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EQUITY STRUCTURE AND FINANCIAL PERFORMANCES OF LISTED FOOD AND BEVERAGES FIRMS IN NIGERIA

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ABSTRACT

Maximizing the wealth of shareholders through its financial prosperity is one of the most important objectives that finance managers globally seek to fulfill. At the frontline of ensuring this performance is the decision of how a firm finances its core operations through its capital structure which entails debt and equity. Equity financing decision entails two major components of finance ordinary share capital, share premium and retained earnings. The objective of this study was to evaluate the effect of equity structure on financial performances of listed food and beverages firms in Nigeria. The study used an ex post facto research design. The population of the study was eight (8) food and beverage firms in the Nigerian Exchange Group (NGX) and the time frame considered for this study was 2014-2023. The sample size was six (6) listed food and beverages firms using census sampling technique. The data used in this study was sourced from annual reports and statement of accounts of the selected companies. This study employed descriptive, unit test, and panel least square multiple regression analysis. The study findings indicated that, there is a negative and significant effect of ordinary share capital on earnings per share, there is a positive and insignificant effect of share premium on earnings per share, and finally, there is a negative and significant effect of retained earnings on earnings per share of listed food and beverages firms in Nigeria. Based on findings, the study concluded that there is a positive and significant effect of equity structure on financial performance of listed food and beverages firms in Nigeria under the period of study between 2014 and 2023. It was suggestion amongst others that listed food and beverages firms should maximise the ordinary share capital options available to them in order to increase the financial performance.

Keyword: Equity Structure, Ordinary Share Capital, Share Premium and Retained Earnings

INTRODUCTION

It is imperative to document that firms financial performance is the major concern of every investor, stakeholders as well as the economy. Given that, the wellbeing and survival of every corporation can be traced through the firm financial performance, financial managers therefore employs the necessary policies that are related to finance in other to attend an optimum capital structure in their different corporations so as to enhance their performance (Mohammed et al., 2022). The firm's financial structure consists of debt and equity capital, and the combination of both, which maximises shareholders wealth, is extremely important to management, the board of directors, investors, and so on. Equity finance is available finance for business operation and expansion; thus, it is regarded as the first choice of fund generation due to the flexibility involved, as it does not attract fixed interest payments that are applicable in financial leverage (Sanduku et al., 2024; Deias & Alessandro, 2023; Offor, 2024; Okpolosa., 2023; Usman et al., 2022; Bei & Hui., 2022; Aloys et al., 2022 and Olufemi et al., 2021).

Usman et al. (2022) asserted that shareholders' claims on the firm increase when the firms increase their usage of equity finance (ordinary share capital or retained earnings). A typically firm equity structure choice consists of share-capital, share premium, retained earnings, and other reserves (Chadha & Sharma, 2015). Equity finance in the form of share capital entitles the holders to ownership claims in the firms with other benefits such as dividends and share appreciation. Achieng et al (2018) expressed that shareholder will strive to align their interests with those of the management in order to aid management in maximising the crucial value of the firm in the course of investment. Thus, equity finance is viewed as a better solution to business finance for firms, which will aid growth and improve financial performance (Achieng et al., 2018). It is believed that a business cannot survive without enough funds for working capital, fixed asset investment, skilled employee, market development and new products. When a firm has financial needs, internal and external sources can be used to achieve them. An internal source is regarded as the funds generated by an entity within the business. External financing may be due to an increase in the number of business co-owners or loans obtained in form of borrowing (Salerno, 2019). The sole aim of manager of any business organization is to maximize the shareholders wealth.

The high failure rate of food and beverages firms in Nigeria is as a result of many challenges including but not limited to lack of funding and wrong mix of the capital structure which needs careful planning (Guzman et al., 2016). Li et al. (2019) revealed that poor capital structure mix negatively affect SMEs performance thus recommending for more studies to be done in order to find the optimal capital structure level for SMES in Finland. Kariuki et al (2017) on the other hand researched on the effect of equity financing on performance of SMEs in Embu thereafter recommending for further studies to be done in other counties as well as with the inclusion of debt finance as an element of capital structure. Majority of companies experiencing financing difficulties due financial crisis that hit most parts of the world including Nigeria. Management of these companies was concerned with whether the company's financing decisions affected their financial performance and especially at that time when majority of the companies were facing financial crisis. Lyu and Chen (2022) stated that any inappropriate financing decision that a company makes will shrink stakeholders' benefits, and thus, negative influences will land on the overall corporate value to be materialized. As for a company, the issue above anything else is funds, also known as financing or fund raising. Generally, it refers to a kind of economic behavior in which an economic obtain funds through applicable channels or in appropriate ways. According to Lyu and Chen (2022), there are three ways that most companies are inclined to take: (1) Retain part of company profits; (2) Debt financing: a company obtain funds from banks or corporate bond offering; (3) stock offering. In consideration of differences in strength and weak points of various financing ways, the corporate financing theory places stress on researches aiming at motives and appropriate percentages that a company takes to make a choice among retained earnings, bonds, and stocks. Strongly and mentally as a founder is stimulated and motivated to remain control rights, the corporate development would not be materialized without capital financing.

