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CAPITAL STRUCTURE AND MARKET VALUES OF LISTED COMPANIES IN NIGERIA: A COMPARATIVE STUDY

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ABSTRACT

This study examines capital structure strategies on market values of listed companies in Nigeria: A comparative study. A regressions analysis was used for the analysis of the data and pre-estimation tests were carried out. 11 firms were randomly chosen from each of manufacturing sector and healthcare sector. Data were obtained from the yearly financial reports of the selected listed firms on the Market Price per Share (MPS), Equity Ratio (EQR), Dividend per Share (DPS) and Debt Ratio (DR) covering a period of 10 year, from 2012 -2021 to test for relationship that exists between capital structures and market values in manufacturing sector and healthcare sector. The findings of this study showed that the explanatory variables (EQR and DPS) in both sectors have significant positive relationships with dependent variable (MPS) while DR has significant positive relationships in both firms but the impacts of capital structure strategies on financial performance in healthcare sector is better than that of manufacturing sector. It was discovered that the impacts of capital structure on market values differ between these two sectors in the Nigerian economy. The study recommends that management of firms should pay particular attention to debts in the capital structure (which results show has negative effect on market value).

Key words: Capital structure; Market values; Optimal mix of capital

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1. INTRODUCTION

Capital structure connotes the blending of sources of financing of any firm, conventionally apart from short term financing. The major challenge of capital structure resolution is to be able to ascertain the impact of capital structure on the worth of the company, typically evaluated in terms of the market value of its shares and to control these impacts in order to maximize the worth of the company. A capital structure of an enterprise can be a mixture of ordinary stock (shares), preferred stock, or debt but can never be only mix of preferred stock and debt whether in the advanced countries or in the developing countries.

The major challenging area in finance theory which has received much interest is the substance of capital structure and its association with the value of the company as well as performance. Irregularities in the findings of studies carried out on the relationship between a company's capital structure and its market value, as will be showed in the empirical literature review, have necessitated the call for carrying out more research works on the association. Effective management of a firm's capital in forms of sourcing and distribution, such as any other section of firm management, is fundamental to the accomplishment of the overall target of the firm. The decision relating to the most optimal preference of financing sources serves as part of the most intricate financial decisions.

The subject of the optimal capital structure that maximizes company's worth stands unsettled in finance. Capital structure theory philosophizes around the argument on whether or not a

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company can attain optimal capital structure at which the company will maximize its worth and simultaneously minimize its cost of capital. Organizations employ diverse degrees of financial leverage in searching for an optimal capital structure that will maximize corporate organization's performance. Different capital structure strategies are established to handle the risk-return trade-off connected to funds applications. For instance, Kayode and Adewoye (2020) assert that an addition in debt deepens the risk of a company's earnings, which brings about a greater rate of return to investors, and that high risk leads to lesser the stock's values, at the same time a high rate of return boosts firm's worth, therefore the firm's capital structure policies determine company's returns.

The broad objective of this study is to investigate the impacts of capital structure strategies on market values of listed companies in Nigeria. On the other hand, the specific objectives of the study are to assess the impacts of these capital structure strategies on the market values of the manufacturing sector firms with that of the health sector firms. Sufficient literature subsist on the relationship between capital structure and market value in Nigeria, to the best of this researcher knowledge, not a lot have been conducted to investigate whether these associations are sector-sensitive or not; which means, whether the relationships that exist between capital structure and market values of the manufacturing sector are significantly different from that of the health sector. This is one of the gaps in literature that this study proposes to fill up. Concisely stipulated, the objectives of this research works are to investigate the relationship between capital structure and market values of manufacturing and health firms in Nigeria; and to establish if the impact of capital structure on the market values of manufacturing firms is significantly different from that of health sector firms in Nigeria.

