EFFECT OF FIRM CHARACTERISTICS ON SHARE RETURNS OF COMPANIES LISTED AT THE NAIROBI SECURITIES EXCHANGE

BY

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D61/8579/2017

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER 2019

DECLARATION

This research project is my original work and has not been submitted for any award to any other college, institution or university

Signature …….. Date ……

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This research project has been submitted for examination with my approval as the University supervisor

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ACKNOWLEDGEMENTS

I acknowledge my Supervisor Prof. Mirie Mwangi for his purposeful support and genuine direction in ensuring that the research project was a success. Special thanks to my lecturers for impactful interaction during the entire course. My parents have been particularly supporting in prayers and resources to ensure the success of my studies. Above all, this research would not have been a success without the divine intervention and uncommon of the Almighty God. I am forever grateful.

DEDICATION

This work is devoted to my family for immeasurable support and prayers during this educational journey. Special heartfelt gratitude to my special friend Susan Kinya for her extraordinary commitment in ensuring that the project was a success.

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ABBREVIATIONS AND ACRONYMS

B/M - Book to Market Value

E/P - Earning Price Ratio

EMH - Efficient Market Hypothesis

FCF - Free Cash flows Theory

GDP - Gross Domestic Product

GPM - Gross Profit Margin

IPO - Initial Public Offering

NSE - Nairobi Securities Exchange

RBV - Resource Based View

ROA - Return on Assets

ROE - Return on Equity

UN - United Nations

ABSTRACT

Firm characteristics play a significant part in shaping the profitability of any organization and are essential in predicting stock returns behaviour. However, firms thrive to survive in a wide range of environments characterized with unfavorable economic conditions in addition to the various firm characteristics. The NSE in Kenya offers an appropriate market for investors who intend to purchase and the investors who intent to sell of their securities hence creating liquid financial instruments. NSE listed companies are anticipated to be stable financially in order to gain investor confidence and contribute to economic growth. However, although most of the companies listed in the NSE have improved their performance, others have suffered a decline in assets and with some being delisted from the exchange. Share prices of several listed firms have recorded a significant decline over the years. This study aimed at determining how corporate characteristics impact on equity returns of companies quoted at NSE. The efficient market hypothesis, the market power hypothesis and the resource-based model were adopted as the main theories for the study. A descriptive design was employed and population consisted of the 64 entities quoted at NSE. Data for this study was secondary in nature and was gathered via a data collection sheet for a 5 years period ranging from 2014 to 2018. Descriptive statistical tools were adopted to summarize the data and the regression model was used to assess the link between the response and explanatory variables. The findings documented that firm size had a positive and significant link with share returns whilst revenue growth had a positive and significant relation with share returns respectively. The results also indicate that firm age had insignificant but a positive relation with share returns while profitability (ROA) had a significant and positive relation with share returns respectively. The study also found a positive and insignificant relationship between DPR and stock returns whereas the relation between market capitalization and share returns was positive and significant while board size had a negative and insignificant relationship with share price respectively. The study concluded that firm size, revenue growth, profitability and market capitalization had a significant effect on share returns of companies quoted at NSE. The study recommended that the management of companies listed at the NSE should invest more in fixed assets to growth their firms, develop effective policies to enhance sales and revenue growth and increase the profitability of their firms to enhance equity yields.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Firm characteristics are extensively acknowledged as effective elements that aid prospective investors to assess the financial strength of an entity and the magnitude a firm effectually exploits its resources in addition to its capacity to meet its liabilities (Ping & Kwai, 2016). In order to identify the ideal investment prospects with low risk and great returns; stockholders desire additional information regarding the company's financial characteristics to ascertain its fiscal well-being and profitability (Musallam, 2018). Investors use firm financial characteristics as one of the crucial mechanisms that aids them in identifying entities to invest in (Al-Lozi & Obeidat, 2016). According to Iqbal, Khattak and Khattak (2013) firm attributes like size of an entity, age, growth and value are suitable in forecasting equity returns.

The efficient market hypothesis states that various firm attributes have predictive power and represent a set of valuable financial information that investors use to predict future stock returns and develop investments strategies to get high returns (Pech, Noguera & White, 2015). The market power hypothesis supports that firm attributes such as revenue growth, firm age, size and profitability captures the diversification effects and other economies of scale like the market access in relation to reduced risk levels (Chakrabarti, Singh & Mahmood, 2007). The resource based view support that firms in possession of unique resources could envision the same strategies, implement them, and increase their productivity and proficiency only to the same magnitude without ultimately gaining competitive advantage or better performance (Vargas et al., 2017).

In Kenya, the Nairobi Securities Exchange serves a key role in stimulating the country economic development, which aids the channeling of funds from firms or individuals deprived of investment prospects to entities which have them thus improving the nation's financial efficiency (Onsongo & Onyiego, 2018). The NSE has undergone various changes and has automated trading, which has allowed investment firms to trade at their work place, eliminating the requisite for traders to be present physically at the exchange (Musiega, Mwalati & Ondiek, 2013). However, the profitability of entities quoted at NSE has come under intense scrutiny after a general decline in equity prices of a number of enterprises between the years 2011–2015 (Gachunga, Muturi & Ogutu, 2017).

1.1.1 Firm Characteristics

Firm characteristics are entity aspects that are mostly under control of an entity's management (Ilaboya & Ohiokha, 2016). They also refer to the business' managerial and demographic aspects, which subsequently comprise parts of the firm's internal environment (Al-Lozi & Obeidat, 2016). Firm characteristics are further described as endogenous factors that are firm specific factors that result from the internal policies and management decisions (Rizqia & Sumiati, 2013). Firm characteristics can be seen as the wide varieties of information concealed in financial statements of business entities that serve as the predictors of the firm's quality of accounting information and performance (Shuaibu, Ali & Amin, 2019). They include firm size, revenue growth, age of the firm, profitability, dividend payout among others (Rasyid, 2015).

Company size denotes a scale that classifies firms as large or small based on various metrics such as total assets, stock market value, log size among others (Ping & Kwai 2016). Entity size remains a key aspect in for assessing an enterprises profitability, given the

economies of scale concept and determines the realization of stability and profitability, easier capital markets access, and reduced costs of transaction (Rizqia & Sumiati, 2013). Larger businesses obtain a greater shareholder profitability and value, greater source of financing, and more effective cost reduction compared to small businesses (Ali, Hashmi & Mehmood, 2016).

Growth of firm (revenue growth) denotes the extent to which a company increases its sales yearly (Shuaibu, Ali & Amin, 2019). The greater an entity's growth opportunities, the higher its value. This is particularly true because it has a high potential to effectively diversify its growth opportunities in order to achieve better performance (Al-Lozi & Obeidat, 2016). Growing entities are able to get a larger demand on the internally produced sources of finance of the business. Inevitably, companies with comparatively high growth rate normally finance the growth by looking outside the business (Gamra & Plihon, 2011). However, growth firms are normally still comparatively young and hence have restricted internal financing available to fund investment opportunities (Anaja & Onoja, 2015).

Age denotes the time length during which a being or entity has been in inexistence (Anaja & Onoja, 2015). The age of the company also refers to the sum of years ever since the entity was incorporated. It is associated with learning, experience level, and managerial competencies that a company accrues (Ali, Hashmi & Mehmood, 2016). The age of a firm is deemed to open new windows of research opportunity and diversification and older companies possess extra market experience, better understanding of company environment and improved performance (Rasyid, 2015). Older companies may have a better experience on the market, better performance, better environmental phenomena knowledge, more

improved technology and less costly resources in comparison to new companies (Parlak & İlhan, 2016).

