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   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

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EVALUATION OF EQUITY FINANCING AS A CRITICAL ELEMENT IN DEVELOPING INDUSTRIES: EXPERIENCE FROM NIGERIA

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ABSTRACT
Persistent reliance on, and consequent channelization of equity funds by fund owners to virtually only the private investors in the developing countries has been quite a worrisome phenomenon, particularly as the Governments of most developing countries have continued to grapple with this cankerous octopus, and their economies have remained underdeveloped over the years. Evidenced by the perpetual stigmatization of Nigeria as a developing country since after her independence on October 1, 1960(53 years ago), and despite conventional remedial measures taken, lack of equity funds has continued to hunt development of the industrial sector, and by extension the Nigerian economy. This paper tests the hypothesis that under-development is associated with equity financing. The evidence collected from the Nigerian Breweries corroborated this hypothesis. This suggests that equity financing should be more liberally channeled so as to facilitate the Government transformation effort with a view to removing the Nigerian Government out of the developing nations' tag into a developed industrial nation. The model applied in the study was Multiple Regressions and its Coefficient. From the result, it was concluded that development is a function of equity funding of the industrial sector. The paper therefore recommended that equity financing of the industries should be accorded priority in the scheme of things if the country must developed.

KEYWORDS
equity financing, developing industry.

INTRODUCTION

An industry is a collection of different companies or entities producing a given commodity or service which is similar but may be slightly differentiated. For example, banking industry is a collection of many banks producing bank related services. Each entity making up a particular industry can only be set up and its operation maintained through one form of, or a composition of different forms of financing.

Financing therefore, means the act of making financial resources available to corporate bodies and other forms of business organizations. It involves the provision of necessary funds required for a business to get registered, get its capital and recurrent expenditures serviced, pay salaries of workers and meet its other day-to-day financial obligations as they fall due.

The various forms of financing available for a business may be:

- Equity financing
- Debt financing
- Equity derivations financing

Each of these forms of financing is a source of finance to an entity but the choice of a particular form of finance at any point in time is a function of its influence on the value indicators of a corporate body such as profit after tax, market price of its shares, shareholders' expectations, leverage ratio, etc.

However, equity financing which consist of investments made primarily or heavily on common stock is usually regarded as the most essential for any corporate entity, Rose (1997). This is probably because common stock transfers ownership rights to its investors thereby retaining membership or ownership of a given company. Hence, a new company must have equity investors who will promote the idea for the formation of the entity and take up the risk securities in order to provide the initial capital for paying up the formation expenses, acquisition of business assets among other things.

Therefore at this point, it can be gathered that any point in the life of a company and by extension a country, or industry, the need for equity financing cannot be overlooked. Equity funds transfers ownership rights, voting rights, right to sell or transfer shares to the investors. Furthermore, the amount of equity investors in a corporate body shows the extent to which investors are willing to take up ownership and risk their resources for the course to which the corporate entity is committed.

Equity funds then is seen as the primary financing base for a developing industry or new entity in order to begin or run its operations till the point where the investing public will be convinced to either invest more resources in the companies' common stock, preferred stock or debt instruments, that is, in the case of business organizations (private sector), unlike the government of Nigeria which provides essentially, social services to its citizenry.

Based on the foregoing, equity financing is viewed by many financial experts as an important and critical element to the survival of a developing industry within a country, though this view has also attracted much debate and criticisms. Hence, this research study is aimed at evaluating the place of equity financing as a critical element in a developing industry.

REVIEW OF RELATED LITERATURE

DEVELOPING INDUSTRY

The word "industry" can be used in many senses but economically speaking, industry refers to a group of firms producing similar products even though the products of each firm may be differentiated. It could also mean group of firms producing parts of a final commodity, (Udo and Agu,1989). It should however be noted that the final commodity in the definition above may be physical products or services. In other words, firms make up an industry and they produce similar goods and services for the consumer satisfaction though the products may be differentiated. Industry has been classified in the business world in relation to their level of production; which includes

- Primary or Extractive industry

- Secondary or manufacturing industry
- Tertiary or services industry
- Construction industry. Akrani (2012).

However, Global industry classification standards commonly identifies industry based on their similar functions and products, for example, education industry comprises different organizations producing educational services for consumer satisfaction. Other industries include chemical industry, electronic industry, paper industry, entertainment industry, software industry, hospitality industry, banking industry, automotive industry, food industry, etc.

