CAPITAL STRUCTURE AND GROWTH OF CONSUMER GOODS FIRMS LISTED IN THE NAIROBI SECURITIES EXCHANGE

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DECLARATION

I understand that plagiarism is an offence and I therefore declare that this project is my original work and has not been presented to any other institution for any other award.

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DEDICATION

I dedicate this study to my family whose love for education is invaluable

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ABBREVIATIONS AND ACRONYMS

CMA	:	Capital Market Authority
DPR	:	Dividend Payout Ratio
EFT	:	Exchange Traded Funds
EPS	:	Earning per Share
GDP	:	Gross Domestic Product
IPO	:	Initial Public Offers
KSE	:	Kenya Securities Exchange
NACOSTI	:	National Commission for Science, Technology & Innovation
NSE	:	Nairobi Securities Exchange
OLS	:	Ordinary Least Square
ROA	:	Return on Asset
ROCE	:	Return on Capital Employed
ROE	:	Return on Equity
SMEs	:	Small and Medium-Sized Enterprises
SPSS	:	Statistical Package for Social Sciences
VIF	:	Variance Inflation Factor
WACC	:	Weighted Average Cost of Capital

OPERATIONALIZATION OF KEY TERMS

Accrued Debt: Refers to the total payable debt at a given time with a increase from the principal and the initial terms of interest payment (Makori, 2022).

Capital Structure: It consists of combination of debt and equity used as capital in financing business ventures (Kisilu, 2019). The funds include equity, debt and preferred stock values as indicated in the balance sheet records of the consumer goods firm.

Consumer goods firms: Are firms manufacturing products for the consumption by the average consumer.

Growth of firms: Internal expansion in the firm in lieu of meeting the objectives set (Mugisha, 2021). Growth in the consumer goods firms is a measure of return on equity.

Long term debt: Refers to debt maturing in more than one year (Lee, 2021).This study will consider the bank loans, debentures and bonds taken by the consumer goods firms listed at the NSE.

Ordinary shares: Refer to stocks sold in the stock exchange market (Kisilu, 2019). In this study, the term covers the rights and bonus issues traded by the consumer goods firms.

Retained earnings: It is the amount of funds that a firm has after paying off its operational costs, taxes and dividends to shareholding members (Mukumbi, *et al.,* 2020). This involves the retained profits against total profit and retained profits against capital

Short term debt: Are a company's financial obligation that are to be met within one year (Draief & Chouaya, 2022). They entail the deferred revenues, accrued debts and accounts payable in the consumer goods firms listed at the NSE.

ABSTRACT

The consumer goods manufacturing sector has been identified as a sector with great potential for promoting economic growth and competitiveness in Kenya. However, the sector has been experiencing fluctuations over the years under different financial conditions. Generally, the study sought to establish the effect of capital structure on the growth of consumer goods firms listed on the NSE. Specifically, it was guided by the following objectives: to determine the impact of long-term debt on the firm's growth, to evaluate the influence of short-term debt on the growth of the firm, determining how financing ordinary share affects the growth of consumer goods firms listed on the NSE, to assess the effect of retained earnings on the growth of consumer goods firms listed on the NSE. This study was guided by net income approach theory and supported by the traditional and pecking order theories. The study adopted a descriptive research design. There was use of secondary data from annual reports and statements from the assessed 12 consumer goods firms listed in the NSE from 1st January, 2018 to 31st December, 2022. The study adopted Normality, Multi-collinearity, Autocorrelation and heteroscedasticity regression tests and correlation analysis, and multiple regression model. findings were presented in tables, bar and pie charts and prose form for its discussion. The study established that long-term debt financing had the greatest significant effect on growth of consumer goods firms listed in the NSE ($\beta=0.771$, $p<0.05$) followed by short term debt financing ($\beta=0.667$, $p<0.05$), financing of ordinary shares ($\beta=0.613$, $p<0.05$) and lastly retained earnings ($\beta=0.572$, $p<0.05$) in that order. It was thus, concluded that capital structure is a significant predictor of the growth of consumer goods firms listed on the NSE. The study recommends that financing managers working with consumer goods firms listed in the NSE to ensure prudent utilization of debentures, bonds and bank loans to optimize the available growth opportunities. Senior managers working in consumer goods firms listed in the NSE should effectively leverage and utilize deferred revenues, accrued debts and accounts payable to achieve superior growth. Senior managers working in consumer goods firms listed in the NSE should capitalize on rights issue and bonus issues that should be invested in viable growth opportunities. Finance managers working with consumer goods firms listed in the NSE should balance between current and non-current assets for optimal asset tangibility.

CHAPTER ONE

1.0 INTRODUCTION

The chapter provides a background of the study by introducing variables on capital structure and growth of firms. It has sections on the problem statement, objectives and research questions. There is a discussion on the significance of the study to different stakeholders, the limitations and scope of the study. These sections are covered in the first chapter of the study.

1.1 Background to the Study

The most crucial area of the firm is financing. Finance managers are mostly concerned with growth as a means of sustaining operations in the long run. Mugisha (2021) shared that firm growth is a sign of the effectiveness of the management, prudent use of organizational resources and positive performance outcomes. The growth of firms can be in two aspects either the market to book ratio or tangibility of assets. As the market and economic conditions improve, Torres, Silva and Augusto (2024) noted that low-growth firms issue more of debt than equity, whereas high-growth firms issue equities as opposed to debt. This brings about the concept of capital structure, as the combination of financial instruments such as a mix of debt and equity as any decisions on this matter affects the growth of the firm, therefore appropriate decision should be taken in consideration as far as the capital structure is concerned (Nderitu, Njeru & Waiganjo, 2022). Thus, the study's aim is evaluation on the effect of capital structure (independent variable), and growth of consumer goods firms listed in Nairobi securities exchange (dependent variable).

Growth of consumer goods firm is defined as expansion of business operations resulting in increased earnings and revenues (Momanyi, 2018). The growth is measured using several dimensions namely revenue growth from more sales revenue, gaining on the market share, diversification and new product development and increasing in customer numbers, customer base and loyalty from the customers for repeat purchases. According Angelina (2019) the growth in the consumer goods must be measured on a regular basis to inform the decision-making process for sustaining operations for long. The growth shows how

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much profits or losses the consumer goods firms have made within a stipulated period of time. Niar (2019) shared that growth is often measured using financial metrics including profit margin, returns on assets, return on investment, earnings and sales revenues. In this study, the growth of consumer goods firms listed at the NSE was measured in terms of returns on equity.

One component that influences growth of the firms, Niar (2019) stated is the access to financial resources and specifically the capital structure. A company's capital structure is the combination of debt and equity used to fund its operations (Kisilu, 2019). Managers are concerned with choosing the optimal finance mix or capital structure for their company while making capital structure decisions. Capital structure is a mixture of debt and equity and used to finance growth, the assets and operations. The sources of capital are also different including shareholders' fund from equity and borrowing of funds for debt. The equity and debt affect the risks, the cost of capital and returns made from the investment. Makori (2022) shared that capital structure has the component of equity capital, debt capital and a hybrid of the two. Equity capital is made up of common stocks, preferred stock and retained, debt capital is made up of short-term, long-term and convertible debt and hybrid capital instruments has both debt and equity. This study assessed capital structure as short-term debt, long-term debt, financing of ordinary shares and retained earnings.

Long-term debt financing is financial debt arrangements that have maturities for longer than one year (Antoro, Sanusi & Asih, 2020). Business executives who use debt in financing different ventures, prefer long-term debt because it has the benefit of prolonged enjoyment of direct benefits. According to Jibrin, Abubakar and Abubakar (2024), some examples of long-term debt include bonds, bank loans and debentures. Since long-term debt operates on periodic payment of debt servicing charges and principal amount to creditors the managers of the entity are cautious and seek to avoid inefficient decisions that negatively affect profitability of firms. In the perspective of Aruna, Orji-Okafor and Amahalu (2024) use of long-term debt may actually help lower a company's total cost of capital and hence, increase investment growth. This is made possible, because the company does not need to pay the lenders anything above the borrowing interest rate; such a scenario

drives profitability upwards. Therefore, growth of consumer goods firms can be done by management use of long-term debt including debentures, bonds and bank loans.

The term short-term debt financing is defined as debts owed to a firm whose repayment period is within a year (Draief & Chouaya, 2022). The term short-term debt is also referred to as current liabilities because they must be paid within the next 12-months of the current fiscal year. Chen and Sun (2023) noticed a trend where enterprises in China were shifting from long-term to short-term debt in financing the expansion of operations. Thus, there has been long term use of short-term debt financing, a concept referred to as financialization. It was noted that rising financing costs and increased financing constraints exacerbate the impact of financialization on long-term use of short-term debt. Short-term debt financing was commonly used in firms that have smaller size, shorter operating horizons, and higher operational risks (Moise, 2023). The advantages of using short-term debt for financing business ventures include loan application process is simpler and hence receiving the loan is faster. However, the interest rates charged are higher which can have negative effects on profit and returns. The conceptualization of short-term debt financing in this study was based on deferring revenues, accrued debts and accounts payable.

The financing of ordinary shares is done through the use of common stock/equity/shares and sold to the public in exchange for funds that are used as an investment in the firm (Mehar, 2023). Each share of the stock represents an ownership stake in the company, and the shareholders are entitled to a single vote during the company's shareholders' meetings. The shareholders enjoy a voting right and receive dividends when profits are distributed at the end of the financial year. Kasee (2023) stated that using ordinary shares have 'per value' or face value that is set at few pennies per share. The market forces help in determining the market price and dictate the dividends issued to the shareholders. Through use of the common shares, the capital gains and ordinary dividends, has proven to be a great source of returns for investors, on average and over time. Therefore, in seeking for growth of consumer goods firm, the financing using of ordinary shares including rights issues and bonus issues, which gives the firms funds to investment in new product line, expansion and entry into new markets.

