RELATIONSHIP BETWEEN COST OF CAPITAL COMPONENTS AND FINANCIAL PERFORMANCE OF FIRMS LISTED IN NAIROBI SECURITIES EXCHANGE (N.S.E), KENYA. A FOCUS ON FIRM SIZE

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DEDICATION

This research thesis is dedicated to my wife Margaret Magori who gave me ample time and support while undertaking this study, my children Brian and the Late Brevian Makori.

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ABSTRACT

Cost of capital is one of the critical components in the financial performance of firms listed in NSE. Firms listed in NSE have not been able to appropriately choose the right mix of cost of capital, this has negatively affected their financial performance, and hence there is a need to ascertain the relationship between cost of capital components and financial performance of firms listed in Nairobi Securities Exchange (NSE), Kenya. The specific objectives of the study was to determine the relationship between cost of debt and financial performance of firms listed in NSE, Kenya, to establish the relationship between cost of equity and financial performance of firms listed in NSE, Kenya, to assess the relationship between the cost of cost of capital reserves and financial performance of firms listed in NSE, Kenya, to determine the relationship between the cost of preference shares and financial performance of listed firms in NSE, Kenya and to determine the moderating role of firm size on the relationship between cost of capital components and financial performance of listed firms in NSE, Kenya. The study was informed by pecking order theory, modern portfolio theory, trade-off theory, the net income approach theory signaling and liquidity risk theory. The study adopted descriptive research design. The unit of observation was companies Listed in NSE (NSE). According to NSE there are 64 listed companies. The study purposively selected manufacturing firms that are listed at NSE. According to NSE there are 8 manufacturing firms that are listed at NSE. The researcher collected secondary data from the audited annual financial reports of 8 manufacturing firms listed in NSE. The study used data collection sheet to assist in data collection. Descriptive and inferential analysis was used in data analysis. The findings indicated that there existed a moderate positive significant relationship between costs of debt and financial performance of manufacturing firms listed in NSE. The study further revealed that there was a statistically significant relationship between the cost of equity and financial performance of manufacturing firms listed in NSE. Further the study revealed that there exist statistically significant relationship between cost of capital reserves and financial performance of manufacturing firms listed in NSE.The study found out there is insigficant relationship between the cost of preference and financial performance of listed firms in NSE. Finally, the study revealed that the moderating role of firm size had statistical significant effect on how cost of capital components other than preference capital and financial performance of manufacturing firms listed in NSE related. The study concluded that most manufacturing firms listed in Nairobi security exchange relied on debts for 2012-2018 period this is attributed to the gradual increase in the overall debt. Further, the study concluded that there is a significance level of relationship between cost of equity and financial performance of manufacturing firms listed in Kenya. From the conclusion the study recommended that manufacturing firms listed in NSE should use debt and equity financing since it positively influence the financial performance.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

LIST OF ABBREVIATIONS AND ACRONYMS

ARM	Athi River Mining
ANOVA	Analysis of Variance
CFOs	Chief Financial Officer
COC	Cost of Capital
DPO	Divided Pay Out
Dr.	Doctor
EPS	Net income
IPOs	Initial public offering
LTD	Long Term Debt
LTDA	Long- Term Debt to Total Assets
NBE	National Bank of Ethiopia
NPV	Net present value
NSE	Nairobi Security Exchange
OECD	Organization for Economic Co-operation and Development
ROA	Return on Assets
ROE	Return on Equity
SDA	Seventh-day Adventist
SEOs	Seasoned Equity Offerings
SME	Small and Medium Organizations
STD	Short Term Debt
STDA	Short Term Debt to Total Assets
TDTA	Total Debt to Total Assets
UIA	Union of International Association
US	United State

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Cost of capital is very critical and fundamental in the business life cycle not only to maximize shareholders wealth but also due to the impact it has both on sustainability and its ability to satisfy external objectives (Ishaya & Abduljeleel, 2014). According to Ongore and K'Obonyo (2011) cost of capital is a concept that has always been regarded by financial experts and is considered as an important factor in creating a gap between accounting profit and economic profit. Securing funds for an organization is a very difficult task, particularly in light of money shortages and variations of its cost, as well as, the degree of risks associated with each type of finance thus making the task became even more difficult in the face of organizations management in developing countries. (Rotich, 2014). Past studies also indicate that a firm's cost of capital affects its performance.

According to Okiro, Aduda & Omoro (2015), "cost of capital of an investor, in financial management, is equal to return, an investor can fetch from the next best alternative investment, in simple words, it is the opportunity cost of investing the same money in different investment having similar risk and other characteristics; from a financing angle, cost of capital is simply the cost which is paid for using the capital; alternatively, a percentage return on investment that convinces an investor to invest in a particular project or company is the appropriate cost of capital for that investor."

The opportunity cost of making a specific investment is described as the capital cost. It is the return rate that could have been gotten by an investment of the same amount of money in a different, riskier investment. As a result, cost of capital is the rate of return required to persuade an investor to make a particular investment (Ramakrishnan 2015). The cost of capital is an important consideration in investment and corporate finance decisions. Environmental and social risks are constantly being considered by global companies and investors when allocating investment portfolios, pricing financial assets and making financing and investment decisions. Consequently, there is a growing realization that reduced cost of capital is as a result of better environmental performance (or sustainability) (Kędzior 2016).

The cost of capital in China is described as the relationship between different long-term financing sources like equity capital, preferred share capital and debentures which include surplus and reserves. In every business, financing the assets a critical issue and a general rule, they can be fenced by a proper mix of equity capital and debt (Mohanraj, 2011). A variety of internal (micro) and external (macro) factors ascertain a firm's capital structure. The major external factors influencing cost of capital of a firm in China are macroeconomic variables like government tax policy, capital market condition and inflation rate. Micro variables, or the characteristics of a single firm, also influence the cost of capital for businesses (Baral, 2014). Huang and Song (2012) investigated the cost of capital determinants of 1,000 Chinese listed companies from 2006 to 2011 and discovered that firm size, fixed assets, non-debt tax shields have a positive significant relationship with leverage and a negative significant relationship with profitability.

Durand (2016) observed that the Capital Asset Pricing Model is used by many firms in South Africa for cost of capital estimation (CAPM). It is used in forecasting risk based on the relationship between expected return and risk. This model is based on companies selecting a portfolio at a specific time that provides a specific stochastic return. Because of its simplicity, the CAPM has been adopted by the majority of companies in South Africa since its introduction into the industry. However, this ease of use may lead some people to believe that the data is unsuitable for many of its applications. According to a survey conducted by Graham and Harvey (2016), the CAPM model is the most commonly used method in South Africa in cost of capital estimation. The survey asked 392 CFOs which method they used in calculating the cost of capital. According to the findings, 73% of participants always or almost always use the CAPM method (Graham & Harvey 2016).

According to Kitukutha and Wamugo (2017), "the asset ratio, total equity to debt ratio, total short term debt to total asset ratio and total long-term debt to total asset ratio all have an impact on the cost of capital of firms listed on Kenya's NSE." With incorrect calculation of cost of capital, the financial decision of the manager will be irrational. COC is also important in CS decisions because the firm must raise capital from various sources while optimizing risk and cost factors (Wanyonyi, 2010). Many researches have been done to examine how cost of capital impacts on cost of capital decision making, profitability and capital structure on performance. Mwangi, Makau, and Kosimbei (2014) discovered that performance is negatively affected by increased financial leverage, but profitability and profitability related

positively When conducting a researcher on how COC and leverage of companies listed on NSE relate, Sagala (2013) discovered that leverage had a variable effect on COC from one company to the next (NSE).

Debt financing has been viewed as a crucial factor in the Finnish financial firms' profitability. Because of their low equity capital to total assets ratio, most banks in Finland are sensitive to changes in financial leverage. At the moment, the majority of Finland's commercial banks are involved in the expansion of the program, which necessitates a massive capital amount and in many cases, banks turn to debt financing (Kjellman & Hansen 2014). Debt financing advantages in Bangladesh include interest deduction in tax and the reduced free cash flow problems, whereas the disadvantages are: agency conflicts among shareholders and debt holders and potential insolvency costs. As a result, managers try to strike a balance between the financial distress costs arising from risks of bankruptcy and debt financing's tax advantages for the firm while making decisions on debt financing (Kraus & Litzenberger, 2016).

Ajibola, Wisdom and Qudus (2018) observed that manufacturing industry in Nigeria is characterized by high number of organizations which operate in highly competitive and deregulated environment. From 1987, liberalization of financing from SAPS made changes to the firms' operating environment: the fiscal and monetary government policies have been unstable and for businesses, the economic environment has been unconducive. Lending rates have risen to a peak of 29.8 % in 1992 from 7.5 % in 1980, 13 percent in 2014, 11 percent in 2015, and 16.9 % in 2016. This big interest rate means the increment in operations cost is due to the increment in borrowing cost in the organized financial market.

Short and long-term debt financing has grown in importance in Uganda as a major strategy in the development agenda for promoting small and medium-sized organizations (UIA, 2013; Namatovu, 2010). This procedure is regarded as critical in amplifying private-sector-led growth by assisting the SME sector (Odongo, 2014). Debt financing provides a means for businesses with insufficient internal assets to finance operational exercises and investments (Onchong'a, Muturi, & Atambo, 2016). In the Kenyan manufacturing company's capital structure, debt capital consists of a long-term bond that the company has a period of recompensing loan amount while the imbursement interest is limited to the current time (Lambe, 2014).

The cost of equity capital includes SEOs and original public offerings, which are stock issues by a company that intends to come up with funds by selling stock rather than issuing more debt. In the United States of America, common stock is offered through a cash offer or a rights offer. SEOs are different from IPOs as they are made by organizations with shares that are currently trading in the equity market and with development past the IPO having a strong financial profitability track record, whereas IPOs include sale of stock for the first time on a major exchange (Abraham & Harrington, 2011).

Firms purchase equity capital when they invest in projects, such as the purchase of large machinery, innovative work, and the availability of debt. Other motivators for firms to issue equity include the firm's current cash flow and available investment opportunities. Managers in the United Kingdom frequently see equity capital as a viable method for snowballing firm size and providing motivating forces to grow their institutions past ideal size because, rather than profitability, they are compensating based based on asset size (Jensen, 2012). Equity financing is a significant income source and relates positively with the profitability of Kenyan business ventures. Firms that use equity money can improve their performance because equity holders are residual claimants, there is immediate control, and they should make sure that assets are allocated efficiently (Mutuva & Njuguna, 2015).

The amount of overall gain left over for the business after dividends have been paid out to shareholders is known as cost of capital (RE). Stock prices and cost of capital have a positive association. Cost of capital have a significant influence on firm value and shareholder wealth. (Muhammad, 2012) Managers in Pakistan pay dividends when their speculation opportunities are not profitable, but this impacts the firm share prices negatively. Dividend dogma has had no effect on the abundance of investors, and it is irrelevant to the firm.

In Bangladesh, there is still ongoing debate in the investment community about cost of capital' significance as the key value source of common stock share, but earnings are frequently described as essential to shareholders since earnings giive the cash flow required to pay dividends. As a result, the ability of an organization in generating cash flow impacts its securities' value, the capability of forecasting future cash flow is similarly crucial for creditors, shareholders and the investment community (Khan & Zulfiqar, 2012).

Dividend policy is a core value of a corporation that ascertains how much of the organization's earnings are distributed to shareholders. Managers in Pakistan pay dividends

when they have no profitable investment opportunities, despite the fact that it lowers firm share prices. Dividend policy has had no impact on the number of investors, and it is insignificant for the firm (Lincoln, 2014).

In Nigeria, there is a growing awareness of the significance of financial administration, with a focus on investments and cost of capital arrangements, as a genuine tool for effective business management. Accomplishing this goal has depended on the administration's obligation to set up corporate arrangements for viable and proficient interior control, execution assessment, and saving the executives. Most firms' goal is to satisfy the desires of speculators, and financial markets increasingly command save aggregation intentions, which is common among firms in developing and developed nations (Azeem, & Ali, 2014). Owners of Kenyan Small and Medium Organizations may show a strong preference for subsidizing options that cause little or no disruption to the business, such as cost of capital and individual reserve funds. Positive profits give the entrepreneurs or the organizations board a lot of leeway in deciding how to spend the extra cash (Amidu, 2016).

In Russia, the cost of preferences is influenced by a variety of factors, including loss yield/capital gain, cash dividend per share and, most importantly, cost of preferences. The cost of preferences serves an idiosyncratic function in the investing community's anticipation of future cash flows, and the main motivation for the consideration of earnings stems from the notion that preferences costs serve as an indicator of future cash flows. Financial experts anticipate that preferences share capital in India will be a component of the dividend. Preferences capital is never issued with the intention of not paying dividends. Despite the fact that it is not legally binding on the firm to pay dividends on preferred capital, it is commonly paid when the firm earns sufficient profits. Despite the fact that the inability to pay dividends does not result in insolvency, it is a genuine issue from the perspective of ordinary shareholders. The failure to pay dividends on preferences capital may result in the preferences shareholders gaining voting rights and control. Furthermore, the corporate credit standing may be harmed (Joshi, 2012).

According to Busetti (2017), redeemable preference shares are practically issued as the cost of preference shares in Ghanaian manufacturing companies. Because the preferences dividend is paid after the corporate assessments have been paid, the cost of the preferences share is not balanced for duties. Preference dividends are not exempt from duties. As a result,

preferences capital cost is naturally calculated on an after-charge basis. Because interest tax can be deducted but dividends on preferences cannot, the after-tax preferences cost is significantly higher than after-tax debt cost.

According to Gitau (2012), due to the developing nature of the Kenyan economy and the rapid population development rate, firms can identify development opportunities without lifting a finger. These open doors necessitate an investment in capital expenditure with the end goal of figuring it out. Despite the fact that the dividend isn't required and it doesn't make legal commitments like debt, it has a preference for installment over equity for dividend installment and benefit distribution at the time of liquidation. In this way, without paying the dividend to inclination shares, they can't pay anything to equity shares. In that situation, the board typically attempts to pay a standard dividend to the preference shareholders.

1.1.1 Financial Performance of Firms Listed in NSE

Financial performance is ability to work profitably, competently, and successfully, to withstand environmental threats while capitalizing on current opportunities, and to develop. Financial performance measures, profitability, and liquidity, as well as providing partners with a significant tool to assess a firm's recorded and current financial position (Siro, 2013). The financial performance of publicly traded companies has received a great deal of corporate management, the general public, researchers and financial experts' interest, comments and attention. However, identifying firms which are most successful is evidently not an easy task for majority because an organization might possess a higher profitability level while also being in a very bad liquidity situation. A company's performance in finances can be gauged using metrics like asset base, dividend growth, capital employed sales turnover, and profitability, among others.

Financial performance assesses the businesses' effectiveness and profitability, the borrowers' claims security against resources, and the probability that derivative instruments will give protection to financial investors from many market risks (Seethiah, 2014). After some time, the organizations' financial performance shifts as benefits vary from one organization to the next and from one year to the next. Profits increase in some organizations while declines and even losses occur in others.

Firms' performance on the Tunisia Security Exchange is affected by e external and internal factors. External conditions include macroeconomic components such as interest rates that play a key task in attracting investors. In interest absence, assets will be redirected elsewhere as residential and outside speculators will stay away. Speculation behavior's econometric evidence shows that, despite ordinary components (past development of monetary action, genuine financing costs, private part credit), vulnerability and macroeconomic instability entirely and adversely affect private venture (Sayedi, 2013).

The NSE (NSE) is Kenya's primary market for company listing. The market is divided into thirteen distinct segments that represent the various industries in which the companies operate. These segments include "exchange traded fund, real estate investment trust, telecommunication and technology, Manufacturing and allied, investment services, investment, insurance, energy and petroleum, construction and allied, commercial and services, banking, automobiles and accessories and agriculture, among others" (NSE, 2017).

The firms differ in terms of size as measured by total assets, period in existence, leverage liquidity, and tangible assets, all of which have a different impact on their financial outcomes within a given financial period (Kithuka, 2013). Firms in each segment have been in operation for varying lengths of time and with varying levels of leverage, so their experience varies. At the same time, the firms have been operating in their respective industries for varying lengths of time and thus have varying experience with the industry's dynamics (Kimondo, 2014).

1.1.2 Firm Size

In empirical corporate finance studies, this has become a very commonplace control variable that majority of the research articles give it little to no discussion, despite the fact that it is one of the most critical factors. Firms of varying sizes distinguish themselves through a variety of discernible and undetectable measurements (Gedajlovic & Shapiro 2015). As a result, there are numerous methods for characterizing a firm's size class. According to the OECD (2013), SMEs are defined as businesses which have 10 to 250 staff members. Organizations which have fewer than ten workers are considered small scale, while the ones with 250 and more employees are considered large scale. The description may differ by country as recognized by the OECD.

In the United States of America, rather than 250 workers, 500 is set as the upper limit. SMEs have between 50 and 249 workers whereas micro-sized businesses are mostly described as having up to 49 workers (Chen & Wong, 2014). Financial data is used by The European Union in categorizing size bands. Small and medium-sized organizations (SMEs) have annual revenues ranging from EUR 2 million to EUR 50 million. Micro companies have a less than EUR 2 million turnover, while large companies have a more than EUR 50 million turnover (Walker, 2013). Another crucial factor in the arrangement of firm size classes is the firms' ownership structure. It is critical in treating large organizations' auxiliaries falling into the SME or micro firm classifications based on number of employees or their turnover differently than free miniaturized scale firms or SMEs (Jelic & Kakani 2015).

In Nigeria, firm size is defined by total assets and total sales. In Nigeria, firm size positively effects non-financial company performance. In the Nigerian construction industry, firm size is important in determining output per labor, which is the total sales, as well as the firm's age since incorporation, which positively affects output per labor and total number of employees (Olawale, 2016).

In Kenya, firm size has been regarded as a crucial indicator of the financial performance of a firm. Larg firms are more profitable, whereas smaller firms cannot compete with larger firms. Larger businesses have a better chance of obtaining credit from financial foundations. They may be able to obtain a loan at a lower interest rate because they have a better credit rating and a lower risk of bankruptcy. The relationship between the organization's size and profitability is positive. On a firm's financial performance, its size has no bearing (Chi, 2014).

1.2 Statement of the Problem

Financial performance is a subjective gauge of the way an organization can utilize resources from its primary business mode in revenue generation. Financial performance measures, profitability and liquidity and additionally give partners a significant device to assess both the recorded and current financial position of a firm. A company's financial performance to a large level relies on the financing approach it decide to depend on. The firm may entirely depend on debt, equity, cost of capital and preference shares or use a more than two of them. The ability of an organization to optimize the mode of financing and its size ascertains its

financial performance. When an organization is able to optimize the mode of financing its positively affect its financial performance.

Majority of listed firms have experienced losses in its financial performance over the years for instance in 2016 ARM recorded a loss of Ksh 6.3 billion while in 2017 the company recorded a loss of ksh 6.9 billion, (Kenya Association of Manufacturers Priority Report, 2018). In response to the poor financial losses by some selected firms listed in NSE and a fact that some of them are among the four economic pillars in the Big four Agenda of the government of Kenya and vision 2030. Thus this research sought to ascertain how cost of capital components and financial performance of selected firms in NSE relate.

Studies have been undertaken on the role of manufacturing firms' financial performance and firm size of for instance Kubai, (2015) studied how cost of capital affects the performance in financial perspective of Kenyan manufacturing firms. The study adopted a descriptive research design in determining occurrence frequency or level to which variables associated. The results disclosed a negative relation between financial performance, size and total debt indicating that a decrease in performance in financial perspective is as aresult of using assets or more of debt. However, Kubai's study adopted descriptive research design to assess the relationship between total debt, size and financial performance while our study will adopt a cross-sectional design to assess the relationship between capit cost and of manufacturing firms' financial performance.

Njenga (2014) conducted a study to assess the relationship between cost of capital and financial performance and position of manufacturing companies listed on the Nairobi Securities Exchange. The study used descriptive research design. The research model used was debt equity ratio as the independent variable, whereas dependent variable was the return on equity and profitability ratios. The study revealed that there is no significant statistical relationship between capital structure and financial profitability of the manufacturing firms listed on the Nairobi Securities Exchange. However, Njenga's study concentrated on the debt equity ratio and return on equity to measure the profitability of the firms, excluding other indicators such as cost of retained earnings and cost of preference shares which also influences the financial performance of the firms. Despite various studies undertaken to assess how various organization's financial performance is influenced by cost of capital, none

of the studies has been conducted to establish the firm size's moderating role on how NSE listed firms' financial performance and cost of capital practices relate.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to establish the relationship between cost of capital components and financial performance of firms listed in Nairobi Securities Exchange (NSE), Kenya. A Focus on Firm Size

1.3.2 Specific Objectives

The following were the specific objectives of this study.

- **i.** To determine the relationship between cost of debt and financial performance of listed firms in NSE, Kenya.
- **ii.** To establish the relationship between cost of equity and financial performance of listed firms in NSE, Kenya.
- **iii.** To assess the relationship between the cost of cost of capital and financial performance of listed firms in NSE, Kenya.
- **iv.** To determine the relationship between the cost of preference shares and financial performance of listed firms in NSE, Kenya.'
- **v.** To establish the moderating role of firm size on the relationship between cost of capital and financial performance of listed firms in NSE, Kenya.

Va. To assess the moderating firm size's role on the connection between cost of debt and financial performance of Kenyan NSE listed firms.

Vb. To establish moderating role of firm size on the relationship between cost of equity and financial performance of listed firms in NSE, Kenya.

Vc. To ascertain the moderating role of firm size on the relationship between cost of cost of capital and financial performance of listed firms in NSE, Kenya.

Vd. To determine the moderating role of firm size on the relationship between cost preference shares and financial performance of listed firms in NSE, Kenya.

1.4 Hypotheses of the Study

The study was guided by the following hypothesis;

$H0_1$: Cost of debt has no statistically significant relationship with the financial performance of selected firms in NSE, Kenya.

$H0_2$: Cost of equity has no statistically significant relationship with the financial performance of listed firms in NSE, Kenya.

$H0_3$: Cost of capital have no statistically significant relationship with the financial performance of listed firms in NSE, Kenya.

$H0_4$: Cost of preference shares has no statistically significant relationship with the financial performance of listed firms in NSE, Kenya.

$H0_5$: Firm size has no statistically significant role in the relationship between cost of capital and financial performance of listed firms in NSE

$H0_5$a: Firm size has no statistically significant role in the relationship between cost of debt and financial performance of listed firms in NSE.

$H0_5$b: Firm size has no statistically significant role in the relationship between cost of equity and financial performance of listed firms in NSE, Kenya.

$H0_5$c: Firm size has no statistically significant role in the relationship between cost of capital and financial performance of listed firms in NSE, Kenya.

$H0_5$d: Firm size has no statistically significant role in the relationship between cost of preference shares and financial performance of listed firms in NSE, Kenya.

1.5 Significance of the Study

1.5.1 Managers of Capital Market Authorities

The research findings will be beneficial to managers of Capital Market Authorities, the NSE, and managers of various firms in various sectors. It will show how their financing decisions and financial performance are related. The study will be useful to financiers in evaluating a firm's creditworthiness for possible future financial assistance, as well as in facilitating comparisons between individual organizations within the sector under research.

1.5.2 Management of NSE-listed firms

The study will be significant to the managers tasked with the management of NSE-listed firms; the study will assist them in making more informed management decisions that maximize shareholder wealth. It will expand the pool of knowledge present in helping both NSE-listed companies and firms looking to list in the future improve their performance and ensure their sustainability. Finally the study will help the government in achieving one of the Big Four Agenda by ensuring that listed firms at the NSE remain financially viable.

1.5.3 Scholars and Researchers

The results of the study will be used as a reference by scholars, researchers, and students that wish to conduct studies in the same field. It will help researchers and scholars in identifying research gaps in the field, prompting and guiding them in carrying out more studies.

1.6 Scope and Justification of the Study

The study's focus was in determining how cost of capital components and financial performance of selected firms in NSE, Kenya are associated as moderated by firm size. Particular attention was given to firms that have operated for the last 7 years 2012-2018. The manufacturing sector is one of the areas that was projected in creating employment in Vision 2030 programme and the Big Four Agenda therefore it is vital to ascertain the NSE listed manufacturing firms' financial performance . The information that was used in this study was collected from 2012 to 2018. This was ideal in determining the performance of listed manufacturing firms one year before the government made it one of the big four agenda hence the study was able to establish if there was a significant influence of manufacturing being mentioned as one of the big four Agenda

1.7 Limitations of the Study

The research was limited to four cost of capital components: equity, debt, cost of capital, and preference shares, and left out other capital components, but these are major components commonly used by firms listed on the NSE. Because the study relied solely on secondary data gathered from prepared statements form financial audits prepared based on the Generally Accepted Accounting Principles (GAAPS) and International Financial Reporting Standards (IFRS), there is a possibility that the companies under study use diverse accounting policies in areas like depreciation, resulting in different income reports. However the study only targeted manufacturing firms listed in NSE and required to adhere to the set reporting standards.

1.8 Assumptions of the Study

The researcher made an assumption that the preferred manufacturing firms were adequate representative of the Nairobi Security Exchange listed ones. It was assumed that the targeted companies have been listed in NSE for the past seven years. This study assumed that the targeted manufacturing companies have been posting their annual financial statement in the past seven years. Additionally, the research assumed that cost of capital affect NSE listed

manufacturing firms' financial performance.

1.9 Operational Definition of Terms

Cost of Capital	In this study it describes the opportunity cost of making a particular investment. It is the rate of return that could have been earned by putting similar cash into an alternate investment with equivalent hazard.
Cost of Debt	In this study it is the interest an organization pays on its borrowings. It is expressed as percentage rate
Cost of Equity	In this study this is the return an organization requires to choose if a venture meets capital return prerequisites. .
Cost of Preference shares	In this study cost of preference shares is the cost of expense of capital in which we figure the sum which is payable to preferences investors as profit with fixed rate.
Cost of Retained Earnings	The study used the term to refer to the cost foregone by the shareholders. In other words the income that the shareholders could have otherwise earned by placing these funds in alternative investments.
Financial performance	It is the subjective proportion of how best an organization can utilize resources from its essential method of business and produce incomes
Firm Size	In this context firm size was used to refer to the revenue and sales that a listed firm makes compared to other firms in its category.
Manufacturing Firms	"These are business firms that use raw materials to make a finished product; These finished goods can be sold straight to buyers or to other manufacturing organizations that utilize them for making alternate item.

Return on Assets	This is a firm's profitability indicator in relation to its total assets. It gives an analyst, investor or firm manager an opinion on the efficiency of a company's management in utilizing its assets in generating income.

1.10 Organization of the study

This thesis is sub-divided into five major sections. Chapter one is organized into various sections, which includes; the background, statement of the problem,study objectives, research questions, significance, scope, limitations and operational definition of terms .Chapter two contains theoretical review together with review of the relevant literature. The theories are linked on the relevant empirical review and a conceptual framework. In chapter two, gaps identified are discussed in line with the research problem. Chapter three comprises discusses how research methodology, Chapter four highlights the research findings and the final chapter covers a detailed summary of findings, study conclusions, study recommendations, suggestions for further study

CHAPTER TWO
LITERATURE REVIEW

This chapter summarizes the reviewed literature about the variables in the study. It comprises of theoretical review together with review of the relevant literature. The theories are linked on the relevant empirical review. In addition, it highlights the summary of research gap and main variables discussed in the study are diagrammatically represented in form of a conceptual framework.

2.1 Theoretical Review

The theoretica reviews in literature entails theories and models used. The study should be anchored in reference to these theories and models. In this study, five theories were used to give directions. The theories are: Pecking Order Theory, Modern Portfolio Theory, Trade-Off Theory, Signaling and Liquidity Risk Theory and The Net Income Approach Theory

2.1.1 Pecking Order Theory

Myers and Majluf proposed the Theory in 1984. Based on the pecking order theory, business organizations prioritize internal finance sources over external ones, they include low-risk debt financing and share financing (Afrasiabishani, Ahmadinia & Hesami, 2012). The pecking order theory also assumes that a firm will finance its needs in a hierarchical manner, using internal assets, leverage, and external equity in that order. This theory assumes that the relationship between firm profitability and external borrowing is negative; that is, a firm that generates enough profits has a lower need to acquire because it can finance its activities with the profits generated (Saad, 2015).

Pecking Order theory of capital structure posits that for finacing decisions, there is a preffered hierarchy (the effects of depreciation and retained earnings) prior to making application for any external financial support; no flotation costs are incurred by internaal funds and there is no requirement of any extra proprietary financial information disclosure that may result to more serious market discipline and possibility of loosing competitive advantage and in case a company must utilize external financing, these highlighted order of funding sources are preferred for utilization: “debt, convertible securities, preference shares, and common stock,” (Myers, 1984)

When predicted by the Pecking Order Hypothesis on leverage, debt normally increases as investment gets beyond retained earnings and decreases as investment falls below retained earnings as compared to a more complex perspective of the model. Pecking order theory's qualitative predictions have been tested by Fama and French (2002) in a more recent study. It is consistent with the Pecking Order, according to their research, that more profitable organizations are less leveraged.

The theory's major objective is pointing out the existence of signaling problems and asymmetric information between less-informed outside investors and managers. This way, orgnaiztaions' internal funds are exhausted first, ten safe debt and the last resort is the riskier external equity. A financial hierarchy is unavoidable maning that an organization tends to enter deeper the pecking order when it faces financial deficit. According to empirical investigations, the pecking order idea does not hold up in the case of smaller growth companies." Smaller enterprises are more likely to rely on equity issue when external financing is required, which contradicts the principle of Pecking Order. (Brealey, 2016).

POT asserts that "there is no well-defined optimal capital structure; instead, the debt ratio is the outcome of hierarchical financing through time; its base is that enterprises have no specified debt-to-value ratio" (Myers, 1984). (Myers, 1984). Before external financing, the management can prefer to choose internal funding.. Managers choose the least demanding and risky sources first if the firm is forced to utilzeexternal funding sources. As compared to new equity, debt issuance is preferred if isues external sources is necessary.

Pecking order theory has been criticized for failing to demonstrate first-class order benefit in an organization' optimal capital structure determination, despite some scholars crediting it with being closer to reality. Pecking order theory, according to Goyal and Frank (2002), fails in cases of small and high-growth firms that face significant information asymmetry. However, Chan and Song (2004) attempted to counter this viewpoint by claiming that small and high-growth institutions seem to issue equity because of financial constraints, thus not contradicting the Theory. The long-term debt and profitability's negative association, on the other hand, is consistent with this theory, it states that profitable firms prefer to use earnings for financing rather than debt. As a result, the theory is of relevance to this research since it should help explain the impact of the cost of preference shares on the manufacturing firms' financial performance.

Pecking order theory is relevant because it contends that firms prefer to finance a project with internal sources such as reserves and cost of capital rather than arranging new debt, or prefer debt to the issuance of new shares. In the event that directors are acting on behalf of shareholders, they will not issue new undervalued shares. Managers will issue new equity shares in the hope of being offset by the NPV of a development or new venture opportunity. Based on this theory, cost of capital are the safest source of finance because they have no adverse selection problems. Debt has lower informational costs than equity, which has the most adverse selection problems. As a result, firms (Fama & French, 2002) prioritize debt, and if financial deficits persist, firms turn to equity.

2.1.2 Modern Portfolio Theory

Markowitz proposed it in 1959. Bodie (2005) posits that this this theory is based on the idea that a combination of assets can be assembled by risk-averse traders, like portfolios, to increase or snowball expected return in a particular market-related risk phase, implying that such risks are a higher returns' intrinsic component. "The Modern Portfolio Theory (MPT) is a modern investment decision-making methodology that guides in classifying, approximating, and controlling both the type and amount of expected risk and return; there are a variety of government activities and projects that can be organized into portfolios, each with its own budget in accordance with the MPT used in financial decision making and asset management under risk and uncertainty" (Khan Hildreth, 2002).

MPT is based on the assumption that markets are efficient and investors are rational. Returns gathered from the portfolio mix based on market total execution and the level of risk taken by clients ascertain portfolio composition effects along the green frontier. A portfolio composed of high-performing securities and sound investment strategies will produce high returns, resulting in high performance. According to MPT, it is possible to build optimal portfolios' 'efficient frontier' offering the largest possibly anticipated return for a given risk level, (Low Faff, & Aas 2016).

The weaknesses in estimating the correlation coefficient between two assets is one of Modern Portfolio Theory's flaws. It is even more difficult for multiple assets that require complex tools, so it is not practical. (Vidlickova, 2002). Realistically, there is an infinite number of investment possibilities. When it comes to portfolio diversification. The theory is relevant to the study in explaining what influences a manufacturing firm's decision to use a particular

source of financing in making their options of investment in form of the expected returns and returns and inherent risks and measuring performance in finance.

