CHAPTER I
INTRODUCTION

1.1 Research Background

In the aftermath of the pandemic, the global community is presently engaged in the process of reconstructing itself in order to restore a sense of normalcy. The COVID-19 pandemic had a significant impact on the global economy, including Ghana's. However, there has been a gradual recovery in recent times. Prior to the onset of the pandemic in 2020, Ghana's economy had been undergoing substantial expansion, as evidenced by a GDP growth rate of 6.51% in comparison to 6.20% in both 2018 and 2019. However, this growth was abruptly curtailed in 2020, with a sharp decline to 0.51%. The financial services sector in Ghana has undergone substantial regulatory changes and enforcement measures that have altered its boundaries. The initiation of the Bank and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) marked the inception of the prevailing primary legislation that regulates the banking industry in Ghana. Act 930 repealed the Banking Act 2004 (Act 673) Ahiabenu (2022) and the Banking (Amendment) Act 2007 (Act 738), (Akpene Akakpo et al., 2022).

Table 1.1 Movement in GDP (2018-2020)

Year	GDP (%)	Annual Change (%)	Effect (%)
2018	6.51	-	Nil
2019	6.20	0.31	Decline in GDP
2020	0.51	(5.69)	Drastic Decline

Source: Ghana Stock Exchange (2022)

In November 2019, the Security and Exchange Commission (SEC) revoked the licenses of 53 fund management companies, indicating that the capital market was not exempt from this action. According to estimates, the financial services clean-up is projected to incur a cost of approximately GHS 21 billion, which accounts for roughly 6% of the country's Gross Domestic Product (GDP). It is projected that Ghana's Gross Domestic Product (GDP) will experience an average growth rate of 5.6% over the medium term. The COVID-19 pandemic had a significant impact on Ghana's economy, resulting in a decline in the country's Gross

Domestic Product (GDP) growth from 6.20% in 2019 to 0.51% in 2020. The aforementioned resulted in a yearly variation of -5.69%. The year 2021 exhibited a positive 5.4% growth in real GDP. The regulatory, managerial, and operational foundations of the Ghanaian market are established by the SEC, the Bank of Ghana, the Ghana Stock Exchange (GSE), the Ministry of Finance and Economic Planning, and stock brokerage firms.

Prior to the onset of the pandemic, the capital market of Ghana had commenced to assume a crucial function in the attraction of long-term capital financing for economic undertakings. The outbreak of Covid-19 has exacerbated the level of uncertainties in the global financial markets, leading to a decline in the prices of bonds. The aforementioned event resulted in an increase in the differential between the bid and ask prices of government-issued debt securities, particularly in developing economies like Ghana. The major ratings agencies downgraded several emerging market sovereign issuers, including Ghana, in the aftermath of the pandemic. This was indicative of the challenging budgetary circumstances and less favourable economic projections. Fitch, the credit rating agency, has updated its assessment of Ghana's long-term foreign currency issuer default rating (IDR) by changing its outlook from stable to negative. The IDR has been affirmed at 'B'.

According to the Ghana Stock Exchange (2022), as of March 2022, the primary exchange of Ghana has experienced a significant reduction in its number of listings, with only 29 listings available. This represents a notable decline from the 42 listings that were reported in April 2021. The exchange offers ownership in four distinct forms of equity. The four types of shares in question are classified as ordinary shares, depository shares, preference shares, and exchange-traded funds. It is anticipated that the capital market of Ghana will experience an upward trajectory subsequent to the pandemic, and will gradually assume a crucial function in drawing both long-term and short-term capital funding for economic endeavours. The financial or capital market is a marketplace where individuals and organizations engage in the exchange of financial securities and commodities, including but not limited to stocks, bonds, and notes. The capital market in Ghana assumes a crucial and fundamental function in the economy as a recognized medium of exchange for monetary transactions. The Ghanaian stock market has been linked to economic expansion due to its function as a means of generating fresh private capital. Conversely, the expansion of the economy has the potential to serve as a stimulant for the growth of the stock market.