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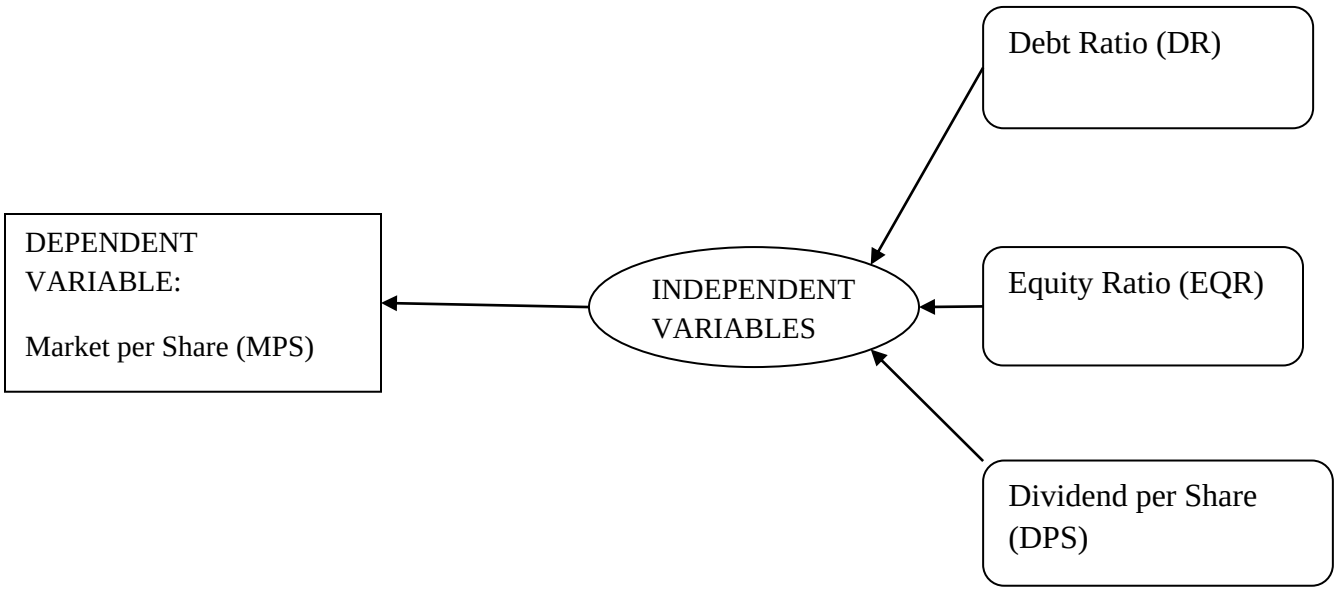
2.1 CONCEPTUAL REVIEW



2.1.1 Market Value

According to Fasua (2021) market value means the value of a firm in accordance with the stock market. It is also the price attached to identifiable assets would have in the marketplace. This is the same as market capitalization of a publicly traded firm. It is the highest value that a willing purchaser will offer for an asset and the lowest value at which a willing vendor will give it when both of them have all the useful data about the procurement and the asset has been exposed to the market for a reasonable period (Saka, 2021; ICAN, 2020). Market value is the projected price for which an asset, or liability, would exchange between willing purchaser and vendor in an

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independent transaction, consequent to proper marketing and what both parties acted upon with knowledge, consciousness and freedom from compulsion. It represents the price an individual is willing to invest in a business or in form of asset and it is the firm's worth in a financial market (Fasua, 2021).

2.1.2 Capital Structure

Corporate firm sporadically makes three main groups of financing decision that determines structures as shown on its statement of financial position at a particular period. The first decision reveals the entire amount of investment and the distributions of this entire amount among diverse groups of assets. This investment decision establishes the magnitude of the company as well as the structure of company's asset. The second decision deals with the comparative fraction of equity and that of debt capital to be employed in financing the company. This decision is known as financing decision. This decision establishes the structure of the sources portion of the statement of financial position by determining relative magnitude of liabilities and shareholders' value. The third decision shows the choice of the share of the equity which should be sourced for via the retained earnings and the percentage to be raised via the disposal of new share. The decision establishes the proportion of dividends that will be given and the make-up of the shareholders' value side of the statement of financial position (Fasua, 2021; Saka, 2021).