2.1.3 Trade-Off Theory

Myers pioneered the Trade-off Theory in 1984. He discovered that firms strike an equilibrium between tax gains from leverage utilization and deadweight insolvency costs. The theory makes an assumption that there exists importances and drawbacks to using leverage, with the benefits being tax benefits associated with leverage and the drawbacks being the cost of financing, for example, the costs of cash related inconvenience fusing liquidation costs associated with the obligation and non-liquidation costs. Nonetheless, trade off theory did not consider data asymmetry. The problem was later addressed by this theory, that discussed the conflict between insiders and outsiders as a result of data asymmetry.

Based on trade-off theory, a company will consider debt if the tax benefits outweigh the costs to finance the debt. This might or may not be the case. Despite this, researchers studying trade-off theory come to conflicting conclusions. French (2012) confirms that organizations with higher productivity tend to obtain less leverage, which contradicts the trade-off suggestion that greater performing companies must obtain more leverage in reducing tax obligations. Graham (2013) observed, while surveying the pros and cons of debt, that extensively large corporations with insignificant financial strain anticipation advocate moderate leverage. Along these lines the theory is espoused in the current study in clarifying how the cost of debt affects the financial performance of the firm.

Fama and French (2002) cites that theory states, the capital structure is ascertaind by an organization depending on costs of debt and the benefits and their leverage ratio is increased till benefits of debt and the marginal costs are at bar. The reason for trade-off theory also allows:To begin, a positive association between financial performance and leverage is anticipated, because debt allows organization reduce their agency problems and tax expense. Secondly, it is expected that company size and leverage will be positively correlated. De Jong et al. (2011) highlights that this is reasoning is that bigger firms are less likely to fail as they are more diverse. Bigger organizations have a higher borrowing capacity and try to take advantage of it because size can be perceived as an inverse proxy for bankruptcy risk. Furthermore, due to higher agency costs, smaller businesses can borrow less (Dang, 2013).

The theory further proposes a positive association between tangibility and debt deployment because in gaining tax benefits at a lower pay using their properties as collateral.

For a variety of reasons, the theory has been criticized. The first trade-off theory provided no explanation for why profitable firms used less leverage and issued more debt than equity. In short, trade-off theory was unable to account for the costs of information asymmetry related to the utilizing of equity and debt. This information asymmetry exists due to the knowledge gap between outsiders (Investors) and insiders (Managers). Furthermore, the Trade-off Theory does not account for information asymmetry (Shahar et al, 2015). The theory also fails to explain the negative connection between profitability and leverage as the conservative nature of many businesses use of debt.

The theory applies to this study as it contends that for a firm to consider trade-off concepts, it must first establish the ratio of target debt-to-value and then work continuously toward that goal. The objective is met by striking a balance in tax gain from debt and the dead weight insolvency costs. When a company that has taken on debt is unable to meet the requirements of its debt holders, it will face financial difficulties. When a leveraged firm repeatedly fails to meet the debt holders' obligations, the firm may go bankrupt.

2.1.4 Signaling and Liquidity Risk Theory

Signaling and Liquidity Risk Theory was pioneered by Spence in 1973. Spence proposed in his seminal article that the problem of lopsided data could be avoided by two parties with one party sending a signal which revealed important data to the next party. The signal could then be interpreted by the party and accordingly adjusting his behaviour of purchasing; normally by giving a lager price compared to when they had not received the signal (Volberda, Foss, & Lyles, 2016).

The signaling model assumes that when firms use a specific type of financing option, they send signals to the outside world about their credit quality or cash flows. Signaling thrived in the concept of lopsided data (deviating from perfect data), that states that in some monetary exchanges, disparities in data access disrupt the obvious market for trading services and goods (Wellage, 2014).

Debt maturity can reduce the costs of data asymmetry between firm supervisors and investors; if distinguishing between bad and good firms. Good firms will regard long debts as

underpriced and will issue short-term debt. In similar conditions, bad companies will sell overpriced bonds. Maturity of debt serves as a signaling device. Short-term financing subjected a firm to more frequent monitoring; henceforth, only high-quality companies are more willing to use short-term debt than low-quality firms (Lambe, 2014). In this case therefore, cost of debt increase with the size of the firm, enabling firms to raise their financial performance and achieve more investments.

Several criticisms have been leveled at the signaling and liquidity risk theory. Titman (2014), for example, noted that the theory still stands, including a multi-dimensional scale lack required for measuring numerous signals simultaneously, inadequate information on how hiring expectations may be signaled in a recruitment process and inadequate data on perceived alternative signals. Linter (2013) observed that a significant absent connection would by what a signal costs' financial backing.

The theory is applicable to this research because it means that to raise capital equity is a less preferred means since when new equity is issued by managers (who compared to investors are assumed to be more aware of the firm's actual condition), investors have a belief that managers believe an organization is overvalued and that the overvaluation profits managers. This results in investors aligning a value that is lower to the new equity offering. There are several advantages to using debt, the most notable of which is the agency conflict reduction, as for managers with the responsibility of controlling a firm, bankruptcy is costly. This makes sure that an organization's capital structure is utilized effectively in avoiding bankruptcy resulting to better firm position and financial performance .

2.1.5 The Net Income Approach Theory

David Durand proposed the theory in 1952. It states, if financial leverage changes, the cost of capital and company valuation will change. A company's capital structure affects its valuation. The theory asserts that the use of debt will have an indefinitely positive impact on the company's value; that is, weighted cost or overall cost of capital can be increased or decreased by changes in the company's financial mix or capital structure. The theory assumes that compared to the cost of equity, the cost of debt is lower and that there is a corporate income tax (Brealey, 2016). This theory simply calls for total debt financing. Fama and French (2014) criticized this as artificial and incomplete, pointing out that no firm in the real world operates entirely on debt financing.

Investors' risk factor will not change based on the net income strategy because there are no tax issues and no usage debt. That "when leverage (the proportion of debt) grows, the WACC declines and company value rises," as well as that "the debt capitalization rate and the equity capitalization rate remain constant over time," are proposed in this paper. Regardless of the debt-to-equity ratio, investors' perception of a company remains unchanged. The primary goal of an investor is to make a profit on the capital they've invested. Because borrowing costs are always the same (Mundra, 2015),

The net operating income model has a key drawback because the cost of debt does not change regardless of the amount of leverage. Due to the fact that the firm's cost of capital cannot be adjusted through leverage, this method says there is no optimal capital structure (Burtnyak, 2014). Debt and equity are just two methods of financing; "there are no sources of financing such as preference share capital and retained earnings; all corporations have a similar dividend payment ratio; no flotation cost, no transaction cost, and no corporate dividend tax" is another objection (Ali & Tausif, 2014).

The theory is significant for the study because it demonstrates that in the long run, a firm achieves a descending cost by combining expensive financing sources(less stock) and low-cost financing sources (more debt) in capital structure. In the capital structure, Capital expenditure reduces if debt is utilized more extensively. It means that the financial leverage degree influences the weighted average stock price and capital cost.

2.2 Empirical Literature Review

2.2.1 Cost of Debt and Financial Performance

Khan (2015) undertook a research to establish how debt impacts on the financial performance of Pakistani manufacturing firms using Z-Score Model proof from firms in the Karachi Stock Exchange. The research examined how debt financing impacts on firm financial performance , calculated as profit for equity, using board information from 95 manufacturing firms in Pakistan from 2009-2010 to 2015-2016. The empirical results discovered a nonlinear relationship between profit for equity and debt-to-resource proportion. As the debt-to-resource proportion rises, the return on equity rises initially until an ideal debt level is reached, at which point it begins to fall. The ideal debt-to-resource ratio for Pakistan's manufacturing firms was ascertaind to be 56%. The investigation also discovered that the

profit for equity positively and critically affects firm's business development, despite the fact that firm size did not have significant effect on it.

As the debt-to-resource ratio rises, so will the return on equity. Bhattarai (2016) conducted research on how profitability of Nepalese manufacturing firms is affected by debt financing. Profit for asset, net interest margin and return on equity have been estimated for the firms, and the three variables are the dependent variables. The autonomous attributes are "size, debt to equity ratio, interest coverage ratio, total debt to total assets, long term debt to total assets, and short term debt to total assets." As the debt-to-resource ratio rises, so does the return on equity. The data was gathered from various issues of manufacturing and financial statistics, as well as organizations. Nepal Rastra manufacturing firms distributed supervision reports, as well as yearly reports of selected manufacturing firms. From 2008 to 2014, the study relied on 148 perceptions from 22 Nepalese manufacturing firms. The relapse models were evaluated in order to test the centrality and significance of debt financing's impact on the Nepalese manufacturing firms' profitability. As the debt-to-resource ratio rises, so will the return on equity. The findings established a positive connectio between firm profitability and short-term debt to total assets, interest coverage ratio, and bank size. It also stated that increament in short-term debt to total assets, interest coverage, size leads to an increment in firm profitability.

YugaRaj (2016) conducted research on how debt impacts on firm profitability, using evidence from Pakistan's manufacturing industry. The investigation focused on expanding current empirical knowledge on the influence of debt on organizational profitability. Various variable combinations were deployed to investigate the connection between firm profitability and debt with empirical evidence from Pakistan's manufacturing industry, utilizing board data spanning ten years, from 2006 to 2015. The results discovered a critical yet negative connection between asset profit, total debt, long-term debt and short-term debt.

Santosuosso (2013) examined the cost of debt and corporate profitability in his research. Between 2007 and 2011, a total of 3,556 unlisted Italian companies were studied. The study concluded, based on the logistic regression model, when the ratio of interest expense to financial debt measures the cost of debt, the correlation to the diverse proxies of profitability of the firm is negative.

An investigation of how the cost of debt and equity capital is impacted by environmental risk management was done by Sharfman and Fernando (2008), using 267 publicly traded U.S. firms as a sample. The scholar estimate each firm's equity cost using the Capital Asset Pricing Model (CAPM) and the marginal cost of borrowing using the Bloomberg database. The findings indicate that weighted average capital cost and cost of equity have a negative significant association statistically, whereas environmental risk management and cost of debt have a positive significant association statistically. As a result, cost of capital and environmental performance's overall negative association tends to be dependent on cost of equity.

Zhou, Zhang, Wen, and Chen (2018) investigated debt financing costs, carbon risk, and the media attention's moderating effect from Chinese firms which operate in highcarbon industries in their study. The cost of debt financing and carbon risk' association was investigated using a panel regression model, as well as the positive media attention's moderating effect on the connection. The study used 191 Chinese Ashare listed firms operating in highcarbon industries from 2011 to 2015 as a sample. An empirical study was conducted, and the results revealed an Ushaped connection between the cost of debt financing and carbon risk in China. Hence, an interval effect is exerted by carbon risk on the debt financing cost, rather than firms that are state- owned, it majorly is available in private firms.

Among Ghanaian manufacturing firms, Bwawa, Asamoah, and Kissi (2018) sought to establish debt cost's effects on firm financial performance in their study. The Z score bankruptcy prediction model was used. The study collected qualitative and quantitative data (modified single case design) via questionnaires distributed via survey method. Financial statements provided secondary data. The findings demonstrated the utility of the Z score in predicting bankruptcy. It also confirmed the link between corporate governance and business failure. The study however concentrated on ratios and corporate governance excluding macroeconomic factors which affect firm characteristics indirectly, triggering financial costs on a firm.

Mauwa (2016) conducted research on debt financing's impact on the execution of the Rwanda stock exchange listed manufacturing firms in his study. This research focused on determining debt financing's impact on financial performance in manufacturing firms listed on the Rwanda Stock Exchange between 2009 and 2015. The investigation was

straightforward and correlative in nature. The investigation discovered that firm profitability and debt level had a positive strong association. This will in general be more affordable and expanding it with a moderately low financing cost which prompts the expansion in profit levels and thus performance.

Babirye, Niringiye, and Katerega (2014) investigated how the cost of debt and the development rate of Ugandan manufacturing firms were related. The investigation used a cross-sectional/correlational structure, and it was hypothesized that age, exchanging/obtaining knowledge of the business, insurance, and loan fees all significantly impacted on access to debt finance by manufacturing firms. The investigation used a participant sample of 130 manufacturing firms, with the owners serving as the unit of inquiry. For information analysis, the Pearson Rank connection coefficient and relapse investigation were used. The results established a strong positive association between loan costs, guarantee prerequisites for debt obtaining, exchanging history, and access to debt finance.

Wachanga (2014) conducted research on how debt cost and financial performance of manufacturing firms listed on the NSE were associated. A desk review of published company annual financial statements was used to conduct a census study of 53 companies that were listed on the NSE from 2009 to 2013. In determining the link between debt cost and financial performance , linear regression model was deployed. With an effort of accounting for the fact that the cost of debt is not the only factor influencing financial performance , the model now includes the firm size and degree of leverage. According to the study's findings, all three factors, capital expenditure, leverage, and firm size positively impact on performance in financing.

Audax (2018) investigated the debt financing' effect on manufacturing firm profitability. The study used a census technique to collect data from all 43 manufacturing firms. The investigation lasted a total of five years (2012 - 2017) and in nature, it was descriptive. The Pearson Correlation Analyses were used in the study in examining the association between reliant factors banks capital and autonomous factors banks profitability. A large number of straight relapse tests were also utilized in attaining similar outcomes. The results indicate that gainfulness and short term debt (STD) positively relate since STD is not expensive and an increment in profit levels can be resulted from relatively increasing it with low rates of

interest hence improved performance. Profitability and Long term debt (LTD) negatively related.

Yegon (2014) explored how debt financing and NSE listed manufacturing firms' financial performance . He discovered that SDT had a positive association with lower capital expenses. When leading an investigation into the relationship between COC and the influence of organizations cited on the NSE, the leverage varyingly affected COC from organization to organization. In some organizations, the COC decreased with influence, whereas in others, it increased. This was attributed to differences in the debt contracts drafted by these organizations. Concentrations on the impact of CS on the COC have largely been led in developed countries, displaying findings that may or may not be relevant in the Kenyan context.

Nazir, Azam, Khalid, and Khalid (2021) conducted a study's on the link between listed companies' debt levels and their performance at the Pakistan Stock Exchange (PSX) over five years. 30 Pakistanian organizations which operate in the sugar, cement and automobile sectors were used as a cross-sectional sample and analyzed using fixed- and random-effects models and pooled ordinary least squares regression between 2013 and 2017. Both long- and short-term debt significantly and negatively affect profitability of the organizations, according to the findings.

Mwanzano (2019) studied how debt financing influenced financial performance among NSE-listed companies. Secondary data from targeted companies' financial reports and statements was employed. Descriptive statistical approaches, multiple linear regression and correlation analysis were deployed to ealuate the data. Debt financing exhibited a slight negative connection that was meaningful, according to the findings. Firm liquidity and firm profitability have a substantial positive and modest association. The size of the company had a weak but minor negative connection. According to the findings, company liquidity has a favorable and considerable impact on financial performance .

Aziz (2019) focuses on debt financing's influence on non-financial organizations' ROA in Pakistan. Over a 9-year period, a causal study approach was used on a demographic target of diverse sectors, with secondary data compiled from firm reports. For the period 2006-2014, the research population includes 14 Pakistan stock exchange's non-financial industries. Financial performance is significantly impacted, according to regression analysis. As a result

of the study's findings, organizations should rely more on internal sources of finance, which are both inexpensive and reliable.

Liziwe (2017) conducted a case study of Telone Private Limited in Zambia, focusing on how loan were related. Twenty chosen questionnaires funding and return on assets from 2015 to 2016 were used in collecting both qualitative as well as quantitative data. The findings of the research revealed that debt financing had statistically significant effects on the company's ROA. As a result of the research, the corporation should only employ debt financing as a last resort, as the negative effects have been shown to outweigh the benefits of debt-financed projects.

For the period 2013-2017, Karuma, Ndambiri, and Oluoch (2018) conducted a study at NSE on loan financing's effect on manufacturing organizations' financial performance . The 9 manufacturing organizations mentioned were the study's target population. Secondary data is taken from publicly available financial statements. STD had a significant and positive influence on ROA, whereas long-term debt significantly and positively affected return on assets. As a result, the study recommended that businesses implement ways to maintain STD while increasing LTD financing to improve efficiency.

Omollo (2018) investigated how financing choices impacted the financial performance of NSE-listed companies. Between 2009 and 2015, secondary data was obtained from public statements for a target population of 40 listed non-financial organizations. Long, short, and total debt all negatively and significantly effects on return on assets statistically, but no effect on return on equity, based on the results. Hence, the study recommended that financial managers manage debt levels in order to work at peak efficiency.

Kirimi (2017) explored the impact of debt financing on financial performance . Over an eight-year period, a causal study design was employed on a population target of 10 manufacturing organizations, using secondary nature data acquired from the firm's financial accounts. The study's results indicated a substantial positive link between ROE and debt. As a result, the researcher recommends that business owners try to fund their operations using low-cost loans so as to get the full benefits of debt financing.

An investigation on the impact of debt financing on manufacturing firm standing in Kajiado County was undertaken by Ng'ang'a (2017). To demonstrate the relationship between the

variables, a descriptive research design was utilized. For a duration of three-year, secondary nature data was used (2014-2016). To improve the analysis, using a statistical tool for social science, the data was displayed in tables using a regression model. The study discovered a favorable but minor correlation between manufacturing firm financial performance and debt financing financial performance in Kajiado.

An examination of debt capital and its impact on South African businesses' financial performance was carried out by Magoro and Abeywardhana (2017). From 2011 to 2015, the study looked at 25 retail and wholesale businesses in South Africa. Secondary data was studied using regression analysis, and the results revealed that financial performance was impacted negatively impacted by both short and long dets and debt capital. As a result, it was recommended by the study that company executives make decisions that maximize profit while minimizing debt-related costs in order to increase shareholder value.

Koskei (2017) investigated the relationship between debt-to-equity ratios, debt-to-asset ratios, long-term debt ratios, as well as the financial performance of Kenyan private sugar production organizations. The study relied on secondary data and conducted a survey of all six commercial sugar firms in Kenya. According to the findings, financial performance is impacted significantly by the debt-to-equity ratio, financial performance is further impacted significantly by long-term debt equity ratio, the debt asset ratio has no significant impact on financial performance and the moderating factor of a firm's size does not have any significant impact on financial performance .

A recent study by Makanga (2015) examined the financial performance of NSE-listed companies in relation to loan finance. SPSS and a quantitative research technique were used to conduct the analysis, which included the use of linear regression models. The return on assets (ROA) and short-term debt were shown to be "inversely connected, but not considerably." Asset returns were negatively affected by STD, while long-term debt had less influence. Return on assets and total debt exhibited just a mildly negative correlation.

Muturi, and Atambo (2016) undertook a study to find out how leverage finance impacted the country's overall financial performance, researchers Onchong'a. An audited financial report from these companies was used to determine a population of 60 NSE-listed companies with debt in their capital structure between the years 2009 and 2012. Regression analysis coefficients on debt effects on returns on assets were used to determine the impact of a unit

increase in short-term debt on asset returns. Adding one unit of short-term debt resulted in a reduced profit margin.

Regarding debt funds, Lambe (2014) looked into their responsibilities in Nigeria, the impact of the capital mix they use, and how they affect an organization's capital decision. Surveys were used to collect primary data, while periodic publications and the Nigerian Stock Exchange's information book provided secondary data. According to new research, the amount of debt a firm takes on has a major impact on its market value.

Dube (2013) undertook a research on how the profitability of SMEs in Zimbabwe was impacted by debt, and found that a firm's productivity was linked to its amount of leverage as well as investment variations. The study also found that investment spending was a critical determining factor in SMEs' efficiency. To avoid high leverage costs, which can dissuade SMEs from using cost of capital, the level of leverage must be acceptable.

Mushipe (2017) studied how SMEs' financial performance was affected by loan financing. Interviews and questionnaires were used to collect data from respondents who were chosen using the purposive sample technique. The study used Statevice as a case study and utilized a descriptive research design. The information was analyzed and shown using graphs, pie charts and tables. Debt financing is linked to liquidity, agency fees, bankruptcy expenses, and high interest rates, all of which have a detrimental impact on the entity's performance.

Kajirwa (2015) investigated if the usage of borrowed funds in a firm's capital composition influenced its performance. The manufacturing firms in Kaimbu County were assessed in this study, which had a target population of 11 manufacturing firms. Correlation and regression models were used in the research. Although not statistically significant, the study found that the company performance is greatly impacted by leverage. The study revealed that commercial bank performance leverage that are detrimental is influenced statistically significant and negatively using leverage in a firm's capital composition.

Prior to and during the present crisis, Gabrijelcic, Herman, and Lenarcic (2016) investigated the effects of financial obligations and foreign funding on a performance of a firm. A wide panel of Slovenian businesses was employed in the investigation. The study discovered that debt significantly and negatively impacted the company performance, and that organizations with some international leverage did better on average than those that rely solely on domestic

funding. At the same time, if the overall debt was increased, these companies' performance plummeted.

2.2.2 Cost of Equity and Financial performance

The rate of return paid to equity investors by a company is described as cost of equity. The weighted capital average cost is made up of the cost of equity and debt, which are weighted to reflect corporate leverage and debt is taxed (Ayeni & Olaoye, 2015). A higher financial leverage exposes shareholders to a high threat of significantly loosing with low ROA whereas it enables them earn a higher ROE. According to Pandey (2010), on fixed charges funds, a firm's financial leverage is expected bring more to the firm compared to their relative costs.

Da, Guo, and Agannathan (2012) conducted a study on capital asset pricing models of estimating the equity capital cost in their study. Through the development of a way of estimating project returns and project CAPM-betas of firms, researchers provided empirical support. According to the investigation outcomes, the researcher made a conclusion that firms should continue to use the CAPM despite evidence mounted against it based on a stock returns' cross-section. The study also concluded that a company's embedded actual choice in abandoning and modifying established projects while embarking on newer projects may have a significant reason for poor standing of the CAPM in explaining the book-to-market-sorted stock portfolios and returns on size's cross section.

Ghani, Ahmad, and Salim (2016) undertook an investigation on equity financing's effects on the profit capability of Malaysian manufacturing and allied firms. This study focused on confirming the presence of affiliation between capital source through debt and equity financing, and profitability of Malaysian manufacturing and allied firms. The investigation's basis was on a postal survey using the cluster sampling method. It included 177 Malaysian firms registered in the manufacturing and agriculture sectors. As a result, two research hypotheses were proposed and tested. The results discovered that equity financing positively and significantly affects corporate profitability. According to that research, as a business capital source, firms in Malaysia should use equity financing because of it has the capability (ability) to influence business performance.

Embong, Mohd-Saleh, and Hassan (2012) investigated how equity capital cost and disclosure of 460 larger organizations listed on the Bursa Malaysia's Main Board between 2004 and

2006 were associated. The study included multiple regression and correlation analysis tests. The findings indicate that compared to small firms, larger firms' equity capital cost and disclosure relate negatively and significantly. They recommend that the firm's disclosure policy should be strategized by managers for larger firms with a goal of lowering the cost of equity.

An examination of how equity capital is impacted by environmental risk management was done by Sharfman and Fernando (2008) with 267 publicly traded U.S. firms being used as a sample. The scholar used the Capital Asset Pricing Model in estimating each firm's cost of equity and its marginal cost for borrowing using Bloomberg database. The results discovered that environmental risk management and cost of debt associated statistically positive and significantly whereas weighted average cost of capital and equity cost associated statistically negative and significant. As a result, the cost of equity seems to drive the cost of capital and environmental performance's overall negative association.

Using a Dynamic System, Nyeadi, Banyen, and Mbawuni (2015) studied equity Financing of Manufacturing Firms Listed in Ghana: Empirical Evidence. The study's sole purpose was to empirically establish the factors that influence the equity financing decisions of Ghanaian manufacturing organizations listed on the Ghana Stock Exchange. For an eight-year period spanning 2007 to 2014, 28 organizations listed on the Ghana Stock Exchange were used. In the hypotheses testing, the study advocated for a vibrant panel scheme of overall Methods of Moments. The empirical estimation results revealed that listed firms in Ghana use more equity than debt and rather than long-term debt, prefer to finance their activities with short-term debt. The study further discovers the relationship between firm tangibility, liquidity, managerial ownership, firm size, and long-term debt ratio was significantly positive.

Musila (2015) undertook a research on how financial profitability and equity financing for companies belonging to NSE listed companies in the petroleum and energy sectors were associated. Data chosen during the particular time period was examined, it was a descriptive research. Five companies listed on the NSE (2005 – 2014) formed the study population. The study relied on secondary information on the sample companies' published audited yearly reports of accounts, which were gotten from the Capital Market Authority and NSE. The study's results discovered that financial performance and equity financing's association was

positive but non-significant. It further revealed that growth opportunities, as well as the equity ratio and financial performance associated significantly and positively.

Githinji (2017) conducted research on the effects of manufacturing firms' equity financing and financial performance in Embu County, Kenya. The study's specific goal was to establish the impact of equity capital, cost of capital, and debt capital on the manufacturing firms' financial performance . The causal study design was used by the researcher to conduct the survey. The target population consisted of all 95 registered SMEs operating as manufacturing and agricultural firms in Embu County as of December 31, 2016. Using stratified random sampling techniques, a sample of 29 (30%) was drawn from the target population. To improve the collection of primary data, questionnaires were distributed to the sampled participants by the drop and pick up later approach. The SPSS version 20 data software was deployed for a thorough examination of quantitative information. It was discovered through the results that firm financial performance is impacted significantly by equity capital.

Natalia, Marek, and Tomá (2018) investigated the internal factors that influence the equity capital cost. The goal of this PhD thesis was to do a theoretical literature review on external and internal factors that influence equity capital cost comprehensively, followed by a test of the theoretical approaches identified on the samples Czech companies using a primary empirical research in transforming the knowledge gained into a methodology that supports the process of making decisions on co-investment. The research adds to the corporate financing decisions understanding through the combination of statistical methods, surveyed information from the Czech business surrounding and various theories. Secondary and primary research combined contributes to a better understanding on how CEC and its determinants are associated, discovering the existing gaps between practice and theory in particular units of specialization. Because of the study, Czech companies' practical experience as well as the scientific community's global knowledge is incorporated by the designed methodology and is expected for use by academics and corporate executives.

Sumaryati and Tristiarini (2017) conducted research in Indonesia on the impact of cost of equity on monetary distress and business value. The independent variable was cost of equity, the mediator was financial distress, and the independent variable was firm value. The study's participants were public firms that were ranked in the corporate governance perception index

by the Indonesian corporate forum for governance. Purposive sampling was deployed in choosing a sample of 144 businesses. The research's results discovered that while the cost of stock has a considerable impact on financial distress and company value, financial distress has no impact on firm value.

Healy and Palepu (2016) examined changes in business risk, leverage, and profits levels around equity offerings in 93 large equity-financed companies as a sample. The proof of changes in analyst estimates or real earnings changes was not found, according to the researchers. Following the offer, they discovered a large increment in equity and asset betas. The information transmitted by share offerings, according to their research, than changes in levels of earnings, it relates to changes in risk. The outcomes appeared to be time-dependent. The researcher also discovered a good mean performance from 2005 to 2009 and a negative mean performance from 2010 to 2015.

McLaughlin (2014) examined the operating performance of 1296 industrial organizations listed at New York Stock Exchange that issued seasoned equity between 2009 and 2013. Prior to the incident, the financial performance of their sample of equity offering firms improved significantly. According to the data, organizations with higher free cash flow had lower profitability, and stock offering organizations with investment in new fixed assets did well. The choice of more shares issuance was found to be driven growth potential, leverage and firm size.

Cai and Loughran (2015) looked at Japan based companies who did 1389 equity offerings in 2013-2014 and found that they underperformed various benchmarks over the next five years. The matching-firm adjusted operating performance deteriorated in tandem with the low stock performance. It was discovered that, for the new issue conundrum, these findings from Japan's financial markets were incompatible with the agency-based solution.

Friday (2019) looked at 200 USA real estate investment trusts' financial performance after making an equity offer between 2013 and 2018. After the equity offering, the sample exhibited flat industry adjustment to changes in performance and prior to the offering, flat to growing operating performance level changes. The findings were contrary to those of industrial firms, whose execution improvements after an equity issue were shown to be negative. They ascribed the disparity to structural peculiarities in REITs, limiting the available internal capital amount to managers of REIT.

Gathara, Kilika, and Maingi (2019) studied how equity impacts the financial performance of selected firms listed on Kenya's NSE. Because of the problem nature and the resources available, the research utilized a causal or explanatory research design. Quantitative data was utilized by the investigation. The independent variable's impacts on the company's financial performance were investigated utilizing multivariate tests employing a panel data model. Information was obtained from 30 companies for 2007 to 2015. The study discovered that equity has a considerable favorable impact on the financial performance of selected Kenyan firms listed on NSE.

A study on the equity financing approach and the Kenyan small and medium businesses' performance was done by Raude, Wesonga, and Wawire (2015). A descriptive survey research strategy was deployed by the research, which included a questionnaire with dichotomous questions to gather data from respondents and respective firms top management interviews to accomplish the intended results. The study discovered a substantial link between SMEs' success and their equity financing approach. It was also discovered that SMEs in Kenya's Kakamega municipality were "financially starving."

2.2.3 Cost of Retained Earnings and Financial Performance

It is common practice to record retained earnings as shareholders' equity on the balance sheet. It is also known as accumulated retained earnings and is determined by adding net income to (or subtracting any net losses from) initial retained earnings and subtracting any dividends paid to shareholders (Dinayak, 2014). An organization's retention rate is another name for the retention ratio, which measures how much of an organization's profits are reinvested back into the business (Orwel, 2010).

Thirumalaisamy (2013) investigated the impact of firm development and retained earnings behavior in Indian manufacturing firms. The sample size was made up of 149 profitable Indian manufacturing companies. The information gathered from 1996 to 2010 was examined using relationship and various relapse techniques. The findings suggested that income and dividends were the most influential factors on retained earnings across test organization groups. Organizations with low speculation open doors for growth and expansion want to distribute a large portion of their earnings as dividends. Potential venture opportunities for these organizations are likely to emerge in the future. As a result, profit, when retained, remains unutilized for an extended period of time or is used in transient venture opportunities

that yield a low rate of profitability. Such organizations prefer to distribute profits and raise capital at any time. As a result, the dimension of earnings retained is particularly influenced by the rate of development of the organizations.

Munir, Kharal, and Abidi (2017) investigated "the impact of cash dividends and retained earnings on the stock price of firms with high and low growth rates. Various non-financial firms listed on the Pakistan Stock Exchange were chosen for the study between 2009 and 2013." The relationship between retained earnings, cash dividends, and stock prices was investigated using balanced panel data. According to the study's findings, yields per share and stock price in low growth firms negatively relate, retained earnings and stock price negatively related too. Furthermore, the study's findings revealed that in high-growth firms, there is a negative relationship between dividend yield per share and stock price, but retained earnings and stock price positively associate.

Javed and Shah (2015) investigated the impact of retained earnings on stock returns in Karachi stock exchange-listed companies, such as food and personal care. Researchers examined loss yield/capital gain, cash dividends per share, and stock prices to see if there was a connection between retained earnings and these three sub-variables of stock returns. Seven active food and personal care enterprises were surveyed between 2009 and 2014. Convenience sampling, linear regression, and Spearman's correlation analysis were employed to ensure that our data was not influenced by chance. According to the research, the relationship between retained earnings, cash dividend per share, and capital gain/loss yield is weak and inconsequential. The relationship between a company's retained earnings and its closing share price is also somewhat favourable, but statistically insignificant

Ahmed (2001) evaluated the effects of dividends and retained earnings on Bangladeshi stock prices. In spite of the widely held view that retained earnings have a stronger impact on growth industries and dividends have a bigger effect on non-growth enterprises, research reveals that dividends and retained earnings have an impact on stock prices. However, the data suggests that the dividend effect hypothesis outperforms the retained earnings hypothesis.

According to Khan and Shah (2012), researchers in Pakistan looked into "the effect of retained and distributed revenues on future profitability and stock returns". Using a Pearson

correlation matrix at the firm level, this research looked into the relationships between several aspects of profit margin. Random panel (effect) regression modelling was used to investigate the relationships between various characteristics of income and the impact that present components will have on future incomes. A regression model was used to assess some of these earnings components, which appeared to be unrelated (SUR). We used a random panel (effect) regression model to examine if there was any correlation between the various components of profits and the stock price. According to the study's findings, retained earnings have a considerable and favourable impact on firms' net future earnings because investors predict future profitability based on available financial resources. This covers "current accruals," "retained cash flow," and "distribution to equity holders" (DISTEH). In contrast, no statistically significant link was found between historical accounting data and stock returns.

