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RESEARCH ARTICLE

Effect of Financial Leverage on Organizational Performance of Pharmaceutical Firms in Nigeria

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ABSTRACT

The study examined the Effect of Financial Leverage on the organizational Performance of Pharmaceutical Firms in Nigeria. In line with the specific objectives of the study which is to ascertain the effect of debt ratio on earnings per share, dividend per share, and return on equity of pharmaceutical firms in Nigeria, it was revealed that company income tax and value-added tax positively and significantly affect earnings per share, dividend per share and return on equity. The findings imply that as the debt ratio increases, all the other variables will also increase but in an insignificant amount. Therefore, the debt ratio provides a sound benchmark for measuring earnings per share, dividend per share, and return on equity. It is recommended that Firms in Nigeria's Pharmaceutical Industry should strive to increase their turnover in other to improve their net profit after tax which will lead to an increase in their earnings per share. However, this should be done regardless of the debt ratio since it has no significant effect on earnings per share. They should zealously strive to improve their profits after tax, which will increase their dividend payout. The dividend is one of the major factors to consider by any rational investor. However, the debt ratio does not significantly affect dividends per share. The result of our analysis shows us that the debt ratio rate does not significantly affect the return on equity of firms in Nigeria's pharmaceutical industry. However, in the spirit of profit maximization, firms should strive to improve their profits after tax to increase their returns on equity.

Keywords: *Financial Leverage; Organizational Performance; Pharmaceutical Firms; Nigeria*

Introduction

The importance of financial decisions cannot be over-emphasized since many of the factors that contribute to business failure can be addressed using strategies and financial decisions that drive growth and the achievement of organizational objectives (Banafa, Muturi & Ngugi 2015). Financial decision-making is very important for the performance of any organization. According to Maina & Kondongo (2013), the financial manager is responsible for determining the optimal mix of debt and equity that will ensure maximization of shareholders' wealth. As a result, many corporate managers in most organizations today are faced with the problem of financing options (Ogiriki, Werigbelegha & Avery, 2018). This is because financing choice is vital to every firm as the optimal capital structure between debt and equity impacts the value of the firm as well as its stock prices in the securities market (Shimenga & Miroga, 2019). The choice of optimal financing is a basic need for firms (Mehta 2014). Zhao & Wijewardana (2012) opined that financial decision is ranked much more in preference to other functions that help financial managers on deciding where, how, and when to obtain finances to meet the investment needs of the firm.

Nawaz, Atif & Aamir (2015) pointed out that the right choice of the combination of debt and equity is very important for the manager of any company. However, the criteria used by financial managers to choose equity or leverage financing have been a puzzle for many years back. Modigliani & Miller (1958) proposed that under certain assumptions (tax-free and other transaction costs) on the business working environment, the financing decision affects nothing on a firm's profitability i.e. it is irrelevant. If the Modigliani & Miller (1958) financing decision remains the choice of financial manager this implies that a debt-prone manager will finance the investment with financial leverage and run a high risk of a huge financial burden. That is why Modigliani & Miller's (1958) proposition has been debated around the globe regarding the impact business leverage financing has on financial performance. This proposition, therefore, raised the attention of researchers in researching to enquire on the truth of the financial leverage proposition from different industries and economies focusing on the financial performance of pharmaceutical organizations in Nigeria.

Statement of the Problem

There are unending claims that the Nigerian government, foreign investors, and the private sectors have put concerted efforts into ensuring the existence of a favourable economic environment for doing business in the country. Consequently, while most firms listed in the Nigerian Stock Exchange (NSE) have improved performance, others have experienced declining fortunes and some have even been delisted from the NSE over the last decade. A great dilemma for scholars, business managers, and investors among other stakeholders is whether there exists an optimal financial structure that maximizes the stakeholders' wealth, (Muchiri, Muturi & Ngumi 2016). The aftermath effect of the economic recession had impacted negatively on the capital structure of most manufacturing organizations in Nigeria. The hostile business environment has further stuffed the ease of manufacturing, especially in pharmaceutical companies. As a result of this, the standard of increasing capital in Nigeria has become harder to achieve due to the associated risk of raising capital. Although Financial Leverage and its effect on value and performance had been studied for many years, researchers still cannot agree on the extent of the effect.

