Capital Structure and Financial Performance of Selected Quoted Firms in Nigeria

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*Abstract:-*This study examines the impact of Capital structure on Financial performance of selected quoted firms in Nigeria. The population of the study consists of ten (10) firms quoted on the Nigerian Stock Exchange as at 31st December 2018 out of which ten (10) firms were selected as samples for a period of seven (7) years from 2012 to 2018 based on purposeful sampling technique. The study uses multiple regressions as a tool for analysis. The study reveals that short term debt, long term debt and Debt equity showed a positive significant impact on Financial performance of selected quoted firms in Nigeria. The study concludes that Short term, long term debt and Debt equity influences Financial performance of selected quoted firms in Nigeria and therefore recommends that Security and Exchange Commission should encourage selected quoted firms to go for short term debt and long term debt as it improves financial performance.

Keywords: Capital structure, financial performance, short term debt, long term debt, firm size.

I. INTRODUCTION

Capital structure has to do with the way a firm finances its overall operations and growth by using different sources of funds. It is seen as the mix of long-term debt, short-term debt, common equity, preferred equity. In the analysis of capital structure, the firm's proportion of short- and long-term debt is required. A firm's debt-to-equity (D/E) ratio provides insight into how risky a firm is. Usually, a company that is heavily financed by debt has a more aggressive capital structure and therefore poses risk to investors. This risk, however, may be the primary source of the firm's growth.

Capital structure choice is an important decision for a firm. It is important not only from a return maximization point of view, but also this decision has a great impact on a firm's ability to successfully operate in a competitive environment. The ability of companies to carry out their stakeholders' needs is tightly related to capital structure. Therefore, this derivation is an important fact that we cannot omit. Capital structure in financial term means the way a firm finances their assets through the combination of equity, debt, or hybrid securities (Arulvel & Ajanthan 2013).

The quest for firms to expand their activities, maximize their shareholders' wealth and compete effectively in the industry where they operate cannot be over-emphasized. It is an undeniable fact that the going concern and the performance of a firm hinge on some important factors such as qualified management board, pragmatic strategies, availability of finance, among others. Therefore, for firms to achieve their goals and objectives, taking into cognizance their limited resources, they necessarily need to strategize on how to finance their activities. (Akingunola, Olawale & Olaniyan (2017).

The relationship between short term debt and financial performance of a firm is seen from the area of providing working capital to run the normal day to day activities of the business like paying employees' salaries and suppliers of raw materials e.tc. In general, the higher a company's working capital, the better. High working capital is considered a sign of a well-managed company with the potential for growth. However, some very large companies actually have negative working capital. This means their short-term debts outweigh their liquid assets. Long term debt increases the flexibility of an investor's limited capital by allowing for its distribution over multiple investments and minimizing the immediate impact on operative cash flow. These multiple investments result to production of profit from different investment which makes the firm grow and not remaining stagnant. Lastly, In general, a high debt-to-equity ratio indicates that a company may not be able to generate enough cash to satisfy its debt obligations. However, a low debt-to-equity ratio may also indicate that a company is not taking advantage of the increased profits that financial leverage may bring.

Various studies have been conducted on capital structure and financial performance like Birru (2016), Arulvel and Ajanthan (2013), Ajibola, Wisdom and Qudus (2015), Gharaibeh (2015), Pintol, Hawaldar, Quadrasand Joseph (2018), Rao and Suryanarayana (2018), Adesina, Nwidobie and Oluwatosin (2015) which are African and foreign base and have provided mixed and inconclusive findings due to the data collected, methodology used and the industry used and to the best of our knowledge, we have not seen a study that took into consideration the selected quoted firms from food and beverage and agricultural industries. To this end, this study attempt to fill the gap by examining the impact of capital structure on Financial performance of selected quoted firms in Nigeria. The main objective of the study is to examine the impact of capital structure on Financial performance of quoted selected firms in Nigeria. Specific objectives are; to determine the extent to which short term debt impact on financial performance of quoted selected firms in Nigeria, to determine

