

**FINANCIAL LEVERAGE AND FINANCIAL PERFORMANCE OF FIRMS LISTED AT
NAIROBI SECURITIES EXCHANGE, KENYA**

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REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS
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DECLARATION

I hereby declare that this is my original work and has not been presented to any other university or college for an award of a certificate, diploma or degree.



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This research work has been presented for examination with my approval as the University Supervisor.



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DEDICATION

I dedicate this work to God Almighty, who is also my creator, my staunch supporter, and my wellspring of inspiration. I also give Dr. Raymond Omollo, my family, including my parents, brother, and sisters, a special thanks for being the best sources of support throughout this process. I'm grateful. There is no way to put a number on my affection for you all. God's blessings on you.

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LIST OF ABBREVIATIONS

AKI-Association of Kenya Insurers

ALBA-Aluminium Bahrain

BFM-Bahrain Flour Mills Company

BSE-Bombay Stock Exchange

CSR-Corporate Social Responsibility

DCL-Degree of Combined Leverage

DFL- Degree of Financial Leverage

DMB-Deposit Money Banks

DOL- Degree of Operating Leverage

DTS- Deposit-Taking Saccos

FE-Fixed Effect

FINLE-financial leverage

GMM-Generalized Moment Methods

ICB- Industry Classification Benchmark

ICR- Interest Cover Ratio

IRA-Insurance Regulatory Authority

LT- Long Term

MFIs-Microfinance Institutions

NACOSTI- National Commission for Science, Technology and Innovation

NPM-Net Profit Margin

NSE - Nairobi Securities Exchange

OLS - Ordinary Least Squares

POLTRY- Delmon Poltry Company

PSX -Pakistan Stock Exchange

ROA-Return on Assets

ROE-Return on Equity

SMEs-Small and Medium Enterprises

SPSS- Statistical Package for Social Science

ST- Short Term

TDER-Total Total Debt to Equity Ratio

TDR-Debt Ratio

ABSTRACT

One of key financial decisions taken by firms to address challenges associated with achieving both short and long term goals is capital structure decisions. Different inferences have been made from theories of capital structure, where Modigliani and Miller concluded that debt was irrelevant to capital structure while agency theory emphasized the significance of debt in controlling management's activities. Both theoretical and varied empirical investigations disagree on the specifics of how financial leverage affects financial performance. The purpose of this study was to determine how financial leverage affected the financial performance of companies with NSE listings. The population of the study consisted of the 63 companies listed on the NSE. Nevertheless, the researcher was successful in gathering information from 62 of the 63 businesses, for a response rate of 98.4%. One of the independent variables in the study was financial leverage, which was determined as the ratio of total debt to total assets. Financial performance was the dependent variable, and return on assets determined it. Secondary data was obtained yearly for a period of five years (January 2017 to December 2021). A descriptive cross-sectional research design was adopted for the investigation. The data analysis was carried out using the SPSS application. The relationship between the variables was established using correlation and one-way ANOVA. Finally, it is established that there is a real relationship between financial performance and leverage level. According to this study, businesses should balance the debt expenses associated with borrowing with the tax benefits of bankruptcy when determining their capital structure. The study also suggests that companies with stock listed on the NSE keep adequate levels of liquidity because its results show that business liquidity has a favorable, significant impact on financial performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

There are differences between organizations, particularly in this case regarding financial leverage and market value. The capacity of the business to fulfill its financial commitments and carry on operating both in the short and long terms is significantly influenced by financial leverage. It establishes the firm's stock market price as well as the firm's market worth. Firm's market value is an indicator of a company's performance and can be obtained through different measures, each of which is likely to give a value that differs from that obtained. According to Jameel's (2004) research, financial leverage affects a company's market value, which is in line with the conventional wisdom.

Leverage is a means through which a company can finance its assets and indicates the use of equity and debt in the acquisition of firms' resources. The trade-off theory states that a corporation can only have an ideal capital structure when the advantages of debt financing outweigh the disadvantages (Raza, 2014). It is recommended that a firm should incorporate the use of debt to maximize shareholders value attributed tax shield benefit attached on gearing, Modigliani and Miller (1963). It advocates for a cost benefit analysis with regards to the use of debt vis-a-vis equity with a view of achieving the optimal capital mix.

In Kenya, NSE companies are an integral part of the economy as they majorly contribute to the GDP. These companies spur economic growth in the country for example by creation of direct employment and payment of corporate tax. There are a total of 63 firms which are listed at the NSE from different sectors of the economy.

1.1.1 Financial Leverage

Utilizing borrowed funds to boost the possible return on an investment is a strategy for investing known as leverage (Masselin, 2021). The percentage of fixed-income instruments and preferred stock in a capitalization of the business is the exact definition of financial leverage (Adkins & Drury, 2021). The first phase in the capital decision-making process is for the management of a company to calculate how much external capital it will need to raise to operate its business, taking into account the importance of the capital structure of a business (Adkins & Drury, 2021). In order to determine the terms under which the business can raise cash after determining this amount, management must research the financial markets. The market situation may limit your ability to complete this phase, which is why it is so important.

The debt-to-equity ratio (D/E) gauges the extent of financial leverage a firm is using by comparing the proportion of its debt to equity (Adkins & Drury, 2021). It helps managers, lenders, owners, and other stakeholders of the organization comprehend the degree of risk in the capital structure. As additional leverage measurements, debt-to-EBITDA, debt-to-capital, and interest coverage ratios are widely employed to evaluate financial leverage (Abu-Alkheil, Alomari and & Set-Abouha, 2021). Businesses might use financial leverage to undertake investments that serve as an alternative to issuing shares or obtaining equity capital (Masselin, 2021). Leveraged financing, however, is most suitable for brief times when your company has a specific growth aim due to the added costs and hazards associated with piling on debt.

In general, when interest rates are historically lower, it is preferable to borrow money (Masselin, 2021). A corporation might not be able to get more liquidity or cash flow from its creditors if its debt-to-equity ratio is too high and it has a terrible quarter. By industry and by business sector,

financial leverage is used in a variety of different ways. There are numerous sectors of the economy where businesses use a lot of financial leverage.

1.1.2 Financial Performance

Profitability ratios are employed frequently in corporate finance as important indicators of a company's general effectiveness and performance (Tangen, 2003). These metrics are common financial methods for measuring performance (Tangen, 2003 and Agiomirgiannakis et al., 2006). According to theory, a number of factors could affect a company's success, including its ability to survive or grow.

Due to its description of a comparison between risk and return, valuation is a useful unit of measurement for determining a firm's value. There will be a connection between company purpose and valuation (maximizing the firm value and shareholders wealth). The valuation, or market value ratio, is composed of the Price Earnings Ratio (PER), Price/Cash Flow Ratio, and Price to Book Value Ratio (PBV). The link between share price and share earnings is measured by the price-earnings ratio. This ratio illustrates the amount of money that must be invested to equal each rupiah declared profit. Divide the share price by the share cash flow to get the price/cash flow ratio. While the price of anything in the market and its book value are shown by a ratio called the price to book value ratio.

1.1.3 Financial Leverage and Financial Performance

The market value cannot be affected by the capital structure. Choosing under extremely conservative conditions, such as ideal financial markets, consistent investor expectations, a tax-free environment, and no transaction costs. In other words, rather than the sum of shares that a firm has issued, the performance of a corporation can be determined by its market share, Modigliani and

Miller (1958). If this plan does not contain particular arbitration procedures, a creditor will purchase the securities of an undervalued company and sell the shares of the expensive company in order to obtain the same revenue streams. The price of overpriced shares reduces and the price of undervalued shares increases until all prices are equal when buyers take advantage of these arbitrage opportunities. Debt financing has the ability to improve business performance by efficiently utilizing free cash flow that the management would have otherwise wasted (Guo et al., 2021).

1.2 Problem Statement

Past studies on leverage and financial performance have shown mixed results. Some studies have shown positive relationship whereas others indicated a negative relationship thus there is no definitive results. Lack of information with respect to how these firms select their gearing levels and what factors determines their borrowing is a contributing factor to the above phenomenon. One of the key factors influencing financial leverage is firm size, Brav (2009). According to Nawazish et al (2016), debt financing is expensive and attracts interest, which is a problem for the company. That notwithstanding, debt financing has its associated benefits given that their interests are tax exempt. One big limitation of debt financing is that it's granted the first priority when payments are made (Chandrapala & Knápková, 2013).

