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THE NEXUS BETWEEN CAPITAL STRUCTURE CHOICE AND FIRM VALUE: MODERATING ROLE OF CEO DOMINANCE

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Abstract: *In this research, the moderating effect on the CEO's dominance on the link between preferred capital structure as well as firm value is examined. The results show that all debt ratios (apart from immediate debt) demonstrate a statistically positive connection with company value based on 300 firm-year data in Nigeria from 2008 to 2017. Stata was employed to analyses data. We found that the capital structure's detrimental effects on business value are*

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made worse by CEO domination. Our findings demonstrate how CEO impact critical organization results, such as capital structure choices. When CEO supremacy is taken into account, it is discovered that the association among capital structure and business value is statistically important. In general, the findings corroborate other studies that contend that a strong CEO domination tends to raise agency costs and, hence a consequence, has a negative impact on firm value. This has important implications for policy. Nigerian businesses may experience a considerable gain in worth if there is a change from the existing conservative usage of debt. In order to build business value, managers ought to focus upon coordinating their financial decisions with the requirements of other unforeseen circumstances, since any significant discrepancy could be harmful.

Keywords: Capital Structure, CEO dominance, Firm Value

Introduction

Making firm financial judgements is challenging, and current ideas are able to partially clarify the difficulties in addition to the variety of funding options (Jansen et al., 2023). The choice between debt and equity is complicated by a number of factors, other than relative cost, suggested Modigliani and Miller (1958). The primary advantage of debt financing versus equity is that it does not dilute ownership and, as a result, future earnings (Review & Wang, 2024). Fundamentally, corporations can finance their assets in one of two ways: through debt or through equity. According to the agency hypothesis, agency costs brought on by a misalignment of ownership and control are what ultimately decide capital structure. Moreover, executives can sometimes fail to select a leverage which maximizes shareholder return due to issues with agencies. Managers, on the other hand, choose the level of leverage which maximizes manager's own benefits.

Few studies in emerging economies assess how CEO dominance moderates the capital structure–firm value relationship (Banerjee et al., 2023). While capital structure decisions are widely studied for their impact on firm value (Abor, 2005; Chadha & Sharma, 2015; Karadeniz et al., 2009; King & Santor, 2008; Le & Phan, 2017), key determinants—like profitability, asset structure, firm size, and age—continue to shape financing choices (Artikis et al., 2007; Bandyopadhyay & Barua, 2016; Chen, 2004; Degryse et al., 2012; Dufour et al., 2018; Kurshev & Strebulaev, 2015; Khémiri & Noubbigh, 2018; Lim et al., 2018; Ozkan, 2001; Ramli & Solovida, 2019; Wald, 1999). Despite extensive inquiry, consensus remains elusive on how capital structure drives firm value. Many studies examine only direct effects, overlooking contingency variables (Barton & Gordon, 1988; Jermias, 2008; Brien, 2003). Additionally, firm value tends to benefit from concentrated ownership structures (Amin & Cumming, 2023). This research advances the literature by introducing CEO dominance as a relevant moderating factor in the capital structure–firm value nexus. We consider CEO dominance as a one of the contingency factors that may impact this relationship. Additionally, it was discovered that having strong leadership skills helped to improve accountability in the public sector (Brenya Bonsu et al., 2023)Alam et al., 2019). It has been acknowledged as the most crucial area for the advancement of the country and the benefit of the general people, and it will be utilized as a tool to improve government accountability while also strengthening the public sector and reforming the way it is run (Alam et al., 2018). This therefore backs up the finding from past studies that CEO authority raises agency costs and lowers value of a company (Bebchuk et al.,