Osaseri and Osamwonyi (2019) posit that a stock exchange is a platform designed for the purpose of trading financial securities and facilitating the acquisition of long-term capital. The objective is to achieve optimal allocation of capital funds to various sectors of the economy. This is facilitated by a highly responsive pricing mechanism, which ensures that capital resources are directed towards firms that offer competitive returns.

According to Wójcik and Ioannou (2020), stock markets are perceived to augment the functioning of the domestic financial system overall, and the capital market specifically. According to Caporale et al. (2020) the Ghanaian stock exchange serves as a catalyst for investment opportunities by identifying and funding productive projects that promote economic activity, mobilize domestic savings, allocate expertise, facilitate risk diversification, and enable the exchange of goods and services. The Ghanaian stock market is anticipated to enhance economic growth through the augmentation of financial asset liquidity, enabling diversification of global and domestic risks, encouraging prudent investment decisions, and impacting corporate governance by addressing institutional challenges and elevating shareholders' value ((Nyamwero, 2021).

According to Kunawotor et al. (2020), the capacity of a company to handle its operating environment, as well as its access to resources, are among the crucial determinants of its profitability. The operating environment encompasses factors that are intricately linked to a company's competitive standing. The operational performance and profitability of companies are influenced by various factors, both directly and indirectly. The internal factors encompassing the strengths and weaknesses of a company are under its direct control. The additional crucial elements are external in nature and possess a direct impact on the operations of companies. Nevertheless, these factors are beyond the direct control of companies. A dynamic standardized process of operation is implemented to manage the environment. The capacity to raise long-term capital for the purpose of profitability and growth is a crucial attribute that bolsters a company's performance.

One of the primary methods for obtaining long-term capital is by issuing shares to the general public through an initial public offering (IPO). In Ghana, the act of trading shares publicly is contingent upon being listed on the Ghana Stock Exchange (GSE). This necessitates the submission of an application to the stock exchange, satisfying the requisite listing criteria, and registering as a public company. Upon completion of these steps, approval is granted for a specified number of shares to be traded on the exchange's trading floor. The Ghana Stock Exchange was founded in October of 1990, initially comprising eight listed entities, including Standard Chartered Bank (SCB). As of April 1st, 2021, the exchange has expanded to include 42 equities from 37 companies, as well as two corporate bonds. Notably, five of the listed entities are banks, namely Standard Chartered Bank, Ecobank Ghana Limited, Cal Bank, GCB Bank Ltd., and Home Finance Company Bank Limited. Nyamekye et al. (2021) reported on the distribution of economic sectors in Ghana's Gross Domestic Product (GDP) for the year 2021. The presented statistical data illustrates the distribution of economic sectors' contribution to Ghana's Gross Domestic Product (GDP) over the period spanning from 2011 to 2021.

The contribution of Agriculture, Industry, and Service sectors to Ghana's Gross Domestic Product (GDP) were 19.71%, 28.26%, and 45.93%, respectively. As of December 31, 2021, the gross domestic product (GDP) amounted to GH¢442.30 billion, which can be converted to US$77.59 billion at a rate of GH¢5.7. Based on market statistics provided by GSE, the current market capitalization of the stock exchange is GH¢ 64.0 billion, which accounts for 14.47% of the total GDP. Based on the available data, it can be observed that the Manufacturing and Brewing industries hold a significant share in the exchange, with the Finance sector ranking third in terms of contribution. Among the top performers in terms of market capitalization is Ecobank Transnational Incorporation (ETI), with a value of GH¢3,610.16 million, followed by Standard Chartered Bank (SCB). On the other hand, Access bank has the lowest market capitalization among the assessed entities, with a value of GH¢697.53 million. During the period spanning from 2016 to 2021. According to the Ghana Stock Exchange (2022) Stock exchanges enforce rigorous regulations, criteria for listing, and legal obligations that are mandatory for all parties involved in trading and listing. The Nairobi Stock Exchange in Kenya comprises over 50 businesses and companies, such as Sasini Tea and Coffee Ltd., Kenya Airways, Jubilee Insurance, Kenya Commercial Bank Ltd., and Ken Gen Ltd., among others. The majority of enterprises in the exchange pertain to the financial or industrial domains, albeit agriculture and other commercial services are also inclusively featured.

