

THE EFFECT OF CAPITAL STRUCTURE ON MANUFACTURING FIRMS PERFORMANCE IN NIGERIA

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ABSTRACT

The main objective of this study was to examine the effect of capital structure on firm's performance in Nigeria, using correlation and regression analysis. The study revealed that capital structure exert positive effect on profitability in Nigerian manufacturing firms, this implies that for a percentage increase in capital structure lead to 0.9 percent increased profitability. The study also revealed that capital structure exerts negatives effect on liquidity in Nigerian manufacturing firms; this implies that for a percentage decrease in capital structure lead to 20 percent decreased liquidity. The study concludes that capital structure has positive effect on firms' performance in selected Nigerian manufacturing firms during the reviewed period. The study also revealed that capital structure exerts negatives effect on liquidity in Nigerian manufacturing firms; this implies that for a percentage decrease in capital structure lead to 20 percent decreased liquidity. The study concludes that Nigeria Manufacturing companies should relying less on liquidity and more on equity as a source of finance to boost their firm performance. The result the study recommended that Manufacturing firms should chose the most optimal capital structure, as it is the profitability that best maximizes firms value, also Manufacturing firms should encourage the use of long term debt in there capital structure since it has positive impact.

Keywords: Liquidity; Profitability, Gearing ratio; Capital Structure; Performance.

INTRODUCTION

Capital structure is defined as the mix of debt and equity that the firm uses in its operation (Akhtar and Javed, 2012). In other words, it is the mix of company long-term debt, short-term debt and equity maintained by a firm. According to Lim (2012), capital structure refers to the way a firm generates the money to finance its operations' and the manner it assign these financing. The decision is important because the organization need to maximize return to various stakeholders and have an effect on the value of the firm and because of the impact such a decision has on a firm's ability to deal with its competitive environment. Financial performance evaluation regarded as a useful step in attaining a self-evaluation method and consequently the improvement of accountability

power (Mehragan and Golkani, 2012). Performance evaluation indices are in fact an action guide from what it is towards what it should be. Evaluating the performance of firms and factories can act as a guideline that paves the way for future decisions concerning investing, development and most importantly, control and supervision (Lawal and Edwin 2014).

Financing and investment are two major decision areas in a firm. In the financing decision, the manager is concerned with determining the best financing mix or capital structure for his firm. Capital structure has been a major issue in financial economics ever since Modigliani and Miller showed in 1958 that given frictionless market, homogeneous expectations; analyzing their effects, theories seek to determine whether an optimal capital structure exists or not, and if so what could possibly be its determinants. Capital structure could have two effects; according to Desai (2007) firms of the same risk class could possibly have higher cost of capital with higher leverages firms. Second, capital structure may affect the valuation of the firm, with more leverages firms. If the manager of a firm has the shareholders' wealth maximization as his objective, then capital structure is an important decision, for it could lead to an optimal financing mix which maximizes the market price per share of the firm. Capital structure is an important aspect of a company in decision-making and evaluation of financial performance. As capital is an uncertain but crucial resource for all firms, suppliers of finance are able to exert control over firms (Robert 2013). The issue of finance is necessary that it has been identified as one of the reasons for business failure in Nigeria today. Debt and equity are the two major classes of liabilities, with debt holders and equity holders representing the two types of investor in the firm. Each of these is associated with diverse levels of risk, benefits, and control. While debt holders exert lower control, they earn a fixed rate of return and are protected by contractual obligations with respect to their investment. Equity holders are the residual claimants, bearing most of the risk and have greater control over decisions. An appropriate capital structure is a crucial decision for any business organization.

In Nigeria, most corporate decisions are dictated by managers (Patrick and et al., 2013). Equity issues are often favored over debt in spite of debt being a cheaper source of fund; even where debts are employed, it is usually on the short term basis. This could be as a result of the manager's tendency to protect the undiversified human capital and avoid the performance pressure associated with debt commitment. More often, when debts are issued voluntarily, particularly long term debt, it is used as an anti-takeover device against the challenge of potential corporate rider. Since 1987, financial liberalization resulting from the Structural Adjustment Program changed the operating environment of firms. The macroeconomic environment has not been conducive for business while both monetary and fiscal policies of government have not been stable. Following the Structural Adjustment Program, lending rate rose to a high side from 1.5 percent in 1980 to a peak of 29.8 percent in 1992; but it declined to 16.9 percent in 2006. The high interest rate implies that costs of borrowing went up in organized financial market, thus increased the cost of operations. According to Patrick and et al.,