the extent to which Long term debt impact on Financial performance of quoted selected firms in Nigeria, to determine the extent to which debt equity impact on Financial performance of quoted selected firms in Nigeria. In line with the specific objectives, only three hypotheses are formulated which are: H_{O1} Short term debt has no significant impact on Financial performance of quoted selected firms in Nigeria. H_{O2} Long term debt has no significant impact on Financial performance of quoted selected firms in Nigeria. H_{O3} Debt equity has no significant impact on Financial performance of quoted selected firms in Nigeria.

II. LITERATURE REVIEW

Birru (2016) examined the impact of capital structure on Financial performance of commercial banks in Ethiopia over the past five (5) years period from 2011 to 2015 using secondary data of financial statements of the commercial banks. Data analysis was based on Quantitative approach using multiple regression models. The study used two accounting-based measures of financial performance (i.e. return on equity (ROE) and return on assets (ROA)) as Dependent variable and five capital structure measures (including debt ratio, debt to equity ratio, loan to deposit, bank's size and asset tangibility) as Independent variable. Results of the study indicated that financial performance measured by both ROA and ROE was significantly and negatively correlated with capital structure proxies such as DER, SIZE and TANG whereas DR had negative impact. Arulvel and Ajanthan (2013) investigated Capital structure and Financial performance of listed trading companies in Sri Lanka listed in CSE (Colombo Stock Exchange) from 2007 to 2011. The results showed that Debt ratio was negatively correlated with all financial performance measured by Gross Profit (GP); Net Profit (NP); Return on Equity (ROE) and Earnings Per Share (EPS) similarly debt-equity ratio (D/E) is negatively correlated with all financial performance measures except GP and only (D/E) ratio shows significant relationship with NP. R2 (Regression) value of financial performance ratios indicate that 36.6%; 91.6%; 36% and11.2% to the observed variability in financial performance is explained by the debt/equity and debt ratios. Ajibola, Wisdom and Qudus (2015) examined the impact of capital structure on financial performance of quoted manufacturing firms in Nigeria over the period 2005-2014. They adopted was Panel methodology. The findings of the panel ordinary least square showed a positive statistically significant relationship exist between long term debt ratio(LTD), total debt ratio (TD) and return on equity (ROE) while a positive statistically insignificant relationship between ROE (return on equity) and STD (Short term debt ratio). The study also showed a negative insignificant relationship between all the proxies of capital structure (LTD, STD and TD) and ROA which made ROE a better measure of performance. The study concluded that capital structure has a positive impact on financial performance and companies should employ more of long term debts and recommended that every firm should make good

capital structures decision to earn profit and carry on their business successfully. Gharaibeh (2015) investigated the effect of capital structure on the financial performance of the 17 non-financial companies listed in the Bahrain Bourse for 5 years data from 2009 to 2013. Key macroeconomic variables gross domestic product growth and inflation rate were employed for the study. Multiple regressions represented by ordinary least squares (OLS) were used to examined the effect of the independent variables (capital structure, inflation rate and GDP growth) on the financial performance measures used (ROA, ROE, EPS, and Dividend Yield).The results of the study showed that capital structure, represented by total liability to total assets, has a significantly positive impact on the performance of the firm represented by ROE, but not by ROA, EPS, and DIYILD. The results also indicated that lagged performance measures of ROA, ROE, EPS, and DYIELD have a significantly positive influence on the current year's performance measures of the firm. Furthermore, the results indicated that gross domestic product growth (GDPG) has a significantly negative relationship with financial performance measured by EPS, but not those measured by ROA, ROE and DYIELD.