Masood (2018) sought to investigate the determinants of retained earnings in profitable steel organizations in India: an investigation of the steel sector in his study. Various direct relapse techniques are used to identify the determinants of retained earnings over a sixteen-year period spanning 1995-2011. Judgmental testing was used to select 27 steel companies. Information pertaining to the example steel organizations for the steel division was gathered and broken down utilizing the measurable procedure of various direct relapse utilizing SPSS form 19. (Statistical Package of Social Sciences). The procedure of multiple straight relapses was linked primarily to limit the issue of multi collinearity. This multivariate examination system was used because it was the best tool for assessing the individual and combined impact of numerous free factors on the ward variable. The investigation findings revealed that a wide range of factors, such as profit after assessment, savings, investments, and deterioration, influence or have an effect on the retained earnings of organizations or the maintenance of their earnings.

Margaretha and Firzitya (2015) investigated the impact of retained earnings, cash dividends, and stock cost of manufacturing firms listed on the Indonesia stock exchange. Secondary information was used in the research, which was obtained in a roundabout way through a mediator medium or information handled from writings and reports related to this investigation. The investigation's free variables were retained earnings per share, money dividends per share, earnings per offer, and influence, while the dependent variable was stock

cost. The sample consisted of 23 organizations that used the purposeful inspecting technique. The empirical findings of this study revealed that retained earnings per share, money dividends per share, earnings per offer, and influence all have a significant impact on stock price. In this way, the higher stock price will entice financial experts to contribute their funds. As a result, organizations and shareholders must consider cash retained earnings per share, dividends per share, earnings per share, and influence as factors influencing the growth or decline of the stock price.

Money dividends per share, retained earnings per share, earnings per offer, and influence all have a significant impact on stock price, according to the empirical findings of this study. As a result, the higher stock price will entice financial experts to contribute funds. As a result, organizations and shareholders must consider cash dividends per share, retained earnings per share, earnings per share, and influence when determining whether the stock price will rise or fall. The findings revealed a positive and critical relationship between retained earnings, earnings per share, dividend payout, and firm estimation, whereas showcase esteem was strongly but not significantly related to financial influence. The investigation reduced the scarcity of previous research on dividend policy in developing markets in terms of the empirical relationship between retained earnings and firm market valuation.

On the subject of "retained earnings" and "firm market value" in Nigeria, Akinkoye and Seriki (2018) conducted their research. Between 2003 and 2014, data on Nigerian Stock Exchange-listed non-financial enterprises was gathered. A cross-sectional and time-series analysis of the association was carried out using the annual financial statements of each company. Multivariate regression models, both descriptive and multiple, were employed to discover the relationships between the variables. According to the study's findings, financial leverage was shown to have a "positive but insignificant" correlation with company value, retained earnings, profits per share, dividends, and firm value.

Abdullahi, Zechariah, and Ishaku (2020) investigated "the relationship between the cost of retained earnings and the financial performance of Nigerian deposit money banks." Secondary data was obtained from the Nigeria Stock Exchange as well as the bank's annual reports from 2014 to 2018. There are twenty-five (25) banks listed on the NSE in the financial institution sector, and fifteen (14) samples were drawn from the total population. To assess the possibility of a connection between the variables, regression analysis was

performed to get F-test statistics, P-value, Correlation Coefficient (R-Square), and coefficient of determination (R). A regression of dependent and independent variables was used in the analysis (return on asset and price to book value, dividend yield). According to the findings, price to book value, dividend yield (DY), and bank size are all significant and positively correlated with the financial performance of publicly traded deposit money banks.

Tirmizi and Ahmad (2017) investigated the effects of retained earnings on the value of manufacturing SMEs and shareholder wealth maximization. The adopted modeled equation was modified to represent a retained earnings-based firm valuation equation with variables such as retained earnings, firm value, and shareholder wealth. This model was put to the test by looking at the effects of retained earnings on firm value and shareholder wealth. The impact of firm value on shareholder wealth was also investigated. A questionnaire was used to collect primary data from randomly selected listed Egypt manufacturing firms. The constructs of the retained earnings-based firm valuation model had an alpha score of 0.866. The instrument was validated using factor analysis, and the hypotheses were tested using ordinary least squares linear regression analysis. The major findings indicated that "retained earnings played an important role in expansion activities and aided sample firms in achieving desired growth from 2000 to 2009." Because of the investment and reinvestment of retained earnings in value-enhancing projects, the sample firms' value increased and shareholders' wealth increased. As a result, the study's findings validated the strength of the retained earnings-based firm valuation model in Egypt.

Ravi (2017) investigated "the firm development and retained earnings of manufacturing firms in Pretoria, South Africa, in their study." The sample size consisted of 26 manufacturing companies in Pretoria. Correlation and multiple regression were used to collect data from 2010 to 2016. According to the findings, income and dividends were found to be the most influential factors on retained earnings across all sample classifications. Organizations with low speculation open doors for growth and expansion want to appropriate a large portion of their earnings as dividends. The findings also revealed that profit, when retained, remains unutilized for an extended period or is used in short-term venture opportunities that yield a low level of profitability. Such organizations want to distribute profits and raise capital at any time. As a result, the level of earnings retained is heavily influenced by the organizations' growth rate.

Thuranira (2014) investigated “the effect of retained earnings on the returns of manufacturing firms listed on the Nairobi Securities Exchange in his study.” The data was summarized using excel spreadsheets and analyzed with SPSS. To assess the possibility of a relationship between the variables, regression analysis was performed to obtain coefficient of determination, correlation coefficient, P-value, and F-test statistics. The analysis included a regression of stock returns against retained earnings alone, followed by another regression involving retained earnings and three additional variables as control variables: dividend yield, net asset value per share, and price to book value. When stock returns were regressed against retained earnings, the study discovered an insignificant and very weak association between retained earnings and stock returns, which is inverse because the coefficient corresponding to retained earnings in the model was always negative. According to the study, corporate organizations should not keep unnecessarily large amounts of earnings because it has an inverse effect on stock returns for investors. Only when there are investment projects with a positive net present value should they keep earnings.

Mulama (2014) investigated “the effects of retained earnings on the financial performance of Nairobi-listed companies.” Firm size, dividend payout, growth opportunities, profitability, tangibility of assets, and leverage were all tested. Between 2009 and 2012, both longitudinal and cross-sectional research designs were used to improve the study of companies listed in various segments. Only 41 non-financial companies listed on the NSE were studied, while financial companies were excluded to eliminate any anomalies associated with this sector, which is heavily regulated by the central bank prudential on issues such as “liquidity, asset and capital holding, and provision for bad debts, among other factors.” This study relied on secondary data from NSE published reports and financial statements. The data was gathered using a data collection sheet. The data was analyzed using multiple regression in the study. According to the study's findings, there was a weak positive relationship between profitability and retained earnings. The research also discovered that firm size and growth opportunities had a weak negative relationship with retained earnings. The dividend payout ratio was discovered to have little or no relationship with retained earnings. The study's findings revealed a strong inverse relationship between leverage and retained earnings.

Kibet (2014) investigated the effects of a retained gaining policy on the share prices of Kenyan firms listed on the Nairobi Securities Exchange. During this time (2001-2011). The

informational index, which included volume weighted average cost as a reliant variable and money dividend per offer and offer dividend per share as independent variables, was compiled using data collection plans for the 55 organizations examined for the study. Optional data was obtained from the Nairobi Securities Exchange, Capital Market Authorities, Kenya Bureau of Statistics, and examined organizations between 2001 and 2011. Traditional Least Squares indicative tests were hurried to determine the model's suitability and outcomes. The market's impact revealed that there was a significant positive relationship between retained earnings and share costs, while there was a minor negative relationship between offer dividend and offer costs. This implied that retained earnings have an impact on share prices and that an increase in retained earnings would result in an increase in offer cost for companies listed on the Nairobi Securities Exchange. Conversely, a decrease in retained earnings would result in a minor decrease in share cost for companies listed on the Exchange.

Abdullahi and Ishaku (2020) investigated the impact of retained earnings on deposit money bank financial performance in Nigeria. For the years 2014 to 2018, secondary data was gathered from the Nigeria Stock Exchange and the bank's annual reports. The findings revealed that price to book value, dividend yield, and bank size were all significantly and positively correlated with the financial performance of publicly traded deposit money banks. As a result, the management of these banks should invest more in order to generate profit through innovation and ideas that will generate a lot of interest and avoid jeopardizing cash flow.

The cost of retained earnings in the private business sector savings in India was experimentally studied by Jangili and Kumar (2011). Corporate tax rate, cost of borrowings, depreciation rate, and inventory to sales are all adversely related to retained earnings, whereas profit after tax, external sources of funds, capital creation, interest burden, and value of production are all positively related. The most significant drivers for large enterprises are determined to be corporate tax rate, availability of external money, cost of borrowings, and inventory to sales ratio.

Tariq, Kharal, Abrar, Ahkam, and Khan (2014) tried to figure out how important retained earnings are. The study analyzed data from 66 non-financial companies that were listed on the Karachi Stock Exchange (KSE) between 2007 and 2010. To determine the trend of relationship between variables, the researchers performed regression and correlation analysis.

Dividends are more essential than retained earnings for the illustrative influence of stock prices in the KSE, according to the study's findings.

Another study, undertaken by Essays, UK (2013), sought to determine the impact of retained earnings on the share prices of KSE-listed companies. The information was gathered from 40 KSE-listed firms between 2005 and 2008. To determine the link between variables, the researchers employed simple linear regression analysis. Evidence suggests that share prices and retained earnings have a positive association.

Mulama (2014) did another study to examine the determinants affecting retained earnings in Nairobi Stock Exchange companies. The study looked at dividend payout, profitability, and business size, as well as asset tangibility, growth potential, and leverage. To thoroughly examine the facts, the study used both a cross-sectional and a longitudinal research approach. The information was gathered from 41 non-financial companies listed on the NSE between 2009 and 2012. Multiple regression models were employed in the investigation, as well as SPSS tools. The study's findings revealed that profitability has a weak positive association with retained earnings, whereas retained earnings has a weak negative link with growth potential and company size. The study's findings also revealed that retained earnings had a weak or no association with dividend distribution but a strong relationship with asset tangibility. The study also discovered that retained earnings and leverage had a significant or stable negative association.

Ouma (2012) proposes that there is a link between retained earnings and company performance in Nairobi Stock Exchange-listed enterprises. The data for the study was gathered from NSE-listed firms between 2002 and 2010. To find a relationship between variables, the researchers employed regression analysis. According to the findings of the study, there is a significant and favorable association between dividend payout and firm success. The study supported Walter's relevancy theory model, which said that dividend payout has an impact on business performance and that dividends play an important role in improving firm performance.

Suliman, Ahmad, Anjum, and Sadiq (2013) investigated the connection between retained earnings and dividend policy. The information was gathered from 35 KSE listed firms between 2001 and 2011. To determine the association between retained earnings and other key variables such as increasing, earning volatility, company size, dividend yield, and

earnings per share, the study used a panel data technique and regression analysis. Earnings per share and dividend yield have a negative association with stock prices, according to the study. According to the findings, firm size and asset growth have a considerable and robust link with stock prices.

Nishat and Irfan (2014) conducted research to see how retained earnings affect stock returns. The data for the study was acquired from 160 KSE listed firms between 1981 and 2000. According to the findings of the study, there is a considerable positive association between stock prices and dividend policy. Khan and Zulfiqar (2012) attempted to determine the resiliency of future profitability based on distributed and retained earnings. Between 2004 and 2009, data was collected on 86 Pakistani publicly traded enterprises. To determine the link between variables, the researchers employed regression analysis and correlation analysis. The findings indicated that retained earnings have a significant and strong impact on future earnings of firms of Pakistan.

Troudi (2013) analyzed the impact of retained earnings, financial leverage, cash dividends, and earnings per share on stock prices. Data was collected from all of the Amman Stock Exchange's listed industrial enterprises between 2005 and 2010. To examine the association between different variables, the researchers employed regression analysis, an imbalanced panel data technique, and correlation analysis. Stock prices have a substantial and positive link with earnings per share, cash dividends, and retained earnings, according to the study's findings. A non-significant, but substantial, link between stock prices and financial leverage was also discovered in the study.

2.2.4 Cost of Preference shares and Financial performance

The cost of preference shares refers to the firm's stocks that pay dividends before ordinary share stockholders are paid. Although these are given the highest priority when it comes to dividend payment and other benefits in the firms, in the long run, these contribute to a firm's increased performance. This is because shareholders will be willing to offer more shares to the firm in order to benefit from the preferences granted to these shares. In a firm, however, ordinary shares contribute the most to performance when compared to preference shares. With more ordinary share capital then the preference share capital, a firm’s liabilities will be less thus making more resources available for investments (Adera, Anyango and Rotich, 2015).

Pouraghajan and Malekian (2012) conducted a study to ascertain the impact of cost of preferences on financial performance among manufacturing firms listed on the Tehran Stock Exchange in their study. For the period 2006 to 2010, they sampled 78 manufacturing companies listed on the Tehran Stock Exchange. It was discovered that the return on assets ratio (ROA) and not necessarily returns influenced the financial performance of the companies. The results concluded that there is a significant positive relationship between asset tangibility, firm size, and growth opportunities with financial performance measures and by extension costs of capital.

Kagerhu (2013) sought to investigate the effects of preference shares costs on Indonesia's developing medium-sized manufacturing organizations. As a research methodology, the investigation used both a descriptive and a variable regression model. When exposed to both sample and non-sample data, this model proved to be more robust than previous ones. It was noted that adaptability and long-term goals were required in order to push and upgrade access to less expensive capital. The results discovered a negative relationship between new factor and capital expenses. In their study on the impact of cost of preference on financial performance , Okiro, Aduda, and Omoro (2015) discovered that there was a positive significant relationship between expense of preference and financial performance as CS and administrative consistency and performance of firms listed on the East African Community Securities Exchange. The research was carried out in 56 firms registered on trades of nations affiliated with the East African Community. The hypothesis was tested, and it was found that there was no significant relationship between CS and financial performance among recorded organizations in the EAC securities trade. Relapse was used to put the hypothesis to the test. The outcomes of the examination did not confirm the hypothesis.

Mwangi (2016) investigated the impact of cost of preferences on the financial performance of manufacturing firms listed on East African securities exchanges in his study. The examination explicitly assessed the impact of inclination costs, transient debt, long term debt, and various investors' assets on financial performance . Furthermore, it investigated the directing impact of total national output growth rate on the impact of financial structure on financial performance of the aforementioned firms. The investigation used a causal or logical research strategy with optional board information from the financial explanations of 61 firms recovered from the securities trades hand books from December 2006 to 2014. The investigation discovered that, in detachment, short-term debt, long-term debt, preference cost,

and outer equity had a negligible negative impact on profit for resources but a negligible positive impact on profit for equity. Financial structure had a significant positive and negative impact on profit for equity and profit for resources separately while they were joined.

Mukembo (2018) investigated the relationship between preferences capital and financial performance in Ugandan manufacturing SMEs firms. The research was based on a cross-sectional structure that was quantitative graphic in nature. Empirical data on capital performance and financial performance of the selected SMEs was compiled using STATA and MS-Excel to establish a genuine link between the key factors chosen for the study. The results discovered a significant negative relationship between inclination cost and financial performance of microfinance institutions. The findings also revealed that SMEs were extensively used with momentary debt proportion to add up to resources, implying that manufacturing SMEs rely on client stores, term stores, and transient advances to finance their tasks. In this way, the researcher suggested that microfinance organizations tap into equity/long-term support markets available in Uganda.

Boyani (2015) investigated the effect of cost of preferences on manufacturing firms listed on the NSE. The research looked at the literature on capital structure and firm cost of capital. The firm's size was discovered to be a determinant of capital cost and was measured as the total value of assets held by a firm. The coefficient of preferences was calculated as the leverage ratio of total debt over total equity, whereas the cost of capital was calculated as the weighted average cost of capital. Regression analysis was used to explain the relationship between capital structure and the cost of preferences. The study discovered a positive relationship between capital structure, cost of capital, and firm size, with an increase in capital structure and firm size resulting in an increase in cost of capital at statistically significant levels. According to the study, an increase in leverage leads to an increase in the cost of capital, whereas a decrease in leverage leads to a decrease in the cost of capital for firms listed on the NSE.

Kanini (2014) investigated the relationship between the cost of preferences and investment decisions listed on the NSE in his research. By documenting the relationship between corporate leverage and investment choices, the study investigated the interdependence of cost of capital and investment decisions. Using data from manufacturing companies listed on the NSE over a five-year period (2008-2012). The analysis was carried out using multivariate

regression analysis and the t-test. According to the study, there is a significant likelihood of a firm elevating-leverage to increase company value. The results discovered that the investment decision had a positive impact on the company's value, implying that investors assumed the management had done well in locating and investing the obtained capital from debt.

Otieno (2015) investigated the cost of preference shares of registered firms in Kenya, focusing on manufacturing firms. The study looked at the effects of preference shares on recorded firms in Kenya, with the goal of identifying the variables that influence their decisions. The study focused on 28 manufacturing companies. The fixed impacts and random impacts models are evaluated, and the results show that firm explicit variables influencing the capital structure of registered firms in Kenya are resource substance, firm profitability, firm size, firm development opportunities, and finally liquidity of a firm's advantages, while macroeconomic components are financial development and corporate duty rescission.

Mwaniki (2016) investigated the impact of preference shares on the financial performance of Nairobi security trade manufacturing firms. The investigation used an illustrative research strategy. The study's target population included 47 manufacturing companies. SPSS software was used to analyze the collected data. The study discovered that the four independent study variables (Financial Leverage, Solvency, Size, and Growth Rate) explain 17.5 percent of the change in capital structure among non-financial firms listed on the NSE; a moderate negative correlation exists between financial leverage of manufacturing firms listed on the NSE and financial performance ; and a strong positive relationship exists between. The study concludes that preference shares affects NSE listed non-financial firms' financial performance.

Adera, Anyango, and Rotich (2015) investigated the capital structure and corporate performance of manufacturing companies listed on the NSE in their study. The researcher used an explanatory non-experimental research design, and the population of the study was made up of NSE-listed manufacturing companies (NSE). The researcher took a sample of nine publicly traded manufacturing firms. According to the study's findings, there is a positive and significant relationship between long-term debts, ordinary share capital, preference share capital, and reserves, and the corporate performance of manufacturing firms. Furthermore, the findings show that preference share capital has a positive influence on corporate performance of manufacturing companies, as demonstrated by the regression

coefficient of 1.009 with a significance value of 0.000, which is less than 0.025 the critical value at the 5% level of significance; thus, an increase in preference share capital would result in a 1.009 increase in corporate performance.

2.2.5 Firm Size and Financial performance

Firms of various sizes distinguish themselves through a variety of discernible and undetectable measurements (Gedajlovic & Shapiro, 2019). As a result, there are numerous methods for characterizing a firm's size class. SMEs, according to the Organization for Economic Co-operation and Development (OECD), are businesses with between 10 and 250 employees. Firms with fewer than ten employees are considered small-scale, while those with more than 250 employees are considered large, though this distinction varies by country (OECD, 2018). According to Abiodun (2017), the size of a firm has a significant impact on the type of relationship the firm has both within and outside of its operating environment. The larger a company, the more sway it has over its stakeholders. Again, the increasing influence of conglomerates and multinational corporations in today's global economy demonstrates the importance of size in the corporate environment.

According to Bayyurt & Duzu (2018), in terms of capital structure mix, a firm's size has the potential to influence its financial performance . Larger firms benefit from their diversification and size as they are able to borrow at smaller interest rates and weather economic downturns with greater resilience compared to small companies. As a result, they should be able to outperform smaller firms and generate more profit. The benefits of their low borrowing and diversification costs are supposed to give anchorage to the profitability assumption. The size of the company has a variety of effects on its financial performance . Large firms can take advantage of economies of scale and scope, making them more efficient than small firms. In competitive fields, large firms have more competitive power than small firms. Large corporations can profit more because they have a larger market share. Furthermore, because they have more resources, large firms can seize the opportunity to work in fields that require high capital rates, and this situation allows them to work in fields that are more profitable with minimal competition.

Small businesses may have less clout in highly competitive markets, making it more difficult for them to compete with large ones. A company’s inefficiencies can contribute to poor financial results as it expands in size. As a result, it’s difficult to pin down the precise

correlation between dimensions and performance. The sales-to-total-assets ratio will be used as a measure of firm size in the current study since it is simple and easy to understand (Otieno, 2013). According to a review of the corporate finance literature, the financial structure of a firm is heavily influenced by its size.

Corporate gearing levels and firm size (a company's turnover and production capabilities) positively relate (Surajit & Saxena, 2014). When conducting the researches, to ascertain the size of the firm sales-to-total-assets ratio was utilized. Due to the increased availability of liquidity, larger organisations have a lower risk premium because their profits are more steady and less erratic. As a result, there is less asymmetrical information, which reduces uncertainty in large corporations. Collateral for large corporations' external debt might include a variety of real estate and equipment. As a result of this technique, larger corporations can take advantage of the debt market at a lower cost and so gain tax advantages.

The impact of firm size on financial performance yields mixed results as well. Sri Lankan researchers, Niresh and Velnampy (2014), studied "Insights into the profitability and size of Sri Lanka's publicly-traded industrial enterprises." The scale of Sri Lanka's publicly traded industrial firms had an effect on their profitability. This analysis relied on data from the Colombo Stock Exchange's 15 publicly traded companies (CSE). There are two metrics used to measure a company's profitability: return on assets and net profit. Correlation and regression techniques were used to conduct the research.

Dogan (2013) used a multivariate relapse display to investigate the impact of firm size on capital expenses in 200 manufacturing firms listed on the Istanbul Stock Exchange from 2008 to 2011. In his investigation, the examination presented other control factors, such as liquidity, which was estimated by total current resources over total current liabilities, influence, which was estimated as total debt over total liabilities, and firm age, which was estimated by number of years in tasks. It was ascertaind that firm size and liquidity were inextricably linked to cost of capital.

Hossain, Mohammad, and Abu. (2019) sought to investigate the impact of firm size on the financial performance of Bangladeshi listed banking companies. The findings of empirical studies revealed that firm size (total assets, number of employees, and number of branches)

has a positive effect on profitability. Aside from firm size, other firm-specific factors such as age and the presence of an independent director on the board have a negative impact on the profitability of firms operating in the Bangladesh banking industry.

Anila (2013) investigated the effect of firm development on capital structure choice with a sample of 65 manufacturing firms operating in Albania from 2008 to 2011. Three capital structure measures were used in this investigation: short-term debt to total assets (STDA), long-term debt to total assets (LTDA), and total debt to total assets (TDTA) as reliant factors, and four ward factors: significant quality, liquidity, profitability, and size. The board information method was used in the examination, and the information was taken from asset reports and included only bookkeeping measures on the firm's influence. This study discovered that size (the normal logarithm of all out resources) has a significant impact on performance. Similarly, empirical evidence revealed a significant positive relationship between size and use. The results discovered that long haul debt to resources and absolute debt to resources proportions are fundamentally unique crosswise over Albanian ventures.

Yaniv and Wayne (2013) studied how firm development affected the cost of capital in Bangladesh. The investigation was based on the earnings transparency metric, which measures the extent to which earnings and changes in earnings recover concurrently with return. It was discovered that the expense of capital is the very reason for the financial evaluation of new capital use propositions. If the cost of capital isn't effectively ascertaind, the finance director's conclusion will be illogical and incorrect. The capital cost is also an important consideration in capital structure decisions. The finance managers must raise capital from various establishments such that it streamlines the risk and cost factors.

Becker (2010) examined data from 109 US manufacturing enterprises between 1987 and 2002 to determine the effect of company size on profitability. EBIT and EBITDA, or earnings before interest and taxes and profits before interest, taxes, depreciation, and amortisation, were used in the study as measures of business return on investment. However, a company’s size was determined by keeping a log of its personnel. Regression analysis was used to gather data for the study. A company’s assets, revenues, and staff count all have a negative link to profitability, according to the results of a study.

Turkey's industrial enterprises on the Istanbul Stock Exchange were examined by Akbas and Karaduman (2012) in terms of their profitability. Panel data was consulted from 2005 to 2011. Return on assets (ROA) was used to measure a company's profitability, and total assets and total revenues were used to measure its size. Profitability can be increased by increasing the size of Turkish manufacturing enterprises, according to the data. Instead of accounting metrics, this study relied on a single performance parameter to draw its results.

In South India, Vijayakumar and Tamizhselvan (2010) researched how performance and firm size by analysing a sample of 15 businesses. Their study and analysis were built on a simple semi-logarithmic model formulation. A company's size was inferred from its profit margin and profit as a percentage of total assets. A company's size has a positive effect on its success, according to their research. Results from this study cannot be relied upon due to the small sample size.

From 2002 to 2010, Pervan and Vii (2012) investigated the relationship between firm size and business success in medium and large organizations in Croatia. Regression analysis was used in the study. The sample consisted of 2,050 firms per year, for a total of 18,492 observations during the study period. Several different measures of firm financial performance and firm size were used to test the relationship between firm size and profitability in the Croatian manufacturing industry. Return on assets, return on equity, profit margin, earnings before interest and tax, and tax, depreciation, and amortization were among the financial performance metrics used. Meanwhile, firm size was calculated using natural logarithms of firm assets and natural logarithms of employee count. According to the findings of the regression analysis, firm size has a marginally positive impact on firm gains.

Using data from the Islamabad Stock Exchange (ISE) between 2005 and 2011, Akbas and Karaduman (2012) examined the effect of firm size on profitability of the listed Pakistani industrial enterprises. According to this study, the profitability of a corporation grows as its size increases. A link between total assets, total sales, and the number of employees was found in all three models studied in this study.

Size and age have been connected to the financial success of Iranian listed companies by Ghafoorifard et al. (2014). Size of a company and age have a strong connection. This astudy was assessing how financial performance is related to the age and size of a firm. Profitability rises when the size and sales growth control variables increase.

In the United States, Blease et al. (2010) evaluated the profitability of Standard Industrial Classification (SIC) manufacturing industries. The Researchers observed a correlation between the size of an institution and its profitability in a specific industry. It doesn't matter how an organization's total assets and revenues are calculated, profitability is always negatively correlated with the total number of employees.

According to the findings of a study on how firm performance is predicted by firm size, Kunkova, Veronika, and Fiala (2016) indicated a company's size has an impact on its financial performance. The research's data was collected using the Albertina CZ Gold Edition database and the Business Register, both of which were provided by the Bisnode Company. Research indicated that huge corporations performed better financially than smaller businesses. Swine farming is likely to reap the benefits of economies of scale, according to the study results

Vinasithamby (2015) investigated whether or not the size of an institution has an effect on its profitability. Financial data was gleaned from the annual reports of listed companies on the Sri Lanka Stock Exchange (SSE). Researchers analysed data from 2008 to 2012 to evaluate fixed and random effects using econometric methods. To get a representative sample, data from 30 companies was gathered and used. According to the findings of the study, the fixed effect model showed that return on assets was positively connected with the size of the company. Total debt, according to current research, has a negative impact on profitability of a company

According to a study on how profitability is influenced by company size by Isik, Unal, and Unal (2017), firm size has a considerable impact on profitability. A dynamic panel data approach was used in evaluating the impact of various firm size variables on corporate profitability. Even after accounting for factors such as unsystematic risk, liquidity, financial risk, growth potential, and the age of the company, the results showed that firm size indicators, as measured by sales, assets, and the number of workers, probably have a positive impact on firm benefits as measured by operating return on assets.

Zadeh and Eskandari (2012) investigated the link between business size and the level of risk disclosure. The Researchers observed that the quality and quantity of business traits, such as firm size, varies throughout countries. The association between business size and risk

disclosure level has been shown in most studies, and this correlation can be affected by the size of the firm.

In Nigeria, Oyelade (2019) looked at the influence ofcompany size on performance. Panel analysis was used in this investigation. Size, total sales, and the company's age from formation were statistically significant in the estimation of return on assets based on ROE, return on equity and ROA, return on assets financial metrics. A company's overall sales have a favourable impact on its return on assets, whereas its age from incorporation has a negative impact. A company's return on equity (ROE) could only be calculated with high debt, as well. Based on productivity measurements of selected Nigerian building enterprises, total sales and the age of the firm since incorporation were statistically significant as size indicators in determining output per labour, and both had a positive effect on output per labour and total sales. Of the four, only the age of the company from incorporation was meaningful as a metric of size in predicting output per capital when considering the liquidity ratio.

Babalola (2013) explored the impact of firm size on the cost of capital among manufacturing organizations listed on the Nigerian Stock Exchange and asserted that a company's cost of capital is directly related to its size. The study examined auxiliary board information obtained from sampled corporations between 2000 and 2009. ROA was used as a stepping stone to total assets and sales for determining profitability. Companies that implement various methods of cost reduction reduce their capital expenditures. According to the research, the profitability of Nigerian manufacturing firms is positively correlated with a company's resources and total deals. The investigation inferred that, firm size, both as far as all out resources and as far as all out deals, positively affects the profitability of manufacturing organizations in Nigeria

Babalola (2013) studied the cost of funding for industrial businesses listed on the Nigerian Stock Exchange. Auxiliary board data from companies sampled between 2000 and 2009 was investigated in the study. It was determined that the company's profitability was based on ROA, assets, and sales. Companies that implement various methods of cost reduction reduce their capital expenditures. Uganda needs to implement measures that support small enterprises, such as tax advantages that are now exclusively available to medium and big businesses.

Olawale, Ilo, and Lawal (2017) conducted research in Nigeria to find out if the size of a company affects its perfromance. The size of a Nigerian corporation is analysed as a contributing element to its success. Nigerian non-financial firms between 2005 and 2013 were studied using a board information index. To connect the independent variable of action and intermediaries, returns on equity are used. It was disclosed that Nigerian non-financial businesses' performance is negatively affected by firm size in terms of absolute resources, but positively affected by total deals for Nigerian non-financial organizations. Influence and working capital were found to be associated with control components. In light of these findings, the researchers concluded that companies should focus on increasing revenue and attracting new customers for both current and new products.

John and Adebayo (2013) used data from the Nigerian Stock Exchange to examine the profitability of manufacturing firms of various sizes. Five (5) randomly selected beverage manufacturing businesses' audited annual reports from 2005 to 2012 yielded a total of 40 observations. ROA was used to measure profitability, while the log of total assets and log of turnover were used to measure the size of the business.. In addition to liquidity, leverage, and the inventory/total-assets ratio, these variables were used as control variables. The study used regression and Pearson Product Moment Correlation. It is important to note that ROA is positively impacted by the company's size, leverage, and liquidity, whereas inventory has a negative impact. According to this study, larger Nigeria's manufacturing firms listed on the Nigerian Stock Exchange are more profitable.

An investigation of "the effects of organizational size and rate of development on Ugandan Manufacturing companies" was conducted by Babirye, Niringiye, and Katerega (2014). A study was conducted to investigate if small and medium-sized manufacturing enterprises expanded quicker than their larger counterparts. Despite Porter's'stuck in the middle' argument, this study discovered that "medium firms grew faster as compared to large and small companies; The relapse outcomes also verified that medium enterprises fundamentally become faster than large and small organisations," According to the regression analysis, in the development of small and large businesses, the difference was not sinificant.

A study by Mahfoudh (2015) investigated the impact of selected firm qualities on the financial performance of agricultural enterprises quoted on the NSE. A correlational study approach was used to look at the relationship between financial performance and corporate

attributes. Linear regression study indicated the degree of causation through multivariate linear regression The research looked at seven NSE-listed agriculture companies. The analyst had to make do with six of the seven listed companies between 2009 and 2014 due to the absence of the seventh documented firm. According to the research, the only statistically significant criteria were liquidity and board size. There was no statistical significance to firm size, influence, or age. Only the size of the board of directors had a detrimental effect on monetary performance, even with the fact that other factors for instance business size, influence, age, and liquidity were all associated with higher financial performance.

According to Mehrjardi (2012), the size of Kenyan banks has an effect on their profitability. Data on 43 Kenyan banks was obtained over the course of two years in 2008 and 2010. Customers, branch numbers, market share, and deposit liabilities were the independent factors in this study. As a gauge of profitability, the company used its return on assets. Customer base, branch numbers, deposits, liabilities, and market share all have a beneficial impact on bank profitability.. A single accounting measure is used instead of a combination of accounting measures and market-based indicators of success for publicly traded companies.

In a study of Kenyan commercial banks, Bisher (2011) discovered a correlation between the banks' size and their financial success. A descriptive study design was used by the researcher to investigate the link between the various variables. Secondary data was compiled by consulting five years' worth of financial records and accounts. A company's financial performance improves as its size increases. There was also a positive association between financial success and total deposits. In contrast, the number of bank branches did not correlate with financial performance. No publicly traded companies were included in the study because it didn't make use of a panel technique to investigate the effect of business size on

Kaguri's (2013) research centred on the association between the financial performance of Kenyan life insurance firms and corporate characteristics. From 2008 to 2012, he did regression analysis on data from 17 Kenyan life insurance companies to study the impact of firm size on execution. According to this model, return on assets, which was affected by characteristics such as the company's age, diversification, premium, and claim-making experience, among others, was critical. According to the study, an insurance company's profit

is directly related to the magnitude of its premiums. There were no publicly traded companies in the study, and just one performance statistic was employed, rather than a variety of metrics.

