

CAPITAL STRUCTURE AND ORGANIZATIONAL PERFORMANCE: EVIDENCE FROM NIGERIAN FOOD AND BEVERAGE COMPANIES

Abstract

Capital structure decision have been the most significant decisions to be taken any business organization for maximization of shareholders wealth and sustained growth. This study seeks to investigate the impact of capital structure on the performance of organizational performance with particular reference to Nigerian Food and Beverage Companies. Secondary data was used for this study. It was adopted from the audited financial statements of the listed food and beverages companies in the Nigerian Stock Exchange (NSE), for the period of year 2014 – 2018. The method of analysis used were Pearson Moment Correlation Coefficient and Linear Regressions. The results reveal that firm leverage, tangible 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. The study, therefore, recommends that Nigerian Food and Beverage should therefore strike a balance between their choice of capital structure and the effect on its performance as it affect the shareholders risks, returns and the cost of capital.

Keywords: Capital Structure, ROA, Food and Beverage, Liquidity, Asset, Leverage

Introduction

The significant contributions of manufacturing industry to the economic growth and development in advance and emerging economies have been documented in the literature and recognized by scholars and economists globally. Manufacturing industry has been tagged as a pillar and an engine room of nation's health economy, for instance, they account for a substantial proportion of total economic activities. In Nigeria, the subsector is responsible for about 10% of total GDP annually. In terms of employment generation, manufacturing activities account for about 12 per cent of the labour force in the formal sector of the nation's economy. However, the sector has been experiencing credit crunch since the global financial crisis of 2008 which made the world stock markets fallen and large financial institutions collapsed. The supply of credit has dropped dramatically, while increased risk and an increased cost of capital pressure firms in finding the right balance between debt and equity. This menace scenario has been affecting corporate firms' performance in developing

35 countries especially Nigeria. The basis for the determination of optimal capital structure of
36 corporate sectors in Nigeria is the widening and deepening of various financial markets. In
37 line with this view, Ibikunle [1] argues that over thirty six manufacturing companies have
38 moribund, while the surviving ones' earnings per share are currently zero, and per earnings ratios
39 are also at zero level. Most of firms in Nigeria are unable to finance their activities and grow
40 over time; this has affected them negatively to play an increasing and predominant role in
41 creating value added, as well as income in terms of profits [2, 3, 4]. This scenario has made
42 most of manufacturing companies witnessed several cases of collapses.

43 Capital structure has been acknowledged by researchers, scholars and economists as a
44 driver of firm's survival and growth, as it plays a primary role in its financial performance in
45 order to achieve its long-term goals and objectives. Capital structure not only influences the
46 return a company earns for its shareholders, but also whether the firm survives less fortunate
47 economic shocks. The survival of an organization in a global competitive environment
48 depends on how it is financed. This is because if a wrong mix of finance is employed, the
49 performance and survival of the business enterprise may be seriously affected. According to
50 Osuji and Odita [5], capital structure is the means by which an organization is financed.
51 Capital structure is about putting in place the structure, processes and mechanism that ensure
52 that the firm is being directed and managed in a way that enhances long term shareholder
53 value through accountability of managers and enhancing organizational performance [6].
54 Evidence from theoretical and empirical studies demonstrates that capital structure has
55 influence on organization performance. However, studies have not reached a consensus on
56 how and to which extent the capital structure of firms' impacts on their value, performance
57 and governance.

58 It is on this note that this study intends to investigate the impact of capital structure on
59 organizational performance with special reference to Nigerian food and beverage companies.

60 **Specific Objectives**

- 61 i. To identify the most important determinants of the capital structure of food and beverage
62 industry in Nigeria.
- 63 ii. To determine relationship between capital structure determinants and the performance of
64 food and beverage industry in Nigeria.

65 **Research Questions**

66 The researcher wants to explore the current study with reference to the following research
67 questions:

- 68 i. What are the most important determinants of capital structure in food and beverage industry
69 in Nigeria?
- 70 ii. What extent the impact of capital structure determinants on the performance of
71 Nigerian food and beverage industry.

