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**EFFECT OF FINANCIAL STRUCTURE ON EARNINGS OF SHAREHOLDERS OF MANUFACTURING FIRMS**

# Effect of Financial Structure on Earnings of Shareholders of Manufacturing Firms in Nigeria

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## Abstract

**Research Objective**: The study investigated the impact of financial structure on the earnings of shareholders in Nigerian manufacturing firms, specifically within five selected food and beverage companies listed on the Nigeria Stock Exchange from 2013 to 2022. It focused on examining the effects of Equity Capital, Debt Capital, and Working Capital on Earnings per Share (EPS) of shareholders.

**Methodology**: The research employed an ex-post facto design, utilising secondary data from the annual reports and financial statements of the selected companies. The data were analysed using a multiple regression model, and three hypotheses were tested to understand the relationships between the financial structure components and shareholder earnings.

**Findings**: The analysis revealed that equity capital, debt capital, and working capital do not have a significant effect on the earnings per share of shareholders in the manufacturing firms studied. This was supported by t-statistics of 0.745866, -0.742892, and -1.373131, with corresponding probabilities of 0.4601, 0.4620, and 0.17747, respectively. These findings suggest that the firms have not effectively or prudently utilised their financial resources to significantly influence shareholder earnings.

**Conclusion**: The study concluded that the current financial structure—comprising equity capital, debt capital, and working capital—does not positively or significantly impact shareholder earnings in Nigerian manufacturing firms. This reflects inefficiencies in fund management that hinder the realisation of potential benefits for shareholders.

**Recommendations**: The researcher recommended that manufacturing firms should stabilise and enhance their equity mix, improve their awareness and application of government and company credit policies, and prioritise the optimal management of working capital. Constant monitoring of these elements is essential to achieve a significant and positive impact on earnings per share.

***Key words**: Financial Structure, Earnings of Shareholders, Manufacturing companies.*

## 1.0 INTRODUCTION

Manufacturing firms play a vital role in realisation of economic objectives in Nigeria as their intermediations are seen to be catalysts for viable economic performance and growth (Obi, 2014). There is relevant efficient and effective performance of the industry every time in an index of financial growth and stability in the nation (Obi, 2014). Also, the extent to which manufacturing firms extend their product to the public (consumers /users) for their satisfaction affirms the confidence imposed on the sector generally. It is worthy of note that the industrial sector of any economy plays a significant role in stimulating economic growth and development of a nation as it extends the products of its activities to bridge the gap between household and government products, thereby contributing significantly to the growth in GDP and GNP. This depends on the financial structure. It became necessary because the mix of funds (leverage ratio) affects the cost and availability of capital as well as the firm's investment decisions. Planning Financial Structure by management of firms involves consideration of shareholders interest and other groups in relation to owner’s equity return. The determinant of capital structure policy includes: Financial risk profitability, availability of funds, liquidity, productivity, operating risk, growth rate, proper turning, corporate tax, stability of sales/investment among others (Hoque, Hossan & Hossain, 2014).

The capital structure of a company is the blend of current and long-term debts, owner equity and other sources of endowments to fund its long-term assets (Rehman 2016). Capital structure and its influence on the firm's financial performance and overall value has remained an issue of great attention among financial scholars. Pandey (2003) defined capital structure as the mix of long-term services of funds such as debentures, long-term debt, preferences share capital and equity share capital including reserves and surpluses (retained earnings). According to Saleem, et al (2013) capital structure refers to the choice between the right proportion of debt and equity that will maximise the shareholder’s worth.

Businesses are remarkably financed through the use of shareholders' funds (equity). However, where this does not guarantee adequate capital, additional funds are sought by borrowing known as liability (Onoja and Ovayioza (2015). If the amount borrowed is repaid over a short period of time it is called “short-term liability” but if it will spread over a long period of time it is referred to as “long-term liability”. The combination of own capital, borrowed money that is liability for the purpose of financing a business venture is the capital structure of the business (Onoja and Ovayioza ,2015).

Okpara (2014) further explained that Financial structure concerns the liability and equity side of the statement of financial position. Specifically, he maintained that it is a mixture of long-term debt and equity that a company uses to finance its operations . It is a well established fact that the proportion of debt to equity is growing everyday due to increasing costs of operations and infrastructure in the manufacturing industry (Akparhuere, Eze and Unah 2015). As such there is a need to balance equity capital and debt in the process of financing business so as to increase retained earnings and curtail their dependency on debt financing as well as to generate huge profit for distribution and savings (retained earnings). The study will evaluate the effect of the financial structure on the earnings of shareholders of manufacturing firms in Nigeria.

## Objectives of the Study

The broad objective of this study is to evaluate the effect of financial structure on earnings of shareholders of manufacturing firms in Nigeria. The specific objectives of the study are to:

1. Ascertain the effect of equity capital on earnings per share of manufacturing firms in Nigeria.
2. Appraise the effect of debt capital on earnings per share of manufacturing firms in Nigeria.
3. To examine the effect of working capital on earnings per share of manufacturing firms in Nigeria.

## Statement of Hypotheses

The following hypotheses were formulated to guide the study.

