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The Capital Structure of Securado Company and its Impact on Profitability

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Abstract

Purpose: The aim of the study is mainly to understand the capital structure of Securado Company and the technique used to raise its profitability. Basically, to briefly dig into the structure formed by the company and the achievements and profit it reached by following its capital structure and deeply evaluate the structure. Companies always have their proper ways or techniques they follow to get the volume they aim at, by that, this research will identify the specific technique and briefly discuss it. Through that, the success rate and profit of the company will raise if the technique and the capital structure are beneficial, will analyze the last years of the company to know the rate. Lastly, the study will look at some recommendations for improving the profitability of the company.

Design/methodology/approach: This research follows a descriptive and exploratory analytics research method. The primary data was collected using a questionnaire and interview. Samples were selected based on a random sampling technique. 34 samples were collected from those related to and involved in the audit and accounting of the financial information services of Securado Company. Once the data was collected, the analysis was done using Microsoft Excel.

Findings: using capital structure approaches, show that the capital structure functions, particularly those indicated in the study (raising productivity and efficiency), play a significant influence on the company's capital structure.

Research limitations: Based on the results, it was recommended that the company know the most recent signals that emerge first, as well as study competitors, their policies and methods, and Securado Company's strengths and shortcomings. Displaying and presenting work-related advancements, as well as giving the organization all it needs to grow.

Social Implications: This research would add collective knowledge on how an efficient capital structure affects the nation and could influence decision-makers, rules, and regulations.

Keywords: capital structure, Securado profitability, success rate, Securado finance

Introduction

This research looks at the capital structure and progress of Securado Company, as well as the impact on profitability. Mainly, to understand the company's capital structure and its derivatives. It is the exact combination of debt and equity utilized to fund a company's assets and activities. The relative quantities of stock and debt, as is widely known, impact risk and cash flow, and hence the price an investor would be ready to pay for the business or an interest in it. That is, the capital structure can help a company understand its current financial health, risk profile, and suitability for specific investment or acquisition strategies. Securado Company got over 150 active customers who are insured, including Oman Housing Bank, Public Authority of Social Insurance, and Mazoon Dairy (Securado, 2022)., the company has its own technique that they keep up following to raise its profitability, in this study will identify those techniques and will evaluate them to see how far they evaluate the profitability of the company by analyzing the success rate and profit.

Research Objectives

1. To identify and evaluate the capital structure of the company.
2. To identify and evaluate the techniques used by the company to raise the volume of their profitability.
3. To analyze the success rate and profit of the company over the last five years.
4. To recommend ways to improve the capital structure that will create a positive impact on the company's profitability.

Research Questions

1. What is the capital structure of the company?
2. What are the techniques that the company used to raise the volume of their profitability?
3. How does the success rate and profit of the company increased in the last five years?
4. What are the recommendations to improve the capital structure of the company that will increase profitability?

Statement of the Problem

The problem of the research is to ascertain the extent to which capital structure influences Securado Company's profitability. Because the company's capital structure represents the firm's finance strategy, such as its total goal debt-equity ratio, and financing methods are critical to focus on, it is difficult to sustain and enhance the company's profitability if the capital structure is irregular. Many organizations have developed their own methods for raising profits, such as lowering expenses, increasing turnover, enhancing production and efficiency, and so on. This study will look into the method/technique used by Securado Company that increased their profits.

Review of Literature

The Role of Capital Structure in A Business Efficiency and Effectiveness Process Enhancement The effect of capital structure on industrial firm financial results was investigated. Capital structure, firm size, growth rate, tangible fixed asset structure, business risks, and ownership are the dependent variables. The estimated results show that capital structure has a very strong and statistically significant negative impact on enterprise results. (Phan, 2016)

The capital structure and its impact on corporate performance are heavily discussed in the corporative financial literature. Despite extensive research on the subject, reaching an agreement on debt financing and development finance has proven difficult. The current literature's varied empirical results are a major motivating factor for the study. Some studies have been able to demonstrate a favorable influence, while others have been unable to demonstrate a detrimental impact.

