

EFFECT OF FINANCING MIX ON CORPORATE PROFITABILITY OF SELECTED BREWERY AND BEVERAGE INDUSTRY IN NIGERIA

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Abstract

The study examined the effect of financing mix on corporate profitability of selected firms in the brewery and beverage industry in Nigeria. The study has four specific objectives to achieve, four research questions that guided the study and four hypotheses were formulated. The study used ex-post factor research design. Ten (10) firms were selected from the Nigeria Stock Exchange (NSE). The data used were secondary data and were drawn from 2008 to 2017. The secondary data collected were analysed using descriptive statistics, correlation and regression analysis. The data used in this study were sourced from the firm's annual report and Nigerian Stock Exchange fact book. This study applied ex post facto research design. The data collected were analysed using Ordinary Least Square Method. The results show that only total debt to total asset and total debt to equity has significant impact on corporate profitability of selected firms in the brewery and beverage industry in Nigeria. Equity to total asset and Long-term debt to total asset has insignificant impact on corporate profitability of selected firms in the brewery and beverage industry in Nigeria. The study, therefore among others recommends that the Nigerian firms should develop a good strategy at using mix of debt and equity to maximize their market performance in such a way that it yields opportunities. Company should establish caution with the aid of professional financial managers, on debt-equity mix that maximizes its value and minimizes its weighted average cost of capital.

Key words: *financing mix, company performance, brewery and beverage industry.*

Introduction

Capital and its formation had been an issue of debate in the extant literature, but the fact remains that no businesses exist without capital. It could be in form of share capital, such that the shareholders or the general public would subscribe to. Eriki, Idolor and Eghosa (2012) discloses that the carefulness behind the ideas of financing, investing, dividend and liquidity decision reveal that they (companies) are all crucial to the optimization of corporate returns and as such, underscores the importance of financial management to the success of business organizations. That made Gurnam (2012) to stress that whenever funds has to be procured, the financial manager should weigh the advantages and disadvantages of the various sources of finance and selects the most advantageous sources keeping in view the targeted capital structure. That is, because no firm operates with the intentions to make lose, thereby making the decision regarding debt - equity mix in the capital structure of a firm of critical importance and has to be approached with a great care.

The proportionate mix of equity and debt in financing a firm's investment proposals has been the subject of intensive theoretical modelling and empirical examination over the years having its tenet in the implication of such a mix on corporate performance. The mix has been defined in terms of capital structure in the literature (Grinblatt and Titman, 2003; Pandey, 2008). On one hand is the idea of categorizing capital structure in terms of the combination of the short- term and long- term funds available to the business (Horne, 2002). On the other hand, capital structure is seen as the mix of debt and equity. The capital structure decision reflects judgment and the assessment of a highly uncertain future management degree of risk aversion and may affect the firm's financial policy. Thus, the change in capital structure that is caused by an increase or decrease in the ratio of debt to equity is referred to as financial

leverage. When a firm includes debt as a proportion of funds employed to finance its project, financial leverage is brought into being. Among the various findings, there is need to substantiate the existing findings on what is the effect of the introduction of fixed- interest- bearing funds (debts) on the return to the firm's shareholders. This point forms the basis of this study and the focus will be to fill the existing gap due to the inconclusive nature of the argument on the impact of leverage on corporate performance of the firm and hence contribute to the existing gap using Nigeria environmental data.

Statement of the Problem

The rate of collapse, financial distress and organizational disorder in the world economy is becoming alarming and worrisome, that within a brief period, a vast number of banks failed in Nigeria, and their licenses revoked by the central bank of Nigeria (Obachie 2015). The difficulty facing firms in Nigeria has to do more with the financing – whether to raise debt or equity capital. The discussion of finance is so important that it has been identified as an important reason for business failure, in the first place. In Nigeria, there is no conclusive empirical evidence on the level of effect of capital structure on corporate financial performance (Gabriel & Nneji 2015). This creates a problem as it has been established that utilizing the appropriate capital structure will enhance firms' operational efficiency. Therefore, the fact that Nigerian firms should strive to meet up their optimum debt-equity mix cannot be over emphasized. This is actually a problem of its own taking into account the economic conditions and environments the Nigerian firms are operating on. Also, if the choice of debt-equity mix is not critically looked into by management, using a wrong mix can easily lead the banks to insolvency and liquidity problems.

Empirical studies on the relationship between firms' performance and financing-mix (capital structure) have produced mixed results. Abor (2007) reports a positive relation between capital structure and performance over the period 1998-2002 in the Ghanaian firms. Masulis (1983), Jordan et al (1998), Simerly and Li (2000), Frank and Goyal (2003), and Deping et al (2011) showed that there is positive correlation between firm performance and capital structure, which reflects the basic theory of capital structure. Chakraborty (2010) employed two performance measures, including ratio of profit before interest, tax and depreciation to total assets and ratio of cash flows to total assets and two leverage measures, including ratio of total borrowing to assets and ratio of liability and equity, and reported a negative relation between these ones. Therefore, this study aims to determine the relationship between financing-mix (capital structure) variables and corporate performances of quoted firms in Nigeria.

