
Capital Structure and Financial Performance of Listed Brewery Firms in Nigeria

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ABSTARCT: *This study investigated the relationship between Capital Structure and Financial Performance of Listed Breweries Companies in Nigeria with the moderating factor of firm size. The study developed five specific objectives, five research questions as well as five hypotheses and used generalized mean, standard deviation and multiple regression with the aid of Statistical Package for Social Sciences (SPSS) to analyze the secondary data extracted from the annual reports and accounts of the companies studied. Data was gathered from secondary sources. Secondary data were sourced from annual reports of the companies available at the Nigerian Exchange Group (websites). Correlational research design was adopted and population of the study consists of five (5) listed breweries companies on the Nigerian Exchange group December 2021. Using census sampling technique, the five companies were selected to constitute the sample for the study. Capital Structure predictor variables were proxied by Equity Financing and debt financing. While Financial Performance criterion variables were measured by return on asset and return on Investment. The study found that capital structure has a positive and insignificant relationship with financial performance of listed brewery companies in Nigeria. Based on the findings, conclusions were reached that Equity financing has a positive, very weak and insignificant effect on Return on and return on investment. Similarly, Debt financing has a positive, very weak and insignificant relationship with return on asset and return on investment. Finally, Firm size has a positive, very weak and insignificant moderating effect on the relationship between capital structure and financial performance of listed brewery companies in Nigeria. The study recommended amongst others that, there should be a review of the capital structure of the firms so as to ascertain the optimal capital structure that can be used to enhance financial performance, Equity position of the firms should be reviewed as well as this could have a way of increasing their performance in terms of return in investment if used adequately, the size of the firm in terms of its total asset base should be considered by the management of the listed firms so that the right kind of capital structure for the company can be adopted.*

KEY WORDS: capital structure, financial performance, return on asset, return on investment, equity financing, debt financing, total assets

INTRODUCTION

Capital structure decision-making by brewery firms is still not completely understood, and regulatory requirements might not be the only determinant. Contemporary empirical evidence suggests that it may be determined by a range of specific factors (Mohammad & Nishiyama, 2019). Today, capital structure decision is very important to increase the value of the firm. So, the firm should make such strategy with a mix of debt and equity which increase the firm's value. Capital structure is debt and equity's mixture that the companies' use to finance in the operations of business. If this structure is well-organized, the cost of capital decreases which can increase the value of the company (Akinyomi, 2013). The capital structure is the most important managerial decision because it affects the shareholders' risk and return (Pandey, 2010). Due to lack of planning about capital structure in companies, they can face financing issue for activities of business and they don't use their funds optimally. In accounting and finance study, greater attention has been driven to the extent and nature of relationship between financial performance and capital structure of firms. The capital structure decision is considered as one of the most significant resolutions any company has to take. Capital structure relates to the choice about the aggregation of the different sources of capital an entity utilizes to fund its operations and significant investments. It refers to the ratio of several kinds of securities a firm raises as long-term finance.

Capital structure is measured by the long term equity capital and debt capital utilized by a company. One core aim and goal of financial managers is to improve the wealth of shareholders by determining the best composition of financial resources for an entity and maximizing the company's value by defining where to devote their resources. As a case of stating the fact, the capital structure of an entity ought to be ideal, i.e. in accordance with what the business enterprise requires. Contemporary studies such as Goh et al. (2018), Nenu et al. (2018) and Wu (2019) demonstrated that capital structure is relevant and therefore influences the performance and value of firms. According to these authors, an inappropriate combination of finance can be challenging to managers and the prospects of firms. Whilst the argument on the relevance of capital structure is inconclusive, other studies such as Vu et al. (2018) and Elmagrhi et al. (2018) hold the view that an argument about the relevance of capital structure is meaningless if it is not done in conjunction with the ownership structure of firms.

The Capital structure denotes the foremost claims to a company's assets "This consists of the various forms of equities and liabilities" (Deepika, 2015). The debt-equity combination can be in any of the following forms: 100-percent (%) equity or 0-percent (%) debt funding, 0-percent (%) equity or 100percent (%) debt funding and Q-percent (%) equity or R-percent (%) debt funding. From the forgoing alternatives, option one is commonly adopted by companies that shun the benefit of leverage if any. Companies that have no equity usually favor the second alternative however in the real life economic scenario; this option may not be possible in that no funds

provider may be willing to invest resources in a company without any equity capital.

Arising from the strategic prominence of the brewery sector to an economy such as Nigeria's, it is crucial for investors and shareholders to understand the impact of capital structure on the performance of brewery firms. This is because the capital structure decision on how to finance their assets by equity or debt will affect significantly the relationship with the ultimate results for any defined period since it influences the risks and returns of shareholders and as a result affects the market value of the shares. In view of this, it becomes vital to learn the link between capital structure and financial performance of brewery firms in Nigeria. According to the National Bureau of Statistics (NBS), the Nigerian brewery sector is dominated by the production of food, beverages and tobacco, with sugar and bread products generating the greatest value of output. To encourage more output in these and other sectors, the government has been making it cheaper for consumers to purchase locally manufactured goods by making the smuggled foreign alternatives prohibitively expensive or totally unavailable through prohibitions.

Most recently, the Central Bank of Nigeria (CBN) announced plans to facilitate the issuance of single-digit interest rate loans to firms operating in the agriculture and brewery sectors. Port reforms and other ease of doing business initiatives by the government are also helping to make the manufacture of goods easier in the country; relatively, at least. Owing to reforms, Nigeria's ease of doing business ranking moved to 145th place in 2017 from 169th in 2016, for instance. The Nigerian brewery sector has been performing well in recent years. While year-on-year growth for each of the quarters in 2015-16 was negative, there was only one such instance in 2017; in the third quarter. Incentives by the government are also beginning to encourage greater interest. According to official data, at 9.3% of GDP, the Nigerian brewery sector grew by 3.4% year-on-year in the first quarter of 2018, an improvement from 0.1% y/y in Q4 2017 and -2.9% y/y in Q3 2017. The last time there was something close to such growth in the period since Q1 2016, was in Q1 2017 when the sector grew by 1.4% y/y. For the whole of 2016 till then, the sector recorded negative growth.