Finance, according to Schumpeter's view, is a critical component in the innovation process. Innovative businesses, on the other hand, do not always have access to the financial resources they require. In terms of capital structure, there are several elements associated with the deployment of information and communication technologies. In this regard, Titman and Wessels identified a relationship between capital structure and investment, implying reduced debt. Rising

firms that employ technology, according to Mina et al., are more likely to have access to capital and choose to use capital over debt financing. (Hector et al., 2021)

Managerial ability can have an impact on capital structure, which can affect a company's market value. They discovered that high-ability managers play an important role in business funding decisions. In place, they built a principal-agent model that looks into account taxes, bankruptcy expenses, and managerial openness in financing and performance to make determining a manager's contract and a company's capital structure easier. They also discovered that managerial decisions to reduce long-term debt result in a decrease in managerial competence and a manager's internal equity ownership, raising long-term threats to a company's value. Finally, they discovered that talented and experienced managers employ more debt to protect the firm's profits from taxes, hence boosting debt capital. (Petkevich et al., 2018)

Advantages and Disadvantages of Capital Structure and the Financing Options Capital structure decisions are difficult to make because they necessitate balancing several factors. Companies with consistent sales levels, assets that serve as strong collateral for loans, and a high rate of growth can generally use debt more heavily than others. Companies with conservative management, great profitability, or weak credit ratings, on the other hand, may prefer to use equity capital instead. (Business, R., 2022)

Debt and equity financing for businesses have varies benefits and drawbacks; evaluating the capital structure for business owners and managers can assist them in determining their position and condition, as well as provide a light indication about the best capital structure. The best capital structure is one that finds a good compromise between risk and reward. The goal of an optimal capital structure is to maximize profit while lowering and minimizing capital costs. (Mustafa, 2017). Both debt and equity offer a number of advantages and disadvantages.

Debt: The primary benefit of debt financing is that the company's founders retain ownership and control. Unlike equity financing, entrepreneurs can make critical strategic decisions and keep and reinvest a larger portion of their company's earnings. Another advantage of debt financing is that it gives small business owners more financial flexibility than equity financing. Debt obligations last only until the loan is repaid, after which the lender has no further claim on the company, whereas equity investors' claim lasts until their stock is sold. The ability to keep and reinvest a company's profit gives small business owners a great deal of financial flexibility. Finally, it is less expensive for small businesses in the long run than equity funding, but it is more expensive in the near run. (Business, R., 2022)
The most significant disadvantage of debt financing is that it necessitates monthly principal and interest payments from a small business. Companies frequently experience cash flow issues, making regular payments difficult, and most lenders impose harsh penalties for late or missed payments. Debt financing is typically available only to established businesses. If you don't pay back the loan on time, you'll face harsh penalties. If you have too much debt, potential investors will view you as a -high-risk- investment, limiting your ability to raise funds through equity financing in the future. (Business, R., 2022)

Equity: The key advantage of equity financing is that the money is not obligated to be repaid. And the concept and early-stage enterprises are more likely to be able to obtain equity financing rather than debt financing. Because equity investors are generally looking for ways to expand their money, they are typically prepared to take a chance on a solid idea. (Business, R., 2022)

The biggest disadvantage of equity financing is that it requires the founders to relinquish some control over their company. If investors disagree with the entrepreneur may face difficulties. Furthermore, some equity sales, such as initial public offerings, can be extremely complicated and costly to administer which may necessitate larger returns than the rate at which you would repay the bank. (Business, R., 2022)

The Technique That Raises the Profitability Volume The ability of a company to generate more money than it spends is referred to as profitability. Which businesses generate revenue by selling goods or services to customers while incurring expenses by paying employees and manufacturing goods or services? Direct costs, which are the costs of directly paying people involved in the creation of a product or service, and indirect costs, also known as overhead, are two types of company expenses. Overhead includes depreciation, property taxes, indirect material expenses, and compensation for people who are not directly involved in the production processes. (Team, IE., 2021)

Understanding cost behavior necessitates performing a cost-volume-profit analysis. Managers make decisions that are all strategic and based on cost-volume-profit analyses.
It's important to remember that the client is the foundation of all corporate operations. Either the customer requests the item and pulls them from the enterprise, or the corporation discovers the needs and delivers them to the customer. When establishing total profitability, companies calculate the cost of goods sold to determine product profitability. As a result, the company evaluates both successful and non-profitable customers at the same time. Investment in non-profitable clients reduces the organization's profitability and efficiency by increasing expenditures. Measuring client profitability becomes more important at this point. This is the starting point for determining the research question for the study. A multi-product cost-volume-profit analysis is investigated first, followed by a customer-based cost-volume-profit analysis. (Ekergil, 2017)

In this sense, profitability is defined as the ability to earn more money than is spent in businesses that generate revenue from the items and services they supply to customers, pay staff wages, and operate their own manufacturing. Direct costs, which are the charges pay directly to create product and service, and indirect costs, which are defined as depreciation and property that are not involved in production processes, are the two categories of expenses.