This study considered equity capital financing otherwise called shareholders fund; sweat money. Such that, Tariq et al (2014) observed that debt is riskier when compared to equity because it gives room for the financial risk. More so, interest and principal payments on debt must be paid promptly when due. Else, bankruptcy, loss of control for the owners may arise. Finally, He concluded that some debt, but not hundred percent debt financing (optimal) will be reached by introducing various market imperfections. In the argument of Fenty and Rusdiah (2015), using equity to finance a firm is more expensive than using debt. Adesina et al (2015), posted that any

firm that fails to plan its capital structure may have difficulties in raising funds to finance its operations in the near future and may be unable to stabilize its use of funds. It is of concern among researchers that each organization should arrange its capital in such a manner that it will make the best use of its funds and to be able to appear in the dynamic or changing situations. Meles et al (2014) argued that equity financing backed firms have superior returns as compared to non-equity financing backed firms. Lahmann et al (2017) also contend that equity financing creates and adds more value to recipient firms. The inconclusive and mixed results and findings that exist between the concepts, theories and empirical investigations on the effect of equity financing on financial performance in the business environment at the global and local research studies which shown that much research have not been extensively established on the effect of equity financing on financial performance. With this, the study is aimed at ascertaining the effect of equity structure on financial performances of listed food and beverages firms in Nigeria.

Conceptual Framework

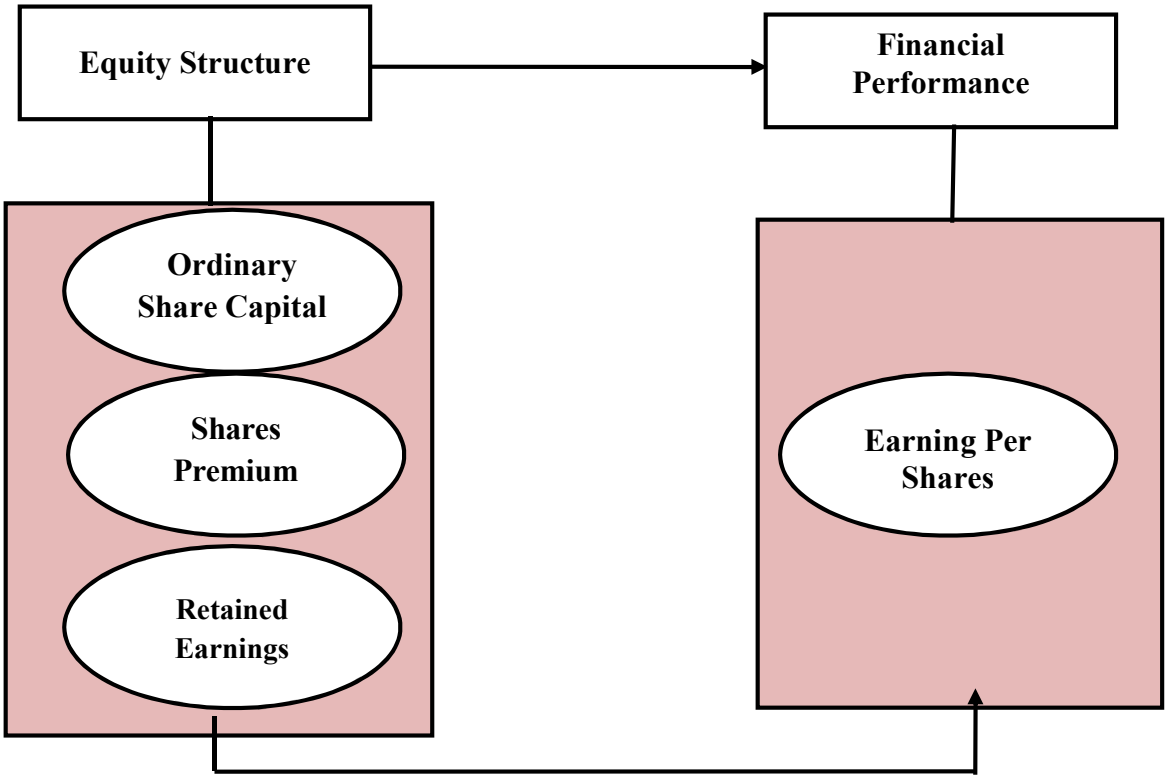

Figure 1: Conceptual framework showing the dimensions of equity structure and measures of financial performance
Sources: Sanduku et al (2024), Deias and Alessandro (2023), Offor (2024), Okpolosa (2023), Usman et al (2022), Bei and Hui (2022), Aloys et al (2022).

Aim and Objectives of the Study
The aim of this study is to evaluate the effect of equity structure on financial performances of listed food and beverages firms in Nigeria, while the specific objectives are to:

1. ascertain the effect ordinary share capital on earning per shares of listed food and beverages firms in Nigeria.
2. determine the effect of share premium on earnings per shares of listed food and beverages firms in Nigeria.
3. determine the effect of retrained earnings on earnings per shares of listed food and beverages firms in Nigeria.

Research Questions

This study is guided by the following research questions:

1. What is the effect ordinary share capital on earning per shares of listed food and beverages firms in Nigeria?
2. What is the effect of share premium on earnings per shares of listed food and beverages firms in Nigeria?
3. What is the effect of retrained earnings on earnings per shares of listed food and beverages firms in Nigeria?

Hypotheses

This study is guided by the following research hypotheses:

H_{01}: The effect of ordinary share capital on earnings per share of listed food and beverages firms in Nigeria is not significant.

H_{02}: The effect of share premium on earnings per shares of listed food and beverages firms in Nigeria is not significant.

H_{03}: The effect of retrained earnings on earnings per shares of listed food and beverages firms in Nigeria is not significant.

