CAPITAL STRUCTURE, FIRM GROWTH, MACROECONOMIC FACTORS AND THE VALUE OF NON-FINANCIAL FIRMS LISTED ON THE NAIROBI SECURITIES EXCHANGE, KENYA

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A THESIS PRESENTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

2021

DECLARATION

The thesis is my original work and has not been presented for a degree in any other university for examination.

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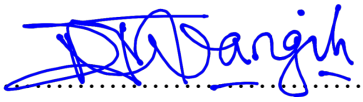
This PhD thesis has been submitted for examination with our approval as the university supervisors.

Signature…  Date: 28.August.2021.….

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DEDICATION

I dedicate this research work to the entire family of Ater Nyok Ajak my wife Pascaline Ater and children that is Ajak, Alek, Abiei, Ater and Nyok for their affection, endurance, sacrifice, and honest encouragement that motivated me through the whole process of my PhD studies. Special tribute to the essence of my (late) father, Ater Nyok Ajak; and my mother, Aluel Majuch Yoom, still living in Bor-Town, South Sudan. I am everlastingly obligated to my family and parents

ACKNOWLEDGEMENTS

My highest gratitude goes to the Almighty God, by whose kindness and provision, I was able to undertake my PhD study. To the Republic of South Sudan's government, receive my deep appreciation for giving me the chance to embark on my PhD studies at this prestigious institution in East Africa: The University of Nairobi.

To you my supervisors: Prof. Cyrus M. Iraya, Prof. W. Mirie Mwangi, and Dr. O. Kennedy Okiro, I am sincerely indebted. Your inspiration, treasured guidance, and amazing assurance have been incredibly instrumental from the start to the end of my PhD research work. You equipped me with analytical, logical, and conceptual skills, laying the groundwork for this research.

Thank you Prof. Awino Zack, Associate Dean in the School of Business; and Prof. James Njihia, for your support through your advice to me regarding the direction of this research. My appreciation also goes to my classmates and great friends: Peter N. Munyi and Dr. J. Njoroge, Principal Secretary in the State Department of Energy, Ministry of Energy (Republic of Kenya).

I further express my indebtedness to my nephew, Kuol Manyang Juuk (Kuol Keth Kureng), the former Minister for Defense and current Senior Security Advisor to the presidency in the Republic of South Sudan - for being my mentor all these years, since my early years of schooling. Thank you; "waidië, Nhialic ke në yïn", as we say in my native Dinka language (and translated as 'God be with you, my nephew').

To all my family members who have taken their time to sustain me monetarily and to offer me thoughtful and ethical encouragement; Thank You. It is my desire that the fruits of the effort encompassed in this study will enhance the worth of your dwells and livelihoods.

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LIST OF ABBREVIATIONS AND ACRONYMS

ACT - Agency Cost Theory

ADF - Augmented Dickey Fuller Tests.

AIMS - Alternative Investment Market Segment

BVA - Book Value of Assets

BVD - Book Value of Debt

CLRM - Classical Linear Regression Model

CMA - Capital Markets Authority

CPI - Consumer Price Index

CS - Capital Structure

DE - Debt Equity

EXCR - Exchange Rate

FE. - Fixed Effect

FG. - Firm Growth

FGLS - Feasible Generalised Least Squares

FIMS - Fixed Income Market Segment

FP. - Financial Performance

FV. - Firm Value

GDP - Growth Domestic Product

GLS - Generalised Least Square

LR - Likelihood Ratio Test

LTD - Long-term Debt

MIMS - Main Investment Market Segment

MM - Modigliani and Miller

MTT. - Market Timing Theory

MVE - Market Value of Equity

NPV - Net Present Value

NSE - Nairobi Securities Exchange

PP - Phillips Perron Tests

POT - Pecking Order Theory

RE - Random Effect

ROA - Return on Asset

ROE - Return on Equity

OLS - Ordinary Least Squares

SMEs - Small and Medium Enterprises

STD - Short-term Debt

TOT - Trade-off Theory

UK - United Kingdom

USA - United States of America

WACC - Weighted Average Cost of Capital

WLS - Weighted Least Squares Regression

ABSTRACT

Capital structure analysis is one of the most sensitive parts of business funding, owing to its connections to other components of financial leverage. Financial leverage is a significant component for any business, both in terms of wealth maximization as well as its impact on the capacity of the business to operate more efficiently and effectively in a dynamic marketplace. The main difficulties confronting Kenyan businesses include a lack of financial resources to support businesses and their ideals, as well as an intrinsically higher operating costs, meanwhile CS alone cannot undertake a firm's worth. In retrospect, corporate collapse among Kenyan companies is an often discussed subject. Numerous research studies have been performed on the bond amongst company capital structure and financial performance of enterprises, the majority of which were accompanied in mature countries or markets. However, few research partake assessed the effect that capital structure has on an entity's value, which would be the basis for the present argument. Thus, the purpose of this research was to examine any cumulative effect of the study entity's primary characteristics on its relative value. The purpose of this report was to investigate the mediating and moderating conclusions of firm growth and macroeconomic component characteristics on the relationship between capital structure and relative net worth of disclosed non-financial syndicates. In this instance, the organizations were filtered based on full and incomplete data from 2015 to 2019. In which 36 businesses with a total of 180 observations were used as the population for the thesis study. STATA 14.0 remained castoff to probe the data for simplicity of understanding. The report's conclusions exhibited a statistically meaningful connection amongst company worth and CS. As a result, there was a statistically meaningful correlation amongst capital structure and company growth. Company expansion acts as a moderator in the bond among firm value and capital structure. Macroeconomic variables have little conclusion on the relationship between entity business value and capital structure. There is a statistically significant correlation between nonfinancial entity characteristics reported on the Nairobi Securities Exchange. The drive of this enquiry was to assess that inconclusive results reported in the existing empirical literature on company money via the use of mediating as well moderating factors. The thesis contributes to the build of information on commercial finance by analyzing the relationship between the research's primary factors. The findings indicate an indirect connection exists among the independent and dependent variables, which is mediated by company growth. Additionally, the research offered insightful analysis and suggestions to assist governments in developing viable monetary and fiscal policies within the CBK that would promote an economic climate favorable to businesses accessing credit at realistic interest rates. As a result, a statistically noteworthy bond amongst business value and capital structure was found. The findings of this dissertation may assist corporate administration in adjusting capital structure to allow more effective management and in determining the optimal method to balance the impacts of macro-economic variables on capital structure that do not directly influence a value of the company. Government must consider these findings more helpful for monitoring listed companies' investments and capital raising operations in the capital markets, which may assist reduce businesses' deregistration since the Nairobi Securities Exchange as a product of flop to receive a reasonable return on their investing activities.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

The corporate world contributes significantly to a country's economic development (Autore& Kovacs, 2010). As a result, it's an important part of financial success and, by extension, microeconomic and macroeconomic prosperity. Most of the elements that lead to corporate failure may be tackled by legislation, thus the importance of finance decisions cannot be emphasized allowing for substantial growth and achievement of corporate goals (Cheng &Tzeng, 2014). Because the goal of funding selection is to increase profits, it is critical to investigate the impacts of funding selection on company profitability. According to Custódio, Ferreira, and Laureano (2013), corporate capital management has a significant influence in determining whether a company succeeds or fails in terms of profitability. This is based on the corporation's impact on the company's success.

The financial strategy of a company's management and the effective management of its assets to support its commercial activities are critical to its existence. Apart from theoretical advances and the existence of mechanisms for connecting funding choice and success, the mechanism by which integrated financing options produce predicted effects is unknown. As a result, from 2015 to 2019, this study looked at the combined effects of capital organizations, business development, and macroeconomic variables on the wealth of non-financial industries listed on the Nairobi Securities Exchange.

The aim of capital organization (CS) selection is to increase the wealth of a company. The fundamental role of combined funding choices, according to Pandey, Wright, and Moynihan (2008), is to verify that a company's outside borrowing and common stock are properly combined in order to attain and generate superior outcomes in order to optimize both stakeholder wealth and the value of the business. Outside funding and common stock should be studied closely since they have a major conclusion on the syndicate's wealth. According to Maina and Ishmail (2014), a particular blend of liability and equity capital is utilized to maximize a corporation's worth over time (Maina &Ishmail, 2014). According to the Trade-off Theory (Kraus &Litzenberger, 1973) and the Pecking Order Theory, the capital organization, which is composed of authority as well as responsibility, is the main significant element of a company's relative worth (Myers & Majluf, 1984). As a consequence, this research examined the dual impacts of capital structure, business expansion, as well as macroeconomic variables on the relative worth of non-financial corporations detailed on the NSE.

Academics, practitioners, and politicians are debating the use of a combination of outside borrowing and owners' contributed capital. In the context of Kenya as well as worldwide, using comparable components of analysis, it has remained a prominent topic in firm investment and businesses' financing possibilities across various marketplace sections. According to recent data, companies often choose capital organization as the ultimate tool for improving asset management. This demonstrates that capital organization is suitable to a company's capacity to manage many shareholders' demands. Capital organization is a collection of notable advantages for certain stakeholders that have put money as form of investment for the future of the company. Outside borrowing when combined with company's stock will includes a

variety of sources of funding (retained profits and borrowing) that will finance initiatives aimed at generating returns for the owners and improving the company's relative worth (Lim, 2012).

The liabilities owner's common stock financing method is still the only way for a company to raise money with 100 percent owner contribution assets or no liabilities at all. The second option is for the business to depend only on external or borrowed sources of finance rather than the company's own funds. This approach may not be appropriate or practical in the present economic climate, since not all stakeholders will invest all of their money or venture in a company with no owner financing. As a result, the optimal capital structure is still a point of contention among academics.

Modigliani and Miller (1958), whose important work was based on considerable empirical substantiation, are credited with coining the term "capital organization theory." Theoretical extensions of this theory on a corporation's capital structure suggest that directors' efforts to have a reasonable proportion of outside funds are attributed to the concept of trade-off, which is related to the cost of utilizing outside funds and the advantages of doing so (Lawal, 2014). According to existing research, companies with high turnover do not intend to use outside funds in their capital structure. Individual companies, on the other hand, suffer lower returns and have higher development rates, putting them under more pressure to meet their asset ratio targets (Babalola, 2012; Lei & Song, 2013; Mohamadzadeh, Rahmi, Aarabi, &Salaamzadeh, 2013; Tan &Flouros, 2013). As a consequence, based on the tax shield advantage, it is clear that profits from liabilities cannot be ignored in a capital organization. The amount of tax that

is withheld tends to reduce when committed capital remains core in taxing on the pre borrowed capital thus becoming the primary effect (Agliardi&Koussis, 2013).

Capital organization, according to Mwangi (2014), cannot be ignored as a topic of interest since it is the most basic method of monitoring companies toward the achievement of their primary goals. Several factors that contribute to the failure of a company's can be addressed via tactics together with commercial declarations that is aimed at improving the market growth of company, such as the achievement of corporate goals (Tongkong, 2012). According to Guariglia, et al (2013), the issue of sources of financing is still a major trigger of financial struggle for businesses, not just in the setting of this research but besides globally for many businesses without solid asset bases.

Wealth creation is the goal of all capital organization options. Companies conduct funding evaluations to define the bearing of their backing verdicts on the value of their companies. This has compelled most companies to first analyze the available funding options before making a decision. This calls for a prudent monitoring to ensure a suitable capital organization is chosen that will favor the company. On the other hand macroeconomic strategy together with company development has been influential in the company appraisal. Additional financing evaluations, such as macroeconomic strategy and business development, have an effect on company appraisal, according to the current study. Money may have a main impression on an organization's performance. Both financial as well as administration theories have concurred that money and valuable assets have guided company performance (Chowdhury & Chowdhury, 2010).

The current macroeconomic environment influences the methods a business may use to enhance its market share performance (Abaidoo & Kwenin, 2013). Because strategy development enhances market value together with company's performance, businesses must examine their macroeconomic environment, which has an effect on their operations. Companies usually have difficulty evaluating sources of financing when macroeconomic circumstances turn unfavorable, which occurs from time to time. Resources become scarcer than anticipated. Companies are placed in a poor position as a consequence of this scenario, which leads to uncertainty, which leads to a drop in performance and value (Murgor, 2014).

The current economic situation of a business affects its performance. Furthermore, pressures resulting from the current and future state of the global economy influence a company's conduct, which has an impact on its market share and value (Camara, 2012). Similarly, whenever the challenges strike it pushes the companies with limited resources to be innovative so as to tap on available opportunities so as to remain in the market (Murgor, 2014).

Current study on capital organization or financial gain in Kenya, for example, has mostly concentrated on big companies listed on the NSE (Kim & Berger, 2008). As a result, more study in the field of business financing is required in order to achieve or improve knowledge of capital organization, as well as remodeling and expanding understanding in developing markets.

In fact, in many economies throughout the globe, the business sector plays a critical role in improving people's social welfare (Rayan, 2008). As a result, the economic condition is critical in supporting companies' performance financially at various levels of the economy in order to

enhance companies' relative value and the fortunes of their shareholder. Because the condition is critical to an industry's survival, the decision of company financing cannot be overlooked. If it is ignored or neglected, it will have an impact on expenses and may end in legal delisting (Camara, 2012). The effect of a company's development rate and macroeconomic variables on capital organization and corporate prosperity connection stems from a company's ability to utilize its capability edge, which its competitors cannot duplicate (Murgor, 2014).

The study utilized four theories. These were :Market Timing (Baker & Wugler, 2002), Agency Cost (Jensen & Mecckling, 1976), Tradeoff (Kraus & Litzenbeger, 1973), irrelevance (Modigliani & Miller, 1958), and Pecking Order (Myers & Majluf, 1984). The irrelevance theory of capital organization undertakes that markets are flawless and that a enterprise's worth cannot be based on its capital organization because the theory states that a company's worth is not based on its capital organization choice finance choices. The addition of the tax element to Modigliani and Miller's updated version of the theory in 1963, however, altered this statement. The claim was loosened in the amendment, and the global market was regarded as flawed, undermining their foundational paper's assumptions by adding a tax element and seeing the market as faulty (Modigliani & Miller, 1963).

The optimum mix of obligations and assets, according to Myers and Majluf (1984), is a trade-off amid interest tax shielding and the cost of financial hardship experienced by businesses when intending to borrow from the market. The tax shield benefit of liabilities financing lowers the taxable income of corporations with stable positions, fixed assets, and high taxable income. The hypothesis is effective at explaining why capital organizations shift from one company to

the next. Nonetheless, it does not explain why profitable companies in the industry have lower liabilities ratios (Murgor, 2014). Myers and Majluf proposed Pecking Order Theory in 1984 as a replacement for the Tradeoff Theory of capital organization, which promotes the use of outside borrowing for company investments. Because the market is flawed and not as seen previously, Modigliani and Miller added the tax element to the prior theory. Asymmetric information is one of the main assumptions of Pecking Order Theory, which states that corporate leaders have a distinct advantage over stockholders owing to their distant connection and knowledge of the company's future (Fumani & Moghadam, 2015).

Jensen and Meckling (1976) defined the connection of people whenever they choose others to represent them as a management link. The owners delegate some duties to authority over the company's operations to the executives. The assignment of decision-making power by the organization's owners, as well as the resulting decisions of hiring skilled employees, are helpful in boosting the company's performance, thus raising propelling the value and shareholder wealth further (Anh & Yen, 2014).

Kenya is an economic center of East Africa as a developing economy. Because of its vast capital market, which provides for significant possibilities for the creation and growth of businesses, it is appealing to both academics and stockholders (Kibet, Kibet, Tenai, &Mutwol, 2011). Though many research on capital organization and company worth have been conducted, the bulk of them have been conducted in settings that are not comparable to developing economies (Ameer, 2012; Anh & Yen, 2014; Fumani & Moghadam, 2015). As a result, research comparing the effect of company development and macroeconomic variables in undeveloped markets and advanced economies are still lacking. This scenario prompted the

present research to concentrate on non-financial businesses registered in Kenya, which is a developing country. The goal of the research was to look at the mediating and moderating effects of company rate development as well as macroeconomic variables on the connection between the external finance and common stock, as well as prosperity of non-financial businesses registered on the Nairobi Securities Exchange.

1.1.1 Capital Structure

Capital organization signifies the way businesses use internal and external resources to fund their investment initiatives and operational operations (Saleem et al., 2013). Retained profits, assets, and liabilities are examples of such financing sources. Capital organization, according to Brealey, Myers, and Allen (2008), is a mix of diverse financial instruments used to fund business initiatives in order to boost their value and investors' wealth. Depending on the kind of enterprise operations, capital organization also includes funding sources that are classified as long-term liabilities or short-term liabilities (Saleem et al., 2013).

Companies must also maintain an adequate amount of capital, which maximizes investment earnings, as well as efficient management, in order to remain relevant in ever changing market (Muiruri & Bosire, 2014). According to the current discussion on adequate capital organization or appropriate finance, this is achieved whenever the balance between tax savings or advantages after spending outside sources and financial hardship or bankruptcy. In comparison to when businesses exclusively utilize assets financing, this balance of external funding and equity would substantially increase the value of the company and the wealth of its owners.

1.1.2 Firm Growth

Firm growth, concurring with Saleem et al., (2013), entails an increase in the total assets of the companies throughout a given a particular time. This is also known as the rate of change in a company's wealth (Muiruri & Bosire, 2014). The expansion of businesses partakes a variety of characteristics. This is be able to also be expressed in relations to the size increment, significance, and revenue of a company (Saleem et al., 2013). Many factors, such as financial resources and human resources, influence the development of businesses, making them more competitive (Fazzari, Hubbard, Petersen, Blinder, & Poterba, 1988). The growth of an company leads to technological innovation hence growth (Titman &Wessels, 1988).

The majority of studies on company development have relied on limited data as well as a small number of companies, with the emphasis on the manufacturing sector rather than the entire industry. Furthermore, non-financial businesses have received little attention (Murgor, 2014). The current study examined the worth or relative worth of non-financial corporations that are listed on the NSE. Previous research has attentive on diverse facets of development, such as sales volume or the number of employees. The variation in aggregate possessions, on the other hand, was used in this scholar work as a size of company development over time. As a result, the study on company development can aid in raising awareness of the selection criteria to be used for newly established businesses (Bhamra et al., 2011).

1.1.3 Macroeconomic Factors

Macroeconomic factors, according to Awan and Amin (2014), are variables that have an effect on the entire budget. The rate of interest, price increases, foreign exchange rate, and Gross Domestic Product (GDP) rate are all used to quantify this. It also covers measures that partake a bearing on the global market economy on a big scale. According to Myers (2001), any variation in economic circumstances would have a adverse conclusion on business operations, lowering the wealth of the company.

The rate of growth of GDP is a degree of a nation's economic well-being throughout the globe. It is a metric for determining how a country is performing economically above a given particular time frame (Riaz, et al 2014). When we consider the total worth of all goods and services produced in a certain phase of time we refer it as the GDP. Because of its negative impact on people, it is the most closely watched economic indicator by both economists and investors. A reward gained by financial lenders whenever they borrow money to borrowers over given period of time is referred as interest rate (Myers, 2001).

A rise in the GDP growth rate affects the cost of capital and, as a result, the company's future value. As a result, it is believed that the rate of GDP growth and the cost of financing are proportional (Bhamra et al., 2011). The exchange rate (EXCR) is the value of a nation's money in relation to the money of other nation , such as the European money, which serves as the unit of exchange in the Europe (Pal & Mittal, 2011). The value of a nation's currency in comparison to the money of alternative nation is widely recognized. Normally, the exchange rate is computed by equating the local currency to the currency of the other nation of interest.

1.1.4 The Performance of Companies

Corporate management has been empowered to ensure that maximization of the value of the enterprise and the prosperity of its owners is promoted. Tobin Q is a metric employed in this study to determine a company's value (Laitinen, 2014). The entire rights of all stakeholders from their money or investments in the corporation's initiatives are referred to as a corporation's value. Linh and Lin (2014) pointed out that the company's subjective standard cost of capital determines its wealth when the current price of discounted cash flows is generated.

Because information on current share prices is included, the performance of registered public businesses is evaluated via market value. Furthermore, any future profits to the business are treated similarly under corporate wealth. Share price has been used to assess the value of businesses in a number of evidence-based on conclusions of other seminal paper (Laitinen, 2014; Haugen & Baker, 1991; Pal & Mittal, 2011; Setiadharma & Machali, 2017).

The efficient and successful usage of limited properties to enhance a enterprise's relative value and shareholder wealth is predetermined by the successful use of available resources for funding its operations (Jensen & Meckling, 1976). The bearing of capital organization on the value of a enterprise is seen to be substantial. Funding sources are important for a company's existence and for increasing the wealth of the enterprise and its shareholders. The wealth of a industry may be calculated using a variety of criteria, however in this study, the worth was resolute using Tobin Q.

1.1.5 Capital Structure, Firm Growth, Macroeconomic Factors, and Firm Value

The present research looked at how mediating and moderating factors affected the relationship between the study's major dependent as well as independent variables. The study focused on the years 2015 to 2019. A survey of relevant literature together with theoretical views on current knowledge may be employed to consider the bond amongst the research variables in depth.

Traditional theorists emphasize the importance of combining outside borrowing with shareholder contributions when evaluating a company's value over time. Furthermore, Modigliani and Miller (1958) claimed that capital organization has no bearing on a company's value. Modigliani and Miller's concept of a complete capital market, on the other hand, takes into account the bearing of taxes and backing charges on a company's existence or value over time. This stance was changed in 1963 when it was discovered that using liabilities provides a company a competitive edge in monetary terms that will aid in expansion (Modigliani & Miller, 1963). Kirui, Wawire, and Onono (2014) examined macroeconomic factors and company financial performance affiliation using panel data for firms traded at the NSE from 2000 - 2012. GDP growth rate, exchange rate, and Treasury bill were utilized so as to come up with measure macroeconomic variables in the study.

When a company's debt is increased, agency and insolvency costs grow, creating a concern for the board and shareholders (Chen & Chen, 2011). In principle, optimum capital organization is expected to be strongly connected to a corporation's value, resulting in an environment that encourages businesses to execute well and maximize their worth and shareholders fortune. In

this perspective, business progression is seen as critical to a enterprise's growth and existence since it leads to increased wealth (Kirui, et al 2014).

1.1.6 Nairobi Securities Exchange (NSE)

The Nairobi Securities Exchange was established in nineteen fifty four to oversee corporate societies' registering of brokers in order to promote and control market operations of publicly listed firms (Kibet et al., 2011). As a result, the government has made considerable efforts to provide a platform for businesses to obtain financing. The main purpose of the Nairobi Securities Exchange is to enable and foster a culture which promotes reserves in the state, so that investors may safely invest their money and get the advantages of their investment. It organizes and mobilizes money in order to promote the supply of another tradeable mechanism to Kenyan investors.

Managers of businesses are required to carry out their responsibilities successfully in order to guarantee the companies' financial health, increase earnings, and keep their NSE listing. Companies may do this by carefully selecting capital organization components (Githira & Nasieku, 2015). As a result, the NSE is charged with assisting businesses in achieving their intended objectives of efficiently allocating resources in a way that maximizes profits for shareholders' wealth while also allowing them to fulfill their responsibilities (Omondi & Muturi, 2013). As a result, the NSE serves as a mobilizer and facilitator for businesses seeking to access local and international financing sources. Dishonest capital organization decisions may lead to financial problems and insolvency, with the potential for the relevant businesses to be deregistered from the stock exchange (Graham & Harvey, 2001).

