



## **Financial Structure and the Profitability of Manufacturing Companies in Nigeria**

Obigbemi Imoleayo FOYEKE<sup>a</sup> Faboyede Samuel OLUSOLA<sup>b</sup> Adeyemo Kingsley ADEREMI<sup>c</sup>

<sup>a</sup> Covenant University, Department of Accounting, imole.obigbemi@covenantuniversity.edu.ng

<sup>b</sup> Covenant University, Department of Accounting, samuel.faboyede@covenantuniversity.edu.ng

<sup>c</sup> Covenant University, Department of Accounting, kingsley.adeyemo@covenantuniversity.edu.ng

---

### **Keywords**

Financial Structure,  
Profitability,  
Manufacturing  
Companies, Nigeria.

### **Jel Classification**

L22, L25, L60.

### **Abstract**

Finance mix is a major factor that affects the liquidity and the going concern of a business enterprise. After an idea has been conceived by an entrepreneur, there is need to also analyse the capital required for startup and means of financing the project. A good combination of sources of finance is expected to boost the profitability of an organization, but if not properly mixed, could have a negative effect on the profitability of the organization. The main objective of the study is to evaluate the effects of financial structure on the profitability of manufacturing companies in Nigeria. This study employed the use of secondary data. The Spearman's Rank correlation and regression techniques were used for analysis, using the STATA Package for a sample of 25 manufacturing companies quoted on the Nigerian Stock Exchange for the period 2008-2012. The study showed that equity has a significant positive relationship with the profitability of manufacturing companies in Nigeria. The study recommends that managers should place greater emphasis on the facilitation of equity capital and policy makers should encourage manufacturing companies by reducing the cost of debt.