1. Equity capital does not have a significant effect on earnings per share of manufacturing firms in Nigeria.
2. Debt capital does not have a significant effect on earnings per share of manufacturing firms in Nigeria.
3. Working capital does not have a significant effect on earnings per share of manufacturing firms in Nigeria.

## Statement of the Problem

Business organisations are established with the intention of continually operating for a reasonable period of time. That is to say that they possess the attribute of a going concern. A business is considered a going concern if it is capable of earning a reasonable net income and there is no intention or threat from any source to curtail significantly its line of business in the foreseeable future. For an organisation's efficiency and productivity, profit maximisation is ultimately relevant in order to maintain its going concern status to the pleasure of its promoters, investors and its management (Pandeyin Foyeke, Olusola, and Aderemi (2016). Financing such businesses initially involve only owners equity contributed in different proportions. Equity investors on their own primarily seek opportunities for growth and are more willing to take chances on a good idea. Equity financing therefore aims at sharing in its profit and in the group that the value of the stock will appreciate and earn dividends.

However, as the business grows substantially and its stock appreciates, pressures tend to build to take it public. This calls for other sources of financing in order to meet up with numerous competitive business opportunities in place. For manufacturing firms to effectively maintain its status in the market they involve in debt financing (long-term and short-term) to actualize this objective.

Despite all these efforts and expectations, manufacturing firms of this kind often experience short falls in net income, high cost of production, underutilization of resources, insolvency, indebtedness among others. All these culminate to low earnings per share of shareholders of such a company. Against this backdrop is this study, "the effect of financial structure on earnings of shareholders of manufacturing firms in Nigeria".

## 2.0 LITERATURE REVIEW

### Conceptual Framework

### Financial Structure

The scope of business operation determines the nature of its financial position (financial structure and capital structure). Both structures concern the "liabilities + equities" side of the balance sheet equation. That is Assets = Liabilities + Equities. According to Foyeke, Olusola and Aderemi (2016) financial structure is also referred to as capital structure or finance mix and is defined as a business concept that examines the ratio of equity finance and debt finance to total finance of an organisation. Financial Structure therefore refers to the balance between all of the company's liabilities and its equities (liabilities + equities side) of the balance sheet. It reflects the status of working capital, and cashflow, salaries payable, accounts payable and taxes payable. Business Encyclopaedia (2017) explains that capital structure otherwise known as capitalization on the other hand refers to only equities and long-term liabilities. Tulsian (2009) affirmed that capital structure, that is financial structure, is the composition of long term funds such as debentures, long term borrowing, preference shares, equity shares (including retained earnings) in the capitalization of a company. In addition, Alalade, Oguntodu, and Adelakun (2015) explains that the capital structure of a firm is a particular combination of equity, debt and other sources of finance that it uses to fund its long term assets . Firms share their capital structure in order to shift towards an efficient debt ratio consistent with the historical financial behaviours of firms (Barine, 2012).

**Equity Capital:** It is sometimes called risk capital because these investors assume the primary risk of losing their funds if the business fails. It does not have to be repaid with interest.

The concept of equity (principle) can be traced back to the rights or opportunity given to holders of shares of companies to purchase additional equity interest at a big discount. In the Nigerian stock exchange, it refers to stock entitling holders to profits. It therefore yields an approximation of theoretically how much the shareholders would receive in case the business liquidates which can be calculated by subtracting total liabilities and total minority interests (if any) from total assets in the statement of financial position (balance sheet). They are usually considered to be common stock, preferred stock, retained earnings and treasury stock (a subtraction from the total)Guinness Nigeria plc annual report, 2017). The amount of shareholders' funds varies over time due to the following activities: Beginning shareholders; equity plus income plus payments from sale of shares minus dividend paid minus losses minus cash paid for treasury stock purchased. Meyer(2008) in Akparhuere, Eze, and Unah (2015) informs that when enterprise is operated as a sole proprietorship, the statement of financial position may disclose the amount of each owner's equity and when it is a corporation, it discloses the equity as consisting of two elements namely amount originally invested by the stockholders and corporation's cumulative reinvested income (retained earnings).

**Debt Capital**

Debt according to Alalade, Oguntodu, and Adelakun (2015) is that class of source of funds which makes the holder a creditor of a firm but not a part owner. The holders possess attributes such as: Being mere creditors**,** expected to receive fixed return**,** not being decision makers of the firm and settlement ranking first in case of firm liquidation**.** Debt capital simply refers to the financing that a business owner (owners) borrow which is usually repaid with interest. It can be classified into long term debt and short term debt.

**Long-term Debt**

It is documented in financial accounting instructor manual that Long-term liabilities or debts are liabilities with a future benefit over one year examples are debentures, mortgage loans, deferred tax liabilities and pension obligations, leases, notes payable and bonds payable

**Short-term Debt**

Short-term liabilities or debts on the contrary refers to current liabilities (company's debts/obligations that are due within one year, still reappearing on the company's statement of financial position. They consist of short term debts, accounts payable, accrued liabilities, bridging loans, trade creditors, bank loans, and overdrafts, current taxation etc. (Adebisi, 2014).