(2013), the Structural Adjustment Program (SAP) came with its conditions, policies that liberalized and opened up the Nigerian economy to the outside world even when the nation's domestic produce cannot stand in equal comparison to international commodities to international commodities, causing unfavorable balance of payment as domestic demand for foreign goods increased also led to the high volatility of the exchange rate system thereby rendering business in Nigeria uncompetitive, especially given high cost of borrowing and massive depreciation of Naira, which culminated to increasing rate of inflation in Nigeria.

Statement of the problem

A firm's capital structure refers to the mix of its financial liabilities. It has long been an important issue from the strategic management standpoint since it is linked with a firm's ability to meet the demands of various stakeholders (Roy and Minfang, 2000). The difficulty facing firm in Nigeria has to do more with the financing whether to raise debt or equity capital. The issue of finance is so important that it has been identified as an immediate reason for business failing to start in the first place or to progress. Thus, it is necessary for firms in Nigeria to be able to finance their activities and grow over time, if they are ever to play an increasing and predominant role in creating value added, as well as income in terms of profits. From the foregoing, it is therefore important to understand how firm's financing choice affects their performance. It is evidently clear that both internal (firm specific) factors and external (macroeconomic) factors could be very important in explaining the performance of firms in an economy. Thus, the main objective of this study is to examine the effect of capital structure on firm's performance in Nigeria. theoretical and empirical analysis of the lowly and highly geared companies in Nigeria will be thoroughly assessed. Moreover, macroeconomic factors alongside firm's specific factors that could drive the performance of Nigerian firms will be closely considered.

Research Hypothesis

The below null hypothesis was formulated and tested.

H1: Capital Structure has no effect on the profitability of selected manufacturing firms in Nigeria

LITERATURE REVIEW

Concept of capital structure

Scholars in the field of finance have advanced quite a number of definitions as to the concept of capital structure. Nirajini and Priya (2013) define capital structure as the way in which an organization is financed a combination of long term capital (ordinary shares and reserves, preference shares, debentures, bank loans, convertible loan stock and so on) and short term liabilities such as a bank overdraft and trade creditors. Saidu (2014) viewed firms capital structure is described as the mix or combination of its financial resources available for carrying on the business and is a major determinant on how the business operates. According him financial

capital is an uncertain but critical resource for all firms as a result; suppliers of the finance are to exert control over firms. The term capital structure according to Kennon (2010) refers to the percentage of capital (money) at work in a business by type. There are two forms of capital equity capital and debt capital.

From the theoretical frameworks and review of previous empirical studies discussed, the diagrammatical representation of the conceptual framework for the effect of capital structure on firm's performance is structured as follows:



Elements of Capital Structure

- i. Capital Mix: Capital mix firms have to decide about the mix of debt and equity capital. Debt capital can be mobilized from a variety of sources. The firms and analysts use debt ratios. Debt-service coverage ratios and the funds flow statement to analyze the capital mix.
- ii. Maturity and priority: the maturity of securities used in the capital mix may differ. Equity is the most permanent capital. Within debt, commercial paper has the shortest maturity and public debt longest. Similarly, the priorities of securities also differ. Capitalized debt like lease or hire purchase finance is quite safe from the lender point of view and the value of assets backing the debt provides the protection to the lender.
- iii. Terms and Conditions Firms: Terms and conditions firms have choices with regard to the basis of interest payments. They may obtain loans either at fixed or floating rates of interest. In case of equity, the firm may like to return income either in the form of large dividends or large capital gains. What is the firm preference with regard to the cases of payments of interest and dividend? How do the firm's interest and dividend payment match with its earnings and operating cash flow? The firm's choice of the basis of payment indicates the management assessment about the future interstates and the fluctuations? The financial manager can protect the firm against interstates fluctuations through the interest rates derivatives.
- iv. Financial Innovations: Financial innovations firms may raise capital either through the issues of simple securities or through the issues innovative securities. Financial innovations are intended to make the security issue

attractive to investors and reduce cost of capital. For example, a company may be convertible debentures at a lower interest rate rather than non-convertible debentures at a relatively higher interest rate. A further innovation could be that the company offer. Higher simple interest rate on debentures and offer to convert interest amount into equity.