Objectives of the Study

The broad objective of the study is to investigate the effect of financial leverage on the organizational performance of pharmaceutical firms in Nigeria. The Specific objectives are to;

i. Ascertain the effect of debt-to-equity ratio on dividend per share of pharmaceutical firms in Nigeria.
ii. Examine the effect of debt to equity ratio on the return on equity of pharmaceutical firms in Nigeria.

Statement of the Hypotheses

The following are the research hypotheses stated in a null form

i. The debt-to-equity ratio does not significantly affect the dividend per share of pharmaceutical firms in Nigeria.
ii. The debt-to-equity ratio does not significantly affect the return on equity of pharmaceutical firms in Nigeria.

Review of Related Literature

Conceptual Review

Financial Leverage

Financial leverage means so many things to so many people. The financial managers, operators of firms, and management of organizations view financial leverage from different perspectives largely because entities choice of source of funds determines the allocation of its operating cash flow. According to Ezeduru, Olajide & Ango (2018), the choice of an appropriate financing mix constitutes a critical decision for the survival and continuous growth of any business organization not only because of the need to maximize returns to the various interest holders but because of the impact such informed decision has on the performance of an organization in a competitive environment. Also, for entities to grow in line with their objectives they must choose the best financing sources to reach the optimal capital structure so that they can make suitable financing decisions that would enable them to achieve positive returns. Since the management of organizations requires funds for its short-term as well as long-term financial requirements, it is obvious that the opinions of various stakeholders over the concept of financial leverage must vary amongst various organizations.

Importance of Financial Leverage

The importance of financial leverage in any organization needs not to be over-emphasized. This is because according to Ahmad, Salman & Shamsi (2015), financial leverage comes under financial strategy planning that helps to increase the rate of return by generating a greater return on borrowed money than the cost of using that money. Gadzo & Asiamah (2018) opined that the purpose of financial leverage in any transaction is to generate more profit. Strebulaev & Yang (2013) posits that leveraged businesses have additional capital available to finance their operations and expansions compared to an unleveraged business solely dependent on equity. Ezeduru, Olajide & Ango (2018) stated that a good attribution of financial leverage in business will lead to the success of firms. Orajaka (2017) observed that upon the introduction of financial leverage, the operating profits can see a sharp increase with a small change in sales as most parts of the expenses are stagnant and cannot further increase with sales. Likewise, if we consider financial leverage, the earnings share of each shareholder will increase significantly with an increase in operating profits. This means that the higher the degree of financial leverage, the higher will be the percentage increase in operating profits and earnings per share. Ahmad, Salman & Shamsi (2015) pointed out that in the economic boom period, higher financial leverage gives benefits to the firm but on the other hand, in an economic recession this financial leverage hurts the firm's profitability.

Debt to Equity Ratio.

Debt Obligation financing originates from speculators at an expense as they are relied upon to draw in intrigue, which is a risk to the firm (Nawazish, Rahat& Reddy 2016). According to Nwude (2003), the debt-to-equity ratio is defined as a measure of the proportion of debt to shareholders' funds (i.e., Net Worth) in the total financing of a business. Items such as accumulated losses and deferred expenditures are eliminated from the shareholders' funds before using it as the denominator. The ratio indicates how much naira was raised as debt for N1 of equity. Enekwe (2012) opined that debt-to-equity ratio is a financial ratio indicating the relative proportion of equity and debt used to finance a company's assets which is an indicator of financial leverage. It is equal to total debt divided by shareholders' equity. Farooq, Sani & Aziz (2017) pointed out that the debt-to-equity ratio shows the proportion of firm funding that comes from creditors. This shows that in any organization a greater debt-to-equity ratio shows that more creditors funding is used than shareholders funding.

Dividend Per Share

Dividends are commonly defined as the distribution of earnings (past or present) in real assets among the shareholders of the firm in proportion to their ownership and it is the benefit of shareholders in return for their risk and investment which is determined by different factors in an organization (Nissim & Ziv, 2001). Dividend per share (DPS) is the total dividends paid out over an entire year (including interim dividends but not including special dividends) divided by the number of outstanding ordinary shares issued. It is calculated using the total dividends paid out to shareholders over one fiscal year and the number of shares outstanding, DPS can be calculated using the formula (total dividends paid out over a period - any special dividends) ÷ (shares outstanding).