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2011; Han et al., 2016; Jiraporn et al., 2012). Second, our findings contribute to the body of research in management that looks at how managers affect business value. Managers do not matter, according to the early works (Finkelstein et al., 1996; Pfeffer, 1997). Some research, on the other hand, show that executives do matter (Weiner & Mahoney, 1981). By shedding light on how CEO power influences important organizational decisions, such choosing a capital structure, and how those decisions in turn affect the firm's value, we contribute to the community of literature on this issue. Besides, CEOs invest in the company with a higher percentage of undiversified human capital, which may discourage risk-taking (Gómez et al., 2023). Third, we add the existing wealth of research that uses the idea of agency to explain how capital structure decisions affect business value (Abor, 2007; Chadha & Sharma, 2015; Ebaid, 2009; Le & Phan, 2017; Udeh et al., 2016; Salim & Yadav, 2012). Decision-making and the method by which decisions are either carried out or not are two aspects of governance (Khalid et at., 2016). These studies reported inconsistent findings, while some documented positive results, other found negative association among capital structure besides business worth. We found the relationship between capital structure and firm value appears to be significantly moderated by Strong CEO Power. We utilize CEO dominance as a moderator because, according to Baron and Kenny (1986), moderator variables are often added when a predictor and a criterion variable have an unexpectedly weak or inconsistent relationship. Last but not least, the CEO Pay Slice (CPS) was the most common metric employed in earlier studies to determine CEO supremacy. Its conceptual formulation and empirical usage as a clear indicator of CEO dominance, however, are controversial. CPS has been connected to a number of indicators of success and company value (Bebchuk et al., 2011), bond ratings besides yields (Liu & Jiraporn, 2010), and capital structure choices (Bebchuk et al., 2011; Chintrakarn et al., 2014). To properly assess the CEO dominance, we use Pay Slice Gap (PSG), proposed by Zagonov and Shoshan (2017) to assess the CEO's status and capacity to affect choices which have an important impact on the value of the company. Our research is the initial to link PSG with the capital structure choice's impact on business value.

Literature Review

It has been extensively studied how capital structure affects corporate value. To assist with decision-making when it comes to funding in order to improve performance, corporate finance theories was introduced and discussed in many studies.

Capital Structure and Firm Value

Under ideal conditions, the MM irrelevancy hypothesis suggests capital structure doesn't affect firm value (Yilmaz, 2020). Yet, real markets aren't frictionless. Miller (1988) noted that tax benefits from debt may be offset by personal tax penalties, meaning investors and firms leverage independently. The trade-off theory proposes firms balance tax advantages against bankruptcy risks to optimize capital structure (Kraus & Litzenberger, 1973; Kim, 1978). Miller & Modigliani (1963) emphasized debt's tax shelter benefit, while excessive debt introduces financial distress costs. According to the pecking order theory, firms prefer internal financing, followed by debt, and issue equity last—based on information asymmetry and investor risk preferences (Myers & Majluf, 1984).

The agency theory holds that optimal capital structure minimizes conflicts among managers, shareholders, and lenders (Jensen & Meckling, 1976). Debt can reduce managerial discretion but may increase shareholder-lender tension (Myers, 1977). Jensen (1986) highlighted how

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debt pressures executives to pursue profitable ventures. Saha et al. (2024) and Ahsan & Dewan (2019) further affirm debt's complex impact on firm value. Finally, the market timing theory posits firms choose financing based on historical market valuations, issuing equity when overvalued and debt otherwise (Baker & Wurgler, 2002; Kayhan & Titman, 2007).

CEO Dominance and Corporate Governance

CEO dominance is a critical element in the functioning of corporate governance, particularly in developing nations where board independence and institutional safeguards may be weaker (Shahzad et al., 2025a). CEOs overseeing numerous responsibilities often exert excessive influence on strategic decisions, such as capital structure, potentially resulting in complacent management and detrimental financial policies. This alteration raises concerns regarding agency conflicts, since influential CEOs may prioritize their personal interests over those of shareholders. Recent research indicates that robust corporate governance mechanisms, such as board independence, gender diversity, and ownership dispersion, might mitigate the adverse consequences of CEO dominance. Hemdan et al., (2023) found that CEO influence negatively impacts profits quality; however, board independence and a critical mass of gender diversity might mitigate this effect, serving as alternatives to restore governance equilibrium.

Furthermore, Shahzad et al., (2025) examined Pakistani firms and discovered that CEO dominance influences corporate deleveraging tactics. In certain ownership systems, more dominance is associated with zero-leverage desires. Their findings indicate that there is no direct correlation between managerial ownership and capital structure. This underscores the necessity for robust governance to equilibrate the CEO's authority. These data bolster your claim by demonstrating that CEO dominance directly influences company value and alters the connection between capital structure and firm value via modifying governance quality.

