Editor’s Comment:

Editorial Decision Ms SAJSSE 50337

South Asia Journal of Social Studies and Economics. Title:

Capital Structure and Organizational Performance: Evidence from Nigerian Food and Beverage Companies

My editorial decision is to publish as is.

I suggest revised title:

“Using Statistical Methodology: Correlating return on investment with leverage, tangibility of assets, liquidity, asset growth, and asset size for Nigerian Food and Beverage Companies”

The article is well-written, informative and interesting. The main conclusions make good common sense to me.

”Based on the findings of the study, it can be concluded that firm leverage, tangi- ble of assets and liquidity have inverse relationship with financial performance of Nigerian food and beverages industry, while, growth and firm’s size have positive relationship with financial performance of Nigerian food and beverages industry.”

Return on investment (ROI) correlates negative with leverage (liabilities/assets). More leverage means more risk of bankruptcy. Better managers know to curtail risk of bankruptcy by issuing more common stock and making less use of bank loans to finance expansions.

ROI correlates negative with tangibility of assets. Higher tangibility of assets means more fixed costs of property plant & equipment (PP&L). Better managers knowthat it is better to invest in capital expenditures where there is more flexibility. Often

PP&E has little flexibility in operating rates and in which products to manufacture. Today with globalization, trade wars and new technology it is good to be as flexible as possible where, often, using old machines and manual labor systems may lead to higher ROI. This is an area of my research.

ROI correlates negative with liquidity (CA/CL). Better managers know that current liabilities (CL) generally must really be paid, or else bankruptcy, while current assets (CA) are, at times, of doubtful value. Better managers try for a higher liquidity CA/CL.

ROI correlates positive with assets growth. Sure. Smart well-run operations get bigger while poorly run operations get smaller.

ROI correlates positive with asset size. Yes, the larger the firm's asset size indicates more successful operations.

The literature review is excellent. The discussion of the methodology and of the results is excellent. This is a most wonderful article.

I read closely the *.zip file you sent me. On MS SAJSSE 50337.docx make these changes:

In the Abstract delete: Capital structure decisions have been the most significant de- cisions to be taken by any business organization for the maximization of shareholders' wealth and sustained growth.

In the Abstract line 12 replace tangible with tangibility

In the Abstract line 15 delete , therefore,

In the Abstract line 16 delete , therefore,

In the Abstract line 18 delete .

The Introduction is excellent.

line 26 Rewrite: pillar and an engine room of a nation's economy. They account for a

line 30 Rewrite: However, the sector has been experiencing a credit crunch since the global financial crisis of

line 31 Rewrite: 2008 which made the world stock markets fall and large financial institutions collapsed. The

line 33 Rewrite: pressure firms to find the right balance between debt and equity.

This menacing scenario has

lines 34-36 Delete: The basis for the determination of optimal capital structure of corporate sectors in Nigeria is the widening and deepening of various financial markets.

lines 41-42 Delete: This scenario has made most of manufacturing companies witnessed several cases of collapses.

Specific Objectives is excellent.

Delete lines 64-74

Capital Structure Theory is excellent.

Lines 80-82 Delete: Modigliani and Miller (M.M) argue that, in the absence of taxes, a firm's market value and the cost of capital remain invariant to the capital structure changes.

Trade-Off Theory of Capital Structure isexcellent.

Empirical Review and Hypotheses Formulation is excellent

lines 101-102 Replace Firm s performance is significantly affected by various fac- torsandcapitalstructureisoneofthesignificant factorsamongthem[7]. with: Capital structure is one the significant factors affecting a firm's performance [7].

line 103 Rewrite: there is any relation between a firm's performance and capital structure. Thesestudies

line 104 Rewrite: produced mixed results. Forexample, the study Mwangi, Makau and Kosimbe [8], investigated

lines 110-111 Delete: The study applied panel data models (random effects).

line 118 Rewrite: performance. The results indicates that debt to capital, debt to common equity, short

lines 120-122 Delete:but long term debt to capital is significantly and relatively there is significant relationship between capital structure and financial perfor- mance using both return on asset and return on equity

lines 127-128 Delete: employed panel data approach by using fixed effect estima- tion, random-effect estimation and pooled regression model and it was

lines 134-138 Delete: , using a sample size of 150 respondents and 90 firms were selected for both primary data and secondary data respectively for a period of five years (2005-2009) from the relevance, pecking order, the free cash flow, the agency cost and the trade-off theory point of view. They employed the descriptive statistics and Chi-square analysis and

lines 140-148 Rewrite: The study of Lawal, Edwin, Monica and Adisa [4] shows that capital structure measures (total debt and debt to equity ratio) are negatively related to firm performance.

lines 149-157 Rewrite: Chechet and Olayiwola [15] examine capital structure and profitability of the Nigerian listed firms from the Agency Cost Theory perspective with a sample of seventy (70) out of population of two hundred and forty-five firms listed on the Nigerian change (NSE) for a period of ten (10) years: 2000 - 2009. The results show that debt ratio is negatively related with profitability.

lines158-167 Rewrite: Ogebe, Ogebe and Alewi [2] investigate the impact of cap- ital structure on firm performance in Nigeria from 2000 to 2010. The results provide strong evidence in support of the traditional theory of capital structure which asserts that leverage is a significant determinant of a firm's performance. A significant negative relationship is established between leverage and performance.

line 168 Delete word also

line 175 Delete word also

lines 176-178 Delete: musing panel data. The results show that there is a neg- ative relationship between leverage and growth opportunities and legibility but negatively related to liquidity as well as size

lines 180-184 Delete They employed the panel data regression model and revealed in their study a positive relationship between firms' performance and equity fi- nancing as well as between firms' performance and debt-equity ratio. There is also a negative relationship that exists between firms performance and debt financing due to the high cost of borrowing in the country.

line 185 Delete word also

line 190 Delete word also

lines 192-193 Delete: Capital structure was surrogated by debt while performance was proxy by gross profit, net profit, return on investment / capital employed and returns on assets.

line 200 Rewrite: $H_0$4: Tangibility of assets has a negative relationship with the performance of food and beverage

Methodology is excellent.

line 226 Delete word also

lines 232-233 Rewrite: relationship that exist between capital structure dimen- sions (leverage, tangibility of assets, liquidity, asset growth, and asset size), and organisational performance measured by Return

Delete lines 237-241

line 258 Rewrite: Tangible assets: It is measured by dividing the total fixed assets to total assets

line259Rewrite:Firm'sleverage:-Itismeasuredbydividingtotalliabilitiesby total assets

line 281 Rewrite: β_4 - co-efficient of Tangibility of assets

Table 1 Descriptive Statistics Rewrite to: Tangibility of assets

line304Rewrite: FoodandBeveragecompanies1.672suggeststhatthereismoderate dispersion in the mean

line 306 should be assets

Delete lines 308-310

Conclusion is excellent

line 377 Rewrite: these theories for firms in the market. Capital structure decisions have been significant

line 380 Rewrite: tangibilty of assets and liquidity have inverse relationship with financial performance of

lines 387-388 Rewrite: 1. Nigerian Food and Beverage companies should reduce their risk by increasing and diversifying their operations.

lines389-391Rewrite: 2. TheNigerianFoodandBeveragecompaniesshouldcarefully consider how to finance their operations and to improve their performance as it affect the shareholders risks, returns and the cost of capital.

Delete lines 392-393

I have no other corrections to make.

Editor's Details:

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