Development on the other hand, refers to a positive change to any given situation. Industrial development refers therefore to continuous increase in the output or end product of an industry as well as changes in the technical and institutional arrangements by which these end products are produced. Based on the foregoing, one can say that a developing industry is an industry or group of firms involved in the production of a given type of product or services and which is yet to harness maximum utilization of manpower, technology, infrastructural facilities and ability to compete favorably with its foreign counterparts. It refers to an industry which lacks total advancement or sophistication in its output contribution as well as procedures.

FINANCE

Finance in an ordinary language, is simply money or funds channeled into a business or organization so as to enable such organization achieve its goal. According to Chilever (1990), money is at the heart of every business. Money is needed to pay wages, to acquire materials and convert them into finished goods, to advertise the goods and finally distribute them to the customers. And behind every entrepreneur's success, there is a story of someone who has been prepared to provide finance for the business. The finance may be needed at any of the following times,

- When the business is first being set up
- When expansion is being planned
- As a result of shortage of working capital i.e. when immediate income is falling short of immediate commitments.

The importance of finance in a firm cannot be over-emphasized taking into account the fact that most firms in the contemporary times resort to incorporation and as a result have their liabilities limited to the amount of shares held by their shareholders. The shareholders in question make available finances for promoting, setting up and continuous progress of the firm's activity with the expectation of continuous reward in form of dividends. This is always the case of **equity financing.** However, the fact still remains that equity fund provision may not always be enough or handy to cater for the financial needs of an organization as at when due. Hence, other sources of arranging funds for the continuous progress of a firm come into play. They include:

- Preference stock
- Debenture stock
- Retained profit
- Short-term sources of funds such as trade credits, promissory notes, bill of exchange, treasury bill, call –on-notice money, certificates of deposit, commercial papers, etc. Jhingan (2004).

In a nutshell, finance which on a broader scale is classified as either debt or equity finance, has been established as the primary resource used in the setting up of a firm and in extension of an industry; finance is necessary in acquisition of other factors of production, and sources of funds available to an organization in terms of time frame includes long-term and short-term funds. Also, among the types of finances available to a firm, equity stock and retained profit are internal to the firm, whereas all other types of finance are viewed as debt to the business.

FINANCIAL MARKET

The knowledge of sources and types of funds available to a firm raises a question on how to go about acquiring these funds. This brings us to the study of financial market. It is noteworthy however, that financial market in this regard does not point to a specific location but to an arrangement concerned with connecting or channeling units of excess funds to meet or cross the path of deficit fund.

Bhole (2004), posits that financial markets are the centers or arrangements that provide facilities for buying and selling of financial claims and services. It is also described as a channel through which moves a vast flow of funds that is continually drawn by users of funds and continually being replenished by suppliers of funds, Rose (1997).

Financial markets can be classified into:

- Primary and Secondary markets: under this classification, primary markets deal on new financial claims or securities; so they are known as new issues market whereas secondary markets deal on already existing securities. According to Bhole (2004), although secondary markets do not contribute directly to the supply of additional capital, they do so indirectly by rendering securities issued on the primary markets liquid.
- Money and Capital markets: these two markets perform the same function of transferring resources to producers, but differ on the basis of maturity period of their financial assets. Here, money market is designed for the making of short term loans (securities falling within one year or less). Capital market in contrast is designed to finance long term investments to business, households and governments (securities with maturity period of more than one year), Rose (1997). Examples of securities sold in capital markets are equity stock, preferred stock, debentures and bonds.

Keeping in view different purposes, according to Bhole (2004), financial markets have also been classified into the following categories:

a. Organized and Unorganized markets
b. Formal and Informal markets
c. Domestic and Foreign markets.

EQUITY FINANCING AND DEVELOPING INDUSTRY

Equity financing which has to do with the art and science of supplying the funds needed for production of goods and services through the issue and sale of common stocks is a traditional form of capital. Its holders are the owners of the business. The right of current shareholders to maintain their fractional ownership of a company by buying a proportional number of shares of any future issue of shares is known as pre-emptive rights. It is also called subscription privilege or subscription rights. Shareholders are acclaimed to have a general pre-emptive right to anything of value that the company may wish to distribute as well as the ultimate control of the company's affairs. (Akinsulire,2003).