Statement of the Problem

There is an argument that the capital structure of a firm would affect the extent to which capital structure would influence a firm's performance. In fact, Vu et al. (2018) and Elmagrhi et al. (2018), contend that firms managed by owners would have the best capital mix and would eventually reap their benefits. This suggests that the choice of a specific capital structure would have a minimal effect on firms' performance unless specific characteristics of management prevail. Therefore, Migliori et al. (2018), argue that firms managed by owners would make a better choice on capital structure than those managed by individuals who are not owners. The paradox is that Modigliani & Miller's (1958) theory, which is supported by Cheng et al. (2010), maintains that capital structure is irrelevant to the financial performance of firms. However, studies such as Maina & Ishmail (2014), Suardi & Noor (2015), Akomeah et al. (2018) and Nguyen (2019) contradict this

position by demonstrating that capital structure influences the performance of a firm. San & Hang (2011), on the other hand, argue that the benefits of the appropriate capital are linked to a firm's management structure.

It has been argued that capital structure has no effect on financial performance of a firm. The foregoing discussion shows that the implication of firms' capital structure for their performance is important. Equally, the discussion shows that the capital structure plays a key role in benefiting from an optimal capital structure. This issue has not been fully addressed in the literature. However, previous studies focused on developed countries and provided conflicting empirical results. Therefore, debates abound on whether such studies have universal relevance, especially since developing countries operate under distinct political, economic, legal, social and cultural environments. Particularly, studies on the link between capital structure and firms' performance and how managerial ownership moderates this relationship have to the best of my knowledge received little attention in developing countries, especially in Nigeria. These inconclusive anecdotal results and the gap in the literature timeline on capital structure and its influence on firm's performance require that this topic must be revisited to provide fresh evidence on the relationship between capital structure and the value of firms in Nigeria, as well as how it affects the performance of firms. Therefore, this study examines the extent to which capital structure relate to the performance of firms in Nigeria. The results of this study will contribute to the body of knowledge on the theoretical conundrum of the economic relevance of capital structure to a firm through an analysis of data from quoted brewery firms in Nigeria.

Objectives of the Study

The primary objective of this study is to examine the impact of capital structure on the financial performance of listed brewery firms in Nigeria. However, the specific objectives are as follows

1. determine the effect of equity financing on return on asset of listed brewery firms in Nigeria.
2. evaluate the effect of equity financing on the return on investment of listed brewery companies in Nigeria
3. examine the effect of debt financing on return on asset of listed brewery firms in Nigeria.

Research Questions

The following research questions were formulated for this study.

1. What is the effect of equity financing on return on asset?
2. What is the effect of equity financing on return on investment of listed brewery firms in Nigeria?
3. How does debt financing relate to return on asset of listed brewery firms in Nigeria?

Research Hypotheses

- H₀₁: There is no significant effect of equity financing on return on asset of listed brewery firms in Nigeria.
- H₀₂: There is no significant effect of equity financing on return on investment of listed brewery firms in Nigeria.
- H₀₃: There is no significant effect of debt financing on return on asset of listed brewery firms in Nigeria.

LITERATURE REVIEW

Conceptual Framework

Capital Structure

Capital structure is one of the most important decisions in the field of corporate finance and refer to the way that a company finances its assets by combining liabilities and equity (Gul & Cho, 2019). Listed companies have the basic characteristic that different shareholders, thus forming the company's ownership structure, own equity capital. The study of capital structure attempts to explain the mix of securities and financing sources used by corporations to finance real investment. the capital of an organization is the pool of funds that the company commits to its fixed assets, inventories, account receivables, and cash or marketable securities that lead to corporate growth (Twaresh, 2016). An economist views capital as any material or item which can be consumed in the production process to create wealth. These resources or objects are referred to as factors of production, and they are typically divided into three categories: man, machine, and money (with information as a fourth component) (Abeywardhana, 2015). As a result, capital is a crucial part of any firm. The capital structure of a company is the relationship that exists between the many types of capital that it uses to fund its activities (Abadi & Abu-Rub, 2016).

Equity Financing

Equity financing is an important source of income and have a positive relationship with the performance of business. Equity financing comprise of retained profits, own savings, contribution from board members, contribution from partners and friends, deferred income and cash flows of the business (Njagi, et al. 2017). Angel Investors (business angels) are wealthy individuals who place equity in business that they believe have high growth and return prospects and are interested in supporting the entrepreneur. Firms that use equity finance are able to make its performance better since there is direct control and because equity holders are residual claimant, they have to ensure that resources are allocated efficiently (Caroline & Willy, 2015). Many small firms are established as family business which may not pursue growth strategies. Moreover, if SMEs have unconstrained choice between external debt and internal resources, they will choose not to use debt financing because of a desire to retain control and independence. They further conceded that the

owners of SMEs may show strong preference for the funding options, which have minimal or no intrusion into the business that is retained earnings and personal savings (Bell & Vos, 2009).