Pinto[1], Hawaldar, Quadras and Joseph (2018) analyzed the influence of capital structure on the financial performance of banks in India for five years from 2011 to 2015 and 21 banks are selected for the study. Debt to total assets ratio and debt to equity ratios were employed to measure capital structure while return on capital employed (ROCE), net profit ratio (NP) and net interest margin (NIM) were used to measure financial performance. Regression analysis was used to test the impact of capital structure on profitability considering capital structure as an independent variable and profitability as the dependent variable. The results of the study indicated that the capital structure has a significant impact on the financial performance of the banks in India.

Rao and Suryanarayana (2018) studied the relationship and impact of capital structure on firms' financial performance of companies listed and represent in SENSEX index of BSE. The sample Companies were selected based on judgmental sampling. The SPSS using descriptive and inferential statistics was used to process collected data for the study. The results of the study showed a significant relationship between debt equity ratio, short-term debt to total assets and total debt on return on equity. Adesina, Nwidobie and Oluwatosin (2015) examined the impact of post-consolidation capital structure on the financial performance of Nigerian quoted banks. The study used profit before tax as a dependent variable and two capital structure variables (equity and debt) as independent variables. The sample for the study consists of ten (10) Nigerian banks quoted on the Nigerian Stock exchange (NSE) and period of eight (8) years from 2005 to 2012. The required data and information for the study were gathered from published annual reports. Ordinary least square regression analysis of secondary data shows that capital structure has a significant positive relationship with the financial

performance of Nigeria quoted banks. This suggests that the management of quoted banks in Nigeria consistently use debt and equity capital in financing to improve earnings. Patrick, Joseph and Kemi (2013) investigated the impact of capital structure on firm performance in Nigeria from 2000 to 2010. Macroeconomic variables (gross domestic product and inflation) were used to measure capital structure. Comparative analysis of the selected firms were classified into highly and lowly geared firms setting a leverage threshold of above 10% as being highly geared. A static panel analysis was used for the study. Using fixed effect regression estimation model, a relationship was established between performance (proxied by return on investment) and leverage of the firms over a period of ten years. The results provide strong evidence in support of the traditional theory of capital structure which asserted that leverage is a significant determinant of firms' performance. A significant negative relationship was established between leverage and performance. The study recommended that firms should use more of equity than debt in financing their business activities, this is because in spite of the fact that the value of a business can be enhanced with debt capital, it gets to a point that it becomes detrimental.

Ruri and Omagwa (2018) examined the relationship between capital structure and financial performance of small and medium enterprises in Embu County, Kenya. The study adopted descriptive design. The target population was 95 SMEs and used stratified random sampling technique a sample of 29 respondents. Descriptive analysis and multiple regression analysis were used in data analysis. Data was presented in tables graph and pie charts. Preliminary diagnostic tests was conducted before running the regression analysis. The study revealed that Equity capital and Debt capital has a significant effect on financial performance of the SMEs studied due to a p-value of 0.021 and 0.020 respectively with the significance level being 0.05. However, retained earnings were found not to have a significant effect on financial performance of the SMEs studied since the p-value was 0.797. Among the three variables Equity capital had greatest proportion in terms of contribution towards capital structure due to its advantage to the firm. Debt capital was found to be more risky than others while retained earnings proved difficult to raise and maintain. The study therefore concludes that generally, capital structure has a collective significant effect on financial performance of SMEs in Embu County.

Singh and Amar (2018) investigated the relationship between capital structure and firm's financial performance for 5 years from 2011 to 2016 of Taiwan exchange listed companies. The data was analyzed by using descriptive statistics, correlation analysis to find out the association between the variables and t-statistics to test the hypothesis. The findings at overall market as well as sector levels were unspectacular but remarkably consistent. Capital structure and various financial parameters exhibit correlation coefficients that were mixed in signs with relatively weak correlation strength. Vătavu (2015) examined relationship between capital structure and financial