Capital structure entails the economic choice to combine different sources of fund to finance operations and capital investments (Fasua, 2021). This is in agreement with the work of Ajibola *et al.* (2018). They view capital structure as the mixture of equity and debt. They argued that it can be viewed as the manner at which a corporate firm finances its non-current assets via some mishmash of equity and debt or hybrid securities. This implies that capital structure means the collections of fund via equity and debt. An entity's capital structure is the combination of both

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equity and debt. They asserted that these funds consist of the long-term debt finance known as debt financing, and preferred stock together with common stock seen as equity financing.

According to Isenmila *et al*. (2010), some factors should be taken into consideration when making decisions concerning capital structure such as cost of capital, cash flow ability of the company, size of the company, control and flexibility. In consideration of all these factors, the company should be able to make sufficient fund to meet her obligations when they are due. It is also imperative to go for lower cost of capital because the authors believe that the return to the major stakeholders (shareholders) will increase when the cost of capital is lower than the return on total assets. The size of a firm also affects the competence to raise capital from various sources. Other aspects that need consideration are areas of comparing major sources with total assets such as debenture or debt with equity of the company.

2.1.2.1 Debt Ratio

Debt ratio can be expressed in term total debt to total assets. This is the amount of debt employed to finance entities' assets and capital expenditure that can enhance a firm's financial performance. Therefore, it is estimated that escalating leverage elements of a firm's capital structure may raise the degree of efficiency and thus escalating their financial performance. Firm's directors who are able to spot the degree of leverage as elements of company's capital structure are compensated by lessening the company's cost of capital by this means maximizing the firm's worth Total debt to total assets measures the amount of the total funds provided by Capital is a critical tool for all firms, the supply of which is uncertain. This uncertainty enables the suppliers of finance to exert control over the firm (Institute of Chartered Accountants of Nigeria {ICAN}, 2020; Ajibola *et al*, 2018)

2.1.2.2 Dividend per Share

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Dividends are allocation made out of a firm's earnings after the obligation of the entire fixed income holders have been compensated. Dividend policy, thus, involves the stream of rules or norms that an organization employs to make a decision on how much of its returns it will distribute to its shareholders (Kayode & Adewoye, 2020). Conversely, the option of paying dividends is eventually determined by the board of directors of every firm, and once dividends have been declared they become debts to the firm and cannot be overturned effortlessly. They argue that it becomes imperative that the dividends paid out of firm's earnings therefore reduce the sum of retained earnings that could be employed for internal financing. The payment of dividends is made in lieu of maximizing shareholders' worth. Shareholders' value includes market price of the shares and the current dividend.

2.1.2.3 Equity Ratio

According to Ajibola *et al,* (2018), equity ratio is described as sum of capital employed by the company divided by the equity element of the total capital. It is an assessment of the actual proportion of the capital that belongs to the shareholders of the company. The elements of equity in this study include share capital, share premium and retained earnings.

2.2. THEORETICAL UNDERPINNINGS

2.2.1 Modigliani and Miller (MM) Irrelevance Theory

The study of Modigliani and Miller (1958) was the novel study to deal with the issue of whether capital structure strategies have significant impacts on the firm's value. They made effort to respond to the query of whether a particular mixture of debt and equity capital can maximize the firm worth, and if so, what factors could influence a firm's optimal capital structure. The Modigliani and Miller (1958) theory depends on some postulations: no income taxes; no transaction cost in raising capital; perfect capital market; no information asymmetries among

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diverse market players. The M-M viewpoints advocate that in a perfect market circumstance, a firm's market value is not affected by its capital structure decision. That is, the capital structure of the firm is not affected either by selling debt or by issuing stocks because the cost of capital will remain the same. Njoki (2014) asserts that while Modigliani and Miller (1958) obtain circumstances under which capital structure is irrelevant to a company market value, the following theoretical literature has disagreed with this position by revealing that companies can increase its worth by attaining an optimal debt-equity ratio.