NSE listed firms have in the past has shown significant nuances in their firm value Nuances in their leverage level is revealed by their capital structure. Financial leverage impacts firm value provided the benefits derived from asset utilization far outweighs the inherent costs.

On this subject, numerous investigations have been carried out. In Sri Lanka, the consequences of financial leverage on corporate value were examined by Gayan Abeyrathna in 2016. Muhammad (2016) used data from Pakistan's cement industry to analyze how financial leverage influences

business value. Data was used by Umar and Abdul (2020) to investigate the effect financial leverage has on the market value of certain companies listed on the Nigerian stock exchange. These studies were not conducted in Kenya, to the best of my knowledge, thus they cannot be used there.

Mbugua (2012) looked into the connection between leverage and the market-to-book value ratio in Kenya using data from businesses listed on the Nairobi Securities Exchange. Kale looked into how financial leverage affected the financial performance of non-financial businesses (2014). These two studies shed a lot of light on the topic. These studies didn't examine every company listed on the NSE, thus their findings don't apply to this investigation. Because it will focus on all NSE listed companies from all industries, this study is quite relevant. Therefore, the research objective is to explore the connection between performance and leverage of all NSE-listed companies.

1.3 Research Objectives

This study was guided by the following objective:

- To establish the influence of financial leverage on financial performance of firms listed at the Nairobi Securities Exchange, Kenya.

1.5 Value of the Study

The study's findings are most useful to NSE listed firms when it comes to controlling their financial leverage in an effort to raise the financial performance of their businesses. The study's conclusions may also be helpful to Kenyan investors since they will prevent them from judging a company's financial leverage hastily based on their impressions of its perceived value as listed on NSE. The study's conclusions could be very beneficial to foreign investors, particularly when deciding how much financial leverage to consider when buying stocks in companies listed on the NSE.

The Capital Markets Authority, the Kenyan government as a whole, and the NSE listed firms may benefit out of the study's findings informing legislation and regulations that deal with the financial leverage of those enterprises. Other East African capital market regulators may want to modify some of their rules in light of the research findings.

The research results may be used by financial consulting businesses like Ernst & Young, PWC, and Deloitte, among others, in discussions about the performance of NSE listed firms. Additionally, non-NSE listed companies may find the data helpful in directing their everyday operations. Researchers and academics should identify gaps in the study's findings and then conduct additional research on the impact of leverage on the performance of NSE listed firms.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature on leverage and business performance in organizations is reviewed in this section. The numerous theories of leverage that are pertinent to this subject are examined in the first section. Trade-off theory, Modigliani and Miller theory, agency costs theory, and pecking order theory were looked at. This will serve as the study's theoretical review. The second section looked at the factors that affect a bank's financial performance.

2.2 Theoretical Review

The agency costs theory, the pecking order theory, the trade-off theory and the Modigliani and Miller, are reviewed below.

2.2.1 Trade Off Theory

The theory is key in explaining how an organization should choose an optimal debt that that minimizes costs and maximizes shareholders wealth (Shaikh & Wang, 2010).

According to the trade-off theory, businesses with higher retained earnings have more debt because they benefit from tax breaks on interest payments (Abubakar, 2017). It is universally accepted that tax shield value cannot be settled by bankruptcy costs because they are far low, Ju, Parrino, Poteshman, & Weisbach, (2005). This theory is key in the sense that non-financial listed firms in Kenya that tend to perform poorly are associated with high leverage vis a vis compared to companies having low debt.

2.2.2 Pecking Order Theory

The theory posits that the cheapest source of finance is internal finance followed by debt and lastly external equity. It views retained earnings without floatation costs and as such, need no

unnecessary financial information disclosure (Kishore, 2009). The idea explains releasing securities to raise external finance indicates a lesser profitability to shareholders compared to what is anticipated based on asymmetric information. Investors make a sensible adjustment to the firm's discount rate since they now need a bigger return on their investment.

The issuance of equity shows a lack of confidence in the board who feels they are highly valued. A fall in share price will consequently result from issuance of equity. Even so, intangible assets will not be affected.

This theory is significant for this study because it presents an explanation as to why big organizations depend to a larger extent on internal finance for their operations whereas net debt from outside is used for financing the small deficit remaining. The theory highlights that managers prefer internal fund sources as opposed to external ones. That said, organizations prefer creating a liquid reserve for future investment financing from retained earnings.

2.2.3 Agency Costs Theory

Agency costs is the premise of this theory, which are costs brought on by differences in ownership and management as well as interest conflict between the agent and the principle. The management are the agents, whereas the stockholders are the principals. Free cash flows are one of the reasons why the owners and managers differ.

In businesses with high profitability and large cash flows, the management may abuse the high cash flow for their own personal gain, claim Berger and Patti (2002). Increased debt is a form of discipline employed in these businesses to limit the authority of managers. High levels of leverage limit the amount of money that managers can spend, make them more accountable, and ultimately drive down agency costs.

The problem is that agents might not reap the full rewards of their labor. This problem arises when the managers own a small percentage of the company. This inefficiency decreases when the managers possess a large percentage of the stock. Other issues may come up when using debt. Companies with high debt levels will have fewer investment options than companies with lower debt levels, despite the fact that using debt decreases inefficiencies by restricting the managers' use of funds (Brigham & Houston, 2005). According to the agency cost hypothesis, leveraged businesses are better for owners since debt may be used to evaluate managers. High leverage lowers agency expenses, decreases inefficiencies, and improves organizational performance (Akintoye, 2008).

2.2.4 Modigliani and Miller Propositions

The seminal study in Capital Structure is thought to be Franco Modigliani and Melton Miller's investigation of the capital composition of an organization. In contrast to formal statistical investigations, capital structure theories before to 1958 were primarily based on claims about investor behavior. The concerns of "Can a corporation raise its value by substituting some of its equity with debt?" and "Exactly how much debt should the firm use?" were addressed by this theory in 1958. The ideal capital market, according to Modigliani and Miller, has frictionless marketplaces with no costs associated with transactions or taxes. The writers made the case that capitalization probable earnings at a predetermined rate that is suitable for the company's risk category determines the value of every enterprise. They came to the conclusion that, in the absence of taxes, a company's capital structure has no bearing on firm value or the total cost of capital. Therefore, the firm's worth is independent of the capital structure.

Corporate taxes were added to the study by Modigliani and Miller in 1963. They contend that the introduction of taxes has a positive impact on gearing because of the tax benefits that come from deducting interest costs associated with the usage of debt from a firm's capital structure. Therefore, using debt instead of equity maximizes a company's worth. By contrasting financial performance versus capital as a function of time, the study will experimentally assess the applicability of this hypothesis.

2.3 Empirical Studies

Using information from US businesses from 1981 to 1990, Roden and Lewellen (1990) discovered a strong and favourable link between financial performance and leverage. The two basic elements of the majority of capital arrangements are debt and equity. A company's foundation is not solely made up of debt or equity, regardless of size. A corporation's capital structure is made up of a mix of debt and equity. Finding the ideal capital structure for a firm is so important. How much leverage can a company put on itself? Should a company use leverage? Its market value increases or decreases based on whether it takes on debt. The topic of capital structure has been covered in a number of works. According to Pandey (2004), who worked for Jordanian companies, firm's worth is affected by capital structure. As a result, businesses can adopt the best degree of capital structure to boost their worth. Ward and Price found that leverage considerably raises a company's market value in a study they carried out in 2006. Sharma discovered a favourable correlation between the firm's market value and leverage in 2006.

Working on the capital structure at the same time in 2007, Tian and Zeitun discovered a strong inverse association between leverage and business value. After collecting some sample data on Indian companies, Majumdar and Chhibber discovered a strong inverse link between market value and leverage. Additionally, Abor (2007) gathered information on Ghanaian publicly traded companies and discovered a strong correlation between leverage and market value. While doing research on a few listed American companies, Gill et al. (2011) discovered that debt had a detrimental impact on the profitability of American companies.

