep up any extra income gained by the debt capital. In view of the same amount of equity investments, due to the additional income gained by the debt capital, equity holders(value proprietors) have a higher return on equity . As long as the utilization of debt does not comprise the financial soundness of the company in times of difficulties, equity holders allows certain debt uses to help maximize their investment returns.

Way (2019) asserted that utilizing debt helps bring down an organization's expenses in light of permissible interest allowances. Tax rules permit interest installments as cost allowances against incomes to arrive at taxable pay . The lower the available taxable pay, the less taxes an organization pays. Then again, profits paid to value holders are not tax deductible and must come from after-tax return. Tax Savings additionally helps further to limit cost of debt funding for an organization, which is an advantage that equity financing needs.

Equity

From a specialized view, capital structure refers to the cautious equilibrium between equity and debt that a business uses to finance its resources, daily activities, and potential development. Capital Structure is the combination of assets from proprietors and obtained reserves.

- FUNDS = Owner's assets + Borrowed reserves.
- Owner's assets = Equity share capital + reserves and surpluses+ Preference share capital + retained earnings = EQUITY
- Borrowed reserves = Loans + Debentures + Public deposits = DEBT

To put it plainly, Capital Structure is the mix of long term sources of financing. Capital Structure is ideal when the extent of equity and debts expands the worth of the equity share of the organization. However, a organization intensely financed by debts has an aggressive capital structure and presents a higher danger to speculators. This danger, nonetheless, might be the essential reason of the growth of the organization.
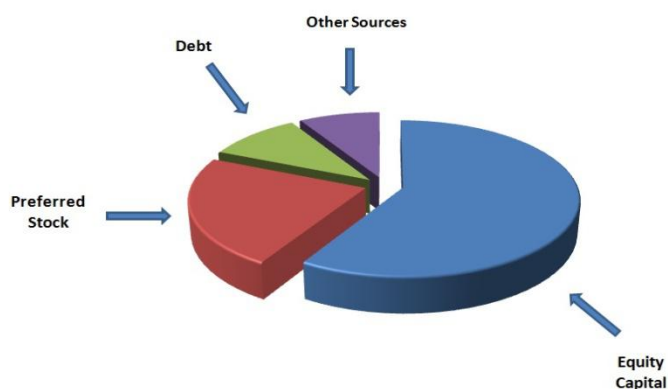
Source: Sentika

Factors Influencing Capital Structure

Cash Flow Position: *A firms d*ebt capacity is determined by its capacity to pay loans, expenses . Some of the firms work in unstable monetary conditions that sway their capacity to fulfill financial obligations. The firm may raise finance by issuing debts in the event tat there is a stable cash flow position, as they will to be settled back after some time. It must cover fixed installment commitments regarding,

- Normal business activities
- Investment in fixed resources
- Meeting debt services obligations just as having a satisfactory buffer period.

Interest Coverage Ratio: Interest Coverage Ratio is the measure of times an organization's earnings before interest and taxes covers its interest risk. A high-Interest coverage ratio shows that organizations will have a greater amount of obtained reserves.

Interest Coverage Ratio (ICR) = Earnings Before Interest and Tax (EBIT) / Interest.

Control: Public issues harm the reputation of the firm and make it helpless against takeovers. Debt generally doesn't cost weakening of control. The firm should fund debts to have control. So there is a consistent battle about whether to surrender control or pay more for capital.

Return on Investment: It will be useful for a firm to raise funds through borrowed reserves if the rate of return is higher than the rate of interest on the debt. In any other case, if the return is uncertain and the company isn't sure on the off chance that it can take care of the fixed expense of interest, they ought to choose equity.

Floatation Cost: When selecting the sources of financing, floatation cost must be surely known. Cost of the Public issue is more noteworthy than the cost of taking a credit by floatation. Flotation cost is however the expense of allocating securities, brokers' commission, underwriter's fee, cost of prospectus and so forth.

Flexibility: It is actualized by issuing debenture and preference shares. A good financial structure is adaptable and sound enough to have scope for extension or constriction of capitalization at whenever point the need arises.

Stock Market Conditions: Stock market conditions affect the assurance of securities. During the downturn, individuals don't prefer to face a challenge and don't check out the interest in the equity shares. Speculators are willing to take a risk and put resources into equity shares.

Tax Rate: In this scenario, Interest on obligation is allowed as a deduction; however, in case of the high expense rate, debts are preferred over equity but for low charge rate, equity is given more preference.

Debt Cost has a lower value compared to the Equity Cost but Debt is more expensive than equity. The reasons for this are;

- The borrower gets an guaranteed interest and capital reimbursements.
- Interest on debt is an assessment deductible cost so cuts down the companies tax liability whereas dividends are paid out of profit after tax.

Debt is more dangerous for the business as it adds to the budgetary weight that the organization faces. Any disappointment concerning the installment of interest or reimbursement of chief sum may prompt the liquidation of the organization..

❖ **Leverage ratio: The ratio of total debt to total assets**

The ratio of debt to total assets is a proportion of monetary influence of a company. It shows you the percentage of a total assets of a firm that is backed by creditors. In other words, it is the aggregate sum of a organizations liabilities divided by the aggregate sum of the organizations resources. *Debt* includes more than advances and bonds payable. It is the aggregate sum of all liabilities (i.e both current and long-term liabilities).

Financial leverage

Financial Leverage or Capital Gearing is the extent of debt in the aggregate capital of a firm. At the point where overall debt in the firm increases, cost of funds reduces as debt is a cheaper source of finance; and when the extent of debt in the total capital is high, then the firm is called highly levered firm and a low levered firm when the proportion of debts in the overall capital is less.

❖ Debt-to-EBITDA

Debt/EBITDA ratio is the correlation of budgetary borrowings and earnings before interest, taxes, depreciation and amortization. This is a normally utilized measurement for assessing the business valuations. It is a decent determinant of financial well-being and liquidity position of an entity.

It is a proportion of the capacity of an organization to take care of its debts. It separates the financial obligation of an organization, comprehensive of debt and different liabilities, from the genuine cash earnings excluding non-cash expenses .

Debt/EBITDA ratio can be utilized to distinguish the solvency position of one organization to the liquidity position of another organization in a similar industry. A lower debt/EBITDA ratio is a positive pointer that the organization has adequate assets to meet its budgetary commitments when they are due. A higher debt/EBTIDA ratio implies that the organization is vigorously leveraged and it may confront troubles in taking care of its debts.

Debt/EBITDA is one of the basic measurements utilized by the creditors and rating offices for evaluation of defaulting likelihood on a given debt. In basic words, it is a procedure used to evaluate and examine the capacity of an organization to repay its debts. This ratio encourages the sinvestor with the inexact time span needed by a firm or business to take care of all debts, disregarding factors like interest, depreciation, taxes, and amortization.

A high debt-EBITDA ratio may bring about a lower credit score for the firm. Actually, a lower ratio infers the company's craving to assume more debt, whenever required, consequently cautioning with a nearly high credit rating.

The debt/EBITDA ratio is estimated by dividing the debts by the Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA). The primary objective of this proportion is to review the money accessible with the organization to settle its debts, and not how much pay is being acquired by the firm.

❖ Earnings Before Interest Tax Depreciation and Amortization (EBITDA)

Earnings before interest and taxes (EBIT) shows the profitability of a firm. It can be determined as revenue minus expenses excluding tax and interest. EBIT is additionally alluded to as operating earnings, operating profit, and profit before interest and taxes.

❖ **Earnings Before Interest and Tax (EBIT)**

There are numerous measurements by which a profitability of a company can be determined. EBIT and EBITDA are two of those measurements, and in spite of the fact that they share similitude, the differences in their computations can prompt varied results (Murphy, 2019)

Earnings before interest and taxes (EBIT) is an organization's net gain before income tax expense and interest cost have been deducted. EBIT is utilized to analyze the performance of core activities of a firm without tax expenses and the costs of the capital structure influencing returns. Since net gain is a figure that does exclude interest cost and tax expense, they should be added back to calculate EBIT. EBIT is regularly alluded to as net gain since they both exclude taxes and interest expenses in its estimation. In any case, there are times when net gain can vary from EBIT.

EBT: Earnings before tax (EBT) reflect the operating gain that has been acknowledged before representing taxes, while EBIT excludes both taxes and interest costs. EBT is determined by taking net gain and adding taxes back in to compute a firm's profit. By excluding tax liabilities, speculators can utilize EBT to assess operating performance of the firm after removing a variable outside of its control. In the United States, this is generally helpful for looking at companies that may have different federal taxes or state taxes. EBT and EBIT are both similar and as such both variations of EBITDA.

EBITDA or earnings before interest, taxes, depreciation, and amortization is another generally used indicator to measure financial performance of a company and venture earnings potential. EBITDA strips out debt financing such as depreciation and amortization expenses in calculating how profitable the company is. It likewise excludes taxes and interest payments on debt. As a outcome, EBITDA assists with boring down to the profitability of a firm's operational performance. EBITDA can determined by taking net gain and adding back interest, taxes, depreciation, and amortization where:

$$EBITDA = NP + I + T + D + A$$

where: NP = Net gain (Income)

I = Interest

T = Taxes

D = Depreciation

A = Amortization

❖ Return on Assets defined as EBIT/Average TA

The debt-to-total-assets ratio reflects the amount of a business owned by creditors (people it has borrowed money from) relative to amount of the organization's resources are claimed by investors. It is one of three estimations used in measuring debt capacity, together with the debt servicing ratio and the debt-to-equity ratio.

Debt capacity reflects both the firm's capacity to service its current debt and its capacity to raise money from new obligation, if important. Assuming obligation might help the company through a market downturn or make the most of chances as they arise. The debt-to-total assets ratio is essentially used to calculate firm's capacity to raise money from new debt or obligation. That assessment is made by comparing the ratio with other firms in a similar industry.

The higher a company's debt-to-total assets ratio, the more it is expected to be leveraged. Highly leveraged companies harbour more risk of missing debt payments should their gains decline, and it is more difficult to raise new debt to overcome a downturn. The return on assets ratio, or return on total assets ratio, shows a company's after tax net gain during a particular year, to the average total assets of the company during the same year (Averkamp, 2020).

❖ Return on Equity

Return on equity (ROE) is a measure of financial performance determined by dividing overall gain by equity of investors. Since investors' equity is equivalent to firms resources less its debt, ROE is otherwise referred to as the return on net assets. ROE is considered a proportion of how successfully the firm is utilizing an organization's resources for derive gains. ROE is imparted as a rate and can be determined for any association if net addition and value are both positive numbers. Net gain is determined before dividend paid to common investors and after dividend to preferred investors and interest to moneylenders.

Return on Equity   =   Net Income Average Shareholders' Equity

Net Income

Net Gain is the measure of income, net of cost, and taxesthat an organization creates for a given period. Average investors' equity is determined by adding equity toward the start of the period. The start and end of the period ought to correspond with the period during which the net gain is acquired. Net gain throughout the last full monetary year, or following 12 months, is found on the statement of income an amount of financial activity over that period. Investors' equity comes from the statement of financial position running balance of an organization's whole history of changes in assets and liabilities.