2.2.2 The Net Income Approach Theory

The Net Income (NI) Theory was suggested by Modigliani and Miller (1963) who argue that an addition of debt in the capital structure will influence a company's value positively for the foreseeable future. This basically implies the total cost of capital or weighted cost can be improved or lessened changing the elements of the capital structure of the company; also known as the dependent hypothesis. This hypothesizes that the value of any company rests on the utilization of debt, the theory proposes that: Cost of debt (Kd) is less then cost of Equity (Ke); No taxes; and the employment of debt does not alter the risk opinion of the investors in view of the fact that the level of leverage is increased to that degree.

M-M's proposition in the NI approach is that a company may boost the entire value of the company by reducing its cost of capital. The theory argues that at the least cost of capital, the worth of the company will be at maximum. This, described by the authors as the optimum capital structure for the companies and at this point, the market value per share is maximized by lowering its cost of capital by the application of debt; a company can attain this same outcome. This means, if a company employs extra debt capital with an equivalent lessening in cost of capital, its value will be positively influenced. This theory basically promotes a 100% debt

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capital structure since debt boosts the capital structure, the weighted average cost of capital becomes low and the overall worth of the company will grow.

2.2.3 Net Operating Income Approach

Durand (1959) recommends the Net Operating Income (NOI) Approach founded on particular postulations that: The entire capitalization rate of the company K is constant for every level of leverage; The capitalization of the Net operating income and total capitalization rate to get the entire market value of the company; and since Kd (cost of debt) is argued to be constant, Ke (cost of equity) will be expressed as:

The NOI approach supposes that most considerably Ke is constant despite the level of leverage. This implies that the difference between the debt ratio and equity in the capital structure is insignificant basically since the market capitalizes the firm's value in entirety. If the lowest debt is increased in the capital structure, any impact is invalidated through an addition in the employment of extra equity. The NOI approach is in agreement that the weighted average cost of capital (WACC) remains constant for all levels of leverage.

2.2.4 Trade-off Theory

Myers (1984) suggests the trade-off theory and asserts that the resolution on the source of funds for a company is assessed premised on the different costs and benefits related with diverse sources of capital in their quest to attain an optimal capital structure. The investigator argues that the trade-off framework sees the company as setting a predetermined debt-equity ratio which it is aiming to attain. In a trade-off deliberation, considering the tax deductibility character of interest, managers view the company's debt-equity resolution as a trade-off that exists between interest tax shields of debt and the costs of financial distress. In accordance with Myers (1984), capital structure shifts towards set goals that reveal assets category, business risk, tax rates,

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bankruptcy costs and profitability. The researcher asserts that as soon as there are high debt associated costs like bankruptcy cost, loss of non-debt tax shields and agency costs, and pretentious that the profit from equity is not taxed, the marginal bond-holder's tax rate will be lower than the corporate rate enabling possibility of a net tax advantage. Therefore, managers can attain an optimal capital structure for the company by maintaining a beneficiary trade-off between the tax benefit of debt and a range of leverage associated costs (Myers & Majluf, 1984).

2.2.5 Agency Theory

The proposition of agency theory in the 1980s, together with detailed research into the degree and impacts of bankruptcy costs, has brought about the present mainstream observation that companies operate as if there is a distinctive optimal capital structure for individual companies that is arrived at from a trade-off between the tax benefits of increasing leverage and increasing agency and bankruptcy costs that higher debt entails (Chen, 2003). Theory based on agency costs exemplifies that firm's capital structure is established by agency costs, such as the costs for debt and equity issue. The costs associated with equity issue may comprise: the monitoring expenses of the principal (the equity holders); the bonding expenses of the agent (the manager); reduced interests for principal as a result of the divergence of agent's resolutions from those which maximize the interests of the principal.

On the other hand, debt issue boosts the owner-manager's incentive to invest in high-risk investments that capitulate high profits to the owner-manager but accelerate the probability of failure that the debt holders have to distribute if it is realized. If debt holders foresee this, a higher premium will be demanded, which in turns inflate the costs of debt. Subsequently, the agency costs of debt such as the opportunity costs brought about by the effects of debt on the project decisions of the companies; the monitoring and bond expenditures by the shareholders-

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manager and bondholders; and the costs connected to bankruptcy and restructuring; in view of the fact that both equity and debt generate agency (Kayode & Adewoye, 2020). Chen (2003) discovers that, although it is the conventional theory of capital structure, the trade-off theory has not explained the pragmatic corporate behaviour principally observed with the stock market response to leverage-accelerating and leverage-decelerating operations, which constantly generates stock values increase and decrease.