**Working Capital:**

This refers to the difference between a company's current assets and current liabilities. It is a financial measure that calculates whether a company has enough liquid assets to pay its bills that will be due in a year, finance credit sales, pay wages and salaries and take care of any unexpected emergencies (Western and Brigham, 1961). The need arises as a result of uneven flow of cash into and out of Businesses caused by normal seasonal fluctuations.

**Earnings of Shareholders**

This refers to the company's earnings, net of taxes and preferred stock dividends that is allocated to each share of common stock. It is usually calculated using weighted average due to fluctuations in number of shares outstanding

Thus; EPS $= \frac{Income}{Total\ outstanding\ shares.}$

That is net profit after tax divided by the number of shares.

It is the measure of the profitability of the common shareholder's investment profitability of the firm on a per share basis and measures shareholders wealth in the company (Anafo and Yiri, 2015). Investors consider earnings per share as the most salient variable that affects share price in the capital market. When earnings are manipulated it will directly reflect on market capitalization since the price earning ratio is being calculated using earnings per share as a major component.

Besides, when a quotient (resulting figure) of a firm's share price and earnings per share is obtained a potential investor could understand the true price the market is willing to pay per entity's earnings.

**Manufacturing Companies**

Manufacturing companies are simply those companies that transform raw materials into a finished goods. They create new products either from raw materials or components such as Bakeries, Automotive companies, shoemakers and tailors. Nigerian manufacturing industries include: Cement industry, food processing industry, Brewing industry textile industry etc. Manufacturing industry remains the backbone and driver of development across sectors of the economy. Remarkably, the efficiency of the management of a firm can be measured by the way and manner they utilise the finances of the firm to yield maximum positive return to the firm.

**Theoretical Framework**

This study is associated with two theories:

**Pecking Order Theory**

The pecking order theory first introduced by Donaldson in (1984) and it was among the most influential theories of corporate leverage. It explains that a firm will use hierarchy of financing by prioritising their sources of financing. It states that a firm should first utilise its internal funds such as excess liquid assets or retained earnings. If internal financing is inadequate it may then resort to external financing. The theory tries to capture the cost of asymmetric information where companies prioritise their source of financing from internal financing to equity according to the law of least effort or least resistance. The managers head for choosing among various sources of external finance. They firstly prefer to use debt leverage and secondly issuance of preferred stock and finally issuance of common stock.

**Agency Theory**

This theory was initially and conceptually developed by Bertie and Means (1992). They argued that ownership and controls are more separated to a continuous interference of equity ownership of large corporations. According to Lawal, Edwin, Kiyanjni and Kayode (2014) agency relationship arises whenever one or more individuals called principals hire one or more other individuals called agent(s) to perform some services and then delegate decision making authority to the agents. It tries to reconcile the conflict of interest between principals (shareholders) and decision makers (agents of firms, Managers, Board Members etc). This conflict stems from the difference in behaviour or decisions by pointing out that the parties (agents and shareholders) often have different goals, and different tolerances towards risk. In this case the managers whose responsibility is to guide the firm towards achieving the goals of shareholders deviate pursuing personal interest. Agency cost theory predicts that higher leverage is expected to lower agency cost, reduce inefficiency and therefore lead to improvement in a firm's performance.

The work was anchored on pecking order theory due to the fact that it sufficiently and directly acknowledged the effective proxies of this study (equity capital, debt capital and working capital). The theory also gave a framework and logical link between financial structure and earnings of shareholders.

**Empirical Review**

**Effect of Equity Capital on Earnings per Share**.

Fantoki and Olweny (2017) examined the effect of financial performance on capital structure of listed non-financial firms in Nigeria between 1999 and 2015. General Method Moment (GMM) techniques of Arellano and Bond (1991) were used to analyse the data gathered and it showed a negative significant relationship between earning per share and capital structure.

Oladele, Omotosho and Adeniyi (2017) studied the effect of capital structure on the performance of Nigeria listed manufacturing firms in Nigeria from 2004 = 2013. Using multiple regression for the analysis it indicated that capital structure has no significant effect on return on equity but has significant effect on return on asset, earning per share and sales growth.

Akingunola, Olawale & Olaniyan (2017) Studied capital structure Decision and Firm Performance: Evidence from Non-Financial Firms in Nigeria for a period 2011-2015. They examined the impact of STDTA, LTDTA and TDTE on ROA and ROE while controlling for Size, tangibility and growth. It used pooled fixed effect and random effect models for analysis. It indicated thus: Panel A (ROA Model) the ratio of short term debt to total asset (STDTA) and total debt to total equality (TD/TE) and long-term debt to total asset (LTDTA) have significant positive effect on ROE while total debt to total equity (TD/TE) has significant negative effect. Firm size has significant positive effects in both models (ROA and ROE).

Akeem, Edwin, Kiyanjuiand Kayode (2014) examined the effect of capital structure on a firm's performance; Empirical study of manufacturing companies in Nigeria from 2003-2012. Descriptive and regression research techniques were employed to discover that capital structure measures (total debt and debt to equity ratio) are negatively related to firm performance.

