Influence of Capital Structure on Profitability: Empirical evidence from Listed Nigerian Non-Financial Firms

Mustapha Shettima[*a], Aminu Abdulrahim[a]

[a]Mai. Idris Alooma Polytechnic, Nigeria

Abstract

Sound and effective capital structure are essential for sustainable growth and development. This research work investigates the impact of capital structure on the financial performance of firms in Nigeria. A total of one hundred and six (106) non-financial firms listed on the Nigerian Stock Exchange between 2012 and 2016 were used as a sample. Panel data for the selected firms were generated and analysed using a fixed-effect model for estimation. The dependent variable for the study was profitability which was measured as Return on Assets (ROA). The independent variables, on the other hand, are a total debt to the total asset (TD), total long term debt to the total asset (LTD), and short term debt to a total asset (STD) used independently. Sales Growth, Firm growth and Firm Age are used as control variables. Results indicated a significant negative relationship between Total Debt to Asset and short term debt with return on assets (ROA). On the other hand, an insignificant relationship between long term debt and return on assets

Keywords: Capital structure, firm performance, long term debt, profitability, return on assets.

1. INTRODUCTION

In today's dynamic and competitive business environment, decisions on capital structure (CS) play a vital function in the firm's daily operations. CS decision influences nearly all the activities in the firm. The issue of CS started to generate significant interest in accounting and finance, ever since the publication of the seminal paper of Modigliani and Miller (1958). Modigliani and Miller (1958) formulated a proposition that in a perfect capital market free of taxes, transaction cost and other frictions, CS was irrelevant in ascertaining firm value. This proposition, popularly known as the MM model, led to several research on CS, with researchers examining the robustness of the model.

Following the 1958 and 1963 Modigliani and Miller publications, a series of theories have been propounded by scholars to elaborate on firms' optimal CS. The most popular theories include; the agency theory, the trade-off theory, and the pecking order theory. Optimal CS is essential to a firm's success in short- and long-term growth realities. It provides that firms maintain sufficient capital in both favourable and unfavourable conditions.

According to Abu-Rub (2012), CS decision changes correspondingly to the proportion of financial risk related to each firm's financing choices and the connection between return and risk. Generally, firms seek to adopt a financing structure that will guarantee less cost to maximise shareholder wealth. However, equity financing and debt financing (short-term and long-term debt) are the primary sources of financing firms' operations. They have distinct incentive features and distinct influences on firms' profitability. The role of debt financing (short-term, long-term and total debt financing) in firms' profitability is one of the primary objectives of contemporary research.

Immature debt and equity market are the Nigerian capital market structure; almost all firms' debt financing is significantly short-term debt (Nwude, Idam, Bamidele & Sergius, 2016). Consequently, most of the firms in the country depended more on specialised financial institutions or other commercial banks to provide them with most of the external funds. Therefore the need to investigate the influence of debt financing (total debt, short term, and long term debt) on Nigeria firms' profitability becomes a necessary action since they have distinct return and risk features. This comparison is suitable to be included in the measures of capital structure owing to different results they typically disclosed in instances of an inappropriate funding decision by the firm.

This study investigates the influence of total debt long term and short term debt financing on the profitability of non-financial firms listed in the Nigerian stock exchange market. More often than not, the reported research work has taken a single measurement of debt structure concerning the profitability of Nigerian firms. However, a handful of studies find that total debt, long term and short term debt ratios are the proper measurements of debt ratio in an emerging market like Nigeria owing to fund mismatch compelled by the scarcity of long term debt (Nwude et al. 2016). Circumstance whereby the fund for long term investment operations are from short term debt financing, such operations are inclined to default as repayment of principal and payment of interest may be required when the returns (cash inflow) from the investment may not be readily available. Empirical investigations by Nwude et al. (2016) shows that Nigerian firms predominantly use short-term debt financing. According to Lucey and Zhang (2011), the reason for the high ratio of short debt in firms' capital structure is that there is feeble legal and financial institutions structure in the emerging economy; this compels the creditors to use short term debt financing as a means of control, monitor and discipline borrowers' activities.

