# FIRM CAPITAL STRUCTURES AND CORPORATE FINANCIAL PERFORMANCE (FIN 903)

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## ABSTRACT

This paper examines the impact of capital structure on financial performance in the Nigerian Financial Industry. The study examined ten commercial banks selected from the population of 32 licensed commercial banks in Nigeria. The sample data covers ten operating years from 2013 – 2022.

The data for the selected firms were analyzed using the multiple regression with focus on panel regression method. The dynamic panel models were adopted to assess the endogeneity and heterogeneity of the observations. This helped in the assessment of the impact that firm's capital structure has on the firm's financial performance. The Capital Structure was measured through the firm size and leverage while firm's financial performance was assessed through the Net Interest Margin. the analysis indicates that capital structure, comprising bank size and leverage, has a substantial influence on bank performance, particularly with respect to Net Interest Margin. Larger banks tend to achieve higher Net Interest Margins due to economies of scale, diversification advantages, and enhanced access to capital. Moreover, a strong positive relationship exists between leverage and Net Interest Margin, implying that banks with higher leverage ratios tend to generate significantly greater interest income relative to expenses. Nonetheless, these advantages should be balanced with prudent risk management to mitigate the inherent financial risks associated with increased leverage. Ultimately, the findings underscore the importance of capital structure decisions in shaping bank performance.

**Keywords:** Capital structure, Firm's Financial Performance, Population, Commercial Banks