Retained earnings is defined as the profits that a company has reinvested in the business rather than paid out as dividends (Mehar, 2023). The retained earnings are an important source of equity capital that is used for funding an expansion or paying dividends to shareholders at a later date. Rosana (2024) shares about retaining earnings to business analysts there maybe little or no value and not provide meaningful insight. But investors may want to see the trend over a five-year or more period and therefore inform their decision to invest or not in a particular firm. Additionally, investors may prefer to see larger dividends rather than significant annual increases to retained earnings. Kasee (2023) the retained earnings are not assets but can be used to purchase assets including equipment. The more a company has in retaining its earnings, the better positioned to acquire advanced technologies and new assets. In seeking to increase the capital portfolio of the consumer goods, the management can retain earnings and use in future to pay more dividends to the shares or investment for better earnings in future. The retained earnings took the components of retained profits to total profits or retaining profits to capital invested.

In general, the concerns and decisions about the policy on capital structure has long been a subject of debate amongst scholars and practitioners and still remains a contentious issue. According to the conventional understanding of capital structure, there is an ideal ratio of debt to equity at which a firm's value is maximized, and this leads to a U-shaped weighted average cost of capital. A company's choice of capital structure determines the proportion of debt to equity it utilizes to finance its operations (Mugisha, 2021). Since Modigliani and Miller demonstrated in 1958 that a firm's capital structure decision is meaningless in the presence of seamless markets and uniform expectations, capital structure has been a significant topic in the field of financial economics. Thus, Isik (2017) pointed out that choosing the appropriate capital structure is the issue that businesses must decide on. Considering that the choice has an impact, it is essential in the decision-making process when seeking to improve financial growth. A company's capital structure is often the particular ratio of debt to equity that the company utilizes to fund its operations (Wambua, 2019). When shareholders invest in a corporation, their primary goal is to get richer. Accordingly, the metrics used to gauge the business's growth must demonstrate the extent

to which the investment has increased shareholder wealth over a given period of time (Muthoni, 2019).

Capital structure is defined by Kisilu (2019) is a combination of varying extents of debt, stocks and equity that forms the long-term financing for the firm. The researcher further noted that many firms mostly use debt and equity in its capital structure financing, and, this view is also shared by several scholars such as Mugisha (2021), Ater (2021) and Makori (2022) thus recognizing the significance of capital structure as a component of firm value. Several number of schools of thought that have tried to argue on the influence of capital structure, including the MM Model of 1958, Pecking order theory of 1961 by Donaldson, Trade off theory of 1973 by Kraus and Litzenberger, Agency theory of 1976 by Jensen and Merckling, Net Income Approach by Durand 1952 and Traditional Theory by Ezta and Weston 1950s. based on the theoretical perspective, the study adopted return on assets (ROA) based on revenue earnings and total assets to operationalize the measurement for firms' growth. The adopted indicators were used to assess and establish the correlation between capital structure and the firms' growth.

1.1.1 Capital Structure

Capital structure is an important component in the growth, success and sustaining operations for long. The capital structure, as shared by Czerwonka and Jaworski (2021) is affected by the cost of capital, the tolerance levels for risk, market conditions and tax policies. The researchers while covering the small and medium-sized enterprises in Central and Eastern Europe, found that choice of capital structure is influenced by leverage and debt levels of the enterprises. The firms with low leverage levels (comparing loan/debt capital and equity/ordinary shares, informed the management to either choose equity or debt financing. Fredriksson and Hansson (2024) argues that tangibility, profitability, and non-debt tax shield are crucial aspects in capital structure for the Swedish industrial firms. In Jordan, family-owned businesses used equity to finance their operations, the choice was informed by tax policies and practices. Al-Haddad, Saidat, Seaman and Gerged (2024) that equity financing was suitable for the family-owned businesses and contributed to their success and longevity. Confirming that capital structure-related decisions are essential to a

firm's performance. Focusing on the U.S. food processing industry, Chaddad and Mondelli (2013) examined how capital structure choices affected firm performance. They found that higher leverage was associated with better performance up to an optimal point, after which additional debt negatively impacted performance. This suggests a non-linear relationship between capital structure and growth in the local U.S. market.

On the regional perspective, Sibindi (2020) noted that capital structure has been a subject of debate for a number of decades. Within the retail industry in South Africa, it was found that debt had negative effect with financial performance. This aligned with pecking order theory and infers that profitability of retail firms in South Africa is not a function of how much debt firms have accumulated. Additionally, Obadire, Moyo and Munzhelele (2023) stated the bank's financing decisions, also referred to as capital structure, have remained a puzzle for decades, leaving those charged with the responsibility of directing and controlling the banks in a state of dilemma. Based on the Nigerian background, the study confirms that capital structure is of importance for the profitability and growth of firms. The financial services firms and banks face several challenges in choosing between different financing options, such as debt and equity. In addition, Ganiyu, Adelopo, Rodionova and Samuel (2019) confirmed that choosing the optimal capital structure is essential for the operational efficiency, success and resilience in the firms.

In Kenya, the discussion on capital structure is anchored on value placed on outcomes. Ongombe and Mungai (2018) posited that financial capital structure as viewed as how companies fund assets, which can be either through used borrowed funds or equity or a combination of the two. In general, the concept is based on a blend of debt capital or shareholders equity that are combined to make the full amount needed as capital. All decisions about the capital decisions is important since it affects financial performance outcomes in the organization (Shikumo, Oluoch & Wepukhulu, 2023). The capital structure decisions affect many aspects of a company including the productivity, decision making and elements of efficiency on operations. Oanda (2021) argues that raising funds and decisions on which financing options to use are key in funding operations. The decisions made on choice of funds are also informed by policy either at a general level or

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sector specific. In addition, these decisions are part of the modern corporate management that contributes to successes and growth of companies.

Since Modigliani and Miller demonstrated in 1958 that a firm's choice of capital structure is meaningless in the presence of uniform expectations and frictionless markets, capital structure has been a central concern in the field of financial economics. Theories aim to ascertain the existence of an ideal capital structure and, if it does, its potential determinants, by easing the assumptions and examining their implications. According to Ater (2021), capital structure may have two implications. First, firms in the same risk class may have higher capital costs when they use more leverage. Second, a company's capital structure may have an impact on its valuation. More leveraged companies are considered riskier and are therefore valued at a lower level than less leveraged companies.

If the primary goal of a company's manager is to maximize shareholder wealth, capital structure is a crucial choice. Makori (2022) pointed out that it might result in the best possible financing combination that optimizes the firm's market price per share. The two main categories of liabilities are debt and equity, which correspond to the two different kinds of investors in the company: debt holders and equity holders. These are all linked to varying degrees of control, benefit, and risk. Debt holders have less influence over their investments, but they also receive a guaranteed rate of return and are safeguarded by contractual obligations. The remaining claimants are called equity holders, because they face the majority of the risk and have more decision-making authority (Draief & Chouaya, 2022). Any business organization must make a crucial choice regarding its capital structure. There are many chances for managers to use their judgment when it comes to capital structure choices. In organizations where managers make corporate decisions and shares of the company are closely held, the capital structure used may not be intended to maximize the firm's value but rather to protect the manager's interest (Mukumbi, Eugine & Jinghong, 2020).

This form of funding (long term debt) has been defined by Antoro, Sanusi and Asih (2020) as an arrangement with a more than one-year repayment period. This form of arrangement

is normally used to acquire goods that their useful period is for a long period and thus, allow business entities continue enjoying direct benefits for an extended time period. These debts can be categorized as bonds, bank loans and debenture. Bonds are treasury, municipal and corporate. Treasuries are government loan instruments, they may be both short term and long term, the long term are those that maturity period is over one year are considered to be long term. Debentures are a type of bond or unsecured debt instrument that lacks any collateral. Issuance of debentures is dependent on the credit worthiness and sound reputation of the borrower. Business entities and even governments issue debentures as a means of raising funds, as put forward by Achieng, Muturi and Wanjare (2018).

When it comes to corporate bonds, the defaulting risks are higher as compared to treasury and government bond. Just like corporations are rated as a means of providing transparency on risks by the rating agencies, the bonds are also rated based on risks associated with each. The ratings are largely based on solvency ratios in giving the ratings for the enterprise (Aziz, 2019). These corporate bonds are commonly used as long-term debt investment with different maturity dates. All corporate bonds with maturities greater than one year are considered long-term debt investments. While those corporate bonds that mature within a year are categorized as short-term debt investment. The choice of whether to use long-term or short-term debt investment depends on the available sources to the corporate; the assessment made by the finance managers and needs of the corporate (Lee, 2021).

Apart from financing fixed asset this form can be used to obtain loan, which is involves an agreement with a repayment schedule to clear the debt and it must have an attached security (Mukumbi, *et al.,* 2020). The business makes payment according to the schedule during the lifetime of the loan, this in order to ensure that the loan totally settled at the maturity date of the loan, incrementally clearing the principal amount and accrued interest due. In practice, the loan duration must not exceed life expectancy of the equipment. Additionally, most of the advanced loans are able to help clear the debt from the revenue generated, which allows the borrower to clear part of the entire advanced loan facility. Makori (2022) further argues that loans as a mode of financing is relatively cheaper in comparison to other financing forms since the existence of a tax shield due to interest; this mode is considered

to be less risky as the creditors or bondholder expect lower return. Long thus creating room for a good debt equity mix in the capital structure, the existence of fixed interest is more advantageous to the company since its liability is known and predictable term debt financing is more flexible the borrower has an ability to go whatever amount they want, it's a more preferable to short term debt as it provide business and individual with more stable debt management instruments.