Empirical Evidence

With conflicting empirical findings, the association among capital structure besides business value is discussed always. Data-wise, the majority of studies show a favorable correlation between business success and leverage. As per Berger and Bonaccorsi di Patti (2006) it was found that a higher debt ratio is associated with improved business performance as measured by profit efficiency. As an illustration, a one percent increase in the debt ratio results in a six percent increase of profitability. It held the opinion that using more debt increases the firm's worth by lowering the agency cost for stock or encouraging management to behave in investors' greatest interest. From 1990-2010, Ramli et al. (2019) Examine how business leverage functions as a bridge between the impact for capital structure determinants for the achievement of enterprises in Malaysia as well as Indonesia which demonstrate that some capital structure factors directly affect a company's ability to make money. A strong positive association among company leverage besides profitability remains only evident in the Malaysian study, they add. They contend that Malaysian businesses' preference for external borrowing over internal financing to boost firm financing success is the cause of the beneficial correlation between firm leverage and financial success. In the five years from 1998 to 2002, Abor (2005) found that debt, as assessed by the STDA and TDTA ratios, produced a profoundly favorable influence on the ROE for companies registered on Ghana Stock Exchange. On another hand, several studies have discovered a poor correlation among capital structure besides company success. Credit risk moderates a connection between capital structure and SMEs (Li et al.,2018). According to empirical evidence, the debt ratio is negatively correlated with business success

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in SMEs who have little credit risk, but not in SMEs with significant credit risk. From 2001 to 2012, Udeh et al., (2016) conducted research on employing a cross-section of 43 businesses from various industries, researchers in Nigeria examined the effects of debt levels on company success. Three regression estimation techniques were used: Pooled OLS, fixed effects, and random effects. Researchers got to the view of Nigerian business success is negatively impacted by debt burden. Tobin's Q, ROA, and ROE, additionally three ratio elements of the capital structure: STDA, LTDA and TDTE were utilized by Le and Phan (2017) to inspect a connection between capital structure along with business success of Vietnam from 2007 to 2012. It has been found that an adverse association between each of the three debt ratios and success. However, the study found that, because of persistent disparities in data and a weak financial framework, the debt situation is not serious.

Hypotheses Development

The theoretical framework and prior empirical literature informed the development of hypotheses. It signifies transforming abstract relationships into testable assertions to examine how independent factors influence dependent variables. In your case, it entails examining how CEO dominance influences the relationship between capital structure selection and business value.

Capital Structure and Firm Value

Numerous research has been carried out to better understand the effects of Corporate Governance and Capital Structure on Firm Performance (Ronoowah & Seetanah, 2023). In both industrialized and developing nations, between corporate value and capital structure, certain analyses have identified a positive link, while others have found a negative correlation. Abor (2007) and Zeitun and Tian (2007) assert that company success is negatively influenced by capital structure. It is mentioned that corporations would incur more debt than necessary if the expenses of bankruptcy and disposal were overlooked, and that a high debt-to-equity ratio could adversely impact company success. Furthermore, the use of debt as a measurement tool for enhancing business success is rather low for emerging economies (Alam et al., 2024; Le and Phan, 2017). As a result, A significant cash flow from debt could encourage riskier managerial conduct or have a negative impact on the company's success. Berger and Patti (2006) and Ramli et al. (2019) mentioned that using greater debt levels decreases agency costs of equity or inspires management for additional works. Thus, we hypothesized that:

H1: Capital structure has a significant positive effect on the firm value.

CEO Dominance and Corporate Governance

As per earlier research, Chief Executive Officer (CEO) that assumes a more commanding position is predicted to increase agency expenses, resulting in low company value (Bebchuk et al., 2011). Chief Executive Officer (CEO) dominance specifies the degree at which the power of taking a decision is concentrated with the Chief Executive Officer. While CEO power overlaps with other CEO-related constructs, it provides considerably greater coverage of the CEO's roles and responsibilities. CEO power fully reflects the CEO's control inside the organization (Saiyed et al., 2023). Empirical studies show that CEO control tends with a larger agency cost and have a negative impact on business value. While numerous points of view argue that managerial entrenchment should be connected with a reduced amount of optimal leverage, it can as well be asserted that powerful CEOs might take on greater than ideal

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leverage. For example, executives may increase leverage to increase their ability to vote influence, according to Stulz (1988). Zwiebel (1996) created a theoretical framework to predict how CEOs of the finest businesses join the elite of empire development and, as their time grows, accept an increasing debt point. According to Jung et al., (1996), since debt issuance has superior effects on company value, the expenses of management flexibility encourage some firms to put up more equity. Thus, we hypothesized that:

H2: CEO dominance has a negative effect on the relationship between capital structure choice and firm value.

Material and Methods

This study uses a quantitative approach, analysing secondary data from listed firms. Key variables include capital structure, firm value, and CEO dominance.