Profitability indicates an entity's capability to generate prospective profits and can also be an pointer of the company's achievements (Rasyid, 2015). Profitability is a major proxy of the efficacy and productivity of an entity in achieving its profit objective (Ilaboya & Ohiokha, 2016). It indicates the capacity of a company to produce revenue over a given period of time, which is derived from sales, assets and equity (Shuaibu, Ali & Amin, 2019). Profitability is measured using indicators such as sales and profit margins, return on investment and equity and so on (Anaja & Onoja, 2015).

Dividend payout policy stipulates in which proportion of profits that the firm gives out in cash form to the company owners (Phung, 2015). Dividends payout is considered crucial for investors in their investment decisions. Most investors look at the returns that will be due to them if they intend to acquire the share of a company. The higher the dividends paid, the more tempted investors are to invest in such establishment (Ali, Hashmi & Mehmood, 2016). A company that consistently increases dividend payments shows a clear indication that the company is stable and has many profits, so it is less likely to be threatened by market uncertainty (Al-Lozi & Obeidat, 2016).

1.1.2 Share Returns

Share return denotes the reward an investor obtains for holding a stock over a certain time-period (Marozva, 2019). Share returns also relate to investors' returns or profits in the equity markets and can be achieved through capital appreciation/amortization plus dividends received (Enow & Brijlal, 2016). The most common way to achieve a return on a securities market is through trading in an exchange (Gautam, 2017). Stock returns are

used as a measure of the company's performance and fluctuations and as an indicator of the company's economic or other health (Loukil, Zayani & Omri, 2010).

Share returns provide valuable signals for the future economic situation, including financial and economic condition. In particular, stock market returns determine the distribution of resources in different economic sectors (Enow & Brijlal, 2016). Investors are largely concerned in the yields they receive from the undertaken investments. Thus, they usually choose their investments well to meet their anticipations (Loukil, Zayani & Omri, 2010). An impressive return on investment will attract more investors to the company. In other words, if the return on investment is attractive, there is a high demand for shares and the price is rising (Malaolu, Ogbuabor & Orji, 2013).

Stock returns are significant as they indicate the key objective of investment in common stock (Marozva, 2019). Dividends, return on capital and capital gains are the key source of returns (Hassan, 2015). Share returns can be measured in two ways, the historical rate of return and the expected rate of return. The historical rate of return is the return on the investment over the time the investor is holding the investment (the holding period) while expected return is the yield the investor expects on the share in the next period (Malaolu, Ogbuabor & Orji, 2013). This paper will adopt the holding period formula as the proxy for the listed firms' stock returns.

1.1.3 Firm Characteristics and Share Returns

Stock returns depend on a number of factors specific to the company, like profits, dividends, debt, volatility, size, ratio of book-to-market, rights and bonus dividends which describe the performance of anticipated equity yields (Gautam, 2017). On a theoretical viewpoint, the market power hypothesis, which suggest that the firm performance is

influenced by the industry's structure of market that affects the expected equity returns (George & Kabir, 2008). The EMH supports to invest in stocks, investors use firm characteristics information as indicated by financial statements published by companies (Degutis & Novickytė, 2014). The RBV theory support that if a firm exploiting their unique resources and continually maintaining them and it is hard to copy by anyone then it will be the strengths of an organization which enhances the firms value (Vargas et al., 2017).

Empirically, Ping and Kwai (2016) examined how corporate attributes affected equity yields and documented that market/book ratio, value/sales ratio, EPS, market capitalization and dividend yield significantly affected equity yields. Fauzi and Wahyudi (2016) assessed how firm and stock attributes affected stock returns in Indonesia and revealed that high risk, highly capitalized and volatility stocks and leverage significantly affected value of stock. Zaheri and Barkhordary (2015) assessed how financial characteristics affect stock return of firms in Pakistan and revealed that B/M ratio, entity size, ROE and ROA significantly affected equity returns.

A study by Akwe and Garba (2019) also examined how firm attributes affected stock returns of large size companies in Nigeria and found a direct effect between entity size, firm age and equity yields. Shuaibu, Ali and Amin (2019) examined how corporation attributes affect entity value and revealed that entity growth and size positively affected corporate value. Gautam (2017) assessed how specific factors affect share return among banking entities in Nepal and found that debt levels, market capitalization, dividend yield and payout significantly affected share returns.

1.1.4 Companies Listed at the Nairobi Securities Exchange

Nairobi Securities Exchange (NSE) is a main securities bourse in Kenya (Omondi & Muturi, 2013). NSE is a publicly traded as well as the second quoted stock exchange in Africa (Njogu, 2017). NSE is an associate of African Stock Exchanges Association and also the East African Stock Markets Association and a full affiliate of the futures markets association, World Federation of Securities Markets and the exchange of partners of the UN Sustainable Stock Exchange initiative (Kamuti & Omwenga, 2017). Regulation of the NSE is carried out by the Kenyan Capital Markets Authority (Gachunga, Muturi & Ogutu, 2017).

The NSE provides a stage for investors, fund and portfolio managers, brokers and the public to interrelate and without restrictions sell and buy shares and supports the exchange, clearance, equities settlement, leverage, derivatives and related securities (Njogu, 2017). The exchange has 64 quoted entities classified into 11 areas that include agriculture, automobile, banking, energy and petroleum, commercials and service, construction and associated, insurance, manufacturing, telecommunications and technology and the growing enterprise market sector (Onsongo & Onyiego, 2018). NSE has undergone various crucial developments especially in legal and institutional changes that are aligned with global standards (Kamuti & Omwenga, 2017).

The growth of the NSE has expedited resources mobilization to provide long-term funds for investments financing (Gachunga, Muturi & Ogutu, 2017). However, despite the growth in size and existence of several-listed firm for a number of years the NSE suffers from lack of liquidity just like other stock markets in emerging countries (Musiega, Mwalati & Ondiek, 2013). Firms quoted at the NSE have also recorded a decline in their

profitability levels NSE and adverse fluctuations in market value of shares which has adversely affected most quoted entities value (Akuno, 2018). In addition, the growth and performance of companies quoted at NSE have been dwindling over the years which has affected investors adversely through the loss in market value of shares and non-declaration of dividends (Njogu, 2017).

1.2 Research Problem

Firm characteristics play a significant part in shaping the profitability of any organization and are essential in predicting stock returns behaviour (Anaja & Onoja, 2015; Ping-fu & Kwai-yee, 2016). Corporations can be distinguished from one another based on diverse financial characteristics such as cash flows, firm value, debt levels, earnings, firm structure, size among others (Rizqia & Sumiati, 2013). However, firms thrive to survive in a wide range of environments characterized with unfavorable economic conditions in addition to the various firm characteristics (Akwe & Garba, 2019). Share returns are also contingent to deviations arising from share prices movements, which is dependence on numerous variables which are firm specific or internal such as size, age, earnings as well as book-to-market value (Gautam, 2017).

The NSE in Kenya offers an appropriate market for investors who intend to purchase and the investors who intent to sell of their securities hence creating liquid financial instruments (Musiega, Mwalati & Ondiek, 2013). NSE listed companies are anticipated to be stable financially in order to gain investor confidence and contribute to economic growth (Wangige, 2016). Nonetheless, although most of the companies listed in the NSE have improved their performance, others have suffered a decline in assets and with some being delisted from the exchange (Njogu, 2017). Share prices of several listed firms among them

Kenya power, Uchumi supermarkets, Mumias Sugar, Kenya Airways, Deacons, CIC Insurance, EA Cables and Olympia Capital recorded a significant decline in the year 2018 (NSE, 2018). Statistics from the NSE (2019) show that share prices of 17 listed firms fell below Kes 5 per share in 2019 mostly attributed to a mix of corporate governance weaknesses, a tough economy and over-indebtedness.