This study shall involve the return on asset as a measure of the long-term debt and its ratio to total assets shall be considered. Deferring revenue is deemed a liability to the balance sheet of the firm, since it is taken as prepayments made to customers for undelivered goods; since form of revenue is considered as the revenue earned therefore the firm can consider this as a means of gearing (Achieng, *et al.,* 2018). Alternatively, the accrued debt is the total payable debt at a given time, and calculated as the principal amount together with the initial interest. It references the amount due after the borrower has paid the interest of the loan amount only. Kerim, Alaji and Innocent (2019) defines accounts payable as outstanding invoices occurred because of acquiring "good or services" from creditors. According to Antoro, *et al.* (2020) account payable occurs because an organizationprocures goods and services from supplies without immediate payments.

Under short-term debt financing, the general consensus is that it's main goal of this form of financing is to keep the amount of interest and penalties accrued on those debts as low as possible, thereby ultimately releasing stress from business cash flows. According to Draief and Chouaya (2022) most firm prefer the use of business line of credit with local financing institution arrangement while financing their operations with short-term debts, thus making it possible to use that credit line to settle all short-term expenses before they attract interest and penalties. This mode of funding is preferred to long term debt due to the following bases, its interest is relatively cheaper, it is less risky compared to the long- term as the maturity date is shorter, the process of acquiring this loan is not involving therefore it is easier to acquire.

This mode of funding however, faces the following drawbacks, there is always an existence perception of poor financial health , therefore wooing a creditor or lender becomes very hard since you need to convince them that your financial status is not wantingby issuing a two year financial statement Lee (2021), there is an effect of negative credit risk assessment which negatively affects the credit rating, since short term debt are meantto meet short term objectives, there is a possibility that the business that wholly rely on short term loan may fail to have long term goals thus risking the future of the company. This study shall adopt quick ratio as a measure of the short-term debt.

1.1.2 Organizational Growth

Growth has been the point of focus for several decades with many researchers associating growth with entrepreneurship (Momanyi, 2018). Furthermore, Angelina (2019) noted that growth is a key aspect in entrepreneurship and forming one-part of the eight themes linked to the concept of entrepreneurship. Using growth as a measurement indicator in firms imply that the term growth is synonymous with sustaining competitive edge and high profitability. It is also associated with expanded business operations, command of a bigger market share and opening up of extra branch network. Growth of enterprises and organization is also associated with sustainability of operations in the long-term (Chabachib, Hersugondo, Septiviardi & Pamungkas, 2020).

Firm growth as shared by Hamidah, Sundarta and Syukur (2023) it Is measured as asset growth, company size, profit earnings and expanded market share. Other measurement indicators include sales revenues, sales volume and returns are the most direct measure of growth of firms. Additionally, Machado, Saraiva and Vieira (2021) assessed the finance - growth nexus, sharing finances contributed to growth up to a certain threshold and thereafter it becomes detrimental to growth and the developing of the nations within the Sub-Saharan region. Therefore, the management of firms must carefully consider the capital structure as to inform the growth strategy and growth of the firm. Kamau, Mogwambo and Muya (2018) argues that measure of financial performance outcomes using financial indicators of ROA and ROE. The growth was based on capital structure since it informed on decisions made on optimal mix of debt and equity. This infers that

capital structure and decisions on funding sources is one of the contributing factors to growth of firms.

Growth can be measured by various tools or indicator such as number of employees, cash flow, profit realized and revenue (Niar, 2019). For this study, revenue was used as a tool to measure the growth of the firm. Linking growth to capital structure is integral since past reviewed literature shows no form of agreement on the relationship between the two variables. Many firms use growth as a measure of firms' sustainability bit some researchers indicate that growth is multi-dimensional and it may cover financial growth and growth in general. There is also an argument that growth can be in terms of age, the size and industry growth (Chabachib, *et al.,* 2020). Firm growth, as pointed out by Momanyi (2018) is not static and its consideration must cover variations over time. All the same, it is important to investigate the dynamism in the context of growth, as such this study's primary focus is on investigating the empirical nature of the relationship of capital structure and its influence on growth of the consumer goods firms listed in Nairobi securities exchange.

1.1.3 Nairobi Securities Exchange

The Nairobi Securities Exchange (NSE) is a body corporate established in the Companies Act (CAP 486) of the Kenyan law and comprises of all licensed stock brokers. The NSE was privatized in 1988 when government of Kenya sold 20% of its holdings. The NSE market is structured in a manner that its operations are carried out through Central Depository & Settlement Corporation. Capital Markets Authority (CMA)in Kenya is the main regulator of all firms listed where the regulator ensures compliance of the listed companies (NSE, 2018). The NSE comprises of 63 companies that are listed and the firms are grouped into 11 sectors including the utilities and consumer goods, oil and gas, telecommunication, banking, insurance and financial services, agriculture and manufacturing and allied sectors.

The growth of the NSE has seen an increase product such as Exchange Traded Funds (ETFs), financial and commodity derivatives and carbon credits. NSE contributes to economic development of the country and as such, its focus is to attract local and foreign

investors, while the investors seek to increase their wealth portfolio (Chepkwony, 2018). This study population will cover the 12 consumer goods firms that are listed at the NSE, as a means of gathering data that can be generalized across the entire list of firms listed at the NSE.

Capital structure is important to investors as they seek to grow their equity (Mudeizi, 2017). Thus, the need to assess the different capital structures formations and their returns in terms of earnings for the investors and shareholders. As an overall rule, there should be a balance between debt and equity capital in funding the investments of organizations. Therefore, the study sought to assess how capital structure affects firm growth.

1.2 Statement of the Problem

The development of a country's economy relies on saving and investment, hence the need to consider cost-effective capital (Harelimana, 2017). Firms set operations for purposes of value creation and profit maximization for the shareholder, but there has been a number of firms facing financial challenges and experiencing declining growth. Shikumo, Oluoch and Wepukhulu (2020) revealed that poor performance and reducing growth level act as deterrence for investors. Some Kenyan firms have had financial crises such as Mumias Sugar, Uchumi Supermarkets and Kenya Airways resulting in declined performance and dropping of share prices. When it comes to consumer goods for the firms listed at the NSE, the sector has capacity to promote economic growth and competitiveness, drive the economic pillar under the Vision 2030 and increase its contribution to the nation's GDP (Kenya Association of Manufacturers, 2016). However, the sector has experienced fluctuations based on varying financial conditions, with its contribution to GDP averaging below 10% in the years from 2008.

Muthoni (2019) noted that value creation is important for the quoted firms as it influences yield, returns and capacity to sustain operations for long. But there has been declined financial growth measured in terms of ROE and ROA. For instance, Mumias Company recorded lowest ROA rate at 0.02% in financial year 2016/17 and ROE was lowest at 0.5% in the financial year 2014/15. It thus, important to assess the factors leading to declining

performance and the study focus was on capital structure. Some research has linked the two variables but with differing perspectives.

Such researches include Ajibola, et al. (2018) who assessed how capital position affected the success of listed manufacturing firms through use of panel data. The findings showed the capital position was positively correlated to firm achievement and the study created contextual gaps since it was done in Nigeria. Omollo, Muturi and Wanjare (2018) study was on debt financing options and performance outcomes for NSE listed firms. Its results indicated that the short-term, long-term and total debt had negative effect to returns on assets and returns on equity. The study covered 2009 -2015 as its time scope, creating methodological gaps and need for covering a recent time scope in assessing the changes in the firms and association between variables. Mukumbi, Eugine and Jinghong (2020) linked capital structure and financial performance of non-financial firms listed at the NSE. It results showed that change in debt and debt-equity ratio led to improved financial performance measured as ROA and ROE. The conceptualization of capital structure is varied to the present study.

The challenges firm experience with growth and capital structure and the reviewed studies showed research gaps in context, concept and methodology. These challenges and gaps, necessitate carrying out new research, thus this study assessed how capital structure affects growth of consumer good firms.

1.3 Research Objectives

General objective sought whether capital structure of choice impacts growth of consumer good firms while the specific objectives were operationalized capital structure into four areas.

1.3.1 General Objectives

The main objective of the study was to establish the effect of capital structure on growth of consumer goods firms listed in the NSE.

1.3.2 Specific objectives

i.   To determine the effect of long-term debt financing on the growth of consumer goods firms listed in the NSE.

ii. Evaluate the influence of short-term debt financing in the growth of consumer goods firms listed in the NSE.

iii. To determine the effect of financing ordinary share on growth of consumer goods firms listed in the NSE.

iv. To assess the effect of retained earnings on growth of consumer goods firms listed in the NSE.

1.4 Research Questions

i.   How does long term debt financing influence the growth of consumer goods firms listed in the NSE?

ii. How does short term debt financing influence the growth of consumer goods firms listed in the NSE?

iii. How does financing ordinary share influence growth of consumer goods firms listed in the NSE?

iv. How do retained earnings influence growth of consumer goods firms listed in the NSE?

1.5 Significance of the Study

Findings from this study would stay valuable to a number of stakeholders; including the chamber of commerce, potential investors both individuals and corporate, and to scholars and academic body. To the chamber of commerce, it would determine what adjustment to be made on what regulations, in order to encourage the operations and growth of consumer goods firms. This consequently facilitates the formation and implementation of regulations that help players understand the ideal capital mix. It is important to disseminate information to the sector players and the regulating authorities engage players during the formation of regulations for establishing the sector.

