



IMPACT OF FINANCIAL LEVERAGE ON COMPANY'S PERFORMANCE IN THE NIGERIAN BREWERY INDUSTRIES

Dr. Sylvester I. Ejike.,

Lecturer

, Department of Accountancy,
Faculty of Management Sciences,

Enugu State University of Science & Technology (ESUT) Enugu,
Nigeria,

ABSTRACT

This work is on Impact of Financial Leverage on Performance of Manufacturing Firms with particular reference to Brewery industries in Nigeria. Finance or money suppliers exert different controls over those firms they are providing funds for Guided by three research objectives, questions and hypothesis while secondary data was collection through published annual reports of the sample firms for the period of 2009 to 2018. Descriptive statistic which explains the characteristics of research variables was utilized in the analysis with mean, median, standard deviation and other frequency distribution including maximum and minimum values of the time series data. Multiple regression analysis was used for the analysis because there are more than one independent variables affecting the dependent variables of the study. T-Test to measure the individual significance of the estimated independent variables, and F-Test to measure the overall significance. It was discovered that (1) debt-equity ratio has significant effect on return on investment (2) Capital employed also has significant effect on the return on investment and (3) Total debt significantly influenced the return on investment of Nigeria bottling Plc. It was recommended that Brewery firms in Nigeria should employ more of debt than equity to enhance returns to the shareholders. They should explore other forms of financing such as trade credit, trade discounts, and avoid prompt payment of short-term liabilities. This will make funds available for the day-to-day running of the business. Lastly Brewery firms in Nigeria should employ more of long-term capital in financing activities for enhanced earnings.

KEY WORDS: *Financial Leverage, Profitability, Financial Performance*

1. INTRODUCTION

A firm's financial leverage refers to the blend of its money related liabilities. As financial capital is uncertain yet a basic asset for all organizations, providers of money can apply command over firms. Debts and equity are the two significant classes of liabilities, with debt holders and equity holders speaking to the two sorts of financial specialists in the firm.

Each of these are related with various degrees of hazard, advantages, and control. While debt holders apply lower control, they acquire a fixed rate of return and are secured by legally binding commitments as for their speculation. Equity holders are the lingering petitioners, bearing the greater part of the hazard, and, correspondingly, have more prominent command over choices.

Questions identified with the decision of a suitable financing implies (debts versus equity) have progressively picked up significance in management

research. Generally inspected in the order of money, these issues have gained relevance in the past few years, with researchers looking at linkages to methodology and key results (Acemoglu, 2008).

The financial management elements of a firm - including its capital structure choice - manages the management of the sources and employments of funds. Firms go into exchanges with providers of money (be they debt holders or equity holders) when raising capital for resources. The privilege to participate in the incomes produced from the advantages lies with these providers. The debt to equity proportion of a firm decides how these incomes will be shared between debt holders and equity holders. As it were, on the off chance that organizations are set up to boost equity holder's riches, at that point the extent of incomes dispensed to debt holders gets significant. The various sorts of financing, in any case, are additionally connected with various degrees of expenses. An assessment of the net advantage of a company's benefits



should join these cost contrasts alongside the estimation of such resources (Adebisi, et al., 2004).

Capital structure is firmly connected with corporate performance (Tian and Zeitun, 2007). Corporate performance can be estimated by factors which include efficiency, productivity, development or, even, clients' fulfillment. These measures are connected among one another. Financial measurement is one of the instruments which show the financial qualities, shortcomings, opportunities and treats. Those measurement are return on investment (ROI), leftover pay popularly known as residual equity (RI), earning per share (EPS), dividend yield, return on assets (ROA), growth in sales/return on equity (ROE), and so on. (Barbosa and Louri, 2012). With the end goal of this examination, performance is measured by three proxies in particular; return on equity or return on equity (ROE), return on resources/return on assets (ROA) and rate of profitability/return on investment (ROI).

It is anyway critical to take note of that, in assessing the performance of a firm, the individual abundance of a firm may impact the degree of hazard an organization investors and managers may be willing to assume as well as determine the resources available to support the business.