Debt Financing

Debt Financing is also referred to as debt lending. It is a way that a business raise capital through means of borrowing. This funding will need to be repaid at an arranged later date, usually through regular repayments with added interest. Debt financing is a way that measures how much debt the company has relative to assets, that is, the extent to which debt is used in the financing of the business (CFA Institute, 2019). It is the ratio used to examine the financial risk of a business, that its total assets may not be sufficient to pay its debt and interest thereon (Casmir, 2019). It measures the relationship between the proportion of assets financed with debts, so as to determine the level of risks and losses to unsecured creditors in the event of liquidation. External debt financing plays an important role to increase future productivity of firms and more important for future growth (Gomis and Khatiwada, 2016). In some countries, the use of debt financing is referred to as gearing rather than leverage. Highly leveraged or geared companies are often referred to as being less solvent, thus, leverage and solvency are concepts that are inversely related. A company that uses little debt financing is generally considered to be more solvent than a company that uses a large amount of debt financing—that is, a company that is highly leveraged. Having a higher proportion of debt is riskier because a company is obligated to service its debt (pay interest) but does not have a similar obligation to service its equity (pay dividends). If a company faced more obligations due to relatively more debt, there is a risk that it will not be in a position to meet those obligations or respond as quickly as its competitors to new opportunities. The greater the value of the assets relative to equity, the more debt is being used as financing. (CFA Institute, 2019). Kumar and Woo (2010) examined the relationship between debt and economic growth. The methodology adopted in the study was GMM (SGMM) dynamic panel regression. His study concluded that impact of debt on the growth is negative. So, increase in debt cause the decrease in growth.

Financial Performance

A firm's financial performance is of importance to investors, stakeholders and the economy at large. Investors are interested in the returns for their investment. A business that is performing well can bring better reward to their investors. Financial performance of a firm can increase the income of its staff, rendering quality product or services to its customers and creating more goodwill in the environment it operates. A company that has good performance can generate more returns which can lead to future opportunities that can in turn create employment and increase the wealth of people. Firm's performance is the ability of a firm to achieve its objectives resources. A company's performance is its ability to achieve its target objectives from its available resources. Suleiman (2013) viewed a firm's performance as the result of a company's assessment or strategy on how well a company accomplished its goals and objectives. Financial performance provides a deductive measure of how well a company can use assets from business operations to generate revenue. Dinh and Pham (2020) defined financial performance as a subjective measure of how

well a firm can use assets from its primary mode of business and generate revenues. This term according to Leon (2013) is used as a general measure of the overall financial health of a business. Research on the firm's financial performance emanates from organizations theory and strategic management. The notion of financial performance is used to describe performance of an entity with the legal status of a company. The concept of financial performance is a controversial issue in finance due to its multidimensional meaning. In analyzing a firm's financial performance, emphasis should be made in formulating an adequate description of the concept of a financial performance.

Return on Asset (ROA)

Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. It relates to the revenue generated for the period to the company's expenditure on all its assets (Imhanzenobe, 2019). ROA gives an idea as to how efficient management is at using its assets to generate earnings. It also measures the efficiency with which a company's assets are used to generate sales revenue (Ama, 2015). Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage.

The formula for return on assets is:

$$\frac{\text{Net Income}}{\text{Total Assets}} \times 100$$

Deloitte (2019), defined an asset as, "a present economic resource controlled by the entity as a result of past events". An asset must give the owner the right or power to obtain economic benefit and prevent others from enjoying same. An asset must have been procured or developed in the past or before the reporting date, so future events with a mere intention should not be used to classify assets. An asset must be capable of generating future economic benefits or capital inflows back to the entity. A company's ability to create return for its shareholders (as measured by its return on equity) depends on its ability to generate revenues from assets, known as asset turnover (Chartered Financial Institute, 2019).

Return on Investment (ROI)

Return on investment (ROI) is a measure that investigates the amount of additional profits produced due to a certain investment. Businesses use this calculation to compare different scenarios for investments to see which would produce the greatest profit and benefit for the company (Giles & Capel, 2014). Njoku (2017), see return on investment as a measure of the success of the firm in earning a net return on investment which is obtained as the company's percentage returns on its capital investment which consists of shareholders' funds and long term debts. Investment here represents shareholders' funds and term liabilities while returns stands for earnings generated after payment of interest and taxes. Brealey et al (2015) and Van-Horne (2018) see return as Net operating profit rate of return which is expressed as net operating profit before interest and taxes over total assets. That is, it is a return on sales which is a measure of a company's

profitability using a pre-tax profit divided by its total sales expressed as a percentage. Glyn et al (2018); observed that return on investment is the average profit for a project expressed as a percentage of the capital outlay. Return on investment is the ratio of net profit after tax to net asset. This ratio by itself is of little value. Brealey et al (2015), also submitted that return on investment is a measure of a company’s profitability using the income an investment provided in a year divided by its total investment expressed as a percentage. The return on investment as a profitability performance measure is used by bankers, investors, and business analysts to assess a company management’s efficiency in using available resources and financial strength or to compare the efficiency of a number of different investments. It is one of those important ways of making judgments as to where to direct new investment funds as they become available.

Heuristic Model Development/Conceptual Framework).