72 **Empirical Review and Hypotheses Formulation**

73 Firm s performance is significantly affected by various factors and capital structure is one of
74 the significant factors among them [7]. Previous studies have been done to explore if there is
75 any relation between firms' performance and capital structure and these studies produced
76 mixed results. For example, the study Mwangi, Makau and Kosimbe [8], investigate the relationship
77 between capital structure and performance of non-financial companies listed in the Nairobi Securities
78 Exchange (NSE), Kenya. The study employed an explanatory non- experimental research design. A
79 census of 42 non-financial companies listed in the Nairobi Securities Exchange, Kenya was taken.
80 The study used secondary panel data contained in the annual reports and financial statements of listed
81 non-financial companies. The data were extracted from the Nairobi Securities Exchange hand books
82 for the period 2006-2012. The study applied panel data models (random effects). Feasible Generalised
83 Least Square (FGLS) regression results revealed that financial leverage had a statistically significant
84 negative association with performance as measured by return on assets (ROA) and return on equity
85 (ROE). In another study, Patrick, Joseph and Kemi [9] also investigate the impact of capital

86 structure on firm's performance in Nigeria using fixed effect regression estimation model.
87 The results reveal that there is positive relationship between return on investment and
88 leverage of the firm. In the same vein, Akinyomi [10] examines the impact of capital
89 structure on firm's performance. The results indicates that each of debt to capital, debt to
90 common equity, short term debt to total debt and the age of the firms' is significantly and
91 positively related to return on asset and return on equity but long term debt to capital is
92 significantly and relatively there is significant relationship between capital structure and
93 financial performance using both return on asset and return on equity.

94 Aburub [11] also investigates the impact of capital structure on the firm performance
95 of companies listed in Palestine Stock Exchange during 2006 to 2010. The results indicate
96 that the capital structure has a positive effect on firm performance evaluation measures.
97 Similarly, Olokoyo [12] examines the relationship between capital structure and corporate
98 performance of Nigeria quoted firms. The study employed panel data approach by using fixed
99 effect estimation, random-effect estimation and pooled regression model and it was
100 discovered that maturity structure of debts effect on performance of firms significantly and
101 the size of the firm has a significant positive effect on the performance of firms in Nigeria.
102 San and Heng [13] also examine the relationship between capital Structure and Corporate
103 Performance of Malaysian Construction Sector during 2005 to 2008. 49 companies were
104 selected as samples for their study. Results show that there is a significant relationship
105 between capital structure and corporate performance. In the same vein, Semiu and Collins
106 [14], using a sample size of 150 respondents and 90 firms were selected for both primary data
107 and secondary data respectively for a period of five years (2005-2009) from the relevance,
108 pecking order, the free cash flow, the agency cost and the trade-off theory point of view.
109 They employed the descriptive statistics and Chi-square analysis and suggested that a

110 positively significant relationship exists between a firm's choice of capital structure and its
111 market value in Nigeria.

112 However, the study of Lawal, Edwin, Monica and Adisa [4] who examine the effect
113 of capital structure on firm's performance with a case study of manufacturing companies in
114 Nigeria from 2003 to 2012 with the purpose of providing a critical appraisal of the need and
115 importance of capital structure. Descriptive and regression research technique was employed
116 to consider the impact of some key variables such as Returns on asset (ROA), Returns on
117 equity(ROE),Total debt to total asset(TD), Total debt to equity ratio(DE) on firm
118 performance. Secondary data was employed using data derived from ten (10) manufacturing
119 companies. The results show that capital structure measures (total debt and debt to equity
120 ratio) are negatively related to firm performance.

121 Chechet and Olayiwola [15] also examine capital structure and profitability of the
122 Nigerian listed firms from the Agency Cost Theory perspective with a sample of seventy (70)
123 out of population of two hundred and forty-five firms listed on the Nigerian change (NSE) for
124 a period of ten (10) years: 2000 - 2009 with the aid of the NSE Fact Book covering the period
125 under review. Panel data for the firms are generated and analyzed using fixed-effects,
126 random-effects and Hausman Chi Square estimations. Two independent variables which
127 served as surrogate for capital structure were used in the study: debt ratio, debt ratio and
128 equity ratio while profitability as the only dependent variable. The results show that debt ratio
129 is negatively related with profitability.

130 Ogebe, Ogebe and Alewi [2] also investigate the impact of capital structure on firm
131 performance in Nigeria from 2000 to 2010. The study makes a comparative analysis of the
132 selected firms which are classified into highly and lowly geared firms setting a leverage
133 threshold of above 10% as being highly geared. A static panel analysis was used to achieve
134 the objectives of the study. Using fixed effect regression estimation model, a relationship was

135 established between performance (proxied by return on investment) and leverage of the firms
136 over a period of ten years. The results provide strong evidence in support of the traditional
137 theory of capital structure which asserts that leverage is a significant determinant of firms'
138 performance. A significant negative relationship is established between leverage and
139 performance.