Objectives of the Study

The main objective of this study is to examine the effect of financing mix on corporate profitability of selected firms in the brewery and beverage industry in Nigeria, while the specific objectives of the study are to:

1. Examine the effect of equity to total asset on corporate profitability.
2. Determine the effect of total debt to total asset on corporate profitability.
3. Ascertain the effect of long-term debt to total asset on the corporate profitability.
4. Investigate the effect of total debt to equity on the corporate profitability.

Research Questions

The study find answers to the following research questions.

1. How does equity to total asset affect corporate profitability of selected firms in the brewery and beverage industry in Nigeria?

2. To what extent does total debt to total asset have effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria?
3. How does long-term debt to total asset affect the corporate profitability of selected firms in the brewery and beverage industry in Nigeria?
4. To what extent does total debt to equity have effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria?

Research Hypotheses

The following hypothesis have been formulated and stated in null form:

1. Equity to total asset has no significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.
2. Total debt to total asset has no significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.
3. Long-term debt to total asset has no significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.
4. Total debt to equity has no significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.

Review of Related Literature

Conceptual Framework

Financing mix

Financial mix is a term used in the corporate world to define a mix of equity to debt in a firm. In other words, this term is used to describe the formula that defines how much capital is being raised by debt and how much is being raised by equity. It is the mix of debt and equity financing for an organization. It means the ratio of debt and equity in the finance of an organization. It may be debt free and full equity financing and vice versa. There are many that believe this particular mix can have an impact on increasing or decreasing the value of the firm. Financing mix is the combination of debt and equity capital by a firm on the course of funding its corporate financing. Adesina, Nwidobie & Adesina (2015) is of the view that any firm that fails to plan its capital structure may have difficulties in raising funds to finance its operations in the near future and may not be able to economize its use of funds. Financing mix proxies were considered as one of the bedrock upon which firms rely in achieving its financial performance. If these variables are not giving much attention, it could impede firms' performance.

Equity to total asset ratio

The "equity to fixed asset" ratio shows analysts the relative exposure of shareholders and debt holders to the fixed assets of the company. Thus, if the "equity to fixed asset" ratio is 0.8, this means that shareholders have financed 80% of the fixed assets of the company. The remaining 20% as well as current assets and investments have all been financed by debt holders (Nnubia, 2017). According to him, this ratio provides a measurement of the total creditor demands on the company's operating results on capital as well as changes created by growth or decline. There is an implicit assumption that the number of shares outstanding has remained unchanged. This is because the ratio measures the total amount of equity. The total amount of equity can be increased by issuing shares at lower prices to the public or to the promoters.

However, this may not be a desirable scenario since more shares means a loss to individual shareholders (Nnubia, 2017).

Total debt to total asset ratio

The debt ratio is a part of whole comparison as compared to debt to equity ratio which is a part to part comparison. Another major difference between the debt to equity ratio and the debt ratio is the fact that debt to equity ratio uses only long term debt while debt ratio uses total debt (Umechukwu, 2016). Total debt means that current liabilities are also included in the calculation and so is the debt due for maturity in the coming years. This ratio provides a measurement of the total creditor demands on the company's assets compared to the owners. The debt ratio shows the amount of funds that have been contributed by creditors instead of the shareholders. The creditors of the company accept a lower rate of return for fixed secure payment whereas shareholders prefer the uncertainty and risk for higher payments. If too much capital of the company is being contributed by the creditors it means that debt holders are taking on all of the risk and they start demanding higher rates of interest to compensate them for the same.

The debt ratio is defined as the ratio of total-long term and short term debt to total assets, expressed as a decimal or percentage. It can be interpreted as the proportion of a company's assets that are financed by debt. The higher this ratio, the more leveraged the company is, implying greater financial risk. At the same time, leverage is an important tool that companies use to grow, and many business find sustainable uses (Umechukwu, 2016).

Long-term debt to total asset

Long term debt is known as money that is owed to borrower for a period of more than one year from the date of current balance sheet. A firm or an organization that rely solely on debt financing is regarded as leverage firm. Githire & Muturi (2015) stated that, long term liabilities are most preferred sources of debt financing among well-established corporate institutions mostly by virtue of their asset base. Although, they hypothesises no significant relationship between long term debt financing and financial performance. Berk, et al. (2013) states that when a firm needs to raise funds to purchase an asset or make an investment, it borrows those funds through long-term loan which appears in balance sheet as long term debt. This type of loan or fund can be obtained from financial institutions like banks, capital market etc. Ajayi, and Zahiruddin (2016) maintained that debt holder is the creditor of the firm, with long term commitment to the firm in determining with interest and principal amounts repayment at regular period.