Having established that companies and industries by extension; need a measure of equity finance to start up their activities, however, their choices of further source of future financing options are determined by:

- **Length of the project:** the general rule is that maturity of the finance should match with the length of the project it is meant for. Short-term finance is recommended for short-term projects whereas long-term finance is recommended for long-term projects, (Akinsulire,2003).
- **Level of Risk:** Akinsulire (2003), is of the opinion that a project with a high risk will probably require some form of equity finance and that the use of debt with the burden of interest and capital repayment whatever the outcome of the project, would substantially increase the risk of insolvency.
- **Debt Capacity:** the ability to use debt finance for a new project can be valuable in terms of tax savings on the debt's interest but constant check should be made on the debt ratio because if a company is highly geared, it sends out signal of impending insolvency or liquidation to its creditors who may start pressurizing the firm for payments.
- **Control:** Existing shareholders are only able to maintain the level of control they exercise on a firm if additional needs for finance are met through retained earnings or rights issues.
- **Pattern of Cash flow:** The pattern which the cash flow of a project will form is of importance because where a company has to wait for long period during which it has to spend money without generating any revenue will present liquidity problems. The best source of finance here will be equity finance since the annual dividend can be small or even zero as it is varied according to profitability and situations.

EQUITY FINANCING VERSUS DEBT FINANCING

Equity fund is viewed as critical element in the financing of firms in a developing industry. It is viewed as a major element probably because it is the type of capital that bears the risk of the business and most times the possibility of actualizing a company's plan of debt financing lies heavily on the amount of equity

stock it has. According to Akinsulire (2003), a geared company is one that has an element of debt finance in its capital structure. And a high level of debt creates financial risk. He defined financial risk as the increased risk of equity holders due to financial gearing as opposed to operating risk which is associated with business risk.

Thus, it can be deduced that in financing companies within a developing industry, debt investors are usually interested in the gearing ratio and will be more willing to invest for a fair interest rate of returns if only the company is considerably geared. To establish the gearing level of the company, they study the capital structure. That is, the composition of equity capital and debt capital of the firm to know if the company is depending too much on debt when comparison with equity in financing its projects. The certainty of these investors in making their funds available for a business to use depends greatly on the business' ability to have accumulated equity funds as well as proper management of such funds.

However, it is important to note that the above position does not rule out the importance of debt financing. Debt financing is advantageous to a firm because:

a. Its interests are tax deductible
b. It boosts the earning per share provided that profit can be earned from the investment.
c. It indicates the available debt capacity of the firm.

Hence Ogbada (2012), used the following examples of two situations, use of equity and debt financing to explain the importance of debt financing as exemplified by the resultant earnings to original stockholders

Afang Nig. Ltd is planning to expand its plant facilities. The project will cost N2,000,000 and is expected to provide income before taxes of N960,000 per year. The firm is on 50% income tax bracket. The fund needed for the expansion can be raised by selling debt obligations, selling common or preferred stock or any other combination. The firm has N2,000,000 worth of common stocks outstanding issued at par for N4 a share.

ANALYSIS OF THE THREE FINANCING OPTIONS

ANALYSIS OF THE THREE FINANCING OPTIONS

	Debt	Common Stock	Preferred Stock
Inflow before tax	N960,000	N960,000	N960,000
Interest	(240,000)	0	0
Income before tax	720,000	960,000	960,000
Taxes	360,000	480,000	480,000
Earnings after tax	360,000	480,000	480,000
Preferred Stock dividend	0	0	230,000
Earnings to common stockholders	360,000	480,000	250,000
Earnings to new stockholders	0	240,000	0
Earnings to original stockholders	**360,000**	**140,000**	**240,000**

From the analysis above, each financing option yields different amount of earnings to original stockholders. All things being equal, a profit maximizing firm will go for debt financing which yields the highest earnings to original stockholders but because of the gearing risk involved, it behooves the corporate finance manager to plan an optimum capital structure for his company. An optimum capital structure however, is obtained when the market value per share of a corporate entity is at its maximum (Aborode, 2005).

The use of equity, though very essential and important, has been critically examined by many financial analysts who believed that so many times, equity finance has received more recognition than is actually due it, leading to over-dependence on equity finance by developing industries which is termed "equity culture." According to Bhole (2004), Equity culture has to do with the practice of preferring the ownership securities more than debt securities. Bhole also sets out in detail the two implications of development of equity culture on the economy:

- An increase in households' investment in stock units as compared to bank deposits and an increase in security holdings by banks would increase the risk involved in portfolios and also increase the risk of destabilization of financial markets and the economy as a whole. The consumption spending might fluctuate more; households might behave as short-sighted novices and mutual funds may trade actively all of which can cause greater systematic instability.
- The large scale investments in equities would mean a decrease in the availability of finance to non-corporate sectors, the development of which is national commitment. He also stated that, "in view of this, it is inappropriate to aim at some interest rates or levels of tax or any other device designed to artificially jack up the demand for equities. There is no reason to press for providing funds to industry through equities. Japan has industrialized at an enviable rate in spite of the absence of equity culture there. The conventional wisdom, the tyranny of imported ideas and the emotional stance that the equity market is a barometer of the health of the economy, and that the development of equity culture is crucial for industrial development should perhaps be discarded."