In addition, there are Treasury bonds that have been issued by the Government of Kenya. The Ghanaian stock exchange currently comprises 37 companies, of which 8 are banks, namely Agricultural Development Bank (ADB), GCB Bank Ltd, and others such as Goil Gh. Ltd., AngloGold, and Alu works, among others. In addition, the catalogue includes corporate bonds that have been released by the Ghanaian government. Private corporate bonds are issued on occasion by corporations. The trading activity occurs on a weekly basis, specifically from Monday to Friday, within the temporal boundaries of 6am to 6pm. (Ghana Stock Exchange, 2022).The Indonesia stock exchange currently has a total of 777 registered companies, with a corresponding increase in the number of stock investors to 6.4 million, as compared to 2.5 million at the close of 2019. The daily stock market capitalization has also risen to IDR 14.39 trillion in 2022. (www.idx.com).

The concept of capital structure pertains to the composition or ratios of a company's enduring, extended financing that is comprised of debt, preferred shares, and equity capital. In the course of making financial determinations, it is incumbent upon the firm to ensure the optimization of shareholder wealth, as posited by Abor (Abor et al., 2019). The decision regarding capital structure must be made with consideration to the objective of maximizing wealth. The optimal capital structure is the specific combination of equity and debt that maximizes the value of a firm. Theoretical frameworks in capital structure elucidate the interplay between capital structure, valuation, and overall cost of capital (Ko). There exist four significant theories in this domain, namely the Net Income (NI) approach, Net Operating Income (NOI) approach, Modigliani and Miller (MM) approach, and Traditional approach.

The decision regarding capital structure is of utmost importance as it has a significant impact on a company's profitability. The study conducted by Hajisaaid (2020) on the correlation between capital structure and profitability reveals a negative association between the two variables, with the exception of the connection between equity and return on equity. The present research endeavours to examine the impact of operational and investment disparities across various industry sectors on the capital structure of firms listed in Ghana. The researcher utilized the opportunity to examine and assess how the diverse industry sector fluctuations result in distinct capital structure and profitability trends among firms listed in Ghana.

Prior studies have demonstrated that various sectors display distinct organizational frameworks. The reason for this is that various industries exhibit distinct operational characteristics, varying earnings before interest, diverse assets, and other related factors. The observed dissimilarities are likely to be associated with variations in the capital structure of the respective industries. The authors (Sultan & Adam, 2015) have been cited. Diverse sectors demonstrate varying levels of profitability and market valuation. Variations in capital structures may be observed among firms operating within the same industries. According to Abor (2007) findings, the capital structure of small and medium-sized enterprises (SMEs) in Ghana can be largely attributed to the industry effect. Furthermore, Abor notes that there are discernible differences in capital structure among the various industries. Due to the aforementioned variations, numerous theories have been proposed to elucidate the rationale behind a company or industry's preference for a specific organizational structure over others. The diversity of industry sectors represented by listed firms in Ghana suggests that the capital structure decisions of each firm may be influenced by the characteristics of its respective industry. The relevance of the relationship between capital structure and profitability is pertinent to the present study.

The average ROA for public companies in Ghana was 0.0465, while the average ROE was -0.1411 (source: financial statements of the listed companies 2017-2021), according to data, listed companies are making average of 4.65% on ROA the period between 2017-2021. ROE has a negative -0.1411, accordingly.