Kuria, et al. (2015) established that long term debt does not have a statistically significant relationship with financial performance of investment companies and banking institutions listed in NSE. The study of Mburu (2015) hypothesize no negative relationship which is statistically significant between long term liabilities and financial performance measured by return on assets for non-financial firms listed at the NSE, which is contrary to the study of Ebaid (2009) that reveal no significant relationship between long term debt and return on assets. Some researchers generally use this measure because most interest costs are incurred on long-term borrowed funds, and because long-term borrowing places multi-year, fixed financial obligations on a firm (Itiri 2014).

Total debt to equity Ratio

The debt to equity ratio is the one of the most important of all capital adequacy ratios. It is seen by investors and analysts as the true measure of riskiness of the company (Umechukwu, 2016; Nnubia, 2017). It measures a company's debt relative to the total value of its stock and could be used to gauge the extent to which a company is taking on debts as a means of leveraging (attempting to increase its value by using borrowed money to fund various projects). A high debt/equity ratio may generally means that a company has been aggressive in financing its growth with debt. Aggressive leveraging practices are often

associated with high level of risk. This may result in volatile earnings as a result of the additional interest expense.

Corporate Profitability

Corporate profitability here in refers to performance as the case maybe, and it is very important to every business. It is a branch of performance that shows how managers utilize assets or capital employed in maximizing profit to the firm. Ishaya, et al. (2014) assert that the performance of a firm has to do with how effectively and efficiently the firm will be able to achieve the set goals which may be financial or operational, such as: motive to maximize profit both to shareholders and on assets; growth and expansions in relations to sales and market value respectively. Corporate financial performance identifies the financial strengths and weaknesses of a firm by establishing relationships between the items of the financial position and income statement. One principal aim of bank is to earn profit because it is necessary for the purpose of paying: corporation tax like any other company; interest to depositors; wages to the staff; dividend to shareholder and; other expenses that may be due from time to time with regards to the nature of financial institutions.

With a sample of ten (10) Nigerian banks quoted on the Nigerian Stock exchange (NSE) within the period of eight (8) years from 2005 to 2012, Adesina, et.al (2015) found that capital structure has a significant positive relationship with the financial performance of Nigeria quoted banks. As contrast to the above, using a sample of 36 Bangladeshi firms listed in Dhaka Stock Exchange during the period 2007–2012; Hasan, Ahsan, Rahaman, and Alam (2014) studied on the influence of capital structure on firm's performance, but concluded that capital structure has negative impact on firm's performance which they accustomed with the proposition of Pecking Order Theory. Using two breweries listed in the Nigeria stock exchange, Amah and Ken-Nwachukwu (2016) studied capital structure composition and financial performance of firms in the brewery industry in Nigeria from the period of 2004-2013 and found that the Capital Structure Compositions are negatively related to financial performance. In the like manner, Gabriel et.al (2015) investigated the effect of capital structure on corporate performance in Nigerian using randomly selected companies from the period of 2012-2013. It was revealed that capital structure negatively influenced corporate performance.

Return on equity is used to measure corporate financial performance in this study. It details how well a company has used the capital from its shareholders to generate profits. Investors use ROE as a measure of how well a company is using its money. Many researched have used it in their study (Onuorah, et.al 2016, Fenty and Rusdiah 2015, Javed, et al. 2014, Olaniyi, et al. 2015, Aymen 2013, Akeem, et al. 2014). In this study, it is calculated as profit after tax divided by shareholder's equity. Onuorah, et.al (2016) is of the view that return on equity (ROE) has not been a major player in the determinant of capital structure performance of firms in Nigeria. Salim and Yadav (2012) see no significant relationship between capital structure and ROE.

Theoretical Framework

Modigliani and Miller (M&M) Theory of Capital Structure

Modigliani and Miller showed in 1958 that given frictionless markets, homogeneous expectations, that is, in the absence of corporate tax, transaction and agency cost and the more there is of information dissemination, and capital structure decision of a firm is irrelevant (Anarfo 2015; Aremu, et.al 2013; Aymen 2013; Ubesie 2016; Ajayi & Zahiruddin 2016). Contributing to the theory of M&M, Ayad, and Mustafa (2015) opined that models based on impact of tax, suggest that profitable companies should have more debts because firms have more need for tax management in corporation's profit. However, increasing debt results in an increased probability of bankruptcy. One major argument made by M & M to support their debt irrelevant theory is that since shareholders are capable of lending or borrowing on

the same terms as the firm, they can easily replicate the capital structure of the firm. Management will therefore not serve shareholders what they (shareholders) cannot serve themselves (Addae, Nyarko-Baasi, & Hughes 2013). That is; debt in a firm's capital structure does not affect the firm's performance. This theory is normally referred to as irrelevant theory (Adesina, et al.2015).

Empirical Studies

Muchiri, Muturi and Ngumi (2016) examined the relationship between financial structure and financial performance of listed firms at the East Africa securities exchanges. Explanatory research design with secondary panel data from the financial statements of 61 firms were retrieved and gathered from the securities exchanges hand books covering 2006-2014. It showed that in isolation, short term debt, long term debt, retained earnings and external equity had insignificant negative relationship with return on assets but insignificant positive relationship with return on equity. But cumulatively, financial structure had a significant positive and negative relationship with return on equity and return on assets respectively. When the relationship between financial structure and financial performance moderated, it was discovered that gross domestic product growth rate had a significant moderating effect.