- v. Financial Market Segments: Financial market segments there are several segments of financial markets from where the firm can tap capital. For example, a firm can tap the private or the public debt market for raising long-term debt. The firm can raise short-term debt either from banks or by using commercial papers of certificate deposits in the money market. The firm also has the alternative of raising shear term funds but public deposits.

Features of Capital Structure

Capital structures possess the following features:

- i. Maximum Return: The financial structure of a company should be guided by clear-cut objective. Its objective can be maximization of the wealth of the shareholders or maximization of return to the shareholders.
- ii. Less Risky: The capital structure should represent a balance between different types of ownership and debt securities. This is essential to reduce risk on the use of debt capital.
- iii. Safety: Capital structure should ensure safety of investment. It should be so determined that fluctuations in the earnings of the company do not have heavy strain on its financial structure is.
- iv. Flexibility: Capital structure should facilitate expansion and contraction of funds. The company should be able to procure more capital in times of need and should be able to pay all its debts when it does not require funds.
- iv. Economy: The capital structure should ensure the minimum costs of capital which in turn would increase its ability to generate more wealth for the company.
- v. Capacity: The financial structure of a company should be dynamic. It should be revised periodically depending upon the changes in the business conditions. If it has surplus funds, the company should have the capacity to repay its debt and reduce interest obligations.
- vi. Control: the capital structure of a company should not dilute the control of equity shareholders of the company. That is why, convertible debentures should be issued with great caution.

Factors Determining Capital Structure:

Every time when the company wants to expand or grow, more faces the problems is there in respect to the suitable sources of finance.

Thus, a decision as regards capital structure is taken, considering the following factors:

1. Trading on Equity: When the debt and preference share capital are used as main sources of finance, the situation is termed as trading on equity. Under

such case, an enterprise earns a high rate of return on capital employed than the rate of interest payable on borrowed funds. The earning per share increases without investing a corresponding increase in the equity shareholder's

2. **Control of Business:** Normally, the promoters want to retain with them the control of the affairs of the business company. Therefore, the promoters or their near relatives hold majority of equity share capital and the issue of debentures raises a large prospect of fund and preference shares because debenture holders and preference shareholders usually do not have any voting right as enjoyed by the equity shareholders
3. **Nature of Business:** While designing capital structure, nature of business must be taken into account. Public utility concerns may enjoy advantages of fixed interest securities like bonds and debentures because of their nature and stability of income. However, on the other hand, manufacturing concerns do not enjoy such advantages and rely largely on equity share capital
4. **Size of Business:** Small companies have to depend on owned capital whereas large companies do not find much difficulty in raising long-term funds/loans
5. **Period of Finance:** If funds are required for ten years or so, debentures are preferred to shares, whereas if the requirement of funds is permanent, equity shares are more appropriate to be issued. If the funds are required for five years or so, they may be arranged through borrowings because these can easily be repaid as soon as company's financial position improves.
6. **Cost of Capital:** The cost of a source of finance should be minimum. The cost of capital is based on the return expected by the supplier of the particular source of finance. Expected return depends on the extent of risk, which is assumed by various Suppliers of finances. Usually debt is cheaper than equity because debt holders assume less risk than shareholders. Preference share capital is also cheaper than equity capital.

Concept of firm Performance

Performance measurement refers to the process of measuring the action's efficiency and effectiveness (Neely, Gregory and Platts, 2005). (Lebus, 2005) In the current business management, performance measurement is considered to be in a more critical role compared to quantification and accounting (Koufopoulos, Zoumbos and Argyropouleu, 2008). The company's performance can be viewed from the financial statement reported by the company consequently, a good performing company will reinforce management for quality disclosure (Herly and Sishahadi, 2011).

There are little consensus about the best mechanism to apply for evaluating performance. Some researchers use market measures such as Tobin Q (Awunyo-Victor and Bandu, 2012 Kropp and Heider, 2009), others use accounting measures such as return on assets (ROA), return on equity (ROE), (Muritala, 2012, Oaleji and Olokoyo, 2014,) and many others we both. The three ways represent the different perspective of how to evaluate firm financial performance and theoretical

implication. As such using any of the two performance measures is bound by peculiar bias (Saidu, 2014). However, accounting measure captures the historical aspect of the firm performance, whereas market measures are forward looking and news it the market performance maker based measures are generally relevant accounting based measures commonly used by researchers (i.e. Return on equity, return on capital employed and return on assets). This could be as a result of it historical antecedent measures to managers.