performance of 196 Romanian companies listed on the Bucharest Stock Exchange and operating in the manufacturing sector, over a period of eight-years (2003-2010). The analysis was based on cross sectional regressions. The capital structure indicators were long-term debt, short-term debt; total debt and total equity, while return on assets and return on equity were the performance proxies. Results indicated that performance in Romanian companies is higher when they avoid debt and operate based on equity. However, it seems that manufacturing companies do not have sufficient internal funding to undertake profitable investments and do not use their assets effectively. During times of increased taxes and inflation profitable companies divest part of their assets reducing their costs. There is an indication of risk-taking behavior across manufacturing companies. Salim and Yadav (2012) investigated the relationship between capital structure and firm performance using panel data procedure for a sample of 237 Malaysian listed companies on the Bursa Malaysia Stock exchange for the period 1995-2011. The study used four performance measures including return on equity, return on asset, Tobin s Q and earning per share as dependent variable. The five capital structure measures included long term debt, short term debt, total debt ratios and growth as independent variable. Size is a control variable. The data were divided into six sectors which are construction, consumer product, industrial product, plantation, property, trading and service. The results showed that firm performance measured by return on asset (ROA), Return on Equity(ROE) and earning per share (EPS) had a negative relationship with short term debt (STD) ,long term debt (LTD),total debt (TD), as independent variable. Also, there was a positive relationship between the growth and performance for all the sectors. Tobin s Q reported that there was a significantly positive relationship between short term debt (STD) and long term debt (LTD). It also reports that total debt (TD) has significant negative relationship with the performance of the firm. Akingunola, Olawale and Olaniyan (2017)investigated the effect of capital structure decisions on firm performance of 22 listed Non-financial firms on the Nigerian Stock Exchange for a period of five years (2011 – 2015). The study examined the impact of STDTA, LTDTA, and TDTE (being the explanatory variables) on ROA and ROE, which represented the dependent variable while controlling for size, tangibility and Growth. The panel dataset were analysed using pooled, fixed effect and random effect models while Hausman's test were used to select the appropriate model. On the ROA model (panel A), the ratio of short term debt to total asset (STDTA) and total debt to total equity (TD/TE) have significant negative effect on performance. The ROE model (panel B) revealed that short-term debt to total asset (STDTA) and long-term debt to total asset (LTDTA) have significant positive effect on ROE while total debt to total equity (TD/TE) has significant negative effect. Firm size has significant positive effect in both models (ROA and ROE). Ghi (2015) opined the impact of capital structure and financial performance on stock returns of 175 firms in HOSE between 2010 and 2013.OLS (Ordinary Least Squares) was used to estimate the levels of

impact between the independent variables of capital structure (D/E) and financial performance, and the dependent variables of stock returns. The results showed that there is an existence of the relationship between stock returns and financial performance as well as capital structure. Capital structure changes and financial performance have an influence on stock returns of the firms in HOSE. Capital structure (D/E) had a negative impact on stock returns. Financial performance (ROE, EPS) had a positive impact on stock returns while time interest earned (TIE) and cash flow ratios (CFR) were not any significant. Nassar (2017) examined the impact of capital structure on the financial firm performance of industrial companies in Turkey of 136 industrial companies listed on I s tanbul Stock Exchange (ISE) for a period of 8 years from 2005-20012. A multivariate regression analysis was used to test the relationship between capital structure and firm performance. Firm performance indicators were Return on Asset (ROA), Return on Equity (ROE) and Earning per Share (EPS) while Debt Ratio (DR) was a variable used to measure capital structure. The results of the study showed that there was a negative significant relationship between capital structure and firm performance. Dai (2017) studied the relationship between capital structure and banks' performance in Thailand. They utilized the quarterly data set containing firm specific characteristics and profitability from 1997 to 2016. Random effect model and robustness check was employed to tackle the endogeneity problem. The result of the study showed that capital structure was significant and negatively correlated with profitability which implies that pecking order theory is valid in data set used. Moreover, credit risk and liquidity risk significantly decrease the financial performance.

Theoretical Frame work of Capital structure and firm performance

There are many capital structure theories but only three capital structure theories namely; the Value-Irrelevance theory, the Traditional trade-off theory and the pecking-order theory are reviewed for the purpose of this study.