The above view as held by Bhole, is however in contrast with that of John, Berk and Demarzo P. (2007), who described equity investors as "angel investors". This calls for further study and analysis of the criticality of equity financing as an important element in a developing industry.

STATEMENT OF PROBLEM

Every single firm that makes up an industry must in one way or the other make financing decisions. These financing decisions are so important to the growth and viability of an entity to the extent that some companies hire the special services of a manager whose primary function it is to make decisions of investments and how best to go about financing such investments. These managers are not in the least bothered about the mundane functions of administration but are highly committed to analysis and consequent advice for corporate financial decisions.

In deciding the best source of finance, most often managers face the problem of deciding whether to use equity finance or debt financing methods. This is probably because where equity financing checks against high gearing, debt finance has the tax savings advantage (debt interest are tax deductible).

Also, the concept of equity culture which has to do with the practice of preferring the ownership securities (that is, equity) more than debt securities has recently been criticized by some finance writers who emphasized on the need for fund users to look at the inherent problems associated with the issue and use of equity funds (Bhole, 2004). They also believed that industrial development is not a function of equity financing and that the need to access the advantages of debt financing is paramount.

Narrowing down to firms functioning in the developing industries such as brewing industry; it becomes important to know whether equity financing is critical to the growth, survival and consequent development of such firms and industry by extension. Hence, the researchers tried to assess whether there exist a relationship between the use of equity financing/capital as a financing option, the debt finance and the company profit after taxation of the entity. And if established that it exists, what type of relationship it is, that is, the significance of such relationship.

SCOPE OF THE STUDY

Due to the fact that a given researcher may not be able to work effectively with unlimited amount of data, it is important to define the delimitations of any study. Ensuring that in the process, the chosen study population is properly studied and is a good yardstick for measuring the variables in question.

The scope of this study is limited to the use of equity financing options in firms within a developing industry. The researcher chose brewing industry as a developing industry, with particular reference to experience gathered from the Guinness Nigeria Plc. Also, the variables studied were equity share capital as first the causal factor, debt funds as the second causal factor whereas profit after tax of Guinness Nigeria Plc for the periods ranging from 2003-2011 were studied as the dependent factors.

OBJECTIVES OF THE STUDY

As the topic implies, this study has the main objective of critically evaluating equity financing as a critical element in a developing industry. In order to achieve this objective, the researchers specifically intends to:

1. Establish if equity capital, debt funds have impact on the corporate profit after taxation;
2. Find out the type of effect equity capital and debt funds have on corporate profit after tax;
3. To calculate the relationship and extent of relationship that exists between equity capital, debt funds and the corporations' after taxation; and
4. Make recommendations based on the findings made.

AREA OF STUDY

The research was carried out in Nigeria. Nigeria has been classified as one the developing countries of the world. The economy which presently has optimally utilized its natural resources is constantly undergoing reforms often spearheaded by the federal government. The essence is to improve industrial development by setting up social infrastructures and amenities as well as inviting foreign investors to invest in the economy. Nigerian economy is economically classified as mixed combining the feature of both capitalist and socialist economic systems. The economy is also characterized by many industries all of which are a composition of private individuals, corporate bodies and government.

Most of the industries in the economy are still in their developing stage. These include the banking industry, hospitality industry, entertainment industry, food and beverage industry, brewing industry, education industry and many others.

The study concentrates on the brewing industry because of its popularity among the Nigerian people and hence it has enormous branch network in and around the country.

RESEARCH METHODOLOGY

SAMPLING PROCEDURE

The sampling procedure used here was judgmental sampling. The researchers judged a particular firm in the brewing industry that is, Guinness Nigeria Plc and undertake a comprehensive visit to quite a number of branches to gather required data. The firm was purposely selected as it is one that has been operating in the Nigerian economy since 1950 and uses both equity and other debt options in financing its activities. Also, the researchers studied variables from the firm's financial annual reports from the periods between 2003-2011.

DATA COLLECTION PROCEDURE

The data used for this study was obtained from both primary and secondary sources. This involved accessing and downloading Guinness Nigeria Plc's annual financial reports for the periods under study; and picking out the variables needed for the study. We also, obtain some information from key individuals in the company to further authenticate the data got from the records before use.