According to Odit and Gobardhun's (2011) analysis of Mauritius businesses, there is a strong positive correlation between a company's market value and its leverage. McConnell and Servaes carried out a more extensive examination of financial institutions outside the US in 1990. He got to the conclusion from his research that businesses with debt in their capital structure had a detrimental effect on financial performance.

Barkat (2014) obtained detailed financial data regarding the Saudi Arabian firms. Financial performance and leverage for Saudi Arabian enterprises are favourably associated, according to his research. Karimi (2021) conducted research to ascertain how financial leverage affects Tehran's stock market volatility propensity. The examination focused on businesses that were listed between 2011 and 2018 on the Tehran Stock Exchange. The research employed a rigorous approach to elimination. Results indicated that leverage has a substantial effect on the trajectory of stock price volatility in listed companies on the Tehran Stock Exchange. The new study tries to bridge the contextual vacuum left by the previous study, which was conducted in Tehran rather than Kenya.

The goal of the Kahihu et al. (2021) research was to investigate the connection between market risk management and the financial success of Kenyan MFIs. The study employed explanatory non-experimental research designs and the positivist school of thought. All 13 of Kenya's registered deposit-taking MFIs were the study's target population, and a census method was taken. Consequently, the study suggested that the CEO of MFIs should apply the technique of recognizing market risk variables, particularly financial leverage and foreign exchange concerns in order to put the appropriate precautions in place to limit these risks. There is a contextual gap because the study only looked at MFIs and not companies registered on the NSE.

The impact of the Degree of Operating Leverage (DOL) and Degree of Financial Leverage (DFL) on corporate profitability in Indonesia was investigated in a study by Desda et al. (2020). Consumer products companies registered on the Indonesia Stock Exchange made up the study's population. The study covered the years 2017 to 2018 for business profitability. Purposive sampling was used to choose a representative sample of 33 businesses. The study used quantitative data and the causality research methodology. The analysis concentrated on comprehensive financial reports for the years 2017 and 2018, which were available on the websites of relevant companies and the Indonesian Stock Exchange. The findings revealed that DOL and DCL had no discernible impact on changes in corporate profitability. A contextual gap exists because the investigation was conducted in Indonesia rather than Kenya. Additionally, the survey excluded other businesses by solely focusing on consumer goods companies.

Akinyi (2020) aimed to evaluate the link between financial leverage and performance in sugar businesses in Western Kenya. The trade-off theory, as well as the ROA and ROE theories, served as the study's foundation. Correlation research design was utilized in the research. The 8 sugar companies in Western Kenya that were in business during the study period were the target

population. 80 data points were obtained after pooling the businesses for ten years. The findings showed that financial performance significantly and negatively predicted by leverage. The negative coefficient showed that for every unit increase in financial leverage, there was a corresponding drop in these firms' financial performance of 0.0765, which implied that the majority of Kenyan sugar companies had borrowed funds incorporated in their financial structures above the recommended levels. Financial leverage has a statistically significant negative impact on performance, according to the study's findings. To improve their financial performance, it was advised that sugar companies should lower their leverage to appropriate levels. This study aims to close the contextual gap created by the previous study's narrow emphasis on sugar enterprises, which prevents the findings from being applied to other non-sugar firms

2.4 Conceptual Framework

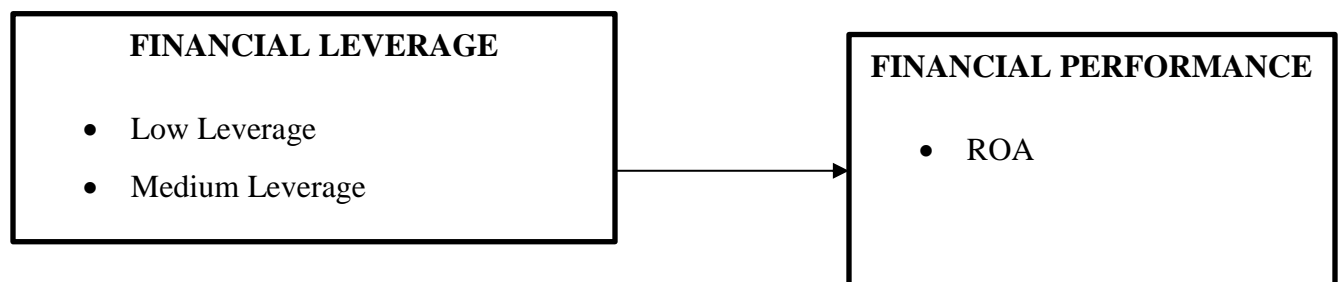


Figure 2.1: Conceptual Framework

2.5 Summary of Literature Review

The studies about the link between leverage and performance have been done in different contexts such as developed countries; most of which are not comparable to Kenya. Nevertheless,

the studies done in Kenya and Africa at large elicited mixed findings; thereby necessitating a need for more empirical studies. In addition, almost all studies analysed in the empirical review utilized different and conflicting measures of financial performance; therefore, the findings cannot be easily generalized.

A detailed analysis of the literature highlights some fundamental issues, such as whether causality can be derived from the bulk of studies' significant financial leverage and performance correlations. Does the amount of leverage affect the company's performance? Is there a higher association between Tobin's Q or EVA as a performance measure and ROA as a performance measure? To address these issues, this study intends to assess the association between varying levels of leverage and the financial performance of NSE listed firms.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The research design, target population, sampling strategies, sample size, research tools, pilot study, data collection processes, data analysis and presentation procedures, and ethical concerns are all covered in this chapter's discussion of methodology.

3.2 Research Design

According to Creswell & Creswell, it is a one-time plan that categorizes the variables, hypotheses, experiments, methods, and statistical analysis of a planned study (2018). This study

used correlational research strategy, which examines connections between two or more variables (Creswell, 2009). As a result, the researcher was able to establish facts, look into relationships, explain, inspect, and carefully analyse the data. Since it measures variables, correlational design maximizes the generalizability of instances. It was used to demonstrate the causal connection between the research variables Kombo and Tromp (2006). According to Waters (2017), a correlational study is a quantitative research method that uses many quantitative variables from the same set of participants to ascertain whether there is a link between two variables.

3.3 Target Population

Casteel and Bridier (2021), population is seen as individuals, groups, firms or other entities the researcher is interested in understanding and to which the study results can be. This study concentrated on businesses registered on the Nairobi Securities Exchange (NSE). Currently, the NSE has 63 companies listed in total.

3.5 Data Collection

The analysis used verified data available on different companies' public, audited financial reports. The balance sheet and income statements for the period of time of 2017 to 2021 were used to extract the data for the study. The websites of the relevant businesses were consulted for this information. ROA which is regarded as a reliable indicator of business performance, was used to measure financial performance instead of leverage.

3.5 Data Analysis and Presentation

ANOVA and Pearson correlation was done to determine how the variables affected the study's outcome. The association between the variables and the strength of their relationship were quantified using correlation analysis. ANOVA was used to assess if there is significant difference in the level of leverage and financial performance. Tables and figures were used to present the research findings.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This section summarizes the research's conclusions based on its goals. This chapter concentrated on the study of data gathered from annual reports of businesses. Tables for simple interpretation using descriptive statistics, correlation, and ANOVA were used in findings presentation.

4.2 Leverage level

Figure 4.1 indicates the leverage level of firms that were part of the study. Less than half of the firms were highly leveraged, 20.8% were medium leveraged and lastly 33.6% were lowly leveraged firms.

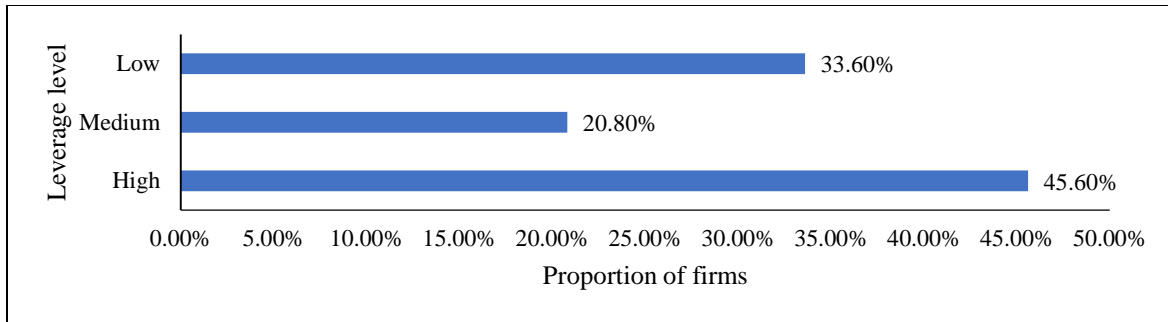


Figure 4. 1 Leverage level of firms

4.3 Descriptive statistics

Table 4.1 shows the descriptive statistics of the firms categorized into high, medium and low with respect to mean and standard deviation.