Empirically, various studies on share returns and firm attributes have obtained conflicting findings. For, instance Bayrakdaroglu, Mirgen and Kuyu (2017) investigated the link between profitability ratios and prices of shares in Turkey and revealed a significant link between profit margins and stock prices though the study focused only on profitability ratios. Musallam (2018) examined how financial ratios affect stock returns and revealed that EPS and DPS significantly affected stock returns though study did not incorporate firm size, revenue growth and age as variables. However, Iqbal, Khattak and Khattak (2013) in Pakistan assessed whether firm characteristics predicted stock returns and revealed that firm attributes had an insignificant role in predicting share returns.

In addition, M'muriungi, Muturi and Oluoch (2019) in Kenya assessed how firm characteristics affected stock returns of quoted non-financial entities and revealed that cash flow and debt levels significantly affected share returns though the study focused on nonfinancial firms. Akuno (2018) explored whether firm characteristics affected profitability of firms listed under the petroleum and energy segments at NSE and revealed that liquidity, board size and firm age negatively affected the firm profitability though the study focused on liquidity and not stock returns. The reviewed international and local studies have obtained varied results and have focused on firm in different sectors thus a contextual gap. In addition, the studies have employed diverse methodologies and

dissimilar methods of collecting data leading to both methodological and empirical literature gaps. This study thus intends to address the question, how do firm characteristics affect share returns of corporations quoted at the NSE?

1.3 Research Objective

To determine how firm characteristics affect share returns of corporations quoted at the NSE.

1.4 Value of the Study

This study's results shall be of impact to policymakers, executives of listed entities and finally to theory of finance. The listed firms' management may use the findings and conclusions of the research to assess how firm attributes influence share returns, which will aid in decision making on lending to different sector in the economy.

Secondly, policy makers especially capital market authority and NSE which are tasked with formulation of policies which enhance the operations of listed firms. Policy making entities may use the study recommendations to formulate strategic policies to enhance the wealth of stakeholders normally represented by appreciation of share value. Finally, the papers will complement the prevailing finance theory and writings. The research will form a foundation of prospective research based on the identified research gaps.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter highlights the reviewed theories under the theoretical review, the various determinants of share returns and a number of studies on the study variables under the empirical review. The chapter also presents the study's conceptual model and finally a summary of the reviewed studies.

2.2 Theoretical Review

The efficient market hypothesis, the market power hypothesis and the resource-based model were adopted as the main theories for this study.

2.2.3 Efficient Market Hypothesis

Fama (1970) developed the EMH which suggests that in an efficient market, any information released by the company bad or good will reflect in its share price quickly, bad information will immediately result to decline in the price and good price immediate appreciation of the price (Pech, Noguera & White, 2015). The theory postulates that equity values will entirely reflect all the obtainable information, and make even unaware stockholders who buy a diversified investments based on market prices as generous as the expert achieves (Degutis & Novickytė, 2014).

The theory applies the notion of rational principles to conclude that stockholders purchase equities with above-average returns, and those who with lower returns (Degutis & Novickytė, 2014). By doing so, they increase stock prices, which are expected to generate above-average returns, and lower prices for those who are expected to underperform. Stock

prices will be adjusted until the expected risk-adjusted returns are no longer equal for all stocks (Malaolu, Ogbuabor & Orji, 2013). The theory supports that a fundamental analysis of the business features is a convenient tool for stockholders to predict share returns (Iqbal, Khattak & Khattak, 2013).

The EMH asserts that stockholders try to beat the assets market by forecasting prospect stock market happenings (Iqbal, Khattak, & Khattak, 2013). The theory suggests that the stochastic behaviour of shares prices provides information regarding market prospects and investors attitudes towards risks (Pech, Noguera & White, 2015). In this study, the EMH explains that an investor will make their investment plans based on a fundamental analysis and will depend on various sources of information about the company, such as income statement, balance sheet, annual reports and corporate pronouncements.

2.2.2 Market Power Hypothesis

Porter (1980) conceptualized the market power hypothesis to explain that expansion pushes business profitability higher, since firms with market power can use the gain obtained in a single market to improve the prowess of others; reciprocal and mutual selling and buying in a technique such that potential rivals find it uncomfortable to enter the industry (cross-subsidy) (Phung, 2015). The theory posit that companies have three ways to generate market power through expansion: cross-subsidization by applying the benefits of a given market to support high prices in another market; joint abstention from severe competition between rivals; and reciprocal purchase between multi-enterprise units that excludes minor competition (Mulwa & Kosgei, 2016).

The theory explains that the strategy of expansion is executed by the firms to attain market power benefits and establish dominance against their competitors thus allowing highly

diversified firms to produce commodities at lower prices that rivals cannot keep up with (Ali, Hashmi & Mehmood, 2016). Arguments concerning market power take up that individual companies cannot contract among each other to equal the reimbursements of a diversified company, while internal capital market influences necessitate some securities markets and information failure (Chakrabarti, Singh & Mahmood, 2007).

The market power theory asserts that firm resources control permit highly differentiated firms services at lower prices that rivals cannot keep up with (Alawattegama, 2017). The theory also argues that businesses are able to achieve market growth by venturing into other markets via divergence. This is not due to their precise market position but their individual markets positions (Mulwa & Kosgei, 2016). In this study, the theory supports that greater expansion of the firm size, growth and profitability increases structural, managerial, and complexity in the organization, sustains a larger coordination and cost of integration which augments an entity's value and hence its equity returns.

2.2.3 Resource Based View

This principle was authored by Penrose (1959) based on the argument companies having assets that can improve the firms' net worth are exceptional and they are not easy to emulate them, plus are capable of organizing as well as exploit them, and the resources could offer a base of sustainable competitive advantage (Vargas et al., 2017). The resource-based views analyze the resource aspects along with proficiencies plus how they can assist firms in differentiating themselves from the other industries and maintain profitability (Costello & Donnellan, 2011). The RBV theory postulates that company's evaluation in relation to their financial resources could accrue to imminent differing from the conventional business point of views (Chakrabarti, Singh & Mahmood, 2007).

The RBV supports that firm success in the long term strategies is resultant from distinctive assets that the company owns (Cegliński, 2016). These assets are either tangible or intangible; the tangible resources will include raw materials used for production purposes and the intangible resources be the management processes or knowledge outstandingly that the company holds (Chakrabarti, Singh & Mahmood, 2007). The RBV indicates that when companies hold the rare and valuable resources such as physical assets, capabilities, patents, organizational culture, trademarks and information, they can employ these assets to implementing the strategies that increase firm's net worth (Costello & Donnellan, 2011).

The RBV is premised on ideas that firm profit tends to depend on the markets and corporation's specific characteristics (Vargas et al., 2017). The RBV explains the link between firms' internal resources and performance. RBV helps to analyze and identify a company's strategic utility by examining the various combinations of assets, capabilities, skills set and intangibles (Cegliński, 2016). The RBV theory states that firm's internal resources may have a positive or adverse influence on business's performance (Costello & Donnellan, 2011). In this study, the RBV explains that unique firm characteristics are vital in enhancing the performance as well as the value of firms which attracts additional investments.