It is considered best practice to ascertain ROE dependent on average equity over a period as a result of the confound between the statement of income and the statement of financial position

vii. Total Debts

Debt is an obligation that an organization incurs when maintaining its business. The debt ratio gives organization pioneers knowledge into the financial strength of the organization. This ratio is determined by dividing total debt by total resources (Kimberlee, 2018). Total debt is the amount of all long-term liabilities and is recognized on the organization's accounting report. Liabilities are classified into short (or current) and long-term debt. Short term obligations should be satisfied in the short term and close to 12 months out. Long-term debt is anything beyond the 12-month installment time span. Common short term liabilities found in an organization's balance sheet incorporate debt obligations and assets owed to various merchants, workers and credit suppliers within the following year.

A company tracks short-term liabilities and reviews working capital, making sure there is enough money in cash and revenues to cover the financial obligations over the next year, at a minimum. An excess in short-term debt is an awful sign that the organization is pushing toward insolvency.

Long-term debt is the amount owed but not calculated in working capital requirements. Working capital is the money and money counterparts expected to maintain the business and pay obligations as they occur throughout the following year. Long-term debt is generally essential for a growth strategy.

c. Leverage Ratio

A leverage ratio is any sort of monetary proportion that shows the degree of obligation incurred by a business firm against a few different records in its accounting report, statement of income, or statement of cash flow. These ratios measures how the organization's resources and business tasks are financed (utilizing debt or equity). The following is an outline of two basic leverage ratios: debt/equity and debt/capital.

i. Long-term leverage: LTD/TA

The long-term debt-to-total-assets ratio is an estimation representing the percentage of na organization's assets funded with long-term debt, which includes loans or other debt obligations enduring over one year. This ratio provides a overall measure of the long-term financial position of a company, including its capacity to meet its monetary commitments for outstanding loans.

The Formula for the Long-Term Debt-to-Total-Assets Ratio is given as;

LTD/TA = $\dfrac{\text{Long-Term Debt}}{\text{Total Assets}}$

ii. Short-term leverage: STD/TA

In any case, it is fascinating to take note of that if these obligations are appropriately utilized, they will produce productivity for the modern organization and will maximize the proprietor value. Thus, the connection between leverage and Long-term obligation is relied upon to be positive. Likewise, a positive relationship is expected between TDLTD (Long-term obligations/total obligations) and Long-term obligation. Short term debts to total assets which is estimated;

(STD/TA) = $\dfrac{\text{Short Term Debt (STD)}}{\text{Total Asset (TA)}}$

It is based on Bevan and Danbolt (2002) and Omet and Nobanee (2001). A positive relationship was found between leverage ratios and short-term debt of the firm. And they found a negative relationship between TDL/TD (Long-term debts/total debts) and Short-term debt. This ratio is intended to measure the extent of using short-term debts for financing assets. These debts are usually used for financing working capital and other short-term liabilities. This relationship seeks to have an effect on leverage in the sense that short-term debts should be repaid in a period not exceeding one fiscal year. It is, therefore, expected that this relationship will have a positive impact

on the industrial company's capability of and compliance with repaying such debts during the relevant period.

b. Interest Charge/Finance Cost

Financing costs are characterized as the interest and different expenses brought about by the Company while obtaining reserves. They are also referred to as "Finance Costs" or "Borrowing costs". A Company finances its activities utilizing two unique sources:

- Equity Financing
- Debt Financing

Financing of a company is not free. Equity speculators require capital gains and dividends for their investments and obligation providers look for interest installments.

Finance costs, be that as it may, alludes to the interest costs and different charges to be given to obligation financers. Interest cost can be on both short-term and long-term borrowings. In extensive terms, borrowing costs incorporates the following costs other than the interest costs:

- Amortization of discounts and premiums dependent on the borrowings of the Company
- Amortization of other costs caused which are identified to borrowings
- Foreign exchange contrasts and fees when the borrowings are done in foreign currency
- Finance charges with regard to the financial leases

c. Interest Coverage: EBIT/Interest

The interest coverage ratio is a debt ratio and profitability ratio used to decide successfully an association can pay interest on its owing obligation. It can be estimated by dividing a company's earnings before interest and taxes (EBIT) during a given period by the company's interest payments due within the same period. The Interest coverage ratio is otherwise called "times interest incurred." Lenders, investors, and creditors regularly utilize this formula to determine a company's riskiness compared to its present obligation or for future borrowing.

The formula for Interest Coverage Ratio is given as:

Interest Coverage Ratio = $\dfrac{\text{EBIT}}{\text{Interest Expense}}$

where: EBIT=Earnings before interest and taxes

d. Cost of Equity and Cost of Debt

Every business needs money to work effectively. Capital is the cash a business whether it's a private company or a huge enterprise needs and uses to run its everyday activities (Boyte-White, 2019). Capital may be utilized to make investments, organize marketing and research, and pay off obligations. There are two main sources of capital, companies depends on debt and equity. Both give the necessary financing needed to keep a business afloat, yet there are significant differences between the two. And keeping in mind that the two sorts of financing have their advantages, each additionally accompanies an expense. Below, we plot debt and value capital, and how they vary.

Debt Equity: Debt capital alludes to acquired assets that must be reimbursed sometime in the future. This is any type of development capital an organization raises by taking out advances. These advances might be long term or short term, for example, overdraft protection. Debt capital doesn't weaken the organization proprietor's advantage in the firm. Be that as it may, it tends to be bulky to take care of revenue until its advances are paid off particularly when loan costs are rising. Organizations are lawfully needed to cover out interest on obligation capital before they issue any profits to investors. This makes debt capital higher on an organization's rundown of needs over yearly returns.

While obligation permits an organization to use a limited quantity of cash into a lot more noteworthy sum, lenders commonly require interest payments consequently. This interest rate is regarded as the cost of debt capital. Debt capital can likewise be hard to acquire or may require insurance, particularly for organizations that are in a difficult situation.

Equity Capital: Because equity capital regularly comes from reserves contributed by investors, the cost of equity capital is somewhat more mind boggling. Equity finance don't need a business to take out obligation which implies it shouldn't be reimbursed. In any case, there is some level of degree of profitability investors can sensibly anticipate dependent on market execution by and large and the instability of the stock being referred to. Organizations must have the option to create returns sound stock valuations and profits that meet or surpass this level to hold investor speculation. The capital asset pricing model (CAPM) uses the risk free rate, the risk premium of the more extensive market, and the beta estimation of the organization's stock to decide the expected rate of return or cost of equity.

Figure 1: Conceptual framework of the Study.