140 Abdul [16] also using 36 engineering sector firms in Pakistani market listed on the
141 Karachi Stock Exchange (KSE) during the period 2003-2009 applied Pooled Ordinary Least
142 Square regression and revealed the results show that financial leverage measured by short
143 term debt to total assets (STDTA) and total debt to total assets (TDTA) has a significantly
144 negative relationship with the firm performance measured by Return on Assets (ROA), Gross
145 Profit Margin (GM) and Tobin's Q. The relationship between financial leverage and firm
146 performance measured by the return on equity (ROE) is negative but insignificant.

147 Akinlo [17] also examines the determinants of capital structure of 66 firms listed on
148 the Nigerian stock exchange during the period of 1997 to 2007 using panel data. The results
149 shows that there is a negative relationship between leverage and growth opportunities and
150 legibility, but negatively related to liquidity as well as size. In the same vein, Oke and
151 Afolabi [18], using a study of five quoted firms within a period of nine years (1999-2007)
152 from the static trade-off and agency cost theory point of view. They employed the panel data
153 regression model and revealed in their study a positive relationship between firms'
154 performance and equity financing as well as between firms' performance and debt-equity
155 ratio. There is also a negative relationship that exists between firms performance and debt
156 financing due to high cost of borrowing in the country.

157 Onaolapo and Kajola [19] also investigate the effect of capital structure on financial
158 performance of companies listed on Nigeria Stock Exchange. This study was performed on
159 30 nonfinancial companies in 15 industry sectors in a 7-year period from 2001 to 2007. The

160 results showed that the capital structure (debt ratio) has a significant negative effect on
161 financial measures (ROA and ROE) of these companies.

162 Puwanenthiren [20] also carries out an investigation on capital structure and financial
163 performance of some selected companies in Colombo Stock Exchange between 2005-2009.
164 Capital structure was surrogated by debt while performance was proxy by gross profit, net
165 profit, return on investment / capital employed and returns on assets. The results shown the
166 relationship between the capital structure and financial performance is negative.

167 Base on the above empirical studies; it is therefore hypothesized that:

168 H₀₁: Firm's Leverage has a negative impact on the performance of food and beverage
169 companies.

170 H₀₂: Growth has a negative impact on the performance of food and beverage companies.

171 H₀₃: Firm's size has a negative impact on the performance of food and beverage companies.

172 H₀₄: Tangibility has a negative relationship with the performance of food and beverage
173 companies.

174 H₀₅: Liquidity has a positive relationship with the performance of food and beverage
175 companies.

176 **Methodology**

178 **Population :**

179 The population of this study consist of all the companies listed on the Nigerian Stock
180 Exchange (NSE). The companies listed are classified into twelve industrial sectors, and each
181 sector comprises of homogenous companies.

182 **Sample size and sampling Technique:**

183 The sample size of the study was selected based on Nigerian Stock Exchange classification of
184 the listed companies into industrial stratum of homogeneous companies of same or similar
185 characteristics, which the food and beverage industry forms a strata. This sector comprises of

186 sixteen (16) listed companies, (Big treat Plc, 7-up Bottling Company Plc, Dangote Flour
187 Mills, Cadbury Nigeria Plc, Dangote Sugar Refinery Plc, Ferdinand Oil Mills Plc, Flour Mills
188 Nigeria Plc, Foremost Dairies Plc, National Salt Co. Nigeria Plc, Nestle Foods Nigeria Plc,
189 Nigerian Bottling Company Plc, Northern Nigeria Flour Mills Plc, P S Mandrides & Co. Plc,
190 Tate Industries Plc., Union Dicon Salt Plc. UTC Nigeria Plc.), selected for the study for over
191 a period of five years (2014-2018).

192 **Method of Data Collection**

193 Secondary data was used for this study. It was adopted from the audited financial statements
194 of the listed food and beverages companies in the Nigerian Stock Exchange (NSE), for the
195 period of year 2014 – 2018. This study also made use of Nigerian Stock Exchange Fact Book
196 2018 for the company's ownership structure and CBN bulletin 2018. Most of the yearly
197 reports that were inaccessible in the NSE fact book were obtained from the corporate offices
198 of concerned food and beverages companies and were also downloaded from their corporate
199 websites.