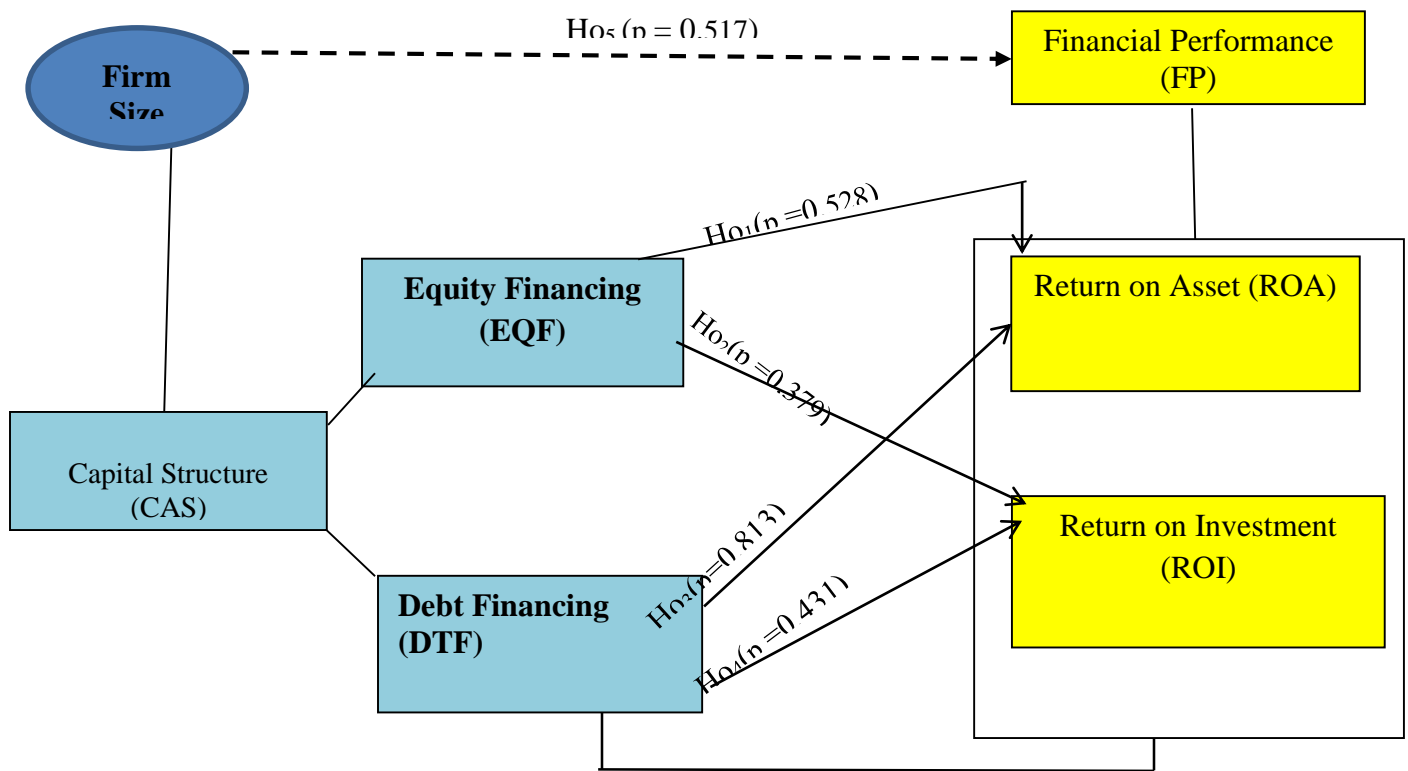


Figure 5.1 Heuristics Model for the study (Source: Researchers design, 2023)

Key:

- Positive Relationship
- - - - -→ Negative Relationship

From the model above, the capital structure produces different associations with financial performance measures. For instance, the use of equity financing produces the highest effect on financial performance in terms of return on investment (0.379) followed by debt financing (0.431) as depicted with thin arrows and broken arrows lines. In all a one percent increase in equity financing for example would result in 37.9% effect on return on investment (the highest) while it would produce 0.528 % effect on return on assets respectively (the least) as depicted by the Heuristics model.

Theoretical Framework

Many scholars have developed various clarifications which serve as theoretical assistance on the concept of capital structure. For the purpose of this research, the study tends to look at the most regularly baseline theories on capital structure (Pecking Order Theory and the trade-off theory). But this work is anchored on the trade-off theory.

Trade-off Theory

The term “trade-off theory” to describe the tax-bankruptcy perspective was first used by Myers (1984). Some scholars use the term much more broadly, applying it to almost any neoclassical model of corporate leverage in which debt is determined by considering costs and benefits. Kim (1978) studies exposes that the decision relative to capital structure matters in imparting performance. The trade-off theory speaks of the idea that a company chooses how much of equity and debt financing to use by matching the costs and benefits (Margaritis & Psillaki, 2009). Trade-off theory provides chance for the event of bankruptcy cost. It points out that there is benefit to finance operation with debt such as the tax benefit) and that there is also cost to finance with debt i.e. the bankruptcy costs and the financial distress costs of debt (Kraus & Litzenberger, 1973). Moh’dzira, (2017) claims that these costs do exist in a real economic situation but they appear insignificantly minor relative to tax savings as they are apparently balanced.

Empirical Review

Orichom & Omeke (2021), examined the relationship between capital structure, credit risk management and financial performance of microfinance institutions (MFIs) in Uganda based on agency theory. The study adopted a cross-sectional research design. It was found that capital structure is not significantly related to financial performance (Sig 0.737 > P value 0.05). The study concluded that, credit risk appraisal, credit risk monitoring and credit risk mitigation are essential in achieving sound financial performance; however, the structure of debtor equity does not necessarily affect financial performance. The study recommended that, managers should endeavor to instill risk preventive and control mechanisms so as to mitigate credit risks and achieve positive financial performance.

Zanxin, et. al. (2020), examined the impact of working capital management (WCM) and working capital strategy(WCS)on firm’s financial performance across different stages of the corporate

life cycle (CLC). The study adopted three hundred and ninety-six (396) Pakistani non-financial listed firms nested in twelve (12) diverse industries over a period of ten years from 2005 to 2014 as the sample size. Data was collected from the published annual reports and accounts with the State Bank of Pakistan, OSIRIS database, World Development Indicators, and CIA World Factbook. The study employed hierarchical linear mixed (HLM) regression estimator. The empirical findings reveal that, overall, WCM is negatively associated with firm performance.

Mabandla & Makoni (2019), investigated the nexus between working capital management and the financial performance of firms. The population was eighteen (18) food and beverage companies listed in Johannesburg Stock Exchange (JSE), South Africa. The sample size was twelve (12) listed food and beverage companies, using passive sampling technique based on the availability of complete data. The study period was ten (10) years from 2007 to 2016. Secondary data was gathered from the audited annual reports and accounts published on the iress McGregor databases. The study found a positive relationship between the inventory conversion period (ICP) and profitability of firms; a negative relationship between the average collection period (ACP) and profitability; and a positive relationship between the average payment period (APP) and profitability. The study recommended that financial managers condense their ICP by cutting selling prices which helps enhance sales revenue and firm profitability among others.