Based on the preceding, the influence of debt finance on the return on assets of Nigeria listed firms argued by Nwude et al. (2016) is that the Nigerian business environment has weak financial and legal institutions. A remarkable difference between the capital structures in Nigerian firms and firms in developed countries (for example, United States and Switzerland) was that Nigeria firms presumably prefer short term debt financing with a substantially lower ratio of long term debt. The implication is that Nigerian firms rely heavily on short term debt financing choice rather than long term debt finance, and this, to an extent, might limit the explanatory power of the capital structure theories in Nigeria. From the above, it is thus vital to understand how debt financing has impacted firms profitability in Nigeria in recent times. This research aims to provide a view to firm management in Nigeria about the connectivity between debt structure and profitability.

2.   LITERATURE REVIEW

Modigliani and Miller introduced the Relevancy/Irrelevance model of capital structure in 1958. They formulated a proposition that a firm could not adjust the value of its outstanding securities by adjusting the ratio of its capital structure element (Debt and Equity). Modigliani and Miller (1963) made a new proposition by introducing taxes into their earlier model. The implication is that their earlier model of 1958 is suitable under excellent and flawless capital market conditions; thus, the worth of any firm is not dependent on its financing decision. Nevertheless, those assumptions could not hold in the real world. However, when those assumptions were relaxed, capital structure decisions became a significant factor determining a firm's profitability and value (Sheikh and Wang 2010). That is the reason why the Modigliani and Miller Relevancy/Irrelevance model capital structure proposition face challenges for being strictly theoretical (Danso&Adomako, 2014). These challenges led to several capital structure theories by different scholars and researchers.

The pecking order theory considered three financing sources: retained earnings, debt, and equity as the available firm financing source in order of priority. It was, however, articulated clearly by Myers and Majluf (1984). On the other hand, the trade-off theory is assumed to be prominent and the oldest theory relating to firms' financing choices. The original version came into being after the Modigliani-Miller proposition in 1963. Kraus and Litzenberger (1973) established the classical form of the theory that optimal debt level follows a trade-off between tax advantages of debt and insolvency costs. Kraus and Litzenberger (1973) stated that in a complete and flawless capital market, the firms' market worth is not dependent on its capital structure.

Agency theory explains the conflict of interest arising from the separation of ownership from management (Berle & Means 1932). Berle and Means (1932) established that the separation of principal (ownership) and control gives the agent (managers) the chance to chase their interest against the owners' interest. Agency Cost theory maintains that the optimal capital structure is determined by agency cost, which results from the conflict of interest between firm stakeholders. The work of Modigliani and Miller subsequently led to the development of several theories on CS through an empirical of investigation optimal CS. Optimum CS is the ratio of total debt to the total asset at book value that influences both riskiness and profitability of the firm (Bos & Fetherson 1993). The divergence of ideas between scholars could be due to the influence of debt financing on profitability. While some scholars found

a positive relationship between debt financing and profitability, some also disclosed negative, while some provided mixed results.

Abor (2005) uses ROE (return on equity) to measure the performance of listed firms in Ghana concerning debt ratio; the result indicates a positive relationship between ROE and short-term debt ratio. Baum, Schafer and Talayera (2006) also disclosed a positive influence, arguing that debt financing positively influences the firms' achievement. Margrates and Psillaki (2010) and many other researchers also found a positive influence.

On the contrary, Mohammad and Jaafer (2012) use ROE to measure the performance of 39 firms listed on the Amman stock exchange. The result indicates a negative association between total, long-term, and short-term debt with ROE. Kebewar (2013) disclosed that debt negatively influenced the profitability of French firms from 1999 to 2006. Onaolapo and Kajol. (2010); Nwude et al. (2016), Hassan, Faisal, and Muhammad (2016), and many other researchers also argue that the relationship between debt financing and profitability is positive.