2.3 Determinants of Share Returns

This segment focused on firm attributes, macroeconomic variables and stock market liquidity as the key determinants of share returns.

2.3.1 Firm Characteristics

Firm characteristics are the distinctive attributes that form an entity and affect the decisions the firms' management makes (Djan et al., 2015). Firm specific aspects are unique corporate features like age and size affects a firms' ability to undertake risky investment as small and new firms tend to invest in capital investments which there are sure will provide assured returns. For instance, entity size is quite essential in the determination of the relationship between an entity's external and internal environment (Phung, 2015). The market power theory supports that firm size captures the diversification effects and other economies of scope like the market access in relation to reduced risk levels for bigger firms (Phung, 2015).

In addition, companies that are expected to grow strongly in the future use stocks to finance their business. As growth opportunities vary across companies, decisions to finance management will also vary (Djan et al., 2015). When a company develops well in terms of profitability, investors are interested in investing in such a company, which affects the company's share price, while reduced profitability does not appeal investors because they may not wish to jeopardize their funds (Malaolu, Ogbuabor & Orji, 2013).

2.3.2 Macroeconomic Variables

Macroeconomic indicators reflect the general performance of an economy including the GDP, lending rates of interest, money supply, inflation rate, money supply, foreign direct inflows, exchange rates among others (Stoilova, 2017). Inflation rates for instance affect the overall price level of products and services in a state, including share prices whereas GDP decline leads to a deterioration in income and asset prices (Hanifan, 2017). Raising interest rates buoy up stockholders to move from the equities market to money markets.

The reduced interest rate supports the demand for cash for speculative purposes and can therefore stimulate stock market activity (Malaolu, Ogbuabor & Orji, 2013).

Further, currency appreciation increases the operating costs of local businesses compared to their foreign counterpart and reduces the profits and sales of companies, resulting in a weaker financial position for local companies, and it is more likely that share prices will be adversely affected (Stoilova, 2017). Interest rate variations also affects share prices and attractiveness of firms both international and national levels (QadirPatoli, Zarif & Syed, 2012). The growth in currency supply also leads to higher inflation volatility, which negatively affects investment and excessive currency supply leads to inflationary situation and affects investment yield through a higher discount rate (Hanifan, 2017).

2.3.3 Stock Market Liquidity

Liquidity refers to the ability to quickly execute a large trade at the minimum cost and with a low price impact (Loukil, Zayani & Omri, 2010). Liquidity denotes definite attributes of the securities market and of great importance for investment strategies and financial resources, and is central to explaining the different returns on equity (Marozva, 2019). It reveals the observed impact resulting from the discount provided by the broker or from the premium that the purchaser repays during the execution of market orders due to inventory costs and unfavorable selection costs. Illiquidity imposes various costs on the investor, so liquidity can affect returns and lack of liquidity can adversely affect share prices (Akram, 2014).

Lack of liquidity is a form of friction that can negatively affect the value of stocks (M'muriungi, Muturi & Oluoch, 2019). As the market's expected illiquidity increases, the share price and expected return, which are common to all stocks, and the replacement of

less liquid stocks by more liquid ones start falling (Marozva, 2019). In addition, an unpredicted rise in marketplace illiquidity adversely impacts prices of stocks, escalates comparative demand for and liquidates equities, while a greater anticipated marketplace illiquidity increases stockholders' demand for greater projected return on shares making highly liquid equities attractive (Loukil, Zayani & Omri, 2010).

2.4 Empirical Review

Öztürk and Karabulut (2018) investigated link of liquidity and net profitability margins on equity returns in Turkey. Secondary data was collected between 2008 and 2016 and analysis carried out via panel data analysis. The findings documented that EPS and NPM significantly affect equity yields whereas current ratio had an insignificant effect. The study concluded that shares with a high EPS and profitability margins produce greater returns.

Gachunga, Muturi and Ogutu (2017) assessed how firm characteristics affected disclosure and transparency on profitability of NSE quoted firms. A descriptive survey was employed and data collected from 60 listed firms through questionnaires as well as secondary data from 2001 to 2015. Through the regression equation, the study documented a significant link between disclosure and transparency and the listed firms' performance and that entity's attributes had a moderating influence on linkage between disclosure and transparency and firm profitability.

Njogu (2017) examined determinants of stock market price among Kenyan quoted firms after an IPO issue. The author used a correlational strategy and data collected from nine firms, which had issued IPOs within Kenya. Through the regression approach, the study documented that dividend payment, profitability, entity size and liquidity had a significantly and directly impacted share prices.

Mutende, Mwangi, Njihia and Ochieng (2017) assessed how corporate characteristics affected the association between FCF and corporate profitability. Secondary data from 2006 to 2015 with the regression approach being used for data analysis. The study documented that firm attributes moderated the association between FCF and financial performance whilst FCF significantly and positively affected the firms Tobin Q. The study however focused on age and size but further focused on performance and not stock returns.

Banchuenvijit (2016) investigated how financial ratios affect stock prices of agricultural entities in Thailand. Secondary data was collected between 2005 and 2015 and the multiple regression model adopted for analysis. The results revealed that liquidity ratios, profitability ratios and asset growth positively and significantly affected prices of shares. The study however documented that leverage levels negatively and significantly affected prices of shares.

Al-Lozi and Obeidat (2016) examined how profitability and leverage affects stock return of manufacturing entities in Jordan. The study collected data from 65 firms for a 10 years from 2001 to 2011. The paper though multiple linear regression revealed that profitability ratios (ROA, ROE and GPM) significantly influence equity returns whilst the leverage and the current ratio had an insignificant effect on stock returns.

Wangige (2016) examined how firm characteristics affected financial distress among Kenya's quoted nonfinancial entities. Secondary data was used as well as the Logit model for analysis. A significant link between performance, leverage and the listed firms financial distress levels was revealed. The study however documented an insignificant association between firm size, ownership structure, liquidity and financial distress.

Wijaya (2015) explored the link of business ratios on equity yields among industrial entities in Indonesian. The author gathered data from 2008 to 2013 from twenty quoted entities with the regression model being embraced for analysis. The findings discovered that ROA, debt, profitability and dividend payout significantly influenced the entities equities yields. The context of the study was however manufacturing entities and not various listed firms.

Kaguri (2013) examined how firm characteristics affected Kenyan insurance firm financial profitability. Data was collected from 2008 to 2012 from 17 life insurance corporations and the regression model for analysis. The results indicated that premium growth, diversification, size, leverage, age and liquidity significantly affected profitability. The study's setting was however insurance corporations and not quoted enterprises.

Tudor (2010) assessed the link between stock returns and firm-specific ratios in Romanian stock market. Secondary was collected from 2002 to 2008 and the regression model adopted for analysis. The findings established that entity size was the utmost significant factor in determining equity returns variability though the association was negative. The paper further documented a direct and significant link between EPS and variability of stock returns whilst the B/M ratio positively and significantly affected entity returns.

2.5 Conceptual Framework

The study's conceptual model entailed share returns as the dependent variable and corporate characteristics including entity size, revenue growth, firm age and profitability as independent variables.