Okosun (2019), conducted a study on the financial leverage and firm financial performance. The study adopted ex-post facto research design, with a population of First Bank Holding Plc, and a sample size of the last eight (8) years covering from 2011 to 2018, using interval scale of measurement and preceding year sampling technique. Data used for this study were secondary data, obtained from the published annual financial reports of First Bank Holdings. The study found that there is no significant relationship between debt to assets ratio and return on assets, return on equity and earnings per share; and that there is no significant relationship between equity multiplier ratio, and return on assets, return on equity and earning supercharge of First Bank Holdings and concluded that keeping a higher debt to assets ratio might affect the credit rating of management and increase the cost of accounts payable; and that keeping a higher equity multiplier ratio will force the company to adopt a debt relief policy, instead of a turnover growth policy, and thus negatively affect the financial performance of shareholders.

Pibowei, (2019), investigate inventory liquidity management and return on investment in Dangote Cement. The study adopted historical research design with a population of one (1) company named, Dangote Cement Plc, and sample size of the last five (5) years from 2014 to 2018 using interval scale of measurement and preceding year sampling technique. This study used secondary data, obtained from the published annual reports and accounts of Dangote Cement Plc. Techniques for statistical analysis were ADF Unit Root Test and OLS regression model, using MS Excel 2016, NumXL Statistics 2019, and SPSS Version 23 and found out that there is no significant relationship between equity multiplier and ROA at 0.062 P-Value; and no

significant relationship between equity multiplier and ROE at 0.218 P-Value. The study concluded that keeping a lower equity multiplier will enable the company to adopt a turnover growth policy without the burden of debt financing and servicing, which promotes liquidity.

METHODOLOGY

To achieve the objective of this study, Correlation research design was adopted. Correlation research design was employed based on positivism paradigm which employed the quantitative methods of data collection, data presentation, testing of hypotheses and discussion of findings. This study is historical because events about capital structure and financial performance in Nigeria have been published through annual reports, as occurring under preceding year of assessment. The study used quantitative methods, because capital structure measures the finance data used to boost production and performance of breweries.

For this study, the population is all five (5) brewery firms in Nigeria, listed under the brewers/distillers section, and classified under the beverages and consumer goods group of companies (Nigerian Stock Exchange, 2021). This include five (5) listed brewery firms as at 31st December, 2021.

1. Nigeria Breweries
2. International Breweries Plc
3. Guinness Nigeria
4. Champion Breweries
5. Golden Guinea breweries Plc

Source: Nigeria Exchange Group Plc, (2021)

The collection of five (5) listed brewery firms were selected to constitute the sample for which secondary data that spans ten years (2011 – 2021) was collated. Organizations' data that pertains to Capital Structure and Financial Performance were obtained from the five (5) banks. The sampling procedure employed for this study is census sampling technique whereby all the members of the population were chosen.

Descriptive and Inferential analytical techniques were employed in analyzing the data. The descriptive analyses consist of mean and standard deviation, while a trio of multiple linear regression equations was used to establish the direction and strength of the effect of the endogenous and exogenous variables. Multiple regression was considered appropriate in view of the fact that it helps in not only establishing relationship between variables, but shows the effect cause and effect relationship.

Model Specification

The model specification adopted for this study is based on the description of the relationship between the dependent and independent variables of this research work.

$$Y = f(X) \quad 1$$

Where Y = Dependent Variable represents financial performance which is proxy by Return on asset (ROA) and return on investment (ROI) (these parameters were used because some of them were used by) in his study on financial report. They were also used because they are indicators representing financial performance in this research work.

X = Independent Variable Adekunle, (2013) represented by Equity funding and debt funding;

The multiple linear regression models that will be used in testing the hypotheses of the study are presented below:

$$ROA = \beta_0 + \beta_1 DTF + \epsilon$$

$$ROA = \beta_0 + \beta_2 EQT + \epsilon$$

$$ROI = \beta_0 + \beta_1 DTF + \epsilon$$

$$ROI = \beta_0 + \beta_2 EQF + \epsilon$$

$$FP = \beta_0 + \beta_1 FSZ + \beta_2 CAS + \beta_3 FSZ * CAS + \epsilon$$

Where:

ROA = Return on Asset

ROI = Return on Investment

β_0, β_1 & β_2 = parameters to be estimated

DTF = Debt Financing

EQT = Equity Financing

ϵ = error term signifying other variables not captured in the study

FP = Financial Performance

CAS = Capital structure

$\beta_3 FSZ * CAS$ = Interaction

DATA PRESENTATION AND ANALYSIS

Univariate Analysis

The descriptive findings of the interaction of capital structure (Equity value and Debt value) and financial performance (Return on asset and Return on investment) are reported in Table 1. The relationship between capital structure dimensions of equity value and debt value, and financial performance measures was investigated by testing the significance of their mean differences. The result shows that the mean differences between components of capital structure and financial performance are high and significant, thus providing a clue of a positive association between components of capital structure and financial performance.