Some techniques for increasing profitability may be more effective than others, depending on the type of firm and industry.

1. **Encourage Participation from the Entire Squad:** One of the first techniques to help you increase profitability is to meet with members of your team to develop similar goals related to increasing profits. If everyone on the team is aware of the organization's goals, it will be easier for them to make decisions that will help them achieve those goals and motivate them to work harder. (Team, IE., 2021)
2. **Financial Statement should be Examined:** It includes measurable income and spending data that can be studied to discover which procedures can be changed to generate profit. When aiming to boost profitability, balance sheets, income statements, and cash flow statements are all useful to review. For example, you can specify that expenses in one area rise as the company grows, allowing your team to focus on that area when making profit-boosting decisions. (Team, IE., 2021)
3. **Reduce Waste:** Businesses can reduce waste by identifying and resolving processes that result in defects, minimizing overproduction, limiting downtime, improving transportation efficiency, limiting excess inventory, and limiting extra processing. All of these strategies have the potential to increase the number of finished products or services delivered to clients while also generating revenue for the company. For example, you can use software that predicts products demand in specific locations so that you can produce the exact amount required and distribute it to the appropriate locations. (Team, IE., 2021)
4. **Develop Marketing and Branding Strategies:** A strong brand enables a business to charge a greater price for its goods or services. Consumers may identify a brand with a specific degree of quality, leading them to purchase more costly things or services from a firm. Some companies, for example, may position their products as luxury items in order to justify a higher price. (Team, IE., 2021)

The Success Rate of Report of Profitability A planned and comprehensive business plan should be in place to ensure that any business is successful, sustainable and relevant. This will aid in the planning of corporate operations as well as the implementation of organizational and marketing strategies. Above all, a company's success rate can be improved by providing high-quality service, products and leadership. (Lisa, 2022)

The profitability ratio is a metric used to evaluate a company's capacity to make a profit or profit over a given time period. Profit is one metric that shows how well a company is doing. All income and expenses incurred by the company as a result of the usage of assets and liabilities during a period are included in profitability. The company's main goal is to make a lot of money. High profits will benefit the company's shareholders and will pique the desire of investors to put their money into it. High earnings will also demonstrate the company's ability to successfully carry out its operational activities. (Dirman, 2020)

There are so many ways that helps on improving the success rate of any business/company. Firstly, creating a comprehensive business strategy that you can stick to and revisit on a frequent basis. Short and long-term goals, through financial projections, and marketing and promotion

objectives should all be included in the company plan. Contingency plans should be included in the business plan in case one or more components of the plan do not go as planned.
Secondly, to find and hire qualified people. Customers see your staff as a representation of your organization. Ascertain that your staff are qualified, well-trained and approachable.
Thirdly, to conduct regular customer service training sessions to demonstrate how you expect to be treated by your clients. Also, offer employees precise instructions on how to handle difficulties and consumer complaints. Lastly, consider taking sensible risks. While it's imprudent to risk your company's reputation or finances on a whim, measured, well-thought-out risks have the potential to boost any company's success rate. Introducing a new product line. Opening a new location, or rebranding the company to become more relevant and noticeable are all examples of calculated risk. (Lisa, 2022)

Research Methodology

This research follows a descriptive and exploratory analytics research method. The primary data was collected using a questionnaire and interview. Samples were selected based on a random sampling technique. 34 samples were collected from those related to and involved in the audit and accounting of the financial information services of Securado Company. Once the data was collected, the analysis was done using Microsoft Excel.

Findings

Table 1 of Conducting a capital structure

	Percentage
Strongly Agree	97.1%
Agree	2.9%
Disagree	0
Strongly Disagree	0
Total =	100%

The percentage of conducting a capital structure in a corporation is obvious in the above table.it was also obvious that the majority of the viewpoints strongly agreed with the idea till the percentage reached 97.1%, the number of persons reached 33, and that 1 person only agreed with the opinion, the percentage was 2.9%, while the percentage of people who disagreed and strongly disagreed with the opinion was 0.