Return on Equity

Return on Equity (ROE) is a financial ratio that shows the user the percentage of return a company has during a period, often a fiscal year, about the company's shareholders' equity. This financial ratio tells the user about how the company has converted the shareholders' equity into profit. The formula is Net income divided by Shareholders' equity. Return on Equity is one of the all-time favourites and perhaps the most widely used overall measure of corporate financial performance (Rappaport 1986). According to Brealey, Myers, and Allen (2017), the purpose of using Return on Equity (ROE) as a measurement of financial performance instead of Return on Assets (ROA) is to focus on the remaining return which belongs to the shareholders' when the interest expenses associated to debt is paid. This was confirmed by Monteiro (2006) who stated that ROE is perhaps the most important ratio an investor should consider. The fact that ROE represents the result of structured financial ratio analysis, also called Du Pont analysis (Stewart, 2003) contributes to its popularity among analysts, financial managers, and shareholders alike. DuPont analysis also states that ROE is one of the most important financial ratios and profitability metrics which is often said to be the ultimate ratio or the 'mother of all ratios' that can be obtained from a company's financial statement as it measures how profitable a company is for the owner of the investment, and how profitably a company employs its equity. Black, Wright & Davies (2001) stated that shareholder value is created when the equity returns of a company exceed the cost of that equity and it can also be described as the present value of all future cash flows, less the cost of debt. Return on equity seems an appropriate measure of investment profitability.

Theoretical Review

Agency Cost Theory

Agency theory has been widely used in many accounting and financial management research. Agency theory was originally developed by Jensen & Meckling (1976) and later by Fama & Jensen (1983). The theory postulates that conflict of interest arises as the firm's management tries to pursue its interest rather than the interest of its boss (shareholders). The theory also postulates that "capital structure is influenced by firm's management, which has a long-term impact on firm's capital structure. However, management might be tempted to pursue personal incentives instead of shareholders' value. It is argued that this conflict can be mitigated by the firm to finance its activities by issuing debt. In respect to this theory the higher the debt of the firm the higher the profit of the firm because management will pursue the interest of the shareholders' value and vice versa is true. This study is anchored in this theory because the essence of financial leverage is to increase shareholder wealth.

Pecking Order Theory

This theory was postulated by Myers & Majluf in 1984. The theory is concerned with how the firm management decides to finance the firm's operations. The theory further states that firms prefer internal (retained earnings) finance to external finance; when external finance is required firms prefer debt before equity. The theory emphasizes that when a firm's internal cash flows are not enough for financing real investment and paying dividend commitments, the firm issues debt. The theory also promulgates that debt financial securities present a lower risk than shares for the finance providers because they have prior claims on annual income and liquidation. In addition, security is often provided and covenants imposed. Also, a profitable business effectively pays less for debt capital than equity for another reason: the debt interest can be offset against pre-tax profits before the calculation of the corporation tax bill, thus reducing the tax paid. Mostly issuing and transaction costs associated with raising and servicing debt are generally less than for ordinary shares. In this study, the Pecking Order Theory supports the use of financial leverage because it has a positive implication if external financing is considered relevant when the internal fund is not available.

Empirical Review

Ezeduru, Olajide & Ango (2018) conducted an empirical study aimed at determining the effect of financial leverage on the performance of quoted Manufacturing firms in Nigeria. The sample data was extracted from 92 manufacturing companies registered by the Nigerian stock exchange (NSE) from the period 2007 to 2016. Return on Equity (ROE), Return on Asset (ROA) and Return on Investment (ROI) represent the performance of dependent variables. While the Debt/Equity ratio represents financial leverage as the independent variable. The simple Least Square regression method was used as a tool for data analysis. The findings of the study revealed that Debt to equity ratio has an insignificant effect on the performance of quoted Manufacturing firms in Nigeria, it also shows a positive effect relationship between financial leverage and Debt to equity ratio. The study recommended that management

of quoted manufacturing firms should work very hard to improve their financial leverage to increase Debt equity ratio such as return on assets, returns on equity and return on investment, and earnings from their business transaction.

