

**A TEST OF RELATIONSHIP BETWEEN FIRM CHARACTERISTICS AND CAPITAL
STRUCTURE OF LISTED FIRMS AT THE NAIROBI SECURITIES EXCHANGE IN KENYA.
CASE STUDY OF NON FINANCIAL FIRMS.**

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ABSTRACT

Non-financial firms are experiencing declining performance and others have been delisted from the NSE in the last decade and shareholders of these firms are losing billions of shillings each year due to directors' failure to shop for appropriate hedging instruments because of the decline of market price of the shares. This study aimed at investigating the effect of firm characteristics on capital structure of listed firms at the Nairobi Securities Exchange a case study of non-financial firms. The study was guided by two objectives: To establish the effects of firm size on capital structure of non-financial firms at the Nairobi Securities Exchange; To investigate the effects of firm profitability on capital structure of non-financial firms at the Nairobi Securities Exchange; The study will be of significance to listed non-financial firms, policy makers, investors, consultants and entrepreneurs. The study found out that all the two variables namely firms Size, and firm profitability, had a significant positive association with firms' performance. This study used a causal research design to collect raw data and create data structures and information that allowed the researcher to model cause-and-effect relationships between two or more variables. Forty four (44) firms in Nairobi Securities Exchange formed the target population for the study. The study used data for 5 years from 2009 to 2013 from these companies. The study used primary data and secondary panel data contained in the annual reports and financial statements of listed non-financial companies. The researcher used descriptive statistics in analyzing the data.

Keywords: Capital structure; firm size; firm profitability; non-financial firms; Nairobi Securities Exchange.

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