Understanding the dynamics that affect this sector's growth would also be beneficial to investors and businesses looking to enter it. This would also serve as a guide for prospective investors and company management as they assess the viability of businesses in this industry based on the right amount of debt and equity. Because of the predictable growth, this would increase their confidence and even allow them to invest more. This research could potentially assist management in making well-informed decisions regarding the percentage of the capital structure that should be retained to optimize growth.

This research will also be of significance to academic body and scholarly docket in terms of those interested in the sector of capital structure and growth of consumer goods firms. By studying this relationship, a broader group of investors are able to make choices on the basis of the growth issues, for instance, for them to be able to venture or not to venture in the business in the sector.

1.6 Limitations of the Study

The research used secondary data such that authenticity and accuracy of the information might be a challenge. Inaccurate and incomplete data was likely to have an effect on the findings and drawn conclusions in this study. In trying to mitigate this challenge, the researcher sourced for data from audited books of account, published financial statements and annual reports.

1.7 Assumptions of the Study

In the course of carrying out this research study, the researcher made these assumptions, that the data collected was accurate, complete and reliable in showing the link between capital structure and growth of the consumer goods firms. It also assumes that the adopted theoretical framework informed on the components of capital structure and growth. Even with the weakness, assumptions and criticisms, the theories enriched the study. The study also assumes that the sample size was sufficient in generalization of findings and there are no biasness that can affect the outcome of the study. Lastly, there is an assumption that findings, drawn conclusions and recommendations made are factual based on the collected

and analyzed data, void of any personal biases and prejudice. The information herein expanded knowledge gaps on the subject matter of capital structure and growth.

1.8 Scope of the Study

The study shed light on link between capital structure and growth of firms listed in the NSE as consumer goods. Specific focus was on determining how financing ordinary share affect growth of consumer goods firms listed on the NSE, assessing the effect of retaining earning on growth of consumer goods firms listed on the NSE, to determine the impact of long-term debt on the firm's growth, to evaluate the influence of short-term debt on growth of the firm. The population of this study was 12 consumer goods firms listed in the NSE from 1st January, 2018 to 31st December, 2022. The researcher used secondary data collected from published financial books and statements and the quantitative data was descriptively and inferentially analyzed.

CHAPTER TWO

2.0 LITERATURE REVIEW

The chapter provides a discussion on reviewed literature in terms of empirical, theoretical and conceptual. It is divided into sections include theoretical framework, empirical literature review, research gaps and conceptual framework.

2.1 Introduction

This section reviews the literature aspect of the study, it's the secondary data of the research and it is carried out to give the theoretical account of the study. It focuses on the review of past studies on the topic of the research study from a global and Kenyan perspective. The section dealt with theoretical literature, empirical literature and conceptual framework.

2.2 Theoretical Framework

Theory should be the foundation of any good study (Simon & Goes, 2011). According to the American Heritage Dictionary (2017), a theory is a body of knowledge that has been methodically arranged and is applicable in a broad range of situations. It is particularly a set of presumptions, recognized guidelines, and procedural rules that have been developed to analyze, forecast, or otherwise explain the characteristics or actions of a particular set of phenomena. Theories are analytical instruments used to comprehend, elucidate, and forecast a particular subject (Lynch, Ramjan, Glew & Salamonson, 2020). In order to develop potential research methods and provide a rationale for the selection, the researcher hopes to relate the philosophical underpinnings of the relationship between capital structure growth and this theoretical framework. This study was therefore be guided by the following theories: Net Income Approach Theory as the grounding theory and supported by the Traditional theory and Pecking order theory.

2.2.1 Net Income Approach Theory

This theory was birthed by David Durand in 1952 in which the author advocated for financial leverage, proposing that a modification in financial leverage outcomes in a variation in capital costs. There by its implication being that any escalation in the debt ratio

increases capital structure which is accompanied by a decrease in Weighted Average Cost of Capital (WACC) resulting into higher value of the firm. This theory holds it that firms have the opportunity of increasing their total value by lowering their capital cost. When cost of capital is lowest and the value of the firm is greatest this is called optimal capital structure of the firm and this is the point at which the market price per share is maximized (Lawal, 2014).

In Durand view of (1952) it is can be concluded that, the cost of capital is a function of the capital structure. Thereby advocating for an existence of an optimal mix of debt and equity capital which all firm should strive to achieve, at this level the average cost funding the business operations is minimum and it give yield to a corresponding maximum value of corporation. Durand's theory therefore operates on the assumption of the existences of optimal level of capital structure. This only when the cost of debt is more than the cost equity, when there is no tax and the use of debt does not change the risk perception of investors as the degree of leverage is slightly increased. Therefore, advocating for relevancy of capital structure decision when valuing the firm. Its focus is that change in financial leverage has a resultant change in overall capital cost and firm value.

The methods and approaches as proposed by Durand (1959), holds that the choice of capital structure has an impact on the firm's valuation because alterations to the capital structure will affect both the firm's overall value and its total cost of capital. The weighted average cost of capital will decrease in response to an increase in the debt-to-equity ratio, while both the firm's value and the market price of common shares will rise. On the other hand, if leverage is reduced, the cost of capital will rise, the firm's value will decrease, and the market price of equity shares will rise. Budagaga (2017) shared that the three underlying presumptions of the approach are as follows: there are no taxes; the cost of debt is less than the equity-capitalization rate, or cost of equity; and the use of debt does not alter investors' perceptions of risk. The aforementioned assumptions suggest that as leverage increases, so does the capital structure's percentage of debt, or an affordable source of funding. The weighted average cost of capital consequently tends to decrease, raising the firm's overall

value. Because debt has a fixed cost, using debt more frequently will increase shareholder earnings and, in turn, the market value of common shares.

A company can develop an optimal capital structure by carefully balancing debt and equity. This capital structure will result in the highest firm value and the lowest total cost of capital. The market price per share would be the highest under that arrangement (Lawal, 2014). The total cost of capital will be equal to the equity-capitalization rate if the company does not use debt. As leverage approaches one, the weighted average cost of capital will start to decrease and eventually approach the cost of debt. The firm's total cost of capital would be at its lowest at this point. The important finding is that the company can use nearly all debt to increase its value. This theory is used to explain financial leverage through long-term and short-term debt financing of the consumer goods firms listed at NSE and its application to improve growth levels.

2.2.2 Traditional Theory
It was brought forth by Etza and Weston in 1950s, advocating that debt funding is more preferable to the firms since it increases the firm's value while reducing the cost of funding. So, optimality exists, at this point the firms value is at the peak and the cost of capital being at the lowest. The theory conceptualized that at a specific point, the debt-equity mix causes an increase in market value while capital costs decrease and beyond the point leads to debt having a negative impact on market value of the firm and cost funding to rise. This is after reaching the optimal level where debt offsets the usage of debt capital as it will lead to increased cost of capital debt. This theory bases it argument on several factors such as cost of debt capital remain constant more or less up to a specific level, but thereafter it rises while cost of equity remains constant and equally rises and the fact that average cost of capital will remain constant thereafter arises beyond the optimal level (Martina, 2014). The theory states that minimization of Weighted Average Cost of Capital (WACC), maximization of market value of assets and optimal level of capital structure is attainable when a firm uses both equity and debts.

The theory asserts that the optimal leverage level is reached whenever the cost of capital is minimal, such that it causes the maximization of firm value (Rajagopal, 2011). This is possible because lowly rate of debt does not increase debt costs and increases leverage and therefore when equity is replaced by debt, then there is improvement in firm value. But continual borrowing beyond a certain level increases the cost of the debt, however at the turning point creates a condition that result in maximum value of the firm. The turning point is defined as the optimal capital structure. Chua, Chrisman, Kellermanns and Wu (2011) support the idea and maintain that WACC decline with debt use. In addition, Yapa (2017) confirm that under the traditional theory viewpoint is that optimal capital structure is based on tax deductions on the interest charged and imperfections in the markets.

This traditional approach consists of a mid-point between net income and net operating income approaches and draws viewpoints from both approaches. The theory operates on the basis that capital structure has an impact on cost and value of capital, but contradicts the net income approach that firm value increases with leverage, which is part of its weaknesses. It also subscribes to the concept of net operating income approach on basis that beyond a specific point, the leverage increases cost of capital which reduces the total firm value (Martina, 2014). Alternatively, the traditional approach differs from net operating income approach on its principal that overall cost of capital remains constant at all degrees of the leverages. Thus, the theory operates on the basis that careful use of the debt-equity mix can result in increased firm value and therefore minimize the cost of capital. This approach notes that up to some point debt causes a favorable impact on firm value, but beyond that point then debt causes negative effect on firm value (Rajagopal, 2011). The theory is applicable in the study as it helps in explaining the first and second variable where the capital structure of the firm is largely financed by debts both the short and long-term.

2.2.3 Pecking Order Theory

The pecking order theory of capital structure was forwarded by Donaldson (1961) and operates on the basis that firms have their own preferred hierarchy when making financing decisions. For instance, firms having insufficient internal cash flow will opt to borrow and

not issue equity to fund the capital expenditures. Additionally, preference is made for internal financing of business ventures as opposed to getting externally sourced funds. Internal funds don't require extra financial disclosures that could result in a loss of competitive advantage or flotation costs. In the event that a company needs to raise outside capital, it is preferable to use debt, convertible securities, preferred stock, and common stock in that order (Chen & Chen, 2011). This order is a reflection of the financial manager's desire to maintain control over the company, lower equity agency costs, and prevent a bad reaction from the market in the event that a new equity issue is announced. The total amount of debt reflects the companies' overall need for outside funding.