Table 2: Components of Capital Structure and financial performance (n=55)

	N	Sum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic Observation	Statistic Observation	Statistic Observation	Statistic Observation	Statistic Observation	Std. Error	Statistic	Std. Error
DTF	55	1010.1987	18.367249	2.1562112	-.092	.322	-.848	.634
EQF	55	992.2049	18.040090	2.1017156	.286	.322	-.844	.634
ROA	55	55.2484	1.004516	2.1159080	-1.378	.322	1.210	.634
ROI	55	-6.5241	-.118620	.9675151	-.076	.322	.922	.634
FSZ	55	1046.1677	19.021231	2.0643609	.062	.322	-.921	.634
Valid N (listwise)	55							

Source: SPSS Window Output, Version 21.0 (2023)

Debt finance value becomes visible as scoring higher on all dimensions of delineations based on the mean value of 18.3672 corresponding to equity value and which has mean of 18.0400. Table 2 denotes that the mean score of debt value (18.37) equity value (18.04), ROA (1.00) and ROI (.118) have rational dispersions. Their standard deviations are also articulately significant with Equity value (2.101), Debt value (2.156), ROA (2.12) and ROI (.968) respectively. From the sum and mean as depicted in Table above, it is sufficient to reason that listed breweries firms' emphasis on financial performance is as a result of high consideration of the influence of the components of capital structure on financial performance as an attainable solution that can generate several benefits for listed breweries companies with profound logical results.

Bivariate Analysis

Table 3: Model Summary: Analysis on Equity Financing and Return on Asset

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.087 ^a	.008	-.011	2.1277027

a. Predictors: (Constant), LEQF

Source: SPSS Window Output, Version 21.0 (2023)

As shown from the SPSS output on Table 3, the regression coefficient (R) is 0.087; which means that equity financing has a very weak, positive impact on return on asset. Again, the coefficient of determination (R²) is 0.008 and R² adjusted is -.011; indicating that approximately 1% of the changes in the dependent variable (return on asset) are accounted for by the independent variable (equity financing) while the remaining 99% are due to externalities

Table 4: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.824	1	1.824	.403	.528 ^b
	Residual	239.937	53	4.527		
	Total	241.762	54			

a. Dependent Variable: LROA

b. Predictors: (Constant), LEQF

Source: SPSS Window Output, Version 21.0 (2023)

Again, the ANOVA Table i.e. Table 4.3 shows that equity financing statistically insignificantly predicts the outcome variable, return on asset at $F(1, 53) = 0.403, p > 0.05, R^2 = 0.008$. This means the regression model is very weak but fit for the data. That is, equity financing statistically insignificantly predicts return on asset.

Table 5 : Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.582	2.502		1.032	.307
	LEQF	-.087	.138	-.087	-.635	.528

a. Dependent Variable: LROA

Source: SPSS Window Output, Version 21.0 (2023)

From Table 5 the unstandardized coefficients indicate how much the dependent variable return on asset varies with the independent variable equity financing. As shown on the table, the intercept B_0 is 2.582, indicating the predicted value of return on asset without the contributions of equity financing. i.e. when equity financing is equal to zero. However, the slope B_1 is -.087, indicating that 1-unit increase in equity financing will bring about .087 units decrease in return on asset. Furthermore, the standard error of the estimate (ϵ) is 0.138 which is the actual contribution of equity financing in return on asset. More so, the Beta value in the Standardized Coefficients is -.087 which further confirms the regression coefficient in the model summary.

Hypothesis One

H₀₁: There is no significant effect on equity financing and return on asset of listed brewery firms in Nigeria.

Since the probability value is $0.528 > 0.05$ which means equity financing statistically insignificantly predicts return on asset. In view of these results, we accept the null hypothesis which states there is no significant effect of equity financing and return on asset of listed brewery firms in Nigeria. These findings have helped to answer research question one. From Table 4.3 the regression model can be developed thus;

$$\begin{aligned} \text{ROA} &= B_0 + B_1 \text{EQF} + \varepsilon \\ &= 2.586 + (087) \text{EQF} + 0.138 \end{aligned}$$

Analysis on Equity Financing and Return on Investment

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.121 ^a	.015	-.004	.9694175

a. Predictors: (Constant), LEQF

As shown from the SPSS output on Table 4.5, the regression coefficient (R) is 0.121; which means that equity financing has a very weak, positive impact on return on investment. Again, the coefficient of determination (R^2) is 0.015 and R^2 adjusted is -.004; indicating that approximately 2% of the changes in the dependent variable (return on investment) are accounted for by the independent variable (equity financing) while the remaining 98% are due to externalities

Table 7: ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.741	1	.741	.788	.379 ^b
Residual	49.808	53	.940		
Total	50.549	54			

a. Dependent Variable: LROI

b. Predictors: (Constant), LEQF

Again, the ANOVA Table i.e. Table 4.6 shows that equity financing statistically insignificantly predicts the outcome variable, return on investment at $F(1, 53) = 0.788, p > 0.05, R^2 = 0.015$. This means the regression model is very weak but fit for the data. That is, equity financing statistically insignificantly predicts return on investment.

Table 8: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-1.124	1.140		-.986	.329		
LEQF	.056	.063	.121	.888	.379	1.000	1.000

a. Dependent Variable: LROI

From Table 8 the unstandardized coefficients indicate how much the dependent variable return on investment varies with the independent variable equity financing. As shown on the table, the intercept B_0 is -1.124, indicating the predicted value of return on investment without the contributions of equity financing, i.e. when equity financing is equal to zero. However, the slope B_1 is .056, indicating that 1-unit increase in equity financing will bring about .056 units increase in return on investment. Furthermore, the standard error of the estimate (ϵ) is 0.063 which is the actual contribution of equity financing in return on investment. More so, the Beta value in the Standardized Coefficients is .121 which further confirms the regression coefficient in the model summary.

Hypothesis Two

H₀₂: There is no significant effect of equity financing and return on investment of listed brewery firms in Nigeria.