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                    ┌─────────────────────────────────────┐
                    │        Capital Structure Model       │
                    │                                      │
                    └─────────────────────────────────────┘
                  ┌──────────────────────┴──────────────────┐
            Debt Capital                              Equity Capital
         ┌──────┼──────────┐                 ┌────────────┼────────────────┐
      Loans   Bonds   Debentures      Preferred stock   Retained Earnings   Owners Equity
```
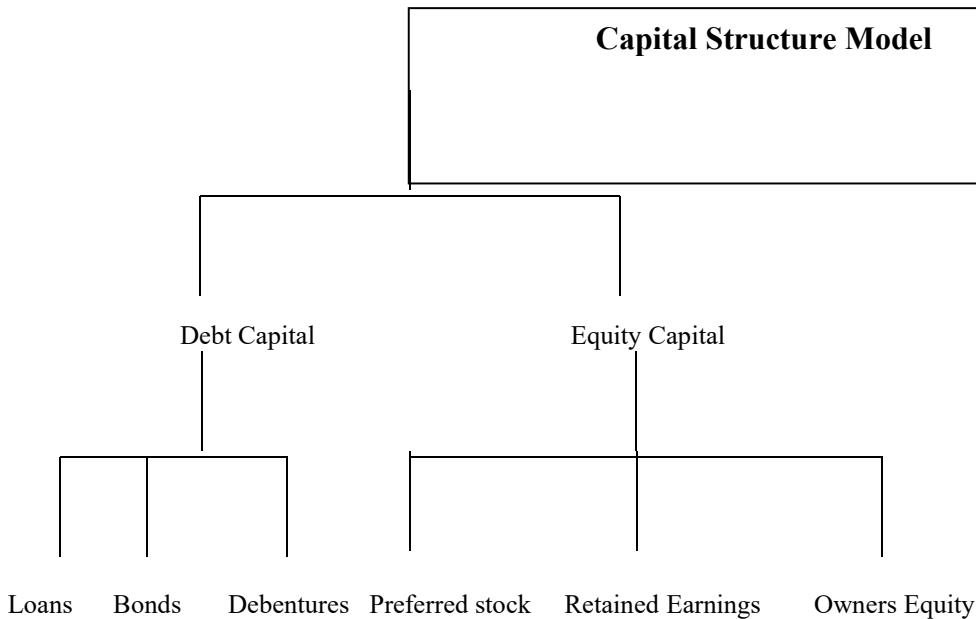
Source: Researcher Capital Structure Model, 2020

GuruFocus (2020) classified consumers packaged goods industry to include:

1) **Confectioners**: organizations that make and refine crude sugar, syrup or completed stick and beet sugar, sweets and biting gum, chocolate, and cocoa items.

2) **Farm Products**: organizations that produce, raise, and become horticultural and ranch based food items, including organic products, vegetables, other harvest items, cows, and eggs. Additionally incorporates fish items.

3) **Household and Personal Products**: organizations that assembling and market cleansers and different cleansers, cleaning and disinfection merchandise and produce glycerin from vegetable and creature fats and oils. Likewise incorporates organizations that assembling and market individual consideration items, including fragrance, beautifiers, and other latrine arrangements, baby and grown-up clean paper items, blades and shaving razors.

4) **Packaged Foods**: organizations that cycle and bundle food items, including solidified foods, grain items, canned foods, vitamin, health enhancements, and pet items**.**

2.2   Theoretical Framework

Literature has indicated that debt financing for cited organizations in Nigeria generally short term obligations. Salawu (2017) discovered in his investigation of the capital structure of Nigerian firms that short term obligation is up to 60% of the absolute structure. Myers (2001) reports that outside account for U.S. cited firms covers just a little extent of capital development of and that equity issues are minor, with the lot of external finance being debt.

The M-M theory (1958) contends that the firms value ought not rely upon its capital structure. The hypothesis contended further that a firm ought to have a similar market value and a similar Weighted Average Cost of Capital (WACC) at all capital structure levels because the company's value ought to rely upon the return and risks of its operation and not on the way it funds those operations. Miller presented the next version of irrelevance theory of capital structure. He advanced that, capital structure choices of firms with both corporate and individual taxes circumstances are unimportant (Miller 1977).

In the case where the key assumptions are relaxed, capital structure may become relevant to the value of the firm. Along this lines, research endeavors have been contributed to relaxing the ideal presumptions and portraying the results. This theory was reprimanded on the ground that perfect market does not exist in actuality. Endeavors to relax these assumptions especially the no bankruptcy cost and no taxation prompted the static trade off theory.

Modigliani and Miller (1958) were the first to bring up the issue of the pertinence of capital structure for a firm. They contended that under specific conditions, the decision among debt and equity doesn't influence value of the firm, and consequently the capital structure choice is "superfluous". The conditions under which the irrelevance theory holds incorporates, among other Performance measures are either financial or organizational. Financial performance such as maximization of profit, maximizing profit on assets and maximizing shareholders' benefits are at the core of company's effectiveness (Chakravarthy, 1986, Tian & Zeitun, 2007).

Tian and Zeitun (2007) said that 'practically speaking, firms directors who can recognize the ideal capital structure are remunerated by limiting the firm's cost of finance thereby maximizing the revenue of the firm. The Modigliani and Miller (1958) study lay aside the establishment of modern theory of capital structure. They held the position that there is independence of investment and financing decisions. They developed a defense of the net operating income approach to the effect of

leverage on the cost of capital and the value of the firm which holds that the firm's value and overall cost of capital are independent of the firm's capital structure.

Their theory was based on the behavioural proposition that investors would use arbitrage to keep the weighted average cost of capital (WACC) constant when changes in firm's earnings occur.

Classic models include agency models of Jensen and Meckling (1976) and also, Jensen (1986) who models the agency costs of equity (conflicts between managers and shareholders) and agency costs of debt (conflicts between shareholders and debt holders). Myers and Majluf (1984) developed the pecking-order theory of capital structure which postulated that companies prefer internal to external financing, although, they would embrace the latter if necessary to finance real investment with positive net present values. They allege the existence of asymmetric information. Given the information asymmetry between the firms and the investors, firms prefer to finance new projects in the order of retained earnings, followed by riskless debt, then risky debt, and then equity.

Undoubtedly, various financial policies have their own peculiar risk patterns or characteristics of financial risks. Also, rapid development in the business world has led to series of debates, arguments and controversies, yet most of the questions asked had remained unanswered.

It was anticipated in the writing that high-development firms commonly with enormous financing needs will wind up with high obligation proportions in light of a chief's hesitance to give value (Harris and Raviv, 1991). Smith and Watts (1992) anyway proposed conflictingly. They discovered that high-development firms reliably utilize less obligation in their capital structure. Myers (2001) likewise discovered that by and large, industry obligation proportions are low or negative when productivity and business hazard are high. Rather than what is frequently recommended by the hierarchy hypothesis Current monetary hypothesis contends that without chapter 11 costs, the suitable capital structure for a firm would be made essentially out of obligation (for example Brigham and Gapenski, 1996). Consequently, there is some proper capital structure past which increments in liquidation costs are higher than the minor duty protecting advantages related with additional replacement of obligation for value in the capital structure.

Directors who are eager to perceive and keep up this proper capital structure limit financing costs and amplify firm execution (Gleason, Mathur, and Mathur 2000). As per the free income hypothesis, perilously high obligation levels will expand an association's worth, notwithstanding the danger of monetary misery, when the company's working income fundamentally surpasses its beneficial speculation openings (Myers, 2001).

It has been estimated in writing that organizations may really have more obligation in their capital structure than is suitable, for two reasons. To start with, more elevated levels of obligation adjust the interests of supervisors and investors (Harris and Raviv, 1991).

Second, supervisors may belittle the costs of bankruptcy, revamping or liquidation (*Gleason et al.*, *2000*). Both of these elements recommend higher than fitting measures of obligation in the capital structure. If so, at that point higher than fitting degrees of obligation in the capital structure however may build firms' an incentive in the short run, could bring about more prominent presentation to monetary misery over the long haul. Graham and Harvey (2001) found that organizations issue value instead of obligation when their stock costs are high. Dough puncher and Wurgler (2002) additionally discovered that the degree of a company's stock cost is a significant determinant of which security to issue.

2.2.1 The Net Income Approach Theory

This hypothesis affirms that the utilization of debt will decidedly influence the estimation of the firm uncertainly, that is, the general cost of capital or weighted expense can be expanded or decreased through the adjustments in the money related blend or capital structure of the firm. This approach takes the view that capital structure or leverage can influence the estimation of the firm or its cost of capital. In an event where a firm builds the obligation in its capital structure, the estimation of the firm will increase while the cost of capital will be diminished.

This approach is termed the dependent hypothesis, since the value of cost of capital of the firm depends on the utilization of debt. This hypothesis assumes that the cost of debt is less than the cost of equity and that corporate income tax does exist (Pandey, 1999). This hypothesis simply calls for a debt finance of one hundred percent. Brigham (1999) criticized this on the account that it is artificial and incomplete, because there is no firm existing that operates on 100% debt finance.

2.2.2 Net Operating Income Approach Theory

The Net operating Income Approach implies that the way a firm finances its operations is irrelevant in the determination of the company's market value. The theory states further that issue of cost of

debt rising after a giving point does not hold. The assumptions of the net operating income approach are as follows:-

1.) Cost of debt will remain steady regardless of the level of gearing.

2.) As the gearing increases, The WACC will remain unchanged

3.) The cost of equity will rise in such a way as to keep the WACC constant

This theory posited that there is no relationship between the weighted average cost of capital and the total firms value are independent of one another. It implies that no matter how modest or excessive the firm's use of debt is in financing, the common stock price will not be affected.

Riahi-Belkaoni (1999) however expressed that financial risk is placed on the common investors as a result of the decision to utilize debt finance or financial leverage in the capital structure.

Pandey (1999) identified the underlying assumptions of the net income theory as;

1.	The market capitalizes on the value of the firm as a whole thus, the split between debt and equity is not important;

2.	The use of less costly debt increases the risk to shareholders. This causes the equity capitalization rate to increase, thus; the advantage of debt is offset exactly by the increase in the equity capitalization rate;

3.	The debt capitalization rate is constant; and

4.	Corporate income tax does not exist.

2.2.3 Modigliani and Miller Proposition (No Taxes)

The Modigliani and Miller theory proved under a very restrictive set of conditions that a firms value is unaffected by its capital structure which implies that the financing choice of firms is irrelevant. (Modigliani & Miller, 1958). Modigliani and Miller came to this conclusion under the following assumptions to set out three prepositions.

Preposition I: This states that a company can't change the all out estimation of its protections just by parting its incomes into various streams; the estimation of the organization is influenced by its real assets, not by the securities it issues. Thus, capital structure is meaningless in as much as the company's investment decisions are taken as given.

Preposition II: The expected rate of return for the worth of a geared firm increases with respect to the debt equity proportion (debt/equity) expressed in market values; the rate of increase relies upon the correlation that exists with the expected rate of return for a portfolio of the organization's securities, and the expected return for the debt.

Preposition III: This gives a standard to ideal speculation strategy by the organization: The cut-off point for interest in the organization will in all cases be the WACC and will be totally unaffected by the kind of security used to fund the investment. Thus, if the initial two suggestions hold, the cut off rate used to assess ventures won't be influenced by the kind of subsidizing used to back them, whatever might be the capital structure. The benefit from utilizing obligation (at lower cost) is counterbalanced by the expanded cost of equity (because of increased risk) and WACC accordingly, stays unaltered