2.2.6 The Pecking Order Theory

Myers and Majiluf (1984) formulate the pecking order hypothesis. This theory argues that companies prefer internal funds to external funds. It asserts that companies rather go for retained earnings than short-term debt, short-term debt than long-term debt as well as long-term debt than equity. The justification for this proposition is that companies desire to minimize the costs of raising funds when sourcing for capitals from external sources. The pecking order hypothesis holds that companies will seek for funds by ranking available sources, such as: Internally generated funds; Short-term debt; Long-term debt; and Equity. The theory suggests that if a company must employ external funds, it should track the order: debt, convertible securities, preferred stock, and equity.

2.2.7 The Traditional Approach

Solomon and Weston (1963) promote the traditional approach which serves a category of middle of the way argument on the association between capital structure and a firm's value. It holds that once debt is properly managed in the capital structure, the company's value will be positively impacted and the cost of capital will reduce. This implies, an optimum capital structure can be attained through the suitable leveraging. They argue that an optimum capital structure is the spot at which the value of the company is highest as well as the cost of capital is lowest. This strategy

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is typically known as an intermediate strategy. Three elemental assumptions that back up the Traditional approach include: The cost of debt, Kd , maintains a constant level (unchanged) to a definite level after all it begins to increase; The cost of equity, Ke , maintains a constant level and thereafter rises slowly to a particular level after which it begins to rise rapidly; The average cost of capital, K , drops down to a particular level, remains unchanged more or less there after it begins to rise after maintaining a definite level.

Therefore, the traditional approach holds that the cost of capital is not autonomous of the capital structure of a company as well as that there is an optimal capital structure. At that structure, the marginal real cost of debt (MRCD) remains constant with that of the marginal real cost of equity (MRCE) at equilibrium. Prior to the equilibrium point, the MRCD is less than MRCE, and after the equilibrium the MRCD is greater than MRCE.

2.3 Empirical Literature

A lot empirical studies have been conducted to examine the impact of capital structure on firm's market value. The inconsistencies in the studies' findings over the periods simply focus on two decisions: The call to persist in researching and the demand to be cautious of generalizing studies' findings.

Olalade *et al*. (2017) examine the effect of capital structure on the performance of Nigerian manufacturing firms, using a multiple regression analysis to assess the effect of capital structure on manufacturing companies. Pre-estimate and estimate analysis were carried out; the findings of the study indicate that capital structure influences return on equity (ROE) positively however, it has a significant impact on return on assets (ROA), sales growth (SG) as well as earnings per share (EPS). Arikekpar (2020) investigates on the impact of capital structure on firm

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performance in manufacturing firms in Nigeria. The study makes use of financial statements of selected firms listed on the Nigerian stock exchange's floor from 2014 to 2018. It employs regression analysis to evaluate the impacts of capital structure on firm performance. The findings of the study show that capital structure has a significant positive effect on financial performance of chosen manufacturing companies in Nigeria. Specifically, return on asset (as proxy for capital structure) has an insignificant with other explanatory variables which are return on earnings (ROE), debt ratio (DR), earnings per share (EPS) and equity ratio (EQR).

Ajibola *et al.* (2018) examine the impact of capital structure on financial performance of quoted manufacturing firms in Nigeria for the period between 2005 and 2014, using panel regression analysis to evaluate the impact of capital structure on financial performance of the listed manufacturing firms in Nigeria. The study's findings reveal that Return on Equity (ROE) has a statistically significant positive impact on long term debt ratio(LTD), total debt ratio (TD) while a statistically insignificant positive effect on STD (Short term debt ratio). There is also an insignificant negative relationship between capital structure (LTD, STD and TD) and ROA.