REVIEW OF RELATED LITERATURE

Conceptual Review

Equity Structure

The sources of finance for firm concerns can be categorized into three, namely, short, medium and long term. However, what determines the best form of finance for firms should be conditioned on the purpose for which the fund is required. Generally, short-term funds are not used for a long-term project but rather as working capital. Equity structure option of firms comprises of retained earnings, ordinary and preference shares, share premium and other capital reserved. Equity is the difference between a company's total assets and total liabilities often referred to as residual interest. Equity structure is usually in form of monies acquired from the business owners and from other investors or in form of reserves attributable to the owners of the entity other than amounts directly contributed by the owners' which could be in form of retained earnings, common stock or preferred stock (Bingilar & Kpolode, 2021). The research established by Aniefor and Onatuyeh (2019) opined that equity to include paid-up share capital, share premium, reserves and retained earnings. It is a navigable instrument in the theory of finance that enables the holders to have influence and supervise managerial decisions through the board of directors (Noor & Simiyu, 2020). According to Olufemi et al (2021), shareholders' equity refers to a company's equity held by individual investors. On the other hand, the retained earnings of a company are the accumulated net income of the company retained at the end of each financial year.

Dimensions of Equity Structure

Ordinary Share Capital: Share capital can be considered the first legal capital because it initiated the principle of maintaining capital created to protect the company's creditors from the extra risk related to the limited liability of shareholders for the company's liabilities (Tadeusz, 2021). Every company limited by shares must have a share capital. Share capital of a company is characterized as the amount invested in the company for it to carry out its operations. The share capital may be altered or increased, subject to certain conditions. Legal capital fulfils a similar role for creditors as a financial cushion which acts in the same way as financial adequacy provisions for financial institutions (Handschin, 2012). Tadeusz (2021) believed that the capital-maintaining principle does not bring any benefits to creditors; on the contrary, in some cases it even harms them. Consequently, the accompanying burdens of this principle on companies and societies are completely unjustified.

Share Premium: The issue of shares at premium refers to the issue of shares at a price higher than the face value of the share. In other words, the premium is the amount over and above the face value of a share. Usually, the companies that are financially strong, well- managed and have a good reputation in the market issue their shares at a premium. A company may call the amount of premium from the applicants or shareholders at any stage, i.e. at the time of application, allotment or calls (Githinji, 2020). The share premium can be money received for the sale of either common or preferred stock. A balance is recorded in this account only when there's a direct share sale from the company, usually from a capital raise or initial public offering. Secondary trading, between investors, does not impact the share premium account. A share premium account shows up in the shareholders' equity portion of the balance sheet. The share premium account represents the difference between the par value of the shares issued and the subscription or issue price. It's also known as additional paid-in capital and can be called paid-in capital in excess of par value distributable (Okpolosa, 2023).

Retained Earnings: Retained earnings refer to that part of corporate net profit after tax which is not distributed to the shareholders as dividend but is reinvested in the business. Retained earnings therefore, are the sum of a company's profits after dividend payments, since the company's inception (Oketah & Ekweronu, 2020). Retrained earnings are also called earned surplus, retained capital or accumulated earnings. Retained earnings are an important source of internal or self-financing by a company. The savings generated internally by a company in the form of retained earnings are ploughed back into the company for diversification of its business. Retention of earnings by companies reduces their dependence on funds from external sources in order to finance their regular business needs (Masood, 2017). Ezeagba et al (2022) opined that retained earnings as the income that the firm retained for investment in its operations and therefore not paid out as dividends. These retained earnings add to stockholders' ownership of the company's net asset (Anarfo 2015; Vătavu, 2015). Aloys et al (2022) established that retained earnings are the residual net income for the business after paying the shareholders their dividends.

Financial Performance

Financial performance can be defined as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial

performance is reflected in a company's ability to generate revenue to sustain its operations. Akparhuere et al (2019) stated that financial performance also refers to the standard measurement of how a particular issue is handled or doing something successfully using knowledge, treated different from just possessing it. This is an extent to which a company financial health over a period of time is measured. In other words, it is a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current assets, financing, equity, revenues and expenses (Nurlaela et al, 2019; Musah, 2017; Mercilina & Gina, 2018). The main purpose of financial performance is to provide complete information to shareholders and stakeholders to encourage them in making decisions (Nyor & Yunusa, 2016). This can be used to evaluate similar companies from the same industry or to compare industries in aggregation (Caroline & Willy, 2015; Lucy et al, 2014). It is used for managing risk and increasing profitability of a firm within the corporate governance compliance. It served as an essence of making good decisions (San, & Heng, 2011).

Measure of Financial Performance

Earnings Per Share: Earnings per share (ESP) are the net profit realized by the company after accounting for all expense such as interest, depreciation, and taxes (Orlu et al., 2022). The company can withhold all the EPS to be used in its operation; however, dividends can be declared and paid to the shareholders. Earnings per share is defined the profit in pence attributable to each equity share, based on the consolidated profit of the period after tax and after deducting minority interests and preference dividends, but before taking into account extraordinary items, divided by the number of equity shares in issue and ranking for dividend in respect of the period. Earnings per share (EPS) is a ratio that shows how much profit (return) obtained by investors or shareholders per share by dividing net income after tax with the number of ordinary shares outstanding.

Theoretical Review

Modigliani and Miller's Trade off Theory

The Modigliani and Miller theory is a theory propounded by Modigliani and Miller in 1958. They assert that there are some assumptions where firm will not be affected by its capital structure. They state that, the decision about a company's capital structure is irrelevant to the value of the firm. The assumption of the theory implies that companies operating in the world of perfectly efficient market do not pay any taxes and in an efficient market with homogenous expectations there no asymmetric information, transaction cost, and absence of bankruptcy costs (Tanko et al., 2021). However, in real world context there are taxes, transaction costs, bankruptcy costs, differences in borrowing costs, information asymmetries and effect of debt on earnings. The M&M capital-structure irrelevance proposition assumes no taxes and no bankruptcy cost. It is important to note that the weighted average cost of capital (WACC) will remain constant with changes in the company's capital structure. In addition, since there are no benefits accrued to company by any increase in debt, the capital structure will not influence a company's performance and the capital structure is therefore irrelevant to a company's stock price. The theory believed that firm value can be increased when firms effectively use their assets and it is assumed irrelevant if the assets originate from internal capital or external capital (Chen & Chen, 2011).