Table 4. 1 Descriptive Statistics

		Descriptive						
ROA								
		95% Confidence Interval for						
		Mean						
	N	Mean	Std. Deviation	Std. Error	Lower Bound	Upper Bound	Minimum	Maximum
High	126	.358186	.5978469	.0512649	.256800	.459572	-2.5950	3.4670
Medium	59	.746611	.7483130	.0950358	.556575	.936647	.0032	3.6355
Low	100	.603727	.5586260	.0558626	.492883	.714571	.0285	3.8730
Total	285	.521396	.6376241	.0369366	.448705	.594086	-2.5950	3.8730

Table 4. 2 Crosstabs of leverage category and sector

Table 4.2 shows how many of the firms in the different sectors are in the high, medium and low categories.

Sector		Leverage level			Total
		High	Medium	Low	
AGRICULTURAL	Count	2	0	33	35
	% within Leverage level	1.6%	0.0%	33.0%	12.3%
AUTOMOBILES AND ACCESSORIES	Count	0	5	0	5
	% within Leverage level	0.0%	8.5%	0.0%	1.8%
BANKING	Count	60	0	0	60
	% within Leverage level	47.6%	0.0%	0.0%	21.1%
COMMERCIAL & SERVICES	Count	18	16	11	45
	% within Leverage level	14.3%	27.1%	11.0%	15.8%
CONSTRUCTION & ALLIED	Count	7	7	11	25
	% within Leverage level	5.6%	11.9%	11.0%	8.8%
ENERGY & PETROLEUM	Count	11	9	0	20
	% within Leverage level	8.7%	15.3%	0.0%	7.0%
INSURANCE	Count	18	2	10	30
	% within Leverage level	14.3%	3.4%	10.0%	10.5%
INVESTMENT	Count	5	4	6	15
	% within Leverage level	4.0%	6.8%	6.0%	5.3%
MANUFACTURING & ALLIED	Count	5	10	20	35
	% within Leverage level	4.0%	16.9%	20.0%	12.3%
10.00	Count	0	1	4	5
	% within Leverage level	0.0%	1.7%	4.0%	1.8%
TELECOMMUNICATION & TECHNOLOGY	Count	0	0	5	5
	% within Leverage level	0.0%	0.0%	5.0%	1.8%
EXCHANGE TRADED FUND	Count	0	5	0	5
	% within Leverage level	0.0%	8.5%	0.0%	1.8%
Total	Count	126	59	100	285
	% within Leverage level	100.0%	100.0%	100.0%	100.0%

4.4 Normality Test

In order to assess the data's normality, the distribution's skewness and kurtosis were examined. According to the findings in Table 4.4 below, the variables' skewness values vary from -3 to +3, which is within the permissible range for normally distributed data. Kurtosis values, on the other hand, ranged from -4 to +4. This suggests that the study's variables have a normal distribution and may therefore be used for additional research.

Table 4. 3 Descriptive statistics

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROA	285	2.025	.144	9.432	.288
DEBT RATIO	285	3.289	.144	2.579	.288
Valid N (listwise)	285				

Figure 4.2 shows the normality test histogram. All the points are scattered around the centre.

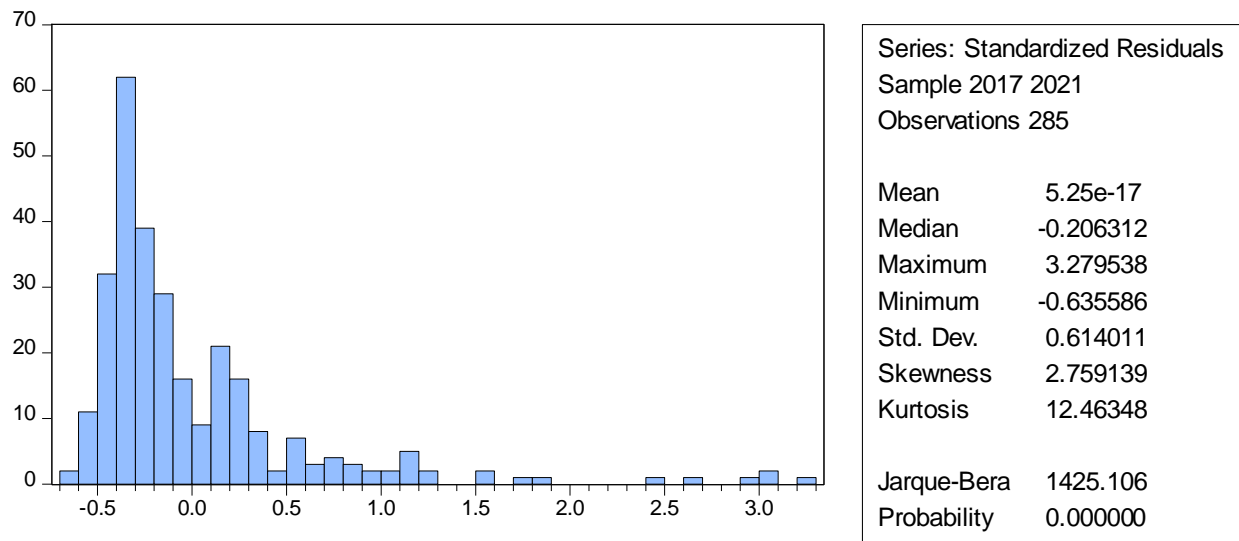


Figure 4. 2 Normality tests

4.5 Collinearity diagnostics

Variance inflation factor (VIF) and tolerance tests were run on each of the variables used to create the model in order to look for correlations with linear combinations among the predictor variables. The results table below indicate that Multicollinearity was not a concern in this investigation (Gujarati, 2007; Field, 2015).

Table 4. 4 Coefficients

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.675	.045		15.034	.000		
	DEBT RATIO	-.231	.042	-.312	-5.530	.000	1.000	1.000

a. Dependent Variable: ROA

4.6 Autocorrelation

The autocorrelation test was carried out to see whether the data and their lagged value in the time series were identical..

Table 4. 5 Model Summary

Model Summary ^b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.312 ^a	.098	.094	.6150952	1.533	

a. Predictors: (Constant), DEBT RATIO

b. Dependent Variable: ROA

Table 4.3's autocorrelation data show that because the value was within the permitted range of 1.5 to 2.5, the variable residuals were not serially correlated.

4.7 Correlation Analysis

The following correlation analysis was derived, financial leverage and financial performance correlation coefficient values were listed as below.

Table 4. 6 Correlation Analysis

		Correlations	
		ROA	DEBT RATIO
ROA	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	285	
DEBT RATIO	Pearson Correlation	-.313**	1
	Sig. (2-tailed)	.000	
	N	285	285

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

The findings established that debt ratio and return asset were weakly and negatively correlated as shown by $r = -0.313$, statistically significant $p = 0.000 < 0.05$. These findings show consistency with the findings of a study by Adenugba et al. (2016) who investigated the connection between financial leverage and firm value using a sample of companies listed on the Nigerian Stock Exchange (NSE) between 2007 and 2012. The results showed a strong association between financial leverage and firm value. These results show similarity to the findings of a study by Kahihu et al. (2021) who looked at the connection between market risk management and the financial success of Kenyan MFIs. The study employed explanatory non-experimental research designs and the positivist school of thought. All 13 of Kenya's registered deposit-taking MFIs were the study's target population, and a census method was taken. Additionally, secondary data from the yearly audited financial reports of microfinance institutions for the years 2014 to 2018 was gathered and analysed for the study. The results demonstrated that interest rates and

financial leverage risk had a favourable and significant impact on the financial performance of MFIs in Kenya.