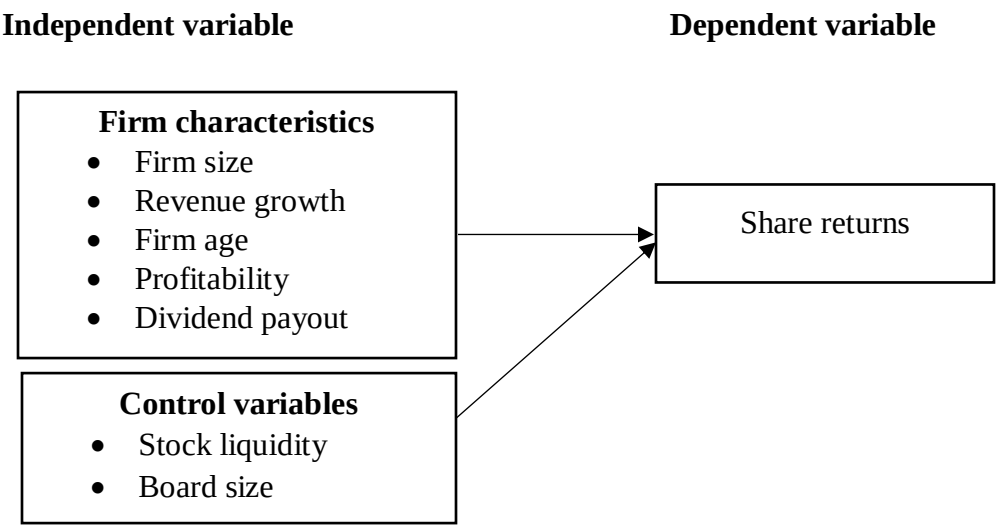

Figure 2.1: Conceptual Framework

Source: Author (2019)

2.6 Summary of Literature Review

The study appraised several historical works among them Öztürk and Karabulut (2018) on liquidity, profitability and stock returns as well as Banchuenvijit (2016) on financial ratios and agricultural firms stock prices but the studies focused on different industrials sectors. Studies by Al-Lozi and Obeidat (2016) on profitability, leverage and stock returns, Wijaya (2015) on financial ratios and manufacturing entities stock returns was well as Tudor (2010) on equity returns and corporate attributes were reviewed though the studies focused on different firm attributes part from the ones considered in this study.

Studies in kenya by Gachunga, Muturi and Ogutu (2017) on firm characteristics and performance, Njogu (2017) on determinants of stock market prices and Mutende et al (2017) on how firm characteristics affect free cash flows and performance were reviewed though the studies focused more on firm performance as opposed to share returns. The study by Wangige (2016) on firm characteristics and financial distress and Kaguri (2013) on firm characteristics affected insurance firms performance were also reviewed but the

studies did not incorporate stock returns. Most of the available literature focus more on firm attributes and stock performance and not stock returns. Additionally, the studies have been undertaken in diverse localities and have employed different methodologies.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section highlights the study design, the population, the procedure of data gathering and the data analysis approach comprising of the analytical model and the tests of significance.

3.2 Research Design

A study design refer to the tactic by which the investigator answers the study problem and entails the tools of collecting data and the techniques of data analysis a researcher intends to use (Upagade & Shende, 2012). To realize the research aims, a descriptive research design was employed. A descriptive tactic helps to identify who, what, where, and in what way an event is the core aim of a study. A descriptive design is generally organized and precisely intended to study the characteristics termed in the research questions (Sekaran & Bougie, 2011).

3.3 Population of the Study

Population entails the total group of things or individuals that the investigator is keen in drawing conclusions as well as suggestions (Sekaran & Bougie, 2011). This study' population consisted of the 64 NSE quoted enterprises. The study undertook a census of the 64 since the population was small and well defined.

3.4 Data Collection

Data for this paper was secondary in nature and was gathered via a data collection sheet for a 5 years period ranging from 2014 to 2018. Data on share returns was sourced from

the NSE. Data on the firm attributes (size of the entities, firm growth, firm age and profitability) was gathered from the listed entities annual accounts.

3.5 Diagnostic Tests

The main diagnostics tests assessed included normality which was assessed through the Shapiro-Wilk test of the residuals where in both tests, an insignificant outcome (that is P-value more than 5%) was deemed an indication for normality. Multicollinearity was also be assessed through the tolerance and the variance inflation factors (VIF) where a tolerance value of more than 0.2 or a VIF or more than 10 was an indication of the presence of multicollinearity. Additionally, heteroscedasticity assumption was assessed using the Levene test whereas linearity was determined through the plotting of residual graphs. Lastly, serial correlation (autocorrelation) was assessed through the Lagrange multiplier (LM) test while stationarity was assessed using the Augmented Dickey Fuller.

3.6 Data Analysis

In this study, descriptive statistical tools was employed to summarize the data into meaningful form using the mean, standard deviation, minimum and minimum values. Additionally, the regression approach, which was employed to assess the link between the response and explanatory variables. The SPSS statistical software was used.

3.6.1 Analytical Model

The regression equation was as follows

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon$$

Where,

Y – Stock returns calculated using Ln (Po/Pt-1) formula

X_1 – Firm size proxied by the natural log of assets

X_2 – Revenue growth ratio as measure of firm growth

X_3 – Age of the firm measured using number of years since incorporation

X_4 – ROA as a measure of profitability

X_5 – Dividend payout ratio as a measure of dividend policy

X_6 – Stock liquidity measured through natural log of market capitalization

X_7– Board size measured by the natural log of number of directors in the board

β_1 -β_7– Regression coefficients

β_0 & ε – Constant and error term

3.6.2 Tests for Significance

The study used the P-values to assess the significance of the research variables where a p value smaller that 5% ($P<0.05$) was considered significant while p values larger than 5% ($P>0.05$) was deemed insignificant.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND INTERPRETATIONS

4.1 Introduction

This chapter presents the outcomes of the evaluated study data which entails the descriptive and inferential statistics. The chapter also present an interpretation of the research results.

4.2 Descriptive Statistics

The study collected annual secondary data through a data gathering sheet for a timeframe of 5 years from 2014 to 2018. Complete data was retrieved from 57 companies thus a 89.1% response rate. The collected data was summarized through descriptive statistics as indicated under table 4.1.

Table 4.1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Dev	Skewness	Kurtosis
Share returns (Ratio)	285	-1.338	2.262	-.07745	.443552	1.069	4.363
Firm size (Ln)	285	11.61	22.23	15.9833	2.28323	.052	-.461
Revenue growth (Ratio)	285	-1.100	.885	-.00752	.249382	-1.404	4.429
Age (Number)	285	6	121	60.26	28.505	.380	-.597
ROA (Ratio)	285	-.567	.367	.02282	.115028	-1.294	1.577
DPR (Ratio)	285	.000	.984	.25752	.275431	.952	-.142
Market capitalization (Ln)	285	11.66	25.94	18.2077	4.25210	.476	-1.291
Board size 9Number	285	4	16	8.91	2.366	.465	.091

Source: Study Data

Table 4.1 shows that the average value for stock yields was -0.07745 with minimum and maximum values of -1.338 and 2.262 correspondingly thus indicating that the average stock returns value was negative within the considered study period. The results shows that the average value of firm size was 15.9833 with least and maximum values of 11.61 and 22.23 correspondingly. The outcomes further show that the mean value for revenue growth was -0.00752 with minimum and maximum values of -1.100 and 0.885 correspondingly thus a signal the average growth of the quoted corporations over the study period was negative. The average value for age of the entities was 60.26 with minimum and maximum value of 6 and 121 correspondingly which indicates some firms at the NSE are relatively young while other have existed for more than 100 years.