Besides the positive and the negative influence of debt financing on firm profitability, some empirical result also produces mixed results. The research work of Cheng, Liu and Chien (2010) that investigated 650 firms in China produced a positive relationship at the debt ratio between 53.97% - 70.48%, while when the debt ratio exceeded 70.48%, the relationship negative became negative. Dwilaksono, H. (2010) studied the effect of STD (short-term debt) and LTD (long-term debt) on the profitability of Mining industrial firms listed on the Indonesian stock exchange between 2003-2007 and found a positive relationship in STD and a negative relationship in LTD with profitability. Li Meng, Wang and Zhou (2008); Agarawal and Zhao (2007) also disclosed mixed results in their research work.

3.   METHODOLOGY

3.1   Population and sample selection

The study's sample size was that the entire 115 non-financial firms listed on NSE (Nigeria stock exchange) were selected for this study. However, the study excluded nine (9) firms that do not have complete records or exist between 1st January 2012 and 31st December 2016. After excluding those firms, 106 firms were used for the analysis. Information regarding the individual firm's data was obtained through the firm's annual report audited by a statutory auditor and published by the Nigeria security and exchange commission.

In presenting the results, the main focus of the dependent variable will be on profitability (for this study, profitability is the return on asset (ROA). Return on assets (ROA) is the financial ratio that shows the percentages of profit that a company earns concerning its overall resources (total assets). ROA gives an idea of how efficient management uses its assets to generate earnings. On the other hand, the independent variables (TD, LTD & STD) were used independently. Some firm characteristics (FA, FG & SG) were used as control variables. Firm Age indicates the opportunity and strength of the firm in dealing with the business over a long period. A firm's growth has predicting power for future firm returns. In contrast, sales growth is generally associated with firm profitability and sensitivity to inflation and local currency exchange rate. However, the independent variables (capital structure) and control variables are indicated in Table 4.1 below, as supported by different scholars cited in the reference column.

Table 1. Variables definition and measurement

	Variables	Code	Measurement	Reference
Profitability	Return on Assets	ROA	Net Income / Total Assets	Nwude et al. (2016) Hassan et al. (2016)
Capital structure	Debt ratio	Total debt	TDR	Total debt / Total Assets	Nwude et al. (2016) Hassan et al. (2016)
		Long-term debt	LTDR	Total long-term debt/ Total Assets	Nwude et al. (2016) Hassan et al. (2016)
		Short-term debt	STDR	Total short-term debt/ Total Assets	Nwude et al. (2016) Hassan et al. (2016)

Control variables	Firm Age	FA	Number of years since incorporation	Agyei&Owusu (2014).Nwude et al. (2016)
	Firm growth	FG	Percentage change in total assets (At – At-1 / At-1)%	Nwude et al. (2016)
	Sales growth	SG	Percentage change in total sales (At – At-1 / At-1)%	Nwude et al. (2016) Hassan et al. (2016)

3.2　Model Specification of Model

This study adopted a model used by Nwude et al. (2016) with slight modification by using growth measurement in place of firm size. The firm's profitability (ROA) measurement was regressed separately with each of the proxies of CS, control variables and other bonding factors that may influence the performance of the firms not included in the equation model. These analytical experiments will furnish the researcher with justifiable and straightforward results.

$Y = \beta_0 + \beta_1 X_{it} + \beta_2 Z_{it} + \mu$….. (1) Where: Y = dependent Variable; β_0 = Constant (intercept) of Y; X_{it} = Independent Variables;　Z_{it} = Control Variables; β_1 and β_2 = Coefficient of IV (independent variable) and CV (control variables); μ = Stochastic (Random) variables.