Thus, Modigliani and Miller's Trade off theory of leverage believed that there are advantages attached to leverage in capital structure when the optimum capital structure is gotten. The Trade-off is idea that a company considered to choose how much of debt finance and how much of equity

finance by balancing the costs and benefits of both source of finance. Trade-off theory identifies tax benefit from debt finances in the sense that interest paid on debt is tax free. They suggested under the trade-off theory that firm should employ more of debt in order to take advantage of tax shield, which will increase value. Under the M&M capital structure irrelevance theory assumes no taxes, that are tax shield is not considered, unlike the trade-off theory of leverage, where taxes, and tax benefit of interest payment are recognized.

Empirical Review

Sanduku et al (2024) investigated the effect of equity financing on the performance of SMEs in Bungoma County Kenya. Descriptive and inferential research designs were then used. The study area was Bungoma County located in western Kenya with an approximate size of 2207KM2. The target population was 4721 licensed SMEs retail shops operating in the county while simple random sampling technique was used to select a sample of 368 SME retail shops. Data was collected using structured Likert scale questionnaires to obtain opinions from SMEs managers and owners. A pilot study was then conducted to test the reliability and validity of the data collection instruments. Descriptive and Inferential data analysis were then used. The correlation results showed that equity financing had a positive association with performance. The regression model was also statistically significant signifying that the variable equity financing explains the changes in performance of SMEs. The study concluded that equity financing have a statistically positive and significant effect on the performance of SMEs. The study recommended the government through the Micro and Small Enterprises Authority to make policies that will guide the SMEs on the way to increase the use of equity financing as well as the management and owners of SMEs to seek for strategies to increase their use of equity financing.

Offor (2024) examined the determinants of retained earnings of deposit money banks in Nigeria. The study adopted an ex-post-facto research design, covering the period between 2010 and 2019. Secondary data were extracted from the annual reports and accounts of sampled deposit money banks in Nigeria. Spearman Covariance analysis was used for the test of hypotheses. From the data analysis, total assets and total deposits have a strong and positive relationship with retained earnings. This implies that total assets and total deposits can be used to predict the retained earnings of deposit money banks in Nigeria. The study, therefore, recommends that deposit money banks in Nigeria should strive to increase their asset base by investing in land and buildings and also ensure that every asset at their disposal is effectively and efficiently managed to yield more profit and subsequently increase their retained earnings for further investments and/or recapitalization. They should engage in promotions and other programmes that will encourage customers to keep their cash with them.

Deias and Alessandro (2023) investigated the impact of equity funding dynamics on venture success: An empirical analysis based on crunch base data. The study employed a multinomial logistic regression model based on the Crunch base 2013 Snapshot that relates the events of exit and closure to the amount of equity funds raised at different rounds, while controlling for geographical location, economic sector, age, network ties and several proxies of effectiveness. The study contributes to the existing literature by providing a quantitative assessment of the impact of equity funding dynamics on a venture's chance of successful exit and risk of closure that is not limited to the startup stage, but also covers advanced stages of development. In this way, we provide a comprehensive view of the different scenarios that may be envisioned in a venture's life cycle, which is of core importance to achieve an effective support of investors' decisions.

Dahmash (2023) investigated the effect of the retention per share compared to the dividend per share by modeling the firm's market value as a function of the retention per share and the dividend per share for all firms in the Jordanian context using unbalanced panel data analysis for a sample of 2281 firm years covering the period from 2010 to 2021. The study adopted panel regression analysis. The results of the pooled sample indicated a strong positive significant effect for dividends per share. However, the retention per share indicated a negative significant effect on the firm's market value. The other robustness analysis for the two sub-samples and the financial and non-financial sub-samples indicated the same results, consistent with the pooled sample for the two main explanatory variables.

Usman et al (2022) examined the effect of equity financing on the financial performance of listed deposit money banks in Nigeria. Return on Assets was used as a measure of financial performance while share capital, retained earnings, and other reserves were used as independent variables. Data for the study was obtained from the audited annual reports of the 14 sampled deposit money banks for a period of 10 years covering 2009 to 2018. The study employed robust ordinary least square regression as a tool for analysis and testing of hypotheses based on the Hausman specification test. The result reveals that share capital has a positive and insignificant effect on return on assets while retained earnings and other reserves have a positive and significant effect on return on assets. The study concludes that retained earnings and other reserves improve the financial performance of listed deposit money banks in Nigeria. The study recommends, among others, that the board of directors should critically and closely monitor the financial structure decisions of the banks by closely ensuring that retained earnings and other reserves are ploughed back on profitable investments.

Bei and Hui (2022) determined effect of founder control on equity financing and corporate performance based on moderation of radical strategy of listed companies in China. The study employed descriptive statistical analysis, correlation statistical analysis, and empirical model testing of sample data. The study disclosed that there is a negative correlation between founder control and equity financing, there is a negative correlation between equity financing and corporate performance, a corporate radical strategy has a negative moderating effect on the relevance between founder control and corporate performance. Fourth, equity financing has an enhanced mediating effect on the relevance between founder control and corporate performance. Fifth, the degree of corporate strategy of non-state-owned enterprises has a negative moderating effect on the correlation between founder control and corporate performance. Furthermore, based on the research conclusions above, this research puts forward the following recommendations: First, according to the different stages of enterprise development, reasonably restrict the control of the founder of the enterprise. Second, focus on long-term benefits and adopt strategic changes at the right time.