Orajaka (2017) conducted a study on the Impact of Leverage Financing on the Financial Performance of Some Manufacturing Industries in the Nigerian Stock Exchange. In the study, financial leverage was used to ascertain its impact on financial performance. The data for this research were accessed through secondary sources. A total of twenty-four (24) manufacturing companies listed on the Nigeria Stock Exchange, four (4) companies' data were used to verify and validate the research. Five (5) dependable variables were used to determine the impact of leverage financing on financial performance. The descriptive method was used to analyze the data generated for the research. General regression statistical tool was used to determine the relationship between the dependent and independent variables. The hypotheses were tested using descriptive statistics, general regression, and correlation statistical tools. The findings of the researcher revealed that Return on Equity is significant to Return on Assets, Net Profit Margin, and Assets Turnover. It was also observed that Return on Assets is significant to Return on Equity, Net Profit Margin, and Assets Turnover. Net Profit Margin is also significant to Return on Equity, Return on Assets, and Assets Turnover. Also, Assets Turnover is significant to Return on Equity, Return to Assets, and Net Profit Margin.

Enekwe, Agu & Eziedo (2014) conducted a study on the effect of financial leverage on the financial performance of Nigeria pharmaceutical companies over twelve (12) years (2001 – 2012) for the three (3) selected companies. The study employed three financial leverage proxies as the independent variables such as debt ratio (DR); debt-equity ratio (DER) and interest coverage ratio (ICR) in determining their effect on financial performance for Return on Assets (ROA) as the dependent variable. The ex-post facto research design was used for this study. Descriptive statistics, Pearson correlation, and regressions were employed and the results of the analysis showed that debt ratio (DR) and debt-equity ratio (DER) have a negative relationship with Return on Assets (ROA) while interest coverage ratio (ICR) has a positive relationship with Return on Assets (ROA) in Nigeria pharmaceutical industry. The analysis also revealed that all the independent variables have no significant effect on the financial performance of the sampled companies. The researchers recommend that the firm's financial decisions should be made in consonance with the shareholders' wealth maximization objectives and the amount of debt finance in the financial mix of the firm should be at the optimal level.

Thaddeus & Chigbu (2012) examined the effect of financial leverage on bank performance using 6 banks from Nigeria. The study utilized secondary data from the Nigerian Stock Exchange fact book and the financial statements of the sampled banks. Debt-equity and coverage ratios were taken as proxies for financial leverage and these constitute the independent variables, while earning per share (EPS) representing performance is the dependent variable. Multiple regression techniques were used to establish whether a relationship exists between financial leverage and the performance of sampled banks. The findings show mixed results. While some banks report a positive relationship between leverage and performance, others revealed a negative relationship between leverage and performance.

Methodology

This research adopted the *ex-post facto* research design. The study was carried out in Nigeria covering the pharmaceutical sector of the economy. Secondary data was used and was sourced from the annual financial statements of selected pharmaceutical companies and the database of the Nigeria Stock Exchange. Data used for the study covered ten years (2009-2019). These data were considered credible since they were readily available and had been audited and filed with the Securities and Exchange Commission. The population of the study was the eleven pharmaceutical firms in Nigeria listed on the Nigeria Stock Exchange as of 31st December 2019. The researcher selected four out of the eleven companies listed using a non-probability judgmental sampling technique after due consideration was given to the year of establishment of the individual companies. The pharmaceutical companies selected include; May & Baker Nigeria Plc, Glaxo-Smithkline Consumer Nigeria Plc, Neimeth International Pharmaceutical Plc, and Fidson Healthcare Plc.

The study adopted multiple regression analysis as the statistical tool for testing the study hypotheses. The functional forms of multiple regression analysis were employed in the analysis. The objectives of the study are accomplished by a graphical representation of the dependent and independent variables to show the trend of movement within the study period. A regression equation was estimated to evaluate the effect of leverage on organizational performance. Lastly, correlation analysis was used to examine the relationship between leverage and organizational performance of pharmaceutical companies in Nigeria.