In his study on how Kenyan non-financial enterprises are impacted by leverage, liquidity, and the size of the organization, Banafa (2015 highlghts that leverage, liquidity, and the size were all found to have a substantial impact on the monetary performance of Kenyan non-financial enterprises. "The impact of liquidity; leverage; business size; payables and receivables of daily records on the financial performance of recorded non-financial firms" was examined by conducting a five-year study utilising panel data from 2009 to 2013. Translating regression coefficients from E-views was done using the software's output. According to the research, the financial success of Kenyan businesses is hurt by influence. The coefficient of assurance reveals that leverage helps to clarify changes in the company's financial performance, which supports this finding.

As a case study, Muhindi (2018) examined the impact of firm size on Kenyan commercial banks' financial performance. An original study was used to accomplish the goal of the investigation. It is important to take into account the number of branches as well as the capital base, as well as the number of client stores and developments and advancements. The study's population included large, medium, and small commercial banks in Kenya. At the end of the fiscal year, there were 42 commercial banks and one contract finance organisation. The data used in this analysis was compiled from bank financial reports and national bank supervisory reports between 2012 and 2016.

It was shown by Kioko (2017) that the financial performance of Kenyan commercial banks was affected by the size of their businesses. This study, which used a correlational approach, includes all of Kenya's 43 commercial banks as of December 31, 2012. Good use will be made of the information gathered between 1998 and 2012. The Kenyan Central Bank and the banks themselves provided additional data for this study. We calculated the company's size based on net resources, total debt, total inventory, and the number of employees. ROA was used to estimate the company's financial performance.Measures of correlation and regression were employed to examine the collected data sets. Tables were used to present the results of the data analysis. The study found a moderate correlation between banks' total deposits, total loans, and total assets. There was a statistically significant correlation between the

dependence variable (financial performance ROA) and all outstanding credit, complete stores, and absolute resources in commercial banks. The financial success of a bank in Kenya was not significantly correlated with the number of bank representatives.

The financial performance of Kenyan microfinance banks was examined by Omar (2015) depending on the size of their business. The data for this study was gathered through a descriptive survey. A census design was used to estimate the sample size for this investigation. The Kenyan Central Bank conducted secondary data acquisition and audits of nine microfinance institutions. We analysed the data with descriptive statistics, correlations, and regressions for this study. Description: The majority of microfinance organisations are small, according to a recent survey. Consumer deposits and operating efficiency, on the other hand, have grown rapidly in recent decades. During the research period, the company's financial performance and asset base grew.

The profitability of 1,478 German manufacturing enterprises was examined by Hagedoorn and Cloodt (2003) in 31 different industries. The association between size and profitability was found to be minimal, however this changed over time. Studies show that size is not the most important factor in a company's profitability. When it comes to determining an organization's profitability, size and opportunity are two of the most important factors.

For Kenyan commercial banks, Salim (2016) investigated the linkage between financial performance and bank size. In the study, the investigation was whether the size of a bank's branch network had a substantial association with its total deposits, total loans, total assets, and how its financial performance and banch network connected. The study's major findings indicated existence of a very strong correlation between the studied bank size features.

Maja and Josipa (2012) used fixed effect regression analysis to investigate the association between firm size and business success utilizing information from the Croatian Financial Agency website and the Amadeus database. The years 2002 through 2010 were devoted solely to the study of medium and large firms because of the limited amount of data available. Each year, a total of 18,492 observations were taken from 2,050 businesses. Croatian manufacturing industry profitability and company size have been studied using a number of company size and financial performance variables. The financial performance metrics also included profit margin, EBIT (profits before interest and taxes), tax, and

depreciation and amortisation. The natural logarithm of corporate assets and the number of employees were used to determine the size of the firm. As an enterprise's size increases, so does its profitability, according to regression analysis.

Sritharan (2015) also looked into the impact of a company's size on its profitability. From 2008 to 2012, the panel econometric technique was applied to 30 publicly traded Sri Lankan hotels and travel organizations. Return on assets was utilized as a proxy for gauging profitability in the study, whereas the log of sales was used to ascertain size. The study's results discovered that the size of a company has a favorable impact on its return on assets, which is a measure of profitability. A negative link between overall debt ratio and profitability was also discovered in the study.

Owolabi (2013) looked at the impact of firm size on gainfulness in Kenya's manufacturing industry. The goal of the study was: ascertaining the impact of company size on manufacturing business profitability in Kenya. The study was examined using regression analysis with a sample size of 20 firms. Leverage, equity financing, asset tangibility, and firm size were all included as variables. As a result, the study looked at the manufacturing industry as a whole. It also ignored the firm's size and taxation as independent variables. As a result, the effect of company size on the financial performance of manufacturing companies, specifically those quoted on the NSE, was investigated in this research.

Eyigege (2018) investigated the impact of firm size on deposit money bank monetary execution on the Nigerian stock exchange. To represent the whole banking industry in Nigeria, five deposit money banks were selected utilizing the Taro Yemeni sampling technique. The explanatory variable is firm size as measured by log of total assets, whereas the dependent variable is financial performance as evaluated by profitability proxy by return on asset. The panel regression analysis was undertaken using pooled OLS regression and fixed effect/random effect regression with the help of STATA. Descriptive statistics and correlation analyses were also performed. As a result of diseconomies of scale, the study's findings suggest that institutional size has a minor negative impact on financial performance .

Akinyomi and Olagunju (2013) investigated the impact of firm size on Nigerian industrial sector profitability. Audited annual reports of chosen public manufacturing companies were

used to compile the panel data. Total turnover and assets were used as proxies to gauge the size whereas ROA was used as a proxy for profitability of the company. According to these studies, the profitability of Nigerian manufacturing firms was found to benefit from their total assets and total revenues.

Muhindi (2018) examined the impact of firm size on Kenyan commercial banks' financial performance. An original study was used to accomplish the goal of the investigation. It is important to take into account the number of branches as well as the capital base, as well as the number of client stores and developments and advancements. The study's population included large, medium, and small commercial banks in Kenya. At the end of the fiscal year, there were 42 commercial banks and one contract finance organisation. The data used in this analysis was compiled from bank financial reports and national bank supervisory reports between 2012 and 2016.

In NSE, Kenya, Wayongah (2019) did an investigation on firm size and financial performance : panel evidence from nonfinancial firms. The goal of the research was to explore the size and financial performance of non-financial organizations quoted on Nairobi Stock Exchange (NSE). Economic, trade-off, and signaling theories were used to support the research. Purposive sampling was employed to choose all forty non-financial organizations that were listed on the NSE. The research was conducted using a correlational research approach. Secondary data was gathered from financial reports from 2010 to 2016 utilizing a data collecting sheet. The data was examined using panel correlation and fixed effects multiple regression analysis, with 196 data points obtained by putting together the data of 28 companies over a seven-year period. The data demonstrated that the size of the company had no bearing on the variance.

Akinyi and Oima (2019) looked into firm size's impact on sugar firm financial performance in western Kenya. The research was based on the economies of scale theory and dividend signaling theory based on ROE and ROA. Correlation research was deployed. The target population consisted of eight sugar mills in Western Kenya that were open at the time of the study. The companies were pooled over ten years, yielding 80 data points. The findings reveal that the size of a company is a strong predictor of its financial performance .

2.2.6 Financial performance of Manufacturing Firms Listed in the NSE

Waddock and Graves (2011) utilised financial performance to evaluate a company's ability to profit from its basic business strategy. A company's "overall financial health score," as it's commonly called, lets you compare it to others in the same industry or across industries. Regardless of the type of firm, financial performance has long been a topic of interest to academics and business practitioners alike. And, according to Orlitzky (2013), a company's financial health and existence ultimately depend on its financial performance. Effective resource management has a favourable impact on the economy as a whole when a company's performance is high.

The financial performance of a firm is one of the most critical factors in its success. Effective and efficient management of a company's operational, investment, and financial resources reflects a company's high performance (Naser & Mokhtar, 2014). There is increasing theoretical and empirical research on listed firms' financial performance, but the results are still unclear on both measurement and the elements that influence financial performance. According to Almajali et al., there are several ways to assess a company's financial performance. The ability of a corporation to use its assets is proven by its return on assets, whereas a company's return on equity informs us what investors expect in return for their equity investments. It is possible to measure a company's success in three ways. The first statistic to assess for any company is the efficiency with which inputs are transformed into outputs. Additionally, profitability, or the extent to which a company's earnings exceed its costs, is a factor to keep in mind. The "market premium" is the difference between the market value and the book value of a firm.

According to Huselid, financial success may be measured using items from the income and cash flow statement and the statement of financial position (2009). Liquidity can be demonstrated by a company's ability to satisfy its financial obligations on schedule without causing disruptions to its usual business operations. This is also a sign of the company's potential for growth. Financial indicators can be used to assess the profitability of a manufacturing system or organisation. The effectiveness with which workers, management, and capital are utilised is referred to as a company's financial efficiency. The connection between inputs and outputs is the primary focus of efficiency analysis. Roberts and Dowling (2012) say that because inputs can be measured both physically and financially, many efficiency indicators can be estimated.

Many management researchers prefer accounting-based variables, such as ROE and ROA, to measure a firm's performance. The idea behind these measures is to possibly evaluate managerial performance (how well a firm's management uses assets to generate accounting returns on investment, assets, or sales). However, because these measures are used to investigate a firm's profitability, this study employs ROE and Tobin'q as accounting and market-based measures of performance, respectively Pandey (2010). Despite the fact that ROE is viewed as a single term measure of performance, the current study used ROE to measure performance because all of the variables were discovered to be stationary across the years.

ROA was employed as a statistic for measuring financial performance in the study. One way to gauge a bank's profitability is to look at its ROA (return on assets). For each naira invested in a business, remove all expenditures and taxes from the company's assets in order to assess how much profit it earns. Additionally, a bank's ability to create earnings from its assets and net earnings per unit of a specific asset are determined (Mohamad & Saad, 2012). A company's ability to generate revenue for its shareholders is measured by its ROA, or return on assets. 2015 was the year in which Omesa, California) In all businesses, financial performance is the most important issue because it directly affects the company's health and survival. Previously, as stated herein (Ehiedu, 2015),

Mohammad and Malek (2016) conducted a study on a Malaysian manufacturing company to assess its financial performance. Financial ratios are used to assess the financial performance of a Malaysian investment company from 2009 to 2011. This study focuses on analysing a company's financial performance, determining future commitments, and making better investment decisions. According to the data, the overall performance of the company went down a lot in the last year of the study.

In a study of manufacturing company financial performance, Baussola (2013) contrasted parametric and non-parametric techniques. Data Envelopment Analysis (DEA) was a non-parametric way of measuring a company's efficiency that did not require prior knowledge of bankruptcy. Second, Data Envelopment Analysis (DA) did not require pre-bankruptcy information on insolvent enterprises. A manufacturing sample from 2003 to 2009 was investigated, which comprised both healthy and insolvent businesses. A study's discriminant analysis has helped us figure out whether a bankrupt company is likely to default based on its balance sheet.

According to a study by Nour (2012), the capital structure of a Palestinian enterprise was strongly associated with the firm's success (2012). However, according to Nour's results, only the market value of equity, not the book value of equity, was relevant to the total debt to equity ratio. Industry differentiation, operational performance, and capital structure were examined in a study of 427 Vietnamese-listed companies. The return on assets of the company was shown to be negatively affected by both short-term and long-term debt, while the long-term asset ratio was found to be beneficial and the short-term asset ratio was found to be detrimental.

Nichuku (2016) investigated how Nigerian manufacturing companies' financial performance is affected by various factors. During a 12-year period from 2004 to 2015, ten Nigerian Stock Exchange-listed manufacturing businesses were researched. The impact of revenue reserves, interest paid on borrowings, and taxes paid on net worth, profit after tax, and return on assets has been extensively researched. Descriptive and inferential methods were used to analyse the data in this study. The analysis found that after taxes, net worth, and return on assets were all above average. According to panel regression estimations, the revenue reserve has no effect on net worth, profit after tax, or return on assets. The amount of tax paid has a negative effect on the net worth and profit margins of manufacturing firms.

To learn more about how a company's stock price changes in Rwanda, Mauwa (2016) conducted an investigation. The study's conclusions were derived from primary and secondary data. In the descriptive research design, all six companies registered on the Rwanda Stock Exchange were analysed (RSE). A random sample of respondents was used to perform a census survey for each of the six organisations profiled in the study. Descriptive statistics, correlations, and regressions were analysed using SPSS version 20. According to the findings, ROA suffers as a result of the firm's capital structure. To improve their financial performance, RSE-listed companies use techniques that reduce their liquidity ratios and boost their capital structures.

Muheirwe, Memba, and Warren (2013) undertook a financial analysis of cross-listed enterprises on the Rwandan Stock Exchange. There were a number of factors that were taken into consideration while evaluating cross-listed companies' performance. According to the findings, more research is needed to expand the application of the findings. People who study the RSE's listed companies should start a new investigation into how well they did and how much they paid out in dividends.

Nyachwaya (2016) investigated experimentally the impact of East African firms' financial performance on working capital management approaches. Working capital is primarily comprised of accounts receivable and payable because of their impact on the speed at which money enters and leaves a company. The research used a variety of financial performance criteria, including ROA, ROE, and GOP. Using Pearson correlation analysis and multiple regressions, it was determined that working capital management has a direct correlation with financial success. Researchers found varied results. Some studies have disclosed a positive connection between working capital management and some indicated a negative association. These businesses relied heavily on the ability to manage their working capital.

According to Moki (2018), agricultural enterprises listed on the NSE have a variety of financial performance variables to consider (NSE). The optimum capital structure of NSE-listed agricultural companies was defined, and the impact of board-size turnover on financial performance was examined. The research also sought to investigate the latter two effects. A longitudinal research approach was employed to explore six NSE-listed agriculture firms. The company's financial statements for the years 2010 to 2014 provided secondary data. Computer software was used to collect the information. The six NSE-listed companies were surveyed. The Statistical Package for the Social Sciences (SPSS) was used to analyse empirical data on the influences on financial performance (SPSS). The Pearson's Correlation Coefficient and Multivariate Regression Analysis were employed in the study of agricultural enterprises listed on the Nairobi Stock Exchange (NSE) (NSE). Almost always, a big change in net income after taxes is caused by a drop in financial performance and a rise in debt ratio.

Ayako, Githui, and Kungu studied 41 non-financial companies quoted on the NSE between 2003 and 2013 using panel data (NSE). The results of ROA and ROE estimations suggest that a company's profitability is favourably connected with its level of corporate governance (possibly). In addition, the firm's leverage was statistically significant in predicting its performance and showed the predicted negative sign. The size and liquidity of these enterprises, on the other hand, had no statistical impact on their success. According to the research, financial and non-financial firms that are listed on the NSE and those that are not should be compared on a range of characteristics, according to the research.

According to Anitha (2018), the NSE-listed industrial companies in Kenya are affected by a variety of issues. A longitudinal method was employed in this investigation. It was decided to focus on these ten Kenyan public manufacturing enterprises for the investigation. The study relied extensively on data from other sources, such as surveys. According to the audited financial reports, this information is accurate. The data was analysed using descriptive, correlative, and regression methods. A study conducted by academics indicated that NSE-listed companies' financial performance was also affected by leverage. When NSE-listed industrial businesses increased their borrowing, their financial performance was found to improve.

Kenyan manufacturing enterprises were studied by Wamiori (2019) in an effort to discover the elements that influence their financial performance. Keya had 741 factories, with a sample of 252 chosen to be representative of all manufacturing businesses in Kenya. A descriptive survey was used to collect data in this investigation. A comprehensive questionnaire was distributed to Kenyan manufacturing firms. The capital structure was found to have a considerable linear relationship with the performance of manufacturing enterprises. There was a direct correlation between the cost of capital and the profitability of industrial firms. The financial success of manufacturing companies was linked to fiscal tax benefits. Their investment strategy greatly influenced the financial success of manufacturing companies.

Mureithi, Mukhongo, and Datche (2019) analysed macroeconomic factors that influence the performance of NSE-listed companies. It focuses on NSE-listed companies in this investigation. The study was conducted using a flow-oriented model, the McInnon and Shaw theory, and Keynesian economic theory. A descriptive survey design was used to perform the inquiry. The population of this study was comprised of the 20 companies on the NSE and the NSE 20-share Index. Descriptive metrics were used to summarise and total the data. Descriptive and inferential statistics, as well as multivariate regression and correlation, were all used to analyse the data. Quantitative reports were generated using SPSS version 23. According to the conclusions of this study, the amount of money available in the market has a negative correlation with the performance of companies. After conducting a thorough study, it was found that the Kenyan shilling was being held back by government measures. In the study, currency depreciation is linked to worse stock returns, while a stable currency improves investor confidence. According to this study, economic growth and development can be facilitated by the efficient use of resources.

According to Omondi and Muturi (2013), listed companies on Kenya's National Stock Exchange (NSE) were investigated for their financial performance. It was influenced by the trade-off and agency theories. The study made use of an explanatory research design and a sample of 28 publicly traded corporations (excluding banks and insurance firms). Deliberate sampling was used in this experiment. Basic statistical methods were employed to examine the financial statement data. It was necessary to employ both descriptive statistics (mean and standard deviation) as well as inferential statistics in order to properly analyse the data (Pearson correlation and multiple-regression). A Pearson correlation was used to do a correlation analysis. In contrast, the strength of the influence of the independent factors on the dependent variable was assessed by the use of multiple regression. According to the research, a company's financial success is strongly correlated with its size. The study proposes defining an appropriate level of debt that balances the benefits and costs of debt in order to maintain a healthy balance between current assets and short-term liabilities. It also advocates adopting effective current asset management skills in order to prevent investing too much or too little in current assets. According to the conclusions of the research, economies of scale and financial performance can be maximised if organisations grow gradually.

In her dissertation, Anitha (2018) studied the Nairobi Stock Exchange's manufacturing firms throughout time. Kenyan manufacturing businesses' long-term financial performance was studied using a longitudinal design. Ten publicly traded Kenyan industrial businesses were the subjects of the investigation. There are 10 publicly traded manufacturing businesses included in the sample size for this research. Secondary data was extensively used in this investigation. According to the audited financial reports, this information is accurate. Analyses of the data included descriptive, correlational, and regression analysis. With the use of a statistical package for the social sciences, we were able to conduct our research (SPSS). Graphics and tables were used to convey the information. The study found that the financial performance of NSE-listed manufacturers was greatly influenced by their size. The financial performance of NSE Kenya manufacturing companies grew with firm size, according to the results of the correlation analysis. A correlation study found that a 37% increase in the number of publicly traded manufacturing firms was associated with an improvement in financial performance.

Masavi (2015) studied the NSE-listed agriculture firms' financial performance (NSE). The capital structure, turnover, and board size of agricultural companies were investigated as part of this study to identify what NSE-listed agricultural companies should be aiming for in terms of their capital structure. Six agricultural enterprises listed on the NSE were the primary focus of this study, which employed a longitudinal research approach. The years 2010–2014's worth of financial statements were used to construct secondary data. The study also discovered a link between a decline in financial performance and a rise in the debt ratio. In the wake of a rise in debt, the companies' post-tax profitability suffered a significant decline. Revenue growth will have a substantial impact on companies' post-tax profitability.

2.3 Research Gaps

Table 2. 1: Research Gaps Matrix

Author	Focus of the Study	Findings of the Study	Gaps and how to address the Gaps
Khan (2015)	Debt impacts on the financial performance of Pakistani manufacturing firms using Z-Score Model proof from firms in the Karachi Stock Exchange	The empirical results discovered a nonlinear relationship between profit for equity and debt-to-resource proportion. As the debt-to-resource proportion rises, the return on equity rises initially until an ideal debt level is reached, at which point it begins to fall. The ideal debt-to-resource ratio for Pakistan's manufacturing firms was ascertained to be 56%	However, the study was conducted in Pakistani manufacturing firms listed on Karachi Stock Exchange. The study adopted Z-Score Model proof as opposed to the current study which was conducted on manufacturing firms listed on Nairobi Securities Exchange and adopted a descriptive research design.
Thirumalaisamy (2013)	Firm development and cost of capital conduct in Indian manufacturing organizations	The findings suggested that income and dividends were the most influential factors on retained earnings across test organization groups. Organizations with low speculation open doors for growth and expansion want to distribute a large portion of their earnings as dividends. Potential venture opportunities for these	Nonetheless the study only adopted sampling as the research methodology and left out other research methods like descriptive research design, cross-sectional surveys and data collection methods which was included in the current study.

		organizations are likely to emerge in the future.	
Pouraghajan & Malekian (2012)	Impact of cost of preferences on financial performance among manufacturing firms listed in the Tehran Stock Exchange.	It was discovered that the return on assets ratio (ROA) and not necessarily returns influenced the financial performance of the companies. The results concluded that there is a significant positive relationship between asset tangibility, firm size, and growth opportunities with financial performance measures and by extension costs of capital.	Nonetheless the study only adopted sampling as the research methodology with a sample size of 78 manufacturing firms and left out other research methods like descriptive research design, cross-sectional surveys and data collection methods which was included in the current study. The current study adopted cross-sectional surveys and relied on secondary data.
Bwawa, Asamoah, and Kissi (2018)	Debt cost's effects on firm financial performance in Ghanaian manufacturing firms.	The findings demonstrated the utility of the Z score in predicting bankruptcy. It also confirmed the link between corporate governance and business failure. The study however concentrated on ratios and corporate governance excluding macroeconomic factors which affect firm characteristics indirectly, triggering financial costs on a	However, the study used a Z score bankruptcy prediction model was used in the study while the current study was conducted using descriptive research design.

		firm.	
Liziwe (2017)	Focused on the relationship between loan funding and return on assets from 2015 to 2016 of were related. Twenty chosen questionnaires fund.	The findings of the research revealed that debt financing had statistically significant effects on the company's ROA. As a result of the research, the corporation should only employ debt financing as a last resort, as the negative effects have been shown to outweigh the benefits of debt-financed projects	However, the study used primary data collected through questionnaires as opposed to the current study which used secondary data secondary data sourced from previously existing sources, specifically the distributed yearly reports (Annual Audited Reports, 2012-2018) of the 8 manufacturing firms listed on the NSE.
Masood (2018)	Determinants of retained earnings in profitable steel organizations in India: an investigation of the steel sector in his study	The study findings revealed that a wide range of factors, such as profit after assessment, savings, investments, and deterioration, influence or have an effect on the retained earnings of organizations or the maintenance of their earnings.	However, the study adopted judgmental testing to select 27 steel companies as opposed to the current study which adopted non-probability sampling and purposive sampling to select the 8 manufacturing firms listed on NSE.
Akinkoye and Seriki (2018	Retained earnings and firm market value in Nigeria in their study	The findings revealed a positive and significant relationship between retained earnings, earnings per share, dividend pay-out, and firm value, whereas market value is positively but	However, the study focused the non-financial firms Listed on Nigerian Stock Exchange and used unbalanced panel data (cross-sectional and time series) while the current study

		insignificantly associated with financial leverage.	focused on the manufacturing firms listed on Nairobi Securities Exchange and collected secondary data distributed yearly reports (Annual Audited Reports, 2012-2018).
Abdullahi, Zechariah & Ishaku (2020)	Relationship between the cost of retained earnings and the financial performance of Nigerian deposit money banks.	According to the findings, price to book value, dividend yield (DY), and bank size are all significant and positively correlated with the financial performance of publicly traded deposit money banks.	However, the study was conducted among the Nigerian deposit money banks listed in Nigerian Stock Exchange while the current study focused on the manufacturing firms listed on Nairobi Security Exchange.
Tirmizi and Ahmad (2017).	Effects of retained earnings on the value of manufacturing SMEs and shareholder wealth maximization	The major findings indicated that retained earnings played an important role in expansion activities and aided sample firms in achieving desired growth from 2000 to 2009. Because of the investment and reinvestment of retained earnings in value-enhancing projects, the sample firms' value increased and shareholders' wealth increased.	However, the study used primary data collected through questionnaire data from randomly selected listed Egypt manufacturing firms, while the current study collected secondary data from distributed yearly reports (Annual Audited Reports, 2012-2018).

Mulama (2014)	Effects of retained earnings on the financial performance of Nairobi-listed companies.	According to the study's findings, there was a weak positive relationship between profitability and retained earnings. The research also discovered that firm size and growth opportunities had a weak negative relationship with retained earnings. The dividend payout ratio was discovered to have little or no relationship with retained earnings	However, the study used both longitudinal and cross-sectional research designs were used to improve the study of companies listed in various segments while the current study adopted descriptive research design, non-probability sampling and purposive sampling to select the 8 manufacturing firms listed on NSE

2.4 Conceptual Framework

McGaghie (2000) defines a conceptual framework as the researcher's understanding of how the particular variables in his study connect with each other. Thus, it identifies the variables required in a research.

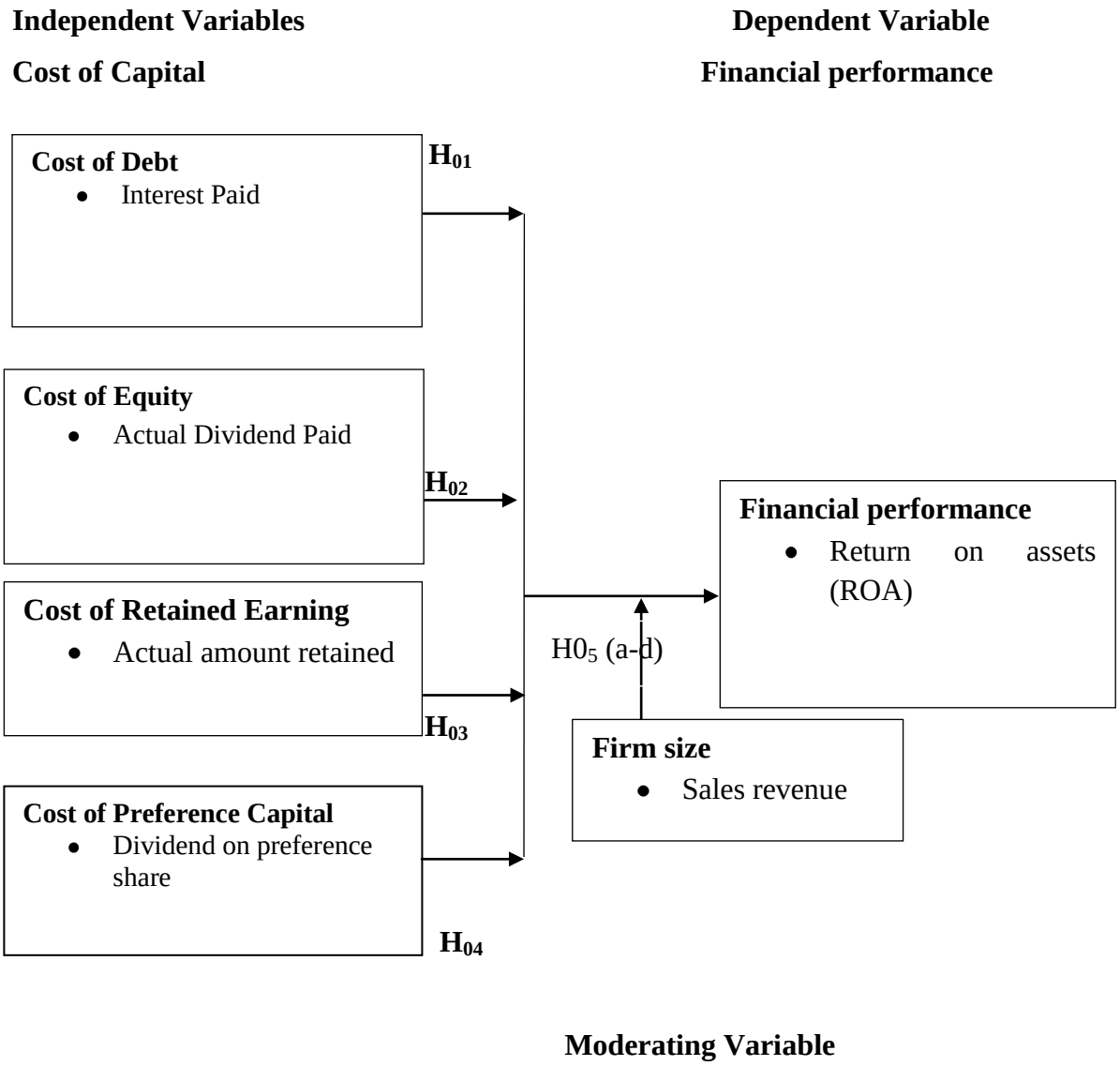

Figure 2.1: Conceptual Framework

Source: Field Data, 2020

The conceptual framework is a fictitious model that identifies the concepts under consideration and their relationships. It depicts the researcher's conceptualization of the relationship between variables in diagrammatic form. On the diagram, the independent variables are on the left and the dependent variables are on the right. They consist of four independent variables, one moderating variable, and one dependent variable. Autonomous variables are those that cause, influence, or affect the outcome; moderating variables affect both autonomous and dependent variables; and dependent variables are those that rely on independent variables or the outcome or results of the independent variables' influence. The independent variables in this study are the cost of debt, the cost of equity capital, the cost of cost of capital, and the cost of preference shares, all of which are important aspects of firms listed at NSE. Firm size is the moderating variable. Financial performance is the dependent variable. The study therefore seeks to assess the extent to which the independent variables influence the dependent variable.

The cost of debt is the effective interest rate paid on a company's debts. It is the cost of debt, which includes bonds and loans, among other things. The cost of debt is frequently used to refer to the interest an organization pays on its borrowings. It is expressed as percentage rate. There is no obligation to follow state or federal securities laws and regulations. Furthermore, the firm is not required to obtain shareholder approval before acting, nor is it required to update investors and shareholders on the status of the debt on a regular basis. An excess of debt, on the other hand, results in high leverage, which necessitates higher lender interest rates to offset the increased default risk.

Cost of capital are typically recorded on the balance sheet as shareholders' equity. Cost of capital are also known as accumulated cost of capital, and are calculated by adding net income to (or subtracting any net losses from) beginning cost of capital and deducting any dividends paid to shareholders. Cost of capital can be expressed as a ratio, which is commonly referred to as the retention ratio or plowback ratio. While the company's managers want a higher earnings retention ratio, the shareholders do not, because the higher the plowback ratio, the less control they have over their shares and finances.

The cost of preference shares refers to the firm's stocks that pay dividends before ordinary share stockholders are paid. Although these are given the highest priority when it comes to dividend payment and other benefits in the firms, in the long run, these contribute to a firm's

increased performance. This is because shareholders will be willing to offer more shares to the firm in order to benefit from the preferences granted to these shares. In a firm, however, ordinary shares contribute the most to performance when compared to preference shares. A firm's liabilities will be lower if it has more ordinary share capital than preference share capital, resulting in more resources available for investment.

The difference between the value of an asset and its liabilities is referred to as equity. It is the amount of money that would be returned after assets were liquidated and debts were paid. It is frequently used as a capital budgeting threshold for the required rate of return by businesses. The cost of equity of a firm represents the market's demand for compensation in exchange for owning the asset and bearing the risk of ownership. The weighted average cost of capital is made up of the cost of equity and the cost of debt, which are weighted to reflect corporate leverage and debt is tax-adjusted.

The amount and variety of production capacity and ability that a firm possesses, or the amount and variety of services that a firm can provide concurrently to its customers, is defined as a firm's size (McWilliams & Siegel, 2010). Because of the concept known as economies of scale, which can be found in the traditional neoclassical view of the firm, the size of a firm is a primary factor in determining a firm's profitability. It demonstrates that, in contrast to smaller firms, larger firms can produce items at much lower costs. According to this theory, there should be a positive relationship between firm size and profitability (Merozwa, 2015).

Financial performance assesses a company's exposure to financial risk. A high level of financial leverage enables shareholders to earn a high return on equity, but it also exposes them to a higher risk of significant loss if the return on assets is low. A firm's financial leverage is intended to earn more on fixed charges funds than their relative costs.

CHAPTER THREE

RESEARCH METHODOLOGY

Chapter three identifies and discusses the study methodology. It also includes other sections such as research philosophy, research design study population, sample determination and size, and sampling process, data gathering methods, validity and reliability, analysis of information and presentation.

3.1 Research Philosophy

A research philosophy is a belief regarding how information on a marvel ought to be obtained, evaluated, and applied (Galliers, 2009). The concept of research philosophy is inextricably linked with the possibility of objectivism. Each philosophy has different research objectives and techniques for accomplishing them. Its purpose is to test hypotheses and uncover general principles.