1.2 RESEARCH PROBLEM

In all actuality, ideal capital structure of a firm is hard to decide. Financial chiefs experience issues in deciding the ideal capital structure. A firm needs to give different protections in an incalculable blend to run over specific mixes that can augment its general worth which implies ideal capital structure. In Nigeria financial specialists and partners don't glance in subtleties the impact of capital structure in estimating their organizations performance as they may expect that attribution of capital structure isn't connected or doesn't add to the performance of a firm, yet not realizing that it assumes a basic job in the performance of a firm. Thusly there is requirement for progressively integrative research to determine the contentions. The standard of increasing capital in Nigeria became higher hard to achieve due to the associated risk of raising capital and due to these a firm has to issue various securities in countless mixtures to come across particular combinations that can maximize it over all equity. Due to this leverage has become a global issue of business financing decision in Nigeria quoted manufacturing firms.

1.3 OBJECTIVE OF THE STUDY

1. To examine the effect of debt equity ratio on the return on investment of Nigeria bottling Plc.

2. To evaluate the effect of capital employed on the return on investment of Nigeria bottling Plc.
3. To ascertain the effect of total debt on the return on investment of Nigeria bottling Plc.

1.4 RESEARCH QUESTIONS

Based on the objectives above, the researcher asked the following questions;

1. What are the effects of debt equity ratio on the return on investment of Nigeria bottling Plc?
2. To what extent does capital employed affect the return on investment of Nigeria bottling Plc?
3. What are the effects of total debt on the return on investment of Nigeria bottling Plc?

1.5 RESEARCH HYPOTHESES

Ho1: Debt equity ratio does not have any significant effect on the return on investment of Nigeria bottling Plc.

Ho2: Capital employed does not affect the return on investment of Nigeria bottling Plc.

Ho3: Total debt does not have any effect on the return on investment of Nigeria bottling Plc.

LITERATURE REVIEW

2.1.1 Leverage

A firm's capital structure refers to the mix of its financial liabilities. As financial capital is an uncertain but critical resource for all firms, suppliers of finance are able to exert control over firms. There are two different ways of financing the assets of an organization; through internal equity or external debt. Capital structure refers to the way a corporation finances its assets through some combination of equity and debt (Tsai et al,2010). However, there are several kinds of equity and debt according to Mc Menamin, (2009) and Ross; et al,(2012). These are common stock, preferred stock and retained earnings (untaxed reserves) as well as bank loans, bonds, accounts payable and line of credit. Capital structure according to Song (2012) refers to the mix of different types of securities (long-term debt, common stock) which are issued by a company to finance its assets. Chou (2007) sees capital structure as a mixture of debt and equity financing of a firm. Capital structure according to Wikipedia (2010), refers to the way a corporation finances itself through some combination of equity, debt or hybrid securities. From all the definitions above, it is eminent that capital structure in summary refers to the structure of a firm's liability. Hence, the capital structure theory is highly relevant to the firm's safety and growth, as well as the debt-holders' safeguard for a sustainable economy. How



to plan financing decision using a particular means or mix of funding to maintain a proper capital structure is an important issue of concern demanding urgent for financing managers if their sectors is ever to play a major role in economic development.

Leverage is defined as the sensitivity of the equity of equity ownership with respect to changes in the underlying equity of the firm. Empirically, leverage ratios are frequently independent variables (sometimes as part of a hypothesis, sometimes as a control). Leverage ratios are also the dependent variable in the empirical capital structure literature. This literature tries to explain variations in corporate leverage, both in the cross section of capital structure (i.e. why some firms have high leverage) and in the time series (how capital structures evolve). Capital structure refers to the firm's financial framework which consists of the debt and equity used to finance the firm.

Capital structure is one of the popular topics among the scholars in finance field. The ability of companies to carry out their stakeholders' needs is tightly related to capital structure. Therefore, this derivation is an important fact that we cannot omit. Capital structure in financial term means the way a firm finances their assets through the combination of equity, debt, or hybrid securities (Saad, 2010). In short, capital structure is a mixture of a company's debts (long-term and short term), common equity and preferred equity. Capital structure is essential on how a firm finances its overall operations and growth by using different sources of funds. Modigliani-Miller (MM) theorem is the broadly accepted capital structure theory because is it the origin theory of capital structure theory which had been used by many researchers. According to MM Theorem, these capital structure theories operate under perfect market. Various assumptions of perfect market such as no taxes, rational investors, perfect competition, absence of bankruptcy costs and efficient market. MM Theorem states that capital structure or finances of a firm is not related to its equity in perfect market.