Since the probability value is $0.379 > 0.05$ which means equity financing statistically insignificantly predicts return on investment. In view of these results we accept the null hypothesis which states there is no significant effect of equity financing and return on investment of listed brewery firms in Nigeria. These findings have helped to answer research question two. From Table 4.7 the regression model can be developed thus;

$$\begin{aligned} \text{ROI} &= B_0 + B_1 \text{EQF} + \epsilon \\ \text{ROI} &= -1.124 + 0.056 \text{EQF} + 0.063 \end{aligned}$$

Analysis on Debt Financing and Return on Asset of quoted brewery companies in Nigeria

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.032 ^a	.001	-.018	2.1346541

a. Predictors: (Constant), LDTF

As shown from the SPSS output on Table 9, the regression coefficient (R) is 0.032; which means that debt financing has a weak, positive impact on return on asset. Again, the coefficient of determination (R^2) is 0.001 and R^2 adjusted is -.018 indicating that approximately 01% of the changes in the dependent variable (return on asset) are accounted for by the independent variable (debt financing) while the remaining 99.9% are due to externalities

Table 10: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.254	1	.254	.056	.814 ^b
	Residual	241.508	53	4.557		
	Total	241.762	54			

a. Dependent Variable: LROA

b. Predictors: (Constant), LDTF

Again, the ANOVA Table i.e. Table 4.9 shows that debt financing statistically insignificantly predicts the outcome variable, return on asset at $F(1, 53) = 0.056$, $p > 0.05$, $R^2 = 0.001$. This means the regression model is very weak but fit for the data. That is, debt financing statistically insignificantly predicts return on asset.

Table 11: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.589	2.491		.638	.526		
	LDTF	-.032	.135	-.032	-.236	.814	1.000	1.000

a. Dependent Variable: LROA

From Table 11, the unstandardized coefficients indicate how much the dependent variable return on asset varies with the independent variable debt financing. As shown on the table, the intercept B_0 is 1.589, indicating the predicted value of return on asset without the contributions of debt financing. i.e. when debt financing is equal to zero. However, the slope B_1 is -.032, indicating that 1-unit increase in debt financing will bring about .032 units decrease in return on asset. Furthermore, the standard error of the estimate (ϵ) is 0.135 which is the actual contribution of debt financing in return on asset. More so, the Beta value in the Standardized Coefficients is -.032 which further confirms the regression coefficient in the model summary.

Hypothesis Three

H_{03} : There is no significant effect on debt financing and return on asset of listed brewery firms in Nigeria.

Since the probability value is $0.814 > 0.05$ which means debt financing statistically insignificantly predicts return on asset. In view of these results we accept the null hypothesis which states there is no significant effect of debt financing and return on asset of listed brewery firms in Nigeria. These findings have helped to answer research question three. From Table 4.10 the regression model can be developed thus;

$$ROA = B_0 + B_1 DTF + \varepsilon$$

$$ROA = 1.589 + (0.032) DTF + 0.135$$

$$= 2886361.545 + 301859.092 VC + 65486.108$$

Analysis on Debt Financing and Return on Investment of listed brewery companies in Nigeria.

Table 12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.108 ^a	.012	-.007	.9708505

a. Predictors: (Constant), LDTF

As shown from the SPSS output on Table 12, the regression coefficient (R) is 0.108; which means that debt financing has a weak, positive impact on return on investment. Again, the coefficient of determination (R^2) is 0.012 and R^2 adjusted is -.007 indicating that approximately 1% of the changes in the dependent variable (return on investment) are accounted for by the independent variable (debt financing) while the remaining 99% are due to externalities

Table 13 ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	.593	1	.593	.630	.431 ^b
1 Residual	49.955	53	.943		
Total	50.549	54			

a. Dependent Variable: LROI

b. Predictors: (Constant), LDTF

Table 13 shows that debt financing statistically insignificantly predicts the outcome variable, return on investment at $F(1, 53) = 0.630$, $p > 0.05$, $R^2 = 0.012$. This means the regression model is very weak but fit for the data. That is, debt financing statistically insignificantly predicts return on investment.

Table 14: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.012	1.133				
	LDTF	.049	.061	.108	.793	.431	1.000

a. Dependent Variable: LROI

From Table 14, the unstandardized coefficients indicate how much the dependent variable return on investment varies with the independent variable debt financing. As shown on the table, the intercept B_0 is -1.012, indicating the predicted value of return on investment without the contributions of debt financing. i.e. when debt financing is equal to zero. However, the slope B_1 is .049, indicating that 1-unit increase in debt financing will bring about .049 units increase in return on investment. Furthermore, the standard error of the estimate (ϵ) is 0.061 which is the actual contribution of debt financing in return on investment. More so, the Beta value in the Standardized Coefficients is .108 which further confirms the regression coefficient in the model summary.

Test of Model Utility

The serviceability of the overall regression statistics was tested prior to the testing of the individual hypotheses for their levels of significance. The fitness of the model can be explained by F-ratio in Table 3 and Table 4.6. The F-ratio in the model is 1 is .564, which is very insignificant at $p < 0.05$., model 2 is .388 and insignificant at $p < 0.05$ respectively. This implies that there is significant evidence to extrapolate that capital structure (equity and debt) is linearly related to financial performance. The study concludes that; the regression model is useful to the extent that the predictor variables significantly predict the behaviour of the metrics of dependent variables investigated. The implication is that at least one of the independent variables has none zero coefficient. This proposes that the model is measured to be fit and that capital structure has substantial influence on financial performance.

DISCUSSION OF ANALYSIS

Capital structure and financial performance

This study was carried out to assess the relationship between capital structure in terms of equity financing and debt financing and financial performance in terms of Return on assets and return on investment of listed brewery companies in Nigeria. The result indicated that Capital structure has a positive and insignificant relationship with financial performance of listed brewery companies in Nigeria. The result of the combined effect attests to this (Table 2 and 5).

The result shows that the between 1% - 2% of the variation in financial performance (ROA, ROI) is explained by equity financing and debt financing single-handedly respectively of capital structure of listed brewery companies in Nigeria.