Some publicly traded businesses on the NSE have had dismal performance in recent years, to the point that some have sought the government for bailouts. The majority of the difficulties that businesses encounter have been ascribed to management choices on capital organization as well as external variables that have a negative impact on their (companies') market value together with performance (Kadongo, et al 2014). The sixty four companies listed on the Nairobi Securities Exchange are divided into three market segments: Main Investment Market Section, Alternative Investment Market Section and Fixed Income Market.

Thus, Nairobi Securities Exchange is still considered a developing market, and the government continues to assist it in its efforts to enhance its capacity to provide what businesses demand (Kadongo, et al 2014). Additional to a research paper of Graham and Harvey, (2001), there have been a lot of allegations of financial mismanagement and misconduct among non-financial companies registered at the NSE, resulting in a drop in their performance. As a result, some of these companies have been deregistered, while others have been put under statutory management as a result of poor performance. This is also a means of shielding the company from creditors seeking to collect outstanding obligations via legal action. These actions affected Bulk Medical Limited, Uchumi Supermarkets, A Baumann and Company and Nyaga Stockbrokers as example among others.

According to the KIPPRA, on average, Kenyan businesses seek bank loans to finance new investment projects, while some seek short-term loans, such as short-term bank overdrafts. As a result, the businesses are unable to function effectively. Companies facing delisting from the NSE may be unable to fund their investment initiatives owing to a lack of appropriate financing sources.

1.2 Research Problem

The discussion on capital organization has drew the devotion of both scholars and policymakers in the disciplines of contemporary corporate finance, financial economics, as well as financial modelling during the last few decades (Draniceanu, 2013).In addition, Camara (2012) asserts that capital organization and firms worth link has been of interest in past studies. Modigliani and Miller's seminal study (1958) postulated a full market with particular assumptions of asymmetric information. This demonstrates the presence of an optimal market in the corporate world, implying that a syndicate's prosperity is not always resolute by how it funds its activities. Since of market imperfections such as information asymmetry, state taxation, and other inefficiency that are undeniable in the actual business world as well as create differences in company valuation, it may not be feasible in an ideal market (Chadha & Sharma, 2016).

Debates of how combining outside financing with owner contributions affects a company's value have produced conflicting results, with pertinent previous research showing contradictory conclusions ranging from substantial, negative, to no association at all. Cheng, Liu, and Chien (2010) examined the impacts of the liabilities-assets ratio on company performance and worth, finding a considerable and significant impact that leads to an surge in the company's relative significance and shareholder wealth. According to Kadongo et al. (2014), a company's capital structure alone could not be able to explain the inconsistency in its value. This demonstrates that factors other than capital organization may have an effect on a enterprise's value, such as macroeconomic circumstances and the company's growth, which can be beneficial or detrimental to a syndicate's worth or success.

The private sector and the Kenyan government have made more efforts to create a favourable market environment that will assist businesses in achieving their objectives. Despite this, some businesses continue to operate well.

Nonetheless, some businesses have had poor performance, resulting in their delisting from the New York Stock Exchange (NSE) (Kibet et al., 2011). Six businesses were deregistered from the NSE a few years ago owing to non-performance. These were: East Africa packaging, Access Kenya, Eliot's Bakery Ltd, CMC Holding, African Hotels Ltd, as well as Tim sales. This underperformance was mostly driven by causes both within and outside the business that might have had a negative bearing on the corporate advance. Global economic impact has always triggered financial crisis. Climate change, recession, and fluctuating oil prices are just some of the problems that have wreaked havoc on the global economy (Nguyen & Wu, 2011).

Due to a lack of research on capital organization, particularly in developing countries like Kenya, where this study took place, the connection between owners' assets and outside sources of financing has remained a mystery. Furthermore, the little study has shown contradictory results (Bitok, Masulis, Graham, & Harvey, 2011; Camara, 2012; Nguyen & Wu, 2011). Past research in this area has been lacking since it hasn't taken into account how moderating and mediating factors distressing the connection among the dependent and independent variables.

Several conclusions have observed at the connection between capital organization and company worth in order to get a better knowledge of it (Iorpev & Kwanum, 2012;

Manawaduge, De Zoysa, & Chandrakumara, 2010) discovered a strong link amongst the two factors. Cheng and Tzeng (2014) examined capital organization and business value in various African nations and found that capital organization has an adverse and substantial impact on company worth. The moderating and mediating effects were adopted in this report to survey the connexion among capital organization and wealth in non-financial enterprises recorded on the Nairobi Securities Exchange.

Murekefu and Ouma (2012) and Iorpev and Kwanum, (2012) investigated the connection among capital organisation and financial performance in Kenya's banking sector. Other factor's validity on relationship between the two variables was not considered in these research. The results were ambiguous. The mediating and moderating effects were taken into account while assessing the bond among the dependent and independent variables in this analysis.

Unlike several previous research, this one utilized panel data analysis rather than a basic Pooled Ordinary Least Squares Regression technique, which ignored the data's temporal period. When the panel data did not satisfy the regression technique assumptions, autocorrelation analysis was tested by fitting the Prais Winsten Panel Regression Model, which is robust for serial correlation. In instances where the hypothesis of no heteroscedasticity was violated, adjusted standard errors were utilized. The diagnostic analysis, which had been mostly ignored in previous research, as well as the substantial remedial processes, helped the researcher in enhancing the study's results' integrity.

The present research takes into account the detail that a business's worth may be influenced by capital structure with external variables. The conclusion is that there are other factors affecting company success and market value (Kadongo et al., 2014). This previous study looked at the direct impact of capital organization on business value. It surveyed the validity of intervening and moderating factors on capital organization and wealth of non-financial conglomerates from 2015 to 2019. The tenacity of this thesis was to probe the mediating and moderating conclusions of enterprise expansion in assets and macroeconomic variables on the bond amongst capital organisation and value of non-financial organisations as reported by the Nairobi Stock Exchange, in the basis of the existing empirical knowledge base.

1.3 Research Objectives

The central aims of the research was to inspect the combined effects of capital organization, company development, and macroeconomic effects on the worth of nonfinancial corporate disclosed on the Nairobi Securities Exchange. The certain exploration purposes were as follows:

i. Examine the effects of capital structure on the value of non-financial firm at the Nairobi Securities Exchange.
ii. Investigate the mediating influence of firm growth on the link amid capital structure and the value of non-financial financial firm at the Nairobi Securities Exchange.
iii. Determine the moderating effect of macroeconomic factors on the link of capital structure and value of non-financial financial firm at the Nairobi Securities Exchange.
iv. Determine the dual effect of capital structure, firm growth, and macroeconomic factors, on the value of non-financial financial firm at the Nairobi Securities Exchange.

1.4 Value of the Study

This enquiry designed to add to previous research by examining the moderating and mediating conclusions on the link between capital and non-financial organizations, focusing on organizations listed with the Nairobi Stock Exchange (NSE). The NSE collected key variables that are important in deciding capital organization options for companies. This is coherent with the Pecking Order Theory's hierarchy of financing approach, which prioritizes internal resources first, external resources second, and assets as a last option. The goal of this study was to educate business executives and owners on the significance of utilizing internal sources of funding when outside funds are scarce, as well as the advantages of employing tax shelters.

The research also aimed to contribute to existing ideas in this field by looking at the theoretical underpinnings of contemporary corporate finance. The theories were all examined in the investigation of the null hypotheses. The thesis was based on the knowledge that industry executives should use agency cost theory in their capital organization decisions because of its disciplinary function in liabilities financing. This pushes company management to focus available resources on growing shareholder wealth and the company's relative wealth. Individual capital organization indicators should be powerful enough to push a company's value and market share to new heights.

The findings of this research will be relevant to current and future shareholders, corporate leaders, politicians, and government regulatory agencies of businesses. Because of the tax shelter profits generated from liabilities financing when firms lack adequate internal resources to create money, the impacts of capital organization on company worth may assist business management and owners in using external funding for their projects and operations. The

Kenyan government and other shareholders would acquire valuable understandings on how to create systems that support liabilities capital markets, allowing businesses to obtain low-cost long-term liabilities finance to fund their projects and operations.

The results will also aid in the establishment of appropriate trading laws and regulations that will improve the efficiency of the liabilities market, since optimal cash in the secondary market lowers the cost of capital, which has a major bearing on the value of businesses in Kenya. According to current research, Kenyan businesses rely heavily on expensive assets funds in lieu of liabilities, denying themselves the advantages that would have resulted from using tax shelters. Furthermore, the results would inform business executives about the advantages of integrating various financing methods in the context of volatile macroeconomic circumstances and constantly changing corporate effectiveness. This would allow businesses to create the most valuable businesses. One example of a step that businesses may take is to integrate their core processes with contemporary technology, allowing them to profit from the skills that technological progress has brought about. This plan would focus on the company's expenses, which is a smart method for increasing and enhancing the company's value.

The research also aimed to provide insight into capital organizations and their relationship with business value. Unlike prior research, this study took into account the mediating and moderating effects of company development and macroeconomic variables on capital organization and company value. This was done in the hopes of clarifying the conflicting results of different academics on the link between the two factors. Some researchers found the connection to be substantial (Daang, 2013; Kadongo et al, 2014; Muritaala, 2012), while others

found it to be negligible (Aborr, 2005; Mostaffa&Borregowda, 2014; Fazle, et al., 2016; Matemillola & Bany-Arriffin, 2011; Yinussa, et al., 2016).

The study hypothesis was that the link between capital organization and company worth could be effectively described by using company development and macroeconomic variables serve as mediators and moderators on this link in the case of non-financial firms.

1.5 Structure of the Research

The first segment defines the background of the study variables, clarifies the problem statement, gives the general and particular purposes, discusses the research's expected value, and closes with an explanation of the dissertation's organization.

The second chapter examines the abstract ideas and reviews previous research on the study variables' connections. To predict the relationship among the study variables, four theories are discussed: Modigliani and Miller's irrelevance theory of capital organization (1958), Kraus and Litzenberger's trade-off theory (1973), Myers and Majluf's pecking order theory (1984), and Jensen and Meckling's agency cost theory (1976). The research was also founded on four null hypotheses that drove the selection of previous studies that served as the study's basis. This helps to fill up the knowledge gaps in the field of modern corporate finance.

The third chapter delves into the process through which the survey's goals were attained. This chapter discusses data collecting, data sources and operationalization, measurement, and analytical methods or models. The fourth chapter summarizes the study results on the independent variables and the value of business ties in the setting of nonfinancial companies traded. Additionally, diagnostic tests for multi - collinearity, auto - correlation, panel-stationarity, as well as homoscedasticity were conducted on the report variables.

The study's fifth phase covers a summary, findings, debate, and recommendations for further research. It wraps up with a summary of the findings for each of the specified purposes, as well as the outcomes of the null hypothesis testing.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This segment provides an examination and criticism of prior theoretical and empirical literature connected to this study, which is based on the conceptualization of the research's major variables. The theoretical underpinning for the research is presented in part 2.2, the literature review on the particular aims of the research covered in part 2.3, and Part 2.4 gives a summary of the empirical studies and knowledge gaps revealed in the review. Part 2.5 illustrates and discusses the research's conceptual framework, whereas Part 2.6 outlines the formulated null hypotheses.

2.2 Theoretical Foundation of the Study

The theoretical underpinnings of this work were derived from contemporary capital structure theories. Numerous hypotheses exist to account for the connection between capital structure and business value. These comprise the Modigliiani and Miller Theories (Modigliani & Miller, 1958), the Trade-off Theory (Krauss & Litzennberger, 1973), the Pecking Order Theory (Myers & Majluf, 1984), the Agency Cost Theory (Jensens & Mecklings, 1976), and the Market Timing Theory (Kraus & Litzenberger, 1973). (Baker & Wurgler, 2002). The research was predicated on Kraus and Litzenberger's capital structure trade-off hypothesis (1973). These hypotheses will be examined in greater detail further down.

2.2.1 Modigliani and Miller’s Theory of Capital Structure

Modigiliani and Miller founded this idea in 1958. Proponents said that a companies' value is unrelated to its capital structure, implying that firm success poses an effect on a company's relative value and presuming that ideal capital markets exist (Modiglianis & Miiller, 1958). In their

premise that the MM theory is an irrelevance statement, they presented a scenario in which financial decisions did not affect company value.

According to the Modigiliani and Miller theory, the absence of taxes, the market value of companies, and the cost of capital remain constant regardless of capital structure changes. In their landmark work published in 1958, they provided analytical and consistent behavioral on compensation of their research in support of the hypothesis they proposed, while rejecting competing capital structure perspectives (Modigliani & Miller, 1958) Asymmetric information and bankruptcy costs were not taken into account, as described by the M-theory, because taxes have an influence on what a companies gains from its activities. According to them, neither a company's capital structure (debt, equity, or both) nor dividend policy affects a company's worth in an efficient market.

Propositions one and two can be used to explain the theorem. The two assertions are based on specific assumptions and are mostly related to shareholder behaviour, corporate activity, taxation, and capital markets. The MM's assumption of irrelevance argument, conferring to Hillier, Ross, Westerfield, Jaffe, and Jordan (2010), is based on a perfect capital market in which stocks are exchanged without the problem of information imbalance. As a result, buyers and sellers may do business freely and rationally, as well as obtain funds from capital markets under the same conditions as the companies are also assumed that owing to market perfections, there is no transaction cost while buying and selling stocks.

For the company's projected returns to have the same risk proficiency, it is considered to be in the homogenous risk category. This is primarily supported by the MM's assumptions that companies in similar industries represent a homogenous risk category. Following Modigliani and Miller's (1963) revisions to their initial seminal work, it is stated that where there is a possibility of deducting interest charges from tax liabilities, the business value rises as the number of leverage rises. Despite certain limitations, this theory has effectively integrated the possible effect of corporation tax aspects, thus advancing on the side of assumption of a flawless capital market, which is only feasible in a principle world of investment (Miller 1977). According to Hillier, et al (2010), tax gains on interest expenditures are not clear, and the presence of personal taxes making it difficult to reap significant gain in the employment of external funding.

The basis of MM theorem's proposition one in the context of arbitrage methods was founded on the premise that two comparable organizations, save because their capital structures, cannot regulate different market values and variable costs of capital. Furthermore, the MM theory concept of the Net Income Approach (NOI) is founded on the premise that two comparable entities (in the instance of leverage) with differing market valuations are incompatible. Investors, they said, restore market equilibrium by using Individuals use leverage in arbitrage operations to compensate for corporate leverage.

Leverage does not affect market value, according to the MM theorem. Additionally, due to capital market flaws, arbitrage may be impossible, resulting in discrepancies in the market valuations of leveraged and unleveraged enterprises. The MM theorem's second assertion combined the arbitrage mechanism with the arguments that markets equilibriums cannot be restored because of

variations in borrowings and borrowing rates. Businesses and investors can borrow and purchase at the same capital cost, which does not occur in the perfect market. The MM theorem was considered important in this study of capital structures and company values due to its capacity to justify agency costs supervision via the penalising task of loan in corporate backing choices and the magnitude of stockholders in company activity supervision.

2.2.2 The Trade-Off Theory of Capital Structure

Krauss and Litzennberger (1973), developed an argument similar to the suggestion advanced by Bradriania, et al. (2015) that enterprises acquired capital to the extent equivalent to the tax advantages generated from liability funding and bankruptcy expenses. The idea as well states that companies must utilise foreign finance since it is linked to a country's economic progress. The use of debt finance would allow companies to expand their operations over time and improving performances. As a result, the businesses generate enormous quantities of free flow of cash, leading in greater taxable income that benefits from tax shelters provided by the deduction of interest expenditures.

Myerss (2001) added an additional balancing impact to earnings, separate from interest deductions, which he said established an equilibrium between business and personal tax rates on company debt. Myers (1984) survey the detrimental influence of foreign borrowing on enterprise value employing trade-off theory. Bradrania et al. (2015) devised challenges for raising stock and stimulating foreign investment via tax incentives, that is believed to be having a significant and predictable link with bankruptcy expenses.

Myers and Majluf (1984) define trade-off theory as the concept of balancing bankruptcy costs and tax protections profits. The trade-off theory of capital structure advocates for usage of foreign sources of funding due to the tax benefits associated with interest cost deductibility prior to applying the tax rate (Myers, 2001). As a result, bankruptcy expenses refer to fixed charges other than costs that vary according to the beneficiaries.

Khan (2012) asserted that comprehending contract costs necessitates using a specialised approach to investigating the effects of outside borrowing on companies performance. The variance in the company finance method continues, although it is not sudden. Similarly, once the alterations become large, the marginal cost of correcting essentials rises. According to the capital structure trade-off hypothesis, in order to attain a proper company capital, a companies must successfully stabilise its expenses of both outside borrowing and equity. This would result in a rise in the value of the organisation owing to the deduction of interest expenditure, resulting in a tax shield benefit for the company (Dang, 2013). The notion of trade-offs According to Myers and Majluf (1984), the wealth of a companies can be raised if tax shelter benefits are used to offset the costs of debt issue. Thus, the benefits of this approach are based on the responsibility and cost of expanding the wealth of the companies over a particular time period. The idea has drawbacks, most notably in economies with extremely low tax rates, when the expense of extra outside investment outweighs the resulting gains..

According to De-Mooij and Hofstede (2011), borrowing funds allows a companies to benefit from the tax benefits provided by debt financing. This leads in higher earnings before interest and taxes (EBIT) for companies, thus increasing stakeholder prosperity and the value of the company. The

aims of this survey was to establish a link between capital structure and company wealth. The survey certain on the notion of trade-off theory and examined regulating and intervening effects of business growth and macroeconomic circumstances link amongst both factors of CS and corporate wealth. The emphasis was on companies that were not financial in nature and were traded on the Nairobi Stock Exchange (NSE).

2.2.3 The Pecking Order Theory of Capital Structure

Myers and Majiluf were the first to advocate for this approach, suggesting that businesses should focus their funds for activities in 1984, and that this approach should be used today. Business owners should utilise financing sources in this order: retained profits, debt, and equity finance, with equity finance being the last choice (Myers & Majiluf, 1984).Pecking Order Theory (POT) key concepts include the function of transactions costs and asymmetry information to determine the results of a enterprise's market success.

It is based on past experience that investors overestimate their expectations when a company's management considers seeking equity capital financing as a last resort, which is a major basis for the theory's postulation that equity finance should be employed as an absolute last resort. In the opinion of Myerss and Majluf (1984), shares are mispriced because there is a gap between knowledge held by owners of firms and what the information portrayed by markets a given point. Muriitala (2012), found out that organisations require funding sources with low transaction costs; as a result, foreign funds, as opposed to equity financing sources, are important because of their low transaction costs and therefore significant.

A lack of sufficient stock and outside financing, according to Myers (1984), can have a positive effect on the operation of an organisation. When it comes to corporate debt ratio variations, the quantity of cash flows created is directly proportionate to the amount of debt owed, with higher cash flows translating into a lower debt ratio. When organisations adopt the concepts of Pecking Order Theory (POT), the outcome may be the chance of encountering financial problems in terms of costs. This means that such businesses will be unable to take on new initiatives that have a positive net present value (NPV), which is referred to as opportunity cost. Companies with a growth possibility will make every effort to keep the depletion of reserve amounts to a minimum in order to avoid these costs.

2.2.4 Agency Cost Theory of Capital Structure

It emphasises the costs linked with the separation of a company's proprietorship management. Thus conflict of interest that arises amongst the principals and agents might be addressed by a shareholders' monitoring mechanism that forces the agents to act in the best interests of the company's shareholders (Jensen & Meckling, 1976). Because of the distance between managers and the principle, this is accomplished through the use of incentives to management as a monitoring strategy. Confering to ACT, most significant disadvantage for monitoring system in place is difficult to deploy, and the costs associated with the application may be of a non-rivalrous character. It is necessary for both business administration and business propriators to design a plan that benefits them all while simultaneously decreasing admininstrative planning of tracking their comfort at the detriment of stakeholders in order to reduce costs of monitoring managers' activities (Matemilola & Bany-Ariffin, 2011).

In addition to the costs of monitoring executive actions, as previously said, the cost of monitoring executive actions play an significant role in the assessment of the final worth of the companies, depending on how the capital structure has been formed. The cost of agency is derived from the issuance of stock, as well as the expenses incurred in supervising the agent and paying bonding fees. In the event that management makes sub-optimal judgments, the firm owner may find himself or herself with a diminution in the benefits they have gained. It is preferable for a corporation to fund a project with common stock and outside investment, and the optimal capital structure is a balance between two sorts of administrative expense.

The initial sort of administrative expense involves management pledging to reimburse a big amount of cash flow in the form of dividends and debt financing interest in exchange for stock options. This is meant to lower management's agency expenses, which can lead to a conflict of interest among stakeholder and management when they are not reduced. Another sort of administrative expense is related with restricting the extent to which the business benefits from outlay schees including leverage and smaller bonus payouts in comination with an extrordinary levels of initiative on the part of the company's management. Also included in the study of incentives for managing shareholders and bondholders is this aspect of corporate governance. It has been shown that when there is a large danger of debt, investments fall below the stated ceiling and there are disagreements about the replacement of assets (Autore and Kovaccs, 2010; Custidio et al., 2013; Famah & Miller, 1972; Jhensen & Meckling, 1976; Meyers, 1977). Debtholders may demand a premium as a result of the assumption of poor management behaviour, which would serve as evidence of the elevated level of market uncertainty.

2.2.5 Market Timing Theory of Capital Structure

The structure of the capital will change because of past attempts to time the equity by issuing additional stock when prices are regarded to be inflated and repurchase of stocks when prices considered to be inaccurate (Baker & Wurgler, 2002). An additional set of shares is offered to the public when the market price is inflated, and further shares are bought back when the market price is undervalued.

The two marketing approaches mentioned by Baker and Wurgler (2002) result in differences in the overall capital structure. The first assumption is that sound market timing decisions are made by economic managers. In order to equalise information between the two parties, corporations have to issue stock. The company's stock price also goes up as a result. The act of businesses issuing and repurchasing shares encourages them to devise their own timing opportunities, such as the ability to issue and repurchase shares when prices appear to be overly inflated and repurchase when the market believes them to be unduly depressed. Irrational economic management leads to irregular pricing, with shares overvalued when they should be undervalued, and vice versa (Baker & Wurgler, 2002).

Additional shares are granted to management if the expenses are less, and bought back when the costs are sophisticated. The seminal paper by Baker and Wurgler (2002) noted that increases in shareholder equity of corporations are interconnected to changes in their outstanding stock. Companies registered on NSE were the focus of this research, which discovered that growth and macroeconomic variables had both mediating and moderating effects on capital structure and business values link.

2.3 Empirical Literature Review

Examining empirical literature linked to the research is the primary emphasis of this part of the A focus was placed on the link amongst capital structure and companies value, on companies growth's mediating influence on capital structure and companies value, on macroeconomic factors' mediating influence on capital structure and companies value, and on capital structure and companies growth's combined influence on relative wealth. As a result of this examination, it became apparent that there were gaps.

2.3.1 Capital Structure and Firm Value

Previous studies on the effect of CS on the virtual value of firms produced indecisive outcomes. For instance, Chenng and Tzeng (2014) found a favourable link amongst capital structure and financial success. Similar results were obtained by Abor (2005), who found a positive correlation amongst Enterprise and capital structure of businesses traded in Ghana and South Africa. Executives are motivated to borrow money for investment projects and operations in order to maximise the company's performance and value, as well as shareholder wealth, according to the study's findings. Investigation was conducted in a different environment than Kenya. Non-financial enterprises registered on the Nairobi Stock Exchange (NSE) are used in the current survey.