Ontology is the nature of existence. Ontology is divided into two schools of thought: realism and relativism, which believe that there is one fixed reality and multiple realities, respectively. The first school of thought holds that there is only one truth that never changes, whereas the second holds that there are multiple realities and that the truth evolves and changes based on the researcher's perception (Arbor, 2013).

The study of the nature of knowledge is known as epistemology. Its research focuses on the methods for acquiring knowledge and distinguishing between truth and falsehood. Epistemology is fundamental to understanding how and why we think, or how we acquire knowledge, rely on our senses, and form concepts in our minds. From an epistemological standpoint, the researcher can adopt positivism, in which the research is a single reality (Bhaskar, 2015).

Axiology is the evaluation of the function of the researcher's own point of view at all stages of the research procedure. It focuses on what the researcher values in his or her research. The study adopted the positivist approach, which advocates for the application of techniques from natural sciences to the investigation of social reality and history.

Positivism refers to working with social reality that is observable in producing generalizations that are law-like, as physical or natural scientists do (Kilduff, & Mehra, 2012). The study was guided by the positivist paradigm, in which scientific processes were used to hypothesize fundamental laws and then deduce the observations to ascertain whether the hypotheses were true or false. Positivism is a quantitative method of research that adheres to a scientific approach. This study was quantitative in nature, with the goal of empirically verifying the propositions by operationalizing variables in the conceptual framework to allow for measurement and then generalizing the results.

3.2 Research Design

In the year 2008, Frankfort-Nachmias and Nachmias noted that a design is a blueprint on the manner data will be gathered and examined to achieve the objectives of the study. Kothari (2006) posit that a study design/plan allows the enquiry to examine the behaviour of variables without altering them. A research design, based on Rubin (2010), refers to the general technique to be used for a specific project. The study used a descriptive approach to research. A research approach that focuses on describing (rather than explaining) a specific phenomenon is known as descriptive research approach (Bless & Higson-Smith, 2013). It is possible to collect quantitative or qualitative data with a descriptive research strategy. Using both quantitative and qualitative data, the descriptive research approach allows for the collection of information about the population or phenomenon being examined. A variable is examined at a certain point in time in these kinds of investigations

3.3 Study Area

The choice of study area is critical because it affects the data produced. The study area is critical because of the diverse array of data and instruments housed in the study environment, all of which directly or indirectly affect the research outcomes (Mugenda & Mugenda, 2006). The research was carried out in Kenya, specifically in the eight manufacturing organizations listed on the Nairobi Securities Exchange. The targeted listed firms are located in the Nairobi Metropolitan Area.

3.4 Target Population

Nghiem (2018) defines population as the entire collection of elements from which a scholar wishes to give conclusions. Makau (2013) supports the definition of a population as the entire

gathering of constituents from which the investigator wishes to draw inferences. The whole group of components to which the researcher can truly apply the findings' conclusion is referred to as the target population. Companies were used as the observational unit. Nairobi Securities Exchange listing (NSE). The selection of listed firms is ascertaind by the fact that publishing their annual financial statements is a requirement by law, making them more accessible. They also have a clear capital structure. Because the targeted firms differ in form of cumulative assets, market value, and sales value, they are appropriate for establishing the role of firm size in determining the link between cost of capital components and manufacturing firms' financial performance . According to NSE there are 64 listed companies which are categorized as illustrated in Table 3.1.

Table 3. 1: Target Population

Sector	**Number of Companies**
Investment Services	1
Construction Allies	5
Commercial and Service	11
Banking	12
Automobile and Accessories	1
Energy and Petroleum	4
Investment	5
Manufacturing	8
Exchange Traded Fund	1
Real Estate Investment Fund	1
Telecommunication and Technology	1
Agriculture	7
Insurance	6
Total	64

Source: Nairobi Security Exchange (2020)

3.5 Sample Size and Sampling Design

Sampling is a way of choosing a specific quantity of subjects from an identified group to represent the population (Orodho, 2011). The selection process a number of people for a research in such a manner that the people chosen are a representative of the larger group from where they have been drawn is described as the sampling procedure (Ogula, 2005). The study

purposefully chose manufacturing firms listed on the NSE. There are eight manufacturing firms listed on the NSE. Manufacturing firms were purposefully chosen as one of the four economic pillars in the government of Kenya's Big four Agenda and Vision 2030 because it is one of the industries that has faced financial difficulties in the recent past. A type of non-probability sampling where researchers make a choice of individuals of the population to take part in the investigation basing on their own judgment is referred to as Purposive sampling. Purposive sampling is useful in this case because it provides the scholar with a big range of non-probability sampling techniques to draw from. Purposive sampling was appropriate in such a quantitative research design.

Table 3. 2: Sample Size

Manufacturing
B.O.C Kenya Ltd Ord 5.00
British American Tobacco Kenya Ltd Ord 10.00
Carbacid Investments Ltd Ord 5.00
East African Breweries Ltd Ord 2.00
Unga Group Ltd Ord 5.00
Eveready East Africa Ltd Ord.1.00
Kenya Orchards Ltd Ord 5.00
Flame Tree Group Holdings Ltd Ord 0.825

Source: Kenya Association of Manufacturers Priority Report, 2020

3.6 Data Collection

The process of obtaining data from each and every source which is of relevance in finding responses to a study problem, testing the hypothesis and evaluating the results is called data collection.

3.6.1 Instrumentation

The study gathered secondary data on the cost of debt, equity, cost of capital, cost of preference shares, financial performance and firm size of Nairobi Securities Exchange-listed manufacturing companies. Secondary data included information gathered from previously existing sources, specifically the distributed yearly reports (Annual Audited Reports, 2012-

2018) of the 8 manufacturing firms listed on the NSE. The research was conducted over a seven-year period, beginning in 2012 and ending in 2018. The time estimate was deemed adequate because it is possible to monitor cost of capital trends during this time period and assess how they impact the NSE listed manufacturing firms' financial. The statement regarding income, notes to the accounts, financial position statement, and cash flow statements are the financial statements from which the information should be mined. A document review guide was used to extract data.

3.6.2 Procedure for Collecting Data

The researcher obtained permission from the NACOSTI through Kisii University.. The analyst formally got in touch with the Capital Market Authority and explained the purpose of the investigation so as to be granted accessibility to the financial records needed for the examination. Following the necessary approval, the researcher gathered data from both the NSE and individual organizations.

3.7 Assumption of Linear Regression

To ascertain how suitable it was to parametric statistics (multiple linear as well as correlation regression), preliminary diagnostic tests were carried out. These preliminary diagnostic tests include multicollinearity, normality tests and linearity test.

3.7.1 Multicollinearity Test

When your predictor variables have a high correlation with each other, you have multicollinearity. The assumption only applies to multiple linear regressions with multiple predictor variables. The presence of multicollinearity can be ascertaind using two methods: correlation coefficients (correlation matrix) and variance inflation factor (VIF) values. The predictors were strongly correlated if they were multicollinear. When using VIF values, the values must be less than 10.00, and preferably less than 5.00. Multicollinearity was ascertaind in this study by obtaining VIF values.

3.7.2 Normality Test

Normality denotes that the test's distribution is normally distributed. When constructing reference intervals for variables, the assumption of normality is especially important. Normality can be assessed in two ways: graphically and numerically. Numerically, the

Shapiro-Wilk test is regarded as the best option for determining data normality. The histogram and normality plot are two graphical methods.

3.7.3 Linearity Test

The correlation and linear regression analyses both require a linearity test. Linearity denotes a straight-line association between predictor variables in the regression and the result variable. Scatterplot testing methods can be used to ascertain linearity. The data points are aligned in an oval shape to demonstrate linearity. Anova can also be used to ascertain the linearity test. When the Sig. value is below the selected significance level, an assumption is made that. The connection between the variables is curved, and thus the independent and dependent variables have a linear connection.

3.8 Data Analysis and Presentation

The process entails reducing large amounts of data to sizes that can be managed, summary creation, employing statistical techniques and getting patterns. Descriptive analysis was also used in the research. Descriptive statistics employed dispersion and central tendency measuring (Minimum, Maximum, Mean and Standard Devitiation respectively) as well as relative and absolute frequencies. The data was presented using frequency tables for easy comparison (Kilgarriff, 2015).

Correlation regression analysis and simple regression analysis were in identifying the connection between manufacturing firms' financial performance and cost of capital components for companies listed in NSE, Kenya. Data analysis was done with the aid SPSS Version 25 was used. All inferential statistics were tested at $p < 0.05$ significance level. T-test was used to test hypothesis. This is a method of inferential statistics deployed to establish whether the two variables' mean have a significant difference. That the measurement scale used to the gathered information does follow an ordinal or continuous scale is the t-test's assumption. The study was presented in form of tables and graphs.

$= \beta_0 + \beta_1 X_1$

$Y = \beta_0 + \beta_2 X_2$

$Y = \beta_0 + \beta_3 X_3$

$Y = \beta_0 + \beta_4 X_4$

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$……..…..…….i

$Y = \beta_0 + \beta_1 X_1 M_1$

$Y = \beta_0 + \beta_2 X_2 M_2$

$Y = \beta_0 + \beta_3 X_3 M_3$

$Y = \beta_0 + \beta_4 X_4 M_4$

$Y = \beta_0 + \beta_1 X_1 M_1 + \beta_2 X_2 M + \beta_3 X_3 M + \beta_4 X_4 M + \varepsilon$……...ii

Where:

Y= Financial performance

$\boldsymbol{\beta_0}$ represents Constant Term

$\mathbf{X_1}$ represents Cost of Debt

$\mathbf{X_2}$ represents Cost of Equity Capital

$\mathbf{X_3}$ represents Cost of Retained Earnings

$\mathbf{X_4}$ represents Cost of Preference shares

M = Firm Size

$\boldsymbol{\varepsilon}$ represents Error Term

$\boldsymbol{\beta_1, \beta_2, \beta_3, \beta_4}$, Represents Régression Coefficients for Independent Variables

$\boldsymbol{\beta_5}$ Represents Régression Coefficients for Moderating Variable

Table 3. 3: Table showing the summary of research objectives, hypotheses, and analytical methods

Objective	Hypothesis	Analytical method	Interpretation
(i) To determine how cost of debt and selected NSE listed firms' financial performance are related	**$H0_1$:** Cost of debt has no statistically significant relationship with manufacturing firms' financial performance for companies listed in NSE.	Pearson correlation coefficient Simple regression analysis($Y = \beta_0 + \beta_1 X_1$ ……...i) Goodness of fit tests (F-test)	Reject the null hypothesis if the P Value < 0.05
(ii) To establish how cost of equity and selected NSE listed firms' financial performance are related	**$H0_2$:** Cost of equity has no statistical significant relationship with the manufacturing firms' financial performance for companies listed in NSE.	Pearson correlation coefficient Simple regression analysis($Y = \beta_0 + \beta_2 X_2$……...ii) Goodness of fit tests (F-test)	Reject the null hypothesis if the P Value < 0.05
(iii) To assess the relationship between the cost of retained earnings and selected NSE listed firms' financial performance are related	**$H0_3$**: Cost of capital have no statistical significant relationship with the manufacturing firms' financial performance for companies listed in NSE.	Pearson correlation coefficient Simple regression analysis($Y = \beta_0 + \beta_3 X_3$ ……...iii) Goodness of fit tests(F-test)	Reject the null hypothesis if the P Value < 0.05
(iv) To determine the relationship between the cost of preference shares and selected NSE listed firms' financial	**$H0_4$**: Cost of preference shares has no statistical significant relationship with the financial performance of manufacturing firms listed in NSE.	Simple regression analysis($Y = \beta_0 + \beta_4 X_4$ ……...iv) Goodness of fit tests (F-test)	Reject the null hypothesis if the P Value < 0.05

(Va) To assess the moderating role of firm size on the relationship between cost of debt and selected NSE listed firms' financial performance	**$H0_5a$:** Firm size has no significant role in the connection between cost of debt and manufacturing firms' financial performance for companies listed in NSE.	Simple regression analysis ($Y = \beta_0 + \beta_1 X_1 M_1$……v) Goodness of fit tests (F-test)	Reject the null hypothesis if the P Value < 0.05
(Vb) To establish moderating role of firm size on the relationship between cost of equity and selected NSE listed firms' financial performance.	**$H0_5b$**: The firm size's moderating role has no statistical significant effect on the relationship between cost of equity and manufacturing firms' financial performance for companies listed in NSE	Simple regression analysis ($Y = \beta_0 + \beta_2 X_2 M_2$ ……vi) Goodness of fit tests (F-test)	Reject the null hypothesis if the P Value < 0.05
(Vc) To ascertain the moderating role of firm size on the associationbetween cost of retained earnings and selected NSE listed firms' financial performance.	**$H0_5c$**: The firm size's moderating role has no statistical significant effect on the relationship between cost of retained earnings and manufacturing firms' financial performance for companies listed in NSE.	Simple regression analysis ($Y = \beta_0 + \beta_3 X_3 M$ ……vii) Goodness of fit tests (F-test)	Reject the null hypothesis if the P Value < 0.05
(Vd) To determine the moderating role of firm size on the association between cost preference shares and selected NSE listed firms' financial performance.	**$H0_5d$**: The firm size's moderating role has no statistical significant effect on the association between cost of preference shares and financial performance of manufacturing firms listed in NSE.	Simple regression analysis ($Y = \beta_0 + \beta_4 X_4 M_4$……viii) Goodness of fit tests (F-test)	Reject the null hypothesis if the P Value < 0.05

Source: Field Data, 2020

3.9 Ethical Considerations

The researcher acknowledged the works of other authors used in this study and adhered to all the citation rules and procedures. The researcher sought the consent from the relevant authorities prior the commencement of the study. Jackson (2011) explains that, it is the responsibility of the researcher during a study involving human or non-human participants to ensure they are protected from any harm and their welfare is respected. In the course of the exercise, the researcher was observe the highest levels of ethics and were guided by the principles of integrity, informed consent, confidentiality, anonymity, privacy, and independence of the research (MacDonald, Headlam & Coolican, 2014).

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

Chapter Four highlights the research findings. Descriptive analysis was used in the research. Descriptive statistics employed dispersion and central tendency measuring (Minimum, Maximum, Mean and Standard Devitiation respectively) as well as relative and absolute frequencies. The data was presented using frequency tables.

4.1 Descriptive Statistics

The study sought to ascertain the how components and financial performance are connected with focus on manufacturing companies listed in NSE, Kenya. The references included Annual Audited Reports between the years 2012-2018 of 8 manufacturing firms listed in Nairobi Security Exchange.

4.1.1 Cost of Debt

The research sought to establish the mean cost of debt of each the 8 manufacturing firms listed in NSE for the 7 years the findings are indicated in the table below:

Table 4. 1: Cost of Debt

	N	Minimum (Ksh)	Maximum (Ksh)	Mean	Std. Deviation
Flame Tree	**7**	0	65,171,000.00	50,494,142.86	23,180,328.61
Unga Ltd	**7**	10,591,000.00	226,644,000.00	72,268,285.71	74,470,703.81
Orchard	**7**	23,000.00	906,000.00	307,857.14	329,939.60
BAT	**7**	264,259,000.00	533,546,000.00	361,995,142.86	106,753,349.20
EABL	**7**	2,451,250,000.00	4,343,869,000.00	3,595,705,142.	639,603,339.07
Carbacid	**7**	0	-	-	-
Everready	**7**	0	104,082,000.00	40,726,428.57	39,803,156.89
BOC Kenya	**7**	0	108,953,000.00	22,928,142.86	38,618,040.19
Average Mean	**7**			**592,060,734.69**	

Source: Research Data, 2020

The study findings illustrate that Flame tree had a (Mean= 50,494,142.86;SD= 23,180,328.61), Unga Ltd (Mean= 72,268,285.71;SD=74,470,703.81), Orchard (Mean= 307,857.14.86;SD= 329,939.60), BAT (Mean= 361,995,142.86;SD= 106,753,349.20), EABL (Mean= 3,595,705,142.86;SD= 639,603,339.07), Carbacid (Mean= 0;SD=0), Everready (Mean= 40,726,428.57;SD= 39,803,156.89) while BOC Kenya (Mean= 22,928,142.86;SD= 38,618,040.19). These companies showed a positive cost of debt between 2012 to 2018. This implies that the companies were able to pay debts on time. However, with an average mean of 592,060,734.69 indicates that most manufacturing firms listed in Nairobi security exchange had difficulty in servicing their debts for 2012-2018 period. Muchugia (2013) found a positive association between short-term debt and profitability since STD seems not to be too costly, and an increment in levels of profit will result from its expansion with interest rate that is relatively low and hence performance improvement. Long-term debt was seen to relate negatively with financial performance.

Table 4. 2: Coast of Debt From 2012-2018

Descriptive Statistics							
	N	Min.	Max.	M	Std.	Skewness	Kurtosis
Cost of debt	56	0	4,343,869,000.00	592,060,734.69	0.455	.323	0.861

Source: Field Data, 2020

The investigation further tried to establish the trend of the cost of debt of the overall 8 manufacturing organizations listed in NSE for the 7 years the findings are indicated in figure 4.1

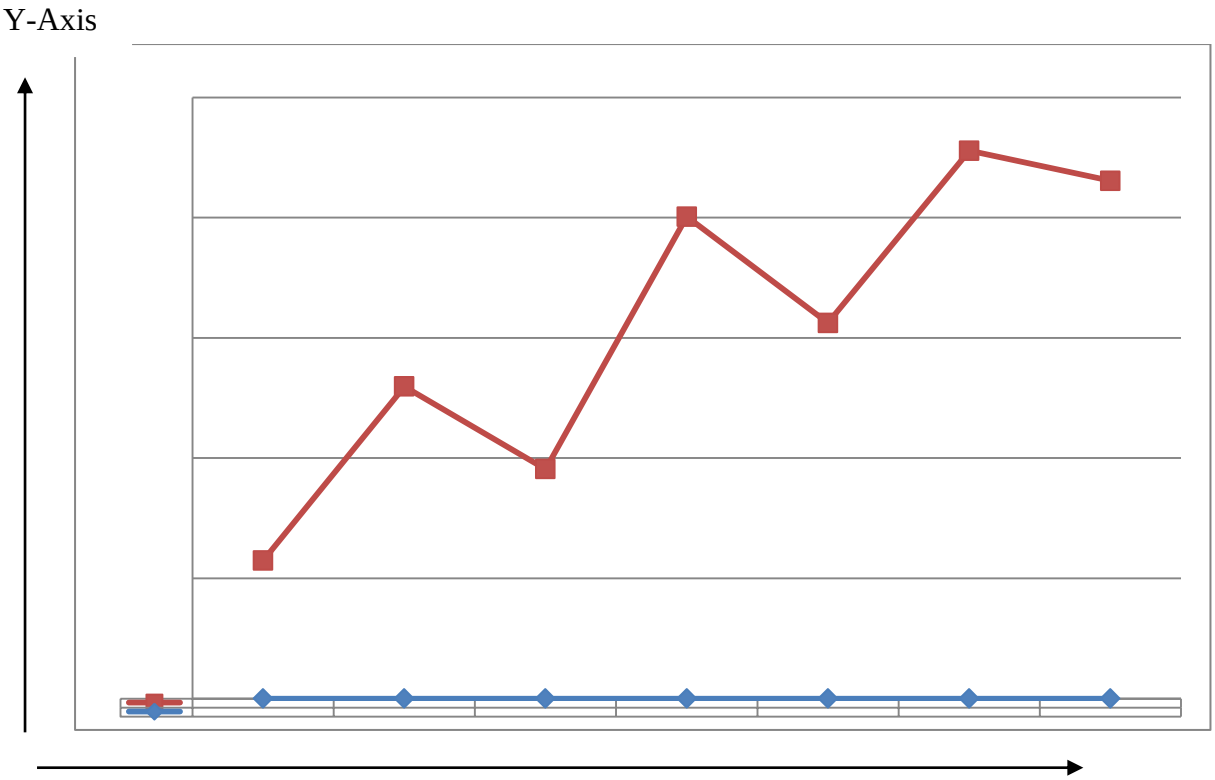

Figure 4. 1: Cost of Debt From 2012-2018

Source: Field Data, 2020

From the findings the mean for the cost of debt of the 8 listed manufacturing firms companies listed in NSE was 592,060,734.69. The minimum value for the cost of d.ebt was 0 while the maximum value for the cost of debt was 4,343,869,000.00. The finding also revealed that the cost of debt have a standard deviations of 0.455 this means that the variable have a relatively smaller deviations. In addition the datasets for the cost of debt was fairly symmetrical given that the skewness value was 0.323. Furthermore the results showed that the cost of debt had a kurtosis of 0.861 which represents lighter tails than normal distribution meaning the data was not normally distributed. The findings also revealed that in 2017 the 8 listed manufacturing companies had the highest cost of debt with a mean of 659,639,777.78 while in 2012 the 8 companies had the lowest cost of debt with a mean of 329,420,444.44. In addition, the results discovered that there has be a constant increment in the cost of debt among manufacturing firms listed at NSE which implies that that the firms relied on debt.

4.1.2 Cost of Equity

The cost of equity is the quantifiable expenses a firm need to assess if or not its capital return requirements is met by the investment. An organization's cost of equity represent the market's need of remuneration in exchange of bearing ownership risk and holding the asset. The findings are tabulated below.

Table 4. 3: Cost of Equity

	N	Minimum (Ksh)	Maximum (Ksh)	Mean	Std. Deviation
Flame Tree	7	-	122,983,000.00	30,365,857.14	52,748,521.96
Unga Ltd	7	56,780,000.00	75,707,000.00	67,595,428.57	10,116,907.05
Orchard	7	-	-	-	-
BAT	7	2,900,000,000.0	4,600,000,000.00	3,700,000,000.00	674,536,878.16
EABL	7	4,267,000,000.0	9,625,960,000.00	5,967,010,857.14	1,894,651,972.2
Carbacid	7	103,350,000.00	227,610,000.00	184,286,857.14	44,190,196.39
Everready	7	-	0.01	0.00	0.00
BOC Kenya		98,604,000.00	101,532,000.00	101,113,714.29	1,106,679.98
Average Mean				**1,435,767,530.61**	

Source: Research Data, 2020

The thesis results above indicate that Orchard Kenya and Everready recorded zero cost of equity for the entire study period (2012-2018).This implied that these companies could not any attract asset ownership. The results further showed that EABL LTD had higher cost of equity (Mean=5,967,010,857.14; SD=1894651972.2) and BAT LTD (Mean= 3,700,000,000.00;SD= 674,536,878.16) This shows that the manufacturing firms had a higher cost of equity between 2012 to 2018. Further, Carbacid LTD had a (Mean= 184,286,857.14; SD= 44190196.4), BOC Kenya ltd (Mean= 101,113,714.29; SD=1,106,679.98), and UNGA ltd (Mean= 67,595,428.57; SD= 10,116,907.05). With an average mean of 1,435,767,530.61**,** the findings indicate that most manufacturing firms recorded a low cost of equity for the 2012-2018 period. These results of the thesis agree with the ones of Khedmati, Naiker, Lim, and Navisssi (2018), who found that companies that generate high profits tend to maximize shareholders wealth through regular dividend payment.

Table 4. 4: Cost of Equity from 2012-2018

	Descriptive Statistics						
	N	Min.	Max.	M	Std.	Skewness	Kurtosis
Cost of Equity	56	0	9,625,960,000.00	1,435,767,530.61	0.341	.651	0.967

Source: Field Data, 2020

This research further purposed to establish the trend of the cost of equity of the overall 8 manufacturing organizations listed in NSE for the 7 years the findings are indicated in figure 4.2

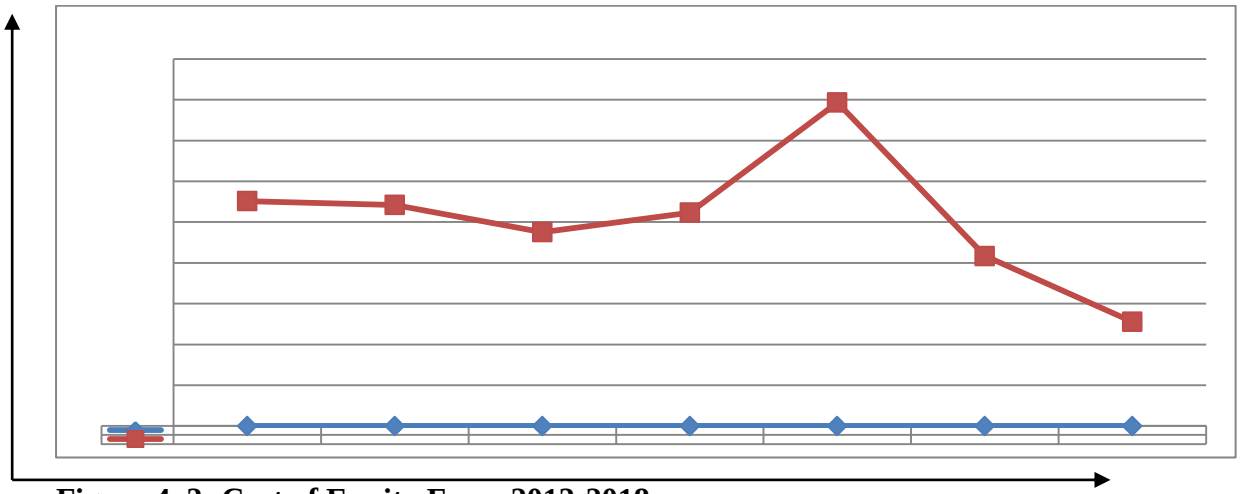

Figure 4. 2: Cost of Equity From 2012-2018

Source: Field Data, 2020

From the findings the mean for the cost of equity was 1,435,767,530.61. The minimum value for the cost of equity was 0 while the maximum value for the cost of equity was 9,625,960,000.00. The finding also revealed that the cost of equity had a standard deviations of 0.341 this means that the variable had a smaller deviations. In addition the datasets for the cost of equity was moderately skewed given that the skewness value was 0.651 Furthermore the results illustrated that the cost of equity had a kurtosis of 0.967 which repres r tails than normal distribution meaning the data was not normally distributed. The findings also revealed that in the year 2016 the 8 listed manufacturing companies. A decline in the cost of equity implies majority of the firms didn't pay dividend to shareholders.

4.1.3 Cost of Capital

After a company has paid out dividends to its shareholders, it has net income left over which is referred to as cost of capital. This money might potentially be re-invested in the firm to assist in its development. The money which is not disbursed to shareholders is classified as cost of capital, in accordance with the firm's dividend policy. The study established the mean cost of cost of capital of each of the overall 8 manufacturing organizations listed in NSE for the 7 years the feedback is tabulated below

Table 4. 5: Cost of capital

	N	Minimum (Ksh)	Maximum (Ksh)	Mean	Std. Deviation
Flame Tree	7	-	419,745,000.00	239,181,000.00	169,707,269.03
Unga Ltd	7	-	3,367,537,000.00	1,786,085,142.86	1,304,780,509.39
Orchard	7	-	-	-	-
BAT	7	1,668,918,000.00	3,332,167,000.00	2,145,377,428.57	633,207,596.28
EABL	7	1,933,212,000.00	27,105,032,000.00	15,024,285,857.14	9,819,701,302.41
Carbacid	7	1,245,458,000.00	2,637,207,000.00	2,023,758,857.14	517,200,233.21
Everready	7	- 388,343,000.00	325,903,000.00	58,890,714.29	237,001,775.43
BOC Kenya	7	1,239,735,000.00	1,447,497,000.00	1,370,431,142.86	66,588,938.65
Average				**3,235,430,020.41**	

Source: Field Data, 2020

The study findings demonstrate that Flame Tree had a (Mean= 239,181,000.00;SD= 169,707,269.03), UNGA LTD (Mean= 1,786,085,142.86;SD= 1,304,780,509.39), Orchard (Mean=0.000,SD=0.000) , BAT had a (Mean= 2,145,377,428.57;SD= 633,207,596.28) East African Breweries LTD (Mean= 15,024,285,857.14; SD= 9,819,701,302.41) and Carbacid (Mean=2,023,758,857.14;SD =517,200,233.21), Everready (Mean=58,890,714.29; SD=237,001,775.43) and Boc ltd (Mean = 1,370,431,142.86, SD=66,588,938.65) .This findings implied that Orchard and Everready manufacturing firms had no cost of capital between 2012 to 2018. However, with an average mean of 3,235,430,020.41 most companies fell below average in terms of retaining net income among NSE listed manufacturing companies over thata period of study (2012-2018). The findings of the study disagrees with those of Akinkoye and Seriki (2018), who found out that cost of capital, net income, dividend settlement, and firm value positively and substantially related, as well as a favorable connection between market value and financial performance.

Table 4. 6: Descriptive Statistics of Cost of Cost of capitalDescriptive Statistics

	Min	Max	Mean	Std.	Skewness	Kurtosis
Cost of Cost of capital	-23,177,404,000.00	27,105,032,000.00	3,235,430,020.41	0.241	.345	0.914

Source: Field Data, 2020

The thesis further aspired to ascertain the trend of the cost of cost of capital of each of the overall 8 manufacturing organizations listed in NSE for the 7 years the findings are in figure 4.3

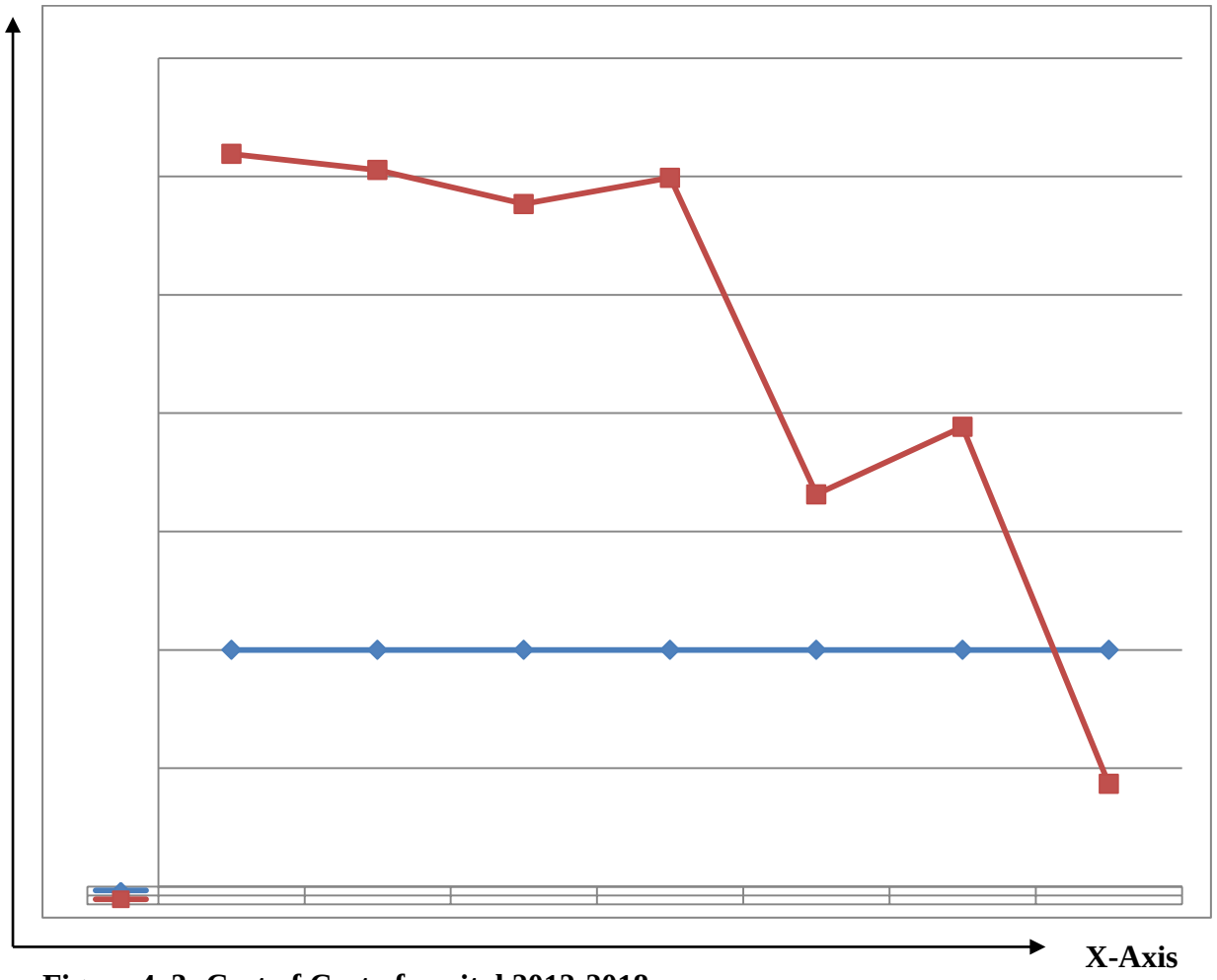

Figure 4. 3: Cost of Cost of capital 2012-2018
Source: Field Data, 2020

From the findings the mean for the cost of cost of capital of the 8 listed manufacturing firms companies from 2012-2018 was 3,235,430,020.41. The minimum value for the cost of cost of capital was - 23,177,404,000.00 while the maximum value for the cost of cost of capital was 27,105,032,000.00. The finding also disclosed that the cost of cost of capital have a standard deviations of 0.241 this means that the variable had a small deviations. In addition the datasets for the cost of cost of capital was fairly symmetrical given that the skewness value was 0.345. Furthermore the results illustrated that the cost of cost of capital had a kurtosis of 0.914 which represents lighter tails than normal distribution. The findings also revealed that in 2018 the 8 listed manufacturing companies had the lowest cost of retained earning with a mean of - 1,108,786,111.11 while in 2015 the 8 companies had the highest cost of debt with a mean of 3,981,159,777.78.