Ajayi and Zahiruddin (2016) examined the capital structure and firm performance evidence from Nigeria. It used a sample size of 100 non-financial firms listed in the Nigerian Stock Exchange (NSE), covering a period of year 2010 to 2014. The annual financial statements have been employed using a panel data approach to analyse the empirical study. Tobin's Q and ROA were used as proxies for the firm performance. The study found out that assets turnover and, tangible have a positive and significant relationship with Tobin's Q. But, risk maintains negative and significant relations with Tobin's. However, the age of a firm has negative and significant with ROA and Sales growth maintains positive and significant with ROA.

Gohar and Rehman (2016), researched on the impact of capital structure on Banks performance: empirical evidence from Pakistan with attempt to test the significance of banks listed on Karachi Stock. The Study used explanatory in nature and deductive approach in it methodology. More so, financial performance variables as dependent and financial structure as independent was incorporated. The dependent variables includes spread ratio, return on assets and earnings per share and independent variables are total debt to total equity, long-term debt to total equity and short-term debt to total equity. It covers 5 years from 2009 to 2013. Their results showed that capital structure is negatively related with banks performance in Pakistan. Therefore, they fail to accept all null hypotheses at level of significance 0.01 and stated that all estimators are significantly related with performance.

Mauwa, Namusongeand and Onyango (2016) appraised the effect of capital structure on financial performance of firms listed on Rwanda stock exchange (RSE). Primary and secondary data were employed to aid the study. The researchers adopted descriptive research design and the population was all the six companies listed in the Rwanda Stock Exchange. A census survey was conducted on all the six listed firms and purposive sampling technique was used to sample the respondents to participate in the study. Descriptive statistics, correlation analysis and regression analysis using SPSS version 20, was used to analyse the data. The findings indicated that capital structure is negatively associated with return on assets, return on equity and their significant which was also shown with regression results.

Nwude, Itiri, Agbadua, and Udeh (2016) investigated the impact of debt structure on the performance of Nigerian quoted firms. That was conducted using 12-year annualized panel data spanning the period 2001-2012 for cross section of 43 firms from different sectorial grouping. The data were gotten from the annual reports of the sampled firms and Nigeria stock exchange fact books. It employed three regression estimations (Pooled OLS, Fixed Effects and Random Effects) as a result of unobserved heterogeneity in the dataset. Findings revealed from estimations that debt structure has negative and significant impact on the performance of Nigerian quoted firms within the period under study.

Saad (2015) scrutinized the impact of capital structure on the financial performance of firms. It extracted data from annual audited reports of the 28 listed firms in Chemical sector of Pakistan at Karachi Stock Exchange covering a period of 5 years from 2009-2013. It employed Correlation and Panel least square regression analysis to investigate the tie-up between capital structure and financial performance of firms. It was found statistical that TDR and STDA have significant negative influence on the financial performance of firms measured by ROA. The relationship in between ROA and TIE is positive as well as significant. More so, DER and LTDA have negative but insignificant influence on ROA.

Ayad and Mustafa, (2015) study the effect of capital structure on the profitability of the Iraqi firms listed in Iraq stock exchange. It employed statistical methods such as multiple regression models represented by ordinary least squares (OLS) as a technique to examine the claimed effect of capital structure on the profitability by adopting the same on four firms from the Iraqi industrial sector for the year 2004-2013. The findings suggest that capital structure positively influence, in a significant way, on the profitability of listed firms in Iraq. More so, profitability and assets (firm-size) have been indicated to be negatively influencing the capital structure of the listed firms, which is in conformity with the predictions of the pecking order theory and the signalling effects of capital structure decisions of firms.

Gabriel and Nneji (2015) investigated on effect of capital structure on corporate performance in Nigerian using randomly selected companies. This was done knowing that an overall good performance of firms in an economy will lead to economic development in the long run. It considered twenty companies operating in the Nigerian environment at random; data on their capital structure and profit were picked from the company's annual reports for the period under investigation (2012-2013). To achieve the set out objectives of their study, they formulated research hypothesis which was tested through a number of analytical techniques. These includes the panel unit root test and the panel least squares regression. From the results gotten, they rejected Ho. The results showed that capital structure negatively influenced corporate performance.

Mwangi and Birundu (2015) carried out a study on small and medium enterprises with the objective to determine the effect of capital structure on the financial performance of SMEs in Thika sub-county, Kenya. It was conducted using 40 SMEs that were in operation for the five years period from 2009 to 2013, using multiple linear regression. It was found that there was no significant effect of capital structure, asset turnover and asset tangibility on the financial performance of SMEs in Thika sub-county, Kenya.

