

**DETERMINANTS OF FINANCIAL SOUNDNESS AMONG NON-FINANCIAL COMPANIES
LISTED IN NAIROBI SECURITIES EXCHANGE, KENYA**

ROBERT GITAU MUIGAI (Corresponding Author),

PhD Candidate,

Jomo Kenyatta University of Agriculture and Technology, Kenya

E-Mail address: gitauwamuigai@yahoo.com

Co-authors

Dr. STELLA MUHANJI,

Senior Lecturer,

Kabarak University, Kenya

Dr. TABITHA NASIEKU,

Lecturer,

Jomo Kenyatta University

of Agriculture and Technology, Kenya

CITATION: Muigai., R . G. Muhanji., S. & Nasieku., T. (2015). Determinants of Financial Soundness Among Non-Financial Companies Listed in Nairobi Securities Exchange, Kenya

.
International Journal of Economics and Finance
4 (12), 1-20.

Abstract

Since independence, Kenya has witnessed many cases of corporate failure among listed companies. In addition, instances of operational but financially struggling corporations have been numerous. This has not only resulted to erosion of confidence in the capital market but has also led to loss of investors' wealth. Although subsequent investigative reports conducted by government agencies have attributed this phenomenon to a myriad of factors, the public and analysts alike have criticized the explanations as escapist, politically self-serving and not founded on scholarly underpinning. This study therefore investigated the determinants of financial soundness among non-financial companies listed in the Nairobi Securities Exchange (NSE), Kenya. The study employed quantitative research design. A census of the 40 non-financial companies listed in the Nairobi Securities Exchange, Kenya as at 31st

December 2013 was taken. The study used secondary panel data that was extracted from the published annual reports and financial statements of listed non-financial companies for the 10 years period from 2004 to 2013. The study estimated the specified the panel regression model for random effects. Feasible Generalized Least Square regression results revealed that financial leverage, sales growth, liquidity, profitability as well as retained reserves were significant determinants of financial soundness among the listed non-financial firms. However, firm size was not a critical factor in assessing financial soundness of these firms. The study therefore recommended that managers of listed non-financial companies should maintain close tabs on the significant determinants of financial soundness of their firms. In addition, government and regulators should support non-financial firms to ensure continued profitability.

Key words: *Corporate failure, Determinants, financial soundness Non-financial Companies*

[View Full Text PDF Format](#)