4.1.4 Preference Shares

This refers to a company's stock shares which settle dividends to stockholders prior to settlement of common premiums paid in stock. Incase an organization goes bankrupt, investors who are preferred poses a right of getting compensation from the assets of a company ahead of the shareholders who are common.

The thesis attempted to ascertain the mean cost of preference share of each the 8 manufacturing companies listed in NSE for the 7 years the findings are indicated in table 4.7

Table 4. 7: Preference Shares

	N	Min.	Max.	M	Std. Deviation
Flame Tree	7	0	0	0	0
Unga Ltd	7	0	0	0	0
Orchard	7	55,000.00	55,000.00	55,000.00	0
BAT	7	0	0	0	0
EABL	7	0	0	0	0
Carbacid	7	0	0	0	0
Everready	7	0	0	0	0
BOC Kenya	7	0	0	0	0
Average				6,111.11	

Source: Field Data, 2020

The study results discovered that only Orchard manufacturing company had mean preference shares for the 2012 to 2018 period with other manufacturing firms recording zero preference shares for the same period. The findings disagrees with a study by Pouraghajan and Malekian (2012) who discovered that preference shares and growth potential significantly and costs. The gradual decrease in cost of capital among the manufacturing firms implies that majority of the firms did not make profits from their operations hence they were able to retained their earnings.

Table 4. 8: Cost of Preference shares from 2012-2018

	Descriptive Statistics					
	Min.	Max.	M	Std.	Skewness	Kurtosis
Cost of Preference shares	0	6,111.11	6,111.11	0.0011	.567	1.032

Source: Field Data, 2020

The thesis further attempted to ascertain the trend of the cost of preference share of each of the overall 8 manufacturing companies listed in NSE for the 7 years the findings are indicated below

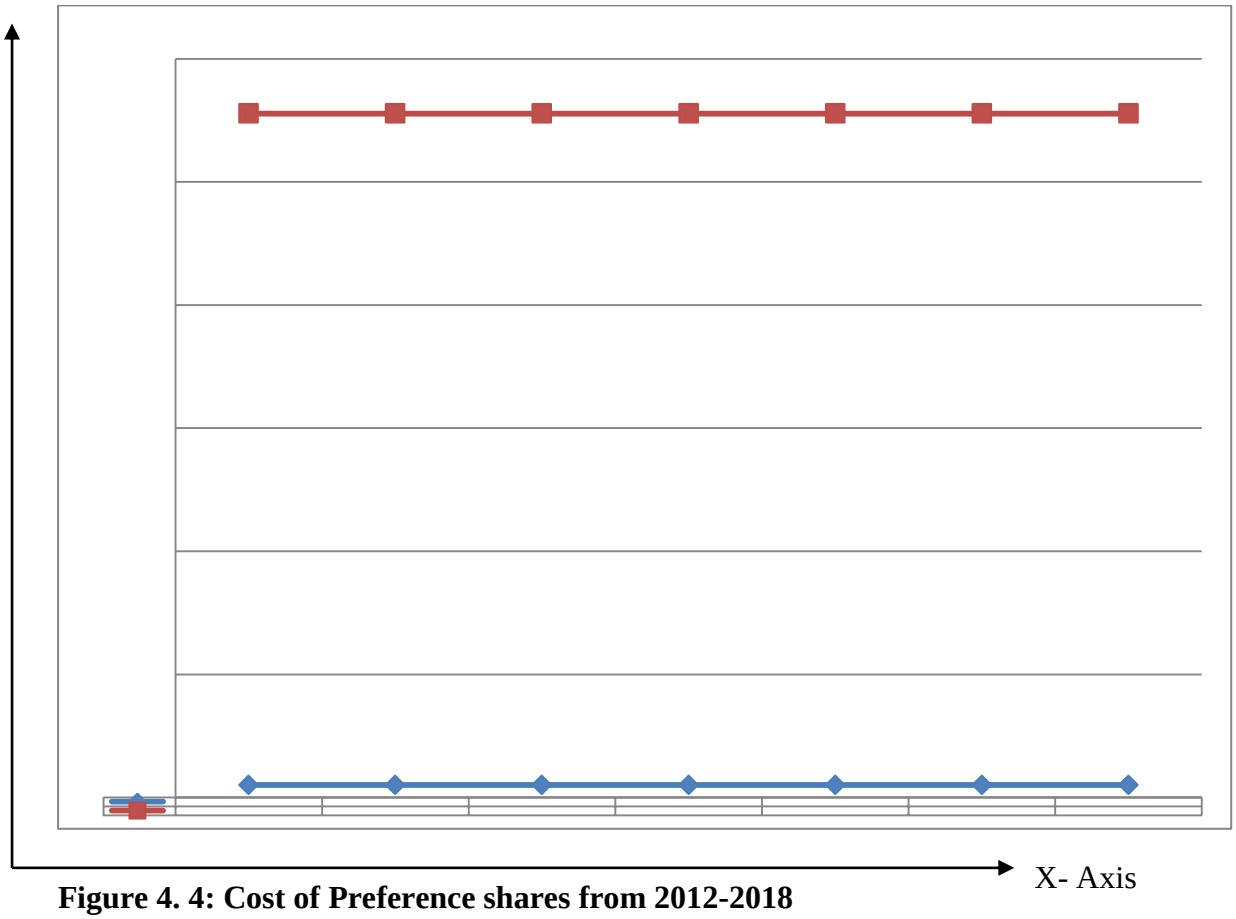

Figure 4. 4: Cost of Preference shares from 2012-2018
Source: Field Data, 2020

From the findings the mean for the price of preference shares of the 8 listed manufacturing firms companies listed in NSE was 15873.01587. The minimum value for the price of preference shares was 0 while maximum quantity for the cost of preference shares was 6,111.11. The finding also revealed that the cost of preference shares have a standard deviations of 0.0011 this means that the variable have a relatively smaller deviations. In addition the datasets for the cost of preference shares was moderately skewed given that the skewness value was 0.567. Furthermore the results discovered that the cost of preference shares had a kurtosis of 1.032. The findings also revealed that the cost of preferences among the 8 listed companies was constant from 2012 to 2018.

4.1.5 Firm Size

The study tried examining the company size's role on the connection between cost of capital components and selected NSE listed manufacturing organizations'financial. Total sales were deployed in measuring company size.

The thesis attempted to ascertain the mean of company size of each the 8 manufacturing companies listed in NSE for the 7 years the results are tabulated below

Table 4. 9: Firm Size

	N	Min	Max.	M	Std. Deviation
Flame Tree	7	-	2,544,629,000.00	1,872,526,571.43	903,392,072.74
Unga Ltd	7	15,759,078,000.00	19,982,070,000.0	17,988,598,857.1	1,722,265,185.53
Orchard	7	29,684,000.00	73,691,000.00	58,046,714.29	15,394,627.74
BAT	7	21,032,333,000.00	36,676,249,000.0	30,478,349,714.2	6,447,472,747.88
EABL	7	55,522,166,000.00	644,420,458,000.	146,825,643,285.	219,508,043,727.71
Carbacid	7	753,164,000.00	952,836,000.00	836,092,000.00	76,267,627.29
Everready	7	251,720,000.00	1,428,278,000.00	899,463,571.43	502,248,684.96
BOC Kenya	7	966,543,000.00	1,296,679,000.00	1,147,305,571.43	144,075,796.26
Average				25,013,253,285	

Source: Research Data, 2020

The study findings shows that EABL (Mean=146,825,643,285.71; SD, =219,508,043,727.71), BAT (Mean=30,478,349,714.29; SD= 6,447,472,747.88). and UNGA GROUP (Mean = 17,988,598,857.14; SD= 1,722,265,185.53). Controlled huge sales from 2012 to 2018 hence able to generate more profits as compared to Carbacid (Mean=836,092,000.00; SD= 76,267,627.29), Flame Tree (Mean=1,872,526,571.43; SD= 903,392,072.74) and BOC (Mean=1,147,305,571.43; SD= 144,075,796.26), that had less sales in the same period. Everready (Mean=899,463,571.43; SD= 502,248,684.96), Orchard Kenya (Mean=58,046,714.29; SD= 15,394,627.74), had much less sales implying there was little influence in terms of profit making. The declarations of this are in agreement with the ones of Vijayakumar and Tamizhselvan (2010), who reported a favorable connection between business size and firm standing. Results of the investigation, however are contrary to the ones

of Pervan and Vii (2012), who discovered a minor positive impact of firm size has on company profitability.

Table 4. 10: Firm Size From 2012-2018

	Descriptive Statistics					
	Min.	Max.	M.	Std.	Skewness	Kurtosis
Firm Size	0	73,456,832	25,013,253,285.72	0.324	.276	0.853

Source: Field Data, 2020

The study further aspired to ascertain the trend of the company size of all the 8 manufacturing companies listed in NSE for the 7 years, results are tabulated below

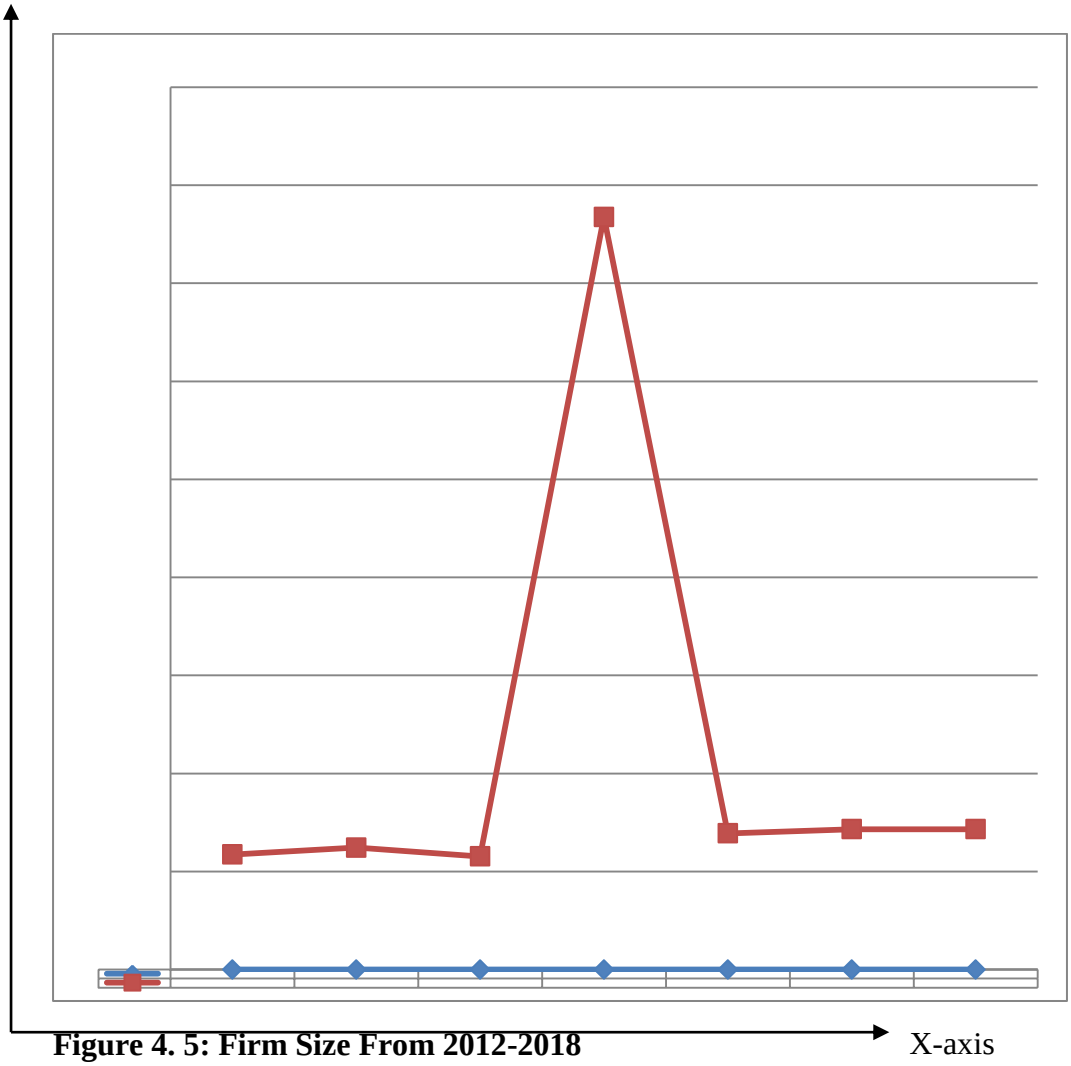

Figure 4. 5: Firm Size From 2012-2018

Source: Field Data, 2020

From the findings the mean for the company size of all the 8 manufacturing companies listed in NSE was 25,013,253,285.72. The minimum value for the firm size was 0 while the

maximum value for the firm size was 73,456,832. The finding also revealed that the firm size have a standard deviations of 0.324 this means that the variable have a relatively smaller deviations. In addition the datasets for the firm size was fairly symmetrical given that the skewness value was 0.276. Furthermore the results discovered that firm size have a kurtosis of 0.853 which represents lighter tails than normal distribution. The findings also revealed that in 2015 the 8 listed manufacturing companies had the highest revenue with a mean of 77,378,294,222.22 while in 2014 the 8 companies had the lowest revenue with a mean of 13,002,440,333.33

4.1.6 Return on Assets from 2012-2018

The research attempted to ascertain the mean of ROA of each the 8 manufacturing companies listed in NSE for the 7 years, results are indicated as follows

Table 4. 11: ROA

	N	Min	Maximum	Mean	Std
Flame Tree	7	.00	0.17	0.09	0.07
Unga Ltd	7	.00	0.07	0.05	0.02
Orchard	7	.00	0.67	0.18	0.25
BAT	7	.00	0.41	0.32	0.08
EABL	7	.00	0.33	0.21	0.07
Carbacid	7	.00	0.22	0.15	0.04
Everready	7	.00	0.49	0.09	0.31
BOC Kenya	7	.00	0.10	0.05	0.03
Average Mean				**0.14**	

Source: Field Data, 2020

Table 4.11 shows the descriptive statistics of the selected manufacturing companies financial performance index for the duration of 2012 to 2018 basing on, ROA. The statistics indicates that BAT had the highest (Mean= 0.32; SD= 0.08), followed by EABL (Mean= 0.21; SD= 0.07), Orchards (Mean= 0.18; SD= 0.25), Carbacid (Mean=0.15; SD= 0.04),Flame Tree had (Mean=0.09; SD= 0.07),while Everready indicated a (Mean=0.09; SD= 0.31), BOC Kenya had (Mean=0.05; SD=0.03), UNGA LIMITED (Mean= 0.05; SD= 0.02). With an average mean score of 10.6, the study findings indicated that BAT, EABL, ORCHAD and CARBACID performed better financially between 2012 to 2018 with Flame Tree and BOC

KENYA recording good returns. The findings support Bayaraa (2017), who found that sales growth, net income, and the cost-to-revenue ratio all had a favorable impact on an organization's financial performance when measured by ROA.

The investigation further aspired to ascertain the mean ROA of all the 8 NSE listed manufacturing enterprises for the 7 years, the findings tabulated below

Table 4. 12: ROA From 2012-2018

Descriptive Statistics						
	Min.	Max.	M.	Std.	Skewness	Kurtosis
ROA	0	0.67	0.14	0.443	.753	0.943

Source: Field Data, 2020

The investigation further attempted to ascertain the trend of ROA of each of the overall 8 manufacturing companies listed in NSE for the 7 years the findings are indicated in figure 4.5

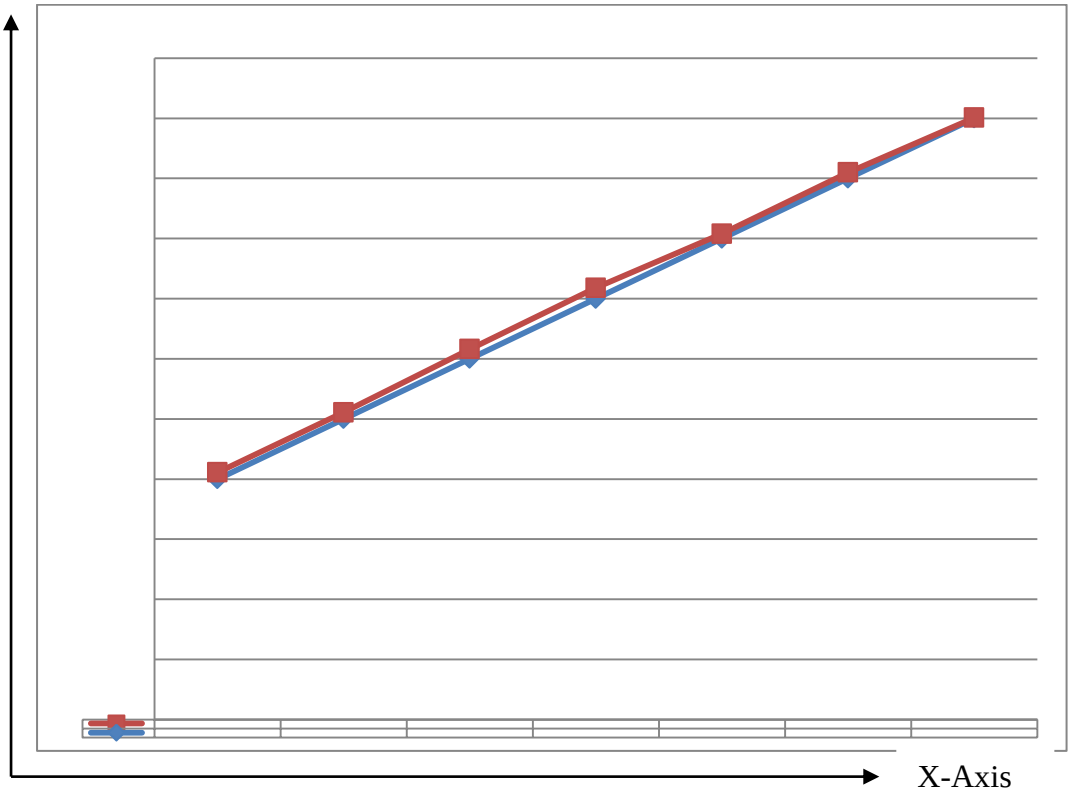

Figure 4. 6: ROA From 2012-2018

Source: Field Data, 2020

From the findings the mean of ROA for the 8 listed companies listed in NSE was 14%. The minimum value of ROA was 0 while the miximum value of ROA was 41.19%. The finding

also revealed that ROA have a standard deviations of 0.67this means that the variable have a relatively smaller deviations. In addition the datasets of ROA was moderately skewed since the skewness value was 0.753. Furthermore the results discovered ROA had a kurtosis of 0.943. The findings also revealed that in 2015 the 8 listed manufacturing companies had the highest level of ROA with a mean of 0.17533156 while in 2018 the 8 companies had the lowest level of ROA with a mean of 0.00866789

4.2 Diagnostic Tests

The research searched for information which could be capable of meeting the objectives of the investigation. The information obtained from Annual Audited Reports between the years 2012-2018 of 8 manufacturing firms recorded in Nairobi Security Exchange. The researcher assumed 5% significance level for the information utilized. The figures aided in verifying how true or false the data was. Hence, the data utilized and evaluated is assumed to be highly accurate when the significance level is nearing to 0% and the confidence interval is equally nearing to 100%.

4.2.1 Test of Multicollinearity

The research made an attempt of testing the multicollinearity of the data. If there exists an exact or near exact association between more or two of the predictor variables, then multicollinearity is said to occur. The findings are displayed in the table 4.13

Table 4. 13: Test of Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
1	Cost of debt	.463	2.160
	Cost of equity	.778	1.285
	Cost of cost of capital	.564	1.773
	Cost of preference shares	.434	2.302

a. Predicted Variable: Financial performance

Source: Field Data,2020

The tolerance values and variance inflation factors (VIF) were computed and the values of VIF less than 10 and tolerance more than 0.1 signaling absence of multicollinearity. The VIF values in table 4.13 were less than 10 meaning there was no multicollinearity while tolerance factors were above 0.1

4.2.2 Test of Normality of Data

The research aspired to test the normality of the data. The results are tabulated beloe

Table 4. 14: Tests of Normality

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Cost of debt	.293	55	.000	.788	55	.000
Cost of equity	.126	55	.000	.922	55	.000
Cost of cost of capital	.357	55	.000	.706	55	.000
Cost of preference shares	.677	55	.000	.866	55	.000

a. Significance Correction

Source: Field Data, 2020

The findings agree with Shapiro-wilk and kolmogorov –smirnova test recorded 0.000 values < 0.05. The study agree with Ghasemi and Zahediasl (2012) which indicated that even if the Shapiro or Kolmogorov states otherwise, normality is assumed for samples larger than 30.

4.2.3 Linearity test

It demonstrates that, by a mathematical linear equation, two covariants x and y have a connection in the form of y=bx in which b is a constant. This test was gotten by the scatted q-q plot represented below for eery variable.

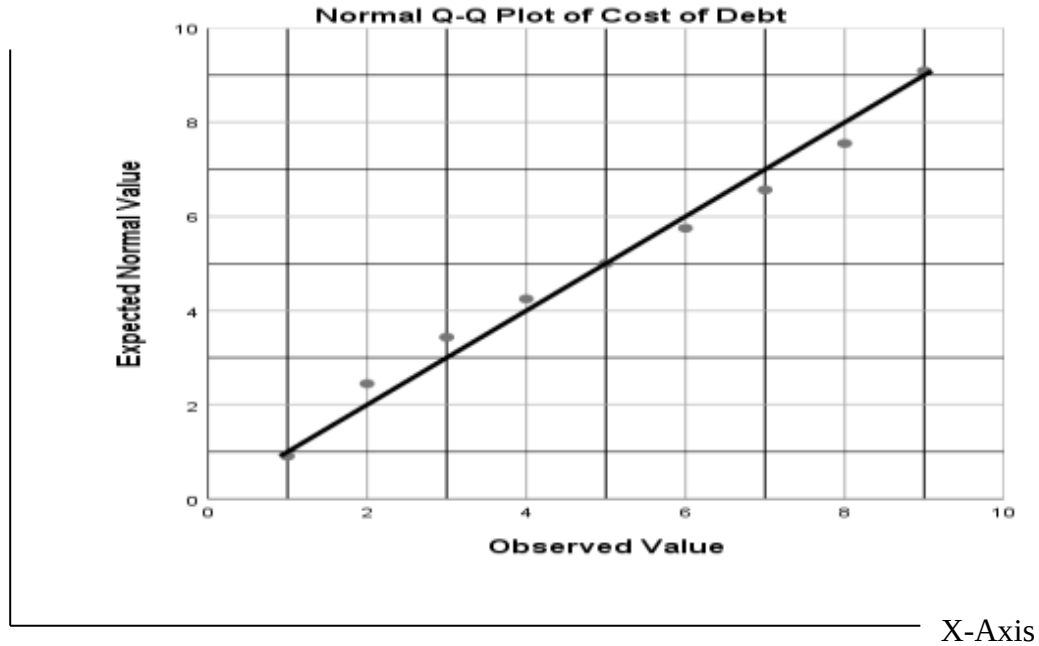

Figure 4. 7: Normality q-q plot of cost of debts

Source: Field Data, 2020

Normality q-q plot is used to ascertain how well a variable fits to a specific distribution. In a normally distribution, the points in the Q-Q-normal plot-cluster around the horizontal line. The cost of debt deviation from the straight line is minimal. This indicates normal distribution of the data collected.

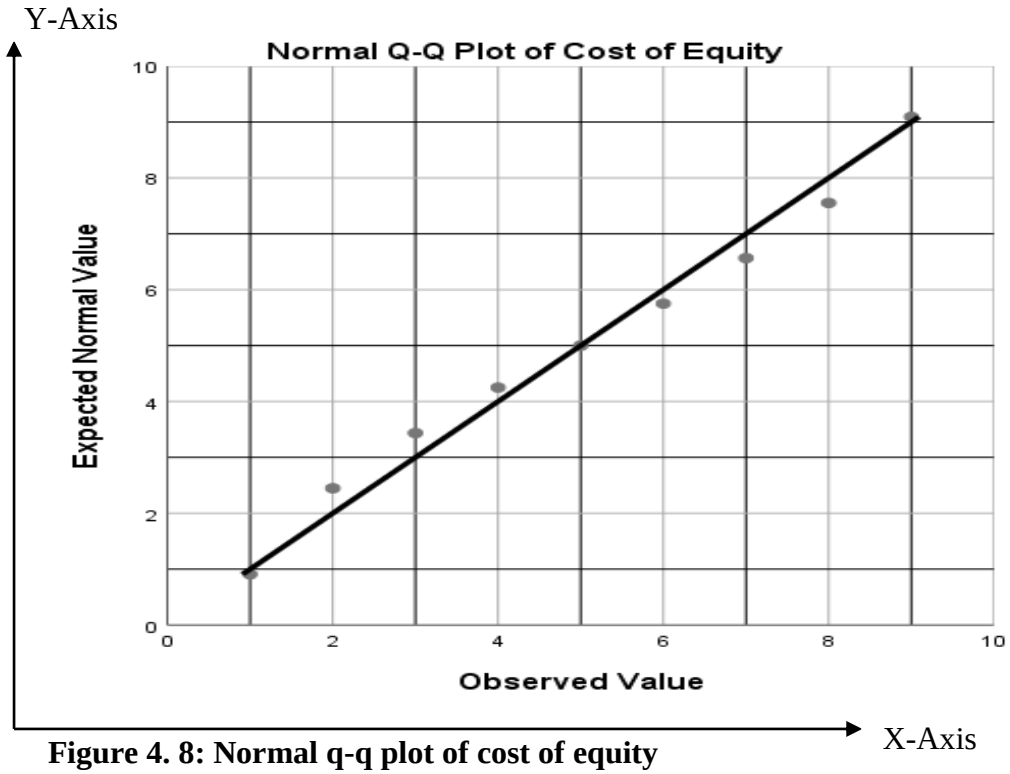

Figure 4. 8: Normal q-q plot of cost of equity

Source: Field Data, 2020

In the figure above, the points in the Q-Q-normal plot cluster around the horizontal line. The cost of equity deviate from the straight line is minimal. This indicates normal distribution of the observed.

Y-Axis

values.

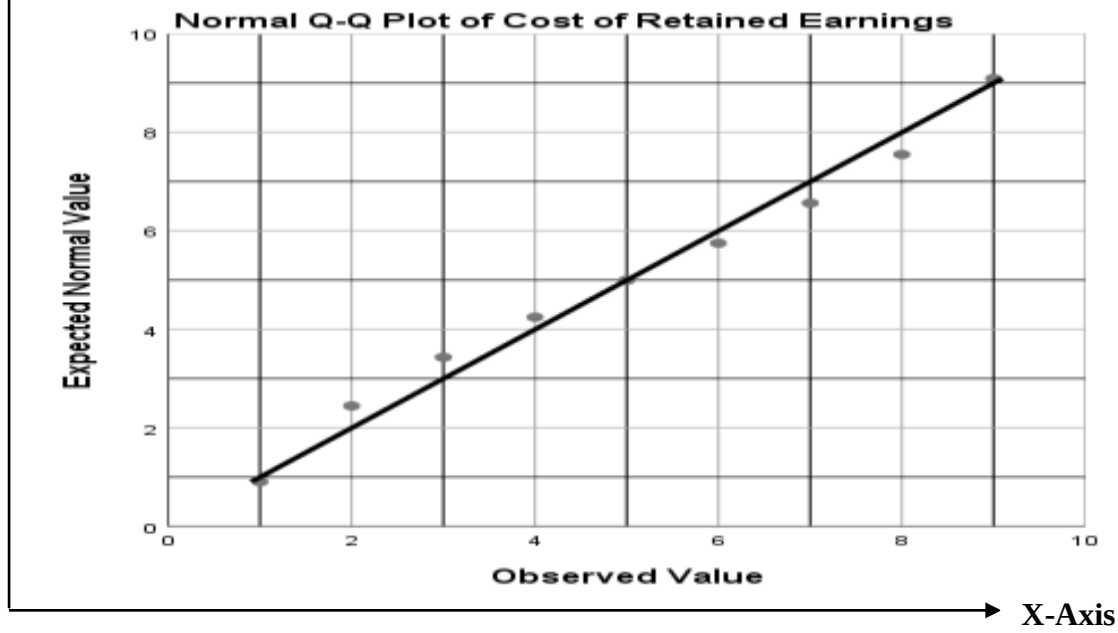

Figure 4.9: Normal distribution plot of cost of capital

Source: Field Data, 2020

The points in the Q-Q-normal plot cluster around the horizontal line. Cost of capital deviate from the straight line is minimal. This indicates normal distribution.