Adesina, Nwidobie and Adesina (2015) study the impact of post-consolidation capital structure on the financial performance of Nigeria quoted banks, which they believed to have increased bank equity against debt. 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 needed data and information for the study were gathered from published annual reports. Ordinary least square regression analysis of secondary data was used and showed that capital structure has a significant positive relationship with the financial performance of Nigeria quoted banks.

Githire and Muturi (2015) researched into the effect of capital structure on the performance of firms listed at the Nairobi Securities Exchange. The targeted population was the firms listed at the Nairobi Securities Exchange and a census of all firms listed at the Nairobi Securities Exchange from year 2008-2013 was the sample. The study used explanatory non-experimental research. Secondary data was gathered from the published annual reports and financial statements of the listed companies at the NSE for the period of 2008 to 2013. The gathered data was queued into the Statistical Program for Social Sciences (SPSS) and multiple regression analysis method was used to analyse and test the hypotheses. The findings reviewed that equity and long term debt have a positive and significant effect on financial performance, while short term debt has a negative and significant effect on financial performance.

Mburu (2015) in determining the impact of capital structure on the financial performance of non-financial firms quoted at the Nairobi securities exchange (NSE) in Kenya from 2009-2013, used an explanatory descriptive research design with a sample of 40 non-financial firms quoted at the NSE is drawn under judgmental sampling method while Secondary data is obtained from NSE hand book. Also, multiple regression method is used to analyse and test the hypothesis at 5% and 1% level of significance with the aid of statistical package for social sciences. The study shows that capital structure variables; current liabilities to total assets ratio, long term liabilities to total assets ratio and total liabilities to total assets ratio have a negative and significant effect on financial performance measured by return on assets for financial firms quoted on the NSE in Kenya.

Yegon, Cheruiyot, Sang and Cheruiyot (2014) investigated the relationship between capital structure and the firm's profitability of banking industry in Kenya, by employing panel data gathered from the financial statements of the companies listed on the Nairobi stock exchange from the period 2004-2012. The aim of selecting industry specific analysis used is the fact that exogenous variables appear to force institutions in the same industry in similar fashion, thus leading to the existence of an industry specific capital structure. It discovered that a significant positive relationship exists between the short term debt and profitability and statistically significant negative relationship between long term debt and profitability.

Akeem, Terer, Kiyanjui and Kayode (2014) examined the effect of capital structure on firm's performance, using manufacturing companies in Nigeria from 2003 to 2012 as case study, with the aim to provide critical appraisal of the need and importance of capital structure. Descriptive and regression research technique was used to consider the effect of some key variables such as Returns on asset (ROA), Returns on equity (ROE), Total debt to total asset (TD), Total debt to equity ratio (DE) on firm performance. Secondary data was gather using data derived from ten (10) manufacturing companies. The findings, showed that capital structure measures (total debt and debt to equity ratio) are negatively related to firm performance, but recommended that firms source more of equity than debt in financing their business activities, even if the value of a business can be enhanced using debt capital.

Hasan, Mainu- Ahsan, Rahaman and Alam (2014) examined influence of capital structure on firm's performance. The study was carried out using sample of 36 Bangladeshi firms traded on Dhaka Stock Exchange during the period 2007-2012. It considered four performance measures; earnings per share (EPS), return on equity (ROE), return of asset (ROA) and Tobin's Q; as dependent variables and three capital structure ratios; short-term debt, long-term debt and total debt ratios; as independent variables. Employing pooling panel data regression method, it found that EPS is significantly positively related to short-term debt while significantly negatively related to long term debt. Also, there is significant negative relation between ROA and capital structure. On the other hand, there is no statistically significant relation exists between capital structure and firm's performance as measured by ROE and Tobin's Q.

Mujahid and Akhtar (2014) Researched to evaluate the impact of capital structure on the firm's financial performance and shareholders wealth in textile sector of Pakistan. They employed regression analysis on a sample data of 155 textile firms for the year 2006 to 2011. The overall textile sector ROA, ROE and EPS ratios as accounting measures was used to evaluate the impact of Capital Structure on Firms Financial Performance and Shareholders wealth. Their results showed that capital structure positively have impact on the Firms Financial Performance and Shareholders Wealth.

Gugong, Arugu and Dandago (2014) examined the impact of ownership structure on the financial performance of listed insurance firms in Nigeria. It employed panel data for seventeen (17) firms for the period of 2001 - 2010 (10 years). The study focused on only two aspects of ownership structure: namely managerial and institutional shareholding. Return on Asset (ROA) and Return on Equity (ROE) were used as proxy to measure Firm's performance. Findings disclosed that there is a positive significant relationship between ownership structure and firm's performance as measured by ROA and ROE.

Quang and Xin (2014) study the impact of ownership structure and capital structure on firms' financial performance in context of an emerging transitional economy. According to research findings, capital structure has a negative impact with statistical significance on financial performance that measured by ROA & ROE. The higher level of state ownership in ownership structure, the better financial performance it has. While clear evidences with statistical significance of the impact of managerial ownership on financial performance have not been found, this paper found out that the level of entrenchment of managers in state-owned enterprises is higher than that of businesses of other types.