Sample and Data Selection

The samples of this study are the companies appear on the Nigerian Stock Exchange. We eliminated businesses with missing data and those in the financial business, which includes banks, financial services companies, and insurance, because they use different business models than other industries (Daskalakis & Psillaki, 2008), which could be misleading in answering the study's research question. Furthermore, we use the years 2008 to 2017 to create a three-hundred-observation panel data set. The variables in our model were obtained from the database Thomson Reuters Eikon, a source of financial information (2017 Release) and the Annual Account and Report of the listed Nigerian firms, as explained in the section below.

Variables

Previous studies (Chadha & Sharma, 2015; Siddik et al., 2017) have used ROA and ROE to proxy firm performance. Others have used Tobin`s Q (Tifow & Sayilir, 2015; Salim & Yadav 2012; Le & Phan, 2017). However, as performance measures (ROA & ROE) have been questioned since they are subject to the effects of changing accounting rules and are deemed insufficient because they only reflect a firm's short-term performance (Fosu, 2013; Samiloghu & Demirgunes, 2008). Furthermore, market performance indicators like Tobin's Q are not without flaws. Contrarily, enterprise value may appear utilised to evaluate performance over time and provide advantages for all parties (Harrison & Wicks, 2013). The EV/EBITDA ratio used as a stand-in for company valuation in this study with Bhullar & Bhatnagar (2013). Capital structure was the independent variables was proxied by three ratios: STDA, LTDA, TDTA and TDTE. According to earlier studies by Zeitun and Tian (2007), Abor (2007), Salawu (2009), Yazdanfar and Ohman (2015), and others, the debt that could be paid off within a year as a proportion of total assets was the initial independent variable. LTDA ratio is known as the amount of total debt that may be recovered in more than one year divided by the value of all assets Whereas, the TDTA ratio evaluates a company's leverage relative to its assets. Furthermore, according to Al-Taani (2013), the TDTE ratio was calculated as the proportion of creditors' money to shareholders' funds. In contrast to maximizing business success and shareholder profit, the previous system placed a major emphasis on stakeholder solidarity (Mielcarz et al., 2021). Furthermore, we adjusted for many firm factors that may impact firm value in order to isolate the model from extraneous variables, as indicated in the literature.

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Board Size

The dimension of the governing body of directors for each company was the first factor we considered. The directors of a company are in charge of offering advice to the CEO including granting access to crucial data and assets in order to raise the firm's value. Large boards have significant management and problem-solving costs, which makes decision-making challenging (Coles et al., 2008). Another claim is that fewer directors have the ability to boost business value because they lower the risk of free-riding (Yermack, 1996). Mak and Yuanto (2003) utilized a group of managers and non-managers on a company's panel of governors as a proxy for board size. On the contrary hand, this study determines board size using the same approach as earlier investigations.

Farm Size

Revenue, assets, and personnel count were only a few of the proxies employed in earlier studies to assess business size (Yazdanfar & Ohman 2015). Contrarily, the natural logarithm of the firm's book value of sales has been used for this research to compute firm size. Since larger businesses are more likely to use superior technology, be more varied, and be well managed, this variable ought to have a favourable influence on company value (Jansen et al., 2023).

Growth

Growth potential is regarded as critical to a company's success. Companies that grow, according to Jovanovic (1982), may see an improvement in profitability. As a result, growth prospects should have a high-performance ratio since a firm with such prospects obtains a return on investment. (Zeitun & Tian, 2007). Growth prospects have been examined in previous study as a single of the key elements influencing the value of a business. In the present research, firm growth (FGROWTH) is referred to as the rate of rise in firm sales (S) across periods, represented as a percentage increase in sales. Past sales, present sales, previous sales, previous sales, prior sales, prior sales, and prior sales This is in line with the conclusions reached by Samiloghu & Demirgunes in 2008.

Measuring CEO Dominance Using Pay Slice Gap (PSG)

PSG= (P1-P2)/(P1+P2+P3+P4+P5), According to Zagonov and Shoshan (2018), a straightforward method for calculating CEO domination is to divide the sum of the salaries of the business's five highest-paid managers by what is paid to the CEO and the highest-paid non-CEO supervisor: PSG= (P1-P2)/(P1+P2+P3+P4+P5). However, it makes use of identical collection of information as the CPS calculation.