Y-Axis

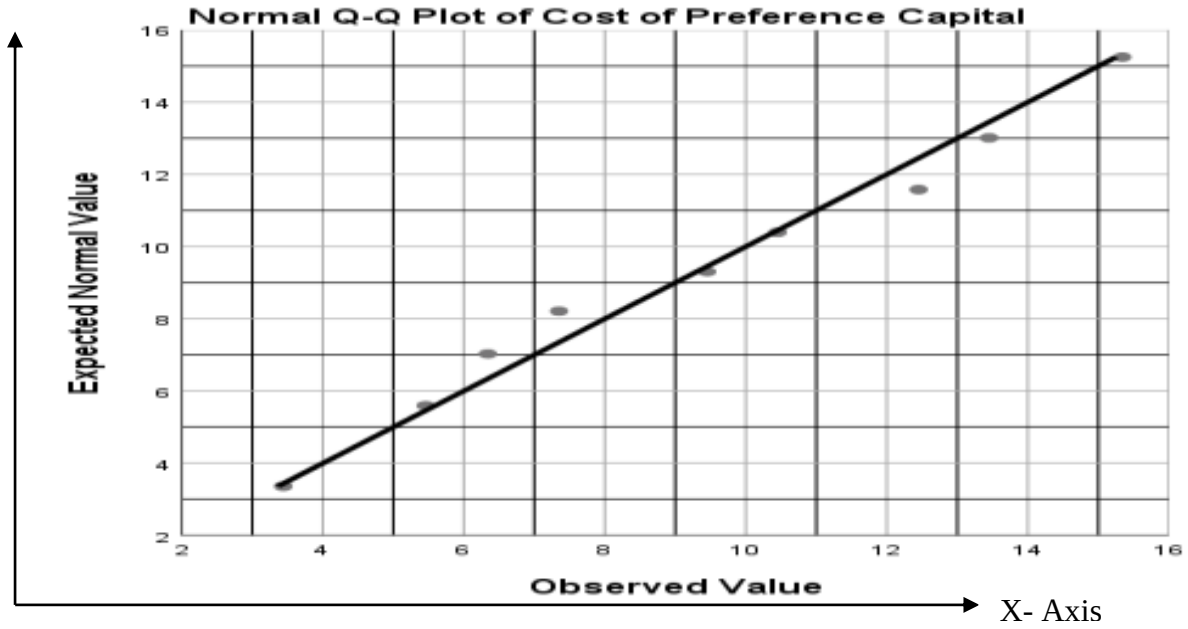

Figure 4.10: Normal q-q plot of cost of Preference shares
Source: Field Data, 2020

In the figure above, the points in the Q-Q-normal plot cluster around the horizontal line. Cost of preference shares deviate from the straight line is minimal. This indicates normal distribution

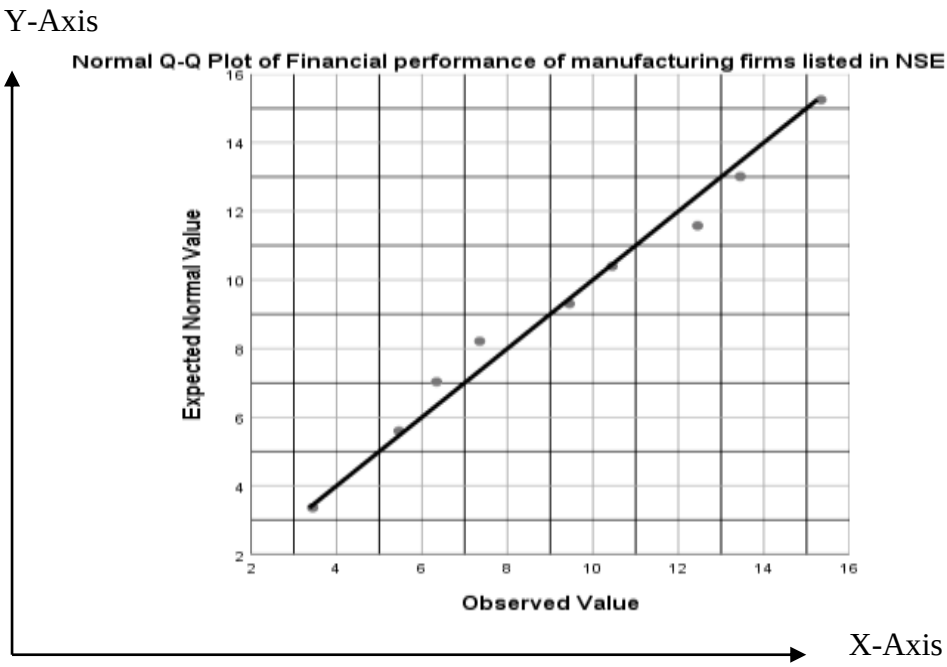

Figure 4.11: Normal q-q plot of financial performance

Source: Field Data, 2020

In the figure above, the points in the Q-Q-normal plot cluster around the horizontal line. The financial performance observation is a long straight line. This indicates normal distribution

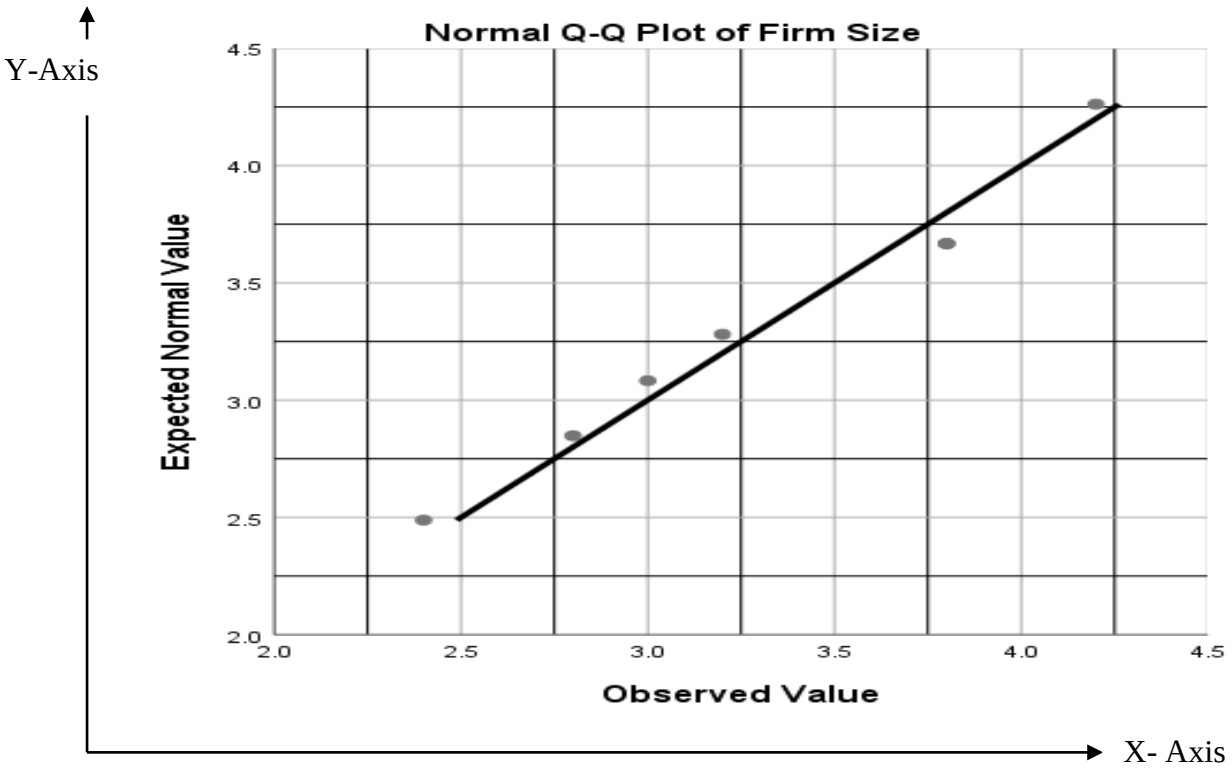

Figure 4.12: Normal q-q plot of firm size

Source: Field Data, 2020

In the figure above, the points in the Q-Q-normal plot cluster around the horizontal line. The firm size observation is a long the straight line. This indicates normal distribution.

4.3 Inferential Statistics

4.3.1 Correlation Analysis

The researcher performed a correlation evaluation to ascertain the existence and intensity of the research independent and dependent variables associations. The Pearson correlation coefficient, ranging from +1 to -1, gives a measurement of how strong a linear association between two variables is. A less than 0 value indicated a connection that is negative; this means that a fall in one variable's value leads to a decrease in the other variable's value. A higher than 0 value illustrates a correlation that is positive; this means that a rise in one variable's value results to an increment in the other variable's value. A 0 value indicates that there is no association between the two covariants. A perfect positive correlation is defined as when an increment or decline in one variable is proportionally followed by the other variable's increment or decline.

Table 4. 15: Correlation Matrix

		Cost of Debt	Cost of Equity	Cost of Retained Earning	Cost of Preference	Financial Perfomnce
Cost of Debt	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	56				
Cost of Equity	Pearson Correlation	.799**	1			
	Sig. (2-tailed)	.000				
	N	56	56			
Cost of Retained Earning	Pearson Correlation	.834**	.614**	1		
	Sig. (2-tailed)	.000	.000			
	N	56	56	56		
Cost of preferred capital	Pearson Correlation	-.165	-.213	-.188	1	
	Sig. (2-tailed)	.225	.115	.166		
	N	56	56	56	56	
Financial Performance	Pearson Correlation	. ’306**	.397**	. ..386**	.084	1
	Sig. (2-tailed)	. 001	.002	. .002	.538	
	N	56	56	56	56	56

**. Correlation is significant at the 0.05 level (2-tailed).

Source: Field Data, 2020

The study conducted a correlation analysis between cost of debt and financial performance among NSE listed manufacturing companies. The findings illustrated that r=0.306 p <.05. This displayed that the cost of debt on financial performance with focus on manufacturing companies listed in NSE have a moderate positive association. If firms use debt in providing more capital for the operations of their firm, after any interest settlements, equity owners end up keeping every extra profits gotten by that debt capital (Jay, 2019).The findings also indicated that cost of debt correlated against itself gives us 1 which is perfect corrections, while the cost of debt against cost of equity which gave. 799** with p of .000 which is less than .05 hence indicating that the correlation between cost of debt and cost of equity is statistically significant. The correlation between cost of debt and cost of retained earnings was strong at 834** . The p value is less than <.05, this indicates that the relationship is statistically notable. The correlation between cost debt and cost of preference share is weak at r=-.167 and p value more than .05 which depicts that there is no statistical significant association.

The findings support those of Bhattarai (2016), who discovered that increasing short-term debt increased corporate profitability. The survey also found that successful businesses do not rely on loan capital and instead fund their operations with cost of capital, and that SMEs, in particular, have limited access to external financing and have difficulty borrowing funds. The cost of debt is the exact rate of interest a corporation endows on its loans. It is frequently utilized in referring to the organization's cost of borrowing prior to taxation. On the other hand, the fact that interest expenses are deducted in form of tax makes the debt before and after taxes differ. The interest paid on debt less any income tax savings owing to interest expenditures which are deductible is the after-tax cost of debt. Debt has a cheaper financing cost since it is finite, and a company can rely on it in making periodic interest settlements and repay the debt principal over a certain duration of time.

A correlation analysis between costs of equity and NSE listed manufacturing companies' financial performance indicated that r=0.397. p<.05. This shows that costs of equity and NSE listed manufacturing companies' financial performance have a connection that is moderate . The findings support the findings of Ghani, Ahmad, and Salim (2016), which discovered that equity financing, had a considerable positive effect on corporate profitability.

The findings also indicate that the correlation between cost of equity against itself is 1 which is perfect correlations but the correlation between cost of equity and cost of retained earnings was .614** which meant it is strongly correlated and p value of less than .05 indicating is there exist statistical significant relationship. Also the correlation between cost of equity and cost of preference share is weak at r= -.213 and p value of more than .05 mean that cost of equity and cost of preference do not have any statistical association. Listed firms in Ghana use more equity than debt, and rather than long-term debt utilization, they prefer to cater for their operations using short-term debt. The capital structure has a strong positive association with Nigeria's publicly traded companies' financial performance.

The cost of equity is the anticipated return on investment for ordinary stockholders. The price of equity, according to Will (2020), is the rate of return a corporation settles to equity investors. It aids in determining the various investment options 'relative attractiveness which include acquisition opportunities that are both external and internal. The cost of equity financing is crucial, especially when it comes to raising funds for expansion. A cost of equity is also used by stock investors to ascertain whether the company is earning a rate of return

which is greater than, less than, or similar to the cost of equity. The equity cost shares is transferable, which means that ownership of equity shares can be transferred with or without consideration to a third party, and the dividends paid to equity shareholders are an amount portion profit with no fixed dividend rates.

The study further attempted to ascertain the nature of the association between cost of retained earnings and NSE listed manufacturing enterprises' financial performance. The results illustrated that r=0.386 The p value was less than the 0.05 significance level meaning that there is a moderate relationship between cost of retained earnings and financial performance of manufacturing companies listed in NSE. The findings support the findings of Yemi and Seriki (2018), who discovered a favorable and crucial association between cost of capital and organizational performance.

The findings also got the cost of retained earnings against itself the correlation was perfect at 1 while the correlation against cost of preference shares was weak at -.213 and p value of more than .05 hence no statistical relationship between cost of capital and cost of preference shares had played a vital role in expansion activities. When shares returns are regressed against retained earnings, the analysis finds that cost of retained earnings and preference shares have a moderate relationship. Increases or declines in net income and dividends given to shareholders effect cost of retained earnings, as does the nature of the industry and the company's age. Because cost of retained earnings reflect income reserved as the start of a business, older companies can have significantly more cost of capital than similar younger companies. Companies that are growing and industries that are capital intensive seem to keep most of their earnings as they require assets for their operation. As a result, any things that increase or decrease net income will have an impact on cost of capital.

They improve a company's financial condition and capital, resulting in an increment in the market value of its shares. This use of cost of capital lowers the cost of issuing external equity while also eliminating underpricing losses. The utilization of cost of capital is not subject to any legal requirements. It only needs that a resolution be made at the company's annual general meeting and that no legal formalities be followed. It only takes a resolution to be passed at the company's annual general meeting. However, the amount raised through accrual earnings could be limited, and it also has a high degree of variability because some companies have a consistent dividend policy.

The study additionally purposed to ascertain the nature of the relationship between cost of preference shares and NSE listed manufacturing enterprises' monetary performance. The results showed that there is a weak relationship insignificant relationship between cost of preference share and financial performance among manufacturing companies listed in NSE but when cost of preference share was corrected against itself the result was 1 meaning perfect correlation. This findings are in agreement with those of This finding is consistent with Mukembo (2018), who claimed that inclination cost and financial performance of microfinance institutions related significantly negative demonstrated that SMEs were heavily reliant on short-term debt to supplement resources, implying that manufacturing SMEs rely on client stores, term stores, and transient advances to finance their operations.

4.4 Simple Regression Analysis

4.4.1 Simple Regression Analysis for the Cost of Debt

4.4.1.1 Model Summary on the cost of Debt

Table 4. 16: Model Summary on the Cost of Debt

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	..306	..094	..042	..15811

a. Predictors: (Constant), Cost of Debt

Source: Field Data, 2020

The results show that cost of debt contributed 9.4% to NSE listed manufacturing enterprises' monetary performance while 90.6% is the variation due to other factors

4.4.1.2 ANOVA of the cost of debt

ANOVA was deployed in ascertaining the fitness of the model in predicting the relationship between cost debt and financial performance among manufacturing companies listed in N.S.E.

Table 4. 17: ANOVA of the cost of debt

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.1407.	1	.0.1407	5.628	. .001
	Residual	1.448	54	. 025		
	Total	1.497	55			

a. Predicted Variable: ROA

b. Predictor variable: (Constant), Debt

Source: Field Data, 2020

The findings show the F Value = 5.628 and the Sig Vaue was < .05 hence it is concluded that the model was suitable for predicting the association between cost of debt and financial performance .

4.4.1.3 Regression Coefficient of the Cost of Debt

This thesis conducted a regression coefficient to establish the mean change in financial performance for a unit variation in the cost of debt among manufacturing firms listed in N.S.E. The finding is displayed in the Table 4.18

Table 4. 18: Regression Coefficient of the Cost of Debt

Model		Coefficients[a] Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.132	.024		5.529	.000
	Debt	2.501	1.84	..309	1.358	..001

a. Dependent Variable: ROA

Source: Field Data, 2020

The value of financial performance of manufacturing companies listed in NSE of the cost of debt impact of the predictor covariants is 0.132 It means that, at any particular period, of manufacturing firms listed in NSE will be 0.132 with other components held constant at 0. These outcomes further indicate that 2.501 times change in NSE listed manufacturing enterprises' monetary performance would result from a unit change in cost of debt Basing on the above results the thesis derived the following regression model as shown below.

$$Y = .132 + 2.501 X_1 + \varepsilon$$

The study's first objective was to assess the association between cost of debt and financial performance of companies listed on the NSE. This research found statistically significant relationship between the cost of debt and the financial performance of manufacturing companies listed on the NSE. As a result, the null hypothesis was rejected and the study ascertained that the cost of debt had significant linkage with financial performance of manufacturing organizations listed on the NSE. The outcome agreed with those of Mauwa (2016), who reported that debt levels and corporate gainfulness related strongly and positively. Similarly, Babirye, Niringiye, and Katerega (2014) discovered a strong positive relationship between loan charges, guarantee requirements for debt getting, swapping history, and debt finance entry. Similarly, Audax (2018) found a relationship between short-term debt (STD) and gainfulness, stating that since STD is not costly and an increment in profit levels can be resulted from relatively increasing it with low rates of interest hence improved performance. The interest a corporation pays on its borrowings is referred to as the borrowing cost. According to Lucky, 2017, the cost of debt is calculated by adding a default premium to the rate on a risk-free bound whose time fits the corporate debt's term structure. As the quantity of debt grows, the default premium will climb (the risk goes up as the borrowing cost increases because of all the equality of all other things). Because loan spending is usually tax deductible, the borrowing cost is calculated as an after-tax cost for comparison with the cost of equity (taxation of earnings is done as well). As a result, the tax rate discontinues the debt for productive businesses.

4.4.2 Simple Regression Analysis for the Cost of Equity

4.4.2.1 Model Summary on the cost of Equity

Table 4. 19: Model Summary on the Cost of Equity

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.397[a]	.158	.142	.15281964

a. Predictors: (Constant), Equity

Source: Field Data, 2020

The results show that cost of equity contributed 15.8% monetary performance of the companies listed in the NSE while 84.2% is the variation due to other factors

4.4.2.2 ANOVA on the Cost of Equity

ANOVA was deployed in ascertaining the fitness of the model in predicting the link between cost equity and NSE listed manufacturing companies' financial performance.

Table 4. 20: ANOVA on the Cost of Equity

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.236	1	.236	10.106	.002[b]
	Residual	1.261	54	.023		
	Total	1.497	55			

a. Dependent Variable: ROA
b. Predictors: (Constant), Equity
Source: Field Data, 2020

The findings show the F Value = 10.106 and the Sig Vaue was .0.002 < .05 hence it was concluded that the model was suitable for predicting the association between cost of equity component and financial performance .

4.4.2.3 Regression Coefficient of the Cost of Equity

The study conducted a regression coefficient to establish the mean change in financial performance for a unit variation in the cost of equity among manufacturing firms listed in N.S.E. The finding is shown in Table 4.21

Table 4. 21: Regression Coefficient of the Cost of Equity

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.108	.023		4.624	.000
	Equity	2.860	.899	.397	3.179	.002

a. Dependent Variable: ROA
Source: Field Data, 2020

The cost of equity influence of the predictor factors on NSE listed manufacturing companies' financial performance by 0.108. This explains why, at any given time, the quantity of manufacturing firms listed on the NSE will be 0.108, assuming that all other parameters remain constant. The findings also show that a unit change in cost of equity results into a 2.860 times difference in NSE listed manufacturing companies' financial performance.

Based on the above results the thesis derived the following regression model as shown below.

$$Y = .108 + 2.860\ X_2 + \varepsilon$$

The second objectives was to figure out how cost of equity and NSE listed manufacturing companies' financial performance were related. According to the findings, there is significant linkage between cost of equity and NSE listed companies' financial performance. As a result, the null hypothesis was rejected and it was ascertained that cost of equity has a significant effect on the NSE listed manufacturing companies' financial performance.

The findings agrees with, Ghani, Ahmad, and Salim (2016) who cited that organizations ought to utilize equity financing as a source of business capital because of its potential (capacity) to influence business performance. The findings also disagree with Musila's (2015) findings, which found out that there existed a significant positive association between financial performance, growth opportunities, and equity ratio. Githinji (2017), whose study results discovered that equity capital has a notable impact on business financial performance , adds to the research findings.

4.4.3 Simple Regression Analysis for the Cost of Retained Earning

4.4.3.1 Model Summary on the Cost of Retained Earning

Table 4. 22: Model Summary of Cost of Retained Earning

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.0.386	.148	.134	.16374480

a. Predictors: (Constant), Cost of Retained Earning
Source: Field Data, 2020

Cost of retained earnings contributed 14.8% to NSE listed manufacturing companies' financial performance while 85.2% is the variation due to other factors

4.4.3.2 ANOVA of Cost of Retained Earnings

ANOVA was deployed in ascertaining the fitness of the model in predicting the link between cost of retained earnings and NSE listed manufacturing companies' financial performance.

Table 4. 23: ANOVA of the Cost of Retained Earnings

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	..209	1	.209	8.70	..002
	Residual	1.228	54	.024		
	Total	1.497	55			

a. Predicted Variable: ROA

b. Predictor variables: (Constant), Cost of Retained Earnings

Source: Field Data, 2020

The findings show the F Value = 8.70 and the Sig Vaue was < .05 hence it was concluded that the model was suitable for precting the relationship between cost of retained earnings and financial performance .

4.4.3.3 Regression Coefficient of the Cost of Retained Earnings

Table 4. 24: Regression Coefficient of the Cost of Retained Earnings

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.130	.024		5.330	.000
	Cost of Cost of capital	5.200	3.834	1.356	1.355	.002

a. Dependent Variable: Financial Perfomance

Source: Field Data, 2020

The influence of the predictor variables on the value of financial performance of manufacturing firms listed on the NSE of the cost of retained earnings is 0.130. It gives an explanation of why, at any particular period, the number of NSE listed manufacturing firms will be 0.130, assuming that all other parameters remain constant. The findings also show that a unit change in cost of retained earnings results in a 5.200 times difference in financial performance of manufacturing organizations listed on the NSE.

Based on the above results the study derived the following regression model as shown below.

$$Y = .130 + 5.200 X_3 + \varepsilon$$

The study's third objective was to ascertain the association between the cost of retained earnings and financial performance of manufacturing organizations listed on the NSE. According to the findings, cost of retained earnings and performance had statistically significant impact on the financial performance of companies listed on the NSE. Because of this, the null hypothesis was rejected, and concluded that cost of retained earnings had substantial relationship on the NSE listed manufacturing companies' financial performance.

The findings concurred with Thirumalaisamy's (2013) who concluded that the dimension of retained earnings is influenced mostly by the organizations' development rate. The findings also contradict Margaretha and Firzitya (2015), who claimed that cash interest per share, cost of capital per share, net income, and influence are all components that influence the expansion or drop of the stock cost. In a similar vein, Tirmizi and Ahmad (2017) found that investing and reinvesting cost of capital in value-enhancing projects improved organizations and increased shareholder wealth.

4.4.4 Simple Regression Analysis for the Cost of Preference Shares

4.4.4.1 Model Summary on the Cost of Preference Shares

Table 4. 25: Model Summary of Cost of Preference Shares

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.084[a]	.007	-.011	.16591863

a. Predictors: (Constant), Cost of Preference Share

Source: Field Data, 2020

Cost of preference shares contributed 0.7% to NSE listed manufacturing companies' financial performance while 99.3% is the variation due to other factors

4.4.4.2 ANOVA of the Cost of Preference Shares

ANOVA was deployed in ascertaining the fitness of the model in predicting the link between cost of preference shares and financial performance among manufacturing firms listed in N.S.E.

Table 4. 26: ANOVA of the Cost of Preference

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.011	1	.011	.383	.538[b]
	Residual	1.487	54	.028		
	Total	1.497	55			

a. Dependent Variable: Financial Perfomance
Source: Field Data, 2020

The findings show the F Value = .383 and the Sig Vaue was .0.538 > .05 hence it was concluded that the model was not suitable for predicting the connection between cost of cost of preference shares and financial performance .

4.4.4.3 Regression Coefficient of the Cost of Preference Shares

Table 4. 27: Regression Coefficient of the Cost of Preference Shares

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.140	.024		5.896	.000
	Cost of Preference	7.547	. 12.19	.084	.619	.538

a. Dependent Variable: Financial Perfomance

Source: Field Data, 2020

The cost of preference shares influence of the predictor variables on NSE listed manufacturing companies' financial performance is 0.140. This explains why, at any given time, the number of manufacturing firms listed on the NSE will be 0.140, assuming that all other parameters remain constant. The findings also show that a unit change in cost of preference shares in a 7.547 times difference in NSE listed manufacturing companies' financial performance.

Based on the above results the thesis derived the following regression model as shown below.

$$Y = .140 + 7.7547\ X_4 + \varepsilon$$

The study's fourth objective was to ascertain the relationshi between the cost of preference share on NSE listed manufacturing companies' financial performance. According to the findings, cost of preference shares has no statistically significant impact on the NSE listed manufacturing companies' financial performance. As a result, the null hypothesis was accepted, and it was ascertaind that the cost of preference has no substantial impact on the NSE listed manufacturing enterprises' financial performance. The findings are consistent

with those of Kagerhu (2013), who stated that in order to push and upgrade access to less expensive capital, adaptability and long-term goals were essential. The results discovered a negative link between new factor and capital expenditures. In line with the findings, Mukembo (2018) asserted that a negative significant linkage between inclination cost and financial success of microfinance institutions demonstrated that SMEs were heavily reliant on short-term debt to supplement resources, implying that manufacturing SMEs rely on client stores, term stores, and transient advances to fund their operations.

4.4.5 Multiple Linear Regression

4.4.5.1 Model Summary

Table 4. 28: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.509[a]	.259	.201	.14749499

d. Predictors: (Constant), Cost of Debt, Cost of Equity, Cost of Retained Earning and Cost of Preference Share

Source: Field Data, 2020

The results show that cost of debt, cost of equity, cost of cost of retained earnings and cost of preference share contributed 25.9% to NSE listed manufacturing companies' financial performance while 74.1% is the variation coming from other components which this study did not look at.

4.4.5.2 ANOVA

ANOVA was deployed in ascertaining the fitness of the model in predicting the link between cost of capital components and financial performance among manufacturing organizations listed in N.S.E. The findings is shown in Table 4.29

Table 4. 29: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.388	4	.097	4.454	.004[b]
	Residual	1.109	51	.022		
	Total	1.497	55			

a. Dependent Variable: Financial Perfomance

b. Predictors: (Constant), Cost of Debt, Cost of Equity, Cost of Retained Earnings and Cost of Preference Shares

Source: Field Data, 2020

The findings show the F Value = 4.454 and the Sig Vaue was .0.004 < .05 hence it was established that the model was fit for predicting the association between cost of capital components and NSE listed firms' financial performance.

4.4.5.3 Regression Coefficient

The study conducted a regression coefficient to establish the mean change in financial performance for a unit change in the cost of capital among manufacturing firms listed in N.S.E. The finding is shown in Table 4.30

Table 4. 30: Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.085	.026		3.283	.002
	Cost of Debt	-8.622	.000	-.626	-2.149	.036
	Cost of Equity	5.598	.000	.777	3.786	.000
	Cost of Retained Earning	7.554	.000	.263	1.182	.243
	Preference Shares	1.758	.000	.196	1.575	.122

a. Dependent Variable: Financial Perfomance

Source: Field Data, 2020

Without the influence of the predictor variables, the financial performance of manufacturing organizations listed on the NSE is 0.085. This explains why, at any given time, the number of manufacturing firms listed on the NSE will be 0.085, assuming that all other parameters remain constant. The findings further illustrate that a unit increment in cost of debt results in a -8.622 times variation in financial performance of manufacturing organizations listed on the NSE, a unit increase in cost of equity results in an 5.598 times increase in financial performance of manufacturing firms listed on the NSE, and a unit increment in cost of retained earnings to a 7.554 times increment in NSE listed manufacturing companies' financial performance while a unit raise in preference share would lead to 1.782 increase in NSE listed manufacturing organization' financial performance as given by the coefficients in the model.

Based on the above results this thesis derived the below regression model as shown below.

$$Y = .085 - 8.622\ X_1 + 5.598\ X_2 + 7.554\ X_3 + 1.758\ X_4 + \varepsilon$$

4.4.6 Simple Regression Analysis for the Cost of Preference with the Moderating Variable on Firm Size

4.4.6.1 Model Summary on the Cost of Debt with the Moderating Variable on Firm Size

Table 4. 31: Model Summary of Cost of Debt with the Moderating Variable on Firm Size

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.360[a]	..1296	..108	.16525879

a. Predictors: (Constant), Revenue, Debt
Source: Field Data, 2020

Cost of debt component and firm size contributed 12,9% to NSE listed manufacturing companies' financial performance. This means that the firm size doesn't cause a change increases in the the value of Return on Assets.

4.4.6.2 ANOVA of Cost of Debt with the Moderating Variable on Firm Size

ANOVA was deployed in ascertaining the fitness of the model in predicting the link between cost debt with moderating variable and NSE listed manufacturing companies' financial performance.

Table 4. 32: ANOVA of Cost of Debt with the Moderating Variable on Firm Size

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.194	2	.097	4.04	.003[b]
	Residual	1.303	53	.024		
	Total	1.497	55			

a. Dependent Variable: Financial Perfomance

The findings show the F Value = .4.04 and the Sig Vaue was < .05 hence it was concluded that the model deemed appropriate for predicting the relationship between cost of debt with the Moderating Variable on Firm Size

4.4.6.3 Regression Coefficient of Cost of Debt with the Moderating Variable on Firm Size

The study conducted a regression coefficient to establish whether firm size has moderation role on how cost of debt component and financial performance of manufacturing organizations listed in N.S.E were related. The finding is displayed in Table 4.33

Table 4. 33: Regression Coefficient of Cost of Debt with the Moderating Variable on Firm Size

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.132	.024		5.470	.000
	Debt	2.382	2.288	.173	1.041	.001
	Revenue	2.818	.31.6	.015	.089	.004

a. Dependent Variable: Financial Perfomance

Source: Field Data, 2020

The findings show that, a .132 times change in NSE listed manufacturing companies' financial performance will be as a result of unit change in cost of debt with firm size as the moderating variable, 2.382 times increment in financial performance of manufacturing organizations listed in NSE would be as a result of a unit increment in revenue with company size as the moderating variable,

$$Y = .132 + 2.382\ X_1 + 2.818M_1 + \varepsilon$$

4.4.7 Simple Regression Analysis for the Cost of Equity

4.4.7.1 Model Summary on the Cost of Equity with the Moderating Variable on Firm Size

Table 4. 34: Model Summary on the Cost of Equity with the Moderating Variable on Firm Size

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.400[a]	.160	.128	.15406674

a. **Predictors: (Constant), Revenue, Cost of Equity**
Source: Field Data, 2020

It is evident that cost of Equity component and firm size contributed 16% to NSE listed manufacturing companies' financial performance. This means that the presence of firm size increases Return on Assets value by a 0.2% (16.0-15.8) margin.

4.6.7.2 ANOVA on the Cost of Equity with the Moderating Variable on Firm Size

ANOVA was deployed in ascertaining the fitness of the model in predicting the relationship between cost equity with moderating variable and NSE listed manufacturing companies' financial performance

Table 4. 35: ANOVA on the Cost of Equity with the Moderating Variable on Firm Size

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.239	2	.120	5.036	.010[b]
	Residual	1.258	53	.024		
	Total	1.497	55			

a. Dependent Variable: Financial Perfomance
b. Predictors: (Constant), Revenue, Cost of Equity
Source: Field Data, 2020

The findings show the F Value = 5.036 and the Sig Vaue was .0.010 < .05 with the Moderating Variable on Firm Size hence it was concluded that the model was fit for predicting the association between cost of equity component and financial performance .

4.4.7.3 Regression Analysis on the Cost of Equity with the Moderating Variable on Firm Size

The research conducted a regression coefficient to establish whether firm size has moderation role on the link between cost of equity and financial performance of manufacturing organizations listed in N.S.E. The finding is shown in Table 4.36

Table 4. 36:Regression Analysis on the Cost of Equity with the Moderating Variable on Firm Size

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.109	.024		4.600	.000
	Cost of Equity	3.001	.000	.417	3.038	.004
	Revenue	-9.378	.000	-.049	-.360	.721

a. Dependent Variable: Financial Perfomance
Source: Field Data, 2020

The findings show that a unit change in cost of equity results into a 3.001 times change in NSE listed manufacturing companies' financial performance when firm size is used as the moderating variable, and a unit increase in cost of equity results in a -9.378 times decrease in financial performance of manufacturing organizations listed on the NSE when firm size is used as the moderating variable.

$$Y = .109 + 3.001\ X_2 - 9.378\ M_2 + \varepsilon$$

4.4.8 Simple Regression Analysis for the Cost of Retained Earning

4.4.8.1 Model Summary on the Cost of Retained Earning with the Moderating Variable on Firm Size

Table 4. 37: Model summary of Cost of Retained Earning with the Moderating Variable on Firm Size

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.390[a]	..152	.138	.151657

a**. Predictors: (Constant), Revenue**, **Retained Earning**
Source: Field Data, 2020

The results report that cost of Cost of Retained Earnings and firm size contributed 15.2% to NSE listed manufacturing companies' financial performance. This means that the presence of firm size doesn't affect the relationship between Cost of Retained Earnings
financial performance of the manufacturing organizations

4.4.8.2 ANOVA on the Cost of Retained Earning with the Moderating Variable on Firm Size

ANOVA was deployed in ascertaining the fitness of the model in predicting the link between cost of retained earnings with moderating variable and NSE listed manufacturing companies' financial performance

Table 4. 38: ANOVA on the Cost of Retained Earning with the Moderating Variable on Firm Size

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.228	2	.114	4.95	..003
	Residual	1.448	53	.027		
	Total	1.497	55			

a. Dependent Variable: Financial Perfomance

b. Predictors: (Constant), Revenue, Cost of Retained Earnings

Source: Field Data, 2020

The findings show the F Value = 4.95 and the Sig Vaue was < .05 hence it was concluded that the model was appropriate in the prediction of the association between cost of retained earnings and financial performance .

4.4.8.3 Regression Analysis on the Cost of Retained Earning with the Moderating Variable on Firm Size

The study conducted a regression coefficient to establish whether firm size has moderation role on the connection between cost of retained earnings and NSE listed manufacturing companies' financial performance The finding is shown in Table 4.39

Table 4. 39: Regression Analysis on the Cost of Retained Earning with the Moderating Variable on Firm Size

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.130	.025		5.264	.000
	Retained Earning	5.556	5.35	.194	1.038	..002
	Revenue	-3.419	.-35.6	-.018	-.096	..004

a. Dependent Variable: Financial Perfomance

The findings show that a 5.556 times change in NSE listed manufacturing companies' financial performance would be as a result of a unit change in cost of retained earnings when firm size is used as the moderating variable, and a 3.419 times decrease in NSE listed manufacturing companies' financial performance when firm size is used as the moderating variable.

$$Y = .130 + 5.556\ X_3 – 3.419\ M_3 + \varepsilon$$

4.4.9 Simple Regression Analysis for the Cost of Preference

4.4.9.1 Model Summary on the Cost of Preference with the Moderating Variable on Firm Size

Table 4. 40: Model summary of Cost of Preference with the Moderating Variable on Firm Size

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.151[a]	.023	-.014	.16613775

a. Predictors: (Constant), Revenue, Cost of Preference

Source: Field Data, 2020

The results show that cost of preference shares and firm size contributed 2.3% to financial performance of the organizations. This means that the presence of firm size increases the value of Return on Assets by a margin of 1.6 % (2.3-0.7). Looking at it froma different angle, inclusion of the firm size to the model enhance the variation in the outcome of the model.

