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Capital structure, market capitalization, and share price: A fixed effects analysis on industrial goods firms in Nigeria

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Abstract

This study examined the relationship between capital structure, market capitalization, and share price in Nigerian industrial goods firms using a fixed effects panel data analysis. The research specifically investigates the effects of debt-to-equity ratio, debt-to-asset ratio and long-term debt-to-equity ratio on share price, while also assessing the controlling role of market capitalization. Empirical results reveal that capital structure variables (debt-to-equity ratio, debt-to-asset ratio and long-term debt-to-equity ratio) do not significantly affect share price, as indicated by their high p-values. However, market capitalization demonstrates a strong positive influence on share price, with a significant coefficient p-value, suggesting that firm growth and market strategizing are key determinants of share price fluctuations. The findings suggest that Nigerian industrial goods firms should prioritize market expansion and revenue growth over debt management as a means to enhance shareholder value. Based on these insights, the study recommends that firms should focus on strengthening financial transparency, adopting strategic growth policies, and improving investor confidence through sound corporate governance practices.

Keywords: Debt-to-equity ratio, Debt-to-asset ratio, Long-term debt-to-equity ratio, Market capitalization.

1. Introduction

The capital structure of a firm (the mix of debt and equity used to finance operations) remains a critical determinant of financial performance and market valuation. In the industrial goods sector, where capital-intensive investments are required for production and expansion, firms must strategically balance debt and equity to maximize shareholder value while mitigating financial risks (Modigliani & Miller, 1958; Myers, 1984). The relationship between capital structure and firm valuation has been widely debated in financial literatures, yet empirical evidence remains divergent, particularly in complex markets such as Nigeria (Oke & Fadaka, 2021; Saka & Fatogun, 2021; Opoku-Asante, et al. 2022; Barakzai, 2025).

Share price, a fundamental indicator of market perception and firm value, is influenced by various financial and non-financial factors, including a firm's leverage. Debt-to-equity (DEBTE), debt-to-asset (DEBTA), and long-term debt-to-equity (LTDTE) ratios are important metrics that reflect a firm's financing decisions and its ability to generate future earnings (Sukma, Nurtina & Nainggolan, 2022; Salsabila, Putri & Mohammad, 2023). Excessive reliance on debt may lead to financial distress, impacting investor confidence and consequently reducing share prices, whereas an optimal debt level could enhance firm value through tax shields and improved financial discipline (Muhammad, et al. 2021; Susilawati, Shavab & Mustika, 2022).

Market capitalization (MACAP), representing the total market value of a firm's outstanding shares, plays another important role in controlling the impact of capital structure on share price. Larger firms with high market capitalization are

believed to often have better access to external financing, greater investor confidence, and lower financial distress risks compared to smaller firms (Muhammad, et al. 2021; Milijić & Popović, 2021; Kuvshinov & Zimmermann, 2022; Said, 2025).

Given the capital-intensive nature of the industrial goods industry and the increasing volatility in financial markets, this study employs a fixed-effects analysis to examine the impact of capital structure (DEBTE, DEBTA, LTDTE) on share price, with market capitalization as a control variable. By focusing on industrial goods firms in Nigeria, the study contributes to the existing literature by providing empirical evidence from an evolving market context, where financial constraints and regulatory environments differ significantly from developed economies (Temuhale & Ighoroje, 2021; Ofulue, et al. 2022). The findings are expected to offer insights into the optimal capital structure decisions that maximize shareholder value while maintaining financial stability.