Miller and Modigliani (1963) adjusted their previous suggestion on capital structure with the incorporation of corporate taxes. The hypothesis recommended that the estimation of the firm is equivalent to the estimation of the company's income with no debt charge shield (estimation of an all value firm) in addition to the current estimation of duty shield on account of cash flows

2.2.4 The Static Trade-off Theory

Basically, this theory postulates the non-existence of optimal capital structure. De Angelo and Masulis (1980), the trade-off theorist, posit that a firm sets its target debt level and then works towards it. The hypothesis alludes to the possibility that an organization picks how much debt account and how much value money to use by adjusting the expenses and advantages. It identifies the benefit of funding with debt, the tax benefit of debt, as well as a cost of funding the company with debt, financial distress including liquidity costs of debt. The static trade off theorypredicts that firms will choose their debt and equity financing mixture to balance the cost and benefits of debt.

This theory postulated that the tax-deductibility of interest payment induces a company to borrow up to the edge where the current estimation of interest charge shield is simply counterbalanced by the

worth misfortune because of organization cost from issuing risky debt as well as the cost of possible liquidation or re- organization.

This hypothesis by Miller (1977) is based on the proposition that the ideal influence proportion of the firm is determined by the compromise between current assessment shield advantages of debt and higher liquidation costs inferred by the more significant level of corporate indebtedness.

The firm's optimal capital structure will involved the trade-off among the effect of corporate and personal taxes, bankruptcy costs and agency costs. Both tax-based and agency-based theories belong to the static trade-off theory. (Chang, 1999; Harris, and Raviv 1991; Jensen and Meckling, 1976).

It has been established that the tax advantage is most important for large, regulated and dividend-paying firms - companies that probably have high corporate tax rates and therefore large tax incentives to use debt (Desai, 1998; Graham and Harvey, 2001). Graham and Harvey (2001) survey of 392 CFOs on their capital structure provided moderate support for the static trade-off theory. The study revealed that 44% of the CFOs responded to have a somewhat tight target or strict target debt ratio, 55% of which are very large firms.

This finding further showed that most large firms have target debt ratios and are more common among investment grade and regulated firms.

2.3 Empirical Framework

Profitability is a pivotal firm characteristic that may impact the capital structure of a firm. Myers and Majluf (1984) pecking order theory which states that firms tend to use internally generated funds first before moving to external funding expects a negative correlation between profitability and leverage. This negative relationship's found in Rajan and Zingales (1995), Allen (1991), Cassar and Holmes (2003), Deesomsak et al. (2004), Akhtar (2015), Supanvanij (2006), Kim and Berger (2018) and Akhtar and Oliver (2019). The trade-off theory reviews a contrary view because profitable firms are less likely to go bankrupt, and can therefore sustain more debt, thereby capturing more tax advantages. The free cash flow theory of Jensen (1986) sustains this view.

Future growth opportunities are another important firm characteristic. Firms with high future growth opportunities are expected to use more equity financing because a highly leveraged company may forgo profitable investment opportunities when it expects by undertaking new project the value goes to firm's existing debt holders (Myers, 1977).

This suggests negative correlation between leverage and growth. It is a view supported by Akhtar and Oliver (2019), Supanvanij (2016), Barclay and Smith (2005).

Pecking order theory, however, suggests a positive correlation between leverage and growth. Empirical findings that show that leverage varies positively with growth include Viviani 2008; Chen 2004 and Tong and Green 2005.

Future growth (SGR) opportunities are measured as percentage change in book estimation of all out resources. Other researchers with these views of company size, tangibility as well as age of firms.

In another view, age of the firm is a standard measure of reputation in capital structure models. As a firm proceed longer in business, it builds up itself as a continuous business and subsequently expands its ability to assume more obligation; thus age is emphatically identified with obligation (Abor, 2008). Prior to conceding an advance, banks will in general assess the reliability of business visionaries as these are commonly accepted to place high faith on extremely hazardous activities promising high benefit rates. Specifically, with regards to profoundly obliged organizations, they are basically betting their loan cash from creditors. If the investment is profitable, shareholders will collect a significant share of the earnings, but if the project fails, then the creditors have to bear the consequences (Myers, 1977). To conquer issues related with the assessment of financial soundness, Diamond (1989) recommends the utilization of firm standing. He interprets notoriety as meaning the great name a firm has developed throughout the long term; the name is perceived by the market, which has noticed the company's capacity to meet its commitments in an opportune way. Chiefs worried about an association's standing will in general act all the more judiciously and dodge more dangerous ventures for more secure undertakings, in any event, when the last have not been endorsed by investors, consequently paying off past commitments organization costs-by decreasing the "allurement" to bet at banks' expense.

Olokoyo (2013) analyzed the effect of influence on company's performance in Nigeria using fixed-impact estimation, random-impact estimation and a pooled regression model. The creator found that all the influence measures have a positive and exceptionally significant relationship with the market performance measure (Tobin's Q).

The study additionally uncovered a significant truth that Nigerian firms are either significantly financed by equity capital or a blend of equity capital or short-term financing. The study prescribed that Nigerian firms should try to coordinate their high market performance with genuine activities that is sufficiently intense to cause the market performance to consider their inside development and bookkeeping performance.

While trying to know the best combination of equity and debt, which ideally maximizes association's performance and worth, a stream of exact studies have been a track on the relationship between capital structure and performance of firms.

Abor (2015) who conducted a study because of capital structure on benefit of listed companies on the Ghana Stock Exchange finds that short-term debt and return on equity (ROE) are significantly positively related.

The result also indicates that firms that procure a ton use all the more short-term debt to back their business than firms that acquire less. All in all, short-term debt is an essential source of financing tasks of Ghanaian firms, since it speaks to 85% of outright debt financing.

There are different choices of debt-value proportion, these incorporates; 100% value: 0% debt, 0% value: 100% debt and X% value: Y% debt (Dare and Sola 2010). Fromthese three other options, alternative one is that of the unlevered firm, that is, the firm that disregards the upside of influence (assuming any). Option two is that of a firm that has no equity capital. This option may not really be realistic or possible in the genuine economic situation, because no supplier of funds will invest his money in a firm without equity capital. This somewhat explains the term "exchanging on equity", that is, it is the equity component that is present in the association's capital structure that encourages the debt providers to give their scarce resources to the business.

Alternative three is the most sensible one in that, it joins both a particular level of debt and value in the capital structure and hence, the benefits of impact (expecting any) is manhandled. This mix of debt and value has long been the subject of discussion concerning its determination, evaluation and bookkeeping.

Additionally, Abor's result additionally shows an antagonistic connection exist between long-term debt and ROE. This implies that organizations, which obtain a ton, are more dependent on debt as their fundamental financing implies. A study by Akintoye (2018) finds that performance measures (for instance, Dividend per share, Earnings per share and Earnings before interest and tax) are significantly responsive to influence (Degrees of monetary influence and operating influence). The study aims to investigate the sensitivity of capital structure to the performance of selected food and drink companies in Nigeria.

Salawu and Agboola (2018) observed that asset structure could influence the firm's option of capital structure and that non-current asset could be used by the firm to lessen the issue of information asymmetry, that tangible assets are less affected by information asymmetries and that the value of firms with tangible assets are higher than the value of firms with intangible assets during the period of bankruptcy and that a firm with more tangible asset posses higher ability to secure debt even at a lower cost. This is made possible with the use of non-current asset as collateral for the firm's debt, this claim is consistent with Rajan and Zingala (1995), Frank and Goyal (2002).

Nyamasege, Okibo, Nyangau, Sangania, Omosa and Momanyi (2014) in a capital structure of firms in Kenya claim that large asset base make it easy for the firm to obtain debt, while the non-current asset could increase the lenders and the creditors confident on the firm.

This outcome is steady with the discoveries of Frankling and Muthusamy (2011), Ramjee and Gwatidzo (2012) and Yadav (2014) that guarantee that non-current resource substance could affect decidedly on the capital structure of the firm.

Following crafted by Appah, Okoroafor and Bariweni (2013), using 32 quoted firms in Nigeria Stock Exchange within a period of seven years (2005-2011) from the Modigliani and Miller, pecking order, static trade-off and agency theory point of view. They employed the panel study and revealed that short term debt, long term obligation and total debt have significant negative relationship with performance using ROA and ROE, non tax debt and liquidity also shows negative relationship with performance while tangibility and efficiency has a significant positive relationship with performance.

Chowdhury and Chowdhury (2010) inspected the impact of capital structure on the estimation of portions of Bangladesh cited firms. The study aims to give a status on the degree to which an association's capital structure may vary and how the estimation of firm changes as a result. The study analyzes 77 companies from the four most predominant areas of Bangladesh capital market. Cross sectional and time series fixed effect model is used to analyze available data to find out the impact of capital structure on the firm value (expressed by the share price in the market). Cross sectional regression analysis measures the observations at a similar point as expected or over a similar period yet contrast along another measurement.

Time arrangement examination recognizes the idea of wonder spoke to by the grouping of perception and estimate the future and notices a pattern.

The model utilized put estimation of the firm (share cost) as needy variable; firm size, profitability, public ownership in capital structure, dividend payout, asset and operating efficiency, growth rate, liquidity and business risk were taken as independent variables. Firm size is spoken to by share capital, benefit is estimated through EPS, public proprietorship is in rate, capital structure is spoken to by the proportion of long haul obligation to add up to resources, profit payout at genuine, productivity is estimated through fixed resource turnover, development rate is noted through deals development rate, liquidity is measured by current ratio, and business risk is represented by operating leverage. All the variables used as independent variables are considered as proxy for the decision of capital structure of respective firm. They establish from the empirical findings showing a strong positive correlation between the firms" capital structure and value expressed by their share prices in the market.