Two fundamental presumptions about financial managers underpin the theory. The first of these is the possibility that managers of a company are better informed than outside investors about the company's earnings and prospects for future growth. The desire to keep such information confidential is strong. Managers are exempt from having to disclose to the public the company's investment opportunities and the possible profits that could be made from investing in them when internal funds are used. The second presumption is that managers behave in the current shareholders' best interests. A positive net present value project may even be abandoned by the managers if it calls for the issuance of new equity because this would transfer a large portion of the project's value to new investors at the expense of the existing ones (Kalui, 2017).

The theory operates by these assumptions that the investors can confront the managers when the latter issues risky securities or those over-values and on the other hand, the managers operate with the knowledge that shareholders seek to limit risks that can affect their capacity to finance profitable ventures (Chen & Chen, 2011). It shows that investors and shareholders in limiting risks with their investments will be able to retain their earnings and even plough back into the enterprise. The theory also stipulates that when internal funds are unsatisfactory, then the capital structure is affected based on expensiveness of external sources including debt.

For Sheikh, Ahmed, Iqbal and Masood (2012) the issue of adverse selection resulting from information asymmetry may also affect firms that rely on outside funding sources. The market's inability to assess each company on an individual basis is reflected in the adverse selection. Instead, the businesses are ranked by the industry to which they belong; as a result, businesses that have completed successful but expensive projects may be undervalued, while those that have not may have had their projects overvalued.

This model demonstrates that a company's financial structure is determined by its need to finance new investments rather than by the ideal level of debt, with debt being chosen only in situations where internal resources are limited. Nonetheless, the pecking order theory's presumptive ranking of financing options is supported by the transaction costs. Because of this, businesses will aim to increase or decrease their debt depending on whether projected investments exceed or fall short of internal resources (Wanja & Muriu, 2020). At the same time, the leverage is higher when financial deficit is it and considered when firms have more investment and earnings that reflect on higher profitability. Qureshi, Sheikh and Khan (2015) noted that in balancing costs, firms are able to invest and still maintain a low leverage level. It also explains means that investors use to retain their earnings by avoiding issuing risky securities or losing their investments. But those investors with no future investment projects can attain low debt levels by capitalizing on the presenting results.

In order to reduce the likelihood of having to issue risky securities or losing investment opportunities when their own resources are limited, companies that experience increased cash flow volatility also typically have lower levels of leverage. This fact also explains why dividend distribution is negatively correlated with debt. However, because cash flow volatility is linked to the limitation of leverage capacity, Kalui (2017) believes that the pecking order theory could sufficiently explain financing decisions if the cash flow volatility was controlled. The theory is largely valid because many businesses try to finance their new initiatives using internal resources rather than determining the best mix of debt and equity. For these businesses, the option is the fear in the aversions and uncertainties in the markets. The theory is applied in this researcher, where it explained how variables on

debt financing, retaining earnings by investors based on investment choices and financing investments using ordinary shares through the internal resources.

2.3 Empirical Review

2.3.1 Long-Term Debt Financing and Growth of Firms

Nazir, Azam and Khalid (2021) study was on firm performance as influenced by debt financing. The focus was on 30 firms listed in the Pakistan Stock Exchange (PSX) and the relationship of the variables assessed over a five-year period (2013-2017). The firms were in the automobile, sugar and cement sector, while results showed that negative and significant effect between long and short-term debt financing and performance. Results implied that agency matters like high-debt police led to low performance ratings. Performance was measured using profitability. Other results showed that sales growth and firm size positively affected profitability of the firms. Negative effects of debt financing mean that firm owners and managers should assess and find a satisfactory debt level. The study was done in a developed nation and findings may differ because of the setting and location in consideration of Kenyan background as a developing nation.

Shikumo, Oluoch and Wepukhulu (2020) researched on long-term debt and financial growth of firms in the non-financial sector that are listed at the Nairobi SecuritiesExchange. Declining financial performance pushes and deters investors and lenders do notwant to risk their cash, leaving the firm to struggle to run its operations. Hence, focus is onfinancial managers and investment decisions made. The study collected secondary data fora ten-year from 2008-2017 from 45 non-financial firms. The findings revealed that long- term debt explained 21.6% of financial growth measured in terms of growth in earnings per share. The results also showed that 5.16% of market capitalization was due to long- term debt. The study concluded that long-term debt significantly affected financial growthin terms of growth in earnings per share and market capitalization. The study covered firmsin the non-financial sector and listed at the NSE, while the current study focus was on consumer goods firms listed at the NSE.

Bannerman and Fu (2019) research was on long-term debt and how it affected growth of firms in China. The focus of the study was determining the exact relationship that debt has on firm growth. The study population was different firm sizes and correlation and regression analysis was done. Results showed that long-term debt had negative effect to firm growth. Accessing long-term debt financing depended on firm size and maturity. In addition, the study found that bank intervention in the credit markets and financial liberation affected the maturity structure of the debts given to the firms in China. The study concluded that access to long-term debt was determined by maturity structure, growth of the firm, productivity level and capital in-flows. The study context was in China and it did not look at firms listed at the securities exchanges of the nation which might be cause of the differences.

Mwiti and Gitagia (2023) research was on long-term debts and effect on financial performance for manufacturing firms that are listed at the NSE in Kenya. The study is based on recognition of the contribution of sector to GDP of over $7.99 billion which is 4.33% in year 2021. The sector has shown a declining trend in terms of return on assets linked to inability of the firms in the manufacturing sector to raise its own financing to boost and expand operations. The study used pecking order theory and targeted 9 manufacturing firms where secondary data was collected for a five- year period (2017 - 2021). Panel regression and Pearson correlation analysis that was conducted revealed that long-term debt had positive and significant effect on financial performance. Findings also indicate that high long-term liabilities relative to total assets and low current ratio resulted in improved return on assets. The study concluded that long-term debt usage in the manufacturing firms contributed to its financial performance. The research covered manufacturing firms, while this study was on consumer goods firms.

Adibeli and Amahalu (2023) researched on debt financing and its effect on shareholders wealth creation. The research was done among the quoted manufacturing firms in Nigeria and covered a ten-year period from 2012 to 2021. Specific focus was on debt ratio on earnings per share, short-term debt ratio and return on equity and long-term debt ratio on cash value added. Data from annual reports and statements were used and later descriptive

and inferential statistics was done. The conducted panel least square regression analysis and correlation coefficient results revealed positive and significant effects between debt ratio and earnings per share; between short-term debt ratio and return on equity and between long-term debt ratio and cash value added. The study concluded that debtfinancing significantly affected shareholder's wealth creation and its recommendations is the firms should leverage the amount of debt undertaken, use a capital structure mix to reduce cost of capital and have industry specific credit facilities. The study assessed debt financing in general and hence the need to consider each type of debt individual either as long-term or short-term debt financing. The focus was only on shareholder wealth creationwhile this study is on firm growth.

The reviewed studies have highlighted how long-term debt has been used by different firms and its effect on growth. However there have been gaps in terms of context such as Bannerman and Fu (2019) in China, Nazir *et al.* (2021) whose focus was on firms listed at the Pakistan Stock Exchange (PSX). Additionally, assessment of growth was a different period (2013 -2017) and Shikumo *et al.* (2020) assessed financial growth for a ten-year period (2008 -2017); while this study covered the 2018 -2022 period. While Mwiti and Gitagia (2023) did a similar period (2017 -2021) they created conceptual gap as the focus was on financial performance of manufacturing firms listed at the NSE. Adibeli and Amahalu (2023) sought to understand how debt financing contributed to wealth creation for the shareholders, while the present study focus was on growth of the consumer goods firms. These gaps necessitated further research and thus the need for this study on capital structure and long-term debt and growth.

2.3.2 Short-Term Debt Financing and Growth of Firms

Wang and Chiu (2019) researched on short-term debt and default risk in the Pacific Basin counties of Australia, Malaysia, Singapore, Taiwan and South Korea. The study assessed the relationship between the two variables for the period starting from 2002 to 2015. The short-term debt was defined as those maturing within the next year. The results indicated significant increase by 10-34% for probability of default risk and the exact percentage depended on the specific country. The findings also showed that rollover risk and default

probability was higher during crises such as declined profitability and poor credit conditions. The reserving liquidity such as more cash holding protected firms against rollover risk effect. The study concluded that firms facing difficulties in debt turnover have a higher probability of default risk.

Shikumo, Oluoch and Wepukhulu (2020) study was on short-term debt and financial growth of non-financial firms that are listed at the NSE. The researchers assessed financial growth trends for the firms for a period starting in 2008 to 2017. It was noted that there was a declining growth pattern that was of concern to investors and hence need for prudent financing decisions. Findings showed that short-term debt explained 45.99% financial growth based on the growth in earnings per share and 25.65 of growth in market capitalization. The study concluded that short-term debt had positive and significant effect to financial growth as measured in this study in terms of earnings per share and market capitalization. Managers of the firms listed in the NSE must employ financing means that enhance earnings per share, market capitalization, value for the firm and shareholders.

Nicolas (2022) assessed on how short-term financing affected SMEs' investment decision. The research was done in working capital channels based on cash-credit constraints that push entrepreneurs to forego investment opportunities while using the available finance to cover for working capital demands. The findings revealed that short-term credit constraints greatly impact on investment decisions made by the SMEs. The cash-credit constraints on corporate investment are higher in SMEs that have more working capital needs. The short-term credit constraints have little effect on SMEs that are liquid and can adjust their accounts receivable and inventories. The study concluded that short-term financing boost long-term investment and economic growth.