Nwachukwu, and Akpeghughu (2016) investigate on the relationship between capital structure and firms performance within banking firms in Nigeria, using a regression analysis to evaluate the relationship that exists between dependent variable and explanatory variables. There subsists a positive and significantly association on equity capital (EC) as well as a negative and significant association between debt capital (DC) and return on investment (ROI). Iheanyi *et al* (2016) research on effect of capital structure on the performance on deposits money banks. The study employs ordinary least square to analyze effect of capital structure on the performance. The findings of the study reveal that well geared capital structure boosts performance of deposit money than poor geared capital. Oyedokun *et al.* (2018) investigate the effect of capital structure

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on the financial performance of firms in Nigerian manufacturing sector. The study employs ex-post facto design research method and a regression analysis to carry out analysis on effect of capital structure on financial performance. The study reveals that there are statistically significant and non-significant impacts of capital structure on performance variables.

Kayode and Adewoye (2020) study the relationship between capital structure strategies and stock prices of 30 selected firms in Nigeria. The study employed panel regression method to evaluate the impacts of selected capital structure variables on the stock prices of 15 financial institutions and 15 manufacturing firms quoted on the Nigerian Stock Exchange. Both panel regression tool as well as random effects model were employed to evaluate the data of the selected 30 companies from 2008 to 2017 in order to ascertain the impacts of the capital structure variables (equity ratio, debt ratio, gearing, earnings per share and dividend per share) on the stock prices of the chosen companies. The study findings show that three of the variables: equity ratio, gearing and debt ratio have statistically insignificant negative relationships with stock price; while the earnings per share have a statistically insignificant positive relationship with stock price. Dividend per share has a statistically significant positive relationship with stock price.

Kayode and Adewoye (2020) use the Chow test of structural break to establish if the impact of capital structure on stock price in the financial sector is dissimilar to that of the real sector and discovers that the influence of capital structure on stock price in the financial sector is diverse from the findings discover in the manufacturing sector, that is, the impact is sector sensitive. It was discovered that the influence of capital structure on stock price is different in these two sectors in the Nigerian economy. In conclusion, the study uses Granger causality test to investigate if there subsist any causal relationship between stock price and capital structure

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variables and the direction(s) of such effect/ relationship. The results of the analysis show that there subsists a uni-directional causality from stock price to earnings per share and a bi-directional causality between stock price and dividend per share. The study suggests that those who shoulder responsibilities of selected companies should pay attention to equity in the capital structure, earnings and dividend per share which have some causal relationships with stock prices.

3. METHODOLOGY

This study employed cross-sectional research design with *ex-post facto* strategy and a panel data model that is constructed upon the extant empirical models to examine the relationship between capital structure variables and market values of selected listed firms in Nigeria. This study is thus conducted to examine the effect of capital structure and market values of companies in both the health care and manufacturing sectors. For this purpose, 11 companies were chosen in the individual sector. The choice of the study sample size was premised on availability of data and convenience. 11 companies, in the individual sector, were chosen by the limited number of healthcare companies listed on the Nigerian Exchange Group (NGX Group) as at 31st December, 2021 and to ascertain the comparative study on the same basis for individual of the sectors.

The quantitative data from 2012 to 2021 financial statements were used for this study. To ascertain the relationship between the criterion variable and explanatory variables in a regression panel that formulated. A regression plane was used as the technique for estimation in this study. The statistical model is as follow:

Market Value = *f* (Capital Structure)

Discomposed:

$MPS_{it} = \beta 0 + \beta_1 DR_{it} + \beta_2 EQR_{it} + \beta_3 DPS_{it} + \mu$..... 1

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Where β0, β1, β2, and β3 are the coefficient of variables; DR, EQR and DPS are Debt Ratio (DR), Equity Ratio (EQR), and Dividend per Share (DPS) which are proxies for Capital Structure. The dependent variable is Market Value represented by Market per Share (MPS).

3.2 Measurement of variables

The independent variable of this study is capital structure which is represented by: Debt Ratio (DR), Equity Ratio (EQR), and Dividend per Share (DPS). The dependent variable is financial firms' performance represented by Market per Share (MPS).