Obi (2014) carried out a research on the impact of external financing on firm performance: Evidence from Nigeria quoted manufacturing firms 1999-2012. Ordinary Least square (OLS) regression technique was used to test the dependent variables. It revealed that external financing (independent variable) had negative and non-significant impact on earnings per share, payout ratio, dividend per share, and return on equity while its impact on return on Asset was positive and significant.

Temidayo (2015) studied capital structure and organisational performance: A study of selected Nigerian quoted manufacturing firms for the period 2009-2013. Ordinary Least Square (OLS) regression technique was used. Discoveries were that firm’s leverage have a direct relationship with the firms accounting performance measures (profitability).Equity has no direct impact with capital structure and tax has indirect relationship with capital structure of the firms.

Ibrahim (2017) had a research on capital structure and firm value in Nigeria listed manufacturing companies: An empirical investigation using Tobin’s Model for the period of 2012-2016. The results showed that profitability, size of firm, validity and leverage are negatively significantly related to firm value whereas potential for growth G, age of the firm, tangibility are positively significantly related to the firm value.

Kurfi, Udin and Bahamman (2017) carried out a study on the impact of intellectual capital on the financial performance of listed Nigeria food products companies. The duration covered was 2010 to 2014. Adopting the public model of IC Known as value added intellectual coefficient (VACC), Regression models were used to test the hypotheses that structural capital and capital employed influence the financial performance of Nigeria food products companies.

Sidra and Attiya (2013) examined determinants of financial performance by using corporate governance, ownership structure, capital structure, economic indicators and risk management as independent variables. They carried out fixed effects panel regression for the periods 2007 to 2011. The discovery was that the debt to equity ratio has a positive impact on performance, while the long term debt to total assets and short term debt to total assets has a negative impact on firm performance.

Dasuki (2016) investigated the effect of capital structure on financial performance of 180 manufacturing companies listed in Borsa Stock Exchange Istanbul Turkey over the period of 2004 to 2013. Using multiple regression models it concluded that the long-term debt and total debt have significant negative effects on the financial performance measured by ROA, while both ROA and ROE were statistically insignificant on the financial performance measured by ROE.

Ajayi and Araoye (2017) carried out a study on the effect of capital structure on the financial performance of manufacturing firms in Nigeria (2008–2014). Panel data were gathered from published annual reports of ten sampled firms. Variables of return on assets and return on equity were used to measure the financial performance and variables of debt equity ratio, asset turnover and age of firm were used to measure capital structure. It observed debt equity ratio as having a negative insignificant effect on financial performance as measured by ROA. In addition, it discovered that debt equity ratio has positive and insignificant effect on financial performance while asset turnover has a positive and significant effect on financial performance and the age of the firm has negative but statistically significant effect on financial performance as measured by ROE.

The empirical study of Mubeen and Akhtar (2014) on the effect of capital structure on the financial performance of 155 textiles firms in Pakistan between 2006 and 2011 used ROA, ROE and EPS as proxies for financial performance. In the result of regression analysis capital structure positively impacted on the firm's financial performance and shareholders wealth.

Adesina, Nwidobie and Oluwatosin (2015) who studied the impact of capital structure on the financial performance of banks in Nigeria used a sample of 10 banks quoted in the Nigeria stock exchange between 2005 and 2012. Analysis was by ordinary least square (OLS) regression and noted a significant positive relationship with the financial performance of banks in Nigeria.

Foyeke, Olusola and Aderemi (2016) on their study of financial structure and the profitability of manufacturing companies in Nigeria between 2008 and 2012 extracted data from Nigerian stock **exchange** factbook for analysis. Using the Spearman's rank correlation and regression techniques in the analysis they deduced that equity has a significant positive relationship with the profitability of manufacturing companies in Nigeria.

**Effect of Debt Capital on Earnings per Share**

A research conducted by Olaoye and Adesina (2022) on the effect of capital mix on the financial performance of ten manufacturing firms in Nigeria from 2009 t0 2020. They employed descriptive and inferential statistical analysis for estimation. It was revealed that debt in relation to equity has insignificant adverse effect on ROA but conversely has direct significant effect on ROE and direct insignificant effect on the net profit margin .

Oke, Saheed and Quandri (2019) explored the capital structure mix of six conglomerate firms in Nigeria between 2008 and 2017. It was discovered that short term debt to total assets significantly influenced ROA .

Furthermore, Abdullah and Tursoy (2021) on nonfinancial German companies that were studied for a 25 year period using regression analysis indicated a significant effect on capital structure mix on the firm performance of the selected companies.

Onoja and Ovayioza (2015) appraised the effect of debt usage on the performance of small scale manufacturing firms in Kogi State of Nigeria between 2010 and 2014. Using a regression equation to determine the pattern and strength of the relationship that exists between leverage and value/profitability indicates that there is no significant relationship between debt usage and the value of a small scale manufacturing firm in Kogi State Nigeria.

Lawal, Edwin, Kiyanjul, and Kayode (2014) investigated the capital structure and firm's performance of ten manufacturing companies in Nigeria from 2003 to 2012. They adapted descriptive and regression techniques with key variables on return on assets and return on equity (ROE) for profitability and total debt to total assets, total debt to total equity ratio for capital structure. The study revealed that Capital Structure is negatively related to a firm's performance.