Measurement of Firm Performance

Measurement of performance can offer significant invaluable information to allow management's monitoring of performance, report progress, improve motivation and Communication and pinpoint problems (Waggoner, Neely and Kennerley, 2009). Accordingly, it is to the firm's best interest to evaluate its performance, nevertheless, this is a management area characterized by lack of consistency as to what constitutes organizational performance. According to Cameron and Whetten (2003), the importance of business performance in strategic management can be categorized into three dimensions; theoretical dimension, empirical dimension and managerial dimension. Moreover, performance measurement is critical in performance management. On a similar note, Bititei et al. (2007) contended that performance measurement is at the core of the performance management process and it is of significance to the effective and efficient workings of performance management.

There are widely, measurements of performance with many that it related to much fields but we tried to execute this measurement regarding to corporate governance. Corporate governance has interconnection that provide most measurements of firm's performance from different perspective as it explains following the countless number of ways it has been brought forward to measure financial performance and among them are measurement of performance as the level of Return on Assets (ROA). Return on Equity (ROE), Tobin-Q Profit Margin (PM), Earnings per Share (EPS). Bald Vald (DT), Price Famings Ratio (PE), Return on Sales (ROS), Expense to Avest (KIA), Cash to Amets (CTA), Sales to Assets (STS), Expenses to Sale (ETS), Abnormal returns. Anal stock retum, (RET), Operating Cash Flow (OCF), Return on Capital Employed (ROCE). Tabor productivity (IP), Critical business Return on Asset (CROA), Cost of Capital (COC) Market Value Added (MVA), Operation Profit (OP), Return on Investment (ROI), Market-to hook value (MTBV), Log of market capitalization, LOSS, Growth in Sales (GRO), Stock Repurchases, Sales Per Employce (SPE), Return on revenue (ROR), Output per staff (OPS), Cost Per Service Provided (CPSP) and Cost per Client Served (CCS), Superior to cumulative abnormal returns (CARS), Profit Per Employee (PPE) ctturn on Fixed Assels (ROFA) etc. Most of these proposed measures have been utilized by studies regarding governance.

Theoretical Framework

Many scholars have advanced numerous explanations, which serve as theoretical backing on the concept on capital structure. For the purpose of this research, the paper tends to look at the most commonly used theories on capital structure. Besides this, theories are not exhaustive.

Modigliani-Miller (Irrelevant and Relevant) Theory

The Modigliani and Miler (MM) theory (1958) demonstrated that under perfect capital market in the absence of corporate tax transaction and agency cost and the more there is of information dissemination, the firm value is independent of its capital structure. According to Chanam& Sharma (2015) capital market is no taxation and bankruptcy cost. MM theory (1958) opines the valuation firm is independent of its capital structure (Akeem et al. 2014). That is, equity and debt choice does not matter and internal and external funds are perfect substitutes. However, MM theory's capital structure relevancy is in doubt, it has attracted much attention on the adorableness of its assumptions, which include the absence bankruptcy cost, tax and other imperfection, which exist in the world. According to Muritala (2012), there are various types of finance, each with peculiar characteristics. Hence, the nature of finances need these firms could short, medium, and long term to do its business operation, so also could be internal or external in nature.

Vroom Expectancy Theory

Vroom theory was postulated in 1964. Vroom approaches the issue of human motivation quite differently from the way Maslow and Herberg did. He holds that people will be motivated to pursue the performance if they believe in the worth of the goal and they believe that their actions will ensure the attainment of the goal. In a more detailed form, vroom believed that a person's motivation to perform will depend on the value the person places will depend on the outcome of his effort multiplied by his confidence that the effort will actually help in firm performance.

Empirical Review

Babalola (2012) access the impact of capital structure on firm's performance using 10 firms over the period of 10 spanning from 2001-2009. He measures performance in a quadratic function, whereby the performance forms the non-linear function of capital structure, as proxy by leverage ratio. The finding supports trade off in another dimension. In another study conducted by Ganiu and Babalola (2012), where performance is measured by return on Assets and corporate governance variables to find their effect on capital structure and the result indicate that corporate governance has impact on company's financial decision.