The results further indicate that the average ROA was 0.02282 with a minimum value of -0.567 indicating that some firms were loss making and maximum value of 0.367 respectively. The average ROA value of 0.02282 indicates that the average profitability of the listed corporations of the research period was positive. The average value for dividend payout (DPR) was 0.25752 with a minimum value of 0.000 indicating that some firms were not paying dividends and maximum of 0.984 indicating some firms were retaining very little amounts respectively.

The results further indicate the average value for market capitalization was 18.2077 with minimum and maximum figures being 11.6 and 25.94 correspondingly. Additionally, the mean value for board size was 8.91 with minimum of four members and maximum of 16 members hence an indication that some boards were very large. The kurtosis and skewed values lie within the range of +2 and -2 thus an indication that the variables were normally distributed.

4.3 Diagnostic Tests

The study undertook normality, multicollinearity, heteroscedasticity, autocorrelation and linearity tests as follows

4.3.1 Normality Test

The normality test results are as illustrated under table 4.2

Table 4.2: Normality Test

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Standardized Residual	.075	285	.200*	.934	285	.902

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Source: Study Data

Normality which was assessed using the Kolmogorov-Smirnov and Shapiro-Wilk test of the residuals where in both tests, an insignificant outcome (that is P-value more than 5%) was deemed an indication for normality Table 4.2 shows that p values under the both tests were 0.200 & 0.902>0.05 respectively. This indicate that the data was distributed normally.

4.3.2 Multicollinearity Test

The VIF values were used to assess for multicollinearity as indicated under table 4.3

Table 4.3: Multicollinearity Test

Variable	Tolerance	VIF
Firm size	.930	1.076
Revenue growth	.798	1.253
Age	.918	1.089
ROA	.717	1.395
DPR	.761	1.314
Market capitalization	.766	1.306
Board size	.737	1.357

Source: Study Data

Presence of multicollinearity means that two variables have a similar linear relation. Table 4.3 shows that all the VIF value are less than the recommended threshold value of 10. This test was performed to ensure the data collected is free from bias in terms of one variable data being related to another variable data. The result thus indicate absence of multicollinearity among the response and explanatory variables.

4.3.3 Heteroscedasticity Test

This test was assessed through the Breusch-Pagan test and table 4.4 depicts the results.

Table 4.4: Heteroscedasticity Test

Breusch-Pagan test for heteroscedasticity	
Null hypothesis: heteroscedasticity not present	
Test statistic: LM =	1.829315
with p-value =	P(Chi-square(7) > 1.829315) = 0.229

Source: Study Data

Where the error term of the regression model remains constant for all values assumed by the independent variable, the phenomenon is termed as homoscedasticity.

Heteroskedasticity on the other hand refers to the opposite of this where the variance of errors is not the same for all distributions. Table 4.4 indicates that the P value under the Breusch-Pagan test was 0.022>0.05 respectively. This indicates absence of heteroscedasticity among the research variables and the data is homogenous.

4.4.4 Serial Correlation

The Lagrange multiplier (LM) test was employed to assess for serial correlations as depicted under table 4.5

Table 4.5: Serial Correlation

LM test for serial autocorrelation	
Null hypothesis: no serial autocorrelation	
Test statistic: LMF =	1.00764,
with p-value =	P(F(1, 276) > 1.00764) = 0.316348

Source: Study Data

The test of autocorrelation is meant to inform the researcher of existing similarity between a time series at given a time interval. The Lagrange multiplier (LM) test outcomes in table 4.5 displays a P value of 0.316348>0.005. This shows that serial correlation was not detected in the data set hence the assumption of autocorrelation has not been violated.

4.4.5 Linearity Test

Linearity was assessing through plotting of a normal p-p plot as depicted under figure 4.1 as follows

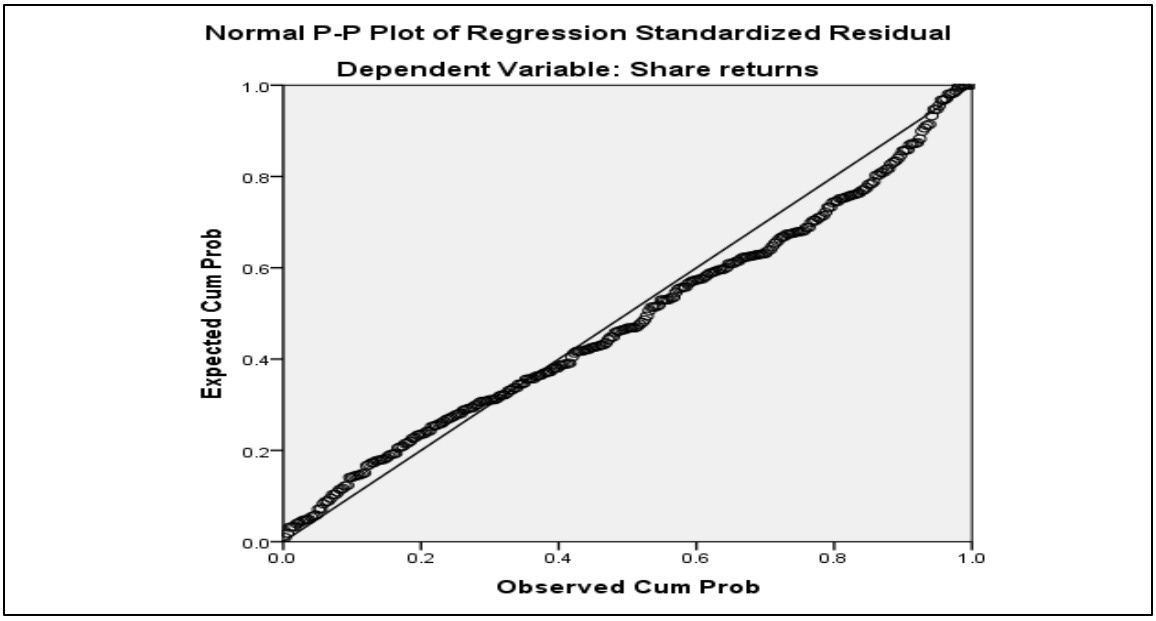

Figure 4.1: Normal P-P Plot
Source: Study Data

Figure 4.1 displays that the data points exhibit a linear relationship based on the plotted graph. This indicates that the assumption of linearity has not been violated

4.4.6 Stationarity Test

Stationarity was assessed though the Augmented Dickey Fuller (ADF) test as indicated under table 4.6

Table 4.6: Stationarity Test

Variable	Test statistic	P value
Share returns	-8.22109	0.00000
Firm size	-3.28762	0.01547
Revenue growth	-4.90471	0.00003
Age	-4.13848	0.00083
ROA	-7.07971	0.00000
DPR	-8.15612	0.00000
Market capitalization	-8.45125	0.00000
Board size	-4.44754	0.00023

Source: Study Data

Stationarity in a time series implies that the data picked for analysis has constant properties over time as far as the mean, variance and correlation are concerned meaning that a variable remains integrated of order zero and therefore inference is applicable. Table 4.6 shows that all the p values are smaller than 5% significance indicator. This indicate that the study data was stationary.