Pay Slice Gap (PSG) vs. CEO Pay Slice (CPS)

The Bebchuk, Cremers, and Payers (2011) CPS metric is described as such:

$$\frac{P1}{P1 + P2 \quad + P3 + P4 + P5}$$

where P1, P2, P3, P4, and P5 stand for CEO's entire salary as well as the salaries of the next four top managers. CPS defines CEO's total annual salary to the remuneration of most senior five directors of that company. As a result, ceteris paribus, the CEO with largest pay slice is most powerful. When combined with data on the salaries of CEO and the following four top paid executives the particular variables that affect a business's pay strategy are captured by the

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CPS predict (Bebchuk et al., 2011). However, the CPS may not always be capable to accurately quantify CEO dominance because it does not account for emolument sharing among the top executive team (Zagonov et al., 2018).

The Empirical Models

The subsequent the effect of capital structure on business value was investigated in this study using the classic linear regression model (CLRM) (Brooks, 2008; Greene.2012);

$$\gamma_{it} = \beta_1 + \beta X_{it} + \varepsilon_{it} \quad (1)$$

Where; εit denotes idiosyncratic shocks, while i represent the firm (i= 1….30) and t denotes the period of time (t = 2008..…2017). The first empirical model to be tested is as follows:

FVit = βo + β1STDAi`t + β2LDTAit+ β3TDTAit+ β4TDTEit + β5BSIZEit + β6FIRMSIZEit + β7GROWTHit + εit (2)

The second model explores a moderating impact in order to identify potential influencing variables that can affect the link among company value besides capital structure decision. Because of this, the moderator CEO*dominance is included in this framework.

FVit = βo + β1STDAit + β2LDTAit+ β3TDTAit+ β4TDTEit + β5BSIZEit + β6FIRMSIZEit + β7GROWTHit + β8 CEOD*STDAit + β9CEOD*LTDAit + β10CEOD*TDTAit + β11CEOD*TDTEit+εit (3)

Where: FV stands for firm value, STDA for short-term debt to total assets, LTDA for long-term debt to total assets, TDTA for total debt to total assets, and TDTE for total debt to total equity. BSIZE stands for board size, FIRMSIZE stands for firm size, and GROWTH stands for firm growth, This can all influence a company's worth in Nigeria. CEOD*STDA stands for interactive term for STDA, CEOD*LTDA stands for interactive term for LTDA, CEOD*TDTA stands for interactive word for TDTA and CEOD*TDTE stands for interactive term for TDTE.

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Results

Descriptive Statistics of Data

There are 300 observations across all variables shown below:

Table 1: The Average Company Value During the Course of the Study

Variable	Observation	Mean	Standard Deviation	Minimum	Maximum
FV	300	0.1435	0.2060	0.0100	2.0171
STDA	300	0.1569	0.1438	9.0005	0.7728
LTDA	300	0.1475	0.2819	0.0001	4.1537
TDTA	300	0.2424	0.1771	0.0008	1.2234
TDTE	300	0.1709	0.6403	-4.3660	2.6579
BSIZE	300	10.083	2.9140	4.0000	23.000
FSIZE	300	16.787	1.9126	12.329	21.215
FGROWTH	300	0.1886	0.3413	-0.9990	1.3481
CEOD	300	-3.0006	1.8100	-1.1200	11.657

The mean is less than 5 and coefficient of VIF for both models is less than 10, this model does not exhibit multicollinearity. Furthermore, we used the Breusch-Pagan / Cook-Weisberg test (Money et al., 2014; Tabachnick & Fidell, 2007). To see if our dataset had any heteroscedasticity issues, and the finding show that our panel data is heteroscedastic. We also used the Wooldridge (2002) test to conduct an autocorrelation test, and we discovered that the regression model had a serial correlation issue. To cope with autocorrelation and heteroscedasticity, researchers employed the Driscoll-Kraay standard errors (the xtscc program) provided by Driscoll and Kraay (1998).

For panel regressions, we also tested our variable's stationarity (Jaisinghani & Kanjilal, 2019). We applied Philips-Perron based Fisher test to check a unit-root dataset. Outcome of this test shows the presence of a unit-root which is rejected at the 1% level of significance. As a result, our data is robust and suitable for panel regression analysis. Additionally, the Breusch-Pagan test was used for determining if panel data or cross-sectional regression offered an accurate model for our research. As per this study's findings, panel analysis is a more accurate methodology for determining how independent variables affect dependent variable.

Table 2: Hausman Model Specification Test to Select the Appropriate Model For the Study

FV	Chi2 (13)	Prob>chi2	Null (H0)
Model 1	6.11	0.5272	Accepted*
Model 2	6.20	0.5170	Accepted*

Note: * fixed effects model is not acceptable and that the random effect model should be used instead.