4.8 One – Way Analysis of Variance

Descriptive Statistics

The following descriptive statistics table (table 4.3) that shows the standard deviation of ROA and mean for firms in each of the three financial leverage groups.

Table 4. 7 Descriptive Statistics

Descriptives								
ROA								
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
High	126	.358186	.5978469	.0512649	.256800	.459572	-2.5950	3.4670
Medium	59	.746611	.7483130	.0950358	.556575	.936647	.0032	3.6355
Low	100	.603727	.5586260	.0558626	.492883	.714571	.0285	3.8730
Total	285	.521396	.6376241	.0369366	.448705	.594086	-2.5950	3.8730

Table 4. 8 ANOVA

ANOVA					
ROA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.445	2	3.723	9.692	.000
Within Groups	113.304	282	.384		
Total	120.750	284			

According to the ANOVA test of significance results, there was a statistically significant difference between the relationship between financial leverage and financial performance, with $P = 0.000$. In light of this, it is determined that there is, in fact, a statistically significant association between financial success and leverage level.

Multiple Comparisons

Dependent Variable: ROA

Tukey HSD

(I) Leverage level	(J) Leverage level	Mean			95% Confidence Interval	
		Difference (I-J)	Std. Error	Sig.	Lower Bound	Upper Bound
High	Medium	-.3884253*	.0949685	.000	-.612134	-.164717
	Low	-.2455410*	.0816392	.008	-.437851	-.053231
Medium	High	.3884253*	.0949685	.000	.164717	.612134
	Low	.1428843	.1001784	.329	-.093096	.378865
Low	High	.2455410*	.0816392	.008	.053231	.437851
	Medium	-.1428843	.1001784	.329	-.378865	.093096

*. The mean difference is significant at the 0.05 level.

4.9 Discussion

This study findings concur with the findings of a study by Al-Qaisi (2010) who found a significant negative correlation between leverage and business profitability, but a positive correlation between leverage and firm size (UAE) and Odit and Gobardhun's (2011) analysis of Mauritius businesses, there is a strong positive association between a company's market value and its leverage. Further, the findings show consistency with a study McConnell and Servaes carried out a more extensive examination of financial institutions outside the US in 1990. He got to the conclusion from his research that businesses with debt in their capital structure had a detrimental effect on their market value. Still, the findings concur with the findings of a study by Karimi (2021) who conducted research to ascertain how financial leverage affects Tehran's stock

market volatility propensity. The examination focused on businesses that were listed between 2011 and 2018 on the Tehran Stock Exchange. The research employed a rigorous approach to elimination. Data research revealed that the trajectory of stock price volatility in listed companies on the Tehran Stock Exchange is significantly influenced by financial leverage capital. Adenugba et al. (2016) use a sample of companies listed on the Nigerian Stock Exchange (NSE) between 2007 and 2012 to study the relationship between financial leverage and firm value. The statistical technique known as Ordinary Least Squares was used for the data analysis and hypothesis testing. The findings show a significant impact on business value as well as a strong association between financial leverage and firm value. According to the report, when a business wants to fund long-term projects, financial leverage is a superior source of funding than equity.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

A Summary of findings, conclusion, and restrictions of the previous chapter are in this section. The section also explains the policy recommendations that policymakers can implement and ideas for additional research projects that can be useful to scholars in the future.

5.2 Summary of Findings

Examining the performance and financial leverage of Kenyan NSE listed was the aim of the study. The independent study variables were financial leverage. The study used a descriptive cross-sectional research approach. Using SPSS version 26, secondary data were extracted from annual reports of companies. 64 companies were tracked throughout a five-year period from January 2017 to December 2021, and annual data for those companies was evaluated.

According to the findings of the correlation research, there is a strong and positive association between leverage and ROA for companies listed on the NSE. ROA and leverage of companies listed on the NSE were found to be negatively correlated. Leverage and financial performance of non-financial enterprises listed on the NSE have a negative link, according to the study, which also demonstrated this relationship exists.

The link between financial leverage and financial success differed significantly, according to one-way ANOVA results. Finally, it is established a real relationship between leverage level and firm performance.

5.4 Conclusion

According to the study's findings, financial leverage of the companies is related to the financial performance of those listed on the NSE. In 63 companies listed on the NSE, financial leverage was found to be negatively but statistically insignificantly associated with financial performance. This indicates that increasing financial leverage can reduce ROA, but not significantly. This study concludes that firm size does considerably lower ROA of non-financial firms listed at the NSE since firm size had a negative and statistically significant association

with ROA of non-financial firms quoted at the NSE. The research revealed a notable variation in the link between financial leverage and financial performance

The key conclusion of the study is that financial leverage, an independent variable, has a negative connection with ROA of firms listed on the NSE. Financial leverage and financial performance had a very variable relationship. As a result, it may be concluded that the degree of leverage and financial success are actually related.

5.5 Policy Recommendations

NSE listed firms' performance was found to be significantly negatively correlated with financial leverage. Accordingly, the study suggests that businesses weigh the penalties of bankruptcy associated with borrowing with the tax benefits of debt when determining their capital structure. According to the results of this study, high levels of debt had a negative impact on the NSE listed firms' performance. As a result, business managers should keep debt levels under control to maximize shareholder wealth.

5.6 Limitations of the Study

It was challenging for the researcher to get the information. This was due to some of the requested information not being easily accessible in the financial statements. The caliber of the data was another drawback. Since it is impossible to determine whether the circumstance is legitimate, drawing conclusions from the study is an illusion. It is only presumed that the data used is accurate. Depending on the circumstances, the steps taken may continue to change from year to year. In contrast to the primary data, which is first-hand information, the study used secondary data that had already been retrieved. Due to the study's limitations, only a subset of the factors affecting the financial performance of non-financial enterprises quoted at the NSE were taken into consideration.

5.7 Suggestions for Future Studies

The study did not examine every independent factor influencing the financial success of NSE listed firms, and it suggests that more research be done to include more factors. By determining how each aspect affects the financial performance of NSE-listed companies, policymakers will be able to choose the best strategy for increasing shareholder wealth.

The latest five years were the focus of the investigation because they provided the most recent data. Future research may employ a wide time frame, such as from 2020 to the present, and can be useful to support or refute the findings of this study. The study set limits on itself by concentrating on NSE-listed companies. The study's recommendations include conducting additional research on all businesses.

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Id	COMPANY	YEAR	ROA	DEBRATIO	Leverage level
1.00	EAAGADS LIMITED	2017	0.1529	0.0783	3.00
1.00	EAAGADS LIMITED	2018	0.1008	0.0991	3.00
1.00	EAAGADS LIMITED	2019	0.1889	0.1013	3.00
1.00	EAAGADS LIMITED	2020	0.0422	0.1231	3.00

Id	COMPANY	YEAR	ROA	DEBTRATIO	Leverage level
1.00	EAAGADS LIMITED	2021	0.1311	0.0182	3.00
2.00	KAPCHORUA CO.LTD	TEA 2017	0.6683	0.3028	3.00
2.00	KAPCHORUA CO.LTD	TEA 2018	0.5962	0.3284	3.00
2.00	KAPCHORUA CO.LTD	TEA 2019	0.6404	0.2781	3.00
2.00	KAPCHORUA CO.LTD	TEA 2020	0.6128	0.2562	3.00
2.00	KAPCHORUA CO.LTD	TEA 2021	0.7137	0.2653	3.00
3.00	KAKUZI	2017	0.5237	0.2478	3.00
3.00	KAKUZI	2018	0.5674	0.2140	3.00
3.00	KAKUZI	2019	0.4658	0.1923	3.00
3.00	KAKUZI	2020	0.5565	0.1941	3.00
3.00	KAKUZI	2021	0.5169	0.1957	3.00
4.00	LIMURU TEA CO. LTD	2017	0.3068	1.2343	1.00
4.00	LIMURU TEA CO. LTD	2018	0.4055	1.2551	1.00
4.00	LIMURU TEA CO. LTD	2019	0.4239	0.1767	3.00
4.00	LIMURU TEA CO. LTD	2020	0.4572	0.1695	3.00
4.00	LIMURU TEA CO. LTD	2021	0.4385	0.1257	3.00
5.00	REA VIPINGO PLANTATIONS LIMITED	2017	0.8640	0.2141	3.00
5.00	REA VIPINGO PLANTATIONS LIMITED	2018	0.8801	0.2588	3.00
5.00	REA VIPINGO PLANTATIONS LIMITED	2019	0.6384	0.2476	3.00
5.00	REA VIPINGO PLANTATIONS LIMITED	2020	0.6150	0.2396	3.00
5.00	REA VIPINGO PLANTATIONS LIMITED	2021	0.7102	0.2883	3.00
6.00	SASINI LTD	2017	0.3428	0.1425	3.00