2. Literature Review

2.1 Capital Structure

Theories of capital structure have evolved over time, with seminal works such as Modigliani et al. (1958) proposing the irrelevance theory, which argues that in a perfect market, the choice between debt and equity does not affect a firm's value (investors are indifferent on whether a firm pays out dividends or retained its earnings). However, real-world conditions, including taxes, bankruptcy costs, and information asymmetry, necessitate a more balanced understanding of how firms structure their capital. The trade-off hypothesis argues that firms weigh the tax benefits of debt (interest tax shield) against the dangers of financial hardship and bankruptcy costs (Myers, et al. 1984; Yakubu, Kapusuzoglu & Ceylan, 2021; Esghaier, 2024). Conversely, the pecking order hypothesis proposes that corporations prefer internal financing (retained earnings) over debt and only issue equity as a last option due to asymmetric knowledge issues (Kuvshinov, et al. 2022; Rodriguez, 2024; Shi, 2024). The industrial goods sector is capital-intensive, requiring substantial investment in fixed assets such as machinery, factories, and infrastructure. As a result, firms in this sector often rely on a combination of debt and equity financing. The extent to which capital structure affects firm value depends on several factors, including firm size, market conditions, and corporate governance mechanisms (Ayange, Emmanuel, Rosemary, Ndudi & Samuel, 2021; Okeke, Ezejiofor & Okoye, 2021; Sinebe & Okolo, 2022). Okudo, Mbonu and Amahalu, (2022) found that debt financing negatively affects stock returns in the pharmaceutical sector, suggesting that investors may perceive high leverage as a risk factor. Conversely, Olayemi and Fakayode, (2021) reported a positive relationship between debt and firm performance, indicating that optimal debt usage can enhance shareholder value. Market capitalization plays a key role in controlling this relationship. Large-cap firms in the industrial goods sector are better positioned to manage debt obligations and attract long-term investors, while small-cap firms may face higher borrowing costs and limited access to external financing (Saka, 2021; Sinebe, 2023). As such, examining how market capitalization interacts with capital structure to influence share prices in Nigeria's industrial goods sector provides valuable insights for investors, policymakers, and corporate managers.

2.2 Debt-to-Equity Ratio (DEBTE)

The debt-to-equity ratio (DEBTE) is a financial indicator that quantifies the proportion of a firm's total debt relative to its equity. It represents the extent to which a corporation relies on borrowed capital versus shareholder equity to finance its operations. A higher DEBTE indicates

greater financial leverage, meaning the firm is using more debt relative to equity (Muhammad, et al. 2021; Sukma, et al. 2022; Sinebe, 2023). While leverage can enhance returns for shareholders through tax shields and financial discipline, excessive debt increases financial risk and the probability of default (Musa, Ibrahim & Success, 2022; Awen & Yahaya, 2023).

Empirical research has studied the relationship between DEBTE and firm performance, with varied conclusions. Muhammad, et al. (2021) revealed that enterprises with moderate leverage likely to experience greater market valuation, while excessive debt erodes shareholder value due to increased financial hardship. In Nigeria, Ibrahim and Isiaka, (2021) discovered that DEBTE significantly influences business value, as high leverage discourages investors due to heightened bankruptcy risks. Similarly, Ofulue, et al. (2022) and Chukwu and Efanga, (2025) reported a negative relationship between DEBTE and profitability among manufacturing firms, suggesting that firms in capital-intensive industries must optimize their debt levels to sustain shareholder confidence. For industrial goods firms, where capital expenditure is high, the optimal level of DEBTE is crucial. Firms with high DEBTE may struggle with interest payments, affecting earnings and, consequently, share price performance. Conversely, a low DER might indicate underutilization of debt financing, which could limit expansion and profitability.

H_{01}: *Debt-to-equity ratio (DEBTE) has no significant effect on share price of industrial goods firms in Nigeria.*

2.3 Debt-to-Asset Ratio (DEBTA)

The debt-to-asset ratio (DEBTA) indicates the proportion of a firm's total assets that are financed by debt. It is a vital measure of a company's financial soundness, as a high DEBTA suggests greater reliance on borrowed funds, which may expose the firm to financial distress if cash flows become insufficient to service debt obligations (Temuhale, et al. 2021; Hussaini, Ugoh & Tivde, 2025). Several studies have examined the impact of DEBTA on firm value and market performance. Mbonu and Amahalu, (2021) found that firms with high DEBTA ratios tend to have lower stock returns due to increased financial risk, while Olawale and Obinna, (2023) and Sinebe (2025) found that a higher DEBTA negatively affects firm performance, as excessive reliance on debt increases the likelihood of financial instability. However, Onyekwere and Babangida, (2022) and Shehu (2025) suggested that firms in capital-intensive industries, require higher DEBTA to finance long-term projects, which can positively impact long-term shareholder value. For industrial goods firms, where large capital investments are necessary, maintaining an optimal DEBTA is crucial. A high DEBTA can signal financial distress and affect investor confidence, leading to declining share prices. Conversely, a balanced approach to debt financing can enhance asset utilization and generate long-term value.