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Table 3: To Determine Whether Our Dataset Contained a Unit-Root, The PP-Fisher Test Was Run. At A 1% Level of Significance, H0, or the Idea That the Panel Is Stationary, Is Ruled Out

Variables	Level		First Difference	
	Constant	Constant + Trend	Constant	Constant + Trend
FV	-5.080*	-3.655*	-5.722*	-5.767*
	(0.000)	(0.001)	(0.000)	(0.000)
STDA	-4.099*	-4.383*	-11.8*	-7.683*
	(0.000)	(0.000)	(0.000)	(0.000)
LTDA	-3.453*	-5.722*	-8.593*	-5.722*
	(0.002)	(0.000)	(0.000)	(0.000)
TDTA	-4.878*	-3.042*	-9.707*	-6.878*
	(0.000)	(0.000)	(0.000)	(0.000)
TDTE	-2.737*	-0.966*	-7.154*	-3.855*
	(0.001)	(0.004)	(0.000)	(0.000)
BSIZE	-2.799*	-2.696*	-9.972*	-7.168*
	(0.003)	(0.007)	(0.000)	(0.000)
FSIZE	0.922	-0.925*	-7.096*	-6.644*
	(0.112)	(0.002)	(0.000)	(0.000)
FGROWTH	-7.316*	-4.369*	-10.93*	-9.286*
	(0.000)	(0.000)	(0.000)	(0.000)
CEOD	-5.613*	-5.157*	-12.01*	-9.168*
	(0.000)	(0.000)	(0.000)	(0.000)

Note: The symbols * and ** denote significance levels of 1 and 5%, respectively. Probability is represented by numbers in parenthesis

The panel data model can be determined by either a fixed-effects or random-effects model, thus we performed a Hausman test to see which was the most effective (Jaisinghani, 2015). We found that the random-effects model was the most appropriate one for our panel data analysis. Additionally, all of the models have an R^2 of roughly 0.20, which indicates that they can account for 20% all the variance in dependent variable, This, as compared to earlier panel data study, is a significant lot (Jaisinghani, 2015). Since the Chi-squared test has a 1% significance level (Prob > chi2= 0.000), our models are reliable.

The outcomes of random effect regression for Model 1 are with complete model fit of 0.0000 along with a complete R^2 value of 0.1030. No relationship among company value as well as SDTA ratio. Additionally, a business's worth is significantly and favourably impacted by the LDTA ratio. The value of a company is also improved by the LDTA ratio. If long term debt increased by 1% then firm's worth increased by 46.49%, and vice versa.

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Table 4: (Random Effect) Panel Data Results of a Regression with the Dependent Variable Being EV/EBITDA

Variables	Coef.	t.stat	p>t
STDA	0.695	(0.48)	0.641
LTDA	46.4593***	(4.56)	0.001
TDTA	0.0084**	(2.50)	0.034
TDTE	0.3407***	(5.24)	0.001
BSIZE	-0.0009	(-0.16)	0.879
FSIZE	-0.0474**	(-2.49)	0.034
FGROWTH	0.0071	(0.36)	0.728
Constant	0.5897	(3.76)	0.004

Notes: * Significance level at 10%; ** Significance level at 5%; *** Significance level at 1%.

At the 5% level, TDTA ratio also has a significant and positive influence for business value. A company's worth will increase if higher levels of debt are used in its capital structure relative to its assets. This implies that a 1% rise in the TDTE ratio will result in a 34.1% increase in firm value. Furthermore, value of the company is unaffected by director's panel's size (BSIZE) and measurements are important (FSIZE) also. On the other side, debts have significant and detrimental effect on the firm's worth. It means as a company's worth reduces by 47.4% when its size increases by 5%, and vice versa. Additionally, the result of firm growth (FGROWTH) demonstrates that firm development has no effect upon the worth of the company.

Discussion

Literature on finance is increasingly recognizing that capital structure components may play a role in determining a firm's worth. Without reaching any consensus, experts have been studying the influence of capital structure choices over company worth for decades; but the conclusions they have come to thus far are truly puzzling (Abor, 2005; Cole, Yan & Hemley, 2015; Gleason, Mathur & Mathur 2000; Gill et al., 2011; Khémiri et al., 2017; Li et al., 2019; Udeh et al., 2016; Salim & Yadav, 2012; Simerly and Li, 2000). As a result, rather than focusing on the direct relationship as has been done in previous studies, The primary objective of this study is to contribute to the increasing amount of knowledge concerning the relationship among firm value and capital structure by taking several potential confounding variables into consideration (Jermias, 2008; Brien, 2003). The study's findings imply increasing debt financing worsens the underinvestment issue while reducing difficulties with overinvestment, supporting the reliability of the designated "Agency cost theory of capital structure" put forth in Myers (1977) along with Stulz (1990). Therefore, debt may have both a good and adverse effect on the business's worth.