METHODS OF DATA ANALYSIS

The tools employed in the analysis of this study include multiple regression analytical tool which was used in testing Objective 1.

Coefficient multiple regression is another method of data analysis which was used in testing objective 2 and 3.

MODEL SPECIFICATION

Objective 3: specification of the model of factors affecting the profit after tax of Guinness Nig. Plc. $Y = F(X_1, X_2)$

Where:

Y = profit after tax

X1=equity share capital

X2= debt finance

DATA PRESENTATION AND ANALYSIS

DATA PRESENTATION

The data derived from the annual report statement of Guinness Nig Plc was as presented in the table below.

Table 1: PRESENTATION OF PROFIT AFTER TAX, EQUITY FUND AND DEBT FUND OF GUINNESS NIGERIA PLC FOR THE PERIOD 2003 – 2011.

TABLE 1

YEARS	PROFIT AFTER TAX Y (IN MILLIONS)	EQUITY X1 ('MILLIONS)	DEBT X2('MILLIONS)
2003	6636	354	0
2004	7914	590	5000
2005	4859	590	8500
2006	7440	590	8500
2007	10691	738	3500
2008	11861	738	0
2009	13541	738	0
2010	13736	738	1299
2011	17928	738	1333

SOURCE: GUINNESS NIG. PLC ANNUAL REPORT FROM 2003 - 2011

DATA ANALYSIS 1: MULTIPLE REGRESSION ANALYSIS

The data presented in Table 1 was analyzed using multiple regression technique in Table 2 below:

TABLE 2

YEARS	Y	X_1	X_2	Y	x_1	x_2	y^2	x_1^2	x_2^2	x_1y	x_2y	$x_1 x_2$
2003	6636	354	0	-3875.8	-292	-3126	15021825.64	85264	9770625.64	1131733.6	12114975.64	912733.6
2004	7914	590	5000	-2597.8	-56	1874.2	6748564.84	3136	3512625.64	145476.8	-4868796.76	-104955.2
2005	4859	590	8500	-5652.8	-56	5374.2	31954147.84	3136	28882025.64	316556.8	-30379277.76	-300955.2
2006	7440	590	8500	-3071.8	-56	5374.2	9435955.24	3136	28882025.64	172020.8	-16508467.56	-300955.2
2007	10691	738	3500	179.2	92	374.2	32112.64	8464	140025.64	16486.4	67056.64	34426.4
2008	11861	738	0	1349.2	92	-3126	1820340.64	8464	9770625.64	124126.4	-4217329.36	-287573.6
2009	13541	738	0	3029.2	92	-3126	9176052.64	8464	9770625.64	278686.4	-9468673.36	-287573.6
2010	13736	738	1299	3224.2	92	-1827	10395465.64	8464	3337198.24	296626.4	-5889968.56	-168065.6
2011	17928	738	1333	7416.2	92	-1793	55000022.44	8464	3214131.84	682290.4	-13295763.36	-164937.6
	94606	**5814**	**28132**	**-0.2**	**0**	**-0.2**	**139584487.6**	**136992**	**97279909.56**	**3164004**	**-72446244.44**	**-667856**

Where Y = profit after tax
X_1 = equity finance
And X_2 = debt finance
Mean of Y ($\bar{Y}$) =$\sum Y/n$; where number of variables (n) = 9. Hence $\bar{Y}$=94606/9 = **10,571.8**
Mean of X_1 ($\ddot{X}_1$) = $\sum X_1/n$; $\ddot{X}_1$=5814/9 = **646**
Mean of X_2($\ddot{X}_2$) = $\sum X_2/n$; X_2 = 28132/9= **3125.8**
Therefore, y = Y – $\bar{Y}$
$x_1 = X_1 - \ddot{X}_1$
$x_2 = X_2 - \ddot{X}_2$
The regression line is represented as follows: $Y = \beta_0+\beta_1 X_1+\beta_2 X_2$
Where

- $\beta_1 = \dfrac{(\sum x_1y)(\sum x_2^2) - (\sum x_2y)(\sum x_1 x_2)}{(\sum x_1^2 \sum x_2^2) - (\sum x_1 x_2)^2}$

Hence, $\beta_1 = \dfrac{(3164004 * 97279909.56) - (-72446244.44 * -667856)}{(136992 * 97279909.56) - (-667856)^2}$