Value-Irrelevance Theory

The first theory of capital structure was Modigliani-Miller (MM) proposition. The theory stated that firm value is irrelevant to capital structure or financing decision. They supposed that value of a firm is discounted free cash flow till present with related rate of return. "Free cash flow is cash flow in excess of that required to fund all projects that have positive Net Present Values when discounted at the relevant cost of capital". However, the theory was proposed under the ideal capital market conditions. The following assumptions were laid down by them, which are hardly true in real world: Capital markets are ideal with no transaction and bankruptcy costs, There are not different risk classes for firms, Only one kind of tax matters is the corporate tax payable to the government, All cash flows are perpetuities and no growth factor in cash flow is assumed, Insiders and outsiders have no information asymmetry, There is no moral hazard on manager's part and they work for shareholder's Wealth maximization, Firms issue solely two varieties of claims: equity with risk and debt without risk. (Boregowda & Mostafa 2014).

The Traditional Trade-off Theory

Tax shield was recognized as a determinant of the capital structure incorporated in the MM proposition by Modigliani and Miller themselves. Later, it was recognized that benefits of the tax shield are offset to a great extent by the costs of financial distress. However, the tax shield is an observable factor but the costs of financial distress are not. So, to be on the safer side, firms maintain a safety of margin before taking advantage of the tax shield. Hence, benefit from tax shields are offset by costs of financial distress. Trade-off theory suggested the modified MM proposition.

V (firm) = V + PV (interest tax shields) – PV (costs of financial distress)

Where, V is the value of firm with entire equity

Theory of Trade-off explains why firms follow a moderate and cautious approach to debt issues, despite benefits of tax shields. There are some testable implications of this model like firms with high risk, firms with abnormally valorous growth opportunities and firms with intangible assets will issue less debt as these have high costs of financial distress. Firms with assets which have secondary market may issue more debt. Firms with more tax advantage may issue more debt. Mackie- Mason shows tax-paying firms favor debt. Long- term debt is significantly dependent on firm's efficient marginal tax. The Traditional Trade-off Theory proposes that all firms have an optimal leverage (debt ratio). This optimal debt ratio is a point where advantages of tax shield gets offset by costs of financial distress. This often leads to 'target adjusted' mean reverting behavior in debt ratios in time. It is important to note that this target is not discoverable but it may be computed from firm's variables such as debt-to-equity, firm's size, growth options and non-debt tax shields .(Boregowda & Mostafa 2014).

The Pecking-Order Theory

The Pecking-Order theory assumes perfect market like Modigliani and Miller. Managers will not issue new undervalued shares, if they are acting in favor of shareholders. In equilibrium a firm issues new stock only at a market down price. Managers will issue new equity shares with the hope of getting offset by NPV of growth opportunity or new investment opportunity. This leads to drop in share price. Hence, this is a bad news for assets in place. The issue becomes worse as the information asymmetry increases. For investing, firms with more growth opportunity are better than matured firms, because the price falling down is affected by growth opportunity value versus assets in place. Debt has the prior claim over equity and debt issuers are less exposed to information asymmetry.(Boregowda & Mostafa 2014).

III. METHODOLOGY

This research adopted correlation research design and was considered adequate and appropriate for this study because it describes the statistical relationship between independent variables of the study (short term debt, long term debt and debt-equity) and the dependent variable (Return on Equity). The population consists of selected firms namely Ellah Lakes Plc, FTN Cocoa Processing Plc, Livestock Feeds plc, Okomu Oil Palm Plc, Presco Plc, Nestle Nigeria Plc, Unilever Nigeria Plc, Cadbury Nigeria Plc, Seven Up Nigeria Plc quoted on the Nigerian Stock Exchange as at 31st December 2018 and covered a period of Seven (7) years (2012-2018). Purposeful sampling technique was employed to select the sample. The sample selected are: Ellah Lakes Plc, FTN Cocoa Processing Plc, Livestock Feeds plc, Okomu Oil Palm Plc, Presco Plc, Nestle Nigeria Plc, Unilever Nigeria Plc, Cadbury Nigeria Plc, Seven Up Nigeria Plc In line with the list, the sample size are all the ten (10) selected quoted firms on the Nigerian stock exchange.