Twairash (2014) investigate the impact of capital structure on the performance of non-financial firms operating in Saudi Arabia as one of emerging or transition economies. Panel econometric technique called fixed effect regression is used for the period between 2004 - 2012. Sample data includes 74 companies. The study analyses the relationship between capital structure proxies that include STDTA, LTDTA and TDTA and the operating performance measured by ROA and ROE. The firm's size was used as a control variable. The study finds that STDTA, LTDTA and TDTA have significant impacts on ROA. While only LTDTA has significant impacts on ROE. Firm size has significant impacts on firm performance when ROA is a dependent variable and no impact on firm performance when ROA is dependent variable.

Xiaomeng and Yong (2014) use annual asset-liability ratio and ROE, respectively, as a measure of capital structure and financial performance to 1995-2009. All domestic listed companies in the real estate industry are used in empirical research. The empirical results show that: the existence of a long-term stable relationship asset-liability ratio and ROE.

Goyal (2013) seeks to study the impact of capital structure on profitability of public sector banks in India listed on national stock exchange during 2008 to 2012. Regression Analysis has been used for establishing relationship between ROE, ROA & EPS with capital structure. The findings reveal positive relationship of STDTA with profitability as measured by ROE, ROA & EPS.

Methodology

Research Design

The study adopted ex post facto research design. The reason for this is because the data used were already existed and the study made no attempt to manipulate its nature or value.

Population of the Study

The population of this study consists of the total number of quoted brewery and beverage industries in the Nigerian Stock Exchange (NSE). The total brewery and beverage industries in the Nigerian Stock Exchange amounted to twenty-five (25), and hence the population of the study.

Sample Size and Sampling Techniques

Sample of ten (10) companies were purposively selected based on availability of the required data, and the firms selected include: Champion Breweries Plc., Guinness Nigeria Plc., Cadbury Plc.; International Breweries Plc., Nigerian Breweries Plc., PZ Cussons Nigeria Plc.; Premier Breweries Plc., Golden Guinea Brew. Plc. Glaxo Smithkline Consumer Nig. Plc. and Nestle Nigeria Plc. The sample period is 2008-2017.

Method of Data Analysis

The secondary data collected were analysed using descriptive statistics, correlation and regression analysis. The descriptive statistics were used to evaluate the characteristics of the data such as Mean, maximum, minimum, and standard deviation and also checks for normality of the data. The correlation

analysis was used to evaluate the relationship between the variables and to check for multi-collinearity. The ordinary regression analysis were be used to evaluate the effect of the independent variables on the dependent variable. It reveals the degree of influence and effect the independent variables has on the dependent variable.

Model Specification and Operationalization of Variables

The study adopted a regression of Ordinary Least Square method to investigate the effect of financing mix on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.

This study adopted a model used by Nnubia (2017) with modifications to suit this study.

The Nnubia (2017) model is as follows:

$$ROA = f(EQTA, TDTA, TDEQ) \dots \dots \dots (i)$$

$$ROA_t = \beta_0 + \beta_1 EQTA_t + \beta_2 TDTA_t + \beta_3 TDEQ_t + \mu \dots \dots \dots (ii)$$

Where:

ROA = Return on Asset

EQTA = Equity to total asset

TDTA = Total debt to total asset

TDEQ = Total debt to equity

β_0 = Constant

$\beta_1 - \beta_3$ = the co-efficient of the explanatory variable (Inventory Control)

μ = Error term

Therefore, the model for this study is as follows:

$$ROE = f(EQTA, TDTA, LTDTA, TDEQ) \dots \dots \dots (i)$$

$$ROE_t = \beta_0 + \beta_1 EQTA_t + \beta_2 TDTA_t + \beta_3 LTDTA_t + \beta_4 TDEQ_t + \mu \dots \dots \dots (ii)$$

Where:

ROE = Return on equity

EQTA = Equity to total asset

TDTA = Total debt to total asset

LTDTA = Long-term debt to total asset

TDEQ = Total debt to equity

β_0 = Constant

$\beta_1 - \beta_4$ = the co-efficient of the explanatory variable (Inventory Control)

μ = Error term

Measurement of Variables

Table 3.1: Variables Measurement

Variable		Measure
Return on Asset	=	Profit after tax/ Total asset
Return on Equity	=	net income after tax/shareholders' equity
Equity to total asset ratio	=	Equity/total assets
Total debt to total asset	=	Total debt/total assets
Long-term debt to total asset	=	Long-term debt/total asset
Total debt to equity	=	Total debt/total equity

Data Analysis and Interpretation

The summary of the analysis result and its corresponding interpretations of the effect of financing mix on corporate profitability of selected firms in the brewery and beverage industry in Nigeria are presented below.