Mulyungi (2021) study was short-term financing decisions and its effect on firm value for non-financial firms that are listed at the NSE in Kenya. Firm value contributes to sustainability of firms but with the turbulence in the markets, the non-financial firms have suffered negative outcomes. The study focused on firms such as Mumias sugar, ARM mining and Nairobi business ventures and others and how short-term financing decisions

affected the firm's firm value. It was anchored on pecking order, trade-off, financing and liquidity theory. Data was from 28 firms for a 10-year period from 2010 to 2019 and panel data approach was used. The conducted descriptive and inferential statistical analysis showed that receivables, payables and inventory management had positive and significant effect and cash management had positive but insignificant effect to firm value. The study concluded that short-term financing decisions contributed to improve firm value and recommended to managers to the firms to thorough assess how the short-term financing decisions affected firm value. There were created gaps since focus was on short-term financing decisions and not short-term financing of operations and dependent variable of firm value is different to the current study on growth of firms.

Magoro and Abeywardhana (2017) in South Africa focused on debt capital and its effect on growth of companies. The study sampled 25 retail and wholesale South African firms for the period of 2011-2015. Using regression analysis secondary data was analyzed and outcomes indicated that debt capital on both long and short have a negative effects growth. Karuma, Ndambiri and Oluoch (2018) in Kenya carried out a study on effect of debt financing on growth of manufacturing firms at NSE for the period 2013- 2017. The targeted study population was the 9 manufacturing firms quoted. Secondary data was sort from published financial statements. The study revealed that short-term debt showed significant and positive effect to growth. Pradhan, *et al.* (2017) in Nepal researched on the effect of debt financing on growth of commercial banks in Nepalese banks. The population of the study was twenty-two commercial banks. The study used a descriptive research design. Data analysis was done using multiple regression model and the results revealed a positive association of short-term debt and growth.

While synthesizing the reviewed empirical studies on short-term debt financing, the researcher noted some differences and gaps, including differences in background settings such as Wang and Chiu (2019) who covered the Pacific Basin countries inclusive of Taiwan, Australia and others; and Magoro and Abeywardhana (2017) in South Africa. The differences in background could affect the outcomes of the study, hence the need for considering growth of firms in the Kenyan context. The reviewed studies also covered

firms from different sectors such as Nicolas (2022) assessed SMEs and Shikumo et al. (2020) focus was on non-financial firms that were listed at the NSE. Therefore, the present study concentration was on consumer goods firms that were listed at the NSE and its background setting was in Kenya. This helped in comparing findings in the study and trying to understand what could account for similarity or differences that were recorded.

2.3.3 Financing of Ordinary Shares and Growth of Firms

Isiker and Tas (2021) research study was on rights issue announcement and the effect of leverage level for return anomalies. It was a case study of five Islamic counties and the aim was to measure the perception that investors have on rights issue for the public listed companies. The firms were grouped as per debt level to assess abnormal returns on those highly leveraged and if returns are different during the rights issue announcement. The study period was from 2010 to 2019 with 362 rights issue announced. The findings showed -3.9% drop in share price after the rights issue announcement, but negative abnormal returns were found significant only in Turkey and Egypt. Further results revealed that investors had less favorable perception to rights issue announcement for highly leveraged companies and Sharia' compliant companies had better performance around the announcement period.

Mutemeri (2019) did a study on initial public offers and price performance and other macroeconomic indicators. This was a comparative study between Johannesburg and Nigeria's Stock Exchange. Improvements of the financial sector and increase in initial public offers (IPO) on the two stock exchanges make it necessary to examine IPO performance and its impact to the economy. IPOs aim at enhancing foreign and domestic investment in the economy. The study assessed 91 and 19 IPOs in the two markets during the 2005 -2015 period. Price performance was measured in terms of market-adjusted abnormal returns and wealth relative model. Findings showed IPOs in that period were underpriced based by the mean market adjusted returns and deterred investors. The IPO price performance was higher in Nigeria than in South Africa. Change in price performance was positively related to inflation and interest rates and growth of the gross domestic product had no significance to IPO price performance. The study concluded that investment

decision making was determined by factors such as inflation, industry, interest rates and geographic location.

Muthoni (2019) researched on financing decisions and value creation for shareholders. The study covered non-financial firms listed at the Nairobi Securities Exchange. The rational investor seeks an investment opportunity with a long-term yield and hence focus is on corporate financial decisions. Financing investments is based on need to receive regular and higher dividend payouts. The study assessed the 40 non-financial firms for the period between 2008 and 2014 and collected data from NSE handbook, annual financial and income statements. Findings showed that financing decision of shares through equity, debt, working capital and dividends positively and significantly led to improved shareholder value creation. Further results indicate that high growth rate of the GDP moderated the relationship between financing decision and shareholder value creation. The managers of the firms should conduct regular value creation assessment to ensure growth of value to the shareholders and attract more investors.

Saeed and Tahir (2015) in Pakistan, in evaluating the relationship between earning per share (EPS) and bank's profitability collected from annual financial statements of 13 commercial banks working in Pakistan for the period 2007 to 2013. Pearson Correlation was used to find the relationship and simple regression method employed to evaluate the impact of earning per Share (EPS) on bank's profitability. Findings revealed that all independent variables have strong relationship between dependent variable hence increase in profitability leading to the demand of that company's shares. Enekwe, Nweze and Agu (2015) in Nigeria investigated the effect of dividend payout on growth evaluation of quoted cement companies in Nigeria over the past twelve (12) year- period from 2003 to 2014. The model specification for the analysis of data is ordinary least squares techniques applied as panel estimation while descriptive research method and simple linear regression for the analyses. The researchers' empirical results indicated that dividend payout ratio (DPR) has positive relationship with all the dependent variables (ROCE, ROA and ROE) used.

Oganda (2023) study was on equity financing and value of the firm by considering the short run and long run dynamics in the manufacturing sector. The study recognized the value of manufacturing firms in contributing more than 5% of the country's GDP since 1964 and the highest rate was 13.6% in the 1990 to 2007 period. The Kenyan governmentis seeking increase GDP contribution to 20% by 2030 from the manufacturing sector through financing by equity. This was a panel data type where secondary data was collectedfor a ten-year period from 2010 to 2019 from the 9 manufacturing firms listed firms. 86 observations were made and firm value was measured using Tobin's Q and EVA. The conducted correlation coefficient results showed that equity financing had negative effect to Tobin Q and equity to assets ratio had positive association to Ln EVA. The study concluded that equity financing contributed to marginal firm value and that equity financing structure can determine firm value by removing Tobin Q. therefore, equity financing should be used as the last option due to its negative effect to firm value. Its focuswas on manufacturing firms, while the current study was on consumer goods firm.

Ibrahim, Sabo, Kabiru and Abubakar (2020) conducted a study on equity financing and impact on firm value for firms in Nigeria. There was use of panel analysis methods where data was collected from 12 listed industrial goods entities for a ten-year period from 2006 to 2016. The analyzed data revealed that equity finance reduced the firm value in industrial goods firms located in Nigeria. The findings also showed that firm size and firm growth had negative influence on value of the firms. The recommendations made included the management team to design an ideal capital mix to use in financing business activities. The management should consider different theoretical approaches, state of economy and market conditions in selecting the financing model. The research used old data from 2006 to 2016 and did not factor current status of financing models as impacting firm value. It also covered firms in Nigeria on how equity financing affects firm value and not considering firm growth.

From the review of these studies under the third objective on financing of ordinary shares, the research identified methodological gaps, such as Isiker and Tas (2021) which was a case study and hence limiting applicability of the findings and the study period was also

different (2010 -2019). The research equally created contextual gaps as it covered the five Islamic countries and hence the need to consider how financing of ordinary shares can affect growth in non-Islamic nation, such as Kenya. In analyzing the study by Mutemeri (2019), it compared performance between the stock exchanges in Johannesburg and Nigeria. The study period was old covering the 2005 and 2015, which was also noted in the study by Muthoni (2019) that covered the 2008 to 2014, Enekwe *et al.* (2015) that covered the 2003 and 2014 and Ibrahim *et al.* (2020) assessed firm value in Nigeria for the 2006 o 2016. There changes in economic systems, policies and functioning of the markets, demand firms to constantly review and hence the need for more recent study period. Thus, the present study focus was only on growth of the consumer goods in Kenya within the 2018 -2022 period as affected by the components of capital structure.

2.3.4 Retained Earnings and Growth of Firms

Viet, Ngoc, Anh, Thong and Scott (2020) research was on retained earnings and relationship to firm performance in Vietnam. The study noted that retaining earnings is important to supporting the growth agenda of firms and also the economy. Investors are concerned with capital use and effectiveness of investments made by the company. The investors consider short-term profit, long-term growth and internal resources of retained earnings before investing in a firm. Thus, investors assess retention levels of the retained earnings. These researchers assessed 37 construction companies that were listed in the Hochiminh Stock Exchange (HOSE). The collected data was analyzed using time series method, the Hausman test for checking the both the fixed and random effect model, showing that retained earnings led to improve firm performance. The study concluded that retaining earnings is influenced by growth opportunities for the firm, since investors keep their earnings on a firm likely to grow and earn them more revenues.

Ball, Gerakos, Linnainmaa and Nikolaev (2020) assessed the expected returns based on earnings, retained earnings and book to market strategies. The study noted that equity is made up of retained earnings and contributed capital, while the retained earnings comprise of the accumulated total earnings less dividend payouts. The study predicted that the book to market strategies is effective due to the component of retaining earnings in the USA

firms. The book value of equity in the firms is based on the retained earnings accumulated over the past years. The study found that retained earnings used in the markets for investments led to more yield in terms of earnings for each investor. The retained earnings to market predicted the expected returns because in a deflated market value the total earnings are equal to total earning distributed to shareholders since scaling earnings by price led to earnings yield. The prediction is also true because of timing issues inaccounting since net income in retained earnings tend to average out.