Hoque, Hossain and Hossain (2014) conducted a study on the impact of capital structure policy on value of the firm-A study on some selected corporate, manufacturing firms under DHAKA stock exchange for a period of five years (2008-2012). Ordinary least squares (OLS) method was used for the analysis. There was indication that capital structure, debt to equity and debt to asset fixed assets to total assets (Tangibility), earnings before interest and taxes to interest changes, financial leverage multiplier have influenced value firms.

Arowoshegbe and Emeri (2014) carried out a study from 1997 to 2011 on 60 non-finance companies quoted in Nigeria stock exchange market. They used two panel regression models to analyse two measures of shareholder's wealth (Return on equity and earnings per share) taken as dependent variables. The result showed that there is a significant negative relationship between shareholders' wealth and debt equity mix of quoted companies in Nigeria.

Anafo and Yiri (2015) investigated the impact of capital structure on profitability. He used descriptive statistics and multiple regression models in the analysis. The result revealed that financial leverage had a significant positive relationship with profitability measured by ROA, ROE and EPS. Long term debt to total assets had a significant positive relationship with ROA and ROE, asset growth rate had a negative insignificant relationship with probability measured with ROA, ROE and EPS while asset growth rate had a negative and insignificant relationship.

Furthermore, Adulkadir and Saydiri (2015) carried out a research on the relationship between capital structure and firm performance in Borso Istanbul using panel data analysis within the period 2008 to 2013. He discovered that short term to total assets had a significant negative relationship with return on asset, earning per share and Tobin's Q ratio.

Okpara (2014) conducted a study on impact of debt and equity mix on firm performance in Nigeria from 2001 to 2012, and tested hypotheses using ordinary least squares, fixed effect and random effect regression models. It was found that total debt ratios have a negative and significant impact on the performance of Nigerian quoted firms. Long term debt ratios have negative and significant impact on the performance of Nigerian quoted firms while short term debt ratios have negative and significant impact on the performance of Nigerian firms.

Nwude and Itiri (2016) examined financial structure from the perspective of agency cost theory in order to ascertain its impact on the maximisation of shareholders earnings. Panel data were subjected to pool ordinary least square (OLS), fixed effects and random effects regression model to test the hypotheses. The result indicated a negative significant impact of financial structure on return on assets. The deployment of ROE as an alternative measure of firm performances depicted the implication of asset substitution effect as noted by agency cost theory. Hence, debt is valuable in reducing agency cost of equity in professionally managed firms and also costly as it increases agency cost of debt.

Ubesie (2016) carried out research on the effect of capital structure on the financial performance of Nigeria quoted conglomerates for the period 2011 to 2013. Descriptive statistics and pooled ordinary least square regression were used to analyse the data and it was discovered that capital structure has effect on both return on Asset and Asset turnover of the conglomerates but no effect on return on equity and earnings per share of the company.

Solomon, Memba and Muturi (2018) studied the influence of earning per share and equity share investment in companies listed on Nigeria Stock Exchange from 2004 to 2014. Simple Linear regression was used to analyse it and discovered that significant relationships exist between accounting information and equity share investment in the listed companies in Nigeria. Also earnings per share have a significant influence on equity share investment in the companies listed on Nigeria Stock Exchange. .

Ahmed, Awais and Kashif (2018) conducted an investigation on financial leverage and firm's performance: Empirical evidence from KSE-100 Index. They used Housman's specification test while analysing annual data for the period 2005-2014 of Karachi stock exchange. Discovery was that capital structure, Leverage, interest cover and sales growth impacts significantly on a firm's profitability.

Finally, Omai, Member and Njeru (2018) examined the effect of share capital finance on profitability of petroleum marketable firms in Kenya for the period 2007-2016. Descriptive statistics and univariate tests (t-test and Pearson correlation) were carried out. The result unveiled that capital structure had a negative but insignificant effect on probability.

**Effect of working Capital on Earnings per Share**

The study of Salman, Oyetayo and Oriowo (2014) were panel data methodology. Pearson correlation moment coefficient, multiple regression and ordinary least squares (OLS) were employed to investigate the relationship between working capital management on organisational profitability in Nigeria from 2005 to 2013 revealed that working capital has negative and significant relationship with Return on Assets and Return on Equity.

Ifurueze (2013) examined the effective management of credit sales effect on the profitability of food and beverage industries in Nigeria from 2007-2011. Data were analysed using Analysis of Variance (ANOVA). The result indicated that when credit sales are effectively managed the desired level of profitability is attained and when there is favourable debtor’s turnover, the desired level of profitability is attained.

Besides, Endri (2021) analysed the effect of capital mix structure and cost of capital and firm value from 2013 to 2022 using selected pulp and paper companies in Indonesia. It unveils that capital structure mix negatively affects firm value.