Id	COMPANY	YEAR	ROA	DEBTRATIO	Leverage level
6.00	SASINI LTD	2018	0.2840	0.1263	3.00
6.00	SASINI LTD	2019	0.1936	0.1219	3.00
6.00	SASINI LTD	2020	0.1126	0.1046	3.00
6.00	SASINI LTD	2021	0.1698	0.1122	3.00
7.00	WILLIAMSON KENYA LTD	TEA 2017	0.4193	0.2796	3.00
7.00	WILLIAMSON KENYA LTD	TEA 2018	0.4021	0.2363	3.00
7.00	WILLIAMSON KENYA LTD	TEA 2019	0.3844	0.2233	3.00
7.00	WILLIAMSON KENYA LTD	TEA 2020	0.4639	0.2595	3.00
7.00	WILLIAMSON KENYA LTD	TEA 2021	0.4302	0.2255	3.00
8.00	CAR & GENERAL (K) LTD	2017	1.0922	0.6377	2.00
8.00	CAR & GENERAL (K) LTD	2018	1.0330	0.6458	2.00
8.00	CAR & GENERAL (K) LTD	2019	1.0314	0.6932	2.00
8.00	CAR & GENERAL (K) LTD	2020	1.0249	0.6691	2.00
8.00	CAR & GENERAL (K) LTD	2021	1.1956	0.6640	2.00
9.00	ABSA BANK KENYA PLC	2017	0.1314	0.8374	1.00
9.00	ABSA BANK KENYA PLC	2018	0.1194	0.8640	1.00
9.00	ABSA BANK KENYA PLC	2019	0.1113	0.8792	1.00
9.00	ABSA BANK KENYA PLC	2020	0.1123	0.8775	1.00
9.00	ABSA BANK KENYA PLC	2021	0.1020	0.8684	1.00
10.00	STANBIC HOLDINGS PLC	2017	0.0656	0.8273	1.00
10.00	STANBIC HOLDINGS PLC	2018	0.0761	0.8465	1.00

Id	COMPANY	YEAR	ROA	DEBTRATIO	Leverage level
10.00	STANBIC HOLDINGS PLC	2019	0.0817	0.8385	1.00
10.00	STANBIC HOLDINGS PLC	2020	0.0708	0.8426	1.00
10.00	STANBIC HOLDINGS PLC	2021	0.0760	0.8284	1.00
11.00	I & M HOLDINGS LIMITED	2017	0.1258	0.8042	1.00
11.00	I & M HOLDINGS LIMITED	2018	0.1165	0.8237	1.00
11.00	I & M HOLDINGS LIMITED	2019	0.1125	0.8070	1.00
11.00	I & M HOLDINGS LIMITED	2020	0.1019	0.8100	1.00
11.00	I & M HOLDINGS LIMITED	2021	0.1399	0.8012	1.00
12.00	DIAMOND TRUST BANK KENYA LTD	2017	0.0710	0.8525	1.00
12.00	DIAMOND TRUST BANK KENYA LTD	2018	0.0693	0.8440	1.00
12.00	DIAMOND TRUST BANK KENYA LTD	2019	0.0662	0.8330	1.00
12.00	DIAMOND TRUST BANK KENYA LTD	2020	0.0592	0.8393	1.00
12.00	DIAMOND TRUST BANK KENYA LTD	2021	0.0600	0.8368	1.00
13.00	HF GROUP LIMITED	2017	0.1256	0.8305	1.00
13.00	HF GROUP LIMITED	2018	0.1175	0.8288	1.00
13.00	HF GROUP LIMITED	2019	0.1155	0.8186	1.00
13.00	HF GROUP LIMITED	2020	0.0862	0.8456	1.00
13.00	HF GROUP LIMITED	2021	0.0844	0.8494	1.00
14.00	KCB GROUP LIMITED	2017	0.1241	0.8362	1.00
14.00	KCB GROUP LIMITED	2018	0.1250	0.8409	1.00
14.00	KCB GROUP LIMITED	2019	0.1141	0.8557	1.00
14.00	KCB GROUP LIMITED	2020	0.1476	0.8559	1.00
14.00	KCB GROUP LIMITED	2021	0.1174	0.8478	1.00

Id	COMPANY	YEAR	ROA	DEBTRATIO	Leverage level
15.00	NATIONAL BANK OF KENYA LIMITED	2017	0.1128	0.9342	1.00
15.00	NATIONAL BANK OF KENYA LIMITED	2018	0.0950	0.9393	1.00
15.00	NATIONAL BANK OF KENYA LIMITED	2019	0.0990	0.8956	1.00
15.00	NATIONAL BANK OF KENYA LIMITED	2020	0.0915	0.9059	1.00
15.00	NATIONAL BANK OF KENYA LIMITED	2021	0.0973	0.8873	1.00
16.00	NCBA GROUP PLC	2017	0.1695	0.8317	1.00
16.00	NCBA GROUP PLC	2018	0.1976	0.8752	1.00
16.00	NCBA GROUP PLC	2019	0.0908	0.8641	1.00
16.00	NCBA GROUP PLC	2020	0.2096	0.8626	1.00
16.00	NCBA GROUP PLC	2021	0.1161	0.8681	1.00
17.00	STANDARD CHATTERED BANK LTD	2017	0.1227	0.8403	1.00
17.00	STANDARD CHATTERED BANK LTD	2018	0.1229	0.8366	1.00
17.00	STANDARD CHATTERED BANK LTD	2019	0.1142	0.8420	1.00
17.00	STANDARD CHATTERED BANK LTD	2020	0.0984	0.8437	1.00
17.00	STANDARD CHATTERED BANK LTD	2021	0.0975	0.8411	1.00
18.00	EQUITY HOLDINGS GROUP	2017	0.1450	0.8224	1.00
18.00	EQUITY HOLDINGS GROUP	2018	0.1108	0.8344	1.00
18.00	EQUITY HOLDINGS GROUP	2019	0.1043	0.8341	1.00
18.00	EQUITY HOLDINGS GROUP	2020	0.0868	0.8635	1.00
18.00	EQUITY HOLDINGS GROUP	2021	0.0804	0.8650	1.00

Id	COMPANY	YEAR	ROA	DEBTRATIO	Leverage level
19.00	THE COOPERATIVE BANK OF KENYA LTD	2017	0.1079	0.8196	1.00
19.00	THE COOPERATIVE BANK OF KENYA LTD	2018	0.1353	0.8278	1.00
19.00	THE COOPERATIVE BANK OF KENYA LTD	2019	0.1331	0.8231	1.00
19.00	THE COOPERATIVE BANK OF KENYA LTD	2020	0.1236	0.8286	1.00
19.00	THE COOPERATIVE BANK OF KENYA LTD	2021	0.1295	0.8263	1.00
20.00	BK GROUP PLC	2017	0.2381	0.8316	1.00
20.00	BK GROUP PLC	2018	0.1217	0.7781	1.00
20.00	BK GROUP PLC	2019	0.1226	0.7834	1.00
20.00	BK GROUP PLC	2020	0.2222	0.8012	1.00
20.00	BK GROUP PLC	2021	0.2244	0.8204	1.00
20.00	EXPRESS LIMITED	2017	0.1597	1.1867	1.00
20.00	EXPRESS LIMITED	2018	0.1033	0.7011	1.00
20.00	EXPRESS LIMITED	2019	0.0319	0.9370	1.00
20.00	EXPRESS LIMITED	2020	0.0138	0.5296	2.00
20.00	EXPRESS LIMITED	2021	0.0221	0.5642	2.00
21.00	SAMEER AFRICA PLC	2017	0.8846	0.3812	3.00
21.00	SAMEER AFRICA PLC	2018	0.8241	0.5559	2.00
21.00	SAMEER AFRICA PLC	2019	1.1646	0.9549	1.00
21.00	SAMEER AFRICA PLC	2020	0.8104	0.8905	1.00
21.00	SAMEER AFRICA PLC	2021	0.6260	0.7028	1.00
22.00	KENYA AIRWAYS LTD	2017	0.7298	1.3074	1.00
22.00	KENYA AIRWAYS LTD	2018	0.7895	1.0183	1.00
22.00	KENYA AIRWAYS LTD	2019	0.6560	1.0915	1.00
22.00	KENYA AIRWAYS LTD	2020	0.3084	1.3743	1.00
22.00	KENYA AIRWAYS LTD	2021	0.4525	1.5358	1.00
23.00	NATION MEDIA GROUP	2017	0.9668	0.2787	3.00
23.00	NATION MEDIA	2018	0.8845	0.2966	3.00