Muritala (2012), in his effort to analyze capital structure on firms' performance in Nigeria, used unit root test and found that all variables used were non-satisfactory at all level. The study proposes that negative relationship exists between capital structure and firm performance. Data analyzed using panel least square confirm that

asset turnover, age, tangibility and firm size are positively related to firm's financial performance.

Mwangi (2010) on capital structure of firms listed at the Nairobi Stock Exchange identified a strong positive relationship between leverage and return on equity, liquidity, and return on investment.

Vlasceanu (2013) in his study on the determinants capital structure in Taiwan. The final sample consists of 40 listed companies acting on industrial segment and part of BIRCS union, with leverage as dependent variables and measured by long term debt ratio, short term debt ratio and total debt, while capital structure determinants are measured by tangibility, liquidity, size, profitability and capital intensity.

METHODOLOGY

The research design employed in this study is ex post facto research design. Listed manufacturing firm in Nigerian Stock Exchange were selected as sample of the study were fourteen (14) Industrial Goods manufacturing firms in the Nigerian Stock Exchange from the total population of the study. Data were sourced from Annual Report of each manufacturing firm for the period of ten (10) years i.e. from 2007 to 2016.

S/N	LISTED MANUFACTURING COMPANIES	SECTOR
1	Austin Laz and Company Plc. [MRF]	Industrial Goods
2	Berger Paints Plc.	Industrial Good
3	Beta Glass Pls.	Industrial Goods
4	CAP PLC	Industrial Goods
5	Cement Co. of North Nigeria Plc	Industrial Goods
6	Cutix Plc.	Industrial Goods
7	Dangote cement Plc.	Industrial Goods
8	First Aluminum Nigeria Plc.	Industrial Goods
9	Greif Nigeria Plc.	Industrial Goods
10	Lafarge Africa Plc.	Industrial Goods
11	Meyer Plc.	Industrial Goods
12	Paints and Coating Manufacture Plc. [DIP]	Industrial Goods
13	Portland Paints Products Nigeria Plc.	Industrial Goods
14	Premier paints Plc.	Industrial Goods

Research instrument

The nature of this study will require basically secondary data. The secondary data were sourced from the Annual Reports and Accounts of the sampled fourteen (14) Industrial

Goods manufacturing firms because the study will adopt a model-based approach for the research methodology. Multiple regression analysis will be used to achieve the stated research objectives.

Formula used are:

Profitability (ROE) $\text{EBIT Total Asset minus Current Liabilities}$.

Liquidity $\text{Current Asset - Current Liability}$

Gearing, Ratio Debt $(\text{Total Non-Current Liability}) \text{ Total Equity}$

DATA ANALYSIS

Year	Profitability	Liquidity	Capital Structure (Gearing Ratio)
2007	0.314	2.222	3.085
2008	0.264	2.347	3.037
2009	0.250	2.479	3.022
2010	0.263	2.276	3.025
2011	0.218	1.395	3.009
2012	0.242	1.572	3.031
2013	0.241	1.681	2.951
2014	0.296	2.028	7.892
2015	0.234	2.955	1.048
2016	0.237	3.939	0.518

Descriptive Statistics

This section presents the descriptive analysis of the projects. The descriptive statistics of variables cover minimum, maximum, mean and standard deviation

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	10	0.22	0.31	0.2559	0.02948
Liquidity	10	1.40	3.94	2.2894	0.74246
Capital Structure	10	0.52	7.89	3.0618	1.94014

Interpretation of Descriptive Tables

The descriptive statistics presented in the table above covers all the sampled manufacturing firm from 2007 to 2016. From table 4.2, profitability ranges from 0.22 to 0.31 with a mean of 0.2559 and a standard deviation of 0.02948, liquidity has a standard deviation of 0.74246 while capital structure ranges from 0.52 to 7.89 with an average value of 3.0618 and standard deviation of 1.94014.