2.3.1 Capital Structure impact on Corporate Performance

Bauer (2004) inspected the determinants of capital structure in transition economy of Czech Republic to establish if there are any differences from the proposals of existing hypothesis on capital structure choices. The study employed data collected from financial reports of listed companies in Czech within the period from 2000 and 2001. Analysis of data was done using the Ordinary Least Square regression method. The variables examined were size, ROA, tangibility, growth opportunity, tax rate, non-debt tax shield and volatility. Four measures of leverage were also used namely book total liabilities ratio (TL), book total debt ratio (TD), market total liabilities ratio (MTL) and market total debt ratio (MTD) and a comparative analysis was also carried out. According to the empirical results, listed firms in Czech exhibit lower leverage than firms in the G7 countries and firms in the majority of developing countries when measured by book total liabilities ratio. Czech quoted firms' leverage was positively correlated with size, tax and contrarily related with productivity, tangibility and growth opportunities. The negative correlation between leverage and profitability makes the findings consistent with the pecking order hypothesis rather than the static trade-off models.

David and Olorunfemi (2010) investigated the relationship that exists between earnings per offer and influence proportion on one hand and profit per offer and influence proportion on the other hand in the Nigerian oil industry.

The earnings per offer and profit per share are utilized as performance measures. The examination employs board information investigation using Pooled regression estimation, Fixed-impact estimation, Random-impact estimation and Maximum probability estimation.

They find that there is positive relationship between earnings per offer and influence proportion on one hand and positive relationship between profit per offer and influence proportion on the other hand. Gleason, Mathur and Mathur (2000) demonstrated that culture influences the decision of capital structure and that with culture as an additional explanatory variable, the decision of capital structure influences corporate performance. The investigation utilized information for 198 European Community retailers from 14 nations for the year 1994. The information were obtained from 1995 Disclosure/World degree information base. The 14 European nations were additionally separated into four social bunches to show the influence of culture as a control variable. The factors were investigated using the Ordinary Least Square (OLS) regression technique for estimation.

Four performance measures were utilized in particular return on assets (ROA), pre-tax income to sales (PTAX), sales per employee (SL/EMP) and percentage growth in sales (GSALES). The outcomes demonstrated that capital structures for retailers in Europe fluctuate by social bunches. Using both financial and operational proportions of performance, the outcome likewise indicated that capital structure influences financial performance. A negative relationship between capital structure and performance was set up which proposes that organization issues may prompt utilization of higher than proper degrees of obligation in the capital structure consequently producing lower performance.

In an investigation by Soumadi and Hayajneh (2012) who examined the impact of capital structure on the performance of recorded Jordanian firms found that capital structure is measurably and contrarily in association with performance. Their examination additionally found that high financial influence and low financial influence firms have no critical difference in their performance.

Their study utilizes OLS analyzing the data obtained from 76 firms for the period of 2001 to 2006. Rao, Al-Yahyee and Syed (2007) think that capital structure is conversely identified with company's monetary exhibition in Oman. The relationship shows a high getting cost coming about because of shortcomings of obligation market exercises in Oman economy. They also emphasized that tax savings from debt usage are not enough to recover the cost of borrowing and that cost of debt would be higher than the rate of return.

Additionally, Cheng (2009) examines the impact of equity and debt financing on operating performance. The study finds that both methods of financing (debt and equity) have significant negative effect on operating performance.

Consequently, the study suggests that it is hazardous for firms to rely wholly on either equity or debt when raising capital. In this effect, it is better and safer to use both sources finance in financing a firm's operations. This finding is consistent with the study by Ebaid (2019) that finds short-term debt and total debt to be negatively impacting firm's performance in terms of ROA. While long-term debt, short-term debt and total debt has no significant impact on firm's performance as measured by ROE.

On another view, the study by San and Heng (2011) on construction companies found that ROA and ROE have no relationship with large, medium and small constructions companies. The result for ROE is same with Saeedi and Mahmoodi (2011) but not for ROA which is positively associated with short-term debt, long-term debt and total debt.

To Maina and Ishmail (2014), capital structure (long-term debt, short-term debt and total debt) has no significant effect on performance (Tobin's Q) of listed firms in Kenya, while controlling for capital structure determinants such as firm size, asset tangibility, opportunity growth and sales growth. Whereas, Sunday (2015) reports that long-term debt contributes significantly and positively in boosting returns to equity owners. The study further reveals that leverage significantly affects ROE.

Rajan and Zingales (1995) investigated the determinants of capital structure by analyzing the financial decisions of public firms in the major industrialized countries to establish whether their leverage is similar across the G-7 countries. The investigation figured influence for every nation subsequent to executing the important bookkeeping changes. The examination likewise attempted a relative investigation of the cross-sectional determinants of capital structure decisions in the G-7 nations. The investigation utilized information got from the Global Vantage report on international corporations from the period 1987 to 1991. The sample used covered between 30% and 70% of the companies listed in every country which represented more than 50% of the market capitalization in each country.

The study further showed that variables distinguished by past investigations as associated in the cross-segment with firm influence in the U.S. are comparatively corresponded in different nations too.

Be that as it may, as per the creators, a more profound assessment of the U.S. also, unfamiliar proof proposed that the hypothetical underpinnings of the noticed connection are still generally uncertain. Chandrasekharan (2012) conducted a study using 87 firms out of the population of 216 firms listed on the NSE for a period of five years (2007-2011) from static trade-off, agency and pecking order theory point of view. The author employed the panel multiple regression analysis and the study reveals that for the Nigerian listed firms; firms' size, growth and age are significant with the debt ratio of the firm, whereas, profitability and tangibility are not.

Babalola (2014), using 31 manufacturing firms with evaluated fiscal summaries for a time of fourteen years (1999-2012) from static compromise perspective. He utilized the triangulation investigation and the examination uncovered that capital structure is a compromise between the expenses and advantages of obligation, and it has been disproved that enormous firms are more disposed to hold better than center firms under a similar level obligation proportion. In another study, using a sample of 10 firms for a period of 10 years ('2000-2009) from agency and static trade-off point of view. He used the regression analysis and concluded that the manufacturing industry's capital structure in Nigeria is consistent with trade-off theory and the hypothesis tested that the corporate performance is a nonlinear function of the capital structure.

Akinyomi (2013), using three manufacturing companies selected randomly from the food and beverage categories and a period of five years (2007-2011) using the static trade-off and the pecking order theory point of view. He adopted the use of correlation analysis method and revealed that each of debt to capital, debt to common equity, short term debt to total debt and the age of the firms' is significantly and positively related to return on asset and return on equity but long term debt to capital is significantly and relatively related to return on asset and return on return on equity. His hypothesis also tested that there is significant relationship between capital structure and financial performance using both return on asset and return on equity.

In Sri Lanka, Puwanenthiren, (2011) carried out an investigation on capital structure and financial performance of some selected companies in Colombo Stock Exchange between 2005-2009.
Capital structure was surrogated by debt while performance was proxy by gross profit, net profit, return on investment / capital employed and returns on assets. The results shown the relationship between the capital structure and financial performance is negative.

2.4   Literature Overview and Research Gaps

In the seminal article, presented by MM's (1958) irrelevance theory, they contended that capital structure is irrelevant to association's worth. Within the sight of corporate personal duty and the expense of capital in MM's (1963) they contended that the market estimation of the firm is emphatically identified with the measure of long haul obligation utilized in its capital structure. The connection between capital structure and benefit is one that got extensive consideration in the previous litertures. The study regarding the impact of capital structure on Debt-Total amount of debt Internal equity-Retained earnings Financial performance-Earnings Before Interest and Tax External equity-Ordinary share capital Preference shares-Preference share capital financial performance will help us to know the potential problems in performance and capital structure. Research methods and the results of theoretical research have some significance to the capital structure, while firms work in practice how to determine the capital structure has a certain reference value. This paper confirms that the capital structure and firms performance may have a lag effect on corporate performance. Therefore, an enterprise to enhance profitability and maximize corporate value, then only need to consider the effect of capital structure, but also the need to consider the capital structure over the years.

CHAPTER THREE

METHODOLOGY

3.0   Introduction

This section presents the methods adopted in analyzing the correlation between capital structure of firms and their performance vis-a-vis the population, sample size and research design. The empirical model for the study of Nigerian firms' capital structure and profitability was also formulated. This section further shows the data description; explaining the techniques of estimation to be adopted for the model and the sources of data.

3.1. Research Design

The study implemented the *ex-post facto* data research design employing cross sectional data from the annual reports of the companies in the Consumer Goods industry on yearly bases from 2015 to 2019. As part of the design, the study also used descriptive statistical techniques to estimate the means, maximum, minimum, kurtosis, skewness, variance and standard deviation; to determine the behaviour of the firms' performance based on the independent variables. After this, the study also used multiple regression method to analyse the correlation between the independent and dependent variable. The model is estimated using e-view packages.

3.2   Population of the study