The empirical equation models, estimated in this research work, were proxies as follows:
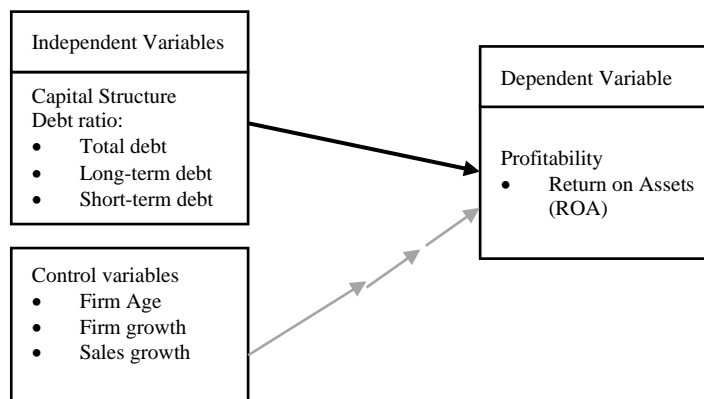ROA = Return on Asset; TDR = Total Debt Ratio; LTDR = Long-term Debt Ratio;
STDR = Short-term Debt Ratio; FA= Firm Age; FG= Firm Growth; SG=Sales Growth
Model 1: $ROA = \beta_0 + \beta_1 TDR_{it} + \beta_2 FA_{it} + \beta_3 FG_{it} + \beta_4 SG_{it} + \mu$
Model 2: $ROA = \beta_0 + \beta_1 LTDR_{it} + \beta_2 FA_{it} + \beta_3 FG_{it} + \beta_4 SG_{it} + \mu$
Model 3: $ROA = \beta_0 + \beta_1 STDR_{it} + \beta_2 FA_{it} + \beta_3 FG_{it} + \beta_4 SG_{it} + \mu$

Figure 1: A research framework

4.　EMPIRICAL RESULTS

4.1　Descriptive statistics

Descriptive statistics were used to describe the trend of the variables used in the study in summary. The table shows the mean, the median, the minimum, the maximum, the standard deviation, the skewness and the kurtosis of the dependent and independent variables in the study. An outlier issue was solved by winsorising all the continuous variables at 5% top and bottom before the computation. Dixon (1980) suggested that winsorisation of data gives more stables results than trimmed means.

According to Tabachnick and Fidell (2007), Pallant (2011) and Griffin and Steinbrecher (2013), outliers can be described as those variables with skewness values above the range of ± 3.3 and kurtosis above ± 10 range. The result presented in Table 2 regarding skewness and kurtosis indicated that all the variables are within the acceptable range.

Table 2. Descriptive analysis of the variables (2012-2016)

	Variable	Mean	Median	Min	Max	Std. deviation	Skewness	Kurtosis
Dependent variable	ROA	0.026	0.034	-0.207	0.206	0.096	-0.590	3.562
Independent variables	TDR	0.560	0.554	0.182	0.986	0.222	0.164	2.227
	LTDR	0.164	0.123	0.00	0.476	0.145	0.830	2.594
	STDR	0.388	0.360	0.082	0.820	0.206	0.509	2.428
Control variables	FA	31.042	32	5	59	16.699	0.071	1.907
	FG	7.916	4.58	-20.93	54.28	17.844	0.902	3.704
	SG	3.074	2.372	-49.439	63.775	26.041	0.274	3.438

Note: TDR=Total debt ratio (Total debt/Total Assets), LTDR=Long-term debt ratio (Total long term debt/Total Assets), STDR= Short term debt ratio (Total short-term debt/Total Assets), FA=Firm age (Number of years since incorporation), FG =Firm growth (Percentage change in total assets), SG=Sales growth (Percentage change in total sales)