Table 3.1. Summary of Measurement of Variables

S/N	Variable	Definitions	Capacity of Variables	Measurements/Proxies	*Aprior* Expectation
1	MPS	Market per Share	Dependent	*Earnings per Share* *Cost of capital*	
2	DR	Debt Ratio	Independent	*Total debts x 100* *Total Assets 1*	-ve
3	EQR	Equity Ratio	Independent	Total capital employed *x 100* *Total Assets 1*	+ve
4	DPS	Dividend Per Share	Independent	*Ord.shareholders Dividend* *Number of ordinary shares*	+ve

Source: Researcher's Compilations (2022)

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4.0 DATA PRESENTATION AND ANALYSES

The pre-estimate test of the data was first conducted which are descriptive statistics, correlation analysis, as well as the regression panel analysis was carried out. The results and findings were presented and interpreted as follows;

4.1 Comparative Descriptive statistics of Manufacturing and Healthcare sectors

Table 4.1

HEALTHCARE SECTOR	Mean	Median	Maximum	Minimum	Std. Dev.	Jarque-Bera	Probability	Observations
MPS	176.1555	206.4000	302.8000	2.250000	103.6526	8.097204	0.038765	110
EQR	837.1165	1171.000	1171.000	51.00000	477.8473	19.32170	0.000205	110
DR	716.5873	475.1500	1393.000	50.00000	608.5392	16.11054	0.000523	110
DPS	9.644945	7.480000	36.00000	0.097000	12.47809	39.87553	0.000000	110

MANUFACT. SECTOR	Mean	Median	Maximum	Minimum	Std. Dev.	Jarque-Bera	Probability	Observations
MPS	38.11367	47.70000	47.70000	0.778000	17.69676	28.92977	0.000002	110
EQR	40.85509	155.2000	166.0300	-143	150.2187	19.40729	0.000102	110
DR	1078.434	355.6700	2676.340	0.319000	1221.036	19.02128	0.000123	110
DPS	4.202855	0.805000	8.200000	0.097000	4.652246	18.77867	0.000139	110

Source: Researchers Compilation (2022)

From the descriptive statistics of the variables as revealed in table 4.1 above, it was discovered that for the firms in the healthcare sector, the mean of MPS stood at 176.15 while minimum and maximum values stood at 2.25 and 302.8 respectively. The standard deviation was at 103.6 showing the dispersion in value for market share price from the mean across the sample companies. The mean value for EQR stood at 837.1 with minimum and maximum values of 51 and 1171 respectively while the standard deviation was at 477.9. The mean for DR stood at 716.6 with minimum and maximum values of 50 and 1393 respectively with the standard deviation stood at 608.5. DPS had a mean values stood at 9.644 with minimum of 0.097 and maximum value of 36. The matching estimates for manufacturing sector showed that the mean MPS, EQR and DPS values stood at 38.11, 40.86 and 4.202 were lesser than those values of

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healthcare companies except for DR (1078.4). This analysis shows that the healthcare companies be apt to have a greater EQR mean (837.116) than companies in the manufacturing sector (40.86). The Jarque-bera statistics showed that data were significantly normal in the both sectors as probabilities less than 0.05.

4.2 Comparative Correlation Matrix of Healthcare and Manufacturing sectors

Table 4.2

HEALTHCARE	MPS	EQR	DR	DPS
MPS	1.000000			
EQR	0.683116	1.000000		
DR	- 0.681378	0.375270	1.000000	
DPS	0.539523	0.505377	0.523581	1.000000
MANUFACTURING	MPS	EQR	DR	DPS
MPS	1.000000			
EQR	0.589381	1.000000		
DR	- 0.475312	0.501125	1.000000	
DPS	0.276591	0.354527	0.614638	1.000000

Source: Researchers Compilation (2022)

Table 4.2 above reveals the Pearson correlation coefficient result for the variables. The table showed that the health sector EQR and DPS are positively correlated with MPS as depicted by the correlation coefficient of 0.683 and 0.540 respectively while DR is negatively correlated with MPS with correlation coefficients of -0.681. For the manufacturing sector, all explanatory variables have the same positions with those variables of the health sector. EQR and DPS have positive correlations with MPS as depicted by the correlation coefficient of 0.589 and 0.277 while other explanatory variable has negative correlations with MPS as shown above. It was discovered that the correlation coefficients of the variables with MPS for firms in the healthcare sector were higher than those coefficients with MPS in the manufacturing sector. On the other hand, this does not inevitably propose causality. The coefficients of correlation also do not stimulate grave notion of multicollinearity between the explanatory variables and dependent variable.