Sudarsono and Shidiqie (2022) determined effect of equity financing, debt financing, and financial performance in Islamic banks in Indonesia. The study employed monthly Islamic bank data in June 2014 to July 2020. The autoregressive distributed lag (ARDL) method was used to determine the short and long-term effect of the independent variables on the financing variable. The results showed that ROA and EFF have a positive effect on MRF but ROA and EFF have a negative effect on MDA and MSF. NPF has a positive effect on MDF, but has a negative effect on MRF. Meanwhile, SIZE has a negative effect on MDF, MDA, MRF, and MRA. The INTR has a negative effect on MDA,

MRF, and MRA. The study concluded that financial performance has more influence on debt financing compared to equity financing of Islamic banks in Indonesia.

Aloys et al (2022) studied the analysis of retained earnings financing on financial performance of listed manufacturing and allied firms: A dynamic panel approach. The study applied Dynamic Unbalanced Panel analysis techniques using Secondary data for 10-year period (2010 - 2019) with the study population comprising of 9 listed firms. Quantitative secondary data was collected from the firms' financial statements by use of a document analysis guide. Focus was on retained earnings financing moderated by economic growth rate and earnings volatility on performance which was proxied by Tobin's Q. Longitudinal research design was used as it is appropriate when dealing with panel data. Pearson correlation was used to show the strength and direction of association among the study variables. Retention ratio (RR) had a moderate positive correlation with Tobin Q and a strong positive correlation. The regression coefficient was also positive and significant. The study recommended that Retained earnings improve performance hence should be applied. Future studies can consider a static panel analysis.

Perri (2022) assessed the effect retained earnings as a source of finance on profitability of petroleum companies in Kenya. A positivist philosophy was adopted to enable testing of the study hypothesis. The study adopted cross-sectional survey design with criterion sampling being used to arrive at 35 firms' between 2007- 2016. Primary data was collected by use of questionnaires along with secondary data. Descriptive statistics and Univariate tests (t-test and Pearson correlation) were carried out. The results indicated an inverse and insignificant relationship between retained earnings finance and profitability at 1% significance level. The results signify that during the period of study, increasing use of retained earnings finance did not increase or reduce the profitability of petroleum firms in Kenya; implying an improvement in their financial status.

Orlu et al (2022) evaluated equity structure and financial performance of commercial banks in Nigeria. The objective of the study was to determine the extent to which debt financing affect financial performance of quoted commercial banks. The study anchored on capital structure theory. Descriptive research design was employed in the study. Data were sourced from financial statement of the quoted commercial banks from 2002-2021. Return on equity was modeled as the function of debt equity ratio, debt ratio, equity ratio, total liability ratio and long term debt ratio. Multiple regressions with econometrics view statistical package were used as data analysis techniques. Co-integration, Granger Causality Test and Augmented Unit Root Test were used to determine the long and the short run relationship that exist among the variables. The finding of study disclosed that debt financing has negative and significant relationship with return on equity. Total liability has negative effect with return on equity of quoted commercial banks in Nigeria. The study concluded that debt capital has significant effect on the financial performance of the quoted commercial banks in Nigeria. The study recommended that management of quoted commercial banks should work very hardtop optimize the capital structure in order to increase the returns on equity and assets through ensuring that their capital structure is optimal and management of commercial banks should increase their commitments into capital structure in order to improve earnings from their business transaction.

Olufemi et al. (2021) assessed the effect of equity financing options on financial performance of listed manufacturing firms in Nigeria. Secondary data were obtained from purposively selected 60

out of the 70 listed manufacturing firms. Return on assets (ROA) was used to measure performance while the equity finance options used in the study are; retained earnings, ordinary share capital and preference shares. The result disclosed that, the overall effect of equity financing options on financial performance of listed manufacturing firms in Nigeria is statistically significant. The individual effect of each of the explanatory variables reveals that retained earnings and preference shares significantly influence performance listed manufacturing firms in Nigeria. Although, the effect of ordinary share capital on performance of listed manufacturing firms in Nigeria was positive but statistically insignificant with a probability. The study thus concluded that equity financing option composition significantly affect financial performance of listed manufacturing firms in Nigeria.

Gap in Empirical Review

The inconclusive and mixed results and findings that exist between the concepts, theories and empirical investigations on the effect of equity structure on financial performance in the business environment at the global and local research studies which shown that much research have not been extensively established on the effect of equity structure on financial performance. Also, to the best of my knowledge, none of the prior studies have adopted share premium as proxies for equity structure. Hence, this study will be the first to use share premium as dimension for equity structure against financial performance measures in order to find out whether there is a positive and significant effect or negative or insignificant effect**.** With this, the study is aimed at ascertaining the effect of equity structure on financial performances of listed food and beverages firms in Nigeria.

METHODOLOGY

Research Design

The study is an ex post facto (after the facts) research. This is because the research makes use of data which are in existence and available.

Population for the Study

The targeted population of this study consists of all the listed eight (8) food and beverage firms in the Nigerian Exchange Group (NGX) and the time frame considered for this study was 2014-2023 for the purpose of secondary data collection.