From Table 2, ROA (return on assets) ranges from -0.207 to 0.206 with a mean of 0.026 and a standard deviation of 0.096. TDR ranges from 0.182 to 0.986, with a mean value of 0.560 and a standard deviation of 0.14. LTDR ranges from 0.00 to 0.476, with a mean value of 0.164 and a standard deviation of 0.145. The results indicate that some sampled firms have no long-term debt in their debt ratio. STDR ranges from 0.082 to 0.820, with a mean value of 0.388 and a standard deviation of 0.206. It shows that all the sampled firm has an element of short term debt, some with over 80% short term debt. Firm age (FA) ranges from 5years to 59years with a 31years mean value and a standard deviation of 17 years. Firm growth (FG) ranges from -20.93 to 54.28, with an average value of 7.916. A standard deviation of 17.844 Sales growth (SG) rages from -49.439 to 63.775 with a 3.074 mean value and a standard deviation of 26.041.

Furthermore, the study also used variance inflated factors to detect critical multicollinearity (see table 4.2). The general rule of thumb commonly used in empirical literature for determining the presence of critical multicollinearity is VIF≥10 or 1/VIF≤0.1 (see Gujarati 2004; Hair, Black, Babin, Anderson, &Talham 2006). As indicated in Table 3, the result shows that the VIF values are below 10, and the tolerance value is higher than 0.1.

Table 3. VIF and Tolerance value for independent variables

Variable	VIF	1/VIF
FG	1.09	0.9146
TDR	1.09	0.9171
SG	1.07	0.9321
FA	1.07	0.9339
Mean VIF	1.08	

Table 4. Correlation matrix of dependent and independent variables

	ROA	TDR	LTDR	STDR	FA	FG	SG
ROA	1						
TDR	-0.3109	1					
LTDR	-0.1755	0.4189	1				
STDR	-0.1619	0.7483	-0.2547	1			
FA	-0.0001	0.2464	-0.0459	0.294	1		
FG	0.3724	0.1221	-0.0067	0.1498	-0.0424	1	
SG	0.2611	-0.0385	-0.0128	-0.0105	-0.0238	0.251	1

All the independent variables are below the threshold value of 0.90, as Pallant (2011) suggested. Table 3 reveals that all the debt ratio proxies via; TDR, LTDR, and STDR are negatively correlated with ROA. Firm characteristics proxies via; FG and SG are positively correlated with ROA, while firm age (FA) was negatively correlated with ROA. However, the correlation matrix above quantifies the relationship between two variables but ignores dependent and explanatory variables. The regression model goes beyond the correlation matrix by adding prediction capabilities and provides estimates of values of the dependent variables from the values of independent variables. Therefore, the study conducted a diagnostic test to determine the appropriate regression model and base our relationship and prediction analysis on the result of the regression model used.

4.2   Regression results

4.2.1   Model specification test
The required model specification tests were conducted to determine the appropriate estimation technique. First, the Breusch and PanganLagragian multiplier test for random effects was conducted after running the ordinary least square regression model. The null hypothesis is random effects, while the alternate hypothesis is ordinary least square (OLS). The result returned a chi-square value of 179.81 and a corresponding probability-value of 0.0000. The result indicated that the null hypothesis could not be rejected since the probability value is less than 0.05. (Baltagi, 2005). Secondly, the Hausman test for fixed effect was conducted to select between random effect and fixed-effect model. The Hausman test results showed a chi-square value of 22.40 and a corresponding probability-value of 0.000. The result indicated that the null hypothesis could not be rejected since the probability value is less than 0.05 (Baltagi 2005).

Next, the Heterokedasticity test was conducted to know if the disturbances appearing in the population regression are homoskedasticity and has a constant serial correlation through the random individual effects (see Hsiao, 2003; Baltagi, Byoung, &Seuck, 2010). The Breuch-Pagan/Cook-weisber test for heteroscedasticity showed a chi-square value of 16.93 with a significant probability value of 0.0020. Therefore, this study failed to accept the null hypothesis that there is constant variance, indicating the presence of heteroscedasticity, accept the alternate hypothesis of the presence of general heteroskedasticity.