For this purpose, capital structure can simply be defined as a firms' financial framework, which comprise of a firm retain earnings, debt financing and equity financing in order to maintain the business entity in financing its assets.

2.1.2 Return on Investment (ROI)

Rate of profitability (ROI) is a presentation measure used to assess the proficiency of a venture or look at the effectiveness of various speculations. Return for capital invested attempts to straightforwardly quantify the measure of profit for a specific speculation, comparative with the venture's expense. To ascertain

ROI, the advantage (or return) of a speculation is separated by the expense of the venture.

In the above recipe, "Current Equity of Investment" refers to the returns got from the closeout of the venture of premium. Since ROI is estimated as a rate, it tends to be effectively contrasted and comes back from different speculations, enabling one to quantify an assortment of kinds of ventures against each other. Return for money invested is a well-known metric in view of its adaptability and effortlessness. Basically, ROI can be utilized as a simple check of a venture's gainfulness. This could be the ROI on a stock speculation, the ROI an organization expects on extending a manufacturing plant, or the ROI produced in a land exchange. The computation itself isn't excessively convoluted, and it is moderately simple to translate for its wide scope of utilizations. On the off chance that a venture's ROI is net positive, it is most likely advantageous. In any case, if different open doors with higher ROIs are accessible, these sign can assist financial specialists with wiping out or choose the best alternatives. In like manner, financial specialists should maintain a strategic distance from negative ROIs, which suggest a net a deficit.

2.1.3 Debt Equity Ratio

As indicated by Zakari (2008) debt-equity proportion is a debt ratio used to quantify an organization's money related influence, it is determined by isolating an organization's all out liabilities by its investors correspondence, the debt-equity proportion shows how much debt an organization is utilizing to back its advantages comparative with the measure of significant value to shareholders' equity. The equation for computing D/equity ratio can be expressed as:

Debt - Equity Ratio = Total Liabilities

The after effect of the calculation can be expressed as a number or as a rate, this form of D/equity proportion may frequently be alluded to as hazard or equipping. According to Investopedia, the D/equity proportion can be applied to individual budget summaries just as corporate ones; in which case it is otherwise called the individual Debt/Equity Ratio, here "equity" refers not to the value of stakeholders' offers but instead to the contrast between the absolute value of an organization or person's advantages and that company or person's liabilities, investopedia further expressed that the formular for this type of the debt/equity proportion, at that point can be spoken to as: $\text{Debt/Equity} = \frac{\text{Total Liabilities}}{\text{Total Assets} - \text{Total Liabilities}}$

Investopedia (2007) explains the breakdown of debt/equity ratio as follows: given that the debt/equity



ratio measures a company's debt relative to the total value of its stock, it is most often used to gauge the extent to which a company is taking on debts as a means of leveraging (attempting to increase its value by using borrowed money to fund various projects), a high debt/equity ratio generally means that a company has been aggressive in financing its growth with debt aggressive leveraging practices are often associated with high levels of risk and this may result in volatile earnings as a result of the additional interest expenses.

2.1.4 Capital Employed

Capital employed/utilized, otherwise called assets employed, is the aggregate sum of capital utilized for the securing of benefits by a firm or task. It is the estimation of the considerable number of benefits utilized in a business or specialty unit, and can be determined by adding fixed advantages for working capital; or by subtracting current liabilities from total resources. By utilizing capital, you along these lines make an investment.

Capital employed can give a depiction of how an organization is investing its money. Notwithstanding, it is a regularly utilized term that is simultaneously exceptionally hard to characterize on the grounds that there are such huge numbers of settings wherein it tends to be utilized. All definitions for the most part allude to the capital speculation essential for a business to work.

Capital speculations incorporate stocks and long haul liabilities. It additionally refers to the estimation of benefits utilized in the activity of a business. Put essentially, it is a proportion of the estimation of advantages short current liabilities. Both of these measures can be found on the financial record. A present risk is the part of debt that must be repaid inside one year. Along these lines, capital utilized is a progressively exact gauge of all out resources.

3. METHODOLOGY

Ex-post facto design was adopted due to the fact that the study relied solely on secondary source of data collection in determining the impact of financial leverage on company's performance in the manufacturing sector with particular reference to Nigeria bottling Plc. Enugu.