Id	COMPANY	YEAR	ROA	DEBTRATIO	Leverage level
	GROUP				
23.00	NATION GROUP	MEDIA 2019	1.3080	0.3250	3.00
23.00	NATION GROUP	MEDIA 2020	0.5936	0.3289	3.00
23.00	NATION GROUP	MEDIA 2021	0.6209	0.3607	3.00
24.00	STANDARD LTD	GROUP 2017	1.0857	0.5818	2.00
24.00	STANDARD LTD	GROUP 2018	1.0599	0.5821	2.00
24.00	STANDARD LTD	GROUP 2019	1.0045	0.6613	2.00
24.00	STANDARD LTD	GROUP 2020	0.7358	0.7239	1.00
24.00	STANDARD LTD	GROUP 2021	0.7368	0.8240	1.00
25.00	TPS EASTERN AFRICA (SERENA) LTD	2017	0.3829	0.4760	2.00
25.00	TPS EASTERN AFRICA (SERENA) LTD	2018	0.4263	0.2316	3.00
25.00	TPS EASTERN AFRICA (SERENA) LTD	2019	0.3951	0.4885	2.00
25.00	TPS EASTERN AFRICA (SERENA) LTD	2020	0.1176	0.5226	2.00
25.00	TPS EASTERN AFRICA (SERENA) LTD	2021	0.1887	0.5584	2.00
26.00	SCAN GROUP LTD	2017	0.3208	0.3485	3.00
26.00	SCAN GROUP LTD	2018	0.3347	0.4115	2.00
26.00	SCAN GROUP LTD	2019	0.2413	0.4383	2.00
26.00	SCAN GROUP LTD	2020	0.2818	0.3975	3.00
26.00	SCAN GROUP LTD	2021	0.1377	0.3956	3.00
27.00	LONGHORN PUBLISHERS PLC	2017	0.7824	0.4912	2.00
27.00	LONGHORN PUBLISHERS PLC	2018	0.7050	0.5681	2.00
27.00	LONGHORN PUBLISHERS PLC	2019	0.6827	0.5290	2.00

Id	COMPANY	YEAR	ROA	DEBTRATIO	Leverage level
27.00	LONGHORN PUBLISHERS PLC	2020	0.6348	0.7018	1.00
27.00	LONGHORN PUBLISHERS PLC	2021	0.6052	0.7426	1.00
28.00	NBV	2017	0.3257	0.6869	2.00
28.00	NBV	2018	0.2112	1.3669	1.00
28.00	NBV	2019	0.2177	1.5948	1.00
28.00	NBV	2020	-2.5950	14.1870	1.00
28.00	NBV	2021	0.7394	0.2454	3.00
29.00	BAMBURI CEMENT PLC	2017	0.8264	-0.0185	3.00
29.00	BAMBURI CEMENT PLC	2018	0.7734	-0.0412	3.00
29.00	BAMBURI CEMENT PLC	2019	0.7995	-0.0132	3.00
29.00	BAMBURI CEMENT PLC	2020	0.8154	0.0316	3.00
29.00	BAMBURI CEMENT PLC	2021	0.9262	0.0161	3.00
30.00	CROWN KENYA PLC PAINTS	2017	1.3179	0.7007	1.00
30.00	CROWN KENYA PLC PAINTS	2018	1.5998	0.8896	1.00
30.00	CROWN KENYA PLC PAINTS	2019	1.6127	0.8957	1.00
30.00	CROWN KENYA PLC PAINTS	2020	1.6887	0.6609	2.00
30.00	CROWN KENYA PLC PAINTS	2021	1.4229	0.5607	2.00
31.00	EA CABLES PLC	2017	0.3172	0.7331	1.00
31.00	EA CABLES PLC	2018	0.2670	0.7727	1.00
31.00	EA CABLES PLC	2019	0.4718	0.6606	2.00
31.00	EA CABLES PLC	2020	0.2961	0.7653	1.00
31.00	EA CABLES PLC	2021	0.3447	0.8031	1.00
32.00	EA PORTLAND CEMENT LTD	2017	0.2533	0.3826	3.00

Id	COMPANY	YEAR	ROA	DEBTRATIO	Leverage level
32.00	EA PORTLAND CEMENT LTD	2018	0.1363	0.3506	3.00
32.00	EA PORTLAND CEMENT LTD	2019	0.1249	0.4111	2.00
32.00	EA PORTLAND CEMENT LTD	2020	0.0761	0.4669	2.00
32.00	EA PORTLAND CEMENT LTD	2021	0.0829	0.3935	3.00
33.00	TOTAL KENYA LTD	2017	3.6355	0.4366	2.00
33.00	TOTAL KENYA LTD	2018	3.5032	0.4227	2.00
33.00	TOTAL KENYA LTD	2019	3.8730	0.3510	3.00
33.00	TOTAL KENYA LTD	2020	2.3090	0.3752	3.00
33.00	TOTAL KENYA LTD	2021	2.3854	0.3917	3.00
34.00	KENGEN LTD	2017	0.0968	0.5587	2.00
34.00	KENGEN LTD	2018	0.1032	0.4989	2.00
34.00	KENGEN LTD	2019	0.1019	0.5144	2.00
34.00	KENGEN LTD	2020	0.1164	0.4883	2.00
34.00	KENGEN LTD	2021	0.1070	0.5059	2.00
35.00	KPLC LTD	2017	0.3023	0.8088	1.00
35.00	KPLC LTD	2018	0.3097	0.8176	1.00
35.00	KPLC LTD	2019	0.3432	0.8286	1.00
35.00	KPLC LTD	2020	0.4252	0.8313	1.00
35.00	KPLC LTD	2021	0.3978	0.8279	1.00
36.00	UMEME LIMITED	2017	0.6449	0.7371	1.00
36.00	UMEME LIMITED	2018	0.6444	0.6699	2.00
36.00	UMEME LIMITED	2019	0.7059	0.6721	2.00
36.00	UMEME LIMITED	2020	0.6303	0.6987	2.00
36.00	UMEME LIMITED	2021	0.7596	0.6438	2.00
37.00	JUBELEE HOLDINGS LTD	2017	0.3874	0.7659	1.00
37.00	JUBELEE HOLDINGS LTD	2018	0.2830	0.7605	1.00
37.00	JUBELEE HOLDINGS LTD	2019	0.3265	0.7654	1.00