Table 1.2 Shareholder's value between 2017-2021

	ROA (%)	ROE (%)
Listed Companies	4.65	(0.1411)
	Minimum	Maximum
ROA	0.9160	1.0270
ROE	(111.1700)	13.0510

Source: Ghana Stock Exchange (2022)

The data suggests that the operations of the publicly traded firms in Ghana between 2017 and 2021 have resulted in a decline in the value of shares held by investors. An additional issue that has been identified pertains to the variability of the ROA and ROE values of publicly traded firms during the period spanning from 2017 to 2021. Specifically, the ROA values exhibited a range of 0.9160 to 1.0270, while the ROE values ranged from -111.1700 to 13.0510. The Return on Equity (ROE) exhibits a significantly negative trend, indicating an overall decrease in profitability and ROE. Based on financial data from 37 publicly traded companies between 2017 and 2021, it appears that a primary issue regarding Debt- to- Equity Ratio (DER) is the reliance on substantial levels of debt rather than equity within the capital structure. This results in a high degree of leverage for publicly traded companies.

The Modigliani and Miller (MM) theory is a prominent financial theory that centres on the capital structure of a firm and its impact on the company's value and cost of capital. The proposition was initially introduced by economists (Modigliani & Miller, 1958). As per the MM1 hypothesis, which rests on certain assumptions, the valuation of a firm is solely determined by its cash flows and the risk associated with its assets, rather than its decisions pertaining to the composition of its capital structure. In an ideal scenario characterized by efficient markets, the financing decisions of a firm, whether through debt or equity, would not affect the firm's intrinsic value. The primary assertion of MM1 posits that the capital structure of a firm bears no correlation to its cost of capital. As per MM1, the cost of equity and the weighted average cost of capital (WACC) remain constant, irrespective of the debt-to-equity ratio employed to fund a company's investments. As per the argument, the cost of equity for a company should increase proportionally with its level of debt in order to counterbalance the additional risk associated with debt.

The seminal finding Modigliani and Miller (1958) was that the value of a firm is independent of its capital structure, specifically debt. This hypothesis posits that there must be an equilibrium between the tax advantage and the borrowing risk. In order for the theory to hold true, it is necessary that the risk disadvantage be equivalent to zero in the event that the tax advantage is also zero. The conclusion drawn by MM posits that debt's impact on profitability and value is negligible, owing to the tax benefits associated with debt, among other assumptions. Assuming that individuals have access to the same borrowing and lending terms as the firm, they are capable of replicating the outcomes of the firm. Our initial step involves questioning MM's assumptions in order to obtain a rationale to remove them.

MM was compelled to revise their position in 1963 following the reception of multiple criticisms. Consequently, their assumption of an economy free from taxation was relaxed. The outcome indicates that the consideration of debt financing is currently a pertinent aspect in assessing the profitability and worth of a company. The tax levied on a company is a significant factor in determining its debt policy due to the fact that the interest expenses incurred on debt are tax-deductible in numerous jurisdictions across the globe. Section 14 of the Internal Revenue (Act, 2000), in Ghana allows for the tax deductibility of interest. This legislation is applicable to all enterprises in Ghana, with the exception of those that have been explicitly granted exemption. The tax deductibility of interest payments results in a reduction of a company's tax liability or obligations to the government, thereby increasing available funds for distribution to shareholders. This statement suggests that the utilization of debt as a tax benefit results in a rise in both equity returns and overall value. As an illustration, supposing the corporate tax rate is 25%, each unit of debt denominated in Cedi, the Ghanaian currency, would augment the firm's value by a minimum of 25 pesewas, the Ghanaian decimal currency.

Hence, the recognition of tax benefit renders debt pertinent to value. The pecking order hypothesis represents a viable approach to examining the most advantageous capital structure. As per the findings of Brealey and Myers (2003) management exhibits a preference for internally generated funds in comparison to externally generated funds. In the event that external debt is required, debt financing is deemed more favourable compared to equity financing. Investors frequently exhibit reluctance in acquiring recently offered shares due to a perception that they may be overpriced. The Pecking Order Theory falls short in accounting for all the observed regularities in capital structure that are evident in practical settings. The pecking order theory exhibits limitations when compared to the trade-off theory, as it fails to provide a comprehensive explanation for the impact of factors such as taxes, bankruptcy costs, security insurance costs, and a firm's investment opportunities on its debt ratio.