Model Specification

Multiple Linear Regression

These simple regression models were used to test the hypotheses. The test of hypotheses was running accordingly: Hypotheses 1, 2, respectively tested using equations 1, 2. The models are specified as follows:

Test of Hypotheses

$DRATIO_{ti} = \beta_o + \beta_1 DPS_t + \varepsilon_t$ - [Equation (1)]

$DRATIO_{ti} = \beta_o + \beta_1 ROE_t + \varepsilon_t$ - [Equation (2)]

Where,

DRATIO	Debt Ratio
DPS	Dividend per Share
ROE	Return on Equity
ε	Stochastic disturbance (Error) Term
β_o	Coefficient (constant) to be estimated
$\beta_i – \beta_5$	Parameters of the independent variables to be estimated
t	Current period

Description of Model Variables

The research variables are divided into two parts; dependent variables and independent variables. Dividend per Share, Return on Equity, and Earnings per Share is the dependent variable, while Debt Ratio is the independent variable.

Data Analysis and Interpretation

Data Analysis

Table 1: Descriptive Statistic for Glaxo Smith Kline Nigeria Plc

	DRATIO	**EPS**	**ROE**
Mean	10.65236	7.723000	0.336000
Median	11.18923	7.985000	0.350000
Maximum	15.69685	12.16000	0.450000
Minimum	5.382224	1.280000	0.160000
Std. Dev.	2.998156	2.968011	0.099017
Skewness	-0.069378	-0.810417	-0.540056
Kurtosis	2.429088	3.486655	2.038379
Jarque-Bera	0.143831	1.193305	0.871398
Probability	0.930610	0.550652	0.646813
Sum	106.5236	77.23000	3.360000
Sum Sq. Dev.	80.90047	79.28181	0.088240
Observations	10	10	10

Source: E-views 9.0 Software

Table 1 depicts that all the variables have skewness values that are less than one. This suggests that the variables are normally distributed. The kurtosis coefficient is less than three except for the kurtosis for earnings per share which is slightly higher than the kurtosis of a normal distribution. This confirms that the data series are normally distributed except for earnings per share. The P-value for all the variables is insignificant for the Jarque-Bera statistics. This confirms a fairly normal distribution for all the variables under study.

Table 2: Correlation Analysis for Glaxo Smith Kline Nigeria Plc

	DRATIO	**EPS**	**ROE**
DRATIO	1.000000	-0.188574	0.582737
EPS	-0.188574	1.000000	0.299104
DPS	0.147901	0.637186	0.368270
ROE	0.582737	0.299104	1.000000

Source: E-views 9.0 Software

Table 2 indicates that a strong and positive relationship exists between DRATIO and ROE. DPS has a positive and weak association with DRATIO. On the other hand, EPS has a negative but weak relationship with DRATIO. This implies that ROE is the only variable that is strongest in association with the Debt ratio in GLAXO SMITH KLINE Nigeria Plc.

Regression Result for Glaxo Smith Kline Nigeria Plc
Table 3: Regressing Debt Ratio on Earnings per Share
Dependent Variable: EPS
Method: Least Squares
Date: 10/21/2020 Time: 17:30
Sample: 2009-2018
Included observations: 10

Variable	Coefficient	Std. Error t-Statistic	Prob.
DRATIO C	-0.186678 9.711564	0.343719 -0.543113 3.789695 2.562624	0.6019 0.0335
R- squared	0.035560	Mean dependent var	7.723000
Adjusted R-squared	0.084995	S.D. dependent var	2.968011
S.E. of regression	3.091572	Akaike Info criterion	5.272093
Sum squared resid	76.46253	Schwarz criterion	5.332610
Log-likelihood	-24.36046	Hannan-Quinn criteria.	5.205706
F –statistic	0.294971	Durbin- Watson stat	1.901771
Prob(F- statistic)	0.601852	-	

Source: E-views 9.0 Software

Interpretation of Regression Coefficient Result
Table 3 indicates that a one-unit change in DRATIO is going to cause EPS to decrease by 0.186678. The t-stat however, shows that this effect is insignificant with its value of-0.543 which is less than 2.

Interpretation of Durbin Watson- Statistic
The Durbin-Watson statistic is 1.901771 which is approximately 2. In this case, the Durbin-Watson statistic indicates the absence of autocorrelation in the series. The result indicates the absence of positive or negative serial correlation in the time series data extracted from the annual report and accounts of GLAXO SMITH KLINE Nigeria Plc.

Coefficient of Determination (R^2)
The Adjusted R-squared is 0.084995. The adjusted R^2 reveals that about 8% of the variations in EPS could be explained by DRATIO, while 92% could be explained by other factors capable of Influencing EPS in GLAXO SMITH KLINE Pic; such as government Influence through price regulation, as well as the error term and the unexplained variables.