When it comes to the relative wealth of Bangladeshi companies from 1997 to 2003, Chowdhury and Chowdhury (2010) studied the effect of capital structure. For shareholders to maximise their value, an ideal balance of foreign funds and common stock is required. With the use of step-by-step regression analysis, Tongkong (2012) studied the link amongst capital and companies

performance. To maximise corporate wealth, the research looked at elements that effect capital structure alternatives. And the data showed that corporate debt and leverage were favourably associated, despite the fact that profitability and leverage are adversely correlated conferring to the Pecking order theory premise of the hierarchy of financing.

Based on NSE's non-financial businesses, Kibet et aal. (2011) looked at the entity's functioning and capital structure. 26 companies in Kenya were sampled for the study, which used secondary data from 2008 to 2013. According to the results of a simple regression study, a companies's financial capital structure has significant and beneficial influence on its operations. Using non-financial companies as the unit of analysis, this researchstudied the mediating and moderating influences on capital structure and company wealth's connection in the same backgroud.

Over an eight-year period, Vătavu (2015) investigated the association amongst capital structure and profitability in 196 Romanian industrial firms that were registered on the Bucharest Stock Exchange at the time (2003-2010). The researchers utilized cross-sectional multiple regression analysis to conduct their research. Among the capital structure indicators are long-term liabilities, short-term liabilities, total liabilities, as well as total equity, while the success proxies include earnings per share and returns on assets. According to previous study, the tangibility of assets, taxes, risk, liquidity, and inflation all have a part in defining the capital structure of Romanian manufacturing enterprises. The factors in the research have a important stimulus on funding choices, they will be involved since it is expected that they would have an impact on performance as well. According to the results, when Romanian companies operate only on assets rather than liability, their output improves. In spite of this, it seems that manufacturing companies lack the internal capital required to make successful investments and do not make effective use of their

resources. Throughout periods of increasing taxes and price increases, profitable companies may choose to retail a portion of their belongings in imperative to decrease their operating costs. It has been shown that industrial companies engage in risk-taking behavior. This shows a preference for liability when a company is experiencing financial problems and substantial business risks, or when a company is unable to fulfil its commitments due to a lack of available cash. Because there is inadequate data on long-term liability ratios, the findings of this regression are not statistically significant. Aside from that, regression analysis related to earnings per share contributes to a lesser percentage of the variation in the index.

A study carried out by Nassar (2016) endeavored to evaluate the stimulus of CS on the financial implementation of industrial businesses in Turkey, and his findings were published in 2016. A overall of 136 industrial organizations registered on the Istanbul Stock Exchange (ISE) were examined during an eight-year period, from 2005 to 2012. The balance sheet and income statement of each company were studied. A multivariate regression model was employed to investigate association amongst CS of capital and the business performances. The Returns on Assets (ROA), Earnings per share (EPS), and measures were engaged in the study, as well as a capital structure component known as the Liability Ratio, to evaluate company performance and profitability (DR). Results revealed a high significant undesirable association amongst CS and company performance in most cases. According to the findings of the research, the Vietnamese government should place a high priority on macroeconomic stability in order to encourage corporate development. Pharmaceutical firms could also create a more logical capital structure with a higher liability-to-equity ratio, diversifying loan funding sources such as issuing long-term bonds, and increasing their returns on equity. Furthermore, companies should strategically expand to maintain growth and the capability to repay liabilities.

The connection amongst productivity and capital structure for businesses registered on the Ghana Stock Exchange from 1998 to 2002 was investigated by Abor (2005) in a study performed amongst 1998 and 2002. The researchers discovered that short-term liability had a positive association to productivity because of low interest rates at the time of the study. A confident association amongst total liability and profitability was also identified by him, due to the fact that total liability is mostly composed of short-term financing. It has been shown that long-term financing has a undesirable connection with performance, due to greater cost of long-term financing in the capital market.

According to Langat eta al. (2014), impact of loan funding on productivity of Kenya's TDA processing facilities was investigated. (EPS and ROA) were employed to evaluate company performance in the survey. According to results of survey, mutually LTD and total liability had a progressive effect on company presentation at 1 percent and 5 percent, correspondingly. However, it was found that short-term liability had a adverse suggestion with company performance on the other side. According to the findings of the study, tea processing businesses cannot be successful if they depend on short-term liability.

Muchugia (2013) studied influence of liability financing on the performance of Kenyan profit-making banks and found that it had a negative impact. It was decided to conduct this investigation using a quantitative research method and multiple regression analysis. In this survey, dependent variable was returns on equity, independent variables were total liability, long-term liability, business size, and other short-term obligations. Outcomes of the survey show, short-term financing has a progressive effect on a enterprise's profit margins. Long-term commitments, on the other hand, have a undesirable influence on the value of a firm, according to the study.

Using data from the Nigerian Stock Exchange, Masiega et al. (2013) performed an investigation on the impact of CS on the financial performance of companies registered on the exchange. For the survey, a total of thirty NSE-registered companies were chosen, and data was collected over a five-year period starting in 2007. Findings of the study indicates long-term liability and total company assets indicated a significant positive association. Long-term liability positively affects financial performance, although a tiny and insignificant one compared to other factors.

Ching and Tzeing (2014) considered conclusion of CS on a enterprise's relative wealth, concentrating on Nigerian companies. The findings revealed in emerging economies, equity as a component of capital structure had little effect on a company's valuation. Babalola (2012) investigated the link amongst capital structure and ROE. The research used a sample frame of ten Nigerian enterprises, concentrating on the years 2000 to 2009. The research discovered a striking curvilinear link amongst returns on shares and debt-to-asset ratio. This finding companies the idea put out by trade-off theory that corporations ought to take use of debt tax shelters as a quadratic function of debt ratio. In this report, non-financial corporations were employed as analysis items in the Kenyan setting as developing nation.

Kadongo et al. (2014) used the panel approach to investigate the link amongst leverage, profitability, and valuation of non-financial companies registered. The conclusions revealed that leverage has a undesirable and great stimulus on the profitability of Kenyan companies. As a outcome, leverage was shown to have no effect on the value of the companies as assessed by Tobin Q. Cheng and Tzeng (2014) repeated the same research in an investigation of the link amongst capital structure and financial performance in non-financial enterprises traded on the Nairobi Stock

Exchange. Employing panel data from 2007 to 2012, an explanatory, non-experimental research design was used, and the outcomes exhibited that financial leverage had a adverse and statistically substantial connection with performance, as assessed by returns on assets.

To research the link amongst capital structure and stock prices locally, Kibet et al. (2011) focused on non-financial businesses traded on the NSE (National Stock Exchange). Capital, foreign credit, and gearing ratio were studied about the price of stock as well as panel data from the energy industry from 2006 to 2011, the research also looked at as part of the study, a stepwise regression model was employed for data analysis from Kenya's publicly traded non-financial businesses' annual As a result of the study's findings, debt, equity and gearing have a significant influence According to survey, companies stock was negatively affected by gearing ratios and debt.

These four findings by Musigaga, Alala, Musiega, and Maokomba (2013) focused on traded firms, examining how changes in capital structure relate to financial performance. They analysed a set of 30 firms from the NSE that were listed between 2007 and 2011. A number of statistical techniques were applied, including linear regression analysis, as well as inferential and descriptive statistics. Following are the values applied to the variables to be tested. Another way to measure a firm's financial performance is to look at returns on stocks, dividend payouts ratio, returns on assets, market price to book ratio of stock, and profits per share. Also referred to as "total debt over total asset," the capital structure was measured as an independent variable using three different variables: long-term debt, short-term debt, and total debt. When it came to determining the connection amongst a firm's total assets and capital structure measurements, the outcomes showed

a highly important positive link. Because of the underdevelopment of the capital market in Kenya, enterprises in this sector tend to use less credit funding.

Iorpev and Kwanum (2012) used a stepwise regression analysis model to look at Nigerian listed companies from 2005 to 2009. The study's findings revealed an inverse link amongst return on assets and LTD and STD, correspondingly. For analysis, the research also adopt a pooled ordinary least squares regression model. The studies revealed that capital structure was not a factor of a firm's performance. This is consistent with Modigiliani and Miller's (1958) thesis, that states that company value is independent of capital structure..

Antwi, Mills, and Zhao (2012) examined connection between capital structure and the company's value in a sample of 30 publicly traded enterprises from Ghana's stock exchange (GSE). A beneficial correlation was discovered among long-term liability and value of the firm, as the conclusions of the survey suggested. There are contradicting results at the end of the research. To better bridge the existing gaps, research done so far has examined the link among the factors, while zeroing in on enterprises in Kenya with no financial impact.

The seminal paper by Memon, et al. (2012) surveyed the connection amongst capital structure decisions and 141 textile companies performances in Pakistan from 2004 to 2009. The research concentrated on a single connection and utilized ROA as a performance metric. The secondary data obtained from the selected companies'' yearly financial statements was examined by linear regression model. Findings indicated debt has a negative and statistically significant influence on ROA. The research was conducted in a setting of emerging economy like Kenya.

Pouraghajjan, Malekiian, Emamggholipour, Lotffollahpour, and Baggheri (2012) investigated how capital structure decisions made by companies traded on the Tehran Stock Exchange (TSE) in Iran affect returns on assets and returns on equities. The research factors were shown to have a substantial negative link, according to the findings. Asset turnover, asset tangibility ratio, growth prospects, and how these are connected to financial performance were also employed. The study's variables were shown to have a positive and key connection. Thus, the link amongst ROA and returns on equities or owners' equities and company age was negligible. The findings revealed that lowering the debt ratio on the capital structure can enhance returns. As a result, it was critical to concentrate on Kenya, and especially on non-financial businesses, in order to corroborate the previous findings.

Muhoro (2013) studied the profitability of construction and associated industries listed on the NSE from 2003 to 2012, as well as the influence of capital structure on those earnings. The conclusions indicates positive significant connection exists amongst capital structure and return. Only studies of the direct impel of capital structure on construction businesses traded on the NSE have been done to date. An extension of the previous research adopted a more inclusive approach by integrating variables like mediators and moderators in order to know CS working company value in a comparable setting: the case of small and non-financial enterprises in Kenya.

Mainas and Ishmaail (2014) investigated the link amongst capital structure and return of non-financial companiess in Kenya from 2002 to 2011. Using a basic regression model, they used Gretl statistical software to process data acquired from annual audited financial accounts of companiess filed at the NSE. The results of the research revealed that foreign debts and performance indicators were significantly and negatively related. The researchsolely looked at the two factors' direct link (dependent and independent). On the contrary, the current researchincludes the mediating and moderating effects of company expansion and macroeconomic factors.

Mwangi (2014) studied the asset selection procedures of businesses listed on the NSE. To examine the link amongst the research variables, a linear regression model was used in the study. According to the findings, there was a strong connection among the different parameters. Directly examining the link between two variables, or examining one variable in isolation from other variables, as this research does, would ignore any potential moderating or mediating factors, as well as macroeconomic issues, as such variables are all linked to one another. Current research looked at aspects of capital structure (bonds, preferred shares, etc.) and company value (fair market value, book value, and market value) in non-financial firms.

Turley, Tifaw, and Saylir (2015) studied the link amongst capital structure and financial performance using a sample of 130 industrial companiess listed on the Borsa Istanbul. The emphasis was on the years 2008-2013. The researchmade use of panel data derived from the selected businesses' yearly financial statements. The data revealed a significant adverse connection amongst business financial performance and capital structure. The researchsolely observed at the

consequences of capital structure on financial performance; hereafter, it did not glance at former elements that could have a different effect on financial performance. Furthermore, the research was conducted in an environment that was not analogous to Kenya's as an emerging economy with political and economic divergences.

To investigate capital structure on a enterprises' value, researchers Moghadam and Fumani (2015) examined the subject. They used ROE and profits per share for non-financial enterprises registered on the Tehran Stock Exchange (TSE) to determine corporate value. The secondary data used in the research covers the years 2010 to 2014, and came from a sample of 55 businesses. Return on equity had a negative effect on business value, as revealed by the stepwise regression approach. As well, the return on equity had a large impact on EPS (EPS). Previous study had been done in different political and cultural situations than Kenya.. Furthermore, no moderating or mediating effects on the link amongst the variables were included in the investigations. On the other hand, the current researchwas conducted in Kenya and considered function of moderating and mediating factors in the connection amongst capital structure and company value

The study of 155 businesses from the Karchi Stock Exchange (KSE) in Pakistan by Jaaveed, et al (2018) shown that company governance and capital structure had an conclusion on value and capital structure. Capital structure and company value were negatively correlated in the Pakistani market from 2008 to 2012, as indicated by the statistics. Current research in Kenya investigated mediating and moderating elements with respect to capital structure and company worth linkage, and the results were utilised. To complement previous research, an investigation undertaken by Yabs (2015) was aimed at finding out if there is a link bamongst the financial performance of real

estate and capital structure for a five-year period, focusing on 28 companies in Kenya.The researchused a basic regression model, and the results indicated a favourable link amongst capital structure and real estate performance. For the sake of analysis, the research solely looked at real estate. The researchstudied the cumulative effect of factors developed using non-financial companiess listed in Kenya, an emerging country (Yabs, 2015).

Nyeadi, Banyeen, and Mbauni (2017) used non-financial enterprises' registered on the Ghana Securities Exchange to investigate capital structure factors in Ghana (GSE). The research used Generals Methods and Moments to analyze the hypotheses, and the findings were that STD was favorably and substantially linked with financial performance, but long-term debt was negatively connected with financial performance. This suggests that Ghanaian corporations employed short-term debts rather than long-term debts. The findings also exposed that collateralization and the realization of management capability on business initiatives are critical variables in a company's ability to obtain long-term loan sources. This indicates that a favorable macroeconomic climate is favorable for the companies to acquire long-term debt in order to increase its worth and the wealth of its owners Mediating and moderating effects are required to increase the strength of the association among the two report variables in Kenya.The studies described above either looked at the effect of owners' equity or outside funding on companies value, but they didn't look at the combined effects of owners' equity and foreign loan funding on a company's relative worth. As a result, the current research aimed to correct the identified defect by scrutinising the combined influence of CS factors on companies wealth.

2.3.2 Capital Structure, Companies Growth, and Companies Value

Companies' capital structure decisions are influenced by a variety of factors, according to existing empirical studies. A business's capital structure may be greatly influenced by variables both internal and foreign to the business's environment (Booth, et al, 2001). A research by Cuoing (2014) studied the notion of optimum CS and its result on enterprises value of companies registered on the Vietnamese market from 2005 to A panel We applied a regression model to analyse the secondary data that was gathered from the twelve-monthly financial statements of the enterprises nominated. There is a strong and substantial link amongst capital structure and business value in Vietnam, according to the study's findings on the other hand, capital structure factors had a nonlinear conclusion on business wealth Businesses' ability to enhance their worth and maximise their shareholders' wealth was shown to be highly dependent on capital structure judgements. The macroeconomic context in which the companies operate determines this.

Unfavorable macroeconomic conditions and other foreign influences, conferring to Memon et al. (2012), effected the CS decisions of organizations. When the economy is good, companies will issue stock in order to raise money to fund their investment initiatives, which have a positive Net Present Value (NPV). share price is closely linked to the financial results of the business. The macroeconomic background has an effect on CS and corporate value (as cited in Muritala, 2012). There was a correlation amongst the growth rate of the country's GDP and the effects of foreign financing (debt) on company value. It also found a negative correlation amongst a company's opportunity to grow and how foreign finances affect business value.

Muritala, (2012) studied the effects of optimum business capital structure on the prosperity of nonfinancial companies in Sri Lanka, a developing economy. Panel data regression analysis was used to examine 171 companies from Sri Lanka's market. As a effect of the exploration, it was create that the majority of Sri Lankan companies' financed their investment projects through short-term loans of because of this, the companies' did not rely on sources of financing that lasted more than one year. Business capital structure had a adverse influence on the relative wealth of companies' when it came to short-term borrowing. While examining the link amongst capital structure and company value, the research did not examine the influence of intervening and moderating variables. According to this study's findings, capital structure and company value have a close link. It also examines companies growth and macroeconomic factors' mediating and moderating effect on the two variables.

Focusing on companies' operating in Pakistan, a developing country, Baos-Caballero, Garca-Teruel, and Martnez-Solano (2012) studied the link amongst capital structure decisions and financial success A single performance metric, return on capital employed, was chosen . It was decided to use the log-linear regression model to analyze data from 141 Pakistani textile companies' from 2004 to 2009. The outcomes of the enquiry showed that the debt-to-equity ratio had a substantial adverse effect on return on capital employed. As a result of these measurements, capital structure and financial Unlike Kenya, the research was carried out in the United States. Research on non-financial companies' listed on the Nairobi Stock Exchange (NSE) was conducted in Kenya during a five-year period.

The repatriation of Nigerian registered partnerships was also considered by Cheng & Tzeng (2014) in their study. It was decided to focus on outside funding as a component of the business' According to the results of the study, capital structure has a negative effect on financial performance. A total of four variables of capital structure were considered in the study: debt to equity, internal produced funds (retained earnings), STD, and long-term liabilities.

Ogbuilu and Emeni (2012) studied the conclusion of backing resolutions on company value using 124 businesses listed on the Nigerian Securities Exchange. They determined that amalgamation of common stock and capital structure had no effect on a enterprise's value by using the Ordinary Least Square method. According to experts, the entity's relative value is determined by its long-term obligations or liabilities. A new research has found that enterprises trust on long-term debts to support their operations as opposed to owners' contributions, because long-term debt is favorable. Existing empirical studies, on the other hand, did not incorporate mediating and moderating variables in their models in order to establish a combined effect of these two primary variables According to the research subject, mediating and moderating variables have an effect on the link amongst the major variables in the analysis..

Using non-financial businesses, Masnoon and Rauf (2013) showed that the size of the board had a positive and substantial conclusion on the external debt and equity ratio's link The outcomes of tax shield advantages obtained from outside sources of financing are therefore heavily influenced by outside funding. A company's capital structure would be more reliant on debt in order to avoid a shortage of liquidity This would mean that the tax rate, as indicated by Fama and French would be considerable and favorably related to the outside financing (2002). Currently, researchers in

Kenya studied the outcomes of moderating and intervening factors on capital structure and companies value affiliation.

A research conducted by Saeedi and Mahmoodi (2011) looked at how the financial performance and corporate capital structure of enterprises listed on the Tehran Stock Exchange (TSE) For the dependent variable, the research used ROE, ROA, Tobin Q, and earnings per share (EPS). In order to determine capital structure, long-term, short-term, and total debt ratios. According to the paper, capital structure measurements show a high and positive correlation with financial success. They included multiple estimations of performance and came up with ambiguous results, according to Onaolapo and Kajola (2010). This is a non-conclusiveness motivated this research to close the gaps in existing literature

Sucuahi and Cambarihan (2016) looked at 86 diverse companiess in the Philippines and looked at the effect of the company's profile, that is, industry and age, on companies value. From 2010 to 2014, stock market data in the Philippines was used in the study. To evaluate the study's assumptions, a correlational design and a multiple regression model were employed to examine the three variables These findings suggest that as a result of enhanced performance, company value and shareholder wealth can be increased. Determination of reputable companiess to invest in.

2.3.3 Capital Structure, Macroeconomic Factors, and Companies Value

As a result of several studies, there is a link amongst capital structure, macroeconomic variables, and business (Myers & Majluf, 1984). Capital structure alone cannot determine a companies'

wealth, however, without a favourable macroeconomic environment and excellent company executives as shown by the company's owners and institution's leaders.

When looking at East African marketplaces, Laichena and Obwogi (2015) looked at how macroeconomic variables influence the link amongst capital structure and relative wealth of a company. The macroeconomic variables for Uganda and Kenya were measured from 2005 to 2014 using the interest rate, inflation rate, stock price, GDP rate, and exchange rate. While part of a multiple regression analysis of the variables, a random effect model was used, and the results were significant, with a negative connection amongst the stock price and interest rates, while the link amongst the exchange rate inflation and GDP rate was positive, although not. As part of the current study, Tobin Q is used to assess company value by taking into account a variety of companies characteristics

Mokhoeva and Zincker (2014) surveyed the effect of macroeconomic variables on business capital conclusions using secondary data from European nations from 2006 to 2010. Macroeconomic variables have a favourable and statistically significant effect on capital structure decisions in European nations, according to the study's findings. For non-financial companies listed on the NSE, this research explored moderating effects on capital structure and relative wealth.

According to the authors, the relationship among CS and economic strength of non-financial multinationals registered on the Nairobi stock exchange was mitigated by macroeconomic variables in the present research. Unlike prior empirical studies that utilised three East African states as the study's setting, this research primarily looked at Kenya, taking into consideration the

fact that political conditions differ from one country to the next. As nations in East Africa have different political and cultural experiences, the scope of this research was confined to nonfinancial enterprises traded on the Nairobi stock exchange.

Onaolapo and Kajola (2010) explored secondary data from 30 non-financial businesses in Nigeria and financial statements from 2005 to 2014 to obtain secondary data. They found a strong and negative link amongst debt and equity and return on equity, as well as a significant inverse link amongst equity and debt mix and return on equity. According to a report published in the journal Science, the research was done in Nigeria, as opposed To examine whether capital structure and relative wealth are related in the Kenyan setting, this researcher used comparable entities and incorporated mediating and moderating variables.

When it comes to macroeconomic conditions, Sambasavam and Ayile (2013) observed at the importance of macroeconomic conditions that help businesses make higher returns on their savings and enables prospect schemes for the fulfilment of the key aims of growing owners' wealth and Because of the availability of resources to pursue initiatives with positive Net Present Value, capital market innovation has a major effect on capital structure decisions made by management. In addition, Cheng and Tzeng (2014) found that a good economic performance allows companies' to take advantage of large amounts of debt financing. While this was the case, they did not take into account other elements in the economy that may serve as mediators or moderators. According to the current study, additional variables can act as mediators or moderators in the link amongst CS and fortune of companies traded on the Nairobi Securities Exchange.

A 2007 report by Zeitun and Tian identified 167 non-financial Jordanian corporations disclosed on the Amman Securities Exchange. The information gathered from the years 1989 to 2003 was utilised as secondary data. The research used determine performance. These figures were utilised to measure capital structure because of the debt to equity ratio and the debt to total asset ratio. It is safe to say that financial capital is an important driver of economic growth. Even though the research excluded the impact of other variables, it nevertheless concentrated on the simple connection between capital and results. Thus, the researchers used micro and macroeconomic data to see if companies' growth and the economy's performance are directly connected, and they studied non-financial enterprises traded on Nairobi stock exchange. The investigation was done in Kenya, a country with a rapidly rising economy.

Mirza and Javed (2013) used a sample of 60 businesses listed on the Pakistan capital market to research the macroeconomic drivers of company financial performance. The enquiry employed secondary data from 2000 to 2011, and the results showed that Gross Domestic Product per capita was important statistically and positively correlated. Price rises, on the other hand, was determined to be negative and substantial. According to the findings on companies characteristics, the debt equity ratio was positive and important to the macroeconomic factors

A research by Muthama, Mbaluka, and Kalunda (2013) studied the link amongst the financial performance of companies traded on the Nairobi Stock Exchange and their capital structure decisions, and found that GDP growth rate was positively correlated with foreign sources of funding. Meanwhile, the inflation rate was exposed to have a favorable conclusion on companies'' capital structure choices, and the gross domestic product (GDP) had an inverse link with outside funding sources. Other factors that could have had a role in these two variables' link were ignored

in the study. To assess the link amongst capital structure decisions and business value within the same environment, but over a different time span, the current research considered additional factors.