H_{02}: *Debt-to-asset ratio (*DEBTA*) has no significant effect on share price of industrial goods firms in Nigeria.*

2.4 Long-Term Debt-to-Equity Ratio (LTDE)

The long-term debt-to-equity ratio (LTDTE) particularly measures the proportion of a firm's equity that is financed by long-term debt. Unlike total DEBTE, which covers short-term and long-term debt, LTDTE focuses on a firm's long-term financial obligations, providing insights into financial sustainability and capital structure decisions (Sukma, et al. 2022). For industrial goods firms, long-term financing is essential due to the nature of their operations, which require significant infrastructure and machinery investments. However, an excessively high LTDTE may signal financial risk, reducing

investor confidence and leading to share price depreciation.

Firms with high LTDTE rely heavily on long-term borrowing, which can be beneficial if the cost of capital is low and investments generate sufficient returns. However, excessive long-term debt may lead to prolonged financial burdens, reduced profitability, and declining investor confidence. Studies by Kuvshinov, et al. (2022) found that high LTDTE negatively impacts stock prices in Nigeria, as prolonged debt repayment reduces firms' financial flexibility. Conversely, Jihadi, Vilantika, Hashemi, Arifin, Bachtiar and Sholichah, (2021) reported that in capital-intensive industries, long-term debt is necessary to finance large projects, and a well-managed LTDTE ratio can contribute to firm stability and enhanced market valuation.

H_{03}: *Long-term debt-to-equity ratio (LTDTE) has no significant effect on share price of industrial goods firms in Nigeria.*

2.5 Market Capitalization

Market capitalization (MACAP) represents the total market value of a firm's outstanding shares and is a crucial measure of its size and investment attractiveness. It is determined as the product of a firm's share price and the number of outstanding shares. Larger firms with higher market capitalization often have greater access to capital, lower default risk, and enhanced investor confidence compared to smaller firms (Milijić, et al. 2021; Kuvshinov, et al. 2022; Sinebe & Emudainohwo, 2023; Odoemelam, et al. 2025).).

Market capitalization is also linked to firm performance and stock price stability. Studies by Dong and Liu, (2022) suggest that firms with high market capitalization benefit from economies of scale, stronger corporate governance, and increased liquidity, making their stock prices less volatile. In contrast, small-cap firms tend to experience higher price fluctuations due to lower trading volumes and higher perceived risk.

In Nigeria, empirical research on market capitalization's role in financial performance has been relatively scarce. However, Muhammad, et al. (2021) found that market capitalization positively influences firm valuation, particularly in industries where firms require significant capital investments. Additionally, Oke, et al. (2021) and Olawale, et al. (2023) argued that market capitalization serves as a moderating factor in the relationship between capital structure and firm performance, as larger firms can absorb financial shocks more efficiently than smaller firms.

2.6 Theoretical Framework

This study is anchored on three core capital structure theories: Modigliani and Miller (M&M) Theory, Trade-Off Theory, and Pecking Order Theory, which collectively explain the potential relationship between capital structure and share price.

The Modigliani and Miller (1958) capital structure irrelevance theory argues that in a perfect capital market, a firm's capital structure is irrelevant to its value. However, the revised M&M proposition (1963) acknowledges that when taxes and bankruptcy risks are introduced, debt financing may increase firm value due to interest tax shields. This theory provides a basis for evaluating whether debt ratios, DEBTE, DEBTA and LTDTE, have significant influence on share prices in a developing market like Nigeria, where financial inefficiencies may alter theoretical expectations (Ibrahim & Isiaka, 2021; Ayange et al., 2021).

The Trade-Off Theory by Myers, et al. (1984) complements this by suggesting that firms seek an optimal capital structure, balancing the benefits of debt (e.g., tax savings) against bankruptcy and agency costs (Esghaier, 2024). This theory explains why excessive long-term debt (LTDTE) could lead to declining share prices if perceived as increasing financial distress (Ofulue et al., 2022; Chukwu & Efanga, 2025).

The Pecking Order Theory (Myers & Majluf, 1984) emphasizes firms' preference for internal financing due to information asymmetry. In Nigeria's context, firms may limit external borrowing, resulting in weak capital structure effects on share price (Saka & Fatogun, 2021; Okudo et al., 2022).

These theories collectively guide the study's hypotheses and offer a framework to interpret how capital structure choices impact market valuation of industrial goods firms in Nigeria.