Angahar and Alematu (2014) carried out a study on the effect of working capital on the profit performance of the Nigerian cement sub-sector for the period 2002-2009. The study showed non-significant negative effects of the number of days account receivable are outstanding on firm profitability. It also revealed a significant positive effect of each conversion cycle in the profit performance of the selected firms after using multiple regression models.

Ademola (2014) investigated the relationship between working capital management and profitability of food and beverage manufacturing firms listed on the Nigeria stock exchange.

Duration of 14 years between 2002 and 2011 was studied using Descriptive statistics, correlation analysis and multiple regression analysis. It was discovered that there is a relatively strong positive and significant relationship between working capital management and net operating profit and that an insignificant positive relationship exists between cash conversion cycle and net operating profit. Also, account collection periods have a significant negative relationship with net operating profit where inventory conversion period and account payment period have insignificant negative relationship with net operating profit.

Yahaya (2016) conducted a study on the effect of working capital management on the financial performance of the pharmaceutical firms in Nigeria from 2006 to 2013. Using multiple regression techniques it was found that both account receivables and inventory were significantly and positively related with financial performance while account payable was significantly but negatively related to financial performance.

Imeokparia (2015) examined working capital management and performance of food and beverage industries in Nigeria from 2010 to 2012. The analysis using simple regression and correlation showed a significant impact. Positive relationship was revealed between working capital and the efficiency of management in the industry in Nigeria.

Bagh, Nazir, Khan, Khan and Razzaq (2016), conducted a research on the impact of working capital management on firms financial performance Evidence from Pakistan for the period 2005-2014. Correlation and multiple regressions used. The results of multiple regression articulated that the average payment period (APP), inventory turnover (ITO), cash conversion cycle (CCC), have negative and significant impact on ROA but average collection period (ACP) has positive and significant impact on ROA, while average payment period (APP) has negative significant impact on ROE. The inventory turnover has a negative significant impact on earnings per share (EPS) while the Average conversion Period has a positive and statistically significant impact on ROA.

Lawal (2017) researched on the impact of working capital management on the profitability of conglomerate firms listed on the Nigerian stock exchange from 2006-2015 Data were gathered from annual reports of the respective years. Ordinary least squares was employed in data analysis, using panel data methodology, the study indicated a significant positive relationship between cash conversion cycle and profitability, an insignificant negative relationship between debtor’s turnover ratio and profitability.

Akindele and Odusina (2015) studied the relationship between working capital management and firm’s profitability of twenty five Nigerian quoted companies from 2005-2011. Data were sourced from audited financial statements of the companies analysed using multiple regression.

The result showed a negative relationship between working capital management (cash conversion cycle) and firm profitability (ROA).

Ikpafan and Owolabi (2014) examined the relationship between working capital management and profitability using Nestles Nigeria plc, Cadbury Nigeria plc as case studies. Duration was 2005 2010 and used correlation and regression analysis, a negative relationship exists among the current ratio, trade receivable collection and liquidity and ROA.

Eya (2016) studied the effect of working capital management on the performance of food and beverage industries in Nigeria using Nestle food Nigeria Plc as a case study for the period 2004-2013. Ordinary Least Square Regression was the tool of analysis. It revealed that a positive relationship exists between current ratio, quick ratio and return on Asset and the relationship is statistically significant and in line with prior expectations.

Ironkwe and Wokoma (2017) investigated the connection amid working capital management (WCM) in addition to financial performance of oil companies in Nigeria from 2006-2015. Pearson product moment correlation (PPMC) was used in the analysis. It resulted in an insignificant but undesirable relationship among investing financing rules and ROA, a neutral and minor relationship amid both financing and investing policies and earnings per share (EPS).

## 3.0 METHODOLOGY

This study adopted an ex-post *facto* design because the data were secondary. The study was based on manufacturing companies situated in Nigeria with particular reference to five food and beverage companies purposely chosen among the twenty two of such companies quoted on Nigeria Exchange Group. The choice of the companies is due to their relevant contributions to the industry, availability, and ability to assess the data. More so, the companies met up the regulatory requirements for annual report preparation and presentation.

The method of data analysis used was a multiple linear regression model which is an extension of simple linear regression. It was necessary because it predicts the value of a variable based on the value of two or more other variables (independent variable). It also specifically disclosed which among the independent variables affected the dependent variable and explored the forms of these effects.

**Test of Hypotheses.**

**Test of Hypothesis One**

$H_{0\,:}$ Equity capital does not have a significant effect on earnings per share of manufacturing firms in Nigeria.

$H_{1:}$ Equity capital has a significant effect on earnings per share of manufacturing firms in Nigeria.