Table 2 of Capital structure contributes to raising the profitability of the company

	Percentage
Strongly Agree	91.2%
Agree	8.8%
Disagree	0
Strongly Disagree	0
Total =	100%

In the above table, the percentage of contributing capital structure to enhance the company's profitability is clear. It is apparent that the majority of individuals strongly agreed with the idea till the percentage reached 91.2% and the number of participants reached 31, and 8.8% merely agreed with the opinion.

Table 3 of Type of capital structure does Securado Company follow

Types:	Number	Percentage
Equity Capital	30	88.2%
Debt Capital	1	2.9%
Optimal Capital	2	5.9%
Financial Capital	1	2.9%
Total =	**34**	**100%**

The above table shows that there are several types of capital structures to follow in Securado Company, such as Financial Capital (2.9%), Debt Capital (2.9%), Optimal Capital (5.7%), and Equity Capital (88.1%), which is the highest percentage among all the capital structures that companies may use to increase profitability.

Table 4 of Techniques that raise the volume of the company's profitability

	Number	Percentage
Yes	34	100%
No	0	0
Total =	**34**	**100%**

A table for a proportion of the approaches that increase the volume of the company's profitability can be found above. As indicated by the fact that the proportion was 100% (yes), this clearly shows that all of the respondents entirely agreed that Securado Company does really use a specific technique.

Table 5 of the technique that Securado Company follows

Technique	Number	Percentage
Reducing Costs	5	14.7%
Increasing Turnover	1	2.9%
Increasing Productivity	14	41.2%
Increasing Efficiency	29	85.3%
Total =	**49**	**144.%**

The above table, shows that there are several techniques that a company follow regarding their capital structure and to raise the profitability, from the respondents of Securado Company's employee it shows that 5 people choose the Reducing costs technique with 14.7%, Increasing turnover got 2.9%, Increasing productivity was 41.2%, and the highest technique was 85.3% from Increasing efficiency.

Table 6 of The strengths of Securado Company

Strength	Number	Percentage
Interrogation speed of the company	1	2.9%
The reliability of the company	0	0
Service	0	0
Price	1	2.9%
All of the above	32	94.1%
Total =	**34**	**100%**

This table demonstrates that Securado Company's services have a wide range of strengths. For example, the company's interrogation speed, which was 2/9%, was provided by Securado Company. Finally, all of the preceding qualities, with a maximum percentage of 94.1%, and one of the most essential strengths, pricing, with a ratio of 2.9%, which is regarded as a ting proportion.

Table 7 of The way of profitability and success rate measurement

	Number	Percentage
Checking the financial statements	0	0
Breakdown the costs and revenues	1	2.9%
Asking for detailed reporting	0	0
All the above	33	97.1%
Total =	**34**	**100%**

Securado's profitability and success rate are measured in the manner shown in Table. The fact that 97.1% of the respondents agreed that the company used (all the above) aforementioned methods had a good impact on the company's earnings suggest that all of the respondents were entirely convinced that the company used all of the above methods. Only 2.9% of those who applied were chosen (Breakdown the costs and revenues).

Table 8 of The sales of Securado Company transactions

	Number	Percentage
10%	0	0
30%	1	2.9%
50%	33	97.1%
Above 50%	0	0
Total =	**34**	**100%**

The table above demonstrates how Securado's sales are measured and estimated. 97.1% of those polled agreed that the company's sales score is 50% from the last five years. And only 2.9% of those polled agreed 30% of the time.

Discussion

One of the most essential reasons is to estimate their enterprise value or to anticipate the future financial effect current commitments will have on a company. Understanding a company's capital structure may also assist you in determining what type of financial services you will want now and in the future. According to Phan 2016, he asserted that the impact of capital structure on industrial business financial results had been researched. Capital structure, firm size, growth rate, the structure of tangible fixed assets, hazards in the firm's activity, and ownership are the dependent factors. The calculated results show that capital structure has a very strong and statistically significant negative impact on enterprise results. (Phan, 2016)

Capital structure decisions are tough to make because they necessitate balancing a variety of factors. Debt can be used more significantly by companies with steady sales levels, assets that serve as strong security for loans, and a rapid growth rate. On the other hand, companies with conservative management, high profitability, or poor credit ratings may decide to use equity capital instead.