200 **Method of Data Analysis**

201 Panel data was used since it incorporates time series and cross sectional data. The method of
202 analysis used were Pearson Moment Correlation Coefficient and Linear Regressions.
203 Specifically, Pearson Moment Correlation Coefficient (PPMCC) was adopted to establish the
204 relationship that exist between capital structure dimensions (firm leverage, growth, firm's
205 size, tangibility of fixed assets, and liquidity), and organisational performance measured by
206 Return on Asset. The study employed Linear Regression to assess to what extent capital
207 structure dimensions independently influenced organization's financial performance
208 measured by return on asset.

209

210

211 **Validity of Instrument**

212 Validity is to check whether the measuring instrument measures what it intends to measure.

213 The validity of the study will be in terms of the content. Content validity implies the degree
214 to which the test measures what it was designed to measure. The instruments used for the
215 study are among the instruments adjudged by experts in the field as suitable.

216 **Reliability of Instrument**

217 Reliability of instrument has to do with the consistency or reproducibility, the degree to
218 which the instrument consistently measures what it intends. The study made use of secondary
219 data; published audited annual financial statements of the firms. The process of preparing the
220 audited financial statement had followed the stringent accounting standard both national and
221 international. The financial statements are published documents, which were examined and
222 verified to ensure its objectivity, comparability; consistency, availability, and approved by the
223 Corporate Affairs Commission and Nigeria Stock Exchange before publishing. This ensures
224 the consistency of the data over time as the information therein could not be altered, thus the
225 assurance of the reliability of the data.

226 **Explanation of variables and Model Specification:** The economic models employed in the
227 study are regression models, to examine the relationship between capital structure and
228 financial performance of firms in Nigerian food and beverage industry. The independent
229 variable of the research is represented by capital structure, measured by firm leverage,
230 growth, firm's size, tangibility of fixed assets, and liquidity.

231 **ROA** = It is measured as net profit after tax divided by total asset.

232 **Tangible assets:** It is measured by dividing the total fixed assets to total assets D

233 **Firm's leverage:** - It is measured by dividing the total liabilities to the of total assets

234 **Liquidity:** - It is measured by the ratio of current assets to current liabilities.

235 **Asset Growth:** It is measured by $\frac{(\text{Assets of current year} - \text{Assets of previous year})}{\text{Assets of previous year}}$
236

237 **Age** = number of years of the firm from the date of its incorporation.

238 **Size** = Natural logarithm of total assets.

239

240 **Model Specification**

241 Financial performance is function of capital structure, [Financial Performance = f (capital
242 structure)] while the financial performance is measured by ROA.

243 **Model**

244 Return on Asset = f (Firm leverage, Growth, Firm's size, Tangibility of fixed assets, and
245 Liquidity).

246

247 **Model 1**

248 $ROA = \beta_0 - \beta_1 LEV_{it} + \beta_2 GR_{it} + \beta_3 SIZE_{it} + \beta_5 TANG_{it} + \beta_6 LQ_{it} + \epsilon_{it}$.

249 Where;

250 β_0 = intercept

251 $\beta_1 - \beta_5$ = Regression coefficient of the independent variables (ownership structure), where:

252 β_1 – co-efficient of Firm leverage

253 β_2 –co-efficient of Growth

254 β_3 –co-efficient of Firm's size

255 β_4 – co-efficient of Tangibility of fixed assets

256 β_5 – co-efficient of Liquidity

257 μ_i = Stochastic error term

258

259 **Presentation of Data Analysis**

260

Table 1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	16	.009	.078	.05956	.16970
Firm Leverage	16	.040	.500	.12580	.10896
Tangible of Asset	16	.002	.031	.01178	.07238
Liquidity	16	10.200	6.742	2.831	1.7815
Growth	16	.520	.780	.67880	.07898
Size	16	18	26	16.4719	1.6720

261

262 As presented in Table 1, the average value of the financial performance ratios measured by
 263 ROA of food and beverage companies is 5.9 percent (0.05956), this implies food and
 264 beverage companies on average earned a net income of 5.9 percent of total asset with a
 265 maximum and minimum value of 0.078 and 0.009. The standard deviation is 16.9 percent
 266 from the average value. On the other hand, the average value of the food and beverage
 267 companies leverage is 12.58 percent (mean=0.12580) which measured by total debt over total
 268 asset this reflects that companies operate with significant level of leverage and the maximum
 269 and minimum value of 0.50 and 0.40 percent respectively.