Id	COMPANY	YEAR	ROA	DEBTRATIO	Leverage level
	LTD				
37.00	JUBELEE HOLDINGS LTD	2020	0.2934	0.7564	1.00
37.00	JUBELEE HOLDINGS LTD	2021	0.2546	0.7278	1.00
38.00	SANLAM KENYA PLC	2017	0.2852	0.8641	1.00
38.00	SANLAM KENYA PLC	2018	0.2032	0.9455	1.00
38.00	SANLAM KENYA PLC	2019	0.3066	0.9403	1.00
38.00	SANLAM KENYA PLC	2020	0.6058	0.8526	1.00
38.00	SANLAM KENYA PLC	2021	0.7450	0.9719	1.00
39.00	KENYA REINSURANCE CORPORATION	2017	0.4257	0.3634	3.00
39.00	KENYA REINSURANCE CORPORATION	2018	0.4118	0.3605	3.00
39.00	KENYA REINSURANCE CORPORATION	2019	0.4392	0.3656	3.00
39.00	KENYA REINSURANCE CORPORATION	2020	0.4697	0.3539	3.00
39.00	KENYA REINSURANCE CORPORATION	2021	0.4163	0.3365	3.00
40.00	LIBERTY KENYA HOLDINGS LTD	2017	0.2792	0.7993	1.00
40.00	LIBERTY KENYA HOLDINGS LTD	2018	0.2546	0.7917	1.00
40.00	LIBERTY KENYA HOLDINGS LTD	2019	0.2901	0.7899	1.00
40.00	LIBERTY KENYA HOLDINGS LTD	2020	0.2509	0.7785	1.00
40.00	LIBERTY KENYA HOLDINGS LTD	2021	0.2697	0.7823	1.00
41.00	BRITAM HOLDINGS LTD	2017	0.2811	0.7711	1.00
41.00	BRITAM HOLDINGS LTD	2018	0.2547	0.7689	1.00

Id	COMPANY	YEAR	ROA	DEBTRATIO	Leverage level
41.00	BRITAM HOLDINGS LTD	2019	0.2910	0.7655	1.00
41.00	BRITAM HOLDINGS LTD	2020	0.6986	0.5902	2.00
41.00	BRITAM HOLDINGS LTD	2021	0.6429	0.6362	2.00
42.00	CIC INSURANCE GROUP LTD	2017	0.5849	0.7497	1.00
42.00	CIC INSURANCE GROUP LTD	2018	0.8040	0.8437	1.00
42.00	CIC INSURANCE GROUP LTD	2019	0.6816	0.8619	1.00
42.00	CIC INSURANCE GROUP LTD	2020	1.5234	0.7040	1.00
42.00	CIC INSURANCE GROUP LTD	2021	1.7605	0.7328	1.00
43.00	OLYMPIA CAPITAL HOLDINGS LTD	2017	0.3430	0.2036	3.00
43.00	OLYMPIA CAPITAL HOLDINGS LTD	2018	0.3185	0.2105	3.00
43.00	OLYMPIA CAPITAL HOLDINGS LTD	2019	0.3503	0.2109	3.00
43.00	OLYMPIA CAPITAL HOLDINGS LTD	2020	0.3496	0.2295	3.00
43.00	OLYMPIA CAPITAL HOLDINGS LTD	2021	0.3789	0.1727	3.00
44.00	CENTUM INVETSMET CO. LTD	2017	0.1370	0.2576	3.00
44.00	CENTUM INVETSMET CO. LTD	2018	0.2813	0.4714	2.00
44.00	CENTUM INVETSMET CO. LTD	2019	0.2351	0.4932	2.00
44.00	CENTUM INVETSMET CO. LTD	2020	0.2431	0.5163	2.00
44.00	CENTUM INVETSMET CO. LTD	2021	0.0843	0.5616	2.00
45.00	TRANCENTURY LTD	2017	0.2328	1.0060	1.00
45.00	TRANCENTURY LTD	2018	0.1375	1.0444	1.00
45.00	TRANCENTURY LTD	2019	0.2926	1.5486	1.00

Id	COMPANY	YEAR	ROA	DEBTRATIO	Leverage level
45.00	TRANCENTURY LTD	2020	0.1597	1.6700	1.00
45.00	TRANCENTURY LTD	2021	0.0877	1.4465	1.00
46.00	NSE	2017	0.3571	0.0457	3.00
46.00	NSE	2018	0.3526	0.0553	3.00
46.00	NSE	2019	0.3192	0.0697	3.00
46.00	NSE	2020	0.2897	0.0532	3.00
46.00	NSE	2021	0.3226	0.0583	3.00
47.00	BOC KENYA LIMITED	2017	0.4714	0.2772	3.00
47.00	BOC KENYA LIMITED	2018	0.4791	0.2906	3.00
47.00	BOC KENYA LIMITED	2019	0.5211	0.2777	3.00
47.00	BOC KENYA LIMITED	2020	0.5474	0.2306	3.00
47.00	BOC KENYA LIMITED	2021	0.7124	0.2045	3.00
48.00	BAT LIMITED	2017	3.1115	0.8872	1.00
48.00	BAT LIMITED	2018	2.9377	0.7197	1.00
48.00	BAT LIMITED	2019	3.4670	1.0549	1.00
48.00	BAT LIMITED	2020	1.7957	0.3812	3.00
48.00	BAT LIMITED	2021	1.6669	0.2988	3.00
49.00	CARBACID INVESTMENTS LIMITED	2017	0.3274	0.1158	3.00
49.00	CARBACID INVESTMENTS LIMITED	2018	0.2258	0.0970	3.00
49.00	CARBACID INVESTMENTS LIMITED	2019	0.2238	0.1074	3.00
49.00	CARBACID INVESTMENTS LIMITED	2020	0.2405	0.1036	3.00
49.00	CARBACID INVESTMENTS LIMITED	2021	0.2953	0.1099	3.00
50.00	EABL	2017	0.4603	0.0342	3.00
50.00	EABL	2018	1.0311	0.1127	3.00
50.00	EABL	2019	0.9481	0.0413	3.00

Id	COMPANY	YEAR	ROA	DEBTRATIO	Leverage level
50.00	EABL	2020	0.8525	0.1419	3.00
50.00	EABL	2021	0.8608	0.0586	3.00
51.00	UNGA GROUP PLC	2017	2.0977	0.4807	2.00
51.00	UNGA GROUP PLC	2018	2.1517	0.4353	2.00
51.00	UNGA GROUP PLC	2019	1.6913	0.4312	2.00
51.00	UNGA GROUP PLC	2020	1.4622	0.4946	2.00
51.00	UNGA GROUP PLC	2021	1.7771	0.3642	3.00
52.00	EVEREADY EA LTD	2017	1.0884	0.2890	3.00
52.00	EVEREADY EA LTD	2018	0.4728	0.2372	3.00
52.00	EVEREADY EA LTD	2019	0.8512	0.5574	2.00
52.00	EVEREADY EA LTD	2020	0.7095	1.0000	1.00
52.00	EVEREADY EA LTD	2021	0.0000	1.0000	1.00
53.00	FLAME TREE GROUP	2017	1.4554	0.5648	2.00
53.00	FLAME TREE GROUP	2018	1.3622	0.5580	2.00
53.00	FLAME TREE GROUP	2019	0.9382	0.5366	2.00
53.00	FLAME TREE GROUP	2020	1.1704	0.5642	2.00
53.00	FLAME TREE GROUP	2021	0.1769	0.5861	2.00
54.00	SAFARICOM PLC	2017	1.3428	0.3353	3.00
54.00	SAFARICOM PLC	2018	1.4098	0.2600	3.00
54.00	SAFARICOM PLC	2019	1.3147	0.2501	3.00
54.00	SAFARICOM PLC	2020	0.1248	0.3645	3.00
54.00	SAFARICOM PLC	2021	1.1543	0.4032	2.00
55.00	STANLIB FAHARI I-REIT	2017	0.1072	0.0254	3.00
55.00	STANLIB FAHARI I-REIT	2018	0.1123	0.0334	3.00
55.00	STANLIB FAHARI I-REIT	2019	0.1034	0.0297	3.00
55.00	STANLIB FAHARI I-REIT	2020	0.0973	0.0279	3.00
55.00	STANLIB FAHARI I-REIT	2021	0.0285	0.0456	3.00

Id	COMPANY	YEAR	ROA	DEBRATIO	Leverage level
56.00	NEW GOLD (RP) LIMITED ISSUER	2017	0.1179	0.4675	2.00
56.00	NEW GOLD (RP) LIMITED ISSUER	2018	0.3391	0.5647	2.00
56.00	NEW GOLD (RP) LIMITED ISSUER	2019	0.2702	0.5547	2.00
56.00	NEW GOLD (RP) LIMITED ISSUER	2020	0.2420	0.6493	2.00
56.00	NEW GOLD (RP) LIMITED ISSUER	2021	0.6492	0.6141	2.00