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**Panel regression results**

Cross-section and period fixed effects test equation:

Dependent Variable: EARNINGS_PER_SHARE

Method: Panel Least Squares

Date: 10/07/18 Time: 22:32

Sample (adjusted): 2009 2017

Periods included: 9

Cross-sections included: 5

Total panel (unbalanced) observations: 43

Table 10: White diagonal standard errors & covariance (d.f. corrected)

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -12.90318 | 15.62433 | -0.825839 | 0.4138 |
| EQUITY_CAPITAL_N_000 | 5.94E-06 | 7.97E-06 | 0.745866 | 0.4601 |
| EARNINGS__PER_SHARE(-1) | 0.986221 | 0.080302 | 12.28145 | 0.0000 |

| | | | |
|---|---|---|---|
| R-squared | 0.908921 | Mean dependent var | 227.7126 |
| Adjusted R-squared | 0.904367 | S.D. dependent var | 298.1550 |
| S.E. of regression | 92.20324 | Akaike info criterion | 11.95308 |
| Sum squared resid | 340057.5 | Schwarz criterion | 12.07596 |
| Log likelihood | -253.9913 | Hannan-Quinn criter. | 11.99839 |
| F-statistic | 199.5893 | Durbin-Watson stat | 1.934527 |
| Prob(F-statistic) | 0.000000 | | |

**Source**: Author's Eviews 9.0 Output, 2018

The Cross-section and period fixed effects test equation presented above shows that the model fits as the Prob.(F-statistics) is statistically significant at 0.00000. The results showed that over 90% of the changes in earnings per share of manufacturing firms in Nigeria are caused by the equity capital employed. There is also no sign of autocorrelation as the Durbin-Watson statistic of 1.934527 tends to 2.

Then Since the t-statistics of 0.745866 < 2 and the Prob. of 0.4601 > 0.05 we accept the null hypothesis and conclude that equity capital do not have significant effect on earnings per share of manufacturing firms in Nigeria.

**Test of Hypothesis Two**

$H_{0:}$ Debt Capital does not have a significant effect on earnings per share of manufacturing firms in Nigeria.

$H_{1:}$ Debt capital has a significant effect on earnings per share of manufacturing firms in Nigeria.

**Panel regression results**

Cross-section and period fixed effects test equation:

Dependent Variable: EARNINGS__PER_SHARE

Method: Panel Least Squares

Date: 10/07/18 Time: 22:35

Sample (adjusted): 2009 2017

Periods included: 9

Cross-sections included: 5

Total panel (unbalanced) observations: 42

White diagonal standard errors & covariance (d.f. corrected)

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|

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| | | | | |
|---|---|---|---|---|
| DEBT_CAPITAL_N_000 | 5.64E-07 | 7.60E-07 | 0.742892 | 0.4620 |
| EARNINGS__PER_SHARE(-1) | 0.988018 | 0.084466 | 11.69718 | 0.0000 |
| C | -4.345667 | 11.78073 | -0.368879 | 0.7142 |

| | | | |
|---|---|---|---|
| R-squared | 0.908911 | Mean dependent var | 221.6105 |
| Adjusted R-squared | 0.904240 | S.D. dependent var | 299.0392 |
| S.E. of regression | 92.53796 | Akaike info criterion | 11.96186 |
| Sum squared resid | 333967.7 | Schwarz criterion | 12.08598 |
| Log likelihood | -248.1991 | Hannan-Quinn criter. | 12.00736 |
| F-statistic | 194.5771 | Durbin-Watson stat | 1.810456 |
| Prob.(F-statistic) | 0.000000 | | |

Source: Author's Eviews 9.0 Output, 2018.

The Cross-section and period fixed effects test equation presented above shows that the model fits as the Prob.(F-statistics) is statistically significant at 0.00000. The results showed that over 90% of the changes in earnings per share of manufacturing firms in Nigeria are caused by the equity capital employed. There is also no sign of autocorrelation as the Durbin-Watson statistic of 1.810456 tends to 2.

Since the t-statistics of 0.742892 < 2 and the Prob. of 0.4620 > 0.05 the null hypothesis was rejected and concluded that debt capital does not have a significant effect on earnings per share of manufacturing firms in Nigeria.

**3.3.6. Test of Hypothesis Three.**

$H_{0:}$ Workingcapital do not have a significant effect on earnings per share of manufacturing firms in Nigeria.

$H_{1:}$ Working capital has a significant effect on earnings per share of manufacturing firms in Nigeria.

**Panel regression results**

Cross-section and period fixed effects test equation:

Dependent Variable: EARNINGS__PER_SHARE

Method: Panel Least Squares

Date: 10/07/18 Time: 22:37

Sample (adjusted): 2009 2017

Periods included: 9

Cross-sections included: 5

Total panel (unbalanced) observations: 43

White diagonal standard errors & covariance (d.f. corrected)

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| WORKING_CAPITAL_N_000 | -8.16E-07 | 5.94E-07 | -1.373131 | 0.1774 |
| EARNINGS__PER_SHARE(-1) | 0.961260 | 0.066292 | 14.50029 | 0.0000 |
| C | -3.762867 | 10.85003 | -0.346807 | 0.7306 |

| | | | |
|---|---|---|---|
| R-squared | 0.913005 | Mean dependent var | 227.7126 |
| Adjusted R-squared | 0.908655 | S.D. dependent var | 298.1550 |
| S.E. of regression | 90.11219 | Akaike info criterion | 11.90720 |
| Sum squared resid | 324808.2 | Schwarz criterion | 12.03008 |
| Log likelihood | -253.0048 | Hannan-Quinn criter. | 11.95251 |
| F-statistic | 209.8987 | Durbin-Watson stat | 1.905710 |
| Prob(F-statistic) | 0.000000 | | |

Source: Author's Eviews 9.0 Output, 2018.