270 The growth opportunities of the food and beverage companies on average 67.88
 271 percent (mean=0.67880) as measured by annual change of total asset. The maximum value
 272 of annual change of total asset among the food and beverage companies is 0.788 maximum
 273 and the minimum value is 0.520 with standard deviation value of 0.7898. The table 1 above
 274 shows that the average size of the food and beverage companies 165 percent (mean =
 275 16.4719) which implies control variable measured by natural log of total asset which
 276 indicates very important for a company to be large in order to have superior performance. A
 277 maximum and a minimum value of size is 26 and 18 respectively. The standard deviation
 278 indicates that for the sample of Ethiopian insurance companies 1.672 suggests that there is
 279 moderate dispersion in the mean value of food and beverage companies. The amount of mean

280 and standard deviation of tangibility of asset of food and beverage companies the value of
 281 0.11780 and 0.7238 respectively.

282 The mean value of liquidity is 2.831 which indicate the amount of cash generated
 283 from current assets is 2.831 with maximum and minimum value 10.200 and 6.7423773
 284 respectively. It deviates by 1.7815 from the mean value of the food and beverage companies.

285 **Table 2: Relationship between capital structure determinants and Return on Asset**

Variable	1	2	3	4	5	6
1. Return on Assets	1.000					
2. Firm Leverage	-0.349	1.000				
3. Tangible of Asset	-0.638*	-0,128	1.000			
4. Liquidity	-0.423	-0.197	-0.634**	1.000		
5. Growth	0.388	0.201	-0.129	0.025	1.000	
6. Size	0.537	0.511	0.730	0.548	0.414	1.000

286 **Source: Researcher's Data Analysis, 2019**

287 ROA was negatively correlated with leverage, tangibility of asset and liquidity for the
 288 coefficient estimates of correlation -0.349, -0.638 and -0.423 respectively While grow
 289 opportunities and size having positive correlation with the firm's performance (ROA) of
 290 Food and beverage companies for the coefficient, 0.388 and 0.537 respectively. As we can
 291 see from the table 4.2, when leverage, tangibility of asset and liquidity are increases, the
 292 performance of Food and beverage companies decreases while increase in growth
 293 opportunities and size were the performance of the Food and beverage companies also
 294 increase.

295 **Table 3: Testing Firm Leverage relationship with performance of Nigerian food and**
 296 **beverage industry measured by Return on Assets**

Model	R	R ²	Adjusted R ²	Std error of the estimate
1	.078 ^a	.006	-.065	1.06984

Explanatory variable	B	Std error	t – value	p - value	Remarks
Constant	2.159	.665	3.244*	.006	
Firm Leverage	-.011	-.038	-.293	.774	Ns

297 Ns= not significant, S= Significant; **= significant at 5% level

298 Source: Researcher's Data Analysis, 2017

299 Table 3 shows $R^2 = 0.006$, which indicates that 0.06% change in organization financial
300 performance (return on assets) is explained by the firm leverage. p- value (0.774) is greater
301 than significant level (0.05) and this indicates that firm leverage has inverse relationship with
302 financial performance of Food and beverage companies. The regression coefficient (-0.011)
303 indicates that a unit increase in firm leverage will bring about (-0.011) decrease in
304 organizational performance which is measured by return on assets. Therefore, hull hypothesis
305 which states that Firm's Leverage has a negative impact on the performance of food and
306 beverage companies is accepted, while the alternative hypothesis is rejected.

307 **Table 4: Testing influence of Tangible of assets on financial performance of Nigerian**
308 **food and beverage industry measured by Return on Assets**

Model	R	R ²	Adjusted R ²		Std error of the estimate	
2	.595 ^a	.354	.308		.86220	
Explanatory variable	B	Std error	t– value	p- value	Remarks	
Constant	3.321	.415	8.001	.000		

Tangible assets	of	-0.026	.009	-2.773*	.015	S
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309 S= Significant; *= significant at 5% level

310 Source: Researcher's Data Analysis, 2018

311 Table 4 exhibits $R^2 = 0.354$ which indicates that 35.4% change (variation) in financial
312 performance (return on assets) is explained by tangible assets. p-value (0.015) is less than
313 significant level (0.05) and this indicates that tangible of assets has a negative influence on
314 organizational performance. The regression coefficient (-0.026) indicates that a unit
315 increase in tangible of assets will result to (-0.026) decreases in organizational performance
316 which is measured by return on assets. Therefore, null hypothesis which states that tangibility
317 has a negative relationship with the performance of food and beverage companies is accepted,
318 while alternative hypothesis is rejected.