Sample Size and Sampling Techniques

The sampling technique used in this study was purposive sampling technique. As the name implies, it is a sample "chosen purely on the basis of convenience. Six (6) listed food and beverages firms were chosen simply because as at the time of this research work and analysis, Only six food and beverages that are listed in Nigerian Exchange Group formally known as Nigeria Stock Exchange has complete data set that the study needed.

Sources and Method of Data Collection

The panel data were obtained from secondary sources for the purpose of this research investigation. Time series data (2014 – 2023) was extracted from the annual reports and accounts of the selected listed food and beverages firms. Data on corporate reserves and financial performance variables such as ordinary share capital, share premium, retained earnings, return on assets and earnings per share were extracted from the annual report and accounts of the eight

listed food and beverages firms. Historical details about the selected firms were obtained from the Nigerian Exchange Group Fact Book and their library division, from 2014 to 2023.

Measurement of Variables

Table 2 Measurement of variables

Dimensions/ Measures	Category	Abbreviation	Measurements	Authors Source
Ordinary Share Capital	Independent Variable	OSC	This is simply conceptualized as the interest of a shareholder in the company, measured for the purposes of liability and dividend	Okpolosa (2023), Deias and Alessandro (2023), Major (2019), Eneh et al (2019),
Share Premium	Independent Variable	SHP	The share premium is an account that represents the difference between the par value of the shares issued and the subscription or issue price	Desk Researcher (2023)
Retained Earnings	Independent Variable	RE	This is the total retained earnings disclosed in the statement of financial position. It was transformed by log of retained earnings	Sanduku et al (2024), Oketah and Ekweronu (2020), Aloys et al (2022), Ugwueze et al (2019),
Earnings Per Share	Dependent Variable	EPS	(Net Income -Preferred Dividend)/ Weighted average common stock outstanding. But for the purpose of this study EPS were extracted direct from P or L account of the companies used.	Nguyen and Nguyen (2020) and Hossain et al (2022)
Board Size	Controlling Variables	BS	This is the number of individuals that constitute the board of directors of a company. But for the purpose of this study BS were extracted direct from corporate information	Hasan et al. (2014) and Hossain et al (2022)

Model Specification

The model is specified in line with previous related literature in the area of the study. Model specification involves the determination of the dependent and explanatory variables which will be included in the model, the theoretical expectations about the sign and the size of the parameters of the function.

Earning Per Share (EPS) Model

$EPS = f(OSC, SHP, RE, BS)$ 3

This can be written in Panel Least Square (PLS) form as:

$EPS_{it} = a_o + a_1 OSC_{it} + a_2 SP_{it} + a_3 RE_{it} + a_4 BS_{it} + U_{it}$.....4

$a_1>0;\ a_2>0;\ a_3>0;\ a_4>0$

Method of Data Analysis

This study employed descriptive, unit test, correlational and panel ordinary least square for the purpose of data analysis. The correlation analysis was used to examine the association between the variables. The descriptive statistics on the other hand served as a first step to assessing the

nature of the sampling distribution from which the variables were drawn. The regression technique used by the study was a pooled ordinary least square.

Discussion Rule

Panel Least Square (PLS) multiple regression technique was use to estimate the effect of equity structure variables and financial performance variables. However, Accept Ho_1 to Ho_7 for If P (Greater than) > 0.05. Otherwise reject. For the coefficient values; the relationship is assumed to be linear if the correlation coefficient ranges from -1.0 (perfect negative correlation) to +1.0 (perfect positive relationship). The correlation coefficient was calculated to determine the strength of the relationship between independent and dependent variables (Harelimana, 2017).

ANALYSIS AND DISCUSSION OF FINGINGS

Data Analysis

Descriptive Statistic (Univariate Analysis)

Table 2 Descriptive Statistics of the Variables

	EPS	OSC	SHP	RE	BS
Mean	172.6348	6.365765	6.681042	7.403275	11.58333
Median	103.5000	6.203545	6.952373	7.457551	12.00000
Maximum	793.0000	8.700420	8.922714	9.588032	17.00000
Minimum	0.450000	4.500785	0.000000	4.834986	8.000000
Std. Dev.	197.4803	1.209032	1.896862	1.094457	2.644416
Skewness	1.479741	0.425201	-1.432121	0.250398	0.074932
Kurtosis	4.319235	2.806897	5.952277	2.607050	1.969111
Jarque-Bera	26.24728	1.901182	42.29956	1.013017	2.712976
Probability	0.000002	0.386513	0.000000	0.602596	0.257564
Sum	10358.09	381.9459	400.8625	444.1965	695.0000
Sum Sq. Dev.	2300909.	86.24380	212.2870	70.67229	412.5833
Observations	60	60	60	60	60

Source: Author computation using E-views 12

Table 2 presented the description of the generated data across the sampled firms and period covered. EPS has an average value, minimum and maximum values of 172.63, 0.450 and 793.00 respectively. Also, the standard deviation which stood at 197.480 shows that there is a small dispersion from the series mean. This implies that a small gap exists between EPS of the listed food and beverages firms in Nigeria. Also, the mean value of OSC stood at 6.365, with minimum and maximum values of 4.50 and 8.70 respectively. Unlike EPS, its standard deviation (1.209) shows a lower risk, as it is far from the mean. Furthermore, SHP and RE has an average mean values of 6.68 and 7.40 with minimum and maximum values of 4.50 and 8.70 respectively. This implies that listed food and beverages firms have more retained earnings than share premium and share capital. Generally, the JB Probability values of 0.000, 0.000, 0.386, 0.000, 0.602 and 0.257 showed that three out the six variables (OSC, RE and BS) are normally distributed at 5% level of significance and it is an indication that these variables are approximately normally distributed and were maintained in the model. Also, three out the six variables (EPS and SHP) are not normally distributed at 5% level of significance and this implied that there is need for unit root test and diagnostics test before model estimation.