The study employed panel data using Statistical Package For Social Sciences (SPSS 25) and Ordinary Least Square (OLS) method adopted in this study is a parametric statistical test that is based on a number of assumptions, the violation of which could affect the reliability of the results. The Pearson correlation and t-test statistics were used for inferential analysis. One of the most commonly encountered problems addressed in this study relate to normal distribution of the variables and to test for normality, descriptive statistics was employed.

Model Specification

The model that was used to test the hypotheses formulated for this study are presented below. The Null Hypotheses are tested considering the results for the P-values at 1%, 5% and 10% level of significance. The first model is the functional model from which the second model Ordinary Least Square (OLS) was derived that is financial performance model.

$$ROE = f(\beta_1 STD + \beta_2 LTD + \beta_3 DE + \beta_4 FSIZE)$$

$$ROE = \alpha + \beta_1 STD + \beta_2 LTD + \beta_3 DE + \beta_4 FSIZE + \epsilon_i$$

Where

α= the intercept

ROE = Return on Equity measured by profit after tax divided by equity in book value

STD = the ratio of short term debt to total asset

LTD = the ratio of long term debt to total asset

DE= the ratio of total debt to total equity.

FSIZE = Firm Size measured as natural log of total assets

ϵ_i= error term

Firm size is a control variable.

IV. DATA PRESENTATION

This part presents the results of the descriptive statistics and regression results on the impact of capital structure on Financial performance of selected quoted firms in Nigeria. Three explanatory variables and one control variable were employed for the purpose of explaining and predicting the impact of capital structure on Financial performance of selected quoted firms in Nigeria.

Test of Normality

The normality tests are supplementary to the graphical assessment of normality. For this study, Z Skewness and Z kurtosis are used to test for normality of the three (3) independent variable; namely short term debt, long term debt and debt equity. The Z skewness was computed as skewness divided by Standard error of skewness and the Z kurtosis was computed as kurtosis divided by Standard error of kurtosis.

Table 4.1.1 shows Z Skewness and Z kurtosis.

TABLE 1 DESCRIPTIVE STATISTICS TABLE FOR THE VARIABLES

Variables	Skewness	Standard Error	Z Skewness	Kurtosis	Standard Error	Z Kurtosis
STD	1.186	0.285	4.161	1.361	0.566	2.404
LTD	-0.732	0.287	2.550	0.237	0.566	0.418
DE	2.794	0.287	9.735	9.469	0.566	16.726

This table shows the normality test for short term debt, long term debt and debt equity.

In small samples like that of this study which the number of observations is 70, values of Z skewness and Z kurtosis greater or lesser than 3.29 are sufficient to establish normality of the data. The result of Skewness for Short term debt, Long term debt and Debt equity are 1.186, 0.732 and 2.794 respectively and the Z skewness of Short term debt, Long term debt and Debt equity are 4.161, 2.550 and 9.735 respectively which are greater than 3.29 shows that the data is normal which indicates that the data for Short term debt, Long term debt and Debt equity relates linearly to the dependent variable (Return on Equity). The results of the Z Kurtosis for Short term debt and Debt equity are 2.404 and 16.726 respectively are greater than 3.29 and therefore are normal which indicates that the data for Short term debt and Debt equity relates linearly to the dependent variable (Return on Equity). On the other hand, long term debt Z kurtosis is 0.418 which is lesser than 3.29 which indicates that the data for Long

term debt relates linearly to the dependent variable (Return on Equity).Ghasemi and Zahediasl (2012).

