

**CAPITAL STRUCTURE AND THE FINANCIAL PERFORMANCE OF
MANUFACTURING COMPANIES IN RWANDA.
A CASE STUDY OF BRALIRWA LTD.**

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ABSTRACT

The determination of a company's capital structure constitutes a difficult decision, one that involves several and opposed factors, such as risk, and profitability. That decision becomes even more difficult, when the economic environment in which the company operates is not stable. Therefore, the choice among the ideal proportion of debt and equity is very important to all managers. This research was conducted on capital structure and financial performance for a period of two years from 2011 to 2012 in the quest to leverage skills in capital structure to boost performance of manufacturing companies in Rwanda. A case of BRALIRWA as the successful manufacturing company in brewery industry was used. To achieve the objectives of this study, primary data was collected through structured questionnaires administered to 38 Managers of BRALIRWA and data extracted from the financial statements of BRALIRWA was analyzed. This study revealed that the capital structure of BRALIRWA was made up of equity shares only in 2011 while in 2012 it was a mix of equity shares and debt. The 2011 and 2012 profitability ratios showed that Bralirwa is using its assets effectively while the liquidity ratios indicated that Bralirwa needs to control its current liabilities in order to meet them when they are due. A relationship between capital structure and financial performance was confirmed by the majority of respondents. There is a need for Bralirwa to consider the usage of more loans to take advantage associated with financial leverage.