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4.3 Regression Analysis

Table 4.3

FIRMS		HEALTHCARE		MANUFACTURING	
Variables		Coefficient	Prob.	Coefficient	Prob.
EQR		0.234763	0.0000	0.085783	0.0000
DR		-0.029735	0.0000	-0.396723	0.0000
DPS		1.361866	0.0396	1.468976	0.0057
C		27.40232	0.0000	304.3043	0.0000
R-squared		0.68875		0.667712	
Adjusted R-squared		0.65135		0.649817	
S.E. of regression		74.33262		14.46325	
Sum squared resid		611662.3		29213.46	
Log likelihood		-639.467		-450.042	
F-statistic		22.11919		19.54831	
Prob(F-statistic)		0.000000		0.000000	
Durbin-Watson stat		2.063252		2.157015	

Source: Researchers Compilation (2022)

The table 4.3 reflects the regression result carried out employing Eviews8.0. The norm in numerous studies in evaluating the capital structure and market value has been to examine the competence of the coefficient of determination or else known as the R^2. The estimation displays that for the manufacturing sector with the R^2 is 0. 67 and reveals that capital structure elements i.e. EQR, DR and DPS were able to explain about 67 % of the systematic variations in share prices which was lesser than the R^2 of 0.69 found for firms in the healthcare sector. On the other hand, the F-statistics reveal that the null hypothesis of no significant linear relationship between the endogenous and exogenous variables is rejected for healthcare sector as well as manufacturing sector as depicted by the probability values of the F-stat which are not greater than 0.05. Particularly, this study finds that EQR and DPS explanatory variables in both firms have a statistically significant positive relationship with MPS while DR has a statistically

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significant negative relationship with MPS for firms in both the healthcare sector and manufacturing sector.

4.4 Discussion of Findings.

The data analyses carried out in the study propose that financial statements are relevant supporting the economic decisions of investors to put in funds or uphold their investment in both the manufacturing and healthcare sectors. The findings of this study depict that capital structure has statistically significant positive relationship with market value of shares of both sectors. This is constant with Ajibola *et al.* (2018); Kayode & Adewoye (2020).

The regression analysis among others proposes that EQR and DPS explanatory variables were considered in this study, to be more relevant, due to the fact that all of them have a significant positive relationship with the market price of shares. This is also in line with the findings of Kayode & Adewoye (2020) In addition, this study discovered that the capital structure of firms in the healthcare sector of the Nigerian economy is more buoyant as comparing with the capital structure of firms in the manufacturing sector.

5.0 CONCLUSION AND RECOMMENDATION

The capital structure serves as one of the potential avenues for evaluating quantitative optimal mixture of equity and debts unveils in the financial statements of firms. This study being a comparative study of capital structure and market value between the manufacturing and healthcare sectors of the Nigerian economy, discovered that the capital structure of firms in these sectors are properly mixed; although capital structure of the firms in the healthcare sector is more optimally mixed and thus can influence the price of share more in that sector. This study therefore discovered that the impacts of capital structure on market values differ between these two sectors in the Nigerian economy. The study recommends that management of firms pay

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particular attention to debts in the capital structure (which results show has negative impacts on market value).

Further study in this section can be conducted to establish if the capital structure can be affected by other factors out of this study's scope over time in these sectors. Further studies can also be done comparing other sectors. Cross sectional research can also be investigated on the similarity of capital structure in manufacturing and healthcare sectors on an annual basis to find out if the findings of this study can be generalized.

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