EFFECT OF CAPITAL STRUCTURE ON PERFORMANCE OF LISTED OIL AND GAS COMPANIES IN NIGERIA

BY

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A LONG ESSAY PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE MOUNTAIN TOP UNIVERSITY IBAFO, OGUN STATE IN PARTIAL FULFILMENT OF THE REEQUIREMENTS FOR THE AWARD OF THE BACHELORS DEGREE (B.sc Hons) IN ACCOUNTING

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# DECLARATION

I therefore state that the research I conducted is entirely original to me, has not been published before, and has not been submitted for a degree from this institution or any other.

**NEYE OLUWADOTUN PETER.** **DATE**

## CERTIFICATION

This is to certify that **NEYE OLUWADOTUN PETER**, a final year student of Mountain Top University, at the department of Accounting & Finance has carried out a research project on "EFFECT OF CAPITAL STRUCTURE ON PERFORMANCE OF LISTED OIL AND GAS COMPANIES IN NIGERIA" under the supervision of Dr. J.O. Omokehinde.

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| **DR. J.O. OMOKEHINDE** | **DATE** |
| **(Project Supervisor)** | |

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| **DR. J.O. OMOKEHINDE** | **DATE** |
| **(Head of Department)** | |

# DEDICATION

This research work is dedicated to the Almighty God for his help and guidance throughout my journey in Mountain Top University. Also, my parents, my able supervisor and Head of Department, other departmental and non-departmental members and staff, my friends and innumerable and immense support and encouragement.

# ACKNOWLEDGEMENTS

I am most grateful to the Almighty God for his help and guidance throughout this research work and for making it possible for me to successfully complete this project.

I want to use this opportunity to specially thank my supervisor, the Head of Department, Dr. J.O. Omokehinde for his immense support and guidance, it was a privilege to be supervised by him. I also want to thank all other academic and non-academic staffs within and outside the department in the likes of Mrs. Abimbola Joshua, Dr. Pius Onichabor, Dr. Akinwunmi Taleatu, Dr. Samson Idowu, Mr. Israel Anthony for their individual efforts and words of encouragement.

My profound appreciation goes to my parents and all those who helped me in their various capacity in order to make this research work a success.

May the good Lord bless and keep them all in Jesus' mighty name. Amen.

# ABSTRACT

This study seeks to understand how capital structure affects quoted Nigerian oil and gas firms' performances. Eight oil and gas corporations quoted on the Nigerian Exchange (NGX) were chosen for this study using a population sample approach based on yearly reports spanning thirteen years (2009 to 2021). Long-term debt to total debt ratio (LTD), short-term debt to total debt ratio (STD), total debt to equity ratio (TDE), and rate of interest coverage (INC) are the independent variables considered in this study. Performance is measured using the dependent variable return on asset (ROA). In this study, the data is analyzed using multiple regression and descriptive statistics. According to this study, oil and gas companies' capital structures significantly depend on debt financing. According to the regression results, there is a positive but non-significant association between short-term debt to total debt ratio and ROA (r = 0.064). Long term debt to total debt ratio shows a negative but non-significant link with ROA, the total debt to equity ratio indicated a positive but non-significant influence on ROA. Finally, the interest coverage ratio has a positive but non-significant influence on ROA (r = 0.135). The study's findings recommend adding more factors to the model when assessing how capital structure affects company performance. Future studies are advised to investigate the effect of capital structure on company performance utilizing sectors not included and more research variables.



**Keywords:** Capital Structure, Long term debt to total debt, Short term debt to total debt, Total debt to equity, Interest coverage ratio, Performance, ROA

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