The Cross-section and period fixed effect test equation presented above shows that the model fits as the Prob (F-statistics) is statistically significant at 0.00000. The results showed that over 90% of the changes in earnings per share of manufacturing firms in Nigeria are caused by the equity capital employed. There is also no sign of autocorrelation as the Durbin-Watson statistic of 1.810456 tends to 2.

Since the t-statistics of -1.373131 < 2 and the Prob. of 0.1774 > 0.05 we accept the null hypothesis and conclude that working capital does not have a significant effect on earnings per share of manufacturing firms in Nigeria.

## 4.0 DISCUSSION OF FINDINGS

In the test of hypothesis one in table 9.1, the study accepted Ho and rejected H1. The t - statistics indicated 0.745866 < 2 and the probability of 0.4601 > 0.05. It therefore infers that equity capital does not have a significant effect on earnings per share of manufacturing firms in Nigeria.

The result is consistent with the findings of Oladele, Omotosho and Adeniyi (2017) who studied effect of capital structure on the performance of Nigeria listed manufacturing firms and found that no significant effect existed on return on equity (ROE) but have significant effect on return on asset (ROA), earnings per share and sales growth. Alalade, Oguntodu and Adelakun (2015) who investigated capital structure and profitability performance, A study of selected food product companies in Nigeria and discovered that gearing has no significant effect on return on asset (ROA) and positive effect on return on capital employed (ROCE). Khan (2012) carried out research on the relationship between capital decisions and firm performance and found that the relationship between financial leverage and firm performance is negatively insignificant.

In test of hypothesis two in table 10.1 the study accepted the null hypothesis (Ho) that debt capital does not have a significant effect on earnings per share of manufacturing firms in Nigeria. The t – statistics showed 0.742892 < 2 and probability of 0.4620 > 0.05as against t-statistics < 2 and p-value > 0.05 decision criterion.

The study supports the findings of Obi (2014) on his study of impact of external financing on firm performance, evidence from Nigeria quoted manufacturing firms. He found that external financing had negative and non – significant impact on earnings per share, payout ratio, dividend per share and return on equity (ROE).Onoja and Ovayioza (2015) who investigated the effect of debt usage on the performance of small scale manufacturing firms in Kogi state of Nigeria discovered that no significant relationship exists between debt usage and the value of a small scale manufacturing firms in Kogi state Nigeria.

However, the result was not supported by Dasuki (2016) who explored the effect of capital structure on financial performance of 180 manufacturing companies listed on Borsa stock exchange Istanbul Turkey and found that long term and total debts have significant negative effect on the financial performance measures return on asset (ROA) while return on equity was statistically insignificant. Okpara (2014) who examined the impact 0f debt and equity mix on firm performance in Nigeria reported that total debt ratios have negative and significant impact on the performance of Nigeria quoted firms and short term debt ratios have negative and significant impact. Sidra and Attiya (2013) who investigated determinants of financial performance and discovered that debt to equity ratio has a positive impact on performance while long term debt to total assets and short term debt to total assets has a negative impact .

In the test of hypothesis three in table 11.1, the study accepted the null hypothesis (Ho) and concluded that working capital does not have a significant effect on earnings per share of manufacturing firms in Nigeria. Evidence was that t-statistics 0f -1.373131 < 2 and the probability of 0.1774 > 0.05 as against decision criterion of t - statistics < 2 and p - value > 0.05. The result is inconsistent with the findings of Salawu, Oyetayo and Oriowo( 2014) on relationship between working capital management and organisational profitability in Nigeria and found that working capital management has negative and significant relationship with return on asset (ROA) and return on equity (ROE) .Ojeani (2014) carried out a research on the impact of working capital management and profitability of pharmaceutical firms listed on the Nigeria Stock Exchange market. It revealed that working capital management variables have a significant impact on the profitability of listed pharmaceutical firms in Nigeria.

Also in the study of Ademola (2014) on relation between working capital management and profitability of food beverage manufacturing firms listed on the Nigeria stock exchange. That disclosed strong positive and significant relationship between working capital management and net operating profit, insignificant positive relationship exists between cash conversion cycle and not operating profit.

## 5.0 CONCLUSION & RECOMMENDATIONS

### Conclusion

This study investigated the effect of financial structure on earnings of shareholders of manufacturing firms in Nigeria between 2008-2017 using five firms. It revealed that there was no significant effect between independent and dependent variables. The might be that those firms were unable to carefully, prudently or adequately utilise the funds sourced from the various sources to effect positively and significantly on the earnings of shareholders. Therefore, more enterprising efforts are needed to adequately activate and achieve the objective.

**Recommendations**

1. Firms should adequately make stable and enhance their equity mix, maintain prudently and effectively utilise it to have a significant effect on earnings per share .
2. The companies should adequately implement effective and efficient credit policies to enable debt capital to have a significant effect on earnings per share.
3. The top echelon of such company management should be optimally interested in the issue of working capital and constantly monitor it, gearing it towards producing positive effects on earnings per share.

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