As a result of Abor's (2005) research of the effect of foreign finance on Ghanaian and South African Small and Medium Enterprises (SMEs), a significant and unfavorable link amongst short-term debt and profit margin was found. Organizations in either market were influenced by the macroeconomic climate when deciding how much money to invest and how much return to expect Because of the technology infrastructure, the world has become a global village. To put it another way, the world's markets are interconnected in some way It's a good example of this when you look at the 2008 financial crisis that effected the Despite extensive empirical research, the link amongst macroeconomic factors and financial returns remains unclear. Due to this, this research in Kenya, an emerging market, highlighted the gaps that needed to be addressed by integrating other factors into the research NSE-registered non-financial companies were the focus of the research. When it comes to non-financial organisations in Kenya, macroeconomic variables have a moderating effect on capital structure and company value.

A sample of 59 UK-traded companies was used by Issiah and Antwi (2017) to evaluate the effect of macroeconomic factors on the firm's financial returns. The secondary data was analyzed using multiple regression analysis in this research. It was found that the adjusted return on asset (R^2) was 0.91, and that macroeconomic variables such as the unemployment rate, the real Gross Domestic Product growth rate, the exchange rate, and benchmarked unit labour costs had a substantial In addition, five of the six industries included in the research had F-values that A single factor model

was used in the previous study. This study, on the other hand, added two more factors to broaden the approach for assessing the business worth

A research conducted by Korajczyk and Levy (2003) took into account the macroeconomic environment in which companiess operate while examining the effect of capital structure Disagreeing to Modigiliani and Miller's (1958) premise that a enterprise's value is not dependent on the organization of capital structures decisions made by managements, the researchers viewed capital structure as a determinant of company value. Capital structure choices are inversely related to the macroeconomic context in which an organisation works. According to Desaro's (2012) research, returns on assets was statistically significant, oppositely related to the exchange rate, and favourably correlated with GDP growth. Concetrate on non-financial companiess on the NSE, this research integrated mediation and moderation variables on capital structure and company value.

When it comes to non-financial businesses in South Asia, Cheng and Tzeng (2014) used a sample frame of 171 companies registered on Sri Lankan marketplaces to examine the relevance of capital structure decisions compared to long-term forms of funding, short-term financing is used by the majority of companiess on the Sri Lankan market. Because the Sri Lankan market is still undeveloped, capital structure dconclusions have a important nadverse conclusions on company value. Policymakers must make strategic judgments in light of the fact that companies that rely on short-term funding are not viable. A slightly different approach was taken in the current study, which focused on the influence of moderating and mediating factors on the affiliation of nonfinancial businesses listed in Kenya.

According to a research by Custódio et al. (2013), a company's profitability is determined by characteristics such as business growth, leverage, liquidity, and capital structure decision. Defined as a positive correlation amongst a company's particular variables, growth rate, and optimum Liquidity and leverage are inversely connected to profitability in this scenario as well. They differ significantly from our researchbecause it takes into account intervening and moderating effects when it comes to the link amongst CS and value of non-financial companiess traded on Nairobi Securities Exchange.

Cheng and Tzeng (2014) used a sample of 65 businesses to researchthe capital structure metrics of East Stock Exchange listed companies from 2009 to 2013 In order to examine the secondary data, a regression approach was used. Business performance was favourably but not substantially correlated with factors such as profitability, revenue growth, and debt-to-equity ratio, according to the research. In addition, a small inverse link amongst capital structure and business performance was found. Accordingly, the NSE's non-financial companiess were used to collect secondary data for this researchEconomics in advanced and emergies economies differ in a number of ways, and this might provide a challenge to the validity

2.3.4 Capital Structure, Companies Growth, Macroeconomic Factors, and Companies Value

A review of research on capital structure and business value is presented in this Research shows that the major factors of the research, as conceptualised in this issue, have a strong positive correlation. According to the current study, additional elements such as macroeconomic conditions and company growth have a major effect on adding value to the companies and maximising shareholders' capital as the corporation's aim A business's relative worth connection and

companies growth must be evaluated in order to determine the relevance of macroeconomic conditions and companies growth. The combined influence of independent and dependent factors has not existed deliberate in the current empirical literature. Almost all of the research have focused on a single component, such as capital structure and company value, macroeconomic variables and companies value, or business growth and capital structure. Because of these discrepancies found in the existing body of information, our researchwas able to fill up. As part of the study, researchers visited Kenya, a developing

2.4 Summary of Literature and the Research Gaps

Yet, here is no clear bond between capital structure, enterprise growth, macroeconomics variables, and business value in the studies to date. When it comes to valuing a business, management cannot disregard capital structure, based on prior empirical research. Due to debt financing's tax shield advantage, CS decisions devour a substantial conclusion on the companies' value. Therefore, market value and shareholder wealth are enhanced as a result (Modigliani & Miller, 1958). The empirical literature examined in this study included several methodological, contextualization, and conceptualization empirical gaps. The reality that the capital structure concept has typically been explored in developed countries, with a limited number of analogous research in developing nations, such as Kenya, demonstrates the contextual gaps.

As a result of the lack of consensus and unsatisfactory conclusions about the conclusion of capital structure on a companies' prosperity, conceptual gaps are evident. The results of some studies have been unfavorable, while others have been positive, while yet others have not found any influence at all Therefore, the link amongst capital structure and corporate value remains a mystery. Existing

empirical research do not control companies value for any mediating and moderating influences, which is a conceptual flaw. Companies growth and macroeconomic factors are included in this research as mediating and moderating variables, respectively, in order to justify For instance, capital structures and business value, companies development and capital structures, or capital structures and macroeconomic issues, were all studied as a separate component, without recognizing a connection amongst the variables. Amongst the elements that led this scholar to conduct the present study was the absence of inclusion of the intervening and moderating factors effect on capital structure and company value relationships. Using NSE-registered non-financial companies', this research studied the combined effect of independent and variable

To fill the methodological vacuum, this research employed additional finance analysis approaches, such as ROA, ROE, and operational profit margin, to assess corporate financial performance and company value. As noted above, these measures of companies value are vulnerable to management manipulation and hence insufficient to be fair measures of companies value, and all of them might be sensitive to macroeconomic environment in which the company runs Comparatively, existing research used the basic pooled ordinary least squares regression technique. This technique is more suited or resilient for serial correlation when panel data does not correspond to regression analysis's assumptions of autocorrelation-free regression analysis. In contrast to earlier research, this one took into account diagnostic tests, which helped the author increase the trustworthiness of the study's findings.

Table 2.1 summaries the empirical literature assessment with regard to the enquiry variables, gaps discovered in the literature, and how the recent investigate addressed the observed inconclusiveness.

Table 2.1: Summary of Literature and Knowledge Gap

Writer(s) And Year	Examination Area	Technique	Results	Gap(s)	Gaps looked in Present examination
Omondi (1996)	In Kenya, researchers are looking at the impact of outside and common stock financing on the value of a company.	A cross-sectional research as well as a basic regression model were used.	Existence of analytical elements that contribute to a company's capital structure. There was a positive and substantial link amongst the key factors.	Only cross-sectional analysis was used, and the temporal factor amongst debt and equity on company value was not taken into account. Studied the single-factor model with other external and underlying factors that may have a major effect on the connection between capital structure and company value being ignored	Panel data regression was utilised to explore relationships between two variables that included the additional time dimension; the findings showed that mediating and moderating factors were integrated into the study.
Simerly and Li (2000)	The effect of macroeconomic conditions on the financial performance of the companies was investigated.	Data for a five-year period was analysed using cross-sectional analysis and a regression model.	There is an inverse link amongst macroeconomic variables and corporate financial performance	In addition to macroeconomic conditions and financial performance, there were few other influences on the financial performance of the firm. The lack of correlation with other elements, such as the state of the economy and the banking sector, was apparent.	to assess the influence that financial capital structure and firm value have on each other, included intervening and moderating elements

Abor (2005)	SMEs' profit margins are influenced by capital structure and potential growth.	A five-year longitudinal research and multivariate regression model were used.	Capital structure and profit margin in SMEs were shown to have a substantial and favourable link, according to For Small Medium Enterprises in Ghana, There was a significant association between the debt equity ratio and profit margin, both of which serve as indicators of a business's financial performance.	The research did not take into account the interplay of foreign and internal influences on business profit margins.	Included the effects of intervening and moderating variables on the capital structure and company value connection.

Huang (2006)	Reasons for accepting a large amount of money among Chinese-listed companies.	The pooled (OLS) regression method as well as the Tobin Q model were utilised to determine the worth of the business.	According to Tobin Q, there was an inverse and statistically significant relationship between capital structure choices (debt equity ratio and business value), whereas short and long term debt had a positive and statistically significant relationship with company value.	According to Tobin Q, there was an inverse and statistically significant relationship between capital structure choices (debt equity ratio and business value), whereas short and long term debt had a positive and statistically significant relationship with company value.	Through the use of the regression model in conjunction with the temporal component of the data, we were able to determine the combined impact of capital structure and business value. Furthermore, the impact of mediating and moderating factors on the capital structure and wealth linkage of non-financial firms, with a particular emphasis on companies listed on the National Stock Exchange, was examined.

Zeitun and Tian (2007)	studied the relationship between capital structure and stock price of Jordanian businesses listed on the Amman Stock Exchange.	For the panel data, the research used cross-sectional analysis and basic regression analysis.	The capital structure of the businesses had an inverse influence on their financial performance.	Only a few indicators of capital structure with companies value were investigated, and the moderating effect of MEFs on the key variables was neglected.	The relationship between capital structure and business value, as well as the moderating impact of capital structure on the relationship between the dependent and independent variables, were investigated.
Rayan (2008)	The research looked at how capital structure decisions affect business value.	Use of multivariate regression and longitudinal evaluation methodologies over a 10-year period.	As it turns out, capital structure and companies return are inversely related	Macroeconomic factors were not taken into account because of their moderating effects on financial performance, and instead were analysed using a single factor model	Moderating effects on the link amongst capital structure and an organization's wealth have been incorporated
Ogbulu and Emeni (2012)	The business' relative worth in Nigerian capital markets, a developing economy, is strongly linked to the capital structure.	Regression analysis was performed in a hierarchical and step-wise fashion.	The capital structure was shown to be incompatible with the company's value, whereas long-term debt was identified as the primary determinant of the company's worth.	Did not consider the role of macroeconomic factors in regulating the relationship between the variables.	To determine the combined influence of the research variables, a step-wise regression model was used.
Babalola (2012)	Over a nine-year period, the researchers looked at the connection between return on	For the purpose of examining the connection between capital structure and performance of	Among Nigerian businesses, it was shown that there is a positive but curvilinear connection	a failure to recognise and account for both negative and positive changes in the relationship between capital structure and company performance	In order to assess the pace of changes in the capital structure, we looked at the link amongst capital structure and company value, taking into account the intervening

	equity and capital structure in Nigerian businesses. They found that	Nigerian businesses, a multivariate regression model was developed.	between return on equity and debt equity ratio.		influence on the connection amongst the
Loncan and Caldeira (2014)	researchof capital structure and worth of registered companiess in Brazil.	Influence of capital structure on company value was studied using a longitudinal approach and a linear regression model.	As a result, the capital structure was designed to have a strong and unfavourable link	Attempting to analyse the connection amongst the two variables using a multifactor model	Macroeconomic variables have a five-year impact on the capital structure and relative value of non-financial companies in Kenya, according to the researchers, who looked at the moderating and intervening effects of company growth rates and macroeconomic factors.
Mutham et al. (2013)	Analysed the influence of MEFs on Kenyan companies' capital structure decisions	Analysed the influence of MEFs on Kenyan companies' capital structure decisions	Short-term debt and long-term debt ratios were positively affected by macroeconomic variables, whereas short-term debt ratios were negatively affected.	From a macroeconomic point of view, capital structure analysis was limited.	Assumed a mediating influence on the relationship between the capital structure and wealth of the NSE-registered companies.

Kadongo et al. (2014)	Studied the effect of the debt-to-equity ratio on the	Analyzed the study's variables using a panel multivariate analysis to determine which variables	As a result, capital structure and company value were found to be inversely related in selected businesses	There was no consideration given to the effect of mediating and moderating factors on the connection between capital structure and enterprise value in this research. Conclusions	Specifically, we investigated the impact of mediating and moderating variables on the capital structure and wealth of non-financial companies that were registered on the National Stock Exchange (NSE).
Mwangi (2014)	Examination of the relationship between capital structure and performances of non-financial firms listed in Kenya	Utilized a panel multivariate regression analysis in order to determine whether or not there are any connection	On the basis of return on equity, capital structure decisions had a negative effect on the financial performance of the business.	There was a failure to take into account intervening and moderating elements in the connection with regards to capital	There was a failure to take into account intervening and moderating elements in the connection with regards to capital
Cuong (2014)	Capital structure and business value were studied.	Utilized a panel multivariate regression analysis in order to determine whether or not there are any connection	Among the measures of the business value, the presence of debt finance is affected by paired	It was not taken into consideration the impact of other factors on the relationship between capital structure and business value in this study.	It was not taken into consideration the impact of other factors on the relationship between capital structure and business value in this study.

Fumani and Moghadam (2015)	How capital structure affects performance is discussed in detail. of businesses has been extensively researched.	The variables were analysed using just simple linear regression methods.	The link amongst return on equity and financial leverage was shown to be inverse.	Missed the opportunity to take into account mediating and moderating	The methods provided by Baron and Kenya (1986) were used to assess the modifying and mediating effects on the capital structure and the value alignment of the businesses under consideration.
Khanna et al. (2015)	Comprehensive research has been conducted on the effect of macroeconomic conditions on the capital structure decisions made by Indian companies.	To explore the connections between the variables in a data collection, you might, for example, utilise multivariate regression analysis to look for patterns.	There were variances in capital structure decisions due to macroeconomic factors.	A single component model was employed to research the link amongst capital structure choice and macroeconomic factors, but no additional variables were included	Also included was the effect of mediating and moderating variables on the affiliation of registered non-financial businesses in terms of capital structure and wealth.
Githira and Nasieku (2015)	Research of capital structure and performance of East Africa Stock Exchange-registered companies (EASE).	Examining the effect of capital structure on companies in EASE using basic linear regression techniques	The weighted average cost of capital and companies capital structure options have a small and negative relationship	The research failed to take into account mediating and moderating factors.	The study's variables were analysed using the stepwise regression approach.
Mathanika, Vinothini, and Paviththira (2015)	In Sri Lanka, the Colombo Stock Exchange (CSE) studied the effect of capital structure decisions on the value of	Simple linear regression approaches were used to investigate the present effect of capital structure across	It was discovered that the debt-to-equity ratio had a beneficial effect	Capital structure and companies' wealth were associated when it came to the connection between capital structure and businesses' wealth.	Baron and Kenny (1986) suggested the use of multivariate regression analysis to investigate the relationship between two main variables and any intervening or moderating factors.

	businesses listed on the CSE	businesses listed on the Sri Lankan CSE.			
Sucuahi and Cambarihan (2016)	A research was conducted on the effect of a company's profile	Simple linear regression model was the only one	As assessed by Tobin Q, profitability has a substantial effect on the company's value.	Other factors were not considered in determining how they influenced both variables	Research variables were studied using the step-wise regression technique.

Researcher (2021)

2.5 Conceptual Framework

The present survey was founded on four theories of capital organisation: the Modiigliani and Miller theory, the Trade-off Theorem, the Pecking Order Theorem, the Agency Cost Theorem, and the Market Timing Theorem, all of which were used to examine the connection amongst the report variables. The goal of the report was to define if the theories held true even after accounting for variables such as company growth and macroeconomic influences in the connection between capital and company value. The variables are discussed in detail, and then a conceptual framework, as shown in Figure 2.1, is developed to organise the information.

For Tobin Q's dependent variable, Aremu and Adeyemi's (2011) and Kadongo et al(2014) .'s companies value was utilised in the study. We used debt-equity and retained profits as independent variables to measure capital structure (Modigliani & Miller, 1958; Rayan, 2008). It was decided to utilise company growth, as measured by a change in the business's assets at a given Using Gross Domestic Product growth rate, interest rates and exchange rate as moderators, macroeconomic parameters were analysed.

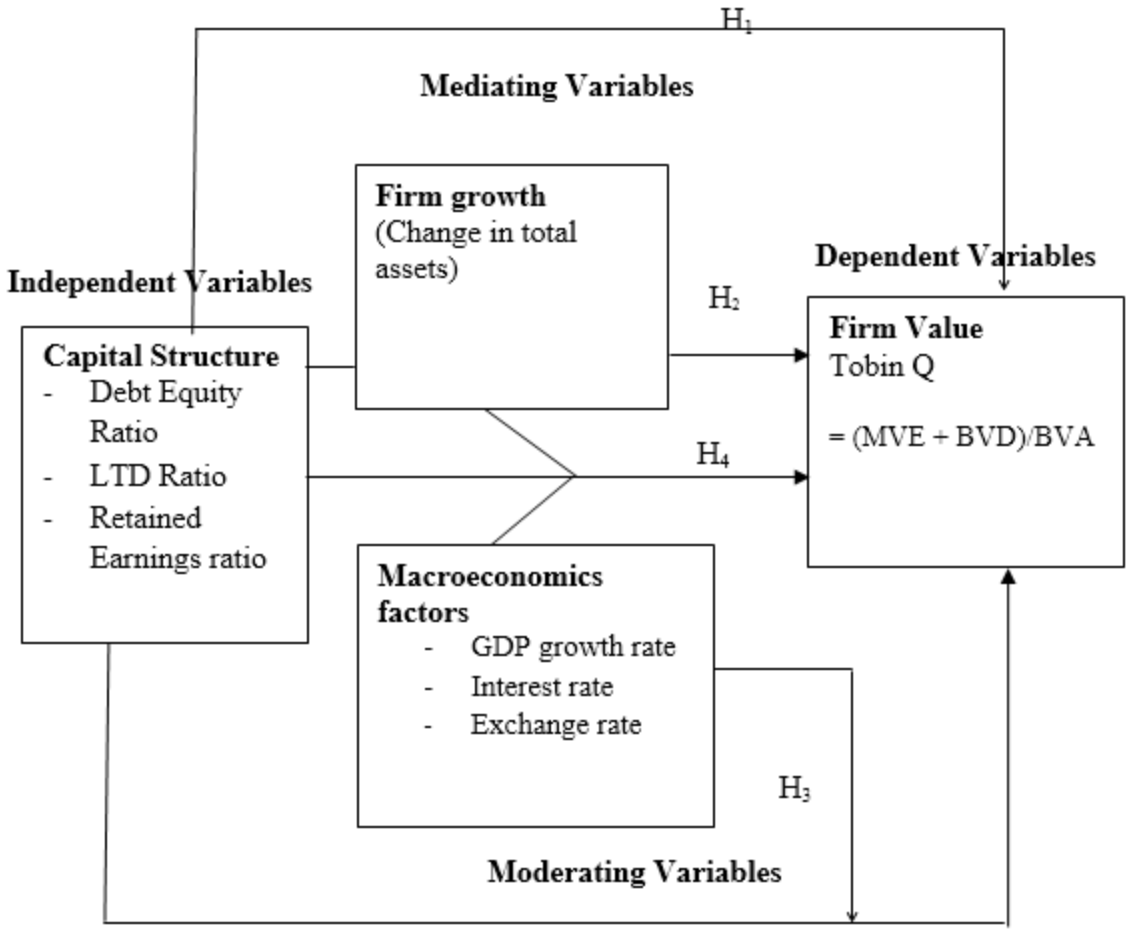


Figure 2.1: Conceptual Framework

Source: Researcher (2021)

2.6 Research Hypotheses

Following are framed null hypotheses used in testing secondary data acquired from yearly audited financial statements of the non-financial firms traded at the Nairobi stock exchange. The study examines the following H_0:

Hypothesis 1: Capital organization does not have a significant effect on the value of non-financial firms traded at the Nairobi Securities Exchange.

Hypothesis 2: Companies Development do not have a significant mediating effects on the relationship between capital organization and the worth of the non-financial enterprise traded at the Nairobi Stock Exchange.

Hypothesis 3: Macroeconomic variables do not have a significant moderating influence on the relationship between capital organization and the worth of the non-financial enterprise listed at the Nairobi Securities Exchange.

Hypothesis 4: Capital organization, companies development, and macroeconomic variables do not have a significant joint effects on the value of the non-financial firms traded in the NSE.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section discusses research methodology. The study's premise, population and sample frame, research design, processes of data gathering, diagnostic tests, operationalization of the research variables, and data analysis approaches are all discussed.

3.2 Research Philosophy

The phrase "research philosophy" refers to the body of perceptions regarding the manner in which information develops (Saunders, et al., 2015). In social science, there are numerous significant research paradigms. Phenomenology and positivism are two examples. In phenomenology, the researcher does not simply engage with what is rational; rather Saunders, et al (2003) argues that he or she constructs meaning for the world around them via examination and analysis of what they discover about the universe.

Positivism is based on the assumption that the investigator is impartial and therefore unattached to a variable being studied, rather than being intrinsically engaged in data manipulation (Mugenda & Mugenda, 2003). According to Jones et al. (2010), positivism is founded on the practice of performing qualitative and numerical studies on tested variables in order to enable the development of generalisations about certain aspects. Further, positivism is predicated on reality, on the objectivity of researchers, on the objectivity of the measurements used to determine the study variables, and on the validity of the instruments used to generate the conclusions. According to

Saunders et al. (2003), positivism is a natural science attitude that emphasises objective observation of phenomena, which results in the development of trustworthy information.

The present study was based on a positivist mindset, as it sought to investigate the mutual relationships among variable(s) from the perspective of many hypotheses. Additionally, it sought to establish facts experimentally and to find connections between statistically defined variables. Additionally, the conceptual model were examined and established or rejected using scientific methods, resulting in the suggestion of additional study based on the findings.

3.3 Research Design

Fame and French (2002) assert that study design serves as adhesive which clenches the study endeavor together. It's being utilized to design the study and to describe interaction of all key research components to concentrate on the investigation's core goals through hypotheses. A study design may aid in the elucidation of variables' connections (Sanders & Levis, 2011). A descriptive research is advantageous when the scholar wants to define the occurrences under investigation by identifying significant features without modifying the research variables (Coopr & Scindler, 2008). Conferring to Mwangi et al. (2014), descriptive research designs are essential for data collecting.

This study employed the descriptive research technique, which was quantitative and pre-planned and organized in design. This study design allows the explanation of causes and effects in respect to the research variables, as well as the comprehension of the variables' nature in terms of whether they are causes or effects. Additionally, it assists in recognizing the nature of the relationship between the causative components and the desired consequence. The non-experimental research

methodology is a systematic realistic inquiry in which the assessor is deficient in the distinctive skills of the illustrative variables with the objective of proving that the indicators have already happened (Cheng & Tzeng, 2014).

By employing a descriptive design, you can ascertain which aspects of the investigation contribute to When it comes to the non-financial firms listed on the NSE, this research approach aids in the evaluation of the annual audited financial assertions for the period 2015 to 2019. According to Cooper and Schindler (2008) one of the key aims of this form of report is to categorize a group's conditions, to estimate the proportion of a population with particular characteristics, and to establish connections between different study factors. Therefore, this thesis used a descriptive research design to ascertain the relationship between the hypothesized research variables. Current empirical studies, as noted in study, do not take experimental effects into account.