4.4 Correlation Analysis

This test assessed the existing association among the variables of the study as illustrated under table 4.7

Table 4.7: Correlations

	Share returns	**Firm size**	**Revenue growth**	**Age**	**ROA**	**DPR**	**Market capitalization**	**Board size**
Share returns	1							
Firm size	-.007	1						
Revenue growth	.207**	.000	1					
Age	.075	-.096	.061	1				
ROA	.164**	.069	.386**	.154**	1			
DPR	.175**	-.029	.193**	.150*	.407**	1		
Market capitalization	.192**	-.125*	.285**	-.016	.187**	.252**	1	
Board size	.067	.138*	.226**	-.141*	.228**	.293**	.389**	1

**. Correlation is significant at the 0.01 level (2-tailed).

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

Source: Study Data

Table 4.7 shows that firm size had a weak and negative association with share returns while revenue growth had a weak but positive association with share respectively. The results show that firm age, ROA and DPR had weak and positive correlations with share correspondingly. Finally, the correlations between market capitalization, board size were weak and positive correspondingly. The correlation results indicate that all correlations are less than 0.7 hence and signal of nonexistence of multicollinearity among variables considered by the research.

4.5 Regression Analysis

Regression assess the link between share returns the study's independent variables. Regression results were as follows

4.5.1 Model Summary

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.286[a]	.082	.058	.430419

a. Predictors: (Constant), Board size, Firm size, Age, Revenue growth, DPR, Market capitalization, ROA

b. Dependent Variable: Share returns

Source: Study Data

Table 4.8 designates that the R squared value was 0.082 thus an indication that the explanatory variables comprising of Board size, firm size, age, revenue growth, DPR, market capitalization and ROA accounts for 8.2% of the variation in share returns. Thus, 91.8% of the variation is accounted for by other determinants which the study did not incorporate.

4.5.2 Analysis of Variance

Table 4.9: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.557	7	.651	3.519	.001[b]
	Residual	51.317	277	.185		
	Total	55.874	284			

a. Dependent Variable: Share returns

b. Predictors: (Constant), Board size, Firm size, Age, Revenue growth, DPR, Market capitalization, ROA

Source: Study Data

Table 4.9 specifies that the F value of 3.519 was significant at 95% confidence level. This is showed by a P value of 0.001<0.05 thus indicating that the regression equation is fit and a good predictor of the study relationships.

4.5.3 Regression Coefficients

Table 4.10: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.406	.247		-1.644	.101
	Firm size	.050	.012	.023	4.167	.000
	Revenue growth	.247	.115	.139	2.148	.032
	Age	.002	.010	.040	.200	.911
	ROA	.178	.026	.046	6.846	.000
	DPR	.170	.106	.106	1.604	.110
	Market capitalization	.015	.007	.144	2.143	.029
	Board size	-.011	.013	-.060	-.846	.370

a. Dependent Variable: Share returns

b. Regression model: Y=-0.406+0.05X1+0.247X2+0.178X3+0.15X6

Source: Study Data

Table 4.10 illustrates that firm size had a positive (B=0.050) and significant (P value=0.000<0.05) link with share returns whilst revenue growth had a positive (B=0.247) and significant (P-value=0.032<0.05) relation with share returns respectively. The findings also indicate that firm age had insignificant (P-value=0.911>0.05) but a positive (B = 0.002) relation with share returns while profitability (ROA) had a significant and positive relation with share returns respectively. The finding further indicate a positive (B=0.170) and insignificant (P-value=0.110>0.05) association between DPR and stock returns whereas the relation between market capitalization and share returns was positive (B=0.015) and significant (P-value=0.029<0.05) while board size had a negative (B=-0.011) and insignificant (P-value=0.370>0.05) association with share price correspondingly.

4.6 Interpretation of the Findings

The results document a positive as well as a significant link between entity size and share returns. This is indicates that a significant relation exists between entity size and equity returns thus a unit increase in firm size positively increases share returns of NSE quoted corporations. A paper by Njogu (2017) documented that firm size and liquidity had a significantly and directly impacted share prices while Kaguri (2013) found that entity size significantly affected share performance. Tudor (2010) established that entity size was the utmost significant factor in determining equity returns variability. However, Wangige (2016) documented an insignificant association between firm size, ownership structure and liquidity.

Secondly, the study found that revenue growth had a direct and significant relation with share returns. The finding thus indicates that revenue growth significantly affects the listed

firms share returns and a unit increase in revenue growth significantly affects equity yields of NSE quoted corporations. In their study, Shuaibu, Ali and Amin (2019) revealed that entity growth and size positively affected corporate value while Kaguri (2013) revealed that revenue growth and diversification significantly affected share performance. Banchuenvijit (2016) also revealed that revenue growth positively and significantly affected prices of shares.

Third, the results documented that entity age had insignificant and a positive relation with share returns. This indicates that firm age insignificantly impacts stock returns thus a unit increase in firm age does not influence equity yields of NSE quoted corporations. However, a study by Akwe and Garba (2019) found a direct effect between entity size, firm age and equity yields. In addition, Kaguri (2013) revealed that age and liquidity significantly affected share performance.

Fourth, the results documented that profitability significantly and positively impacted share returns. This means that profitability significantly affects shares returns and a unit increase in profit levels positively affects the equity returns of NSE quoted corporations. A study by Öztürk and Karabulut (2018) documented that EPS and NPM significantly affect equity yields and concluded that shares with a high EPS and profitability margins produce greater returns. Al-Lozi and Obeidat (2016) also revealed that profitability ratios significantly influence equity returns.

Further, the study documented a positive and insignificant link of DPR and equity yields. This illustrates that dividend payout insignificantly affects equity returns thus a unit increase in payout does not influence equity returns of NSE quoted corporations. However, Njogu (2017) documented that dividend payment had a significantly and directly impacted

share prices while Wijaya (2015) revealed that dividend payout significantly influenced the entities equities yields. Gautam (2017) also found that dividend yield and payout significantly affected share returns.

Additionally, the study documented that the link between market capitalization and share returns was positive and significant. This finding indicates that market capitalization (stock liquidity) significantly affects share returns and a unit increase in stock liquidity positively enhances equity yields of NSE quoted corporations. A study by Ping and Kwai (2016) documented that market/book ratio, price/sales ratio and market capitalization significantly affected equity yields. Fauzi and Wahyudi (2016) revealed that high risk, highly capitalized and volatility stocks significantly affected value of stock.

Finally, the study documented that board size negatively and insignificantly affected equity returns. The finding thus indicates that board size does not have a significant relation with equity yields of NSE quoted corporations. A study by Oroud (2019) supported that the board features, which included its size, independence frequency and financial knowledge had a strong influence on equity yields.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter entails a summary of the study findings, conclusions as well as the study recommendations. The section highlights the study limitations and parts that require additional research.

5.2 Summary of Findings

This study intended at determining how firm characteristics impacts on equity returns of companies quoted at NSE. The efficient market hypothesis, the market power hypothesis and the resource-based model were adopted as the main theories for this study. To realize the study goals, a descriptive research design was employed and population consisted of the 64 corporations at NSE. Data for the research was secondary in nature and was gathered via a data collection sheet for a 5 years period ranging from 2014 to 2018. Descriptive statistical tools were adopted to summarize data and the regression model, which used to assess the link between the response and explanatory variables. Complete data was obtained from 57 companies thus an 89.1% response rate.

Descriptive results revealed that the mean value for share returns was -0.07745 with a minimum while the average value of firm size was 15.9833 whilst the mean value for revenue growth was -0.00752 correspondingly. The study documented that the average value for age of the entities was 60.26 while the average ROA was 0.02282 whereas the average value for dividend payout (DPR) was 0.25752 respectively. Based on the findings,

the average value for market capitalization was 18.2077 while the average value for board size was 8.91 respectively.

Correlation results documented that firm size a weak and negative association on share returns while revenue growth had a weak but positive relationship with share returns respectively. The results also revealed that firm age, ROA and DPR had weak and positive correlations with share prices respectively. Finally, the correlations between market capitalization, board size were found to be weak and positive respectively.