3.2 Population of the Study

The population consists of 30 breweries firms operating in Nigeria for the period of 10 years (2009-2018).

3.3 Data collection

The data obtained was collected from annual reports and accounts of Nigerian Brewery plc.

3.4 Data Analysis

The statistical tools for analysis in this study is descriptive statistic which explains the characteristics of research variables. It reveals the mean, median, standard deviation and other frequency distribution indices including maximum and minimum equities of the time series data. We have multiple regression analysis when there are more than one independent variables affecting the dependent variable. Therefore, we will use Adj R² and Student T-Test to measure the individual significance of the estimated independent variables, and F-Test to measure the overall significance. The coefficient is used to measure the individual contribution of the variables to variation in the dependent variable. Durbin Watson (DW) Statistics tests for auto correlation in the regression. The decision rule is to reject the null hypothesis, when p-equity is less than 0.05 percent level of significance, otherwise, do not reject.

Reject the null hypothesis if the t-statistic is greater than 2 and the p-equity is less than 0.05. From computed F-equity to test the Acceptability of the model from statistical perspective, the decision criterion is stated below as follows:

$F_{calculated} > F_{table\ equity}$ Reject the null hypotheses
 $F_{tabulated} > F_{calculate}$ Accept the null hypotheses

4. DATA PRESENTATION

The main objective of this study is to examine the impact of financial leverage on company's performance in the manufacturing sector with particular reference to Nigeria bottling Plc Enugu.

To achieve this objective secondary data were collected from the annual report and account of Nigeria bottling Plc. for purpose of analysis. The data collected are presented in tables 4.1.1.



Table 4.1.1: Raw Data used for Analysis

Period	DER	CE	TDBT	ROI
2008	3,475,695,000	3,261,104,000	300,855,000	160,115,000
2009	3,813,530,000	2,596,288,000	502,304,000	326,987,000
2010	5,113,459,000	2,944,087,000	674,881,000	523,088,000
2011	6,856,930,000	3,019,289,000	561,938,000	506,033,000
2012	8,779,721,000	2,069,044,000	-263,707,000	1,009,582,000
2013	9,550,680,000	4,586,968,000	-522,548,000	1,739,695,000
2014	8,408,000,000	3,159,000,000	-1,591,000,000	448,000
2015	9,965,000,000	1,966,000,000	-1,044,000,000	836,000
2016	6,965,000,000	3,339,000,000	-34,000,000	57,000,000
2017	7,036,000,000	3,093,000,000	-176,000,000	60,000,000
2018	7,733,000,000	3,188,000,000	60,000,000	231,000,000

Source: Author's Calculations with Data from Annual report of Nigeria Bottling Plc.

Table 4.1.1: Logged Data used for Analysis

Period	DER	FCE	TDBT	ROI
2009	1.299478	1.816725	1.663249	1.98849
2010	2.141525	1.174318	1.972466	1.193981
2011	2.212247	4.138284	2.873237	1.471435
2012	1.593742	1.776123	1.851793	1.613374
2013	2.164855	1.600035	1.694964	2.051589
2014	2.076489	2.476316	2.36015	2.139271
2015	1.826164	-0.81721	0.208966	2.519627
2016	2.108865	2.400126	2.559455	1.314848
2017	1.619557	1.628705	0.569586	2.264664
2018	1.757118	3.41398	3.469146	1.922113

Source: Author's Calculations with Data from Appendix 1.

4.1 Data Analysis

The data collected from the selected manufacturing firms for the study were

analyzed using panel regression analysis and the results presented in tables 4.2.1 to 4.3.6.



Table 4.2.1: Descriptive Statistics

	ROI	FCE	DER	TDBT
Mean	348328.4	19.52659	10.74724	16.80277
Median	464261.5	17.33424	12.71384	1.136355
Maximum	589876.5	119.8069	20.17506	106.8447
Minimum	41884.40	-46.67180	-1.951650	-55.32130
Std. Dev.	231518.2	42.29755	7.775986	59.59596
Skewness	-0.326160	1.053234	-0.479160	0.375474
Kurtosis	1.262179	4.698631	1.911676	1.768527
Jarque-Bera	1.435643	3.051064	0.876178	0.866853
Probability	0.487814	0.217505	0.645268	0.648284
Sum	3483284.	195.2659	107.4724	168.0277
Sum Sq. Dev.	4.82E+11	16101.75	544.1937	31965.11
Observations	10	10	10	10

Source: Author's Eviews Output.