2.7 Research Study Gap

Despite extensive research on capital structure and firm performance, significant gaps remain in understanding the specific impact of *DEBTE, DEBTA,* LTDTE ratios on share price, particularly in the context of Nigeria's industrial goods sector. While numerous studies have explored capital structure in relation to firm performance (e.g., Olayemi, et al. 2021; Saka, et al. 2021), most focus on general firm profitability rather than share price behaviour. The industrial goods sector is highly capital-intensive, and the relationship between its financing structure and stock market valuation remains adequately underexplored. Also, existing studies often overlook the role of market capitalization in controlling the capital structure-share price relationship since larger firms typically have better access to financing and lower risk exposure (Opoku-Asante, et al. 2022), ignoring this factor may lead to biased results. This study aims to fill this gap by incorporating market capitalization as a control variable. Furthermore, many prior studies adopt pooled regression models, which fail to account for firm-specific characteristics that could influence share price behaviour. By employing a fixed effects model, this study provides a more robust analysis of the capital structure-share price relationship within the Nigerian industrial goods sector, this study findings will be valuable for corporate managers, investors, and policymakers in making informed financial decisions within Nigeria's industrial goods sector.

3. Methodology

The study made use of *Expost-facto* and employed the purposive sampling technique to select ten (10) industrial firms for a period ten (10) years, within the period of 2015-2024, while the fixed effect technique was adopted for the data analysis. The justification for the industrial goods firm is because, these firms represent the most active and capitalized players in the sector, ensuring reliability and relevance of results. Focusing on a manageable sample enhances the depth of analysis while maintaining validity, especially under fixed effects estimation, which benefits from balanced panel data to control for unobserved heterogeneity across firms

3.1 Model Specifications

The model for this study is stated in econometrics terms below as;

SHAREP = f(DEBTE, DEBTA, LDER, MACAP) eq.i

$ShareP_{it} = \alpha_0 + \beta_1 DEBTE_{it} + \beta_2 DEBTA_{it} + \beta_3 LDER_{it} + \beta_4 MACAP_{it} + \varepsilon_t$ *eq.ii*

Where;

DEBTE = Debt-to-equity ratio.

DEBTA = Debt-to-asset ratio

LDER = Long-term debt-to-equity ratio

MACAP = Market capitalization.

f = Stochastic error term capturing other unexplanatory variables

ί = firm identifier (10 firms)

t = time variable (10 Years)

ε = error term

αo is the intercept of the regression.

β_1 β_2, β_3 and β_4 are the co-efficient of the regression equation.

The Apriori expectation: β_1 β_2, β_3 and β_4 is less or greater than 0.

4. Results and Discussion

4.1 Descriptive Statistics Analysis and Discussion

Table 1: Summary of Descriptive Statistics of the Variables of the Study

VARIABLES	OBS	MEAN	STD. DEV	MIN	MAX
SHAREP	100	5.881	52.631	-72.27	198.61
DEBTE	100	1.389	2.133	-15.41	8.33
DEBTA	100	54.783	16.945	13.87	106.94
LTDTE	100	.382	.513	-1.66	2.08
MACAP	*100*	*6.458*	*.965*	*4.907*	*8.645*

Source: Regression Output, 2025

The descriptive statistics reported in Table 1 provide insights into the distribution and features of the variables utilised in this study: share price (SP), debt-to-equity ratio (DEBTE), debt-to-asset ratio (DEBTA), long-term debt-to-equity ratio (LTDTE), and market capitalization (MACAP). The study focuses on the relative values for mean, standard deviation, minimum, and maximum values to understand the central patterns and variances within the dataset. For share price, it shows 5.881, 52.631, -72.27, 198.61, the negative minimum (-72.27) suggests that some firms experienced a decline in their stock prices, possibly due to financial distress, poor performance, or unfavourable market conditions, while the maximum value (198.61) indicates that some firms have strong market valuations, suggesting variability in investor confidence and firm performance. DEBTE has 1.389, 2.133, -15.41, 8.33. Notably, the negative minimum (-15.41) could indicate financial restructuring or adjustments in shareholders' equity, while the maximum (8.33) suggests that some firms rely heavily on debt. DEBTA shows 54.783, 16.945, 13.87, 106.94. The mean of 54.78% suggests that, on average, firms fund more than half of their total assets with debt, which is common in capital-intensive industries like industrial goods, while the high maximum (106.94%) indicates that some firms may be overleveraged, with total debt exceeding asset value. LTDTE shows 0.382, 0.5134, -1.66, 2.08. The low mean of 0.382 suggests that long-term debt financing is not the primary source of funding for many industrial goods firms. The negative minimum (-1.66) may indicate cases where long-term liabilities have been adjusted against equity or negative shareholder equity. MACAP has 6.4580, 0.9648, 4.9066, 8.6452. Market capitalization is a critical control variable that represents the total market value of a firm's outstanding shares. The mean (6.46) suggests that most firms fall within a moderate market capitalization range, with variations across firms.