The trade-off hypothesis posits that an optimal capital structure can be achieved by striking a balance between the tax advantages of debt and the risk of insolvency. This implies that the optimal capital structure for a firm is the one that maximizes its tax advantages. Furthermore, it possesses the appealing characteristic of being firmly grounded in the principles of capital market equilibrium and the pursuit of maximizing value.

Research on the impact of capital structure on the profitability of publicly traded companies has primarily focused on the individual variables examined in this study, resulting in a theoretical gap in the literature. To date, no empirical study has integrated capital structure, Debt to Equity (DER), and Net Profit Margin (NPM) while controlling for growth and moderating for firm size. All of the studies analysed employed a time frame ranging from 5 to 10 years, and it is noteworthy that none of the studies examined a listing history spanning 20 years on a global scale. A further area of research that requires attention is the absence of acknowledgement within the literature regarding financial institutions as the sole means of financing for publicly traded corporations. Abor (2005b) conducted a study titled "The effect of capital structure on profitability: an empirical analysis of listed firms in Ghana." The aforementioned publication, namely the Journal of Risk Finance, can be found in volume 6, issue 5, and spans pages 438 to 445. The present study examined the correlation between capital structure and profitability among publicly traded companies on the Ghana Stock Exchange (GSE) over a span of five years. The technique of progression analysis is utilized in the process of function estimation. The study determined that there exists a positive correlation between capital structure and Return on Equity (ROE).

The study conducted by Mauwa et al. (2016) determined that there exists a negative correlation between capital structure and return on equity (ROE). Addae et al. (2013) conducted a study on the impact of capital structure on the profitability of listed companies in Ghana. The present research aimed to examine the correlation between capital structure and profitability of publicly traded companies in Ghana. The study utilized a time frame of five years, specifically from 2005 to 2009. The study's findings suggest that a definitive conclusion regarding the ideal capital remains elusive. Furthermore, the study employed mean profitability and debt ratios. As per the study conducted by PHAM (2020) titled "The Effect of Capital Structure on Financial Performance of Vietnamese Listed Pharmaceutical Enterprises," the impact of capital structure on the financial performance of pharmaceutical firms listed in Vietnam was analysed. The present research endeavours to examine the impact of capital structure on the financial performance of pharmaceutical companies that are publicly traded on the stock exchange of Vietnam. The study employed regression analysis, with return on equity (ROE) as the dependent variable and self-financing, financial leverage, long-term assets and debt-to-assets ratio, and firm size as controlling variables. The data utilized spans a period of five years, specifically from 2015 to 2019. The study's findings indicate that there exists a positive correlation between a firm's performance and its leverage ratio, long-term to asset ratio, and debt to asset ratio. Conversely, the impact of self-financing on the Return on Equity (ROE) is negative.

This study aims to examine the impact of capital structure, firm size, firm growth, and profitability on firm value among mining sector companies that are publicly listed on the Indonesia stock exchange during the period of 2011-2017. The study employed a descriptive and verificative approach to analyse panel data. The findings of this study suggest that capital structure has a partially positive impact on firm value, while firm size has a negative impact on firm value. Additionally, the study found that firm growth has a positive effect on firm value. The study reveals that firm value is positively influenced by profitability, while also indicating that firm size, growth, and capital structure have an impact on firm value.

The research article titled "The Impact of Capital Structure of Firms on Stock Returns: An Analysis of Selected Companies Listed on the National Stock Exchange" authored by Bhagyalakshmi et al. investigates the relationship between the capital structure of firms and their stock returns. The study utilized a five-year timeframe spanning from 2014 to 2018. The objective of this research was to aid managers and policymakers in making informed decisions regarding the optimal debt ratio that can potentially maximize stock return. The research employed correlation and regression analysis techniques. The findings of the study indicate that there exists an adverse impact of capital structure on the returns of stocks. The research findings indicate that there exists a positive correlation between stock return and profitability as well as growth, whereas a negative correlation is observed between stock returns and size.