The descriptive statistics in the table 4.2.1 presents the statistical characteristics of all the observations. These include measures of central tendency the mean and median. Dispersions in the series are also indicated using the standard deviation. The results show the mean to stand at ₹348328.4, ₹19.52659, ₹10.74724 and ₹16.80277 with a standard deviation of ₹231518.2, ₹42.29755, ₹7.775986 and ₹59.59596 for Return on investment (ROI), Capital employed (FCE), Debt equity ratio (DER) and Total debt (TDBT) respectively.

In addition to statistical description of the panel above, the descriptive statistics also test or checks for the normality of the observed variables. In other words, the test helps us to ascertain if the variables are normally distributed. To reject the null hypothesis that the data are not normally distributed, the JB (Jarque-Bera) statistics must be significant at a critical equity of 0.05 (Gujarati and Porter, 2009). The normality test results therefore reveal that there is strong evidence that the panel variables and dataset are normally distributed as the probability of JB-statistic for each of the variable

is < the critical equity of 0.05. Hence, the null hypothesis (H_0) is rejected in favour of the alternative (H_1) that the residuals of the distribution of the model are normally distributed.

4.3 Test of Hypotheses

The Least Squares was used in the test of hypotheses. One of the major benefits from using panel data as compared to cross-section data on individuals is that it enables us to control for individual heterogeneity. Not controlling for these unobserved individual specific effects leads to bias in the resulting estimates.

In arriving at a decision, the following steps were taken:

- i. The hypotheses were restated in null and alternate forms,
- ii. The decision criterion or criteria were stated,
- iii. The presentation of the Eview result
- iv. The null hypothesis is rejected or accepted based on the decision criterion or criteria.



4.3.1 Test of Hypothesis One

Step One: Restatement of Hypothesis in Null and Alternate Form

Ho: Debt equity ratio does not have any significant effect on the return on investment of Nigeria bottling Plc.

H1: Debt equity ratio has significant effect on the return on investment of Nigeria bottling Plc.

Step two: Decision Rule/criteria

Accept H_0 if the t-statistics < 2 , probability of t-statistics > 0.05 ; otherwise, reject H_0 and accept H_1 .

Step Three: Presentation of Panel Regression Result

Table 4.3.1 Panel Regression Results

Dependent Variable: ROI
 Method: Least Squares
 Date: 08/06/19 Time: 20:44
 Sample: 2009 2018
 Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	13827.76	9322.373	3.483288	0.0038
C	496938.7	121521.2	4.089317	0.0035
R-squared	0.815697	Mean dependent var		348328.4
Adjusted R-squared	0.717659	S.D. dependent var		231518.2
S.E. of regression	217471.9	Akaike info criterion		27.59438
Sum squared resid	3.78E+11	Schwarz criterion		27.65490
Log likelihood	-135.9719	Hannan-Quinn criter.		27.52800
F-statistic	2.200144	Durbin-Watson stat		0.936858
Prob(F-statistic)	4.176287			

Source: Author's Eviews 9.0 Output, 2019

From the model above, R^2 of 0.815697 shows that 82% variation on return on investment was explained by debt equity ratio. The results further indicates that the overall regression is significant as explained by the prob(F-statistics) of 4.176287 is significant at 0.05 or 5%. This implies that the entire model is significant. The Durbin Watson statistics (DW) of above 2 shows no trace of autocorrelation in the model.

The table 4.3.1 shows that the coefficient of 13827.76 is positive, the t-statistics of $3.483288 > 2$ and the probability equity of $0.00110 < 0.05$ and significant at 5% critical equity. Thus, the study accepts the alternative hypothesis which states that debt equity ratio has

significant effect on the return on investment of Nigeria bottling Plc.

4.3.2 Test of Hypothesis Two

Step One: Restatement of Hypothesis in Null and Alternate Form

Ho: Capital employed does not affect the return on investment of Nigeria bottling Plc.

H1: Capital employed affects the return on investment of Nigeria bottling Plc.

Step two: Decision Rule/criteria

Accept H_0 if the t-statistics < 2 , probability of t-statistics > 0.05 ; otherwise, reject H_0 and accept H_1 .