4.2 Correlation Analysis

Table 2: Summary of Spearman Correlation *Analysis*

	SHAREP	DEBTE	DEBTA	LTDTE	MACAP
SHAREP	1.000				
DEBTE	0.009 0.932	1.000			
DEBTA	-0.049 0.627	0.941* 0.000	1.000		
LTDTE	0.017 0.866	0.530* 0.000	0.470* 0.000	1.000	
MACAP	0.236* 0.018	0.113 0.265	0.055 0.588	0.022 0.825	1.000

Source: Regression Output, 2025.

Spearman correlation analysis in Table 2 measures the strength and direction of the relationship between two ranking variables. A correlation coefficient (ρ\rho) close to +1 or -1 denotes a strong association, while a number near 0 shows a weak or no relationship. The significance level (p-value) helps determine whether the correlation is statistically significant. The observations and analysis from the table 2 shows the relationship between Share Price and other variables. From it, we observe that DEBTE has a near-zero correlation with Share Price (ρ\rho = 0.0087, p = 0.932), indicating no meaningful relationship between the two. DEBTA has a negative correlation with Share Price (ρ\rho = -0.049, p = 0.627), but it is statistically insignificant, meaning debt-to-asset does not significantly impact share price. LTDTE has a positive correlation with Share Price (ρ\rho = 0.017, p = 0.866), which is also statistically insignificant. MACAP has a positive correlation with Share Price (ρ\rho = 0.236, p = 0.018) suggesting that firms with higher market capitalization tend to have slightly higher share prices. The relationship is statistically significant at the 5% level. We observe a lack of significant relationship between debt ratios and share price. The study finds no significant correlation between debt variables (DEBTE, DEBTA, LTDTE) and share price, contradicting some financial theories suggesting that capital structure influences firm value. This may suggest that in the industrial goods sector in Nigeria, factors other than leverage play a more critical role in share price determination.

4.3 Result for Variance Inflation Factor (VIF) Test

Table 3: VIF Test Result

VARIABLE	VIF	1/VIF
DEBTE	1.77	0.566
DEBTA	1.15	0.869
LTDTE	1.92	0.521
MACAP	1.02	0.979
Mean VIF	1.46	

Source: Regression Output, 2025.

The Variance Inflation Factor (VIF) test in table 3 is used to detect multicollinearity among independent variables in regression analysis. A high VIF (typically above 10) indicates severe multicollinearity, which can distort regression estimates, making coefficient interpretations unreliable. From the table, we observe that the highest VIF is 1.92 (LTDTE), which is well below the commonly accepted threshold of 10 for severe multicollinearity. Also, the mean VIF is 1.46, which is considered low, indicating no major multicollinearity concerns. Since all VIF values are low (below 2), there is no immediate need to drop or modify any independent variables due to multicollinearity as the low VIF values suggest that the estimated regression coefficients should be statistically reliable and interpretable without distortion due to collinearity. Also, despite the high correlation between DEBTE and DEBTA observed earlier in the Spearman correlation test, the VIF results show that multicollinearity is not a significant issue. This suggests that while these variables are correlated, their relationship does not inflate standard errors excessively.

4.4 Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Table 4: Diagnostic Tests fitted values of Share price

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity	
Decision rule	If p-value is statistically significant, then reject Ho and accept HA
Result	chi2(1) = 4.30; Prob>chi2= 0.038

Source: Regression Output, 2025.

The Breusch-Pagan / Cook-Weisberg test in Table 4 is used to detect heteroskedasticity, which occurs when the variance of the residuals in a regression model is not constant across observations. Since the p-value (0.0381) < 0.05, we reject the null hypothesis at a 5% significance level.