The regression findings revealed that firm size positively and significantly impacted share returns whilst revenue growth positively and significantly impacted share returns respectively. The results also indicate that firm age had insignificant but a positive link with share returns while profitability (ROA) had a significant and positive relation with equity returns respectively. The study also documented a positive and insignificant relation between DPR and equity returns whereas the relation between market capitalization and share returns was positive and significant while board size had a negative and insignificant linkage with equity yields respectively.

5.3 Conclusions

The study outcomes documented a positive and significant link between firm size and share returns. The study thus concludes that firm size positively and significant affects share returns for NSE quoted entities. The author also documented that revenue growth had a positive and significant relation with share returns. The researcher therefore concludes that revenue growth significantly affects share returns of NSE quoted corporations.

The study findings further documented that firm age had insignificant and a positive relation with equity yields. The author thus concludes that firm age does not significantly impact equity returns of NSE listed companies. The results also documented that profitability had a significant and positive relation with share returns. The study concludes that profitability significantly affects equity yields of the corporations quoted at NSE.

Additionally, the study documented a positive and insignificant link between DPR and stock returns. The author thus concludes that dividend payout insignificantly impacts share yields of the companies quoted at NSE. The study revealed market capitalization significantly and positively affects share returns, thus the study concludes that stock liquidity significantly affects share returns of NSE listed enterprises. Lastly, the study documented a negative and insignificant relation of board size on share returns. The study thus concludes that the size of the board insignificantly affects NSE quoted corporations equity yields.

5.4 Recommendations

The study concluded that firm size positively and significantly affects share returns of NSE listed companies. The study based on this conclusion recommends that the management of corporations quoted at NSE ought to invest more in fixed assets to growth their firms in terms of size as growth in assets positively affect share returns. In addition, entity size remains a key aspect in for assessing an enterprises profitability, given the economies of scale concept and determines the realization of stability and profitability.

The study results led to the conclusion that revenue growth significantly affects share returns of the companies quoted at NSE. Hence, the study recommends NSE quoted firms management should adopt effective strategies to enhance sales and revenue growth to

enhance the value of the firms' shares hence shares returns. In addition, firms with high growth potential effectively diversify their growth opportunities leading to superior performance that lead to greater equity returns.

The third conclusion of the study was that firm age insignificantly impacts NSE quoted corporations equity yields. The study however recommends that the boards of mature as well as the young businesses quoted at NSE should adopt policy and strategic measures on research and diversification to improve their firms' performance.

The fourth conclusion was that profitability significantly affects share returns of the companies quoted at NSE. Hence, the author recommends that the quoted firms management should ensure that they increase the profitability of their firm to enhance the value of their shares as well as share returns.

The study finding also led to the conclusion that dividend payout does not significantly affect share returns of the companies quoted at the NSE. The study thus recommend that the management of the listed firms should focus on investing decisions which would enhance the value of the firms as well as share returns as per the Modigliani And Miller (1958) theory which states that dividend decisions are irrelevant.

In addition, the researcher concluded stock liquidity significantly affects share returns of the NSE quoted entities. The author thus recommends that the NSE and the Kenyan capital markets should develop strategic policies to ensure the market is liquid as illiquidity imposes various costs on the investor and adversely affect share returns.

Lastly, the study made the conclusion that board size insignificantly impacts equity yields of NSE quoted entities. The study however recommends that listed firm should have the

appropriate board size, which is diverse in terms of independence, gender, experience, and education since the board is key in making effective and strategic decisions for any firm.

5.5 Limitations of the Study

This study concentrated on the listed corporations at NSE only hence the study did not focus on various segments at the NSE. Thus, the findings may not be generalized to the other various segments at the Kenyan securities bourse. Further, the study's context was Kenya thus the outcomes may not be generalized to other countries other than Kenya.

The study data was secondary in nature and was wholly obtained from the listed firm statements of accounts. However, secondary data is historical in nature and does not reflect the firm current and future prospects. In addition, secondary data does not capture qualitative factors and other managerial decisions by the firms' management. Further, different firms use different accounting standards which may lead to different interpretation of the calculated financial ratios.

The study further focused only on firm size, age, revenue growth and DPR as the fundamental indicators of firm characteristics thus the findings are based on the considered study variables. The paper also used the regression model and the descriptive research methods hence the findings are based on the considered methodology. The study further covered only 5 years between 2014 and 2018 thus the findings may not be generalized to the previously used periods.

5.6 Suggestions for Further Research

The study model summary established that the explanatory variables comprising of board size, firm size, age, revenue growth, DPR, market capitalization and ROA accounted for

8.2% of the variation in share returns. This indicates that there are other determinants which affect listed entities share returns. The study thus recommends a similar study which will incorporate other variables part from the one incorporated by this research.

The study also covered all entities listed at the NSE. However, entities listed at the NSE are categorized into various sector such as insurance, banking, manufacturing, energy among others. The study therefore recommends a similar study which will focus on the various segments at the NSE to determine whether firm attributes affect stock returns of different segments.

The study also focused on firm specific attribute and dis not incorporate industry, market and external factors which influence stock returns. The study thus recommend an additional research, which will combine both firm attributes, external factor as well as external factors. This will be key in determining their joint effects on share returns of listed firms.

Lastly, the study incorporated only board size and market capitalization as the only control variables. The study thus recommends a similar study which incorporates moderating and intervening variables to determine the various variables that may intervene on the relationship between firm attributes and share returns. A similar study can also be carried out using other regression model like the fixed and random effects models.

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APPENDICES

Appendix I: Data Collection Sheet

Firm _____

	2014	**2015**	**2016**	**2017**	**2018**
Total assets					
Total revenue					
Age					
Net profit					
Market capitalization					
No of board members					

Appendix II: Listed Companies

1. ARM cement
2. BOC Kenya
3. Bamburi Cement
4. Barclays Bank
5. BK Group
6. Britam Holdings
7. BAT Plc
8. Car and General
9. Carbacid Investments
10. Centum Investment
11. CIC Insurance
12. Co-operative Bank
13. Crown Paints.
14. Deacons (East Africa) Plc
15. Diamond Trust Bank
16. E.A.Cables
17. E.A.Portland Cement
18. Eaagads Ltd
19. East African Breweries
20. Equity Group
21. Eveready East Africa
22. Express
23. Flame Tree Group Holdings
24. HF Group
25. Home Afrika
26. I&M Holdings
27. Jubilee Holdings
28. Kakuzi
29. Kapchorua Tea.
30. KCB Group
31. KenGen
32. KenolKobil
33. Kenya Airways
34. Kenya Orchards
35. Kenya Power & Lighting
36. Kenya Re-Insurance
37. Kurwitu Ventures
38. Liberty Kenya Holdings
39. Limuru Tea
40. Longhorn Publishers
41. Mumias Sugar
42. Nairobi Business Ventures Ltd
43. Nairobi Securities Exchange
44. Nation Media Group
45. National Bank of Kenya
46. NIC Group
47. Olympia Capital Holdings
48. Rea Vipingo
49. Safaricom PLC
50. Sameer Africa PLC
51. Sanlam Kenya
52. Sasini Ltd
53. Scangroup
54. Stanbic Holdings Plc.
55. Standard Chartered Bank
56. Standard Group
57. Stanlib Fahari I-REIT
58. Total Kenya
59. TPS Eastern Africa (Serena)
60. Trans-Century
61. Uchumi Supermarket
62. Umeme
63. Unga Group
64. Williamson Tea