4.4.9.2 Anova on the Cost of Preference Share with the Moderating Variable on Firm Size

ANOVA was deployed in ascertaining the fitness of the model in predicting the link between cost preference shares with moderating variable and NSE listed manufacturing companies' financial performance

Table 4. 41: ANOVA of the Cost of Preference Share with Moderating Variable

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.034	2	.017	.620	.542[b]
	Residual	1.463	53	.028		
	Total	1.497	55			

a. Dependent Variable: Financial Perfomance

b. Predictors: (Constant), Revenue, Preference Share

Source: Field Data, 2020

The findings show the F Value = .620 and the Sig Vaue was .0.542 > .05 hence it was concluded that the model was not appropriate for the prediction of the relationship between cost of preference share component and financial performance .

4.4.9.3 Regression Analysis on the Cost of Preference Share with the Moderating Variable on Firm Size

The study conducted a regression coefficient to establish whether firm size has moderation role on the relationship between cost of preference share and financial performance of manufacturing organizations listed in N.S.E. The finding is shown in Table 4.42

Table 4. 42: Regression Analysis on the Cost of Preference with the Moderating Variable on Firm Size

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.133	.025		5.343	.000
	Preference	8.795	.000	.098	.716	.477
	Revenue	2.406	.000	.127	.926	.359

a. Dependent Variable: Financial Perfomance

Source: Field Data, 2020

The findings show that a unit change in cost of preference shares leads to a 8.795 times change in financial performance of manufacturing organizations listed on the NSE when firm

size is the moderating variable, and a unit increase in cost of preference share results in a 2.406 times increase in NSE listed manufacturing companies' financial performance when firm size is the moderating variable.

$$Y = .113 + 8.795X_4 + 2.406M_4 + \varepsilon$$

4.5. Multiple Regression Analysis with the Moderating Variable

4.5.1 Model Summary with the Moderating Variable

A model summary was used to ascertain the role of firm size in the relationship between cost of capital components and NSE listed manufacturing companies' financial performance. The findings is shown in Table 4.43

Table 4. 43: Model Summary with the Moderating Variable

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.509[a]	.259	.185	.14893107

a. Predictors: (Constant), Cost of Debt

d. Predictors: (Constant), Cost of Debt, Cost of Equity, Cost of Retained Earnings, Cost of Preference Shares, Firm Size

Source: Field Data, 2020

The findings illustrate that cost of debt, cost of equity, cost of retained earnings, cost of preference share and firm size contributed 25.9% to NSE listed manufacturing companies' financial performance.

This means that the presence of firm size increases the Return on Assets value by a 2.3% margin. Looking at it froma different angle, inclusion of the size of the companies to the model may enhance the variation in the outcomes of the model.

4.5.2 ANOVA with the Moderating Variable

ANOVA was deployed to ascertain how fit the model was in predicting the role of firm size in the relationship between cost of capital and NSE listed companies' financial performance.

The findings is shown in Table 4.44

Table 4. 44: ANOVA with the Moderating Variable

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.388	5	.078	3.499	.009[b]
	Residual	1.109	50	.022		
	Total	1.497	55			

a. Dependent Variable: Financial Perfomance

b. Predictors: (Constant), Cost of Debt, Cost of Equity, Cost of retained earnings, Preference Shares

Source: Field Data, 2020

The findings shows the F value = 3.499 and the Sig Vaue was .0.009 < .05 hence a conclusion was made that the model was appropriate for the prediction of the connection between cost of capital component and financial performance with moderating

4.5.3 Regression Coefficient with the Moderating Variable

The study conducted a regression coefficient to establish whether firm size has moderation role on the relationship between cost of capital and financial performance of manufacturing firms listed in N.S.E. The finding is shown in the table below

Table 4. 45: Regression Coefficient with the Moderating Variable

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	.085	.026		3.254	.002
	Cost of Debt	-8.661	.4.068	-.629	-2.133	.003
	Cost of Equity	5.614	.1.497	.779	3.750	.000
	Cost of Retained Earnings	7.092	.7.192	.247	.986	.004
	Preference Shares	1.756	.1.127	.195	1.557	.126
	Revenue	4.674	.320	.025	.146	.885

a. Dependent Variable: Financial Perfomance
Source: Field Data, 2020

The findings show that a unit variation in cost of debt would lead to a -8.661 times change in NSE listed companies' financial performance with firm size as the moderating variable, a 5.614 times increment in NSE listed manufacturing companies' financial success would be as a result of a unit increment in cost of equity with firm size as the moderating variable, and a 7.092 times increment in financial performance of manufacturing firms listed on the NSE would be as a result of a unit increment in cost of retained earnings with firm size While the coefficients in the model show that a unit increase in the cost of preference share would result in a 1.756 times rise in NSE listed manufacturing firms' financial performance, with firm size as the moderating variable. The data revealed that cost of preference share had the highest beta of 7.092 and the highest t value of 4.107, indicating that it provided a distinctive contribution.

Based on the above results this thesis derived the below linear regression model as shown below.

$$Y = .084 - 8.661X_1M + 5.614\ X_2M + 7.092X_3M + 1.756X_4M + \varepsilon$$

According to the findings, firm size has little bearing on the association between loan cost and financial performance of NSE organizations. As a result, it led to the null hypothesis rejection, and it was ascertained that firm size does not have any bearing on the connection between loan cost and financial performance of chosen NSE firms. The findings showed that firm size has no statistically notable influence in the association between loan cost and financial performance of NSE organizations. The findings contradict those of (Wanyonga, 2019), who concluded that the borrowing cost and the size of the company have a large and favorable influence on firm performance. Financial managers make financing decisions depending on the development of domestic monetary markets.

According to Obim, Anake, and Awara (2014) companies depend on lease financing and commercial bank loans for debt financing in this area. The effective usage of debt and equity increases the firm's worth. When profits are substantial, companies might borrow to take advantage of the tax shelter. To ensure financing of long-term projects, LTD should be used. Short-term debts should also be used to finance short-term financial obligations. In addition, financial managers should pick strategies related to enhancing stockholder wealth (Obim, Anake, & Awara, 2014). As a result, wise use of debt and equity will improve financial performance and, as a result, the firm's value.

In addition, the research discovered that firm size has little bearing on the connection between cost of equity and financial performance of selected NSE firms and it was ascertained that business size plays no role in the connection between cost of equity and NSE listed manufacturing companies' financial performance. The results revealed that firm size has no statistical significance in the association between cost of equity and financial performance of selected NSE organizations.

The findings contradict those of Embong, Saleh, and Hassan (2013), who found a strongly negative association between cost of equity capital and size of organization for large organizations but not for small firms. Firm management could plan their disclosure policy by keeping in mind that the advantage of transparency in lowering the cost of stock may vary based on the size of the organization. Furthermore, the findings are consistent with those of

Kurshev and Strebulaev (2016), who found that a positive connection between financial performance and size in cross-section.

Furthermore, the research discovered that firm size has little bearing on how cost of capital and financial performance of selected NSE firms. As a result, rejection of the null hypothesis, and it was ascertained that organization size does not have notable influence the association between cost of capital and financial performance of NSE organizations. These results revealed that firm size does not have any statistical significance in how cost of capital and NSE listed manufacturing organizations' financial performance relate.

Finally, the study found that firm size had little bearing on how the cost of preference share and the financial performance of NSE organizations relate. As a result, the null hypothesis was accepted, and it was ascertained that firm size has no bearing on how the cost of preference shares and the NSE listed manufacturing companies' financial performance associate. The results revealed that firm size has no statistical significance in the link between cost of preference shares and NSE listed manufacturing companies' financial performance. The findings support the findings of Abbasali and Esfandir (2012), who found that the adoption of preference shares has a negative effect since preference owners do not earn interest on accumulated premiums, this gives organizations an allowance of delaying to pay preference dividends. Furthermore, the data confirm Laurent (2011)'s hypothesis that when deciding what type of security to issue, corporations may regard the agency, attributes of preference shares as being more favorable. In order to decrease agency conflicts of debt, firms utilize less risky assets other than plain stock. The link between convertible debt and non-debt tax shields was also discovered to be counter-intuitive.

Table 4. 46: Summary for null hypotheses tests

Objective	Hypothesis	Criteria	Interpretation
(i) To determine how cost of debt and selected NSE listed firms' financial performance are related	H01: Cost of debt has no statistical significant relationship with the financial performance of manufacturing firms listed in NSE.	P < 0.05	Null Rejected
(ii) To establish how cost of equity and selected NSE listed firms' financial performance are related	H02: Cost of equity has no statistical significant connection with the financial performance of manufacturing organizations listed in NSE.	P < 0.05	Null Rejected
(iii) To assess the relationship between the cost of retained earnings and selected NSE listed firms' financial performance are related	H03: Cost of capital have no statistical significant relationship with the financial performance of manufacturing firms listed in NSE.	P < 0.05	Null Rejected
(iv) To determine the relationship between the cost of preference shares and selected NSE listed firms' financial	H04: Cost of preference shares has no statistical significant association with the financial performance of manufacturing organizations listed in NSE.	P >0.05	Null Accepted
(Va) To assess the moderating role of firm size on the relationship between cost of debt and selected NSE listed firms' financial performance	H05a: The moderating role of firm size has no statistical significant influence on the connection between cost of debt and financial performance of manufacturing organizations listed in NSE.	P < 0.05	Null Rejected
(Vb) To establish moderating role of firm size on the relationship between cost of equity and selected NSE listed firms' financial performance.	H05b :The moderating role of firm size has no statistical significant effect on the relationship between cost of equity and financial	P < 0.05	Null Rejected

	performance of manufacturing firms listed in NSE		
(Vc) To ascertain the moderating role of firm size on the associationbetween cost of retained earnings and selected NSE listed firms' financial performance.	H05c: The moderating role of firm size has no statistical significant impact on the connection between cost of retained earnings and financial performance of manufacturing organizations listed in NSE.	P < 0.05	Null Rejected
(Vd) To determine the moderating role of firm size on the association between cost preference shares and selected NSE listed firms' financial performance.	H05d: The moderating role of firm size has no statistical significant impact on the association between cost of preference shares and financial performance of manufacturing organizations listed in NSE.	P > 0.05	Null Accepted

Source: Field Data, 2020

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This section highlights a detailed summary of findings, study conclusions, study recommendations, suggestions for further study. The summary was based on study findings while the policy recommendations were drawn from the study objectives.

5.1 Summary of Findings

The purpose of the reseatch was to ascertain whether firm size has a role in the relationship between cost of capital and financial performance

5.1.1 Relationship between cost of debt and financial performance of listed firms in NSE

The first objective sought to determine the relationship between of cost of debt and financial performance of manufacturing firms listed in Kenya. The variable was measured using the interest paid. Cost of debt variable had a null hypothesis, which stated that cost of debt had no statistical significant relationship with the financial performance of manufacturing firms listed at the NSE, Kenya. The findings indicated that there exists a moderate significant relationship between cost of debt on financial performance of manufacturing firms listed in NSE. The findings further indicated that cost of debt does have a statistically significant relationship with the financial performance of manufacturing firms listed at the NSE, Kenya. The results from the trend analysis indicated that the cost of debt was on the raise in the period of under study .This disagree with the argument of Trade off theory which advocates for the optimality between equity and debt, this means that if a company doesn't control debt it can lead to liquidation.

The effective interest rate a corporation pays on its loans is known as the cost of debt. It is frequently used to refer to the company's cost of debt before taxes, which is the cost of debt before taxes. The difference between the cost of debt before and after taxes, on the other hand, is due to the fact that interest expenses are tax deductible. The interest paid on debt less any income tax savings owing to deductible interest expenditures is the after-tax cost of debt. Debt has a cheaper financing cost since it is finite, and a company can rely on it to make periodic interest payments and repay the debt principal over a certain period of time.

The findings of the study agrees with those of Omollo, Muturi, and Wanjare (2018), Alkhazaleh, and Al-Dwiry (2018), who showed that finance leases have become a viable option to medium and long-term financing, particularly in financial markets where credit is scarce. Finance leasing had an effect on return on assets but not on return on equity, according to the studies. The findings of the study also agreed with those of Omete and Isabwa (2017), who found that long-term debt financing was "directly linked to the increase of the company's operating capacity" and was mostly employed for long-term capital asset investment such as machinery and the financing was therefore well-structured and defined. In a study of the impact of debt capital on the financial performance of non-financial firms listed on the NSE, Kibunja (2020) discovered that short-term and medium-term debt had a negative relationship with return on equity, whereas long-term debt had a positive relationship.

5.1.2 Relationship between cost of equity and financial performance of listed firms in NSE

The study further sought to establish the relationship between cost of equity and financial performance of manufacturing firms listed at the NSE in Kenya. Cost of equity was ascertaind by determining the actual dividend paid. The results also indicated that there is a strong positive statistical significant relationship between the cost of Equity and financial performance of manufacturing firms listed in NSE. The findings also indicated that sig value was < 0.05 and therefore the second hypothesis was rejected. The findings from the trend analysis indicated that the cost of equity was on down ward trend which means that most manufacturing firms listed at NSE did not pay divedend between 2012 to 2018

The cost of equity financing is crucial, especially when it comes to raising funds for expansion. A cost of equity is also used by stock investors to ascertain whether the company is earning a rate of return that is greater than, less than, or equal to the cost of equity. Equity shares is transferable, which means that ownership of equity shares can be transferred with or without consideration to a third party, and the dividends paid to equity shareholders are an amount portion profit with no fixed dividend rates. The findings of the study align with those of Gathara and Maingi (2019), who found that equity financing had a significant favorable impact on the financial performance of selected companies listed on the Nairobi Stock Exchange (NSE). The findings of Gathara and Maingi (2015) also demonstrated that equity owners, as a component of the financial structure of chosen companies listed on the NSE,

had an impact on the financial performance of those companies. The equity had a good and significant effect on financial performance , according to the findings.

The findings of the study are similarly consistent with Musila's (2015) findings, which indicated an insignificant but positive association between equity funding and financial performance . Financial performance and growth potential, as well as equity ratio, were found to have a substantial positive link in the study. It can be argued that companies that devote resources to expanding their asset base increase their financial performance . When it comes to raising funds for growth, expansions, or acquisitions, equity financing is critical.

5.1.3 Relationship between cost of retained earnings and financial performance of listed firms in NSE

The study further sought to assess the relationship between cost of retained earnings and financial performance of Manufacturing firms listed at the NSE, Kenya. The findings indicated that there is statistically significant relationship between cost of retained earnings and financial performance of manufacturing firms listed in NSE. The results had a moderate statistical significant relationship with financial performance manufacturing firms listed at the NSE, Kenya and led to the rejection of the study null hypothesis. The findings from the trend analysis indicated that the cost of retained earnings was on down ward trend which means that most of manufacturing firms did not make profits within the period 2012 to 2018. The findings disagree with the proponent of pecking order theory who argued that cost of capital are the cheaper way of financing after debt

The utilization of cost of retained earnings is not subject to any legal requirements. It only needs that a resolution be made at the company's annual general meeting and that no legal formalities be followed. It only takes a resolution to be passed at the company's annual general meeting. However, the amount raised through accrual earnings could be limited, and it also has a high degree of variability because some companies have a consistent dividend policy. Thuranira's (2014) study indicated that there is a weak and insignificant association between retained profits and stock returns, and that the relationship is inverse because the coefficient corresponding to cost of capital in the model was always negative.

5.1.4 Relationship between cost of preference share and financial performance of listed firms in NSE

The fourth objective sought to ascertain the relationship between preference shares and financial performance of manufacturing firms listed at the NSE, Kenya. The result revealed a statistically insignificant relationship between preference share and financial performance of Manufacturing firms listed at the NSE, Kenya. The study hypothesis for this variable was that there was no statistical significant relationship between preference shares and Financial performance of Manufacturing firms listed at the NSE, Kenya. The findings indicated that preference shares has no significant relationship with the financial performance of manufacturing firms listed in NSE. This led to acceptance of the null hypothesis. The findings from the trend analysis indicated that the cost of preference was constant with only one company which translates that all firms listed apart from one did not embrace the funding by preference share because of its restriction in payment of preferred dividend .this is in line with the pecking order theory with advocates that the equity financing is expensive and should be used as the last resort.

5.1.5 Moderating role of firm size on the relationship between cost of debt and financial performance of listed firms

The study further sought to ascertain the moderating role of firm size on the relationship between cost of debt and financial performance of manufacturing firms listed in NSE. The study hypothesis for this variable was that the moderating role of firm size has no statistical significant effect on the relationship between cost of debt and financial performance of manufacturing firms listed in NSE. The findings indicated that the moderating role of firm size had statistical significant effect on the relationship between cost of debt and financial performance of manufacturing firms listed in NSE and therefore the hypothesis was rejected. Binsbergen, Graham, and Yang (2007) found that the marginal cost of debt changes depending on firm factors such size, assets in place, book-to-market ratio, cash flows, cash holdings, and whether the firm pays dividends.

5.1.6 Moderating role of firm size on the relationship between cost of equity and financial performance of listed firms

The study also sought to ascertain the moderating role of firm size in the relationship between cost of equity and financial performance of manufacturing firms listed in NSE. The study

hypothesis for this variable was that the moderating role of firm size has no statistical significant effect on the relationship between cost of equity and financial performance of manufacturing firms listed in NSE. The findings indicated that the moderating role of firm size had statistical significant effect on the relationship between cost of equity and financial performance of manufacturing firms listed in NSE and therefore the hypothesis was rejected. The findings contradict those of Embong, Saleh, and Hassan (2013), who found a strong negative association between cost of equity capital and size of firm for large organizations but not for small firms. Furthermore, small businesses may have less influence than giant businesses, making it difficult for them to compete with them, particularly in highly competitive sectors. On the other hand, as businesses become larger, they may experience inefficiencies, resulting in poor financial performance .

5.1.7 Moderating role of firm size on the relationship between cost of cost of capital and financial performance of selected firms

The study further sought to ascertain the moderating role of firm size on the relationship between cost of cost of capital and financial performance of manufacturing firms listed in NSE. The study hypothesis for this variable was that the moderating role of firm size has no statistical significant effect on the relationship between cost of cost of capital and financial performance of manufacturing firms listed in NSE. The findings indicated that the moderating role of firm size had no statistical significant effect on the relationship between cost of cost of capital and financial performance of manufacturing firms listed in NSE and therefore the hypothesis was accepted. In terms of capital structure mix, a company's size has the capacity to influence its financial success. Larger businesses profit from their scale and variety because they can borrow at lower interest rates and withstand economic calamities better than smaller businesses. As a result, they should be able to outperform smaller businesses and create greater profit as a result of this. The profitability assumption should be supported by their diversification and low borrowing costs.

5.1.8 Moderating role of firm size on the relationship between cost of preference share and financial performance of selected firms

In addition the study sought to ascertain the moderating role of firm size in the relationship between cost of preference share and financial performance of manufacturing firms listed in NSE. The study hypothesis for this variable was that the moderating role of firm size has no

statistical significant effect on the relationship between cost of preference shares and financial performance of manufacturing firms listed in NSE. The findings indicated that the moderating role of firm size had no statistical significant effect on the relationship between cost of preference shares and financial performance of manufacturing firms listed in NSE and therefore the hypothesis was accepted The findings contradict those of Abbasali and Esfandir (2012), who found that the introduction of preference shares had a negative effect since preference owners do not get interest on accumulated dividends, giving firms an incentive to delay paying preference dividends.

5.2 Conclusions

The first study objective was to ascertain the relationship between the cost of debt and financial performance of listed manufacturing firms. It was concluded that that there is no statistical significant relationship between the cost of debt and financial performance of the manufacturing firms listed at the NSE. In addition the study concluded that most manufacturing firms listed in Nairobi security exchange relied on debts for 2012-2018 period this is attributed to the gradual increase in the overall debt. In contrast to the findings of the study, Mauwa (2016) ascertaind that there is a strong positive relationship between debt levels and firm profitability. The findings of Nazir, Azam, and Khalid (2021) agree with the findings of this study, which show that both short- and long-term debt have negative and significant effects on business profitability. This shows that agency problems could lead to a high-debt strategy, which would result in poor performance. Nonfinancial sector organizations, on the other hand, benefit from both increased revenues and increased firm size.

The second objective was to ascertain the relationship the cost of equity and financial performance of listed manufacturing firms. From the findings the study concluded that there is a significance level of relationship between cost of equity and financial performance of manufacturing firms listed in Kenya. This led to a conclusion that the manufacturing firms ought to raise funds from shareholders before considering borrowing in order to finance their projects. Furthermore the study concluded that that most manufacturing firms listed at NSE recorded a low cost of equity for the 2012-2018 period this implies that majority of the firms were not paying dividends to the shareholders. The findings are consistent with those of Githinji (2017), who found that equity capital has a considerable impact on business financial performance . The findings of Sumaryati and Tristiarini (2017), who found that the cost of

equity has a considerable impact on financial distress and firm value, but that financial distress has no impact on firm value, are also supported by this research.

The third objective was to ascertain the relationship between the cost of retained earnings and financial performance of listed manufacturing firms. The study concluded that cost of retained earnings had moderate and insignificant relationship with financial performance of Manufacturing firms listed at the NSE, Kenya. Furthermore the study concluded that most companies fell below average in terms of retaining net income among listed manufacturing firms listed in Nairobi security exchange over the period of study (2012-2018).

Ghani, Ahmad, and Salim (2016) suggested that organizations should use equity financing as a source of business capital because of its potential (capacity) to influence business performance. The results contradict Musila's (2015) findings, which found a substantial positive association between financial performance , growth opportunities, and equity ratio. The findings of the study also contradict those of Tariq, Kharal, Abrar, Ahkam, and Khan (2014), who found a positive link between share prices and cost of capital.

The fourth objective of the study was to ascertain the relationship between the cost of preference shares and financial performance of manufacturing firms listed in NSE. From the findings the study concluded that cost of preference had no significant relationship with financial performance . In addition the study concluded that only Orchard manufacturing company had mean preference shares for the 2012 to 2018 period with other manufacturing firms recording zero preference shares for the same period. The findings contradict those of Pouraghajan and Malekian (2012), who indicated that asset tangibility, firm size, and growth opportunities had a significant positive association with financial performance metrics and, by extension, costs of capital.

Firm size as a moderator variable, as measured by the natural logarithm of total assets, was shown to have no statistically significant moderating association with the independent factors and financial performance (ROA). The moderating role of firm size was found to have no statistical significant effect on the relationship between all the independent variable and financial performance of manufacturing firms listed in NSE however there were marginal changes in the coefficients of determination, when tested with firm size as the moderating variable.

5.3 Recommendations of the Study

5.3.1 Policy and Practice

According to the findings of the study, cost of equity and debt have a beneficial impact on the financial performance of manufacturing companies listed on the NSE. As a result, it was recommended that firms listed at the NSE should use equity and debt financing.

According to the findings of the study, preference shares have a little impact on the financial performance of industrial companies listed on the NSE. As a result, it was recommended that companies avoid raising capital through preference shares because they had a marginal negative impact on returns.

The results discovered that firm size has a marginally significant moderating effect on the relationship between cost of capital components and financial performance of manufacturing firms listed on the NSE. It is important for the management of these firms to consider ways to expand the size of their firms, such as by merging small branches to form larger firms that will positively affect financial performance .

5.3.2 Suggestions for Further Study

This study was specifically focusing on the manufacturing firms listed at the NSE, Kenya. A research should also be carried out using variables other than the ones dealt with in this study in order to draw conclusions comparably in regard to manufacturing firms as listed at the NSE. Further studies should be carried out in other manufacturing firms which are not listed at the NSE since the number of manufacturing firms in Kenya are relatively large compared to the number of listed firms in this category and finally, other determinants of capital structure such as inflation, tax-shield among others should also be used in similar studies.

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APPENDICES

APPENDIX I: FORMULAS

Cost of Debt

K_d = Cost of Debt × (1- Marginal Tax Rate)

ROA

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

APPENDIX II: DATA COLLECTION SHEET FOR B.O.C KENYA LTD

Financial Data	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Cost of Debt							
Interest Paid							
Cost of Equity Capital							
Actual Dividend Paid							
Cost of Retained Earning							
Actual amount retained							
Cost of Preference shares (Value of cost of preference)							
Dividend on preference share							
Firm Size							
Sales Revenue							
ROA							
Net Income							
Total Assets							

APPENDIX III: DATA COLLECTION SHEET FOR BRITISH AMERICAN TOBACCO KENYA

Financial Data	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Cost of Debt							
Interest Paid							
Cost of Equity Capital							
Actual Dividend Paid							
Cost of Retained Earning							
Actual amount retained							
Cost of Preference shares (Value of cost of preference)							
Dividend on preference share							
Firm Size							
Sales Revenue							
ROA							
Net Income							
Total Assets							

APPENDIX IV: DATA COLLECTION SHEET FOR CARBACID INVESTMENTS LTD

Financial Data	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Cost of Debt							
Interest Paid							
Cost of Equity Capital							
Actual Dividend Paid							
Cost of Retained Earning							
Actual amount retained							
Cost of Preference shares (Value of cost of preference)							
Dividend on preference share							
Firm Size							
Sales Revenue							
ROA							
Net Income							
Total Assets							

APPENDIX V: DATA COLLECTION SHEET FOR EAST AFRICAN BREWERIES LTD

Financial Data	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Cost of Debt							
Interest Paid							
Cost of Equity Capital							
Actual Dividend Paid							
Cost of Retained Earning							
Actual amount retained							
Cost of Preference shares (Value of cost of preference)							
Dividend on preference share							
Firm Size							
Sales Revenue							
ROA							
Net Income							
Total Assets							

APPENDIX VI: DATA COLLECTION SHEET FOR UNGA GROUP LTD

Financial Data	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Cost of Debt							
Interest Paid							
Cost of Equity Capital							
Actual Dividend Paid							
Cost of Retained Earning							
Actual amount retained							
Cost of Preference shares (Value of cost of preference)							
Dividend on preference share							
Firm Size							
Sales Revenue							
ROA							
Net Income							
Total Assets							

APPENDIX VII: DATA COLLECTION SHEET FOR EVEREADY EAST AFRICA LTD

Financial Data	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Cost of Debt							
Interest Paid							
Cost of Equity Capital							
Actual Dividend Paid							
Cost of Retained Earning							
Actual amount retained							
Cost of Preference shares (Value of cost of preference)							
Dividend on preference share							
Firm Size							
Sales Revenue							
ROA							
Net Income							
Total Assets							

APPENDIX VIII: DATA COLLECTION SHEET FOR KENYA ORCHARDS LTD

Financial Data	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Cost of Debt							
Interest Paid							
Cost of Equity Capital							
Actual Dividend Paid							
Cost of Retained Earning							
Actual amount retained							
Cost of Preference shares (Value of cost of preference)							
Dividend on preference share							
Firm Size							
Sales Revenue							
ROA							
Net Income							
Total Assets							

APPENDIX IX: DATA COLLECTION SHEET FOR FLAME TREE GROUP HOLDINGS LTD

Financial Data	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Cost of Debt							
Interest Paid							
Cost of Equity Capital							
Actual Dividend Paid							
Cost of Retained Earning							
Actual amount retained							
Cost of Preference shares (Value of cost of preference)							
Dividend on preference share							
Firm Size							
Sales Revenue							
ROA							
Net Income							
Total Assets							

APPENDIX X: NACOSTI PERMIT

REPUBLIC OF KENYA

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RESEARCH LICENSE

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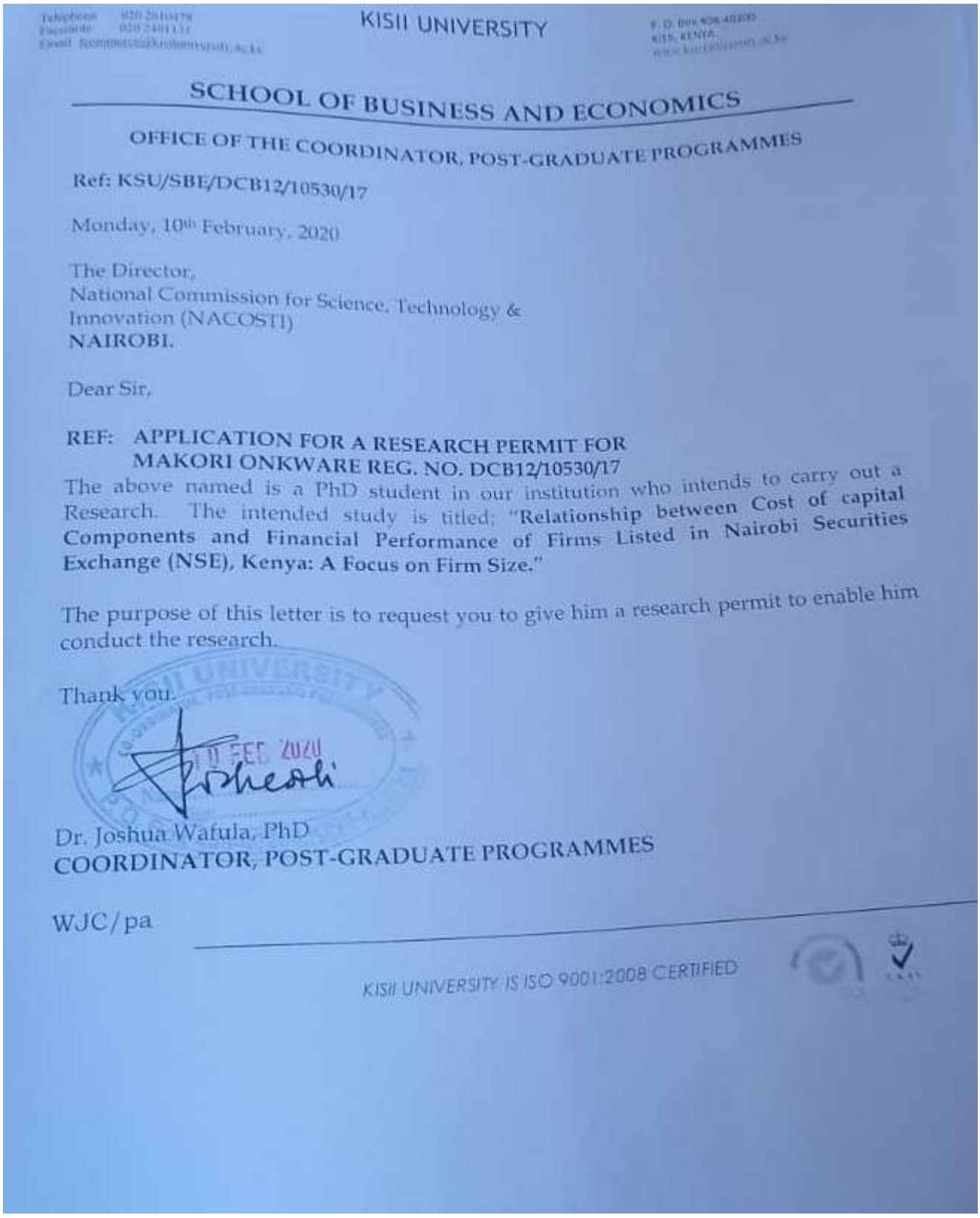
APPENDIX XI: AUTHORIZATION LETTER



KISII UNIVERSITY

SCHOOL OF BUSINESS AND ECONOMICS

OFFICE OF THE COORDINATOR, POST-GRADUATE PROGRAMMES

Ref: KSU/SBE/DCB12/10530/17

Monday, 10th February, 2020

The Director,
National Commission for Science, Technology &
Innovation (NACOSTI)
NAIROBI.

Dear Sir,

REF: APPLICATION FOR A RESEARCH PERMIT FOR MAKORI ONKWARE REG. NO. DCB12/10530/17

The above named is a PhD student in our institution who intends to carry out a Research. The intended study is titled: "**Relationship between Cost of capital Components and Financial Performance of Firms Listed in Nairobi Securities Exchange (NSE), Kenya: A Focus on Firm Size.**"

The purpose of this letter is to request you to give him a research permit to enable him conduct the research.

Thank you.

10 FEB 2020

Dr. Joshua Wafula, PhD
COORDINATOR, POST-GRADUATE PROGRAMMES

WJC/pa

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APPENDIX XII:ANTIPLAGIARISM

RELATIONSHIP BETWEEN COST OF CAPITAL COMPONENTS AND FINANCIAL PERFORMANCE OF FIRMS LISTED IN NAIROBI SECURITIES EXCHANGE (NSE), KENYA. A FOCUS ON FIRM SIZE

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