The research was based on the data from the active consumer goods companies listed on the Nigerian Stock Exchange (NSE) as at 31st December 2019. Which include Cadbury Nigeria Plc, Dangote Sugar Refinery Plc, Flour Mills Nig. Plc, Guinness Nig Plc, PZ Cussons Nigeria Plc, Unilever Nigeria Plc, Nigerian Brew. Plc, Nascon Plc, Northern Nigeria Flour Mills Plc, Vitafoam Nigeria Plc, Honeywell Flour Plc, Champion Breweries Plc, and International Breweries Plc., Mchinchols Plc, and Nestle Plc which are consumer package goods industry. The consumers packaged goods are classified into (1) Confectioners, (2) Farm Products, (3) Household & Personal Products, and (4) Packaged Foods as have been earlier explained in the previous chapter.

3.3   Sampling Size and Technique

The study employed quota sampling technique based on capitalization of firms understudy. There are 15 companies under consumers' goods quoted in Nigeria Stock Exchange as stated in the population of the study with a total capitalization of ₦2,233,073,248,702.57. To make a good representation of the firms, 9 active companies with capitalization of ₦1,969,186,550,937.65 were selected through random sampling following the division of consumer goods firms into four to cover all categories of consumer goods subsector listed in Nigerian Stock Exchange.

These are; Cadbury Nigeria Plc, Dangote Sugar Refinery Plc, Flour Mills Nig. Plc, Guinness Nig Plc, PZ Cussons Nigeria Plc, Unilever Nigeria Plc, Nigerian Brewery. Plc, Northern Nigeria Flour Mills Plc and Nestle Plc. Therefore, 9 of the active companies in the consumers goods subsector listed on the Nigerian Stock Exchange (NSE) as 31st December 2019 which shows 88.18% representation were selected for this study using quota sampling method. (Table 4.0)

3.4   Sources of Data

For the purpose of this study, only secondary method of data collection was utilized through annual reports, journals, and other published materials from The Nigerian Stock Exchange fact books and annual financial statements of the sampled quoted firms. Data were obtained from the published financial statements of the firms listed on the Nigerian Stock Exchange (NSE) as at 31st December 2019.

In order to guide against data omission and ensure uniformity in presentation, some firms, because of the following factors, were excluded: Firms whose financial reports were not up to date and those that are no longer in existence as at 2019. Therefore, 9 of the active companies in the consumers goods subsector listed on the Nigerian Stock Exchange (NSE) as at 2019 were selected for this study.

3.5   Method of Data Collection

In carrying out this research, the technique used in collecting the secondary data was the review of the capital structure from the annual report and account indicates 15 consumers' good firms from different sectors of the economy, listed on the Nigeria stock exchange market using random sampling technique.

However, some of these companies do not trade regularly on Nigeria stock exchange, while some are even not functional. Therefore, the target population for the study consists of 9 consumers' good firms listed on the Nigerian stock exchange.

3.6   Research Models

The study employed Debt to EBITDA ratio, Interest coverage, leverage ratio and long-term leverage as independent variables, to measure firm profitability. Debt to EBITDA ratio, Interest coverage, leverage ratio and long-term leverage are chosen because they are important accounting terms for capital structure; based and widely accepted measures of corporate firms. Return on Assets (ROA) is the dependent variable and can also be viewed as a measure of firms' efficiency in utilizing all the assets under its control, regardless of source of financing.

3.7   Model Specification

The main objective of this study is to investigate the capital structure and corporate performance of consumer goods' firms in Nigeria using listed consumer goods firms on the Nigerian Stock Exchange fact-book. The study employed Debt to EBITDA ratio, Interest coverage, leverage ratio and long-term leverage as independent variables, to measure firm capital structure. The only explanatory variable in this study is the Return on Assets (ROA), which serves as the proxy for corporate performance. However, a number of factors may impact on firms' corporate performance, hence, the need for controlled variables to be included in the model. These controlled variables are treated in the same way as explanatory variables. These variables are embedded in the hypotheses of this study:

lyoha (1995) emphasized further that, such economic models are systems of equations usually dynamic in nature, some of which are stochastic. The following regression equation is then derived. The model is as specified below:

Model

ROA = f (D/EBITDA, ICR, LR, LTL, $\mathcal{E}$) ------------------ (1)

The econometric form of the model is given below:

ROA_t = f (D/EBITDA$_t$, ICR$_t$, LR$_t$, LTL, $\mathcal{E}_t$)

i.e. $ROA_t = \alpha1 + \beta1D/EBITDA_t + \beta2ICR_t + \beta3LR_t + \beta4LTL_t + \mathcal{E}t$-----------(2)

This Model examines the relationship between dependent variable and independent variable.

Where:

$\alpha1$	= Constant term	
$\beta1$- $\beta4$	= Coefficient of independent variables.	
ROA_t	=	Return on Asset at t-period
D/EBITDA$_t$	=	Debt to EBITDA ratio at t-period
ICR$_t$	=	Interest coverage ratio at t-period
LR$_t$	=	leverage ratio at t-period
LTL$_t$	=	long-term leverage at t-period
$\mathcal{E}_t$	=	Random error term

These models are aimed at specifying the relationship that exists "between dependent and independent variables. Other variables not explicitly included in the models above are as a result of lack of data or knowledge of its existence. These are taken care of by the error term ($\mathcal{E}_t$).

3.8   Method of Data Analysis

The variables (except the dummy) were logarithimically (log) transformed. The log-linear form is usually considered most appropriate for empirical studies. Regression analysis using E-view version 7.0 was adopted in this procedure to carry out the analysis in the study to ascertain if the time series data collected is in conformity with O.L.S assumptions.

DATA PRESENTATION AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the results of the analyses of data collected in respect of this study. The analyses were conducted in order to achieve the stated objectives and hypotheses of the study. The number of firms sampled for the sector was specified to include 9 Consumer Goods firm. The study covers analysis of 9 consumer goods companies in a period of 5 years. The E-view Statistical Package version 7.0 was used for the analyses.

4.1   Descriptive Analysis

The data collected were subjected to both descriptive statistics, correlation and regression analyses. The results of the analyses are presented in line with the study objectives and hypotheses in tables.

Table 1: Descriptive Statistics

	INTCOV	LEV	LQDTY	LTDLEV	ROA
Mean	3.115800	11.78400	15.28000	0.665800	103.2464
Median	0.738000	15.02200	14.77700	0.727000	90.49600
Maximum	10.12700	17.43000	21.58900	1.170000	174.0520
Minimum	0.671000	2.230000	9.595000	0.104000	71.39900
Std. Dev.	4.083081	6.734539	4.298722	0.448550	42.26684
Skewness	1.241979	-0.558477	0.235678	-0.155346	1.081015
Kurtosis	2.831396	1.613481	2.406958	1.474385	2.650261
Jarque-Bera	1.291349	0.660421	0.119557	0.505007	0.999312
Probability	0.524309	0.718773	0.941973	0.776854	0.606739
Sum	15.57900	58.92000	76.40000	3.329000	516.2320
Sum Sq. Dev.	66.68619	181.4161	73.91604	0.804789	7145.942
Observations	5	5	5	5	5

Source: E-View 0.7 Analysis, 2020

Normality test and explanation of the distribution of the series of variables becomes imperative for the choice of appropriate methods of model estimation. This is done by the descriptive statistical analysis.

Table 1 shows the descriptive statistics of all the variables used in this study.

On the average, the ROA of the sampled consumer goods firm is 103.2 billion naira with average INTCOV of 3.115 billion, and average LQDTY is 15.28. Also, the average LEV is 11.784, and average LTDLEV was 0.6658. Although, there are large margins between the minimum and maximum values as well as large values of standard deviation of all the series, this is an indication of significant variations of the trend of the series over the years covered. Concerning the statistical distribution, ROA, LQDTY and INTCOV series are positively skewed (the right tail is extreme), while LEV, LTDLEV are negatively skewed and leptokurtic (i.e. evidence of fatter tail than the normal distribution).The distribution of the series is leptokurtic when the kurtosis is greater than three and positively skewed when the value of skewness is positive. In both cases the series are said not to be normally distributed. A variable is said to be normally distributed on the basis of its skewness when the value is approximately zero and on the basis of kurtosis when the value is about three. Since none of the variables considered satisfies the condition of the normality, it is observed that they are not normally distributed. This is bolstered by the Jaque Bera statistics which is significant (probability value of the statistics is less than 5%) for all the series indicating that all the series are not normally distributed.

The series of all the variables are not normally distributed and OLS estimator collapsed. However, the pool regression for panel data, fixed effect, random effect and panel correlated standard error (PCSE) regressions were appropriately employed for robustness in this study.

4.2.   ANALYSIS OF DATA

E-view 7.0 Statistical Package was used to test the relationship between the variables in the secondary data based on extracts from annual report and accounts of selected consumer goods company that relates to performance and economic growth variables. The analysis is based on the four (4) formulated hypotheses which are:

Based on research questions, the following hypotheses are formulated:

H_I: There is no significant relationship between liquidity ratio and return on assets of consumer goods' firms.

H_2:   Interest coverage does not significantly affect the performance of firms in the consumers' goods in Nigeria

H_3:   Leverage ratio has no significant effect on the performance of firms in the consumers' goods in Nigeria

H_4:   There is no significant relationship between long-term leverage ratio and return on assets and return on assets of consumers' goods in Nigeria

The following tables were generated through the use of E-view Statistical Package (Eview 7.0).

4.2.1   Analysis Of The Relationship Between Liquidity Ratio And Return On Assets Of Consumer Goods' Firms.

Table 4.1:   Consumer Goods: Summary of the Ordinary Least Square Estimate

Dependent Variable: ROA

Method: Least Squares

Date: 02/10/20   Time: 16:42

Sample: 2015 2019

Included observations: 5

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.043229	0.050767	0.851518	0.4003
LQDTY	0.268704	0.027653	9.716907	0.0000
INTCOV	0.104428	0.139028	0.751131	0.4576
LEV	0.002229	0.044378	0.050228	0.9602
LTDLEV	-0.072689	0.052057	-1.396323	0.1714
R-squared	0.745058	Mean dependent var		0.040090
Adjusted R-squared	0.715921	S.D. dependent var		0.288934

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S.E. of regression	0.153999	Akaike info criterion	-0.787270
Sum squared resid	0.830052	Schwarz criterion	-0.576160
Log likelihood	20.74539	Hannan-Quinn criter.	-0.710939
F-statistic	25.57148	Durbin-Watson stat	1.855866
Prob(F-statistic)	0.000000		

Source: E-View Computation

YT = 0.0432 + 0.2687 (LQDTY) + 0.1044(INTCOV) + 0.0022 (LEV) + -0.0726 (LTDLEV).

The statistics above revealed the coefficient value of consumer goods firm Liquidity ratio (0.2687), the firms' Interest Coverage (0.1044), Consumer goods firm Leverage Ratio (0.0022) and Long-term Leverage ratio (-0.0726). This implies that Return on Assets (ROA) of 0.0432 contribute significantly to Liquidity, has less contribution to Interest Coverage (INTCOV), positive impact on debt ratio and also has negative impact on Long term Leverage of consumer goods companies in period of 2015 – 2019 under consideration.

However, the coefficient value for Liquidity (0.2687), Interest coverage (0.1044) and Leverage (0.0022) indicates statistical relationship with contribution to Return on Asset (ROA) or capital structure of Consumer goods firm in Nigeria for the years under consideration. This result implies that capital has impact on Liquidity and Interest coverage in consumer goods with reference to hypotheses I. The coefficient value of -0.0726 for Long term debt (leverage) shows that capital structure has negative effect on Return on Asset (ROA) of consumer goods firm which supports hypothesis II in the period understudy.