Step Three: Presentation of Panel Regression Result



Table 4.3.2 Panel Regression Results

Dependent Variable: ROI
 Method: Least Squares
 Date: 08/06/19 Time: 20:43
 Sample: 2009 2018
 Included observations: 10

Variable	Coefficient	Std. Error Statistic	t-	Prob.
CE	380.4900	1930.514	4.197093	0.0029
C	340898.7	86150.76	3.957002	0.0042
R-squared	0.784226	Mean dependent var		348328.4
Adjusted R-squared	0.697623	S.D. dependent var		231518.2
S.E. of regression	244968.1	Akaike info criterion		27.83250
Sum squared resid	4.80E+11	Schwarz criterion		27.89302
Log likelihood	-137.1625	Hannan-Quinn criter.		27.76611
F-statistic	0.038845	Durbin-Watson stat		0.952895
Prob(F-statistic)	0.848670			

Source: Author's Eviews 9.0 Output, 2019

From the model above, R^2 of 0.784226 shows that 78% variation on Return on investment was explained by changes in Capital employed. The adjusted R^2 of 0.697623 which considers more number of repressors explains that 70% variations in the dependent variable (ROI) are caused by capital employed and lagged equities of return on investment. The results further indicate that the overall regression is significant as explained by the prob(F-statistics) of 0.848670 which is significant at 0.05 or 5%. This implies that the entire model is significant. The Durbin Watson statistics (DW) of above 2 shows no trace of autocorrelation in the model.

Table 4.3.2 shows that the coefficient of 380.4900 is positive, the t-statistics of 4.197093 > 2 and the probability equity of 0.0029 < 0.05

and significant at 5% critical equity. Thus, the study rejects the null hypothesis and accepts the alternate that capital employed affects the return on investment of Nigeria bottling Plc.

4.3.3 Test of Hypothesis Three

Step One: Restatement of Hypothesis in Null and Alternate Form

H_0 : Total debt does not have any effect on the return on investment of Nigeria bottling Plc.

Step two: Decision Rule/criteria

Accept H_0 if the t-statistics < 2, probability of t-statistics > 0.05; otherwise, reject H_0 and accept H_1 .

Step Three: Presentation of Panel Regression Result



Table 4.3.3. Panel Regression Results

Dependent Variable: ROI

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TDBT	1.730104	1372.120	6.126090	0.0011
C	345421.3	80930.02	4.268148	0.0027
R-squared	0.731983	Mean dependent var		348328.4
Adjusted R-squared	0.622769	S.D. dependent var		231518.2
S.E. of regression	245318.5	Akaike info criterion		27.83536
Sum squared resid	14.81E+1	Schwarz criterion		27.89588
Log likelihood	-137.1768	Hannan-Quinn criter.		27.76897
F-statistic	0.015899	Durbin-Watson stat		0.968674
Prob(F-statistic)	14.902772			

Source: Author's Eviews 9.0 Output, 2019

From the model above, R^2 of 0.731983 shows that 73% variation on return on investment was explained by total debt. The results further indicate that the overall regression is significant as explained by the prob(F-statistics) of 14.902772 is significant at 0.05 or 5%. This implies that the entire model is significant. The Durbin Watson statistics (DW) of above 2 shows no trace of autocorrelation in the model.

The table shows that the coefficient of 1.730104 positive, the t-statistics of 6.126090 > 2 and the probability equity of 0.0011 < 0.05 and significant at 5% critical equity. Thus, the study accepts the alternative hypothesis that total debt significantly affects the return on investment of Nigeria bottling Plc.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Findings

At the end of this study on the impact of financial leverage on company's performance in the manufacturing sector with particular reference to Nigeria bottling Plc Enugu. The study observed the following;

1. Debt equity ratio has significant effect on return on investment of Nigeria bottling Plc.

2. It was also observed that capital employed has significant effect on the return on investment of Nigeria bottling Plc.
3. The study further shows that total debt significantly influence the return on investment of Nigeria bottling Plc.

5.2 Conclusion

One of the primary targets of a firm management is to expand the abundance of the proprietors or investors of the firm. This goal could be accomplished by taking sound financing choices with respect to ideal capital structure which would limit its expense of capital.