Equity Capital is the type that Securado Company is following, according to the deep study this research made that the benefit of equity financing is that the money does not have to be repaid. And, rather than debt finance, idea and early-stage businesses are more likely to be able to seek equity investment. Equity investors are usually willing to take a chance on a good concept because they are seeking for methods to grow their money. (Research for Business, 2022)

Profits may be increased by every firm. Although a single component can occasionally significantly boost profitability, most firms discover that increasing profitability necessitates a succession of incremental improvements over time. According to the study by (Indeed Editorial Team), some approaches for increasing profitability may be more advantageous than others depending on the type of company and sector. As it appears in the results from the table, Securado Company does really follow a specific technique to raise profitability.
Depending on the sort of company and industry, certain methods for raising profitability may be more effective than others. One of the things that it does is **Develop Marketing and Branding Strategies**. A strong brand may allow a corporation to charge a higher price for its goods or services. Consumers may associate a brand with a specific level of quality, leading them to purchase more expensive things or services from a company. To justify a greater price, some businesses, for example, may market their products as luxury items.

The strengths of a firm, or those features of the company that help to achieve the goals, are referred to as strengths in any business domain. There are internal factors that the corporation has control over. The phrase “strength” refers to the attributes that an entity possesses or excels in, allowing it to stand out from the competitors. These assets, in most situations, give a competitive edge in the marketplace. In addition, strengths are mostly used to describe what the company excels at. When it comes to me implementing the marketing program, I will be able to focus on the company’s strengths. (Verna, 2020).

A planned and complete business plan should be in place to ensure that any business is successful, sustainable, and relevant, as previously described. This will help with business operations planning as well as organizational and marketing strategy implementation. Above all, providing high-quality service, goods, and leadership can boost a company’s success rate and profitability.

There are numerous methods for increasing a business or company’s success rate. To begin, develop a comprehensive company strategy that you can follow and examine on a regular basis. The company strategy should include short and long-term goals, financial estimates, and marketing and promotion objectives. In the event that one or more components of the plan do not go as expected, contingency plans should be incorporated into the business plan.
The percentage of sales technique is a financial forecasting tool that creates financial estimates using historical and current sales data. This data includes revenues as well as any sales-related expenses, such as inventory and product costs. The results of this plan are then used by the firm to make future changes based on financial projections. While their data are only relevant in the short term and must be repeated, the percent sales model enables firms to make well-informed decisions regarding their future direction. (Kelwig, D., 2021)

Conclusion

The Capital Structure of Securado Company and its Impact on Profitability were explored in this research. The necessity of having a capital structure performance of Securado was investigated and known during the preceding five chapters of this project. Financial accounting standards and information are critical for a company looking to develop its products/services and boost its profitability. As a result, as the five chapters demonstrate, this was a successful consolidation, implementer, and crucial resource for Securado's financial decision-making.

The conclusion on the capital structure of the company has an effective and efficient technique, according to the study results, and the study is confirmed. Knowing that a company's ability to access capital has a direct impact on its value, owner-managers are eager to learn about the implications of this value-capitalization relationship in the private capital markets. For a private corporation, the financing structure it chooses is crucial. Because the balance sheet establishes the minimal barrier for a company's cost of capital, it has a direct impact on its potential to create shareholder value. Investments in the company must match this criterion, otherwise, the company's worth will be squandered.

In terms of the company's financial performance, the outcomes of research that successfully discloses the process of accountability in private enterprises and proves that the liquidity of the Securado Company is enough.
The study's final results, which were explained using capital structure approaches, show that the capital structure functions, particularly those indicated in the study (raising productivity and efficiency), play a significant influence in the company's capital structure.

Recommendations

Knowing the most recent signals that emerge first, as well as studying competitors, their policies and methods, and Securado Company's strengths and shortcomings. Displaying and presenting work-related advancements, as well as giving the organization all it needs to grow.

Company owners and financial executives have always had the responsibility of maintaining the correct mix of debt and equity to support the firm and its growth. However, given today's tough mix of interest rate volatility, inflationary pressures, and growth prospects, sound capital structure decisions are more important than ever. This should ensure that the capital structure supports the business based on where it is in its life cycle, understand the debt-equity tradeoffs, and put a premium on the cost of capital.

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