β_1 = 20.14

- $\beta_2 = \dfrac{(\sum x_2y)(\sum x_1^2) - (\sum x_1y)(\sum x_1 x_2)}{(\sum x_1^2 \sum x_2^2) - (\sum x_1 x_2)^2}$

$\beta_2 = \dfrac{(-7244626244.44 * 136992) - (3164004 * -667856)}{(136992 * 97279909.56) - (-667856)^2}$

β_2 = -0.6065

- $\beta_0 = \bar{Y} - \beta_1 \ddot{X}_1 - \beta_2 \ddot{X}_2$

β_0 = 10511.8 – (20.14* 646) – (-0.6065 * 3125.8)
= 10511.8 - 13010.44 + 1895.80
β_0 = -602.84
The Regression line is therefore expressed as follows: $Y = -602.84 + 20.14 X_1 + -0.6065 X_2$

TESTING OF OBJECTIVE 1

OBJECTIVE 1

To establish if there is a causal relationship between equity funds, debt funds and profit after tax of Guinness Nigeria Plc
From the analysis in Table 2, the regression equation derived was $Y = -602.84 + 20.14 X_1 + -0.6065 X_2$
This means that a causal relationship actually exist between equity funds, debt funds and profit after tax of Guinness Nigeria Plc.

TESTING OF OBJECTIVE 2

OBJECTIVE 2

To determine the effect that equity fund and debt fund have on profit after tax of Guinness Nigeria Plc.
From the multiple regression equation derived in analysis 1, β_1 = 20.14. This indicates a positive relationship between equity capital and profit after tax of the company. In other words, equity capital has a positive effect on the profit after tax. This is because the profit of the company increases with increase in the equity financing of the company.
On the other hand, β_2 = -0.6065, shows a negative relationship between debt finance and profit after tax of the company. This means that debt funds have a no significant effect on the profit after tax of the company.

DATA ANALYSIS 2: COEFFICIENT OF MULTIPLE REGRESSION (R^2)

$R^2 = \dfrac{\beta_1 \sum x_1y + \beta_2 \sum x_2y}{\sum y^2}$

$R^2 = \dfrac{(20.14 * 3164004) + (-0.6065 * -72446244.44)}{139584487.6}$

$R^2 = \dfrac{107661687.8}{139584487.6}$

R^2 = 0.7713

TESTING OBJECTIVE 3

Objective 3: To calculate the extent of the significant relationship between equity funds, debt funds and profit after tax of the company.
From the analysis in Data analysis 2, the coefficient of determination between the variables yielded a value of 0.7713. This shows that up to 77% changes in the profit after tax is caused by the changes in equity funds and debt funds.
We therefore say that the extent of the relationship between these variables is significantly positive.

CONCLUSION AND RECOMMENDATIONS

The study has tried to evaluate the critical nature of equity capital as a critical financing element in the developing industry.
A developing industry is usually characterized by huge expenditures of capital nature as the firms try to set proper infrastructures in place in compliance with professional codes or government directives. And most times these infrastructures being put in place may not start earning returns immediately, yet the firms involved must meet up with their-day-to-day financial obligations in order to remain in business.
This probably is the reason why Akinsulire(2003), maintained that projects of long-term nature are better funded with equity capital which has the possibility of non-payment of interest (that is, the period of moratorium) or variation of interest amounts depending on the outcome of business.
From the results of this study, we therefore conclude that the use of equity finance in developing industries is a critical element and of paramount interest to the survival and growth of the developing industries. The use of equity finance gives the business a total control of the interest payments unlike debt financing in which case, interest rate is fixed and must be repaid to the investor whatever the outcome of the venture may be. However, this does not totally condemn the use of debt finance but rather it highlights the importance of equity finance to the industries that are involved in major, risky and long-term ventures as is the case with developing industries.

RECOMMENDATIONS

Based on the conclusions drawn above from this study, we therefore recommend the following:

1) Firms in developing industries should take the function of financing option in decision-making very serious as it is capable of making or marring the survival of the firms.
2) The cost, risk and implications of any debt financing option should be critically studied in the light of its equity relevance before final decision is arrived at.
3) Equity financing is critical to the survival and growth of developing industries; therefore it should be given due priority and disregarded only where it cannot be accessed within the required time frame or it has been properly ascertained that it would have negative effect on the activities of the firms.
4) Firms should however, not depend totally on equity finance because it may not be accessible as at when needed.

5) The importance of equity finance in the developing industries so evaluated should not discourage investors from investing in debt; as it leads to what Bhole (2004), describes as "equity culture" where he said, it discourages unincorporated firms.

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