Correlation Matrix Statistics

	Profitability	Liquidity	Capital Structure
Profitability	1	.040	.565
Pearson Correlation		.912	.088
Sig. (2-tailed)	10	10	10
N			
Liquidity	.040	1	.515
Pearson Correlation	.912		.128
Sign. (2-tailed)	10	10	10
N			
Capital Structure	.565	.515	1
Pearson Correlation	.088	.128	
Sign. (2-tailed)	10	10	10
N			

This table above summarizes the results of correlation analysis among the variables. This exercise serves two important purposes. First is to determine whether there are bivariate relationship between each pair of the dependent and independent variables. The second is to ensure that the correlation among the explanatory variables are not so high to the extent of posing multi-co linearity problems. Profitability positively and strongly related to capital. On the other hand, liquidity negatively and weakly related to capital structure.

Test of Hypothesis

H1: profitability has no effect on firms' performance in selected Nigerian manufacturing firm.

Presentation of Regression Results of Independent Variable on Profitability

Estimated Regression Results of Hypothesis One

Dependent Variable: Profitability

Method: Least Squares				
Sample: 2007-2016				
Included observation: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.230	0.016	14.375	0.000
Capital Structure (LEV)	0.009	0.004	20250	0.088
R-squared	0.320	Durbin-Watson stat		1.057
Adjusted R-squared	0.235	F-statistic		3.759
S.E. of. regression	2.61897	Prob (F- Statistic)		0.088

Interpretation of results of Hypothesis One

These estimated results revealed that capital structure exert positive on profitability in Nigeria between a decade after independence and 2016 fiscal year. This conforms to the theoretical expectation. In terms of magnitude, this implies that for a percentage increase in capital structure lead to 0.9 percent increase profitability. In assessing the partial significance of the estimated parameters for the considered variable, the t-statistic results are presented on table 4.4.1. the result showed that the estimated parameter for capitals structure were found to be partially and statistically significant at 10% critical level because their p-values are loss than 0.1% Also, the F-statistic result show that incorporated explanatory variable was simultaneously significant at 10% critical level. Therefore, based on the F-statistic result this study rejects the hypothesis and concludes that profitability has positive effect on firms performance in selected Nigerian manufacturing firm during the reviewed period. While, the adjusted R-squared result revealed that 24% of the total variation measure was accounted capital structure during the review period. The Durbin-Watson test result revealed that there is presence serial correlation among the residuals, because of the d-value (1.057) is less than two.

FINDINGS AND CONCLUSION

The research thoroughly investigate on objectives of the study, the main objective of this study is to examine the effect of capital structure on firm's performance in Nigeria, using correlation and regression analysis it shows that profitability positively and strongly related to capital structure and liquidity negatively and weekly related to capital structure. The study revealed that capital structure exert positive effect on profitability in Nigerian manufacturing firms, this implies that for a percentage increase in capital structure lead to 0.9 percent increased profitability. The study concludes that capital structure has positive effect on firms' performance in selected Nigerian manufacturing firms during the reviewed period. The study also revealed that capital structure exerts negatives effect on liquidity in Nigerian manufacturing firms, this implies that for a percentage decrease in capital structure lead to 20 percent decreased liquidity. The study concludes that Nigeria Manufacturing companies should relying less on liquidity and more on equity as a source of finance to boost their firm performance. Based on the findings of the result the study recommended that Manufacturing firms should chose the most optimal capital structure, as it is the profitability that best maximizes firms value, also Manufacturing firms should encourage the use of long term debt in there capital structure since it has positive impact. The main objective of this study is to examine the effect of capital structure on firm's performance in Nigeria, using correlation and regression analysis it shows that profitability positively and strongly related to capital structure and liquidity negatively and weekly related to capital structure. The study revealed that capital structure exert positive effect on profitability in Nigerian manufacturing firms, this implies that for a percentage increase in capital structure lead to 0.9 percent increased profitability.

The study concludes that capital structure has positive effect on firms' performance in selected Nigerian manufacturing firms during the reviewed period.

The study also revealed that capital structure exerts negatives effect on liquidity in Nigerian manufacturing firms, this implies that for a percentage decrease in capital structure lead to 20 percent decreased liquidity.

Nigeria Manufacturing companies should relying less on liquidity and more on equity as a source of finance to boost their firm performance.

the study recommended that Manufacturing firms should chose the most optimal capital structure

on their financial performance and management should ensure both long and short term debt becomes relevant in influencing their performance s measures by profitability by making proper utilization of the loan capital.

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