Our findings show that long-term debt has a positive impact upon firm value and the greater the level of long-term debt, the higher the value of the organization. We found that a high LTDA ratio significantly increases firm value, proving that long-term debt has a positive impact on firm value. It is advantageous for businesses when assessing the lifetimes of their assets and liabilities. In order to match the fixed assets' lengthy life, a corporation uses long-term debt (Kakanda et al., 2016). Long-term debt was also significant to firms because it could be used as a weapon for manager discipline. Despite the fact that it is linked to particular agency costs, it may be utilised to lower agency costs between shareholders and managers (Weill, 2008). Also, Ebaid (2009), Hadlock and James (2002), and Prempeh et al., (2016) all reported similar positive results. This shows that a growth in long-term debt is accompanied with a boost in the firm's value. Additionally, we discovered that the TDTA ratio significantly increased business value. This shows that when the TDTA ratio rises, so does the firm value. It is in

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accordance with findings from past studies (Abor, 2005; Berger & Di Patti, 2006; Detthamrong et al., 2017; Gill et al., 2011; Hadlock & James, 2002; Coleman, 2007; Zeitun & Tian, 2007). The "free cash flow hypothesis," said "the difficulty is how to incentivize managers to disgorge the cash rather than investing it below the cost of capital or wasting it on organizational inefficiencies," which is theoretically supported by this positive connection (Jensen, 1986). As a result, the fear of dissolution either the need to create cash flows to pay debt commitments may be utilised as a punitive measure to eliminate management liquidity inefficiency (Jensen, 1986).

Table 5: (Random Effect) Panel Data Results of Regression Using CEO Dominance As a Modifying Variable

Variables	Coef.	t. stat	p>t
STDA	6.8314**	(4.08)	0.004
LTDA	-3.2502**	(-2.66)	0.029
TDTA	-0.1916	(-1.75)	0.118
TDTE	**-0.7632***	(-2.23)	0.056
CEOD	**0.3029****	(3.15)	0.014
Control Variables			
BSIZE	-0.0521	(-1.69)	0.129
FSIZE	**0.0457*****	(2.01)	0.080
FGROWTH	**1.8138*****	(-3.42)	0.009
Interactive Terms			
STDA*CEOD	**-3.2601*****	(-3.52)	0.008
LTDA*CEOD	**-0.0291***	(-2.12)	0.067
TDTA*CEOD	**2.9709***	(2.21)	0.058
TDTE*CEOD	**2.9449*****	(4.06)	0.004
Constant	0.2287	(-0.31)	0.762

Notes: * Significance level at 10%; ** Significance level at 5%; *** Significance level at 1%.

In some circumstances, debt may enhance a company's worth. This argument holds that increasing debt use decreases agency costs of stock and motivates executives to act in the greatest possible way for shareholders rather than increasing firm's worth (Berger & Patti, 2006;). Furthermore, usages of debt by businesses decreases information asymmetry and increases investor confidence. Our findings also demonstrate that the TDTE ratio substantially boosts business value. It is in accordance with prior studies that have demonstrated how raising the ratio of shareholder money to creditor funds can boost firm value. (Taani, 2013; Achsani & Anggraeni, 2015). It is believed that financing a debt is less expensive than financing through equity because it also requires servicing the debt or anticipated interest payments. A high debt to equity ratio is risky by creditors since it demonstrates that investors have not provided same amount of funding for company as creditors have. Finally, to further examine the moderating role of CEO dominance, we include an interaction term (STDA*CEOD, LTDA*CEOD, TDTA*CEOD and TDTE*CEOD). We questioned if the relationship among capital structure and business value was impacted by the CEO's ability to influence decision-making. There is a moderating influence of CEO dominance on the amount of long-term debt, short-term debt, and company value as a function of the STDA ratio as well as LTDA ratio. When CEO dominance is taken into account, its STDA and LTDA ratios produce a significantly negative

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result in Model 2, indicating that the influence of short-term and long-term debt on business worth is negatively correlated with CEO dominance and vice versa.