Table 4: Regressing Debt Ratio on Dividends per Share
Dependent Variable: DPS
Method: Least Squares
Date: 10/21/2020 Time: 17:36
Sample: 2009- 2018
Included observations: 10

Variable	Coefficient	Std. Error t-Statistic	Prob.
DRATIO C	0.158301 5.104723	0.374251 0.422980 4.126329 1.237110	0.6835 0.2511
R-squared	0.021875	Mean dependent var	6.791000
Adjusted R-squared	0.100391	S.D. dependent var	3.208968
S.E. of regression	3.366192	Akaike Info criterion	5.442298
Sum squared resid	90.64999	Schwarz criterion	5.502815
Log-likelihood	-25.21149	Hannan-Quinn criter.	5.375911
F- statistic	0.178912	Durbin- Watson stat	1.370796
Prob(F- statistic)	0.6'83451		

Source: Eviews 9.0 Software

Interpretation of Regression Coefficient Result

Table 4 indicates that a one-unit change in DRATIO is going to cause DPS to increase by 0.158301. The t-stat however, shows that this effect is insignificant with its value of 0.422 which is less than 2.

Interpretation of Durbin Watson- Statistic
The Durbin-Watson statistic is 1.370796 which is less than 2. In this case, the Durbin-Watson statistic indicates the presence of autocorrelation in the series. The result indicates the presence of negative serial correlation in the time series data extracted from the annual report and accounts of GLAXO SMITH KLINE Nigeria Pic.

Coefficient of Determination (R^2)
The Adjusted R-squared is 0.10. The adjusted R^2 reveals that about 10% of the variations in DPS could be explained by DRATIO, while 90% could be explained by other factors capable of influencing DPS in GLAXO SMITH KLINE Plc; such as government Influence through price regulation, as well as the error term and the unexplained variables."

Table 5: Regressing Debt Ratio on Return on Equity
Dependent Variable:
ROE Method: Least Squares
Date: 10/22/2020 Time: 06:45
Sample: 2009- 2018
Included observations: 10

Variable	Coefficient	Std. Error t-Statistic	Prob.
DRATIO	0.019246	0.009489 2.028189	0.0771
C	0.-130990	0.104622 1.252030	0.2459
R- squared	0.339583	Mean dependent var	0.336000
Adjusted R-squared	0.257030	S.D. dependent var	0.099017
S.E. of regression	0.085349	Akaike Info criterion	-1.907286
Sum squared resid	0.058275	Schwarz criterion	-1.846769
Log-likelihood	11.53643	Hannan-Quinn critter.	-1.973673
F-statistic	4.113552	Durbin- Watson stat	1.523258
Prob(F-statistic)	0.077073		

Source: Eviews 9.0 Software

Interpretation of Regression Coefficient Result
Table 5, indicates that a one-unit change in DRATIO is going to cause DPS to increase by 0.019246. The t-stat however, shows that this effect is significant with its value of 2.028189 which is greater than 2.

Interpretation of Durbin Watson- Statistic
The Durbin-Watson statistic is 1.523258 which is less than 2. In this case, the Durbin-Watson statistic indicates the presence of autocorrelation in the series. The result indicates the presence of negative serial correlation in the time series data extracted from the annual report and accounts of GLAXO SMITH KLINE Nigeria Pic.

Coefficient of Determination (R)
The Adjusted R-squared is 0.257030. The adjusted R^2 reveals that about 25% of the variations in ROE could be explained by DRATIO, while 75% could be explained by other factors capable of Influencing ROE in GLAXO SMITH KLINE Plc; such as government influence through price regulation, as well as the error term and the unexplained variable

Test of Hypotheses

Table 6- Regression Result - Hypotheses One
Dependent Variable: EPS:
Method: Least
Squares Date: 10/21/2020 Time: 20:53.
Sample: 140 – k
Included observations: 40

Variable	Coefficient	Std. Error t-Statistic	Prob.
DRATIO	0.105037	0.183849 0.571318	0.5711
C	5,533887	2.027042 2.730030	0.0095
R- squared	0.128516	Mean dependent var	4.415000
Adjusted R-squared	0.087575	S.D. dependent var	3.278571
S.E. of regression	3.307256	Akaike Info criterion	5.278821
Sum squared resid	415.6418	Schwarz criterion	5.363265
Log-likelihood	-103.5764	Hannan-Quinn criteria.	5.309354
F-statistic	0.326404	Durbin- Watson stat	1.364998
Prob(F -statistic)	0.571148		

Source: Eviews 9.0 Software

Hypothesis one: The debt ratio rate does not significantly affect earnings per share of firms in Nigeria's pharmaceutical sector. :

Decision Rule: Reject H_0 if P-Value is less than a value of 0.05.