In their study, Saliha and Abdessatar (2011) conducted an empirical investigation on the determinants of financial performance, utilizing the simultaneous equations method. The study specifically examined the correlation among performance, type of control, and debt. A simultaneous equation approach was employed to analyse a cohort of 40 Tunisian listed companies over a period of nine years. The research findings indicate that the level of performance, as measured by two variables, namely Shareholder value and Stakeholder value, is influenced by debt and form of control. Given the uncertain or insufficient backing for the impact of capital structure on the profitability of publicly traded firms on the Ghana Stock Exchange, it is imperative to broaden the scope of this discourse to encompass other industries of the aforementioned companies, which have been listed for two decades, with a specific focus on the influence of capital structure. The present study aims to examine the Debt to Asset Ratio (DAR) as a constituent of the capital structure, while also taking into account the firm size as a moderating variable. The profitability will be measured using growth as the control variable. Previous studies have presented empirical evidence indicating a decline in profitability and operating performance of firms subsequent to their listing on the Stock Exchange. For instance Pagano et al. (1998) observed a reduction in profitability during the first year of listing, which persisted and gradually declined over time. According to Pástor and Pietro (2003) findings, they arrived at a comparable outcome subsequent to their examination of the Stock Exchange Market pertaining to Saudi Arabian companies. According to Addae et al. (2013) despite the advantages associated with listing, it has an adverse impact on the performance of companies. Nevertheless, it is important to note that these findings pertain solely to certain countries with distinct institutional characteristics that may differ from those of other nations. Therefore, it would be inappropriate to generalize this conclusion to other markets without considering the potential for bias.

In the Ghanaian context, there exists a dearth of empirical research or evidence pertaining to the impact of a firm's listing on the Stock Exchange Market on its capital structure, as a gauge of profitability, with firm size serving as the moderating variable. The present study incorporates a moderating factor to comprehend the potential impact or alteration of the interplay between the capital structure determinations of the aforementioned firms and their profitability. The utilization of moderating factors, also referred to as interaction effects or conditional effects, facilitates the examination of the intricate and situational character of determinants of capital structure in this study. Diverse industries, varying market conditions, and distinct managerial characteristics may be encountered by different firms. This study incorporates moderating factors to investigate potential variations in the association between capital structure and firm profitability across diverse firm types or contexts.

The present chapter contextualizes the research by delineating the areas that provide the backdrop to the study. It elucidates the study's objectives and focuses on the accomplishments of companies listed on the Ghana Stock Exchange in terms of growth performance. Additionally, it outlines the solutions to the associated issues that emerged during the study.

1.2 Problem formulation

Drawing from the research background, the ensuing research predicaments can be formulated:

1. What is the impact of capital structure on the profitability of a company?
2. What is the moderating impact of firm size on the association between capital structure and profitability, while controlling for growth, among the firms listed on the Ghana stock exchange during the period of 2002-2021.

1.3. Objectives

The overarching aim of this research is to examine the impact of capital structure on the profitability of firms that are publicly listed in Ghana over a span of two decades, specifically from 2002 to 2021. The research topic is titled "The Effect of Capital Structure on the Profitability of Companies Listed on the Ghana Stock Exchange from 2002-2021." The objective of this research is to investigate the utilization of capital structure composition by Ghanaian listed companies to augment growth in profitability.

The specific objectives are:

1. To assess the effect of capital on profitability using relevant ratios
2. To evaluate the moderating effect of firm size on capital structure and profitability in relationship with growth as control variable.