The Table further revealed that the r-square of 0.7450 indicates that the independent variables (ROA) contributed about 74% to Liquidity and Interest coverage ratio of Consumer Goods Industry in Nigeria. Furthermore, the F statistics (F=25.57148, p = 0.000) indicates a no statistical difference exist among the dependent variables as against independent variable (ROA). However, the Durbin Watson statistics of 1.8558 indicates that the model used for the analysis of the data is conclusive.

It is obvious that significant relationship exist between liquidity ratio and return on assets of consumer goods' firms. From the above result, it can be clearly seen that capital structure has significant impact on performance of consumer goods firms in Nigeria.

4.2.2 Analysis Of Interest Coverage Effect On The Performance Of Firms In The Consumers' Goods In Nigeria

Table 4.2:   Consumer Goods: Summary of the Ordinary Least Square estimate

Dependent Variable: INTCOV

Method: Least Squares

Date: 02/10/20   Time: 17:32

Sample: 2015 2019

Included observations: 5

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.381530	0.161858	2.357193	0.0213
ROA	0.467025	0.281908	1.656654	0.1023
LQDTY	-0.034461	0.060876	-0.566078	0.5732
LEV	0.061910	0.041708	1.484392	0.1424
LTDLEV	-2.746091	0.609503	-4.505456	0.0000

R-squared	0.309502	Mean dependent var		0.302762
Adjusted R-squared	0.268278	S.D. dependent var		0.993596
S.E. of regression	0.849929	Akaike info criterion		2.579588
Sum squared resid	48.39944	Schwarz criterion		2.737690
Log likelihood	-87.86517	Hannan-Quinn criter.		2.642529
F-statistic	7.507840	Durbin-Watson stat		1.735454
Prob(F-statistic)	0.000047			

Source: E.View 7.0 computation

YT = 0.3815 + 0.467025(ROA) + -0.034461 (LQDTY) + 0.061910 (LEV) + -2.746091(LTDLEV)

The statistics above indicated the coefficient value of return on asset (0.4670) of Consumers Goods firm, contribution of Interest Coverage to Liquidity (-0.0344), Leverage ratio value (0.0619), and the coefficient value of Long term leverage (-2.7460). This implies that significant amount of Interest coverage in capital structure of Consumer Goods firm increases return on asset, reduces liquidity of the firm and increases leverage and results in improved Long term leverage in period of 2015–2019 under consideration. This result indicates statistical relationship with return on asset (0.467025), leverage (0.061910), Long –term debt leverage (-2.7460) and performance of the firm in Nigeria.

The R-squared value of 0.309 indicates that about 30% variations in Consumer Goods firms' performance are explained in the model by the explanatory variables. The F-statistics of (F = 7.507; P = 0.000047) is statistically significant and this shows that there is a considerable harmony between the firms' performance and the explanatory variables put together.

This confirms that all the independent variables of capital structure jointly have significant influence on the dependent variable (performance of firm). The D.W statistic of 1.735454 indicates that there is serial correlation associated with the regression result. The result above shows that performance of Consumer Goods firms is dependent on capital structure variables like return on asset (ROA) and Interest coverage. In term of Consumer Good firms, capital structure of a firm significantly affects its return on asset. The Interest coverage has significant effect on the performance of consumers' goods firms in the in Nigeria in line with hypothesis II.

4.2.3 Analysis of Leverage ratio has no significant effect on the performance of firms in the consumers' goods in Nigeria

Table 4.3: Consumer Goods: Summary of the Ordinary Least Square estimate

Dependent Variable: LEV

Method: Least Squares

Date: 02/10/20   Time: 17:59

Sample: 2015 2019

Included observations: 5

Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	2.466126	0.765474	3.221697	0.0033
ROA	1.335811	1.900349	0.702929	0.4881
LQDTY	-0.793398	0.875177	-0.906557	0.3727
INTCOV	-0.401667	0.387990	-1.035252	0.3097
LTDLEV	-5.493532	2.198686	-2.498553	0.0189

R-squared	0.325126	Mean dependent var	0.918750
Adjusted R-squared	0.225144	S.D. dependent var	1.594787
S.E. of regression	1.403826	Akaike info criterion	3.658880
Sum squared resid	53.20962	Schwarz criterion	3.887902
Log likelihood	-53.54209	Hannan-Quinn criter.	3.734794
F-statistic	3.251862	Durbin-Watson stat	1.309698
Prob(F-statistic)	0.026671		

YT= 2.4661 + 1.335 (ROA) + -0.793(LQDTY) + -0.4016(INTCOV) + -5.493 (LTDLEV)

LEV = F(ROA, LQDTY, INTCOV, LTDLEV) …………..………......... 3.3

The statistics above revealed the coefficient value of return on asset (1.335), Liquidity (-0.793), Interest coverage (-0.4016), Long-term debt leverage (-5.493). This implies that short-term leverage (LEV) contribute significantly to increase in firms' Return on Asset. However, the coefficient value for consumer goods firms' Liquidity (-0.793) and Interest Coverage (-0.4016) indicates statistical relationship with weak Leverage ratio in the years 2015 - 2019 under consideration.

The regression result further revealed that the r square of 0.325126 indicates that the independent variable (LEV) contributed about 32.6% to the firms' return on asset (i.e performance). Furthermore, the F statistics (F= 3.251862, p = 0.0033) indicates a no statistical difference exist among the independent variables (LQDTY, INTCOV, LTDLEV) as against dependent variable (ROA). However, the Durbin Watson statistics of 1.309698 indicates that the model used for the analysis of the data is conclusive.

From the above result, it can be clearly seen that the independent variable LEV has significant contribution to the performance (ROA) of consumer of goods firm while Liquidity, Interest coverage, and Long-term debt leverage are of less significant to consumer goods firm's performance.

Therefore, the 3rd hypothesis suggests that leverage ratio has significant effect on return on assets for the consumers' goods in Nigeria. This result confirms that in line with H_3 leverage ratio has significant effect on the performance of firms in the consumers' goods in Nigeria

4.2.4 Analysis Of Relationship Between Long-Term Leverage Ratio And Return On Assets Of Consumers' Goods In Nigeria

Table 4.4: Consumer Goods: Summary of the Ordinary Least Square estimate

Dependent Variable: LTDLEV

Method: Least Squares

Date: 02/10/20   Time: 18:36

Sample: 2008 2015

Included observations: 5

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.840506	0.145161	5.790159	0.0000
ROA	-1.122623	0.272134	-4.125259	0.0002
LQDTY	0.202514	0.121856	1.661915	0.1055
INTCOV	-0.096595	0.030372	-3.180423	0.0031
LEV	-0.502683	0.566058	-0.888043	0.3806

R-squared	0.433937	Mean dependent var	0.507875
Adjusted R-squared	0.369244	S.D. dependent var	0.428031
S.E. of regression	0.339943	Akaike info criterion	0.796392
Sum squared resid	4.044648	Schwarz criterion	1.007502
Log likelihood	-10.92784	Hannan-Quinn criter.	0.872723

F-statistic	6.707642	Durbin-Watson stat	0.733259
Prob(F-statistic)	0.000407		

Source: Computed by the research from E-View 7.0.

$$YT = 0.8405 + -1.1226 (ROA) + 0.2025(LQDTY) + -0.0965(INTCOV) + -0.502683(LEV)$$

The result of analysis above indicates the coefficient value of return on asset for consumer goods firms (-1.1226), Liquidity (0.2025), Interest coverage (-0.0965), and debt leverage ratio (-0.5026) contribute significantly to the long-term debt leverage (0.8405) of consumer goods firm in the economy during the period under consideration. This implies that liquidity have significant relationship with the consumer goods performance, while return on asset, interest coverage and debt leverage have little or no relationship with consumer goods firm performance during the period considered.

The table further revealed that the r square of 0.433 indicates that the independent variables (return on asset, liquidity, interest coverage and debt leverage) contributed about 43.3% to the Long-term debt leverage in period. Furthermore, the F statistics (F= 6.707642, P=0.0004) indicates a statistical difference exist among the independent variables. In the same vein, the Durbin Watson statistics of 0.733259 indicates that the model used for the analysis of the data is conclusive.

The result above shows that long-term leverage ratio of consumer goods firm is significant to increase in return on Asset (ROA) according to H_4, while capital structure variables like interest coverage and debt leverage are not significant to the performance of consumer goods firms while liquidity has significant impact on return on assets. Therefore, there is a significant relationship between long-term leverage ratio and return on assets of consumers' goods in Nigeria (H_4).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0   Introduction

This chapter presents the summary and conclusions drawn from this empirical research study. It also contains the conclusion drawn from the study as well as relevant recommendations based on findings from the study.

5.1   Summary

The purpose of this study was to investigate capital structure and corporate performance of consumer Goods' Firms in Nigeria based on traditional theory of capital structure by Modigliani and Miller that best suit research of this nature. The study gave insight on leverage levels of selected firms in Nigeria, the performance of selected firms and the nature of macroeconomic variables on firm's performance over the years. It also covered a review of relevant literature with respect to capital structure; capital structure theory which asserts that capital structure is not significant in determining firm's performance and traditional capital structure theory which postulates that capital structure is a significant determinant of firm's performance.

The various ways of performance measurement were also reviewed, including empirical studies on capital structure, structure of Nigerian economy and trend behavior of macroeconomic variables in Nigeria. From the regression analyses, based on the *apriori* expectation, the statistical criteria and the economic criteria, the study found significant effects of the explanatory variables: liquidity (LQDTY), Interest coverage (INTCOV), debt leverage (LEV) and long-term debt leverage (LTDLEV) and Growth (GROW) and the performance indicators used in the study. Also the impact of each of the explanatory variables on firm's performance was also determined.

5.2   Conclusion

Analysis of data led to the realization that significant relationship exist between liquidity ratio and return on assets of consumer goods' firms. This clearly indicates that capital structure has significant impact on performance of consumer goods firms in Nigeria. It was found that performance of Consumer Goods firms is dependent on capital structure variables like return on asset (ROA) and Interest coverage and that capital structure of a firm significantly affects its return on asset; the Interest coverage has significant effect on the performance of consumers' goods firms.

The independent variable leverage has significant contribution to the performance (ROA) of consumer of goods firm while liquidity, Interest coverage, and Long-term debt leverage are of less significant to consumer goods firm's performance. This result concludes that leverage ratio has significant effect on the performance of firms in the consumers' goods in Nigeria. The result further confirms that long-term leverage ratio of consumer goods firm is significant to increase in return on Asset (ROA), while capital structure variables like interest coverage and debt leverage are not significant to the performance of consumer goods firms while liquidity has significant impact on return on assets. Therefore, there is a significant relationship between long-term leverage ratio and return on assets of consumers' goods in Nigeria.

The study concludes that the traditional capital structure theory is valid. It reaffirms that leverage (debt) is statistically significant and is an important determinant of firm's performance.
Also, in line with various empirical studies on capital structure and firm's performance, this study confirms the a-priori relationship between leverage and firm's performance in selected companies in Nigeria. Available extant literature posit that leverage has a positive impact on firm's performance, but the extent of its impact on firm's performance varies in relation to return on asset (ROA) and liquidity of the firms.

5.3   Recommendations

In line with our findings, we strongly recommend as follows:

i.   Firms should also use more of equity than debt in financing their business activities, since the business value can be enhanced using debt capital, until such a point when it becomes detrimental to the value of the business, hence firms should establish the point at which the weighted average cost of capital is minimal and maintain that debt ratio so that the company's value will not be eroded, as the firm's capital structure is optimal at this point, other factors being equal.

ii. That firms should take into cognizance the amount of leverage incurred because it is a major determinant of firm's performance. This was obvious in the quoted firms examined in this study. Firms can also employ the use of cheap finance sources instead of expensive fixed interest bearing debts.

iii. Also, the employment of highly skilled and technical experts who can play business dynamics should be given preference as opposed to giving employment based on influence and connection.

iv. In addition, the government should create an atmosphere where businesses can thrive and thus increase firm's performance level. This is evident in the fact that macroeconomic variables positively affect the performances of most firms in Nigeria.

v.   The Firms' board and management should also embrace standard best practice and sharpen their Risk management and corporate governance policies.

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APPENDIX

Table 1: The data for the dependent and independent variables extracted on yearly basis from 2015 to 2019 – Figures in ₦'000

s/n	Company	Year	Total assets ₦'000	NPAT ₦'000	Total Debts ₦'000	EBITDA ₦'000	EBIT ₦'000	Finance cost ₦'000	Long-term debt ₦'000	Short-term debt ₦'000	Total equity ₦'000	Net Sales ₦'000
1	Cadbury Nig. Plc	2015	28,417,005	1,153,295	16,131,708	2,879,179	1,577,412	0	4,480,074	11,651,684	12,285,297	27,825,194
		2016	28,392,951	-296,403	17,352,267	1,675,879	-562,871	17,798	4,515,939	12,820,278	11,056,734	29,979,410
		2017	28,423,121	299,998	16,680,331	2,347,809	350,317	547,963	4,150,745	12,529,586	11,742,791	33,079,446
		2018	27,528,040	823,085	14,851,894	1,698,294	1,222,831	592,231	4,766,490	10,085,404	12,676,146	35,973,470
		2019	28,801,938	1,070,845	15,235,703	1,353,608	1,538,877	185,269	5,334,310	9,901,393	13,566,235	39,326,807
2	Dangote Sugar Refinery Plc	2015	106,671,333	12,659,855	40,285,276	18,144,955	11,142,372	651,777	4,768,318	35,516,968	66,386,057	100,092,221
		2016	175,593,979	14,198,693	101,009,229	20,759,524	14,395,938	112,575	5,299,480	95,709,749	74,584,750	167,409,161
		2017	196,064,664	37,822,609	96,857,306	54,882,983	39,783,605	28,332	5,212,819	91,644,487	99,207,358	198,120,639
		2018	178,523,711	25,830,941	71,343,585	38,455,530	21,976,468	67,127	5,309,997	66,033,588	107,180,126	146,549,176
		2019	198,129,122	23,102,818	80,046,178	34,829,243	22,361,276	270,868	6,693,928	73,352,250	118,082,944	158,104,577
3	Flour Mills Nig. Plc	2015	231,529,878	2,375,767	134,878,212	867,207	910,984	9,548,061	18,762,765	116,115,447	96,651,666	229,777,869
		2016	233,296,607	10,425,786	133,052,468	6,248,497	10,425,786	13,011,811	18,543,783	114,508,685	100,244,139	247,876,504
		2017	343,933,158	9,829,046	235,817,458	10,979,579	9,829,046	22,199,739	18,404,858	217,412,600	108,115,700	375,225,284
		2018	322,604,582	9,233,729	171,158,286	14,153,983	9,244,729	24,941,948	31,083,760	140,074,526	151,446,296	389,397,836
		2019	314,058,187	17,549,507	175,125,914	18,536,249	19,317,654	16,025,840	36,799,208	138,329,706	138,929,273	370,205,529
4	Guinness Nig. Plc	2015	122,246,623	9,573,480	73,905,256	16,123,378	11,681,560	5,577,720	27,804,912	46,100,344	48,341,376	118,495,882
		2016	136,992,444	7,794,899	95,331,839	15,667,379	10,795,102	7,948,005	28,222,217	67,109,622	41,660,605	101,973,030
		2017	146,038,216	-20,015,886	103,095,201	4,415,623	-2,347,241	9,777,634	39,375,539	63,719,662	42,943,015	125,919,817
		2018	153,254,968	1,923,720	65,666,794	10,186,330	2,662,081	5,644,560	22,819,679	42,847,115	87,588,174	142,975,792
		2019	160,792,627	6,717,605	71,732,165	13,386,248	9,943,164	2,613,309	22,875,691	48,856,474	89,060,463	131,498,373
5	PZ Cussons Nig. Plc	2015	48,106,661	2,168,867	21,521,732	3,147,400	2,168,867	725,903	3,757,845	17,763,887	26,584,929	73,126,070
		2016	56,261,100	389,999,000	22,468,811	776,880	389,999	853,304	4,108,188	18,360,626	33,792,289	69,527,537
		2017	73,039,610	2,235,631	38,963,380	2,817,164	2,235,631	415,987	3,960,194	35,003,206	34,076,230	54,761,729
		2018	74,576.119	1,630,557	40,825,740	1,736,740	1,630,557	912,026	3,666,010	37,159,730	33,750,379	58,483,029
		2019	64,315,676	578,355,000	30,499,094	1,127,391	578,355,000	175,868	4,221,430	26,277,664	33,816,582	47,200,919
6	Unilever Nig. Plc	2015	50,172,484	1,172,366	42,439,231	1,771,063	762,362,000	3,170,516	7,471,578	34,697,653	8,003,253	59,221,748
		2016	72,491,309	3,071,885	60,801,366	4,106,422	3,814,624	2,726,245	7,287,977	53,513,389	11,689,943	69,777,061
		2017	121,084,365	7,450,084	45,175,990	11,207,212	6,769,913	3,410,258	8,480,683	36,695,307	75,908,375	90,771,306
		2018	131,843,373	10,552,140	49,053,830	14,852,722	10,672,408	602,800	5,886,777	43,167,053	82,789,543	92,899,969
		2019	103,677,519	-7,643,685	37,149,169	-10,071,943	-7,643,685	135,869	2,341,085	34,808,084	66,528,350	60,486,835
7		2015	356,707,123	38,049,518	184,473,658	299,905,792	54,508,368	8,264,607	43,818,068	140,655,590	172,233,465	293,905,792
		2016	367,639,916	28,396,777	201,834,373	313,743,147	39.622,914	13,702,000	56,977,573	144,856,800	165,805,542	313,743,147

#	Company	Year										
	Nigerian Brew. Plc	2017	382,726,540	33,009,292	204,575,606	344,652,517	46,572,313	10,726,071	47,876,701	156,698,905	178,150,934	344,562,517
		2018	388,766,316	19,401,169	222,122,132	324,388,500	29,359,828	7,958,893	72,023,707	150,098,425	166,644,184	324,388,500
		2019	382,503,815	16,104,763	214,939,253	323,002,120	23,327,090	12,188,282	75,498,612	139,440,641	167,564,562	323,002,120
8	**Northern Nigeria Flour Mills Plc**	2015	2,423,711	-31,696,000	943,648	-215,431	-31,696,000	0	343,906	599,740	1,480,063	10,529,075
		2016	1,739,760	-60,988,000	488,823	-233,072	-60,988,000	0	113,546	375,277	1,250,937	979,038
		2017	4,337,444	-18,042,000	3,097,866	-1,403	-18,042,000	31,942	117,752	2,980,114	1,239,578	1,330,537
		2018	5,917,639	-197,241,000	4,743,377	-103,964	-197,241,000	479,621	1,369,065	3,374,312	1,174,262	2,861,752
		2019	4,992,912	-199,559,000	3,842,200	-41,498	-199,559,000	571,933	956,876	2,885,324	1,150,712	4,149,917
9	**Nestle Plc**	2015	119,215,053	23,736,77	81,207,979	29,322,477	23,736,77	4,868,571	21,476,122	59,731,857	38,007,074	151,271,526
		2016	169,585,932	7,924,968	138,707,857	21,548,408	7,924,968	20,864,243	17,674,423	121,033,434	30,878,075	181,910,977
		2017	146,804,128	33,723,730	101,925,951	46,828,682	33,723,730	15,109,062	22,245,456	79,680,495	44,878,177	244,151,411
		2018	162,334,422	43,008,026	112,113,936	59,750,846	43,008,026	2,606,774	19,996,435	92,117,501	50,220,486	266,274,621
		2019	193,374,314	45,683,113	147,816,685	71,123,824	45,683,113	2,267,094	22,281,255	125,535,430	45,557,630	284,035,255

Source: Extracted from Annual Reports and Accounts of Selected consumer goods companies from 2015 to 2019

Table 2.0

Year	Company	ROA	LQDTY	INTCOV	LEV	LTDLEV
2015	Cadbury Nigeria Plc	24.640	1.762	0.234	1.313	0.158
2015	Dangote Sugar Ref. Plc	8.426	2.648	1.473	0.607	0.048
2015	Four Mills Nig. Plc	97.455	1.717	0.006	1.396	0.081
2015	Guinness Nig. Plc	5.050	1.041	0.358	0.960	0.567
2015	PZ Cussons Nig. Plc	22.181	2.235	0.118	0.447	0.082
2015	Unilever Nig. Plc	6.827	0.585	-0.617	7.730	-0.934
2015	Nigerian Brew. Plc	4.527	2.071	1.002	0.483	0.000
2015	Northern Nig. Flour Mills Plc	-0.076	2.568	-0.001	0.638	0.142
2015	Nestle Plc	5.022	1.468	0.772	3.421	0.180
2016	Cadbury Nigeria Plc	-0.096	1.637	0.152	1.569	0.159
2016	Dangote Sugar Ref. Plc	12.367	1.738	1.685	1.354	0.039
2016	Four Mills Nig. Plc	22.377	1.753	0.045	1.327	0.079
2016	Guinness Nig. Plc	5.345	1.031	0.324	0.970	0.294
2016	PZ Cussons Nig. Plc	0.149	2.381	0.023	0.420	0.070
2016	Unilever Nig. Plc	3.805	-0.977	-2.418	-2.915	-0.623
2016	Nigerian Brew. Plc	5.839	1.899	1.070	0.527	0.103
2016	Northern Nig. Flour Mills Plc	-0.029	3.559	-0.001	0.391	0.065
2016	Nestle Plc	21.399	9.595	0.698	2.230	0.104
2017	Cadbury Nigeria Plc	0.095	1.704	0.200	1.420	0.146
2017	Dangote Sugar Refinery Plc	5.184	2.024	4.455	0.976	0.034
2017	Four Mills Nig. Plc	34.992	1.458	0.049	2.181	0.054
2017	Guinness Nig. Plc	-2.145	0.927	0.106	1.079	0.327
2017	PZ Cussons Nig. Plc	32.671	1.875	0.083	0.533	0.054
2017	Unilever Nig. Plc	10.189	1.425	-6.432	4.753	-0.112
2017	Nigerian Brew. Plc	5.397	2.307	1.167	0.433	0.045
2017	Northern Nig. Flour Mills Plc	-0.240	1.400	0.000	2.499	0.027
2017	Nestle Plc	4.353	1.224	1.043	3.556	0.152
2018	Cadbury Nigeria Plc	0.033	1.854	0.134	1.172	0.173
2018	Dangote Sugar Refinery Plc	6.911	2.502	3.121	0.666	0.038
2018	Four Mills Nig. Plc	34.938	1.885	0.092	1.130	0.096
2018	Guinness Nig. Plc	45.531	2.664	0.237	0.375	0.284
2018	PZ Cussons Nig. Plc	0.046	0.002	0.051	0.547	0.049
2018	Unilever Nig. Plc	7.846	1.424	4.231	3.915	-0.071
2018	Nigerian Brew. Plc	8.589	1.750	1.072	0.571	0.247
2018	Northern Nig.Flour Mills Plc	-0.030	1.248	-0.001	4.039	0.231
2018	Nestle Plc	3.775	1.448	1.190	2.607	0.123
2019	Cadbury Nigeria Plc	26.896	1.890	0.007	1.123	0.185
2019	Dangote Sugar Refinery Plc	8.576	2.475	2.827	0.678	0.041
2019	Four Mills Nig. Plc	17.896	1.793	0.130	1.261	0.117
2019	Guinness Nig. Plc	13.258	7.323	0.153	0.137	0.091
2019	PZ Cussons Nig. Plc	0.111	2.109	0.033	0.474	0.066
2019	Unilever Nig. Plc	-8.704	1.815	-5.014	-3.639	-0.035
2019	Nigerian Brew. Plc	10.405	1.577	1.041	0.634	0.232
2019	Northern Nig. Flour Mills Plc	-0.025	1.299	0.000	3.339	0.192
2019	Nestle Plc	4.233	1.308	1.561	3.236	0.115

Source: Computed from Annual Reports and Accounts Selected consumer goods companies from 2015 to 2019.

Table 3.0

s/n	Company	Year	ROA	LQDTY	INTCOV	LEV	LTDLEV
1	Cadbury Nig. Plc	2015	24.640	1.762	0.234	1.313	0.158
		2016	-0.096	1.637	0.152	1.569	0.159
		2017	0.095	1.704	0.200	1.420	0.146
		2018	0.033	1.854	0.134	1.172	0.173
		2019	26.896	1.890	0.007	1.123	0.185
2	Dangote Sugar Refinery Plc	2015	8.426	2.648	1.473	0.607	0.048
		2016	12.367	1.738	1.685	1.354	0.039
		2017	5.184	2.024	4.455	0.976	0.034
		2018	6.911	2.502	3.121	0.666	0.038
		2019	8.576	2.475	2.827	0.678	0.041
3	Flour Mills Nig. Plc	2015	97.455	1.717	0.006	1.396	0.081
		2016	22.377	1.753	0.045	1.327	0.079
		2017	34.992	1.458	0.049	2.181	0.054
		2018	34.938	1.885	0.092	1.130	0.096
		2019	17.896	1.793	0.130	1.261	0.117
4	Guinness Nig. Plc	2015	5.050	1.041	0.358	0.960	0.567
		2016	5.345	1.031	0.324	0.970	0.294
		2017	-2.145	0.927	0.106	1.079	0.327
		2018	45.531	2.664	0.237	0.375	0.284
		2019	13.258	7.323	0.153	0.137	0.091
5	PZ Cussons Nig. Plc	2015	22.181	2.235	0.118	0.447	0.082
		2016	0.149	2.381	0.023	0.420	0.070
		2017	32.671	1.875	0.083	0.533	0.054
		2018	0.046	0.002	0.051	0.547	0.049
		2019	0.111	2.109	0.033	0.474	0.066
6	Unilever Nig. Plc	2015	6.827	0.585	-0.617	7.730	-0.934
		2016	3.805	-0.977	-2.418	-2.915	-0.623
		2017	10.189	1.425	-6.432	4.753	-0.112
		2018	7.846	1.424	4.231	3.915	-0.071
		2019	-8.704	1.815	-5.014	-3.639	-0.035
7	Nigerian Brew. Plc	2015	4.527	2.071	1.002	0.483	0.000
		2016	5.839	1.899	1.070	0.527	0.103
		2017	5.397	2.307	1.167	0.433	0.045
		2018	8.589	1.750	1.072	0.571	0.247
		2019	10.405	1.577	1.041	0.634	0.232
8	Northern Nigeria Flour Mills Plc	2015	-0.076	2.568	-0.001	0.638	0.142
		2016	-0.029	3.559	-0.001	0.391	0.065
		2017	-0.240	1.400	0.000	2.499	0.027
		2018	-0.030	1.248	-0.001	4.039	0.231
		2019	-0.025	1.299	0.000	3.339	0.192
9	Nestle Plc	2015	5.022	1.468	0.772	3.421	0.180
		2016	21.399	9.595	0.698	2.230	0.104
		2017	4.353	1.224	1.043	3.556	0.152
		2018	3.775	1.448	1.190	2.607	0.123
		2019	4.233	1.308	1.561	3.236	0.115

Table 4.0

CONSUMER GDS FIRMS	NO. OF SHARES OUTSTANDING	MKT PRICE AS @ 31/02/19 (#)	CAPITALIZATION (B*C)
CADBURY	1,878,202,040	10.55	19,815,031,522.00
DANGOTE	12,000,000,000	13.6	163,200,000,000.00
FLOUR MILLS	4,100,379,606	19.7	80,777,478,238.20
GUINNESS	1,505,888,188	30.05	45,251,940,049.40
PZ CUSSONS	3,970,477,045	5.65	22,433,195,304.25
UNILEVER	5,745,005,417	22	126,390,119,174.00
NIG. BREWERIES	7,996,902,051	59	471,817,221,009.00
NASCON PLC	2,694,438,378	12.95	34,892,976,995.10
NOR. NIG FLOUR MILLS	178,200,000	4.3	766,260,000.00
VITAFOAM	1,250,844,064	4.4	5,503,713,881.60
NESTLE	792,656,252	1469.9	1,165,125,424,814.80
HONEYWELL FLOUR	7,930,197,658	0.99	7,850,895,681.42
CHAMPIONS BREWERIES	7,829,496,464	0.95	7,438,021,640.80
INTL. BREWERIES	8,595,861,936	9.5	81,660,688,392.00
MCHINCHOLS PLC	326,700,000	0.46	150,282,000.00
		TOTAL	2,233,073,248,702.57
		SAMPLED COMPANIES	1,969,186,550,937.65
		PERCENTAGE	88.18%