This is in line with the assertion of Sohail and Ufat (2019) that where there is capital structure that is used as leverage, is found to be negatively correlated with profitability, suggested that large firms can better support higher debt ratios than small firms.

Furthermore, the result showed that the dimensions of capital structure have varied degree of relationship with financial performance measures. While equity financing has insignificant relationship with financial performance measures, debt financing other the hand has both very insignificant and insignificant relationship with financial performance measures. The implication of the result here is that with capital structure consisting of a mixture of debt and equity it would impact more on their return on investment of the companies whilst return on asset may not experience a noticeable impact. This also implies that as capital structure consists of debt and equity the return on investment will increase marginally while return on asset will decrease and vice versa.

Relationship between equity financing and financial performance

Looking at the hypotheses that are tested to ascertain the relationship of equity financing and financial performance measures of return on asset and return on investment, they should mixed results ranging from positive, very weak, insignificant and to weak insignificant relationships respectively.

Research hypothesis one says there is no significant effect of equity financing and Return on asset of listed brewery companies in Nigeria, based on the P-values (EQF & ROA) is 0.528 which is substantially greater than the stated 0.05. The null hypothesis was accepted that there is insignificant effect of equity financing and return on asset. Furthermore, the result showed that R (coefficient of correlation) that there is 09% direct relationship between equity financing & return on assets. R-squared value of 008% shows that equity financing can affect return on asset on a very low degree. In other words, just 1% of the variation of financial performance in terms of return on asset is accounted for by equity financing aspect of capital structure of listed brewery companies. In addition, with a coefficient of -0.087 , indicating that 1-unit increase in equity financing will bring about $.087$ units decrease in return on asset. The implication of this that a 1% rise in equity financing would result in a 0.087 percent decrease in return on assets of listed brewery companies in Nigeria. The findings here agree with that of Imhamzonebe (2019) and Oricham and Omeke (2021) whose studies indicated negative and insignificant effect of capital structure on financial performance of firms across different sectors.

In the same vein, the research hypothesis two states that there is no significant relationship between equity financing and return on investment of listed brewery companies in Nigeria, as evident in the statistical results (table 4.5 & 4.6), P-values (0.379) is greater than 0.05 level, the null was accepted as there is no significant relationship between equity financing and return on investment. The R value depicts that there is there is 12.1% direct relationship between equity financing and return on investment. R-squared value of .015 (2%) shows that equity financing can affect return on investment on very low degree. Furthermore, that 2% of the changes in financial performance in terms of return on investment is accounted for by equity financing aspect of capital structure of listed brewery companies. In addition, with a coefficient of 0.121 signify that equity financing has a positive influence on return on investment. The implication of this is that a 1% rise in equity financing would result in a 0.121 percent increase in return on investment of listed brewery companies. The result obtained here agrees with that of Njoku (2017) and Njiagi et al. (2017) whose study results indicated insignificant but positive effect that exist between capital structure and financial performance of firms across different sectors.

Relationship between Debt financing and financial performance

Result indicated that debt financing has a positive, very weak and insignificant relationship with financial performance measures of Return on asset (ROA) and return on investment (ROI), thus implying that higher the debt components of the capital structure of the listed firms, financial performance is likely to decrease or remain unaffected.

Looking at hypothesis three that states that there is no significant relationship between debt financing and return on asset of listed brewery companies in Nigeria based on the P-values (DTF & ROA) is 0.814 which is greater than the stated 0.05. The null hypothesis was accepted that there is insignificant relationship between debt financing and return on asset. Furthermore, the result showed that R (coefficient of correlation) there is 03% direct relationship between debt financing & return on assets. R-squared value of 001% shows that debt financing can affect return on asset on a very low degree. In other words, 01% of the variation of financial performance in terms of return on assets is accounted for by debt financing aspect of capital structure of listed brewery companies. In addition, with a coefficient of -.032 signify that debt financing has a negative relationship with return on asset. The implication of this that a 1% rise in debt financing would result in a 0.032 percent decrease in return on asset of the listed brewery companies in Nigeria. The findings here aggress with the result of Okosun (2019).

FINDINGS

Summary of Findings on Test of Hypotheses are presented below:

Hypothesis	Objective	P Value	Decision
1	Effect of Equity Financing and Return on Assets	0.528	Accept
2	Effect of Equity Financing and Return on Investment	0.379	Accept
3	Effect of Debt Financing and Return on Assets	0.814	Accept

CONCLUSION(S)

In view of the finding of the study, it is concluded as follows:

Firstly, Equity financing has a positive, very weak and insignificant relationship with Return on asset.

Secondly, Equity financing has a positive, but weak and insignificant relationship with Return on Investment.

Similarly, Debt financing has a positive, very weak and insignificant relationship with Return on Asset of brewery companies in Nigeria.

RECOMMENDATIONS

In line with the findings the following recommendation is put forward for consideration by the appropriate authorities:

1. There should be a review of the capital structure of the firms so as to ascertain the optimal capital structure that can be used to enhance financial performance
2. Equity position of the firms should be reviewed as well as this could have a way of increasing their performance in terms of return in investment if used adequately. This is particular important as shareholders and investor will most at times identify with firms where they have returns on investment on a regular basis, no matter how small the returns are
3. In considering to use a mix of debt and equity, they should go for the right kind of debt financing otherwise, financial performance could be affected on the negative side. This is important as result has shown that debt financing has an insignificant relationship with financial performance. where practicable, they should issue only equity forms of capital

structure as these has a more tendency to impact positively on return on investment for the listed firms

4. Management of the companies should ensure increased awareness of its capital structure as well as capital intensity and monitor this so that it can achieve optimum financial performance.
5. The size of the firm in terms of its total asset base should be considered by the management of the listed firms so that the right kind of capital structure for the company can be adopted.

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