Pibowei, Odong and Jimoh (2021) study was done in Nigeria and some selected breweries. The research was retained earnings with impact on performance of the firm. The study is linked to investors who must make decisions on different investment opportunities and leveraged portfolio that can beat the growth and profit forecasts. The study was done on five breweries that are listed in the Nigerian Stock Exchange and collected data for nine years from 2012 to 2020. The study found no significant link between retention index of the earnings and returns, earnings as the measures of firm performance. Thus, conclusions were made that capital structure of the brewery's companies based on retained earnings was inadequate in explaining improved return on assets, return on equity and earnings per share. The study recommendations were such that the breweries should reduce risks of the accumulated losses to boost earnings and attract investors for longer period.

Farooq, Rehman, Khan and Bilal (2017) in Pakistan examine the effect of internal financial policy on firm growth among 91 manufacturing sector firms listed on Pakistan Stock Exchange for a 5-year period between 2009 and 2014. The study established that dividend pay-out and retained earnings have positive and significant impact on firm growth. In addition, retained earnings have positive and significant effects on firm growth. Bassey, Edom and Aganyi (2016) in Nigeria examined the impact of retained profit on growth of Niger Mills Company. Adopting the ex-post facto research design, data on retained earnings and profitability was extracted from annual financial records of the company for a 10-year period between 2001 and 2010. The Karl Pearson product moment correlation coefficient and t-test were used to examine the relationship between retained earnings and

the company's growth. The study established that positive and statistically significant relationship existed between retained profits and growth.

Oganda, Museve and Mogwambo (2022) research was on retained earnings for financing ventures and effect on financial performance. The study covered listed manufacturing and allied firms at the Nairobi Securities Exchange by using the dynamic panel approach in seeking to resolve the challenge of stagnation of the sector and its contribution to gross domestic product. Use of retained earnings for financing was set to form a structure for improvement of profitability and competitiveness. The research used secondary data collected from financial statements of the firms for a period of 10-years from 2010 to 2019. The data was analyzed using dynamic unbalanced panel analysis where retained earnings financing was moderated by growth rate and volatility earnings and performance measured using Tobin's Q. Through the analysis and adoption of pecking order theory, the findings showed that the relationship between retained earnings financing and financialperformance was significant and positive. The results also show that growth rate and earnings from volatilities moderated the association of retaining earnings and financial performance. The conclusion was use of retained earnings for improved performance and recommended its application in organizations. The study covered manufacturing and alliedfirms, creating contextual gap since this study was on consumer goods firms and conceptualization of results was based on financial performance, while this study assessedgrowth of the firms.

Ugwu, Francica and Onyekwelu (2021) study was on retained earnings and its effect on operational performance in the oil and gas companies in Nigeria. The focus of this research was on linking retained earnings to operational performance. The researchers used simple linear regression and used the data collected for 10 years from 2009 to 2018 from the oil and gas listed companies and found that retained earnings had a positive but insignificant effect to operational performance elements of return on assets and return on equity. The study concluded that retained earnings contribute a small percentage to operational performance in the companies and hence recommended enhancing the use of high value of retained earnings to contribute greatly to high performance outcomes in organizations. The

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study was done in a different geographical location and covering firms in a different sector to the what was the focus in the current research.

Dahmash, Alshurafat, Hendawi, Alzoubi and Al Amosh (2023) conducted a research on retained earnings effects for market value for firms in Jordan. The study's focus was assessing effect of retention per share compares to divided per share payout. The researchers modelled the function of the market value function by considering retention per share and divided per share in the firms located in Jordan. The were 2281 firms used in this research and there was collection of secondary data from 2010 to 2021. Its analysis showed a strong, significant and positive effect of retention per share and dividends per share. The results also shared that retained earnings as accumulated net profits that is not distributed to shareholders had significant effect that was also negative to market value of the firms. The study concluded that retained earnings is a cheap, easy and idle generated internal funds that can be used for financing expansions, acquisitions, repurchases, increasing capital and diversifying products that can increase market value, dividend earnings and shares payout. The study covered firms in Jordan and hence the need to localize future researches, and thus focus on Kenyan firms.

Review of past studies done on retained earnings such as Viet *et al.* (2020) which was done in Vietnam and focus was on firm performance, Bell *et al.* (2020) in the USA, Pibowei *et al.* (2021) in Nigeria. Additionally, Farooq et al. (2017) assessed manufacturing firms in Pakistan and covered the 2009 to 2014 and Oganda et al. (2022) focused on financial performance for manufacturing firms listed at the Nairobi Securities Exchange (NSE), which is different concept to the present study on firm growth. This created gaps in context and hence the need for further research as this helped in making comparisons andexpanding the knowledge on capital structure and growth.

2.4 Research Gap

From the foregoing literature, it is clear that most empirical evidences provide evidence that long term debt financing, short term debt financing, ordinary share capital and retained earnings are factors that significantly influence the level of capital structure. However, the

reviewed literature has created some gaps, for instance in context since the background setting is different. Some of the studies were done in first world economies like the USA by the researcher Ball, *et al.* (2020), Nazir, *et al.* (2021) whose study was done in Pakistan, Bannerman and Fu (2019) in China, Wang and Chiu (2019) in Pacific Basin nations. Others were done regional like Pibowei, *et al.* (2021) in Nigeria and Magoro and Abeywardhana (2017) in South Africa. The economic policies and status of the economy might create differences in findings. The gap in context is also based on differences in firm sector, such is the case of Ng'ang'a (2017) whose research was in learning institutions and focus on private secondary schools, Nicolas (2022) assessed SMEs; Magoro and Abeywardhana (2017) covered retail and wholesale firms, Pibowei, *et al.* (2021) in selected breweries and Nazir, *et al.* (2021) assessed the sugar, cement and automobile sectors in Pakistan.

The reviewed studies also created conceptual gaps with examples of Nazir, *et al.* (2021) and Viet, *et al.* (2020) focusing on firm performance in general and did not directly link debt financing to firm growth. Similarly, Wang and Chiu (2019) linked short-term debt to default risks and did not mention growth of firms. Some of the reviewed studies concentrated on only a single indicator of financing of ordinary shares like Isiker and Tas (2021) assessed rights issue announcement; Mutemeri (2019) focus was on the initial public offer (IPO), Farooq, *et al.* (2017) concentrated on internal financial policy and Enekwe, *et al.* (2015) study was on dividend payout. There were methodological gaps such as in the study by Ball, *et al.* (2020) where sources of data were not disclosed; the techniques in analyzing the data such as Viet, *et al.* (2020) use of time series method and Mutemeri (2019) who did a comparative study between two markets that of the Johannesburg Stock Exchange and Nigeria's Stock Exchange.

The identified gaps in context, concept and methodology create a need to be filled. This is what necessitated the conducting of the present study. This study assessed how capital structure affects firm growth for the consumer goods firms listed in the Nairobi Security Exchange.

2.5 Conceptual Framework

This section explains the association between independent variables and dependent variables. The framework is the composition of capital structure as an independent variable and its components (long term debt financing, short-term debt financing, financing of ordinary shares and retained earnings) and the growth as the dependent variable and its measurements (Revenue and firm size). The association and measurement indicators of the variables are as shown in Figure 2.1
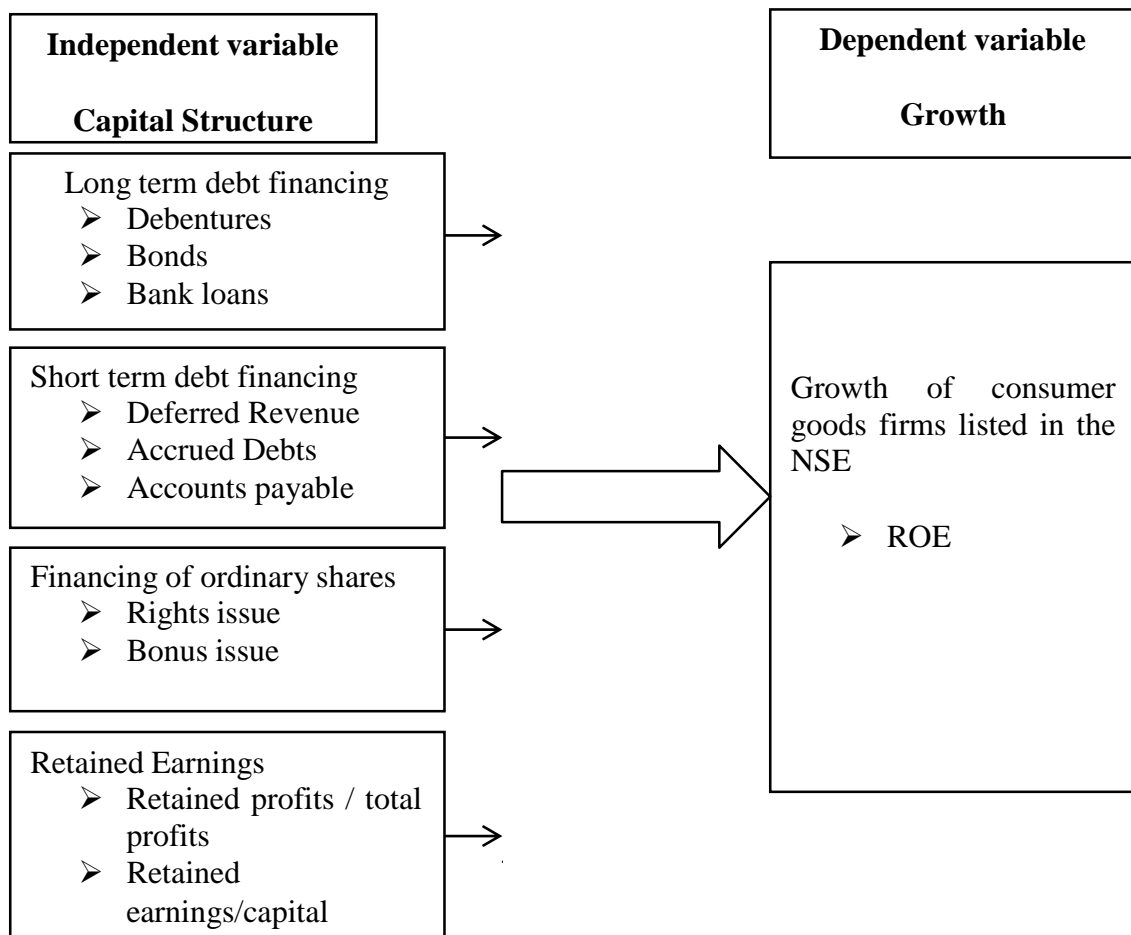
Figure 2.1: Conceptual framework