This study distinguishes itself from prior research on the same subject by comprehensively analysing all companies listed on the Ghana stock exchange over a 20-year timeframe spanning from 2002 to 2021. The utilization of firm size as a moderating variable is being employed. The study encompasses all corporations that are listed, without being restricted solely to specific industries. This research period encompasses the period prior to and during the COVID-19 pandemic, with the aim of examining any potential alterations to exchange transactions. The results of this research will improve the operational functions of all enterprises that are registered on the Ghanaian stock market. This document can function as a reference for investors in their decision-making process regarding the selection of securities on the Ghana Stock Exchange. It accomplishes this by conducting a comparative analysis of the performance of various securities, as well as assessing the current conditions of the relevant industry and projecting future profitability, growth, and dividend payments. Ultimately, this evaluation aims to quantify the level of risk associated with each security. The results of this study will furnish GSE information users with a comprehensive foundation upon which to make informed economic decisions. This will provide a valuable contribution to the current body of literature and aid in facilitating future research endeavours. Finally, the results of this study would provide additional advantages that can be obtained by publicly traded corporations.

1.4 Significance of Research

This study holds academic importance due to its potential to provide advantages to diverse stakeholders and its potential to enhance the general comprehension of the correlation between capital structure and profitability in the Ghanaian market.

This study offers significant insights to investors regarding the most advantageous capital structure for companies operating in the Ghanaian market, as well as the potential effects of varying capital structures on a firm's profitability. This data can serve as a basis for investment decision-making and aid investors in making better-informed selections regarding the companies they wish to invest in. This study offers significant insights for managers regarding the influence of capital structure on a firm's profitability. Such insights can aid in making informed decisions about the most suitable capital structure for the firm. The aforementioned data can serve as a valuable tool for informing investment strategies and enabling managers to make judicious decisions regarding the allocation of their financial resources in order to optimize profitability.

This study offers significant insights for regulators regarding the correlation between capital structure and profitability within the Ghanaian market, thereby facilitating informed policymaking decisions. The aforementioned data can be utilized to formulate regulatory and policy frameworks that facilitate the attainment of the most favorable capital structure for enterprises operating in the market. This, in turn, can bolster the general well-being of the market and foster the expansion of businesses in the Ghanaian market.

The present study holds academic significance as it offers valuable insights into the correlation between capital structure and profitability in the Ghanaian market, spanning a period of twenty years from 2002 to 2021. The holistic examination of the tendencies and configurations within this association may prove advantageous for subsequent scholarly inquiry and governmental decision-making, and may augment the preexisting reservoir of information regarding this subject matter. The research investigated the impact of capital structure on profitability by utilizing pertinent ratios and assessing the moderating influence of firm size on this association. This approach offers a more intricate comprehension of the relationship, which can aid stakeholders in making informed decisions and contribute to the advancement and well-being of the Ghanaian market.

1.5 The Research Structure

The structure of this research study is designed to provide a comprehensive examination of the relationship between capital structure and profitability of listed firms in Ghana. The contents of each chapter are organized as follows:

Chapter 1: Introduction

In this chapter, the background and context of the research are introduced. The theoretical background of capital structure and its relationship with the performance of listed companies is described, and the research problems and purpose are defined.

Chapter 2: Literature Review

This chapter reviews existing research on the effect of capital structure on the financial performance of companies listed on the Ghana Stock Exchange. The results of relevant studies are analysed, and a foundation is laid for the design of the quantitative research.

Chapter 3: Research Methods

this chapter, the research framework is constructed, and the quantitative research program is designed. This chapter provides a detailed explanation of the methods and techniques used to conduct the research, including the research design, data collection, and analysis methods.

Chapter 4: Research Results and Discussion

This chapter presents and analyses the findings of the quantitative research. The present study evaluates the capital structure, profitability, firm size, and growth of 15 publicly traded companies that have maintained a listing for a period of twenty years. This study examines the impact of capital on profitability through the utilization of pertinent ratios, such as the return on equity (ROE), return on assets (ROA), and net profit margin (NPM). The present study assesses the impact of capital structure on profitability while controlling for growth as an independent variable.

Chapter 5: Conclusion and Recommendation

This chapter elucidates the importance of the research findings by discussing their ramifications for both scholarly inquiry and commercial application. The aforementioned chapter additionally offers suggestions for prospective investigations in this particular domain. The investigation culminates by providing a synopsis of the principal discoveries and emphasizing the significance of this inquiry to the current corpus of information concerning the subject matter.