3.4 Population and Sample

That brings the total sum of organizations traded at NSE to 64. Because Iorpev & Kwanum, (2012) observed comparable data from 2007 to 2012 on capital structure decisions made by company ownership, this study period was selected because it provided recent and updated data. There were 36 non-financial businesses traded on the NSE in this research. Since their capital structures are heavily controlled by numerous legislation and their financing structure options differ from those of the non-financial organizations, 20 financial businesses were excluded from the competition. Because of their suspension from trading on the Nairobi Stock Exchange, eight (8) non-financial businesses from the research were also excluded, including some Supermarkets such as Uchumi, companies like Hutchings Biemer as well as manufacturing firms like ARM Cements. A total of 36 non-financial enterprises traded on the NSE as of December 31st, 2019 were studied as shown

in appendix one. According to a screening study, the 36 non-financial companies were taken into account since they had comprehensive data for the needed time.

3.6 Data Collection

The study analysed the financial statements of non-profit organizations listed between 2015 and 2019 as of December 31st. From 2015 to 2019, the Central Bank of Kenya's (CBK) as well as Kenya National Bureau of Statistics (KNBS) booklets included new information on economic indicators such as GDP growth, rate of interest, and currency rate.

The data were compiled from the NSE's website from the audited financial statements of the enterprises among the data gathered were totals of assets and liabilities, as well as debt and equity as shown in appendix two. A longitudinal analysis of nonfinancial enterprises traded on the NSE established the combined bearing of structure of capital, organisations performance, as well as macroeconomic variables on the worth of the organisations.

3.7 Operationalisation and Measurement of Research Variables

As the term implies, operationalisation of research insinuates to the process through which conceptualised research variables are converted to operational definitions. A working definition is the precise measurement of a variable in such a way and to such a degree that it is possible to obtain accurate results for the study variables (Ueno & Sekaran, 1992). The capital structure (CS), the growth of the business (FG), macroeconomic factors (MEFs), and the wealth of the business were all taken into account in the research.

The Firm Value (FV) was determined in this study using Tobin Q. (Rouf, 2015). Only a small amount of research has used Tobin Q to determine a company's value, as demonstrated by Mansor et al. (2012) and Bhatti et al (2012). (2017). An independent variable was capital structure. Other elements were considered as part of the study, and it was hypothesised that they would have an influence on a enterprise's value: moderating and mediating variables were investigated for their effect on growth in total assets in Javeed et al (2017). . The research entry elements contained in Tables 3.2, 3.3, 3.4, and 3.5 include viable descriptions for every research factor and the approximated procedures utilised to create the research variables.

3.7.1 Operationalisation of Companies Value

Tobin Q, is computed through dividing the aggregate book value of debt as well as market value of equity by the whole book value of assets at a particular date, is a decent measure of a company's wealth operationalization. In this study, Tobin Q was employed in place of worth in the monetary markets. Whereas Tobin Q is used as a representation for a company's value, a value of one implies that a firm has created considerable worth for its stakeholders and has led in the optimization of the company's worth during that time period. Many academics have utilised Tobin Q as a substitute for traditional measures of growth and enterprise value in their research in emerging nations (Chenng & Tzenng, 2014). The research accurately quantified the wealth of businesses in emerging economies by utilising Tobin Q as a representation for firm value exhibited in Table 3.1.

Table 3.2: Operationalisation of Companies Value

Variables	Type	Indicator	Operational Description	Dimension	Citation
Companies Worth	Dependent variable	Tobin Q	TQ is the ratio between the physical asset's market price and its replacement value.	(MVE + BVD)/BVA	Mwangi et al. (2014)

Source: Researcher (2021)

3.7.2 Operationalisation of Capital Structure

Capital structure was used as the study's independent variable, and it was operationalized using three measurements or characteristics, as indicated in Table 3.2. Two examples are the long-term debt equity ratio and the retained profits ratio. The earnings earned by businesses throughout the course of their operations are absorbed by the business's proprietors.

Table 3.3: Operationalisation of Capital Structure

Variables	Type	Indicator	Operational Description	Dimension	Citation
Capital structure	Independent variables	D-E ratio	It is the ratio used to determine the capital structure of a business.	$\frac{Total\ Debt}{Total\ Equity}$	Tongkong (2012)
		Long Term Debt Ratio	It is the capital gained by a business from external sources that is held for a period of more than one year.	$\frac{Short-term\ debt}{Total\ assets}$	Kibet et al. (2011)
		RE Ratio	This is the proportion of a company's net profit that reflects the rate of return on investment after dividends are paid to investors.	$\frac{Net\ profit-Dividend}{Net\ Income}$	Rajan and Zingales (1995)

Source: Researcher (2021)

3.7.3 Operationalisation of Firm Growth

Firm growth (FG) is a measure of how a company's assets change ended time. It was used as a moderating variable and operationalized in this report, as indicated in Table 3.3. This was grounded on Fann, et al (2012) study of the variation in non-financial organizations' ownership on the NSE during the preceding five years. A business's growth is defined as a rise in the organization's overall resources.

Table 3.4: Operationalization of Companies Growth

Variables	Type	Indicator	Operational Description	Dimension	Citation
Companies Growth	Mediating Variable	Rate of change in total asset	This is the change in the company's previous assets over a specified time period.	$\frac{\text{Total Assets t1} - \text{Total Asset t0}}{\textit{Total Assets t0}}$	Fan et al. (2012)

Source: Researcher (2021)

3.7.4 Operationalisation of Macroeconomic Factors

The operationalization of moderating variable constraints, which involved the GDP growth, rate of interest, and currency value as macroeconomic variables, is shown in Table 3.4.

Table 3.5: Operationalization of Macroeconomic Factors

Variables	Type	Indicator	Operational Description	Dimension	Citation
Macroeconomic Factors	Moderating Variable	GDP rate	GDP growth rate is a measure of a country's economy's productivity over a one-year period.	Gross Domestic Products growth rate	Javeed et al. (2017)
		Interest Rate	This is a fee charged by lenders of money to borrowers or investors who require external financing for their project. financier or saver	Nominal interest rate – Inflation rate	Booth et al. (2001)
		EXCR	It refers to the rate at which currencies from various countries swap their respective values in relation to one another.	EXCR equals (Exchanget+1 – Exchange t-1) / Exchange t-1 in terms of the value of local currency in relation to the United States Dollar.	Cheng and Tzeng (2014); Autore and Kovacs, (2010)

Source: Researcher (2021)

3.8 Diagnostic Tests

These analyses demonstrate which pre-estimation methods were utilized to determine that or not the hypothesis of the ordinary least square panel regression model was still feasible. There must be no significant direct relationships between any of the variables used as regressors in the model (no multicollinearity), panel stationarity should exist, error terms should be linearly independent, error terms should be constant and error terms must have a normal distribution. The next section delves further into these concepts, as well as the specific exams performed.

3.8.1 Multicollinearity

The researcher assessed multi-collinearity using variance inflation factors (VIFs) and coefficient associations and discovered that the most severe instance of multi - collinearity was 0.8 (Custódio et al., 2013; Gujarati, et al., 2013). The difficulty in assessing the impacts is not due to a lack of multicollinearity, but rather to the intensity with which it exists. A correlation coefficient greater than 0.80 infers that there is substantial multicollinearity in the data. The betas were linked to 0.8 or a VIF of 10 according to Gujarati (2013), and the emergence of multicollinearity was demonstrated for variables with a variance inflation factor of at least 0.8.

3.8.2 Normality Tests

The normality assumption is needed for evaluating hypotheses regarding study variables that are stated (Memon et al., 2012). The present study used novel techniques to determine if data dispersed spontaneously. A pictorial approach was used to determine if evidence was regularly shared. A normality test contains information about the mean asymmetrically, while a skewed distribution contains information about the mean asymmetrically (Chenng & Tzenng, 2014). The analytical method of Bera and Jarque (1981) was utilized to evaluate the degree of normalcy midst the study variables for the normality test. The H_0 indicates the challenges inherent with not being delivered on a regular basis. H_0 was ruled out of this study because the probability value was less than 0.05. If the data are not normally distributed, it preferable to do a non-parametric analysis.

3.8.3 Autocorrelation

Panel data were subjected to the Wooldridge test model, which was employed to define the reality of serial correlation and to control the occurrence of auto-correlation. Auto-correlation is an issue that arises in any collection of data. Any omission of serial-correlation as well as its consequences all throughout study, the particular error term in a piece of data collected, as described by Wooldridge (2002), may result in an excessive standard error and ineffective dimension for the piece of data gathered, as described in Wooldridge (2002). The feasible generalized least square accuracy technique may be the best alternative for determining whether or not there is serial autocorrelation in the obtained data if the H0 does not show the presence of serial autocorrelation in the data.

3.8.4 Heteroscedasticity

Homoscedasticity is always an assumption that must be verified and appropriately accounted for in the data. According to the CLRM hypothesis, the error term is homoscedastic, which implies that its variance is constant. There is heteroscedasticity in the panel data if the error term is constant. Running a regression model without taking heteroskedasticity into account might result in unbiased parameter values but incorrect standard errors. The Wald test, as proposed by Cheng and Tzeng (2014), was utilized to assess panel-level heteroskedasticity in this work. The error variance is homoscedastic, as determined by the H0 of this study. If H0 is not accepted and an inference is made, heteroskedasticity may be considered using Feasible Generalized Least Squares analysis.

3.8.5 Panel Unit Root Test.

In order to assess the stationarity of the time series, which was grounded on the premise that the variables are stationary, it was necessary to combine time series and cross-sectional data in the panel data. If approximate procedures are used deprived of taking into consideration the non-stationary nature of the data, they may produce inaccurate conclusions (Gujarati, 2013). The data in this investigation were subjected to a Fisher-type test pool unit root analysis. The study makes a major contribution by allowing for uneven panel data with defined gaps, by doing Dicey-Fuller or Philips-Perron analysis on each information source, and presenting four distinct analyses on each information source. It was determined that each panel data set contained a unit root by using the H_0 of the analysis.

In reality, panel data comprises of time series and cross-sections, necessitating the use of the unit root test. The times-series analysis is predicated on the assumption of constant variables. Model estimate was used in circumstances when the nature of the data was not constant, which could result in erroneous or misleading conclusions (Gujarati, 2013). Additionally, the data may be non-stationary and may not have been confirmed. The presence of a drift in the sequence of data points may suggest unreliable regression results (Tsay, 2001).

As a result, this research examined the existence of a unit root in the data by means of a variety of methodologies. This research employs the Philips Perron (PP) and Augmented Dickery-Fuller (ADF) methodologies (ADF). By achieving unquestionable precisions, the ADF approaches attempt to keep the characteristic of the regression analysis that is focused on white-noise errors. Apart from the GDP growth rate, all variables in the study had a unit root. As a result, the levels 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, and 3.12 employ the equations 3.2, 3.3, 3.4, 3.5, 3.6,

3.7, 3.8, 3.9, 3.10, 3.11, and 3.12. As illustrated in Table 4.3, the GDP growth rate was used to resolve the initial mismatch.

3.8.6 Hausman Test for Fixed and Random Effect

The Hausman specification was used in this research to determine if Fixed Effect (FE) or Random Effect (RE) analysis was suitable. The test determines if there is a significant connection between the regressors and the company-specific random effects. The H_0 of the Chi square test was not to be rejected if the p-v was less than 0.05, but only if the probability was less than 0.05, indicating a preference for the FE model (Green, 2008). The main rationale for this in a fixed effect model is that if any fluctuation in the independent variable over time is disregarded, any effect on the dependent variable may be ascribed to the impact of other factors other than the stable features (Chenng & Tzenng, 2014). As a consequence, when assessing the influence of independent variables on the dependent variable, the effect of time-invariant features is often disregarded or kept constant (Fama, 1978). According to Autorre and Kovaacs, (2010) the random effect model presupposes that business disparities are random and unrelated to the explanatory factors in the equation, enabling time invariant appearance to be included as explanatory factors.

3.9 Data Analysis

The secondary data from company's traded on the NSE were analysed using an descriptive and inferential statistics model. The exploration was chosen because it examines the impact of a single or several factors on the regress variable(s). The following equation was expended to analyse the data in the report.

$$Y_{it} = \alpha + \beta x_{it} + \lambda_t + \mu_{it} \text{----------} (3.1)$$

3.9.1 Data Analysis Techniques

To investigate the effects of capital structure, company growth, and macroeconomic variables on the value of businesses employed panel regression model. As a result of the variable analysis, numerous statistics were generated and evaluated using the STATA 14.0 programme in accordance with the study's unique objectives.

3.9.2 Influence of Capital Structure on Firm Value Variables

The initial purpose of the research was to define the relationship between capital structure and company value in nonfinancial enterprises traded on the Nairobi Securities Exchange. The dependent-explanatory variable model is illustrated below.

$$FV_{it} = \alpha + \beta_1 X_{it} + \beta_2 X_{it} + \beta_3 X_{it} + \varepsilon_{it} \quad \text{----------(3.2)}$$

Where:

FV_{it} = Companies Value for i companies in t period

α = Constant

β_1= Coefficient of explanatory variable

X_1 = Long term debt

X_2 = Debt equity ratio

X_3 = Retained earnings ratio

ε_{it} = Error term

i = number of companiess

t = number of years

3.9.3 The Mediating Effect of Firm Growth on the Relationship Midst Capital Structure and Firm Value

This section examined the mediation stimulus of enterprise development on capital structure and company value association using a four-phase approach (Baron & Kenny, 1986). The first step in building the mediation equation was to conduct regression analysis to ascertain the bond amongst enterprise relative wealth and capital structure, while ignoring growth of the firm as a mediating variable.

The step two of the mediation approach inspected the relationship among company performance and capital structure, which were used as explanatory variables, and company value, which was used as a regressor. As a secondary purpose, this report examined the mediating conclusion of organization expansion on capital structure and firm value association. The following are Baron and Kenney's (1986) the suitable equations for the three steps are:

$FG_{it} = \alpha + \beta_1 X_{it} + \varepsilon_{it}$ ----------(3.4)

FG_{it} = Companies Growth for i companies in t period

X = Capital structure (CS)

α = Constant

β_1 = Coefficient of explanatory variable

X_1 = Long term debt

X_2 = Debt equity ratio

X_3 = Retained Earnings Ratio

ε_{it} = Error term

The third step was used to examine the relationship between company growth and company value without using CS as an independent variable.

$FG_{it} = \alpha + \beta_1 X_{it} + \varepsilon_{it}$ ----------(3.3)

FG_{it} = Companies Growth for i companies in t period

α = Constant

β_5 = Coefficient of independent factors

ε_{it} = residual term

X = Companies value

Finally, the mediation process's fourth step examined the relationships between capital structure, corporate growth, and company value. When the capital structure predicts the value of the firm, the capital structure predicts the growth of the company, and the growth of the company predicts the value of the company, mediation happens. Capital structure accurately predicts company value when the mediating variable is included in the model.

$FV_{it} = \alpha + \beta_1 CS_{it} + \beta_2 FG_{it} + \varepsilon_{it}$----------(3.5)

Where:

Companies Value (FV) = Regressand variable

Capital Structure (CS) = Regressor variable

Companies Growth (FG) = Intervening factor

3.9.4 Capital Structure, Macroeconomic Factors, and Firm Value

Multiple regression modelling was performed to examine the moderating influence of capital structure on the association between company relative wealth and capital structure, as suggested by Baron and Kenny (1986).

The equation used was as follows:

$$FV_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \beta_6 X_{6it} + \beta_7 X_{7it} + \beta_8 X_{8it} + \beta_9 X_{9it} + \beta_1 X_{1it} * (\beta_7 X_{7it}) + \beta_1 X_{1it} * (\beta_9 X_{9it}) + \beta_1 X_{1it} + \beta_1 X_{1it} * (\beta_6 X_{6it}) + \beta_1 X_{1it} * (\beta_8 X_{8it}) + \beta_1 X_{1it} * (\beta_9 X_{9it}) + \beta_1 X_{1it} * (\beta_9 X_{9it}) + \beta_3 X_{3it} * (\beta_9 X_{9it}) + \varepsilon_{it} \text{----------(3.6)}$$

3.9.5 Capital Structure, Firms Growth, Macroeconomic Factors, and Firms Value

Multiple regression model was used to study the connections among the survey factors as they were abstracted.

$$FV_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \beta_6 X_{6it} + \beta_7 X_{7it} \varepsilon_{it} \text{----------(3.7)}$$

FV_{it} = Companies Value for i companies in t period

X_1 = Long term debt

X_2 = Debt equity ratio

X_3 = Retained Earnings Ratio

X_4 = Companies Growth

X_5 = GDP growth rate

X_6 = Interest rate

X_7 = Exchange rate

ε_{it} = Error term

α = Constant

β_s = Coefficient of explanatory variables

Subscript i = Companies ranging from 1 to 36

Subscript t = Years ranging from 2015 to 2019.

3.10 Chapter Summary

This portion addressed the research techniques used in this study. The study used a positivist approach to study and employed current inquiry methods. The descriptive longitudinal design of

the study is described, as is the operationalization of the enquiry variables. The reason of this research was to define the impact of intervening and moderating factors on the link amongst the capital structure and value of nonfinancial enterprises traded on the Nairobi Securities Exchange. The researcher collected secondary data from 36 chosen organizations' annual audited financial accounts. The methods for collecting data from selected companies' annual reports have been outlined. Additionally, the methods to data analysis are addressed. Appendix IV contains a detailed description of the study's particular goals and hypotheses, which are derived from the main variables.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This part summarizes the findings of the study, the descriptive statistics analysis of the collected data, and the diagnostic tests. The primary objective of the research was to determine the relationship between capital structure and company value using a single component model. The research included intervening as well as moderating factors to determine their effect on the relationship between the study's primary variables (capital structure as well as firm value). The study used a descriptive longitudinal design and analysed secondary panel data from 2015 to 2019.

4.2 Descriptive Statistics

According to secondary information obtained from yearly financial reports of nonfinancial firms registered on the NSE, in order to reach the conclusions outlined above, the scholars computed the averages, standard deviation, minimum, maximum, kurtosis, and skewness of the study variables, among other things. All of the factors examined in this study are summarised in Table 4.1, which includes descriptive statistics for each of the factors. Earnings per share, debt-to-equity ratios, long-term liability for capital structure, changes in asset employed for company growth, GDP growth, the degree of interest, and the value of a currency exchange rate used to evaluate macro-economic variables, and Tobin Q used in the evaluation of business value are some of the metrics that can be used to determine the value of a company.

Table 4.6: Summary of Descriptive Statistics of Study Variables

Variables	Observation	Mean	Std. Dev	Min	Max	Skewness	Kurtoses
TQ	180	1.6423	3.38689	-0.01912	36.8677	8.0178	76.2470
LTDTA	180	0.24173	0.35242	0.0005	3.1934	4.2904	31.0246
DE Ratio	180	1.0585	2.4353	0.0000	22.0841	7.3615	62.7997
RE Ratio	180	-0.1066	0.8735	-2.5211	6.9275	4.1414	35.1736
FG Rate	180	0.0754	0.6797	1.0000	6.0518	3.9544	38.8389
Interest Rate	180	9.0719	2.9587	3.8407	12.0259	-0.7788	2.2998
GDP Rate	180	6.0168	1.3013	4.5549	8.4023	0.9233	2.6228
EXCR	180	0.0468	0.0658	-0.0482	0.1217	-0.0504	1.5478

Source: Researcher (2021)

Conclusions provided in Table 4.1 show that the long term debts ratios has mean of 0.241703 and a standard deviation of 0.352420, with a min and max of 0.00050 and 3.19340 in the respective order of occurrence. According to the findings, the long-term debt ratio of nearly all nonfinancial companies listed on the NSE has mean of 0.24173, which is below the national average. Its findings are consistent with those obtained by Chenng and Tzenng (2014), who obtained constant ratios of 0.103720 as well as 0.078540; Custó Cheng and Tzeng (2014) who obtained consistent ratios of 0.14052 and 0.02413; and Fama et al. (2013), who obtained an output of 0.03413 for the long-term debt divided by total assets (Ogbulu and Emeni, 2012).

This showed that corporate organizations listed with the NSE used internal resources, which were inconsistent throughout the whole study's results, according to the findings. This indicated that businesses were using short-term loans more often, demonstrating the under-development of the Nairobi Stock Exchange as a platform for enterprises or organizations to obtain money for their investment initiatives in Kenya, conferring to the survey. The difference in the findings of the study was drawn back to the market environment in which the study was performed.

The kind of data used in this research, as well as the macro-economic circumstances in which the nation is now operating, may explain the discrepancy in the findings. Because of the existing political climate and corruption in undeveloped countries, it is possible that the providers of external sources of funding in developed economies would be unwilling to provide funds to emerging markets. Among the corporate organizations listed on NSE, the debt equity ratio had 180 occurrences, an average score of 1.00580, a std dev. of 2.43553, and min and max values of 0.00000 and 22.088041, correspondingly. In accordance with findings shown in Table 4.1, the Returns on Equity ratio had an average of 0.01666 and a min as well as max of -2.5211 and 6.9275, correspondingly, with a min as well as max of -2.55211 and 6.92375. Interestingly, the results are comparable to those of Fama et al. (2013), Cutódio et al. (2013), and Fama et al. (2013), as well as others.

It was shown that the intervening impact of growth of firm rate had an average of 0.076539 and a variance of 0.60797, with a range of 1.00000 to 6.051183 for the min and max, accordingly. Consequently, it was verified that the listed non-financial businesses have development possibilities, although they are highly reliant on long-term financing sources. This is maintained by the KIPPRA (2013) insinuation that financial services, firms performances is good proficiently, providing a benefit due to the availability of long-term additional finance to the business world by 30.8 percent in 2011 and 11.8 percent in 2012, according to KIPPRA.

As a result of Kraus & Litzenberger (1973) trade-off theory, the scenario of an appropriate business capital structure is backed by the presumption that an optimum capital structure is the subject of firms using long-term foreign funding to enhance the productivity and wealth of the firm, which is confirmed by Kraus & Litzenberger (1973). In addition, tax shield advantages

gained from the removal of interest costs prior to computing taxes on the profit generated by business over a duration of time are included in this calculation. If the retained profits have a larger standard deviation as compared to the business rate of growth, they are taken into consideration even further. This implies that profits or returns are seen to be more sensitive to changes in the economic climate than previously thought.

The conclusions of this survey display that average rate of growth for the economy in Kenya is a significant percentage point higher than the national average. The research was carried out with the help of non-financial enterprises as the units of analysis. This resulted in a mean of 9.007 and a standard deviation of 2.960, having the top and lowest figures being 12.002 and 3.84, respectively, as the highest and lowest values. When compared to the previous five years, the Kenyan economy grew at an annual rate of 6.012 percent from 2011 to 2015. This was accompanied by promising and moderate expansion rates of 8.44 and 4.555 percent, respectively, in the period from 2011 to 2015. Following the results, it is shown in Table 4.1 that the exchange rate had a mean of 0.040463 and a std. dev of 0.0066, which is consistent with the findings. Aside from that, the bottom and highest values were 0.1221 and –0.04 respectively, with the middle value being 0.1121. Following the discovery, it was found that the changing feature of the Kenyan shillings, which was decreasing regularly was making it stronger than comparable currencies at the time of the finds.

Using the assumption of normality for the data, it was revealed that the kurtosis value and deviation fell between zero and three on the scale The data revealed that the rate of exchange and the rate of interest both displayed inversed skewness, that means that their outcomes were skewed in the opposite way of each other, currencies, indicating that they were not correlated, despite the fact that the outcomes of the mediating and moderating factors in the research were especially skewed. Following the completion of this study, it was discovered that the GDP

growth was negative 2.6200 percent, which equated to a kurtosis of degree three. Furthermore, the results of the research showed that the kurtosis levels for the data variables on the left side of the graph, such as the business rate of growth, retained income, debt to equity ratio, and Tobin Q, were higher than three. This was same with the results of a study directed by Cheng and Tzeng (2014), which exposed an inverse and highly important connection between the research factors: ROS and earnings per share (return on sale minus return on asset) (return on asset). As a result, the companies demonstrated significant management strategy in accordance with the trend of optimum capital structure in order to prevent any shortage of money in order to achieve business objectives.