Unit Root Test

The unit root test helps to determine the nature of data used to prevent spurious results and it will help in determining the technique appropriate for analysis. Augmented Dickey Fuller (ADF) was employed for this study to determine the order of integration of the time series data. The unit root result was presented in table two (2) below.

Table 3 Unit Root Result

Method 1	**Augmented Dickey Fuller (ADF)**						
Variables	Level F Chi-Sq	Choi Z-Sta	Level Prob Value	Level F Chi-Sq	Choi Z-Sta	1st Diff Prob Value	Order of Integration
EPS	8.8062	0.0022	0.7194	23.3226	-1.9797	0.0000	1(0)
OSC	16.4513	-1.8633	0.0312	23.0570	-2.7825	0.0017	1(0)
SHP	11.9393	-1.5090	0.0456	10.1542	0.1608	0.0003	1(0)
RE	16.7603	-0.7607	0.0234	48.9877	-4.847	0.0000	1(0)
BS	34.6788	-2.6088	0.0045	-	-	-	1(0

Source: Output from E-Views 12

The Augmented Dickey Fuller (ADF) unit root result showed that earnings per share (EPS), share premium (SHP), retained earnings (RE) ordinary share capital (OSC) and board size (BS) are all are stationary at level 1(0).

Post Estimation Test (Diagnostic Tests)

In order to check for the reliability of the estimated model, diagnostic tests were conducted, thus, VIF, Breusch-Pegan Hetroskedasticity test, Ramsey RESET (functional form) tests and Hausman test were carried out.

Table 4 Post Estimation Test

S/N	Method	Results
1	Multicollinearity Mean VIF	4.480
2	Heteroskedasticity test of Breusch-Pagan-Godfrey	F-Sta 1.487, Prob 0.2186 > 0.5
3	Ramsey Reset Test	t-statistic 0.5362 Pro 0.5940
4	Hausman Test	Chi-Sq Sta 73.987 (0.000 < 0.5) Model One Chi-Sq Sta 20.539 (0.000 < 0.5) Model Two

Source: Output from E-Views 12

The study presents the findings of each model and the post estimation test to establish the validity and reliability of the results in table 4. The results in table 3 revealed that VIF values were less than 10 and these are within the thresholds. Thus, the data did not suffer from multicollinearity. It implies that all the six variables could be used in the regression model. The table above showed the heteroskedasticity diagnostic test using Breusch-Pagan-Godfre heteroskedasticity test as the criteria for decision. The results of heteroskedasticity test illustrate a high P-value, this suggests an acceptance of the null hypothesis and conclude that is there is no heteroskedasticity in the model. The result of Ramsey test suggests that the estimated parameters of the models are stable. Finally, the hausman test of the two models revealed that the P-value of model one is significant

which implies that the fixed effect is best for the study in model one, also, the P-value of model two is significant which implies that the fixed effect is best for the study in model two.

Table 5 Regression Result of Model

Dependent Variable: EPS
Method: Panel Least Squares
Date: 07/10/24 Time: 14:10
Sample: 2014 2023
Periods included: 10
Cross-sections included: 6
Total panel (balanced) observations: 60

Variable	Coefficient	Std. Error	t-Statistic	Prob.
OSC	-1.047145	0.463808	-2.257709	0.0294
SHP	0.129006	0.089015	1.449265	0.1549
RE	-0.642487	0.257298	-2.497056	0.0166
BS	0.033737	0.041794	0.807210	0.4242
C	11.99949	2.446433	4.904893	0.0000

Effects Specification

Cross-section fixed (dummy variables)
Period fixed (dummy variables)

R-squared	0.742566	Mean dependent var	1.829786
Adjusted R-squared	0.629546	S.D. dependent var	0.788964
S.E. of regression	0.480202	Akaike info criterion	1.623343
Sum squared resid	9.454370	Schwarz criterion	2.286552
Log likelihood	-29.70029	Hannan-Quinn criter.	1.882760
F-statistic	6.570228	Durbin-Watson stat	1.428372
Prob(F-statistic)	0.000000		

Source: Output from E-Views 12

Table 5 shows the coefficients and t-statistics of fixed effect for regression results for model 2. The results show that the adjusted R2 is about 0.629 for model two which expresses the percentage of the total variation in the dependent variable of earnings per share (EPS) explained by the equity structure {ordinary share capital (OSC), share premium (SHP), retained earnings (RE) as well as board size (BS) jointly. The table disclosed that debt structure of ordinary share capital, share premium, retained earnings as well as board size constitutes 62.9% variation in the financial performance measure of earnings per share (EPS) of listed food and beverages firms in Nigeria while the remaining 37.1% are factors not included in this study model. The probability of F-value (0.0000) for the model is less than 0.05 significance level indicates that the models are of good fit between equity structure {ordinary share capital (OSC), share premium (SHP), retained earnings (RE) and board size (BS) and financial performance variable of earnings per share (EPS) was properly selected.

Test of Hypotheses

Statement of Hypotheses

- **H_{01}:** The effect of ordinary share capital on earnings per share of listed food and beverages firms in Nigeria is not significant.
- **H_{03}:** The effect of share premium on earnings per share of listed food and beverages firms in Nigeria is not significant.
- **H_{03}:** The effect of retrained earnings on earnings per share of listed food and beverages firms in Nigeria is not significant.