4.5 Hausman Tests for All Models

Table 5 ***Results for Hausman Test***

Variables	**(b)**	**(B)**	**(b-B)**	**S. E.**	**Chi2 (4)**	**Prob> Chi2**	**Decision**
	Fixed Effect	Random Effect	Difference				
DEBTE	.326	3.341	-3.015	1.270	15.12	0.005	Accept
DEBTA	.0223	-.055	.077	.229			FIXED
LTDTE	-12.830	-8.862	-3.968	9.989			Effect
MACAP	103.676	11.961	91.715	24.154			Model

Source: Regression Output, 2025.

The Hausman test in Table 5 is used to determine whether the Fixed Effects (FE) model or the Random Effects (RE) model is better appropriate for panel data analysis. NOTE: Decision Rule: If p-value < 0.05, reject H_0 and accept the Fixed Effects model. From the Table 5, $Chi^2(4) = 15.12$ whereas the Prob > Chi^2 = 0.005, which is statistically significant (p-value < 0.05). Since the p-value is less than 0.05, we reject the null hypothesis and conclude that the Fixed Effects model is the right model for this investigation. The FE model compensates for individual firm-specific features that do not change over time (e.g., business reputation, management style). Therefore, the Hausman test results confirm that the Fixed Effects model is the optimum choice for assessing the relationship between capital structure and share price in Nigerian industrial goods firms.

4.6 Model testing

Table 6: Summary of SHAREP, DEBTE, DEBTA and LTDTE regression analysis

SHAREP	**COEF.**	**STD. ERR.**	**t**	**P>|t|**
DEBTE	.326	3.578	0.09	0.928
DEBTA	.0223	.421	0.05	0.958
LTDTE	-12.830	18.143	-0.71	0.481
_CONS	-660.438	165.007	-4.00	0.000
N				100
R-squared				0.040
F(4, 86)				4.60
Prob > F				0.0020

Source: Regression Output, 2025.

Discussion of findings

The regression analysis in Table 6 reveals that capital structure proxies. Specifically, DEBTE and DEBTA show weak and statistically insignificant positive relationships (p = 0.928 and 0.958, respectively), while LTDTE has a negative but also statistically insignificant effect (p

= 0.481). The model's low R-squared value (0.040) suggests that only 4% of the variation in share price is explained by these leverage ratios, corroborating the findings of Ibrahim, et al. (2021) and Ofulue, et al. (2022), who observed a minimal influence of leverage on firm value in the Nigerian context. This weak explanatory power aligns with the assertions of Modigliani and Miller (1958) under the irrelevance theory and supports findings by Shehu (2025), who found leverage to have an inconsistent effect on market value. Furthermore, the negative coefficient of LTDTE aligns with Salsabila, et al. (2023), who argue that high long-term debt can signal financial distress, thereby reducing investor confidence and share price. Conversely, the insignificant positive coefficients of DEBTE and DEBTA contradict Jihadi et al. (2021), who found leverage to be value-enhancing in the Indonesian context, highlighting regional and market-based differences. These results further support the claim by Mbonu, et al. (2021), Saka, et al. (2021) and Njoku and Lee, (2025) that capital structure decisions in Nigeria may not significantly influence market performance due to inefficiencies in capital markets. This suggests that other factors such as profitability, corporate governance, or investor sentiment may play a more decisive role in shaping share prices in the Nigerian industrial sector.

5. Conclusion

The findings indicate that debt-to-equity ratio (DER), debt-to-asset ratio (DTA), and long-term debt-to-equity ratio (LTDE) do not have a statistically significant effect on share price, suggesting that capital structure decisions alone may not drive stock price movements in this sector. The results suggest that Nigerian industrial goods firms should prioritize growth strategies, market expansion, and financial transparency over reliance on debt financing, enhancing investor confidence through improved financial reporting and governance practices in order to strengthen the link between firm value and market perception and ensure that financial disclosure standards are upheld to promote fair stock valuation and stability in the market. Overall, this study underscores the important role of market capitalization in share price determination and highlights the need for firms to adopt sustainable financial strategies that enhance long-term shareholder value.

Recommendations

Since market capitalization significantly affects share price, management should focus on sustainable business expansion, market presence, and revenue growth rather than just adjusting debt levels.

The insignificant effect of debt variables suggests that optimizing capital structure alone may not boost share price and instead of aggressive debt financing, firms should explore internal funding and equity financing to drive value.

Regulators should strengthen financial disclosure standards and ensure that firms provide clear and accurate information to investors, while enacting and enforcing policies aimed at reducing market speculation and ensuring fair stock valuations that can enhance price stability.

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