4.3 Diagnostic Tests

Specifically, as described in Chapter Three, the study employs different diagnostic tests in conjunction with the CLRM in order to generate suitable models for evaluating the consequences of infringing on the CLRM assumptions. As a result, prior to executing the regression model, pre-approximation and post-approximation studies were performed in conjunction with it. It was found that the pre-approximation tests that were performed in such situations were present in the multicollinearity test. The normality test, the test for homoscedasticity, the test for auto-correlation, and the Hausman specification test were the root unit tests that were performed via the post-estimation testing. The study team conducted these studies in order to prevent obtaining fictitious regression results.

4.3.1 Test for Multicollinearity

Results of the multi - collinearity analysis, which made use of the variance inflation components, are shown in Table 4.2. (VIF).

Table 4.7:Multicollinearity Results

Variable	VIF	1/VIF
LTD	1.30	0.76923
D-E ratio	1.54	0.649351
RE Ratio	1.01	0.990010
FG	1.09	0.917431
GDP	1.83	0.546448
IR	1.31	0.763359
EXCR	1.18	0.84746
	Mean VIF 1.15	

VIF is Variance Inflation Factor

Source: Researcher (2021)

Variance inflation factors (VIFs) are used to test for multicollinearity. The results of the test for multicollinearity given in Table 4.2. The variables in the research include capital structure (long-term liability, retained profits, and debts equity ratios), firm growth rate (total assets changes), macroeconomic indicators (Gross Domestic Product rates, rates of interest, as well as currency exchange), and company value as assessed by the Tobin Q. Index of cash flow. The results showed that all variables had correlation coefficients less than 0.8 or a VIF of less than 10, suggesting that the information collected for the study did not have extremely high multi - collinearity, as stated by Gujarati (2013).

4.3.2 Panel Unit Root Tests

The research variables made use of secondary data acquired from yearly financial statements of nonfinancial businesses in order to test for the existence of panel unit root tests in the data, thus avoiding the possibility of erroneous regression results in the variables under investigation.

Table 4.3 summarizes the findings of the ADF and Philips Perron (PP) tests conducted. Except for the model of firm expansion, the Fisher-type analysis, which included reverse chi-squared, reverse normal, reverse logit, as well as reviewed inverse chi-squared, yielded PV values below 0.05 for all of the models. The findings led to the rejection of the null hypothesis and the inference that all panels had unit root for Tobin Q, short term debt, long term debt, debt equity Ratio, retained earnings ratio, GDP rate, interest rate, and exchange rate, among other variables (see Appendix A) (Choi, 2001). As a product of this report, it was resolute that all factors do not pass the stationarity test and are thus used in levels, with the exception of firm growth, which has been added after the first difference. As a result, according to Balltagi (2012), the analysis did not provide any false positives.

Table 4.8:The Findings of the Panel Unit Root Tests

	Level	**Test**	**Unit Roots Tests**			
			ADF Test		**PP Test**	
			Statistic	**P>Value**	**Statistic**	**P>Value**
Tobin Q (TQ)	Level	Reverse chi>squared	147.035	0.0000	151.0569	0.0000
		Reverse normal	-3.1024	0.0000	-4.1279	0.0000
		Reverse logit	-8.056	0.0000	-7.6082	0.0000
		Improved reverse	**10.5467**	**0.0000**	**10.6938**	**0.0000**

Long-term Debt	**Level**	**Inverse chi>squared**	**215.413**	**0.0000**	**126.3324**	**0.0000**
		Reverse nomal	-2.9864	0.0001	-3.7496	0.0001
		Reverse logit	-4.1453	0.0000	-5.1806	0.0000
		Improved inverse chi>squared	8.0453	0.0000	7.2889	0.0000
Debt Equity Ratio	Level	Reverse chi>squared	98.743	0.0000	101.6809	0.0000
		Reverse nomal	-1.6547	0.0021	-2.8582	0.0021
		Inverse logit	-1.4321	0.0005	-2.3638	0.0005
		Improved reverse chi>squared	2.8123	0.0000	5.8716	0.0000
Retained Earnings ratio	Level	Reverse chi>squared	90.7343	0.0002	85.6331	0.0005
		Reverse nomal	-1.8365	0.0016	-3.8575	0.0025
		Reverse logit	-1.0453	0.0009	-4.2646	0.0007
		Improved reverse chi>squared	2.324	0.0000	5.2356	0.0000
Firm Growth	Level	Reverse chi>squared	101.764	0.0000	227.7674	0.0000
		Reverse nomal	-2.5432	0.0000	-5.2475	0.0000
		Reverse logit	-2.7543	0.0000	-5.6682	0.0000
		Modified reverse chi>squared	7.1543	1.0000	7.6682	1.0000
GDP rate	Level	Reverse chi>squared	9.5146	1.0000	9.31546	1.0000
		Reverse nomal	7.8206	1.0000	7.8426	1.0000
		Inverse logit	8.1532	1.0000	7.0494	1.0000
		Improved inverse chi>squared	-5.1356	0.0000	-3.8465	0.0000
	First difference	Inverse chi>squared	312.813	0.0000	256.9046	0.0000
		Reverse nomal	-12.5034	0.0000	-11.5691	0.0000
		Reverse logit	-14.982	0.0000	-13.7819	0.0000
		Improved reverse chi>squared	35.1324	0.0000	26.0926	0.0000
Interest Rate	Level	Reverse	168.543	0.0000	287.6217	0.0000

		Reverse normal	-9.964	0.0000	-12.7766	0.0000
		Reverse logit	-25. 123	0.0000	-15.5214	0.0000
		Improved reverse chi>squared	30.3254	0.0000	23.1046	0.0000
Exchange Rate	Level	Reverse chi>squared	184..354	0.0000	186.4286	0.0000
		Reverse normal	-5.1534	0.0000	-4.2588	0.0000
		Reverse logit	-7.1643	0.0000	-6.8731	0.0000
		Improved reverse chi>squared	9.2014	0.0000	13.1818	0.0000
*5%						

Source: Researcher (2021)

4.3.3 Test for Normality

Because the survey used two various techniques, namely the graphical approach as well as the Jarque-Bera test, this process was carried out to ensure that the data analysis was normal. The outcomes from the graphical method are shown in Figure 4.1.

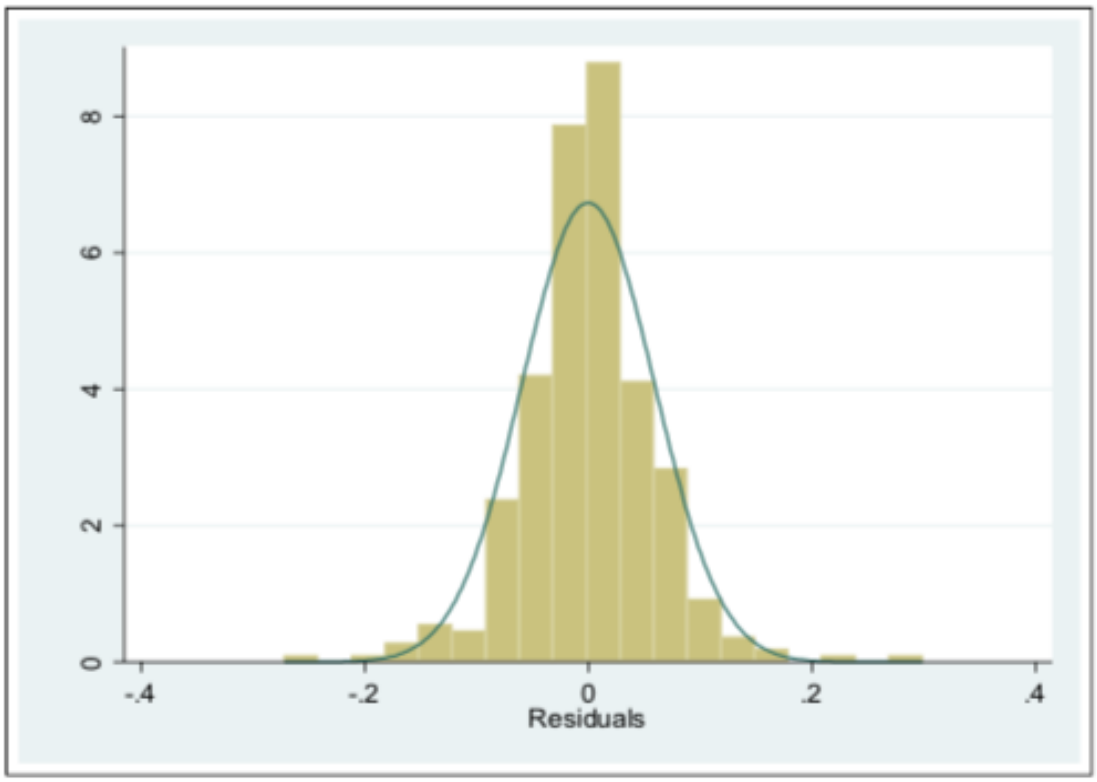


Figure 4.1: Histogram of Residuals
Source: Researcher (2021)

As seen in Figure 4.1, the residuals were distributed properly, indicating that the experiment was successful. Autorre and Kovaacs (2010), who asserted that a normal curve is symmetric about its average, provide credence to this claim. One tail will be longer than the other, regardless of how long they are. As illustrated in Figure 4.1, normally distributed residuals create a bell-shaped histogram with tails that are all an identical dimension, indicating that the residuals are normally distributed. For the purpose of confirming these findings, the Jarque-Bera test was used to gather data, and the results are shown in the following table, section 4.4. The H0 of normalcy was rejected in this study, and it was discovered that the residual findings are uniformly distributed as a consequence of the study.

Table 4.9:Jarque-Bera Normality Test

. sktestr

Skewness /Kurtosis tests for Normality

Variable	Obs	Pr (Skewness)	Pr (Kurtosis)adj	Joint chi2(2)	Prob>chi2
r	180	0.00000	0.00000	63.450	0.0000

Source: Researcher (2021)

4.3.4 Heteroscedasticity Test

The Modified Wald test was used to determine whether or not there was homoscedasticity in the panel, as shown in Figure 4.2. In this study, the hypothesis H0 is that the error terms have constant variance. The evaluation yielded a chi-square score of 15760.00, with a p-v of 0.0000, showing that the chi-square score was statically important at a 5 % level of significance, showing that the chi-square score was statistically important. As a result, the hypothesis of constant variance (H0) was rejected. Consequently, it may be concluded that heteroscedasticity existed in the study data (Autorre & Kovaacs, 2010). Thus, in order to identify problems of

heteroscedasticity in the data, the plausible generalized least squares technique of estimate model was applied in the study.

Figure 4.2: Heteroscedasticity Test Results

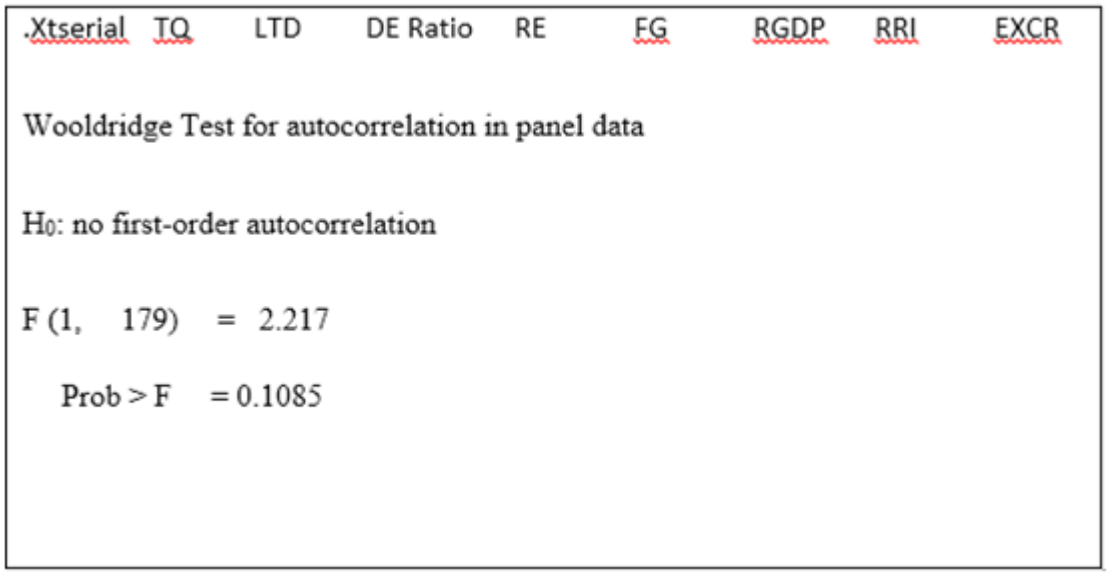
```
. xttest3

Modified Wald test for groupwise heteroskedasticity in fixed effect
regression model

H0: sigma(i)^2 = sigma^2 for all i chi2(36) = 1576.00

Prob>chi2 = 0.0000
```

Source: Researcher (2021)

4.3.5 Test for Autocorrelation

The Wooldridge test was used to determine whether or not it was auto-correlation in the data collected from the yearly financial reports of the non-financial enterprises traded at the Nairobi Stock Exchange, which was the basis for this study. As shown in Figure 4.3, the findings of the study are presented. It was discovered that the null hypothesis for the Wooldridge test did not show any evidence of autocorrelation in the research data, according to the results. The statistical analysis that has been recommended is the F-test with values between 1 and 179 and a value of 2.7117. The F-test has a P-Value of 0.10085 that indicates that it is not statistically meaningful at the 5% level, according to the results. As a result, the H0 of no auto-correlation was strengthened, and the study concluded that residuals are not auto-correlated in the first place. Thus, the null hypothesis was accepted with a p-value of 0.0000 0.05 and the null-hypothesis was rejected.

Figure 4.3: Test for Autocorrelation



Source: Researcher (2021)

4.3.6 Hausman Test

To determine whether or not to undertake Fixed Effect and Random Effect analyses, as suggested by Balltagi (2012), the Hausman-test was done using panel data gotten from the published financial reports of nonfinancial enterprises traded at the Nairobi Securities Exchange. In order to determine which of the two equations was the most suitable to use, the coefficients of both FE and RE were considered in the selection process. The findings of the Hausman test are shown in Table 4.5. As a result, the present study used Hausman's specification test, which was first published in 1978, to distinguish between FE and RE. Using the Hausman test, we may come to certain conclusions (see Table 4.5).

Table 4.10:Hausman Test for TQ

	Coefficients			
	(1)	(2)	(1-2)	Sqrt(diag(3-1-2)
	Fixed	Random	Difference	S.E.
Long term debt	–0.0432	–0.7654	0.7222	0.0432
D_E ratio	0.0234	0.00213	0.02127	0.0032
RE Ratio	0.0014	0.04046	–0.03906	0.0043
FG	–0.0024	0.0034	–0.0058	0.0232
GDP rate	0.3265	0.5463	–0.0483	.
IR	0.0432	0.2345	–0.0453	0.0342
EXCR	0.8654	0.6534	0.0327	0.1023

1 is constant under H0,

2 is varying efficient under Ho; attained from xtreg Test: Ho: dissimilarity in coefficients not systematic.

$Chi^2(8) = (1\text{-}2)' [(3\_1\text{-}3\_2)^{\wedge}(-1)] (1\text{-}2) = 15.76$

$Prob>Chi^2 = 0.0217$"

Source: Researcher (2021)

After conducting an evaluation utilizing the outputs described in Table 4.5 to select between the RE and FE models, where firm value (Tobin Q) was the dependent variable, it was possible for the researcher to choose between two. According to this research, the null hypothesis generates a bias toward the Random Effect ratio model that is more reasonable than the Fixed Effect model. It was determined that the Hausman results were statically important when the chi-sq value was 015.76 with a P-V of 0.02170, as shown by the chi-sq value being statistically significant with a P-V of 0.0217. The study thus failed to support the null hypothesis that the RE model is a superior alternative to the FE model, as proposed by Rajann and Zingaales (1995) in their paper. As a result, the FE Model was used in this study to put the models into practice.

4.4 Correlation Analysis

This part provides outcomes of a correlation analysis of the variables in the research, which was carried out using the Pearson's product-moment correlations as a method of calculation. r is a tiny number that indicates that the Pearson product-moment correlation coefficient among 2 factors is a strong indicator of the strength of a linear connection between those two variables. The Pearson correlation coefficient, denoted by the letter r, may take on a set of outcomes ranging from 1-100 (Cooper et al., 2008). As shown in Table 4.6, the score of one exhibited a perfect positive connection amongst the variables of study, while the value of one showed a perfectly negative association between factors of study, respectively.

Table 4.11: Correlation Matrix Results

	Tobin Q	Long term debt	D-E Ratio	Retained Earnings	Firm Growth	GDP rate	IR	EXCR
Tobin Q	1.000							
LTD	0.1563	1.000						
DE Ratio	0.2504	0.3196	1.000					
RE	-0.1027	0.0982	0.2121	1.000				
FG	0.3762	-0.1025	0.2009	0.1021	1.000			
GDP Rate	0.0861	0.0154	-0.0451	-0.0408	0.0181	1.000		
IR	0.1038	-0.2173	-0.1412	-0.0408	0.0714	0.2712	1.000	
EXCR	0.2638	-0.0550	-0.0574	-0.1314	-0.1942	0.1236	0.0129	1.000

TQ is Tobin Q, LTD is Long term debt, DE Ratio is Debt Equity, RE is Retained earnings, FG is Firm growth, GDP is Gross Domestic Products, IR is interest rate and EXCR Exchange rate.

Source: Researcher (2021)

The results in table 4.6 shows ER,company growth,gross domestic product rate,interest rates,forex,had significant association with Tobin Q while RE was negative and growth of GDP , interests and exchange rates are significant with Tobin Q.

Ideas advanced by Ater (2017), who asserts that the access to finance for businesses to finance their activities is consistent with the concepts advanced by Ater (2017), who asserts that the access to finance for businesses to finance their activities is consistent with the concepts

advanced by Ater (2017). (2017). Because of the positive and statistically significant connection between external sources borrowing and corporate relative value, as assessed either by Tobin Q ratio, it is clear that companies get funding for their investments from outside sourcing sources.

The positive connection amongst DER as well as business value, as evaluated by Tobin Q, implies companies are proficient in their financial guarantee, as evidenced by the availability of sufficient funding to facilitate current and future investment, thereby growing the wealth of the firm (Autorre & Kovaacs, 2010). The positive relationship between corporate wealth and macroeconomic variables, on the other hand, is unpredictable, with the belief that longer-term macro-economic issues, as external factors, diminish the efficiency of businesses, and vice versa (Balltagi (2012).

4.5 Regression Analysis

This investigation focuses on the suggestion that there is a connection amongst CS decisions and the value of a business. Firm expansion, on the other hand, has an impact on the affiliation, and macroeconomic variables help to control it. According to the formula, the GDP per capita, the rate of interest, and the currency exchange all have a direct effect on the prosperity of the non-financial businesses that are traded with the Nairobi Securities Exchange. Also anticipated was that cooperation among various principles of capital structure would have an effect on the worth of the company.

Consequently, the next sections provide an overview of the results of the regression analysis used to test hypotheses, as well as some additional considerations. For the purpose of this debate, it is necessary to provide a rationale for realistic effects by associating them with the

hypothetical, situational, and empirical findings from the present available knowledge on companies investments and non-financial companies' value , which are analyzed in Table 2.1.

4.5.1 Effect Capital Structure and Firm Value

The primary goal of the investigation was to find the association amongst capital structure and comparative companies wealth included. It was expected that the correlation amongst the two factors (capital structure and the worth of nonfinancial businesses) would be non-significant statistically. This was confirmed. As a result, long-term debts, debt-to-equity ratios, and reserves ratio were included in the capital structure calculation. Tobin Q has been used as a proxy for company value. When investigating the impact of capital structure on the value of non-financial companies traded on the Nairobi Stock exchange, the linear regression model was used to examine the results. This was the result of the first evaluation of the null-hypothesis.

Following is a description of the forecasting model as described in Chapter Three:

$$Y_{it} = \alpha + \beta_1 LTD_{it} + \beta_2 DE\ Ratio_{it} + \beta_3 RE\ Ratio_{it} + \varepsilon_{it}$$

Tobin Q was regressed on long term debts, debt equities Ratio, and RER without taking into account any mediating variables, such as firm growth, in order to scrutinize the connection amongst capital structure and enterprises value using regression analysis technique. These were the results, as indicated in Table 4.7.

Table 4.12:Regression outcomes amid Capital structure and Firm Value

Variable	Coeff.	Std. dev Err	Z	P>|z|
LTD	0.0469	0.0178	4.35	0.001
DE ratio	0.0617	0.0665	9.28	0.010
RE Ratio	-0.0543	0.0651	2.37	0.0418
Constant	0.4144	0.06545	6.33	0.0000
Adjusted R^2	0.4773			
F	305.90 (0.000)			

LTD is Long term debt, DE ratio is Debt Equity Ratio, RE is Retained Earnings
Wald Chi Square (4) =147.16, Prob > chi2 = 0.0000, 5% level of significance

Source: Researcher (2021)

Table 4.7 shows the results of the single factor model with a single variable. A substantial difference was found in all metrics of capital structure (lengthy debt and debt equity ratio). F (f= 0305.9, 0.0010) had a positive F value (P0.050), as did F (f= 305.90, 0.0010). The findings demonstrate that LTD as well as D E ratios had a positive correlation and were statistically significant on firms wealth at 05%, with a P-value of 0.0010 on Tobin Q of non-financial firms listed at the Nairobi Securities Exchange (P value =0.0010<.050). There's also an inverse effect on the wealth of the company, which was statistically significant at the 5 percent (probability value = 0.04180, <.050).

The findings also revealed that Wald Chi. Sq. was highly significant at 5 percent, indicating that the capital structure of the business had an impact on its worth (P-value 0.000). As a result, the researchers came to the conclusion that the capital structure of nonfinancial companies registered on the NSE has a direct impact on the corporate worth of such entities. Consequently, the coefficient of determination (R2) showed that the response variable varied, indicating that the capital structure metrics were collectively 0.4773. The findings of the research revealed statistically significant and positive association amongst capital structure and company value, resulting to the none acceptance of the initial null hypothesis (H_{01}).

4.5.2 Mediating Effect of Firm Growth on the Link between Capital Structure and Firm Value

In order to attain its second target of this survey investigated the impact of intervening factors in relationship amongst CS and the value of nonfinancial firms traded in Kenya. The method developed by Baron and Kenny (1986) for testing mediation was used in this research. As seen in models 3.4 to 3.6, the mediating factors was included into the equation to provide further information. It was Baron and Kenny (1986) that proposed the four intervening stages that were later adopted by the study. In step one, it was expected that equation 3.4 would serve as the foundation for determining whether or not capital structure had a statistically significant impacts on business worth. The findings revealed that factors had an adverse and statistically significant impact on business wealth, with a 5 percent unfavorable relationship.

The results also revealed a favorable as well as statistically significant effect of the liabilities equity ratio as well as the retained earnings ratio, both of which were set at 5 percent. Since the model did not include a mediating parameter (firm growth), the effects of long term liabilities, liabilities equity ratios, and RE ratios on Tobin Q fulfilled the first intervention requirement - the effect of capital structure on company value - as a result of absence of a mediating factors (firm growth).