Decision Rule: Accept Ho for P > 0.05. Otherwise reject

Decision I: Hypothesis one in Table 5 shows that ordinary share capital has a negative and significant effect on earnings per share with a coefficients/t-statistics value of -1.047; -2.257 and P-value of 0.029 < 0.05. This implies that an increase in the ordinary share capital by 1%, decreases the financial performance (EPS) by -1.047%. Therefore, the study rejected the null hypothesis tw0 and concludes that the effect of ordinary share capital on earnings per share of listed food and beverages firms in Nigeria is negative but significant.

Decision 2: Hypothesis two in Table 5 shows that share premium has a positive and insignificant effect on earnings per share with a coefficients/t-statistics value of 0.129; 1.449 and P-value of 0.154 > 0.05. This implies that an increase in the share premium by 1%, increases the financial performance (EPS) by 12.9%. Therefore, the study accepted the null hypothesis four and concludes that the effect of share premium on earnings per share of listed food and beverages firms in Nigeria is positive but not significant.

Decision 3: Hypothesis six in Table 5 shows that retrained earnings has a negative and significant effect on earnings per share with a coefficients/t-statistics value of 0.642; -2.497 and P-value of 0.016 < 0.05. This implies that an increase in retrained earnings by 1%, decreases the financial performance (EPS) by -64.2%. Therefore, the study rejected the null hypothesis six and concludes that the effect of retrained earnings on earnings per share of listed food and beverages firms in Nigeria is negative but not significant.

Discussions of Findings

This work determined the effect equity structure and financial performance of listed industrial goods manufacturing in Nigeria using time series data from 2014to 2023. The data used in this study were subjected to some pre-diagnostic test such as descriptive statistics and correlation analysis. Finally Ordinary least Square regression method was used as the estimation technique. Hence below are findings of the study;

Share Capital and Earnings Per Share

The findings from hypothesis two in table 5 revealed that ordinary share capital has negative but has significant effect with the financial performance variable earnings per share under study which implied that as ordinary share capital increase, earnings per share of companies also decreases. The finding agreed with the following results; Olufemi et al. (2021) result disclosed that, the effect of ordinary share capital on performance of listed manufacturing firms in Nigeria was positive but statistically insignificant with a probability. Tadeusz (2021) result indicated that a large percentage of share capital in equity reduces capital flexibility but can also be a signal to improve companies' market performance. Githinji (2020) correlation results indicated a significant relationship between share capital and financial performance. Okpolosa (2023), who findings revealed that there is a

strong significant relationship between preference share capital and financial performance metrics (return on assets and return on equity). Usman et al (2022) result revealed that share capital has a positive and insignificant effect on earnings. However, others empirical review disagreed with the result such as Omai et al (2018) results indicated that share capital has a negative but insignificant effect on profitability.

Share Premium and Earnings Per Share

The findings from hypothesis four in table 5 revealed that share premium has positive and insignificant effect with the financial performance variable earnings per share under study which implied that as share premium increase, the earnings per share of companies also creases. The finding of this study was not link to any past studies because, to the best of my knowledge, none of the prior studies have adopted share premium as as proxies for equity structure. Hence, this study was first to use share premium as dimension for equity structure against financial performance measures. Thus further studies will use the findings for their result conclusion.

Retained Earnings and Earnings Per Share

The findings from hypothesis six in table 5 revealed that retained earnings has negative and significant effect with the financial performance variable earnings per share under study which implied that as retained earnings increase, earnings per share of companies increases. This result was supported by Dahmash (2023) result of the pooled sample indicated that, retention per share indicated a negative significant effect on the firm's market value. Ugwueze et al (2019) result indicated that retained earnings had negative and non-significant contribution on firms' sales. Nwanganga (2018) result of the panel data regression analysis revealed that earnings retention ratio (ERR) has an inverse and insignificant effect on financial performance; dividend payout ratio (DPR) has a direct and insignificant effect on financial performance. However, others empirical review disagreed with the result such as Omollo et al. (2018) examined the effect of equity financing options on financial performance of non -financial firms listed at the Nairobi Securities Exchange, Kenya. The results revealed that retention ratio has a statistically significant and positive effect on financial performance. Omollo et al. (2018) results revealed that retention ratio has a statistically significant and positive effect on financial performance. Akinkoye and Akinadewo (2018) result indicated a positive and significant relationship between retained earnings, earnings per share, dividend pay-out and value of firms.

CONCLUSION(S)

This study provided empirical evidence that investigated the effect of equity structure on financial performance of listed food and beverages firms in Nigeria. Based on data obtained from the listed food and beverages firms in Nigeria, data analysis, discussion of findings in chapter four and summary of findings above, this study generally concluded that there is a positive and significant effect of equity structure on financial performance of listed food and beverages firms in Nigeria under the period of study between 2014 and 2023. Other sub variables conclusion as followed:

1. The effect of ordinary share capital on earnings per share of listed food and beverages firms in Nigeria is significant.
2. The effect of share premium on earnings per shares of listed food and beverages firms in Nigeria is not significant.
3. The effect of retrained earnings on earnings per shares of listed food and beverages firms in Nigeria is significant

RECOMMENDATION(S)

Based on the summary of findings and conclusions above, the following recommendations were made:

1. The study thus recommended that listed food and beverages firms should maximise the ordinary share capital options available to them in order to increase the financial performance.
2. The managers on listed food and beverages firms in Nigeria should make every effort always to trade in equity method of financing which will greatly improve the performance of the company.
3. The study recommends management and policy makers improve on total earnings to foster retained earnings that have a significant and positive effect with financial performance in listed food and beverages firms. Increase in retained earnings increase the earning per share of listed food and beverages and in turn influence financial performance level.

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