Descriptive Statistics

Table 4.1: Descriptive Statistics

VARIABLES	ROE	EQTA	TDTA	LTDTA	TDEQ
Mean	16.74440	0.007614	0.621967	0.182442	2530.134
Median	13.43500	0.003400	0.632500	0.136550	168.7886
Maximum	76.12000	0.088500	0.952000	0.980500	29002.26
Minimum	1.420000	3.00E-05	0.264600	0.000700	9.359000
Std. Dev.	14.00665	0.011061	0.179989	0.159456	7251.859
Skewness	1.863817	4.348898	-0.146607	1.930188	2.845734
Kurtosis	7.479830	30.05356	2.323215	8.194154	9.391943
Jarque-Bera	141.5172	3364.778	2.266717	174.5072	305.2073
Probability	0.000000	0.000000	0.321950	0.000000	0.000000
Sum	1674.440	0.761400	62.19670	18.24419	253013.4
Sum Sq. Dev.	19422.44	0.012111	3.207193	2.517203	5.21E+09
Observations	100	100	100	100	100

Source: Researcher summary of descriptive statistics (2020)

Table 4.1 above shows the mean (average) for each variable, their maximum values, minimum values, standard deviation. The result provides some insight into the nature of the selected firms' data used for the study. Firstly, it was observed that over the period under review, the sampled companies have positive average return on equity (ROE) of 16.74440. The table also reveals that a positive average value of 0.007614 for EQTA, 0.621967 for TDTA, 0.182442 for LTDTA and 2530.134 for TDEQ for the selected firms used in the study. These values mean that within the period under review, quoted firms meet up 1674% on the average within the period under review. The maximum value of EQTA is 0.088500 and its minimum value is 3.00E-05, maximum value for TDTA is 0.952000 and its minimum value is 0.264600; maximum value for LTDTA is 0.980500 and its minimum value is 0.000700, maximum value for TDEQ is 29002.26 and its minimum value is 9.359000S. The large differences between the maximum and minimum value shows that the firm's data used for the study are homogeneous.

Correlation Analysis

Table 4.2: Correlation Analysis

VARIABLES	ROE	EQTA	TDTA	LTDTA	TDEQ
ROE	1.000000	-0.072814	0.404606	0.057469	0.505178
EQTA	-0.072814	1.000000	-0.219281	-0.034111	-0.234039
TDTA	0.404606	-0.219281	1.000000	0.398308	0.567207
LTDTA	0.057469	-0.034111	0.398308	1.000000	0.259898
TDEQ	0.505178	-0.234039	0.567207	0.259898	1.000000

Source: Researcher summary of correlation analysis (2020)

The correlation matrix is to check for multi-collinearity and to explore the association between each explanatory variable and the dependent variable. The findings from the correlation matrix table (table 4.2 above) show that return on assets (ROA) has a positive association with return on equity (ROE). This means that performance has positive relationship with financing mix. This justifies the use of both measures as proxy for corporate performance. The table shows that return on equity (ROE) has a strong positive association with TDTA (0.404606), LTDTA (0.057469) and TDEQ (0.505178) and a strong negative association with EQTA (-0.072814). EQTA has a strong negative association with TDTA (-0.219281), LTDTA (-0.034111) and TDEQ (-0.234039). TDTA is positively associated with LTDTA (0.398308) and TDEQ (0.567207). LTDTA is positively associated with TDEQ (0.259898). In checking for multi-collinearity, the study observed that no two explanatory variables were perfectly correlated.

Regression Analysis

Table 4.3.1: Return on Equity (ROE) Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.798473	5.156760	0.930521	0.3545
EQTA	93.53500	112.9343	0.828225	0.4096
TDTA	18.45599	8.630067	2.138568	0.0350
LTDTA	-12.74585	8.262895	-1.542540	0.1263
TDEQ	0.000822	0.000204	4.032001	0.0001
R-squared	0.729273	Mean dependent var	16.74440	
Adjusted R-squared	0.726684	S.D. dependent var	14.00665	
S.E. of regression	11.98625	Akaike info criterion	7.854105	
Sum squared resid	13648.68	Schwarz criterion	7.984363	
Log likelihood	-387.7052	Hannan-Quinn criter.	7.906823	
F-statistic	10.04689	Durbin-Watson stat	1.524289	
Prob(F-statistic)	0.000001			

Source: Researcher summary of Regression Analysis (2020)

The R-squared which is the co-efficient of determination or measure of goodness of fit of the model, tests the explanatory power of the independent variables in any regression model. From our result, the R-squared (R^2) is 73% in ROE Model. This showed that our model displayed a good fit because the R^2 is closer to 100%, these explanatory variables can impact up to 73% out of the expected 100%, leaving the remaining 17% which would be accounted for by other variables outside the models as captured by the error term.

The F-statistics measures the overall significance of the explanatory parameters in the model, and it shows the appropriateness of the model used for the analysis while the probability value means that model is statistically significant and valid in explaining the outcome of the dependent variables. From table 4.3.2 above, the calculated value of the f-statistics is 10.04689 and its probabilities are 0.000001 which is less than 0.05. We therefore accept and state that there is a significance relationship between the variables. This means that the parameter estimates are statistically significant in explaining the relationship in the dependent variable.