In step two, it was anticipated that equation 3.5 would be used to determine whether the CS factors, notably long-term liabilities, DER, as well as retained earnings ratio, had a statistically significant impact on the mediating factor, which was expected to be the important mediator itself (firm growth). The findings of the regression, as shown in Table 4.8, indicate that the consequences of factors on the potential for company growth are inverse as well as statistically

significant. It was also found that the liabilities equity ratio had a favorable and significant impact on company growth, accounting for 5 percent of total growth. However, at a retained earnings ratio of 5 percent, the effect of retained earnings on company rate of growth was not statistically significant. On the basis of this, the impact of factors and liabilities equity ratios on company growth revealed a positive and statistically significant mediating effects on the connection amongst capital structure, value enterprises, and earnings per share.

The effect of the intervening factors (firm growth) on the capital structure and the connection of performance of enterprises was evaluated at the third stage of mediating, in equation 3.6. A positive and statistically significant impact on value of nonfinancial businesses listed at Nairobi Stock Exchange was found by the regression results shown in Table 4.8, which showed that business growth had a positive as well as statistically significant effect on the value of businesses as measured by the change in total assets. The findings also show that factors had a statistically insignificant impact on corporate wealth, with a 5 percent effect.

As a result, the findings revealed that factors had a statistically significant negative effect on enterprises wealth, with a 5 percent adverse relationship. It may be inferred that the liabilities equity ratios and the RER have a positive and statistically significant impact on the comparative value of a business organization. As a result, the third requirement, that the mediator factors impacts on dependent factors should be statistically significant, has been met in this instance. Furthermore, the simple influence of factors on corporate prosperity congregated the mediation fourth step of the process, that indicates the linkage amongst CS factors and the Tobin Q is maintained when a intervening factor is included in the model, resulting in a statistically in-significant result. In step four, an evaluation was carried out to determine if business growth had a complete, incomplete, or no intervention effect on the capital structure and the connection

between business wealth. The results of the three regression equations 3.4, 3.5, and 3.7 are discussed in more detail in the next part of the paper.

Table 4.13:The Mediating Effect of Firm Growth (Dependent Variable: Tobin Q)

Variable	Equ. 3.4 –Base (Step 1)		Equ.3.5 (Step 2)		Equ. 3.6 (Step 3)		Equ. 3.7 (Step 4)	
	Coeff.	*P-V*	Coeff.	*P-V*	Coeff.	*P-V*	Coeff.	*P-V*
Long-term Debt	0.0218	0.0000	0.0134	0.0000	-0.0959	0.0000	-0.0158	0.0000<.05
D E Ratio	0.0716	0.0000	0.0963	0.0000	0.0509	0.0000	-0.0078	0.0000<.05
Retained Earnings Ratio	0.0163	0.018	0.0057	0.408	0.0145	0.024	-0.0009	.024<.05
Firm Growth Rate	–	–	-	-	-	-	1.2132	000<.05

Source: Researcher (2021)

The findings of equation 3.4, as shown in Table 4.8, suggest a statistically significant and positive coefficient of long-term liabilities (.0218 and PV of 0.00000 0.050), which is statistically positive and significant. Even though the retained earnings ratio was statistically significant at the 5 percent (0.0163 and PV of 0.018), the D-E ratios was statistically significant and positive (0.07160 and PV of 0.00000 0.050). However, the coefficient of RER was statistically significant and negative (0.07160 and PV of 0.00000 0.050).

Concerning equation 3.5, the coefficients of long-term debts was found to be positive as well as had significance (0.01340 and P-Value of 0.00000 0.050), the coefficient of debt-to-equity ratios was found to be positive and significant (0.009630 and PV 0.00000 0.050), and the coefficients of reserves ratio was found to be positive but not significant (0.0057 and PV of 0.408 0.050). Regarding model 3.6, the regression outcome was found to be positive but not remarkable (0.0134 (step 4).

Based on the research of Baron and Kenny (1986), the results of the three linear regression may be described by the coefficients of the predictor factors during the mediation, which was statistically significant both before and after the mediation period. After mediation was included, the model became statistically significant, demonstrating that company expansion is a mediator in the relationship between capital as well as firm value.

Consequently, the long-term debt coefficient in equation 3.4 was 0.0218 > 0.0959 with a probability of zero, which was statistically significant. Equation 3.4's retained earnings ratio coefficient was 0.0163 > 0.0509, and the coefficient of retained earnings ratio was significant in both equations (probability value = 0.000 in both equations). Finally, it should be noted that in equation 3.4, the coefficient of the retained earnings ratio was 0.0163 > 0.0145, which was incredible with a P-Value of 0.024 in both equations, whereas, in equation 3.3, the coefficient of the mediating factor was 0.12132, which was also significant at PV 0.001.

The coefficients in equation 3.4 were statistically significant as well as equally surprising. To summarize, it was predicted that the coefficients in equation 3.5 would be higher than those in equation 3.4, which may or may not have been significant. Although the mediating coefficient was significant, it was not very significant. Based on these findings, the researchers hypothesized that the intervening variables had a role in the relationship between long-term debt and the wealth of non-financial corporate organizations that are registered with the NSE to some extent. Furthermore, the findings of the study revealed that company expansion is a partial mediator of the relationship between retained earnings ratio and Tobin Q of non-financial corporate organizations listed with the National Stock Exchange. Despite this, it has been shown that company expansion has no intervening effect on the retained earnings ratio on the one hand and the Tobin Q on the other hand, as demonstrated by the method (Baron & Kenny, 1986).

4.5.3 Moderating Influence of Macroeconomic Factors on the Relationship between Capital Structure and Firm Value

The third aim of the research was to examine the impact of macroeconomic variables on the association amongst capital structure and company prosperity. As a result, the research hypothesis was that the connection amongst capital structure as well as company value in Kenya was not moderated by macro-economic variables.

As mentioned in equation 3.5, step one was estimated as a base equation to see whether there was a relationship between capital structure and business worth. The regression results derived from equation 3.5 are shown in above 4.8 demonstrating capital structure and macroeconomic variables are linked with business wealth in a non-significant way. The factors did not fulfill the first independent condition, indicating significance of macroeconomic variables in determining the connection between capital and firm performance (MaccKinnon, Krul, & Loockwood, 2000). Nevertheless, business expansion satisfies descriptive examination (Sejjiaka, 2011). However, step two of equation 3.10 predicted the outcomes of CS and macroeconomic variables that are anticipated to have a regulating effect on the connection among CS and company value. The regression results are shown in Table 4.9.

Table 4.14:Moderation Effect Regression Results with TQ

Tobin Q	Coeff.	Stdev. Err	z	P>|z|
LTD	0.0211	0.0050	4.21	0.0000
D_E ratio	0.0453	0.0020	3.75	0.0010
RE Ratio	0.0054	0.0019	2.72	0.0070
GDP rate	0.5869	0.8565	0.69	0.4930
Interest rate	0.0912	0.6431	0.14	0.8860
EXCR	−1.1457	0.7620	−1.50	0.1330
LTD*GDP rate	0.0261	0.0012	2.02	0.0430
LTD*RRI	-0.0020	0.0101	-0.20	0.8450
LTD*EXCR	0.0150	0.0101	1.48	0.1390
D_ER*RGDP	0.0360	0.0235	0.4	0.0100
D_E R*IR	0.0156	0.0501	0.02	0.0400
D_ER*EXCR	0.4683	0.0514	0.05	0.0000
RE Ratio*GDP rate	-0.0123	0.0054	-2.34	0.0190
RE Ratio*IR	0.0081	0.0052	1.57	0.1160
RE Ratio *EXCR	0.0052	0.0046	1.133	0.2590
Constant	1.9452	0.3953	4.92	0.0000

LTD is Long term debt, D_E is Debt Equity, RE is Retained earnings, GDP is Gross Domestic Product and EXCR is Exchange Rate

Source: Researcher (2021)

According to the analytical results in Table 4.9, the coefficient of long term debts was positive and greatly significant (= 0.02110 and P-value = 0.00000.05). Therefore, the debt equity ratios was positive, which is statistically significant. Additionally, the RER coefficient was established to be positive and statistically significant (= 0.0051 with a PV of 0.00700.05), while the Gross Domestic Profits growth rate coefficients was found to be positively and statistically significant (= 0.5869 with a P-value of 0.4930>0.050). Furthermore, the interest rate coefficient was positive but not statistically significant (= 0.09180, PV of 0.88600>0.050), while the exchange rate coefficient was negative but not significant statistically (1.14570, PV of 0.13300>0.050).

Additionally, the correlation between long term debts and Gross domestic product per capita was significant, whereas the correlation between long term debts and exchange rate was not

significant at the 5% level. The GDP growth rate, currency exchange rate, and rate of interest all had an effect on the bond among LTD and the wealth of non-financial corporate organizations listed with the NSE.

Additionally, the correlation between long term debts and Gross Domestic Profit growth rate was positive and statistically significant (= 0.0261, with a probability value of 0.0430), indicating that GDP growth rate influenced the relationship among LTD and company value favorably. Nonetheless, the coefficients of cooperation between external funds and GDP growth rates, as well as between long term liability and exchange rates, were not statistically significant at the 5% level. As a result, the conclusion is drawn that the relationship between long term debt and company value is unaffected by GDP growth rate and exchange rate.

The regression findings in Table 4.10 for GDP growth rate show an effect on retained earnings ratio and company wealth (Tobin Q). The coefficient of the relationship between retained earnings and interest rates was inverse and statistically significant (= 0.0123, Probability Value = 0.0190), indicating that GDP growth alters the sign of the connection between retained earnings and business value from positive to negative. However, the cooperation between retained earnings and GDP growth rates, as well as the collaboration between retained earnings and exchange rates, was not statistically significant (= 0.0123, Probability > 0.0190. Thus, the exchange rate reduced the retained earnings rate's effect on the wealth of non-financial business organizations listed at the NSE, indicating that full moderation happened as a result of the additional interaction variable's insignificance.

According to MacKinon et al. (2000), the coefficients in equation 3.4 are not significant, whereas the moderating impact of macro-economic variables coefficients in equation 3.5 is substantial. As a result, this resulted in the absence of moderating effects on capital structure and firm value association .The moderating impact of business expansion is shown in Table 4.10.

Table 4.15: Effects of the Moderating Influence (Firm Value)

Variable	Equation 3.6 (Before Moderation)		Equation 3.7 (After Moderation)		Significant of Change	
	β	P-V	β	P-V	β	P-V
LTD	–0.0135	0.0000	–0.0211	0.000	– 0.00987	0.0000<.05
Debt Equity Ratio	0.0062	0.0000	0.0051	0.007	–0.0010	0.0070<.05
Retained Earnings Ratio	0.0076	0.0070	0.0009	0.000	0.0007	0.0130<.05
GDP rate	0.6459	0.0390	0.5869	0.493	–0.5904	0.4930>.05
Interest rate	0.3288	0.2410	0.0918	0.886	–0.2370	0.8860>.05
Exchange Rate	0.1395	0.6250	1.1458	0.133	1.0063	0.1330>.05

Source: Researcher (2021)

As shown in Table 4.10, the long term debt coefficient was extremely significant throughout the moderation process (= –0.0135, Probability value = 0.00000.05) and remained very significant after moderation (= 0.0009, Probability Value = 0.00000.05). Additionally, the debt equity ratio coefficient was highly significant before to moderation (= 0.0062, Probability value = 0.00000.05) and significant after moderation (= 0.0051, Probability value = 0.0070>0.05). Similarly, the retained earnings ratio was significant prior to the addition of the moderation effect on the relationship between capital structure and wealth of businesses registered at the NSE (= 0.0076, Probability value = 0.00700.05), and the coefficient is 0.0009 with a Probability value of 0.000 at a 5% level of confidence.

As a result, it was determined that the growth rate of Gross Domestic Product coefficient was significant before to the addition of moderating factors (= 0.64590, PV of 0.03900 0.050) but was not significant after moderating variables (= –0.58690, Probability value = 0.49300 0.050), the interest rate. The coefficient was unremarkable before to moderation (= 0.3288, PV of 0.2410 >0.05) and remained unremarkable after moderation (= 0.09180, PV of 0.88600 >0.050). Additionally, the results show that the exchange rate coefficient was positive but not significant (= 0.13905, PV of 0.62590 > 0.050) and was not significant when moderating variables such as macroeconomic factors were included (= 1.1458, P-value = 0.1330 > 0.05). As per MacKinnon et al. (2000)'s moderating process, macroeconomic factors such as GDP growth rate, interest rate, and exchange rate all have an effect on the study's predictor factors.

4.5.4 Joint Effect of Capital Structure, Firm Growth, Macroeconomic Factors, and Firm Value

The fourth specific goal of this study was to determine the cumulative effect of the predictors on the dependent variable, as defined in the study subject. According to the study, the combined effect of capital structure, firm growth, and macroeconomic variables on the relative wealth of companies listed on the NSE was not significant.

Numerous regression examination was used to govern the link midst capital structure, business development, macroeconomic variables, and the non-financial organizations value traded with Nairobi Stock Exchange. The model was statistically significant (p-value.050), as shown by the findings in Table 4.11. The multivariate analysis equation yields an R2 of.6382, a F value of 49.4, and a p value of 0.0000. Only 63.82 percent of the variance in the value of companies reported in Kenya was explained by capital structure, company growth, and macroeconomics variables..

Table 4.16: Joint Effect of Capital Structure, Firm Growth, and Macroeconomic Factors on Firm Value

	Model [a]
Constant	1.4272 (0.000)
LTD	0.1867 (0.005)
D-E Ratio	0.1991 (0.036)
Ret. Earnings Rate	0.1371 (0.000)
FG Rate	0.8008 (0.000)
GDP Rate	-0.1179 (0.000)
Interest Rate	-0.0881 (0.000)
Exchange Rate	5.8576 (0.000)
R^2	0.6382
F	49.40 (0.000)

p–values in parentheses

a. Predictors: (Constant), Capital Structure (LTD is Long term debt, DE ratio is Debt Equity, RE is Retained Earnings Rate ,) Firm Growth (FG Rate), Macroeconomic Factors (GDP Rate, Interest Rate, Exchange Rate)

Source: Author (2021)

Capital structure (long term debt) regression coefficient () value was 0.1867 with a significance level of 0.005, (DE ratio) value was 0.1991, with a significance level (p-value) of 0.036, and retained earnings ratio value was 0.1371 with a significance level (p-value) of 0.000. The regression coefficient () for company growth was 0.8008, with a 0.000 level of significance (p-value). GDP growth rate -0.1179, with an effect size (p-value) of 0.000; interest rate -0.0881, with a significance level (p-value) of 0.000; and exchange rate 5.576, with a significance level (p-value) of 0.000 were the regression coefficient () values for macroeconomic variables.

Additionally, it is clear that all variables pertaining to CS, company growth, and macroeconomic variables were connected with enterprise value (p.050). Due to the fact that the general equation was significant (p0.05), the research's primary variables collectively showed a substantial connection with the worth of companies registered at the NSE. As a outcome, the research's null hypothesis was rejected.

4.6 Discussion of Findings

The test presupposes a comprehension of the experiential examination outcomes by relating them to hypothetical, contextual, and empirical results of past research on the CS and relative value of non-financial multinationals traded at the NSE. The focus was on the research's primary findings, which were arranged according to the research goals.

4.6.1 Effect of Capital Structure on the Value of the Firm

The goal of the research was to determine effect of CS, as characterized by long-term debts, DER, and RER on the relative value of non-financial enterprises traded on the Nairobi Stock Exchange, as shown by the Tobin Q ratio. from the regression analysis findings given in Tables 4.1 to 4.11, the following explanation is valid.

To begin with, the goal was to create a connection amongst the CS of non-financial traded businesses on the NSE (including long-term liabilities, liability equity ratio, and RER) and the value of such companies. The regression findings in Tables 4.8, 4.9, and 4.10 suggest that capital structure has a positive but statistically insignificant influence on company wealth, as shown in the previous paragraph. These results confirmed Hypothesis 1, which claimed that the capital structure of non-financial businesses traded had no influence on the wealth of such companies.

Amongst the CS of enterprise and the relative company value, there was a positive connection. This is supported by the findings of Gachira, Chiwaanzwa, Nkoomo, and Chikorre (2014), Khan et al. (2016), and Wathaka, Kaaranja, Kipkosgei, Kerimi, and Paatrick (2012), amongst others. It has been shown that both long-term debt and short-term debt have adverse connection with financial performance (Autoore & Kovacis, 2010; Cheing & Tezeng, 2014; Sejijaaka,

2011; Waithaka et al., 2012). The idea of Tradeoff Theory may be used to explain the positive impact of both STD and LTD on a company's worth over time (TOT). This indicates that LTD will have a larger influence on corporate wealth, which may be boosted as a consequence of increasing access to capital markets.

a non-significant outcome

Supporting evidence for the findings of this research comes from Autore and Kovacis (2010), Chieng and Tzieng (2014and Momon et al (2012). On the other hand, the answers contradicted those of Fauma (1978) and Sejijaaka (2011), who discovered that long term debt had a beneficial conclusion on financial performance. Thus. These findings contradict Kraus and Litzenberger's (1973) Tradeoff Theory, which asserts that long-term debt and corporate wealth are positively correlated.

As a result of the study's findings, it seems as if Pecking Order Theory (POT) does not support the concept of a corporate financing hierarchy or order of sources and investment commitment. This is especially true if the companies has financial management expertise that the owners lack, implying that the company finances the project via internally produced money (retained profits), external financing, and finally, equity financing. Thus, the findings of this research indicate that non-financial companies may increase their fortune by using external funding.

4.6.2 Intervening Effect of Firm Growth on the Relationship between Capital Structure and Firm Value

The study's second aim was to examine arbitrating effects on the relationship amongst CS and non-financial company relative value. The regression results show that the intervention

analysis satisfied all three of the preceding conditions, indicating that partial intervention influence was possible. This results in a lack of acceptability for the H02. As a result, the study concludes that firm growth displays a role in the bond amongst the capital and wealth of non-financial enterprises traded on the NSE. However, the findings indicate that company expansion does not mediate the link among capital structure and value of non-financial businesses traded with the Nairobi Stock Exchange.

The findings in Table 4.7 indicate that company growth had a statistically important positive conclusion on the value of non-financial companies. This outcome contradicts common wisdom that an inverse connection exists amongst CS and firm value when enterprises spend more capital in successful outlay plans to increase firm value (Wenyao, 2010).

The positive impact of growth of enterprises indicates as the enterprise achieves from internal sources, the less it requires foreign financing and the larger the possibilities for achieving value. This was coherent with pecking order theory but opposed the tradeoff theory's concept of company funding through debt. Additionally, this result contradicts Waithaka et al. (2012)'s discovery of a significant adverse connection among cash and financial success. Nonetheless, the findings are consistent with those of Balltagi (2012), Cheng and Tzeing (2014), and Cusotódio et al. (2013), who demonstrated that firm growth increases a business's ability to access capital markets and financing without impairing profitability.

As a result, the study findings in Table 4.7 shows that long term liability has an adverse and statistically significant impact on company growth at the 5% level. The conclusions are constant with those of Abdul's (2012), and Roiyer's (2010) . However, the negative relationship between LTD and corporate expansion contradicts Abdul's (2012) finding. The findings

indicated that the debts equity ratios had a favorable and statistically significant effect on an enterprise growth at the 5% level. This is consistent with Kajola's et al (2015) findings, but contradicts Roiyer's (2010) study. Nonetheless, the retained earnings ratio had an adverse effect on company growth and was statistically insignificant at the 5% level.

As a result of outcomes, this study confirmed the theoretical notion that outside financing provides extra money for businesses to finance their venture endeavors. This indicates that businesses with less external financing are in difficulty owing to financial needs, since they are unable to quickly repair inventory reliant on cash if cash is insufficient. Thus, uncertainty in company findings in the reduction in the liability portion of the capital structure. Likewise, they benefit from more capital assets. This conclusion is consistent with the Tradeoff Theory's (TOT) premise that foreign funding provides tax advantages over equity financing.

The research findings suggest increasing the DER increases financial flexibility while avoiding the possibility of internal backing mismanagement predicted by the Agency Cost Theory (ACT) (Jensen, 1986). This is a continuous experience when the free-cash-flow postulation is maintained, implying that there is no efficient market for commercial monitoring compliance. The findings demonstrate non-financial companies traded on the Nairobi Stock Exchange may increase their value by employing external sources to fund their venture initiatives and satisfy their STD financing requirements.

4.6.3 Moderating Effect of Macroeconomic Factors on the Relationship between Capital Structure and Firm Value

The third goal of research was to evaluate the impact of macroeconomic variables on the connections amongst the prosperity of non-financial multinationals that were traded with the

Nairobi Stock exchange. The Nairobi stock exchange is a stock exchange that trades on the New York Stock Exchange. A connection was found between business leverage and the value of non-financial businesses that were traded with the Nairobi Stock exchange, as shown in the regression findings in Tables 4.10 and 4.11 of this report. In accordance with Tobin Q's predictions, the results revealed that lower interest rates enhance the bond among LTD and enterprise prosperity.

The regression results shown in Tables 4.10 and 4.11 further demonstrated the positive and statistically significant regulating effect of Gross Domestic Product growth rate on the connection amongst long-term debt and company wealth. According to the results, interest rates have a positive impact on the context among capital structure and company prosperity in both the short and long run. Furthermore, the exchange rate had a negative and statistically significant bearing on the link between capital structure and business worth, according to the findings. According to this finding, the exchange rate has a moderating impact on the relationship among the CS and the prosperity of non-financial enterprises traded on the Nairobi Securities Exchange.

The regression equation result indicated that Gross Domestic Product rate had a regulating bearing on the association amongst debt equity ratio and company value. These findings imply that Gross domestic product growth had an adverse regulating effect on the connection among DER and wealth of non-financial enterprises traded the Nairobi stock exchange. Moreover, the exchange rate's moderating effect on the debt equity ratio and the relationship between business wealth was positive and statistically significant. Additionally, the findings indicated that interest rates had a beneficial impact on the connection between external financing and non-financial enterprises as assessed by their debt-equity ratio on Tobin Q..

On the same point, the outputs of the model revealed that the GDP rate had a statistically significant positive and statistically significant impact on the long-term debts and business wealth linkages of the enterprises. This thesis evaluated Tobin Q as a measure of value for non-financial companies that were registered with the National Stock Exchange (NSE). The results also suggest that interest rates have a significant and positive controlling impact on the association between retained profits rate and Tobin Q of non-financial firms that are traded with Nairobi Stock Exchange, according to the researchers. Although the study found that exchange rates had significant and adverse regulating bearing on the value of businesses trade on the NSE, it did not find that this was the case (NSE). Aside from that, the findings revealed that interest rates had a statistically significant and unfavorable impact on the bond among retained profits rate and wealth of the businesses under investigation..

This method was based on Baron and Kenny's suggested moderating technique (1986). The conclusions implied that RE rate factors had a statistically important bearing on the bond between capital structure and company wealth. The conclusions in Table 4.10 further demonstrated that Gross Domestic Product, interest rates had a statistically significant regulating impacts on CS and Tobin Q's relationship, as measured by DER.

Finally, the findings in Table 4.9 showed that GDP growth, rates of interest, and FOREX rates do not have statistically significant effects on the connection amongst CS and business worth. As a product, the enquiry rejected the null hypothesis number three and concluded that MEFS effects on capital structure and firm value. The present findings corroborate those of previous studies (Roiyer's 2010;Hanoesek and Shemshur, 2011). The macroeconomic consequences of the GDP rate are related to the recognition that larger companies have more flexible access to

external financing, less confirmation of disproportionate size, and less constraints on external financing.