319 **Table 5: Testing influence of Liquidity on financial performance of Nigerian food and**
320 **beverage companies measured by Return on Assets**

Model	R	R ²	Adjusted R ²		Std error of the estimate	
3	.516 ^a	.267	.214		.91894	
Explanatory variable	B	Std error	t- value	p- value	Remarks	
Constant	1.716	.359	4.785	.000		
Liquidity	-.024	-.011	-2.256*	.041	S	

321 S= Significant; *= significant at 5% level

322 Source: Researcher's Data Analysis, 2018

323 Table 5 reveals that 26.7% variation in organizational performance (return on assets) is
 324 explained by foreign ownership based on R-square (0.267). p-value (0.041) is less than
 325 significant level (0.05) and this indicates that liquidity has a significant inverse on
 326 organizational performance. The regression coefficient (-0.024) indicates that a unit increase
 327 in liquidity will result to (0.024) decreases in organizational performance which is measured
 328 by return on assets. Therefore, null hypothesis which states that liquidity has a negative
 329 relationship with the performance of food and beverage companies is accepted, while the
 330 alternative hypothesis is rejected.

331 **Table 6: Testing of impact of growth on organizational performance of Nigerian food**
 332 **and beverage companies measured by Return on Assets**

Model	R	R ²	Adjusted R ²		Std error of the estimate	
4	.322 ^a	.104	.040		1.01582	
Explanatory variable	B	Std error	t- value	p- value	Remarks	
Constant	2.139	.298	7.180	.000	S	
Growth	.059	.046	1.274	.003		

333 **Ns= Not significant, S= Significant; *= significant at 5% level**

334 **Source: Researcher's Data Analysis, 2019**

335 Table 6 displays R² = 0.104 which indicates 10.4% change in organizational performance
 336 (return on assets) is explained by growth. p-value (0.003) is less than significant level (0.05)
 337 and this shows that growth has a positive and significant impact on organizational
 338 performance. The regression coefficient (0.059) indicates that a unit increase in liquidity will
 339 result to (0.059) increases in organizational performance which is measured by return on
 340 assets. Therefore, hull hypothesis which states that growth has a negative impact on the

341 performance of food and beverage companies is rejected, while the alternative hypothesis is
 342 rejected.

343 **Table 7: Testing influence of Firm’s size on performance of Nigerian food and beverage**
 344 **companies measured by Return on Assets**

Model	R	R ²	Adjusted R ²		Std error of the estimate	
5	.59	.33	.68		1.07124	
Explanatory variable	B	Std error	t- value	p- value	Remarks	
Constant	2.292	.339	6.764	.000		
Firm’s size	.030	.120	2.21	.008	S	

345 Ns = Not significant, S= Significant; *= significant at 5% level

346

347

348

349 **Conclusion**

350 Capital structure has been a much debated topic in the finance field since the Modigliani &
 351 Miller proposition in 1958. Capital structure theories, such as the pecking order and the trade-
 352 off theory emerged into the finance field and many have tried to analyze the implications of
 353 these theories for firms in the market. Capital structure decision have been the most
 354 significant decisions to be taken any business organization for maximization of shareholders
 355 wealth and sustained growth. Based on the findings of the study, it can be concluded that
 356 firm leverage, tangible of assets and liquidity have inverse relationship with financial
 357 performance of Nigerian food and beverages industry, while, growth and firm’s size have
 358 positive relationship with financial performance of Nigerian food and beverages industry.

359 Deduction to be made from this finding is that effective capital structure is an antidote
 360 for distressed syndrome facing Nigerian food and beverages industry.

361 **Recommendations**

362 Arising from the findings of this study the following recommendations are made:

- 363 1. The Nigerian Food and Beverage should reduce their risk by increasing and
364 diversified its operation.
- 365 2. The Nigerian Food and Beverage should therefore strike a balance between their
366 choice of capital structure and the effect on its performance as it affect the
367 shareholders risks, returns and the cost of capital.
- 368 3. The Nigerian Food and Beverage should pursue policies that would encourage
369 growing firms accumulate huge tangible assets.

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