4.2.2 Result of empirical analysis
Table 5 summarises the TDR model estimations. As betokened by the outputs of model 1, and in line with H1, the central IV (independent variables) – i.e. total debt ratio (TDR), is negatively and significantly influence the DV (dependent variable) - i.e. financial profitability (ROA) at a significance level of ten per cent (10%). The gradient coefficient of the total debt ratio variable (-0.11229; p 0.064) indicates that the higher the total debt ratio in the sample firms, the lower the profitability (ROA). The control variable, firm age, is harmful. Significant influence on the DV (ROA) at a significance of 1%, whereas firm growth (FG) and sales growth (SG) have a significant and positive influence on the DV at a significance level of 1%.

Table 5. Summary of Regression result for TDR

ROA	Coef.	Std. Err.	t value	P>|t|	Significant
TDR	-0.11229	0.06008	-1.87	0.064	-ve sig
FA	-0.00143	0.00053	-2.71	0.008	-ve sig
FG	0.00091	0.00023	3.96	0.000	+ve sig
SG	0.00044	0.00014	3.12	0.002	+ve sig
_cons	0.12429	0.03215	3.87	0.000	
sigma_u	0.072473				
sigma_e	0.057674				
Rho	0.612256	(fraction	of varia	nce due t	o u_i)
Prob> chi2		=	0.0000		
R-squared		=	0.1495		

Note: TDR=Total debt ratio (Total debt/Total Assets), LTDR=Long-term debt ratio (Total long term debt/Total Assets), STDR = Short term debt ratio (Total short-term debt/Total Assets), FA=Firm age (Number of years since incorporation), FG = Firm growth (Percentage change in total assets), SG=Sales growth (Percentage change in total sales)

Further, the results of model 2 estimation are presented in Table 5. As disclosed by the outputs of the complete model 2, contrary to H1, the IV – i.e. long total debt ratio (LTDR), was positive but did not significantly influence the DV (ROA). The gradient coefficient of the long-term debt ratio variable (0.01117; p 0.832) indicates that the sample firms' long-term debt ratio has no significant influence on profitability (ROA). On the other hand, the control variables produced the same result as in model 1.

Table 6: Summary of Regression result for LTDR

ROA	Coef.	Std. Err.	t value	P>|t|	Significant
LTDR	0.0111704	0.0525468	0.21	0.832	Not sig
FA	-0.0016074	0.0006176	-2.6	0.011	-ve sig
FG	0.0007659	0.0002158	3.55	0.001	+ve sig
SG	0.0004628	0.0001347	3.43	0.001	+ve sig
_cons	0.0660925	0.0230234	2.87	0.005	

sigma_u	0.077884				
sigma_e	0.058985				
Rho	0.635502	(fraction	of vari	ance due t	o u_i)
Prob> chi2		=	0.0000		
R-squared		=	0.1104		

Table 7 summarises the STDR model estimations. As disclosed by the results of the complete model 3, and consistent with H1, the IV – i.e. STDR, is negatively and significantly influence the DV (ROA) at a significance level of one per cent (10%). The gradient coefficient of the total debt ratio variable (-0.10847; p 0.070) indicates that the higher the STD ratio in the sample firms, the lower the profitability (ROA). On the other hand, the control variables produced the same result as in model 1.

Table 7. Summary of Regression result for STDR

ROA	Coef.	Std. Err.	t value	P>|t|	Significant
STDR	-0.1084736	0.0593114	-1.83	0.070	-ve sig
FA	-0.0013603	0.0005204	-2.61	0.010	-ve sig
FG	0.0009138	0.0002284	4	0.000	+ve sig
SG	0.0004577	0.000134	3.42	0.001	+ve sig
_cons	0.101169	0.0209198	4.84	0.000	
sigma_u	0.076208				
sigma_e	0.057943				
Rho	0.633676				
Prob> chi2		=	0.0000		
R-squared		=	0.1415		