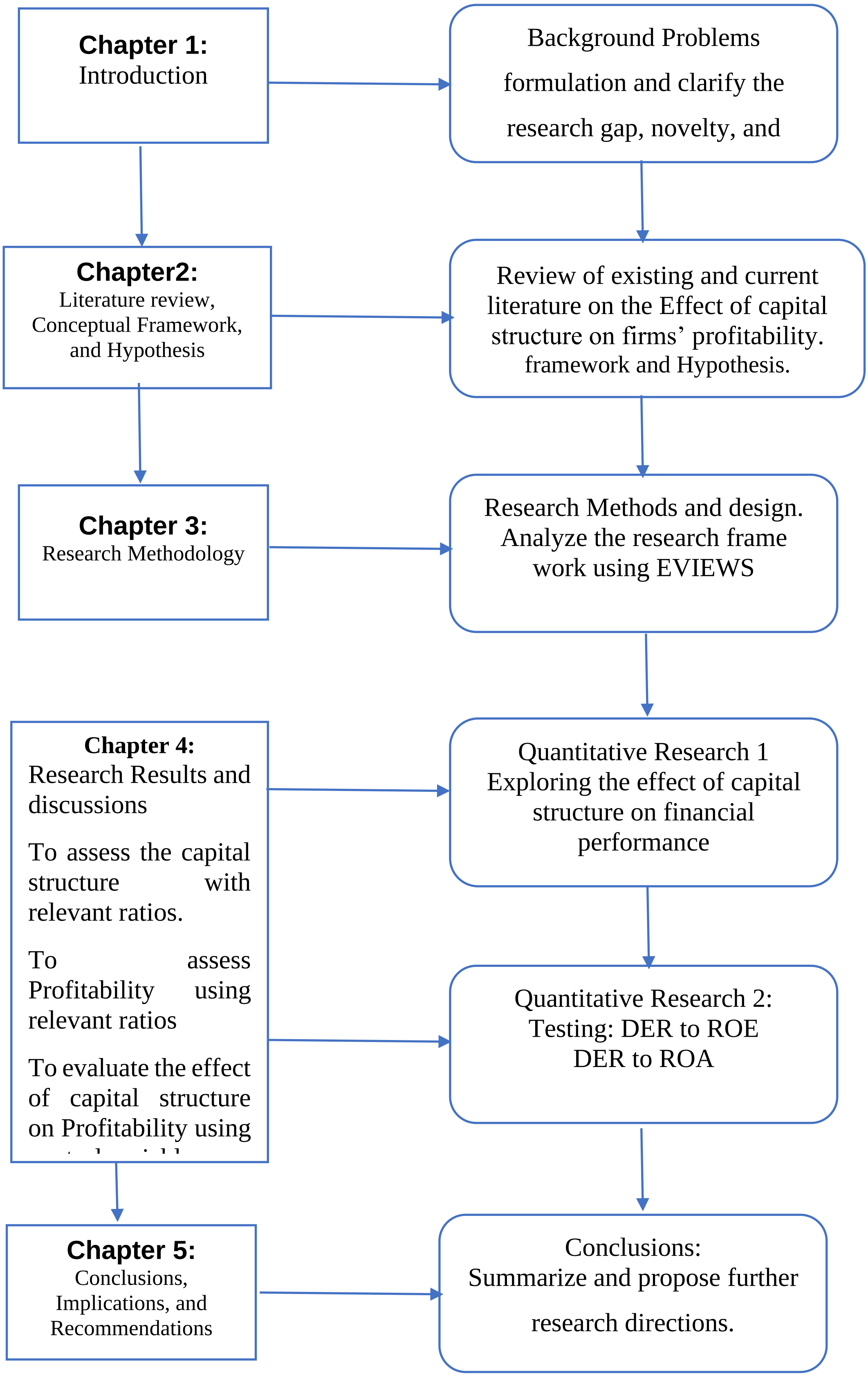

Figure 1.1The Research Structure