The t-statistics helps in measuring the individuals' statistical significance of the parameters in the model from the result report. It is observed from table 4.3.2 above that only TDTA and TDEQ were statistically significant at 5% with its value as 2.138568 and 4.032001 respectively. This implies that they have contributed significantly to corporate performance at the rate of 5% level of significant. The remaining

variables (EQTA and LTDTA) with its values as 0.828225 and -1.542540 respectively are not statistically significant at 5%.

Our model is free from the problem of autocorrelation because the Durbin-Watson value is 1.524289 which is approximated as 2 (that Means, the absence of autocorrelation in the model used for the analysis).

The a priori criteria are determined by the existing accounting theory and states the signs and magnitude of the variables from the result. TDTA and TDEQ have positive sign and its values are 2.138568 and 4.032001 respectively. In ROE Model, this implies that increase in TDTA and TDEQ increases the corporate performance by 214% and 403% respectively, this conforms to our theoretical expectation. EQTA has positive sign and its values are 0.828225. In ROE Model, this implies that increase in EQTA increases the corporate performance by 83%. LTDTA has negative sign in ROE Model and its values are -1.542540. This implies that decrease in LTDTA decreases the corporate performance by 125%.

Hypotheses Testing

H₀₁: Equity to total asset has no significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.

In the result from our test in table 4.3.2 above, we found out that the value of our t-statistics for EQTA is 0.828225 with a probability of 0.4096. This probability value is greater than the desired level of significant of 0.05. We accept the null and reject the alternative hypothesis, which says that equity to total asset has no significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria. Thus, equity to total asset is positive and has insignificant impact on corporate profitability of selected firms in the brewery and beverage industry in Nigeria at 5% level of significant.

H₀₂: Total debt to total asset has no significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.

In the result of our test in the table 4.3.2 above, we found out that the value of our t-statistics for TDTA is 2.138568 with a probability of 0.0350. This probability value is less than the desired level of significance of 0.05. We therefore, reject the null and accept the alternative hypothesis, which says that total debt to total asset has significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria. Thus, total debt to total asset is positive, and has significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria at 5% level of significant.

H₀₃: Long-term debt to total asset has no significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.

Drawing inference from table 4.3.2 above, we found out that the computed value, t-statistics for LTDTA is -1.542540 with a probability of 0.1263. Since its probability value is greater than the desired level of significance of 0.05. We therefore, reject the alternative and accept the null hypothesis, which says that long-term debt to total asset has no significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria. Thus, long-term debt to total asset is negative and has insignificant impact on corporate profitability of selected firms in the brewery and beverage industry in Nigeria at 5% level of significant.

H₀₄: Total debt to equity has no significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.

In the table 4.3.2 above, we found out that the computed value, t-statistics for TDEQ is 4.032001 with a probability of 0.0001. Since its probability value is less than 0.05% level of significance, we therefore

reject the null and accept the alternative hypothesis, which says that total debt to equity has significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria. Thus, total debt to equity is positive, and has significant impact on corporate profitability of selected firms in the brewery and beverage industry in Nigeria at 5% level of significant.

Summary of Findings

The study examined the effect of financing mix on corporate profitability of selected firms in the brewery and beverage industry in Nigeria, and the following were found at the 5% level of significant:

- I.** Equity to total asset is positive and has insignificant impact on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.
- II.** Total debt to total asset is positive, and has significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.
- III.** Long-term debt to total asset is negative and has insignificant impact on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.
- IV.** Total debt to equity is positive and has significant impact on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.

Conclusion

Based on the result, the study concluded that equity to total asset has positive effect on ROE which is statistically insignificant at 5% level. Thus, the study rejects the alternate hypothesis and accepts the null hypothesis. On the total debt to total asset and total debt to equity, the analysis reveals that total debt to total asset and total debt to equity has statistical significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria; while long-term debt to total asset has statistical insignificant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria. The study therefore concludes that only total debt to total asset and total debt to equity have significant effect on corporate profitability of selected firms in the brewery and beverage industry in Nigeria.

Recommendations

Based on the results and conclusions, the following recommendations were made;

1. Firms should try as much as possible to increase the EQTA so as to have significant effect on firm's profitability.
2. Experts should be employed in the management of TDTA in other to improve the firm performance. Firms should consider using both long-term debt to equity (LTDEQ) and short-term debt to equity (STDEQ) with the help of experts in financing business activities because when both of them is used it contribute significantly to the profitability of the firm.
3. Firms should stop using LTDTA in financing their business since increase in it decreases the firm's profitability.
4. The Nigerian firms should develop a good strategy at using mix of debt and equity to maximize their market performance in such a way that it yields opportunities. Company should establish caution with the aid of professional financial managers, on debt-equity mix that maximizes its value and minimizes its weighted average cost of capital.

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