Rho: fraction of variance due to u_i

Overall, the empirical outcome revealed that debt ratios negatively influence firm performance (ROA) in financial profitability. According to the agency theory assumption, firms with a lesser debt ratio look more profitable than those with a higher debt ratio. Specifically, profitable firms' principal (owners) and agent (managers) should use equity financing and retained earnings efficiently, thereby reducing agency costs and staying independent of external debt financiers. This research work complements those of previous studies from other countries in the emerging economy and firm contexts, e.g. Goddard, Tavakoli, and Wilson (2005), Abor (2007), Sheikh and Wang (2011), Salim and Yadav (2012) and Darush and Peter (2015).

Table 8. Summary of overall Regression result

ROA	Significant	ROA	Significant	ROA	Significant
TDR	-ve sig	LTDR	Not sig	STDR	-ve sig
FA	-ve sig	FA	-ve sig	FA	-ve sig
FG	+ve sig	FG	+ve sig	FG	+ve sig
SG	+ve sig	SG	+ve sig	SG	+ve sig
_cons		_cons		_cons	
Prob> chi2	0.0000	Prob> chi2	0.0000	Prob> chi2	0.0000
R-squared	0.1495	R-squared	0.1104	R-squared	0.1415

5. CONCLUSION

CS decision making is essential for the financial profitability of a firm. Debts financing and Equity financing are the primary financing firms' operation sources. Choosing the right proportion of debt and equity in CSratio will assist in raising the firm's financial profitability. Generally, it is assumed that debt allows firms to finance operations that they would not be able to do otherwise; however, it also raises the firm's overall risk. Nevertheless, there are small divergences of argument about the influence of debt financing on financial profitability. The literature disclosed distinct outcomes under distinct circumstances. This research work reveals a noticeable negatively relationship between TD (total debt) and profitability, STD and profitability. Thus, the more the

proportion of debt in capital structure, the less the financial profitability. The results are consistent with Osuji and Odita (2012) and acquiesce with the Pecking order theory.

Debt financing looks highly costly due to some macroeconomic factors and financial crises. Thus, raising the proportion of debt financing in CS will consequently produce lower financial profitability. It can be noticed that profitability positively relates to control variables (firm growth and sales growth). The outcome of this research work acquiesces with the studies of Mohammad and Jaafer (2012), Kebewar (2013) and Darush and Peter (2015). While the result on firm age is negatively related to the profitability is consistent with Osuji and Odita (2012).

Recommendations

This study's results indicated a negative relationship between debt financing and financial profitability, meaning that increasing debt ratio, especially STD, in capital structure will reduce financial profitability. Therefore, it is recommended that firms prefer LTD, which does not significantly influence profitability. The period of this research work encloses the years of economic recession in Nigeria(2015-2016), which affected firms' performance over time. That provides that there is still a chance for improvement. The Nigeria Bureau of Statistics reported toward the end of 2017 that Nigeria is out of recession. Therefore, future research should consider increasing the scope of the study to make the results more reliable.

The study excluded firms in the financial institution sector due to the nature of services rendered by the financial institution, which is quite different from the other sectors. Also, the study does not represent unlisted firms, the study focuses on firms listed on the Nigeria stock exchange market, and the findings may not be generalizable to all firms in Nigeria. Further studies could consider small and medium enterprises (SMEs) in Nigeria. This study could be considered an addition to knowledge and a series of studies and existing literature conducted in Nigeria and globally in capital structure and firm performance. It is expected to add substance to the dearth of literature as the study elucidates the debt ratio on firms' financial performance in Nigeria.

As a developing country, Nigeria aims to attract more foreign investors, better access Nigerian firms to financing, have less cost of capital, better consideration for all the firm's stakeholders, and better firm performance to enhance the country's economic growth and development. Sound and effective capital market practice must be implemented across all Nigerian firm financing sources.

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