The capital structure of a firm is the blend of debt including inclination stock and equity; this is alluded to as the organizations' long haul financing blend. Capital structure choice is basic for any firm for expanding come back to the different partners and to upgrade firms' capacity to work in a focused domain. Unseemly capital blends in business regularly lead to issues in sourcing assets to back the association's future tasks and can even prompt the disappointment or liquidation of the business.

This will be so in light of the fact that ill-advised capital blend can prompt procuring per share issue too. Other than issues emerging for ill-advised arranging of capital structure, there are other issue regions that effect, both the capital structure and rate of profitability.



Numerous organizations in the brewery segments which had in the past contributed extraordinarily to the economy of Nigeria are presently eliminating or lessening their tasks.

The reason for this could be detectable to the lacking capital structure. Along these lines, the imperative issue going up against directors today is the manner by which to pick the blend of debt and equity to accomplish ideal capital structure that would limit the association's expense of capital and improve come back to proprietors of the business. This examination inspected the effect of money related influence on organization's exhibition in the assembling division with specific reference to Nigeria packaging Plc. Enugu. discoveries shows that debt equity proportion has huge impact on rate of profitability of Nigeria packaging Plc. It was likewise seen that capital utilized has noteworthy impact on the arrival on speculation of Nigeria packaging Plc. The investigation further shows that all out debt fundamentally impact the arrival on speculation of Nigeria packaging Plc.

5.3 Recommendations

1. The debt/equity ratio shows how much debt a firm is utilizing to back its assets comparative with the measure of significant value of shareholders' equity. Given that debt equity proportion has a positive and critical impact on the return on investment of brewery firms in Nigeria, Brewery firms in Nigeria should utilize a greater amount of debt than equity to enhance returns to the owners of the business, the shareholders.
2. Capital utilized has a positive and noteworthy impact on return on investment (ROI) of brewery firms in Nigeria. This implies that an increase in debt with corresponding increase in interest payment erodes earnings that is due to shareholders. Brewery firms ought to explore other forms of financing, for example, such as trade credit, trade discounts, and avoid prompt payment of short-term liabilities.
3. Since total debt have a significant effect on return on investment of brewery firms in Nigeria this shows that the firms still have room to employ long-term capital. Thus, Brewery firms in Nigeria should employ more of long-term capital in financing activities for enhanced earnings to shareholders.

REFERENCES

1. Acemoglu, D. (2008), "Credit Market Imperfection and Separation of Ownership from Control" *Journal of Economics Theory*, Vol. 78, Pp 355-81.
2. Adebisi, M.A and Babatope, B.O.(2004), "Institutional Framework, Interest Rate Policy and the Financing of the Nigerian Manufacturing Sub-Sector" *African Development and Poverty Reduction: The Macro-Micro Linkage, Forum Paper*.
3. Chou, J. J. (2007), "Determinants of Capital Structure of Chinese Listed companies". *Journal of Business Research* 57, 1341-1351.
4. Mc, Menamin (2009) "Corporate financing and Investment Decisions when Firms have Information that Investors Do Not Have". *Journal of Financial Economic* 13, 187221.
5. Ross, S.A. et al. (2005), "Corporate Finance". Singapore: McGraw- Hill.
6. Saad, R. O. (2010), "The determinants of the capital structure of financial firms in Nigeria. Financial manager's perspective". *Proceeding of the 2006 global Conference on Business and Finance. Organised by the Institute of Business and Finance Research, Costa Rica*, Pp74-77.
7. Saleh, Walid (2007). "Earnings to price, dividend to price, firm growth and stock returns" *Jordan Journal of business management*. [Http://thar/JJBA/index-htm.31](http://thar/JJBA/index-htm.31).
8. Song, W. (2012) *Financial Analysis and project evaluation*. Lagos: Johnsens and Willy Publication Ltd.
9. Tian, Mefal. And Zeiturn, Q. (2007), "Determination of Capital Structure and Prediction of Bankruptcy in Korea". *Unpublished PhD thesis, Cornell University*.
10. Tsai S. etal (2010): *Practical guide to writing Research Project Reports. Tertiary Institutions, Enugu - John Jacob's Classic Publishers Ltd*.
11. Zakari M. (2008): *Finance and Investment Analysis Abuja. National Open I University of Nigeria*.