

## ABSTRACT

This study evaluated the impact of capital structure on profitability of listed companies in Dar es Salaam stock exchange (DSE), 12 companies production of used to collect data for the period of seven years from 2010 to 2016 with 84 observation of data. the researcher analyzed the relationship between capital structure as an independent variable and profitability as the dependent variable. The correlation technique model was used to measure the relationship between capital structure and return on Assets and also the capital structure and return on equity. After testing the relationship between the variables (dependent and independent) the researcher discovered that there were varied results between capital structure of company and company profitability, some results indicated a negative relationship between capital structure and company profitability and others indicated a positive relationship between capital structure and company profitability. The variable calculation was done with the assistance of STATA computer software and the result revealed the mixed results. The correlation model indicated a negative correlation between return on equity and debt to assets ratio as well as return equity and debt to equity ratio this means there is no connection between capital structure and firm's profitability in terms of return on equity, also the results showed a positive correlation between return on assets and debt to equity ratio, As for return on assets to debt to assets ratio it shows a negative correlation that means the company use more assets to generate profit than equity. This study also discovered that the capital structure of listed companies in DSE subsidizes the company profitability positively in terms of return on assets whereby the capital structure of listed companies in DSE have a negative correlation with company profitability in terms of return on equity or shareholders' funds. Most companies use debt to finance their operation and to generate profit and it is more favourable than to use shareholders fund or equity to generate profit. In order to improve the profitability of listed companies in DSE, The companies listed in DSE should make the use of debts to assets ratios to finance their companies because the results indicated that debt to assets ratio has much effect on generating company profitability more than other capital structure ratios.

The researcher recommended that the investors who want to invest in DSE companies they are advised to review the capital structure of companies they want to invest before they invest this is because the strength of a company capital is subject to on the rate of returns. Lastly, companies