TABLE 2   CAPITAL STRUCTURE IMPACT ON FIRM PERFORMANCE

Variable	Coefficient	T – value	P – value
Constant	0.242	1.227	0.224
STD	0.056	4.767	0.000
LTD	0.004	15.409	0.000
DE	0.024	2.988	0.004
FSIZE	0.031	0.578	0.565
R	0.933		
R^2	0.871		
Adj R^2	0.863		
F stat	109.777		
F-Sig	0.000		
DW	1.733		

Source: Author's computation using SPSS 25

The estimated equation of the study is presented as follows:

$$ROE = 0.242 + 0.056 \ (STD) + 0.023 \ (LTD) + 0.04 \ (DE) + 0.31 \ (FSIZE)$$

The financial performance of firms measured by Return on Equity would be equal to 0.242 when all other variables are held to zero. A one unit change of Short term debt all other variables remain constant, would increase Short term debt by 0.056.A one unit change of Long term term debt all other variables remain constant, would increase Long term debt by 0.023. A one unit change of Debt equity all other variables remain constant, would increase Debt equity by 0.004.The regression result of the study shows that the beta coefficient in respect of Short term debt is (0.056) and the t-value is (4.767) and it is significant at 1%. This means that, Short term debt has a positive significant impact on the financial performance of selected quoted firms in Nigeria. This provides an evidence of rejecting the hypothesis one stating that Short term debt has no significant impact on the financial performance of selected quoted firms in Nigeria. The regression result of the study shows that the beta coefficient in respect of Long term debt is (0.023) and the t-value is (15.409) and it is significant at 1%. This means that, long term debt has a positive significant impact on the financial performance of selected quoted firms in Nigeria. This provides an evidence of rejecting the hypothesis two stating that Long term debt has no significant impact on the financial performance of selected quoted firms in Nigeria. The regression result of the study shows that the beta coefficient in respect of debt equity is (0.004) and the t-value is (2.988) and it is significant at 5%. This means that, debt equity has a positive significant impact on the financial performance of selected quoted firms in Nigeria. This provides an evidence of rejecting the hypothesis three stating that Debt equity has no significant impact on financial performance of selected quoted

firms in Nigeria. The overall impact of the Capital structure is able to explain the dependent variable up to (93%). This shows a strong positive relationship as indicated by the R value and the remaining (7%) are controlled by other factors. Similarly, the result of the F- statistic shows the overall fitness of the model. The F- statistic has a value of (109.777) and is significant at 1% which implies that the overall model is fit because it is significant at all levels of significant. Durbin Watson of (1.733) shows that there is no problem of autocorrelation in the data set (Gujarati, 2004).

4.3 Findings of The Study

Based on the above data analysis and presentation, we discovered that Short term debt has a strong positive significant impact on financial performance of selected quoted firms in Nigeria which indicates that the more short term debts acquired by those selected firms, the more working capital available for them to run the day to day activities of their business.

Secondly, Long term debt has a strong positive significant impact on the financial performance of selected quoted firms in Nigeria which reveals that the acquisition of long term debt provides huge funds for expansion of their business and in turn improve profitability of the selected firms.

Thirdly, Debt equity has a strong positive significant impact on the financial performance of selected quoted firm which shows that those firms have a good mix of debt and equity.

V. CONCLUSIONS

This study examined the impact of Capital structure on Financial performance of selected quoted firms in Nigeria. This study has contributed to Accounting literature. Firstly, Short term debt has a positive significant impact on financial performance of selected quoted firms which means that the more short term debt acquired by those selected firms, the better the Financial performance of the firms.

Secondly, Long term debt has a positive significant impact on Financial performance of firms in selected quoted firmsin Nigeria which revealed that the more long term debt in those selected quoted firms, the better the Financial performance of the firms which may lead to business expansion.

Thirdly, Debt equity has a positive significant impact on Financial performance of selected quoted firms which shows that the Debt equity enhances the financial performance of the selected firms in Nigeria. Based on the above, the study concludes that capital structure improves Financial performance of quoted selected firms in Nigeria.

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