To start, macroeconomic variables have an effect on the bond among capital structure and corporate wealth, are defined by the exchange rate. The argument is that increasing outside financing results in less money being dedicated to working capital as a result of debt repayments for cash borrowed from lenders. Additionally, since the calculated cost of borrowing money is higher than the return produced by cash investments, a highly leveraged company allocates a smaller proportion of liabilities (Hanoesek & Shemshur, 2011).

4.6.4 Capital Structure, Firm Growth, Macroeconomic Factors, and Firm Value

The fourth particular goal was to determine the relationship between the CS, company growth, macro-economic variables, and value of companies listed on the NSE. The findings (R2 = 0.638200, F = 049.400, and p 0.050) indicate an extraordinary positive relationship between CS, company growth, and macroeconomic variables, which accounts for 063.82 percent of variance in value of enterprise. In terms of the study findings, H04 was rejected, indicating that independent factors have a statistically meaningful conclusion on the dependent variable.

None of the previous research examined the combined connection of the different factors; every study examined solely unidirectional representations (Autere & Koviac, 2010; Camara, 2012; Cheng & Tzeing, 2014; Fauma, 1978;; Laim, 2012; Mwangi & Biriundu, 2015; Sett & Sakhil, 2010; Cheng & Tzeng, 2014). The researchers examined just the two primary variables concurrently, excluding the combined effect of independent factors on the independent variables.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

It was the goal of this enquiry to define the weight of intervening and moderating factors on the capital organization and the relationship of enterprises' net worth. The outcomes of this report are summarised in this chapter in covenant with the aims and hypotheses that were established. Finally, policy recommendations and ideas for future studies are made founded on the outcomes of the research as well as the constraints that were encountered throughout the research. The variables employed in the conceptualization of this research are the development of firms, macroeconomic issues, capital organization, and the value of the enterprises. In this study, we looked into four particular aims as well as H_{04}.

5.2 Summary of the Findings

Using non-financial companies traded at the NSE, this report was carried out to add to the presently available corpus of knowledge on current company finance and econometric models. The capital organization as well companies values association were tested, and the results were published in this journal. The findings of the study can be used to offer recommendations to policymakers in the area and throughout the world. As a result of this research, policy direction for economic growth, academic progression, and business executive decision-making will be informed in the future.

The role executives occupy in business organizations suggests that they engage in extensive academic research in their hunt for the perfect capital organization that would improve the anticipation of investors. It is also suggested that, while choosing the type of finance to use, corporate leaders should seek expert advice to assess the financial requirements of their organizations. They should also consider other elements critical in determining the effects of the capital organization as well other variables on the value of non-financial multinationals that are recorded with the Nairobi Securities Exchange.

The first null hypothesis investigated the bond amongst capital organization and company worth in the context of non-financial multinationals that were registered on the NSE. The products of the linear regression model exposed a statistically significant association (p-v 0.00100.05) between the capital organization and company value, except the retained earnings ratio, which was statistically significant though negative. This particular instance, found a statistically noteworthy connexion among the capital organization and business value, resulting in the denunciation of the initial postulate of the report.

Second, the null hypothesis found the mediating impacts of company development on the capital organization as well the link between firms' value in the setting non-financial enterprises that were traded on the National Stock Exchange. The conclusions revealed that the development of a company has an intervening influence on its value and the link between it and its capital organization. The significance of these effects was statistically significant (p0.05), resulting in the rejection of the H_{02}.

Specifically, the H_{03} evaluated the moderating effect of macroeconomic factors on the connexion amongst company worth and capital organization in the background of non-financial syndicates that were listed at the Nairobi Securities Exchange. The results of the regression model revealed a statistically important connexion among the capital organization and the worth of non-financial multinationals in Kenya. In this investigation, the rejection of the third null hypothesis was based on the statistically significant association between the variables (dependent and independent) with a p-value less than 0.05.

This report looked at the cumulative impact of independent variables on the value of non-financial companies that were registered with the National Stock Exchange (NSE), under the fourth null hypothesis. It was discovered by this study in overall that the model was statistically substantial (p0.05), signifying that capital organization, company development, and macroeconomic factors were all meaningfully allied with the worth of non-financial organizations that were disclosed with the National Stock Exchange the same year. Consequently, the fourth Ho4 of the study was disqualified as a consequence of this decision.

5.3 Conclusions of the Study

The inquiry of hypothesis one, in connection with the first goal, demonstrated that all capital organisation factors or variables had a statistically significant and positive impact on the value of the company, with the exception of the retained earnings ratio, which had a statistically substantial but negative impression on the

value of the syndicate, but was not statistically significant. Concerning non-financial organisations that are publicly traded on the NSE, the third goal and third hypothesis showed that the development of businesses had a mediating impact on the capital organisation and business wealth affiliation of the organisations. The study anticipated that a company's development would have a large and positive effect on its value. This includes having enough funding resources, whether internal, external, or asset-based, for investment projects and operations. It establishes if the business has the resources necessary to pursue new initiatives or make changes to the company's basic operating operations, therefore increasing the company's value and shareholder wealth.

The study examined the four assumptions underlying the study variables using the Trade-off Theory (TOT) of capital organization and a positivistic worldview. Secondary data were obtained from non-financial businesses traded with the Nairobi Securities Exchange. According to the report's conclusions, capital structure, company development, and macroeconomic variables all have a substantial impact on the wealth of nonfinancial organizations reported in Kenya. The strategy conclusion is, companies must pursue new sources of external financing, as suggested by Krauss and Litzenbereger's (1973) Trade-off Theory (TOT). Trade-off Theory postulates that companies need cash to fund initiatives that are eligible for external financing due to the tax benefits associated with external sources of funding.

As a result, leaders of businesses should be able to expand industrial prospects, whether in the framework of this research or any other area, even internationally.

This would be accomplished by increasing the number of additional locations that expand the company's market segment, therefore increasing the company's net value. Thus, corporate finance management should leverage the benefits of the credit market and tax shelter help to enhance the corporation's performance, so increasing the company's value. This research revealed that firms in Kenya favour liabilities above financial assets. This is presumably because liabilities financing is more tax-efficient than asset financing.

5.4 Contributions of the Study Results

It is in this section that we summarise the contribution of this study to the present state of information in the field of industry assets and financial economics.

5.4.1 Contributions to Knowledge

A combined association of intervening and moderating factors was used to examine the impacts of the capital organization and worth of non-financial companies that were registered with the National Stock Exchange (NSE). The findings indicated that capital organization enhanced the overall performance of the company. According to the irrelevance theory of capital organization, this is in direct opposition with the proposal (Modigliani & Miller, 1958). It was the target of this report to conclude the combined consequences of numerous variables on the relative worth of business organizations that were registered with the National Stock Exchange.

For the second time, Baron and Kenny (1986) were followed in their approach to solving the problem of mediating effects of firm development and macroeconomic circumstances on capital organization and also between firms' worth. As a result, the findings demonstrated that the intervening factors had a substantial impact on the capital organization and the relationship between relative worth and non-financial firms that were registered at the NSE, respectively. As a result, the relationship is indirect since it is mediated through the development of the company.

In a similar vein, this scholar work surveyed the impact of moderating factors on the capital organization and the connection between company worth and company worth. Despite the fact that numerous past researches examined impacts microeconomic setting on a capital organization (e.g., Fumaani and Moghadam, 2015; Khaan, 2012; Kibet et al., 2011), None of the studies that were evaluated incorporated microeconomic factors in their analyses of capital organization and company value. As a result of this research, it was concluded that macroeconomic variables have a substantial impact on the connexion among capital organisation and the relative value of non-financial businesses that are listed on the NSE.

At the end of the day, the survey would assist in moderating the dispute on the link between capital organization and company worth, which was first identified by Modigliani and Miller (1958) in their key article. According to the literature examined in this study, the majority of researchers have investigated the relationship between the capital organization and the value of non-financial

businesses and have reached inconsistent conclusions. Some research found a statistically significant link, others found a negative correlation, while yet others found a statistically insignificant correlation (Fumaani & Moghadam, 2015; Khaan, 2012; Kibet et al., 2011).

To summarise: The present study found that understanding the impacts of the capital organization on company value may be enhanced by considering how the capital organization affects company growth, and therefore how company development affects the worth of nonfinancial firms. A substantial contribution to the current body of information on contemporary business finances, financial economics, and financial modelling would be made by the findings of this study, which focussed on secondary data from non-financial businesses traded.

5.4.2 Contributions to Managerial Policy and Practices

In the realm of business, the conclusions of this thesis would be extremely valuable to a wide range of different users. Business owners, leaders, managers, and government organizations are examples of those that fall under this category. It is possible that the knowledge gained from this research on the impact of the liabilities assets ratio on corporate wealth would be useful to corporate proprietors and investors as they make conclusions about schemes and backing in the coming years. Because of the interconnectedness of markets, this finding may also be used to inform choices on the supply of financial assistance to organizations registered at the NSE as well as to other economies in other areas of the globe, such as China.

The findings of the report discovered a statistically important bond among the capital organization and the relative worth of a company. To implement the findings of the research, investment regulatory bodies such as the Capital Markets Authority (CMA) might embrace the findings as principles that will guide them in the formulation of policies for controlling market occurrences. This might result in a more favourable corporate ecology for stakeholders and financial providers, allowing them to make more informed decisions about their business operations. Furthermore, the findings of the study may assist the firms in obtaining further funding from outside investors. It would be possible for indigenous shareholders to seek the local market for various financial options to support their operations.

The findings of this research may be used by regulatory organizations or government agencies in their policy-making processes, for example, in determining how firms might obtain more funding for their initiatives. Furthermore, business investors and executives could use the findings of the research, particularly those about the effects of capital organization on the enterprise's worth, to help them make conclusions concerning the expansion of the use of liabilities backing for investments in schemes and business processes. According to the findings of the enquiry, the vast majority of Kenyan firms rely significantly on external finance, which prevents them from taking advantage of tax-saving opportunities.

5.4.3 Contributions to Theory

Capital organization prosperity are the result of Modigliani and Miller's influential paper (1958). The aim of this study was to determine the effect of a joint association of intervening and moderating on capital organization and company worth in non-

financial businesses listed on the Nairobi Securities Exchange. The ratio of liabilities to assets was shown to have a substantial impact on a company's value, implying support for the Trade-off Theory of Capital Organization. The anchoring theory for this research was Kraaus and Litzienberger's Trade-off Theory (TOT) (1973). The idea promotes optimum capital organization by balancing common stock and liabilities to improve a business's relative value.

The retained earnings ratio maintained a significant proportion of a company's net value, consistent with Myers and Majluf's (1984) Pecking Order Theory (POT): businesses must first exhaust internal resources before seeking external finance. The research discovered that macroeconomic variables and company growth have a considerable impression on businesses' capital organization. The pace of development of the company remained substantially linked with its value, and macroeconomic variables were similarly significant to the business's value.

5.5 Limitations of the Study

However, although this research had certain restrictions, the scholar took the required steps to minimize those constraints in a way that did not have an impact on the study's findings. At the outset, the researcher filtered out non-financial firms that, although falling within the study population, did not have full data for each year from 2015 to 2019. This was done to address a potential data issue of incomplete data collection. This contributed to improving the quality of the data and, as a result, the results of the research.

There was a chance that the research variables might have an opposing kind of link, such as a curvilinearity relationship, which was considered a second possibility. Although this option was not investigated, it was believed that there was a linear relationship between the capital organization, company growth, macroeconomic variables, and the worth of registered non-financial corporations in the research.

In a third instance, since the study was limited to non-financial businesses listed on the NSE, it did not focus on the various market categories into which the companies fell. The research was unable to uncover the differences in the impact of the capital organization on the value of businesses across different market sectors as a result. It was not feasible to do primary research due to a diversity of additional motives, comprising the nature of the study and budgetary constraints. But when compared to comparable research carried out in wealthy countries, the study results were very effective. Conclusively, the evaluation of different empirical studies has shown that certain capital organization analyses have been constructed using insufficient samples and research that has been conducted for varied lengths of time.

5.6 Recommendations of the Study

The present study has identified several problems that should be taken into consideration when planning future capital organization investigations. This study was based on cross-sectional data that scrutinized the relationship amongst capital structure and company value across five years (2015-2019). The non-financial businesses listed at the Nairobi Stock Exchange (NSE) served as the unit of study.

This study was carried out in the setting of Kenya. One done in a different environment may be critical, particularly for business people who require unique knowledge for making decisions owing to the variety of personal users, as well as for management making decisions across various market sectors. This cross-sectional research scrutinized the firm's capital organization and net wealth across five years, with a particular emphasis on net value. Comparable future research might be conducted over a longer length of time, for example, during ten years. An alternative study strategy may also be explored to monitor any changes over time and compare the results.

Also possible is an investigation into the stability of corporate capital organizations over a particular time and in various market sectors, to determine whether or not it is appropriate for its capital organization to have an impact on a syndicate's value in future research. Another topic to explore for future research would be unregistered corporations, with a focus on the same factors that were examined in this study. As a result, the most current study serves as a pioneering foundation for further enquiry.

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APPENDICES

Appendix I: List of sectors Quoted at the Nairobi Securities Exchange 2015-2019

	Sectors	No. of Registered Firms
1.	Automobile	4
2.	Energy and Petroleum	5
3.	Agricultural	7
4.	Manufacturing and Allied	10
5.	Commercial and Services	9
6.	Telecommunication and Technology	2
7.	Construction and Allied	5
8.	Growth and Enterprise Market Segment	2
	Total number of Sectors listed at the NSE	44
	Firms excluded	8
	Total number of sample	36

Source: NSE (2021)

Appendix II: Data Collection Form

Data Collection Form

Company Name: _____

Year of Incorporation: _____

Independent Variables				**Intervening Variables**	**Moderating Variables**			**Dependent Variables**
Capital Structure				**Firm Growth**	**Macroeconomic Factors**			**Firm Value**
Year	LTD	D_E Ratio	R_E ratio	Firm growth rate = Change in Total Asset	Interest rate	Exchange Rate	GDP Growth rate	Tobin Q
2015								
2016								
2017								
2018								
2019								

Researcher (2021)

Appendix III: Tobin Q Trend

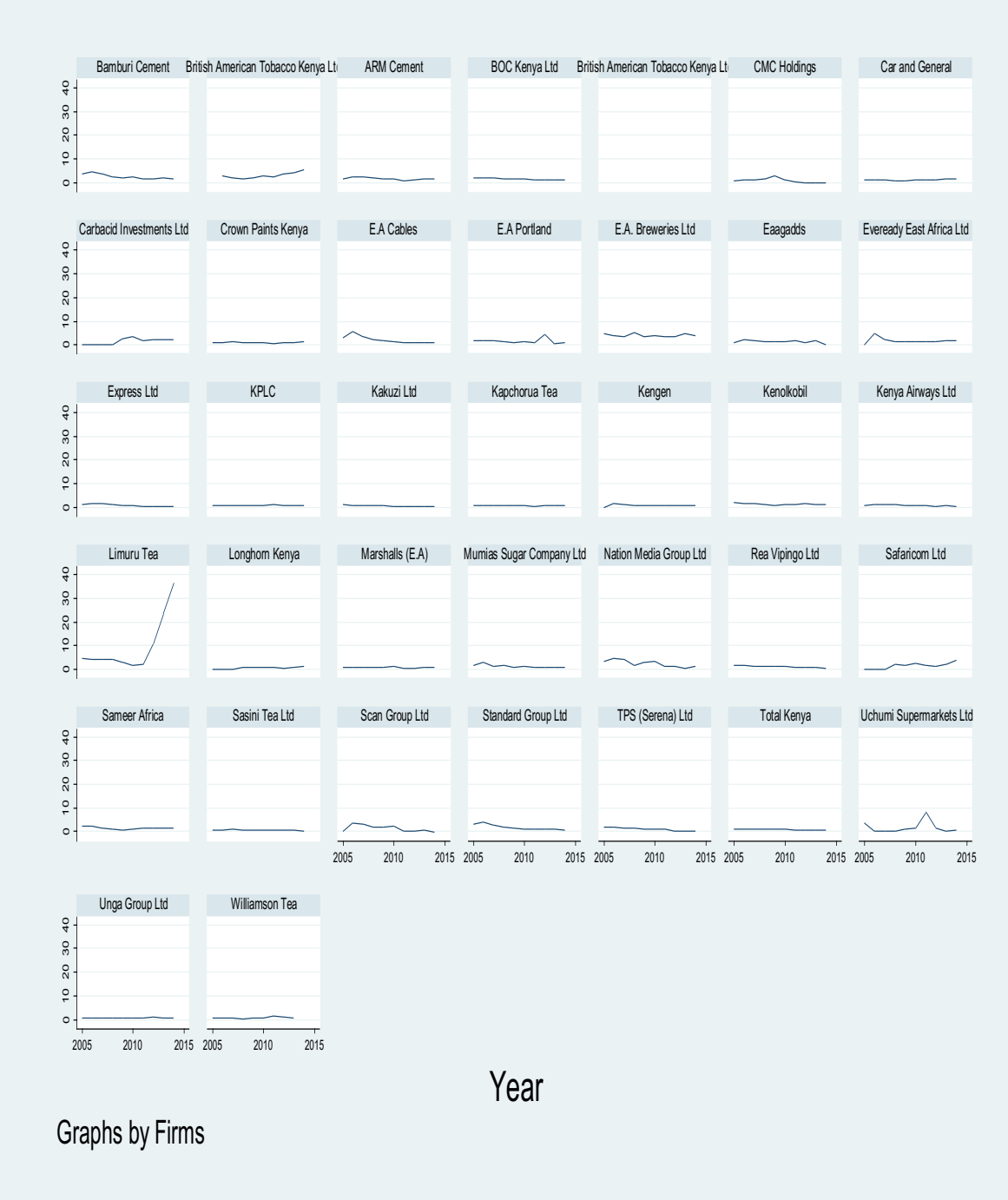

Figure 1: Tobin Q trend of non-financial companies quoted at the NSE.

Appendix IV: Summary of the Statistical Tests of Hypothesis

Research Objectives	Research Hypothesis	Analytical model	Interpretation
i) To explore the affiliation concerning the CS and FV.	H_{01}: Capital structure does not have a substantial influence on wealth of nonfinancial firms listed on the Nairobi Stock Exchange.	Multivariate regression analysis $Y_{it} = \alpha + \beta_1 CS_{it} + \varepsilon_{it}$	Relationship subsist with regression coefficient (β_1 value) is statistically significant. The affiliation is powerful due to the significant of coefficient of determination (***r***). The regression analysis is genuine if r^2 and t-test is remarkable.
ii) To determine the intervening effect of firm growth on the relationship between capital structure and firm value.	**H_{02}**: Firm Growth does not have a significant mediating influence on the affiliation concerning CS and wealth of nonfinancial businesses recorded at the Nairobi Stock Exchange.	Baron & Kenny, 1986 approach. Stepwise regression analysis **Step 1:** $Y_{it} = \alpha + \beta_1 CS_{it} + \varepsilon_{it}$ **Step 2:** $FG = \alpha + \beta_2 CS_{it} + \varepsilon_{it}$ **Step 3:** $Y_{it} = p\ 3{:}\ _1 FG_{it} + \varepsilon_i$ **Step 4:** $Y_{it} = p\ 4{:}\ _1 CS_{it} + p_2 FG_{it} + \varepsilon_i$	Intervening effect exists if the regression coefficient (β_1 --- - β_2 value) The relationship is powerful due to the significant of coefficient of determination (***r2***). The regression analysis is genuine if r^2 and t-test is remarkable.
th iii) To examine the moderating influence of MEFs on the affiliation concerning CS and FV.	**H_{03}:** Macroeconomic factors do not have a significant moderating effect on the affiliation amid CS and wealth of nonfinancial businesses quoted on the Nairobi Stock Exchange.	Stepwise Regression analysis as suggested by Fairchild & Mackinnon, 2009. $Y_{it} = \alpha + \beta_1 CS_{it} + \beta_2 MFs_{it} + \beta_3 CSMFs_{it} + \varepsilon_i$	Moderating influence take place when the regression coefficient of β_3 is statistically remarkable. The affiliation is powerful due to the significant of coefficient of determination (***r***). The regression analysis is genuine if r^2 and t-test is remarkable.
iv) To examine the combined impact of firm growth, macroeconomic factors and capital structure on firm value.	**H_{04}:** Capital structure, firm growth, macroeconomic factors do not have a substantial combined impact on wealth of nonfinancial businesses recorded at the Nairobi Stock Exchange.	Multivariate regression analysis. $Y_{it} = \alpha + CS_{it} + \beta_2 FG_{it} + \beta_3 MFs_{it} + \varepsilon_{it}$	Relationship exists if at least one of the regression coefficients (β_1---β_3 values) is statistically remarkable. The relationship is powerful due to the significant of coefficient of determination (***r***). The regression analysis is genuine if r^2 and t-test is remarkable.

Appendix V: Summary of Objectives, Hypotheses and Findings of the Study Variables

Research Objectives	Research Hypotheses	Findings with positive relationship	Findings with negative relationship
1. To explore the affiliation concerning the capital structure and firm value.	H_{01}: Capital structure does not have a substantial influence on wealth of nonfinancial firms listed on the Nairobi Stock Exchange.	Thus the outcomes bestowed in Table 4.4 display the link concerning capital structure and firm value as statistically remarkable, with Debt Equity Ratio appropriated as the ideal capital structure that forecast variable (β = 0.203, P-V = 0.0000). The regression equation was also remarkable (F-stat = 305.90, P-V 0.0000). The outcomes of the research indicated the affiliation amid capital structure and wealth of business to be positive and statistically significant. results signify that the connection	The outcomes of the research inverse link concerning Long term Debt ratio and Debt Equity ratio.
2. To determine the intervening effect of firm growth on the relationship between capital structure and firm value.	**H_{02}**: Firm Growth does not have a significant mediating influence on the affiliation concerning capital structure and wealth of nonfinancial businesses recorded at the Nairobi Stock Exchange.	The mediating influence of FG rate had a statistically remarkable and positive coefficient of 0. .8008, with PV of 0.000) with Tobin Q.	The outcomes of the thesis research had inverse relations amid FG rate, CS and FV. The conclusions displayed a unit rise in expansion of the business direct to a .356 decreased on average.

Research Objectives	Research Hypotheses	Findings with positive relationship	Findings with negative relationship
3 To examine the moderating influence of MEFs on the affiliation concerning capital structure and firm value.	**H_{03}:** Macroeconomic factors do not have a significant moderating effect on the affiliation amid capital structure and wealth of nonfinancial businesses quoted on the Nairobi Stock Exchange	Capital structure indicators includes parameters D_E ratio with coefficient of β= 0.1991, p-value= 0.036) and R_E ratio with coefficient of β= 0.1371, p-value =0.000 which are significantly and positively affiliations with business wealth. The outcomes indicate that MEFs elements are suitable moderating variables on the affiliation amid capital structure and firm value.	The moderating consequence subsists if the regression coefficient is statistically significant. The association is robust if r^2 and *t-test* are remarkable.
4. To examine the combined impact of firm grow, macroeconomic factors and capital structure on firm value.	**H_{04}:** Capital structure, firm growth, macroeconomic factors do not have a significant combined impact on wealth of nonfinancial businesses recorded at the Nairobi Stock Exchange.	The combined influence have on the business wealth is positive with coefficient of β = 0.8008, and statistically significant with PV of 0.000.	The conclusions found that CS alone may not explains the business relative wealth. Henceforth there necessity to reflect the combined consequence of MEFs and firm growth on business relative wealth. The Real gross domestic product was negatively related to the firm value.

Researcher (2021)