Managers may not always choose a capital structure that maximizes shareholder value because of misunderstanding among them. Managers can instead choose the level of leverage that optimises their own gains. Increased CEO power thus intensifies agency disputes and results in less-than-ideal capital structure decisions (Jiraporn et al., 2012). Additionally, strong CEO dominance sometimes promotes administration entrapment, heightens disputes between agencies, and jeopardizes the value of the company. Strong CEOs, for instance, are associated with poorer firm value, weaker profitability, adverse market reactions to takeover notifications, lower credit ratings, and greater debt costs (Bebchuk et al., 2011). Contrarily, CEO domination reinforces the beneficial association between the TDTA and TDTE ratios and business value. This negative impact of CEO dominance on the TDTA and TDTE ratios, as well as firm value, is consistent with previous research (Adams et al., 2005). Strong CEOs are less likely to negotiate with other upper management, which leads to more radical decisions that may be advantageous or harmful to the company. Due to the increased likelihood of drastic measures being adopted, the level of CEO influence raises the business value's variability because of excessive authority. As a result, strong CEOs are pushed to make leverage decisions that bring them closer to their ideal level of performance. To put it another way, the CEO is far more inclined to employ optimal leverage regardless of how powerful he is, which could increase the business's worth.

Conclusions

Given that a company's financial structure may have a substantial impact on its value (Chadha & Sharma, 2015; Gill, et al., 2011; Jaisinghani & Kanjilal, 2017; Karadeniz et al.,2009; King & Santor, 2008; Le & Phan, 2017), Several studies have looked at factors that influence a firm's debt level. While earlier research has concentrated on studying the influence of firm characteristics, this study takes a different approach. (Abbas et al., 2016; Artikis et al., 2007; Bandyopadhyay & Barua, 2016; Chen, 2004; Degryse et al., 2012; Dufour et al., 2018; Kurshev, & Strebulaev, 2015; Khémiri & Noubbigh, 2018; Lim et al., 2018), This study responds to a need for more research into the firm value/capital structure paradox. (Jermias, 2008). Furthermore, instead of concentrating on the direct connection among capital structure as well as corporate value, earlier studies (Abor, 2007; Yazdanfar & Öhman, 2015; Siddik et al., 2017; Hossain & Nguyen, 2016; Chadha & Sharma, 2015 Tifow & Sayilir, 2015; Salim & Yadav 2012; Le & Phan, 2017; Kausar et al., 2014), In this study, the moderating impact on a contingency factor—CEO dominance— investigates the connection between the components of the capital structure with the value of the company. Furthermore, using this variable in finance research opens up new possibilities and provides valuable insights, as well as providing a solid foundation for analysing the interaction effects of moderating variables (Namazi & Namazi, 2016). Additionally, When the association among the predictor and a criterion variable is extremely shaky or erratic, moderator variables are typically used (Baron and Kenny, 1986; Ro, 2012). This function will also make specified models more thorough and realistic, allowing researchers to tackle real-world business challenges and come up with more suitable and complete solutions. (Namazi & Namazi, 2016). We explore the predictions of agency theory to investigate how capital structure affects business worth. The SDTA ratio had no influence on firm value, according to the findings. The LTDA ratio, TDTA ratio, and TDTE ratio, on the other hand, all have a favourable consequence on company value. This study's outcome

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explicitly showed how authority of the CEO affects important organizational outcomes like capital structure decisions. Our random-effects results show that CEO dominance considerably modifies the link among capital structure elements and business worth. We discussed how CEO control affects critical business decisions like capital structure, which in turn affects the firm's value (Bebchuk et al., 2010). We found that business value changes when there is a change in the capital structures. Overall, outcomes are consistent with past studies, which have shown that significant CEO control affects firm value through raising agency costs. This research has found two major issues. First, Nigerian businesses may experience a considerable gain in worth if there is a departure from the country's existing cautious usage of debt. In order to build business value, managers ought to focus more on coordinating their financial decisions with the requirements of other possible outcomes, since any significant discrepancy could be harmful. Second, Nigeria's regulatory authorities are responsible for ensuring an effective delivery framework for long-term fund mobilisation and allocation. The benefits of such policies, on the other hand, would be considerably more fully realised if they were combined with successful new or updated capital market regulatory changes and firm value issues.

Limitations and Suggestion for Future Research

This study has various drawbacks, but they also present opportunities for new lines of inquiry. In order to evaluate the causal influence of the connection at various firm levels, more research can be conducted in this field. To check if the same pattern of results appears, this association may be explored on additional stock markets at various stages of economic growth. Additionally, business worth is used in this study as a factor that is dependent to assess the long-term performance and overall firm's value.

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