Decision: Table 6 revealed that a P-Value of 0.5711 which is higher than a P -value of 0.05; H_0 is therefore accepted concerning earnings per share of Nigeria's pharmaceutical industries. This implies that the Debt ratio does not significantly affect the earnings per share of Nigeria Pharmaceutical Industries.

Table 7: Regression Result - Hypotheses Two
Dependent Variable: DPS
Method: Least Squares
Date: 10/21/2020 Time: 20:58
Sample: 140 - k
Included observations: 40

Variable	Coefficient	Std. Error t-Statistic	Prob.
DRATIO C	0.078919 2.402577	0.160657 0.491226 1.771334- 1.356366	0.6261 0.1830
R- squared	0.206310	Mean dependent var	3.243250
Adjusted R-squared	0.128086	S.D. dependent var	2.861802
S.E. of regression	2.890051	Akaike Info criterion	5.009132
Sum squared resid	317.3910	Schwarz criterion	5.093576
Log-likelihood	-98.18264	Hannan-Quinn critter.	5.039664
F-statistic	0.241303	Durbin- Watson stat	0.521068
Prob(F-statistic)	0.626092		

Source: Eviews 9.0 Software

Hypothesis two: Debt ratio does not significantly relate to dividends per share of firms in Nigeria's pharmaceutical sector.

Decision Rule:
Reject H_0 if P-Value is less than a value of 0.05.

Decision:
Table 7 revealed a P-Value of 0.6261which is higher than a P-value of 0.05; ho is therefore accepted concerning dividend per share of Nigeria's pharmaceutical industries. This implies that the Debt ratio does not significantly affect dividends per share of Nigeria's pharmaceutical industries.

Discussion of Findings
Hypotheses one: This hypothesis states that the debt ratio rate does not significantly affect the earnings per share of firms in Nigeria's pharmaceutical industry. From the result of the regression analysis in Table 6, the debt ratio rate affects earnings per share positively and insignificantly to the tune of 0.087575. It also reveals that about 8% of changes in earnings per share could be explained by debt ratio.

Hypotheses Two: This hypothesis states that the debt ratio rate does not significantly affect dividends per share of pharmaceutical firms in Nigeria. From the result of the regression analysis in Table 7, we could see that the debt ratio insignificantly and positively affects dividends per share. It also reveals that about 12% of changes in dividends per share could be explained by rising prices.

Conclusion
After conducting the regression analysis and subsequence test of hypotheses, it was discovered that: Debt ratio rate has a positive and insignificant relationship with dividends per share of pharmaceutical firms in Nigeria; Debt ratio rate has a positive and insignificant effect on the return on equity of firms in Nigeria pharmaceutical industry. In most Nigerian firms, the issue of debt ratio is a matter of concern among corporate managers and owners of industries. This study, therefore, concludes from its discussion of findings that the debt ratio does not significantly affect the firm's earnings per share, dividend per share, and return on equity. This is an indication that a firm's profitability cum performance is not tagged on these variables. The following are hereby.

Recommendation
Firms in Nigeria's Pharmaceutical Industry should strive to increase their turnover in other to improve their net profit after tax which will lead to an increase in their earnings per share.

I. However, this should be done regardless of the debt ratio since it does not have a significant effect on earnings per share; they should zealously strive to improve their profits after tax, which will increase their dividend payout. The dividend is one of the major factors to consider by any rational investor.
II. However, the debt ratio does not significantly affect dividends per share; the result of our analysis showed that the debt ratio rate does not significantly affect the return on equity of firms in Nigeria's pharmaceutical industry. The implication is that firms should strive to improve their profits after tax to increase their returns on equity.

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