Source: Author (2022)

Long term debts financing

This is a financial obligation for which payments were required after one year from the measurement date. Examples are; Debenture, Bonds, Bank loans.

Short term debt financing

This is firm's financial obligations that are expected to be paid off within a year. Examples are deferred revenue, accrued debts, and account payable.

Financing of ordinary share capital

These are the funds and sums of money that an organization is able to raise from issuance of common shares to private individuals and public entities. Examples are; right issue, and bonus issue.

Retained Earnings

This covers the portion of profits and earnings that is not distributed as dividends to the firms' shareholders. It is retained at the firm for investment and reinvestment into different business ventures that have been identified by the financial managers and the management team. Examples are; retained profits vis-à-vis total profit and retained profits vis-à-vis capital.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

This chapter highlights the methodologies adopted by the researcher in carrying out research exercises inclusive of research design, population, sampling and sample size, data, data collection methods and analysis to answer the research questions.

3.1 Introduction

This chapter discusses the methodologies that were adopted in this study. It has sections including the adopted research design, the population, instruments used and how the data was collected and analyzed. It also discusses the validity and reliability measures that were undertaken to deliver a good research instrument.

3.2 Research Design

A tool for gathering, evaluating, and interpreting data is the research design (Erickson, 2017). This was a longitudinal study, where the design enables the integration of all study components in an attempt to ensure that the research questions are addressed. Because statistical inferences were made from the collected numerical data, the study used a descriptive research design. The primary focus of the study was how capital structure affected the growth of consumer goods companies listed on the NSE between January 1, 2018, and December 31, 2022.

3.3 Target Population

Population covers the entire list of components that information needed by the research is sourced and from which interpretations will be made (Otzen & Manterola, 2017). The populationof this study included all the sixty-three (63) listed firms at the NSE and categorized into 11 sectors. But the researcher targeted only the 12 consumer goods firms listed in the NSE from 1st January, 2018 to 31st December, 2022 (Appendix III). The reports by the NSE shows that all the listed consumer goods are only 12 companies and all of them were included in this research. This is as depicted in table 3.1

Table 3.1: Consumer Goods Firms Listed in NSE

S/No.	Firm Listed in the NSE
	BAT Kenya
	Eaagads limited
	East Africa Breweries
	Eveready East Africa
	Kakuzi
	Kapchorua Tea Kenya
	Kenya Orchards
	Limuru Tea
	Sameer Africa
.	Sasini
.	Unga Group
.	Williamson Tea Kenya

Source: Website of Capital Markets Authority, Kenya (2022).

3.4 Data Collection

This is the step-by-step activities undertaken to systematically collect data (Cole & Trinh, 2017). It will involve collecting data from annually published financial statement and reports from the 12 consumer goods companies that are listed at the NSE. There was perusal of the website of individual companies to get the published annual reports that had information on incomes, assets, debts -long-term and short-term, how much earnings were retained and value of ordinary shares. The study period of 5 years, from 1st January, 2018 to 31st December, 2022 to provide sufficient observations for analysis, most firms change their strategic plan after five years and also the Audit for 2021 financial report still ongoing hence not yet published.

3.5 Tests of Regression Assumptions

3.5.1 Normality

Normality test was done to confirm if the data set fits the normal distribution of data and if the collected data aligned with normal data distribution (Kwak & Park, 2019). This was

done through Shapiro Wilk test and operates on the basis that under null hypothesis, the population is normally distributed when the p-value is less than alpha coefficient. But when p-value is greater than standard alpha, then there is acceptance of null hypothesis as a confirmation that the data was normally distributed.

3.5.2 Multicollinearity

This is where the predictors of the regression model are highly correlated and this can limit findings and drawing of conclusions. Moderate or high correlations in the predictor values are due to errors and inability to interpret the data (Bollen, Biemer, Karr, Tueller & Berzofsky, 2016). This study measured multicollinearity through tolerance levels of Variance of Inflation Factor (VIF), where values nearing 0 show high degree of multicollinearity and values closer to 1 indicate little or low degree of multicollinearity.

3.5.3 Autocorrelation

It is based on related objects in the same variables and hence violating the assumption of independence of study variables. This is more common in time-series data because of manipulation of data, errors, and continual shocks. To assess autocorrelation, the researcher used the Durbin Watson Statistics.

3.5.4 Heteroscedasticity

This is systematic changes in residual spread over a measure of values and based on the assumption that residuals are constant -homoscedastic in nature. This was tested through the Levene test and using the SPSS application done by checking that residuals of the regression model are based on values obtained on the dependent variable as informed by the independent variables; as a confirmation of presence of heteroscedasticity.

3.6 Data Analysis

This is a systematic process that applies statistics techniques to evaluate data through inspecting, changing and modeling data to derive fundamental information for sound decision making. Because panel data was employed for the study, SPSS Package was the statistical analysis program utilized for the study because it was able to perform panel

multiple linear regression. Correlation analysis was used to show whether and strength of the changes in capital structure are related to growth while regression analysis was employed to determine the association amongst capital structure and growth.

3.6.1 Analytical Model

Panel regression model is also referred to as longitudinal regression model where the data is tested for the same observations across different times and phenomenon. The aim is tacking the same phenomenon over time and offer dimensions for its relationship, trend direction and strength of association. The model was used to track growth of the consumer firms listed at the NSE over a five-year period (2018-2022) as affected by capital structure dimensions of long-term debt, short-term debt, ordinary shares and retained earnings.

Below is the model:

$Y_t = \beta_0 + \beta_1 X_{1\,t} + \beta_2 X_{2\,t} + \beta_3 X_{3\,t} + \beta_4 X_{4\,t} + u_t$

Where: Time (t) is the 5year period between 2018 -2022.

Y_t = Growth of consumer goods firms, at time t

β_0 =Constant

$X_{1\,t}$ = Long term debt financing, at time t

$X_{2\,t}$ = Short term debt financing, at time t

$X_{3\,t}$ = Financing ordinary share capital, at time t

$X_{4\,t}$ = Retained Earnings, at time t

u_t = Error term

3.7 Ethical Considerations

Before collecting data, the researcher sought permission from the SEKU board of post graduate studies and also got a research permit from NACOSTI. The researcher informed respective companies of the need to collect data from their published accounts and offer to avail academic research finding to them if they are interested. According to Connelly (2014), ethics is about judging a conduct as either right or wrong and as such, the researcher treated the data with confidentiality and sensitive since it was property of the different firms.

CHAPTER FOUR

4.0 RESULTS

This chapter presents findings and discussions from the collected secondary data. The findings presented in this section are based on conducted descriptive, correlation and regression analysis.

4.1 Introduction

This chapter presents findings from the conducted analyses as based on the information that was obtained from auxiliary sources on the period 2018-2022. The specific contents covered in the chapter include the section.

4.2 Descriptive Statistics

Means and standard deviation results from conducted descriptive analysis is as presented in Table 4.1.

Table 4.1: Descriptive Statistics

	N	Min	Max	Mean	Std. Dev.
Long term debt financing	60	3.86	6.02	4.8869	.575
Short term debt financing	60	3.67	5.81	4.6510	.581
Financing of ordinary shares	60	3.84	6.07	4.9255	.534
Retained earnings	60	.03	.85	.3249	.239
Firm growth	60	.00	.08	.0174	.019

Results show that the value of long-term debt financing among the studied firms across the studied period averaged at 4.8869, with the smallest and highest values being 3.86 and 6.02 respectively. Short term debt financing averaged at 4.6510 with the highest and lowest values being 5.81 and 3.67 respectively. For financing of ordinary shares, the value averaged at 4.9255 with the highest and lowest values being 6.07 and 3.84 respectively. For retained earnings, the average value was 0.3249 with 0.03 and 0.85 being the lowest

and highest values. Firm growth had an average value as 0.0174 with the highest and lowest figures being 0.08 and 0.00 respectively. The standard deviation values are closer to zero and range from the lowest at 0.019 to 0.581 at the highest. This is interpreted to show that the data points are closer to the mean scores in the current study.

4.3 Trend Analysis

It shows the findings of trend analysis that was done through graphs to show the growth as influenced by the four components of capital structure.

4.3.1 Long term debt financing

Figure 4.1 below is the graph showing long term debt financing.
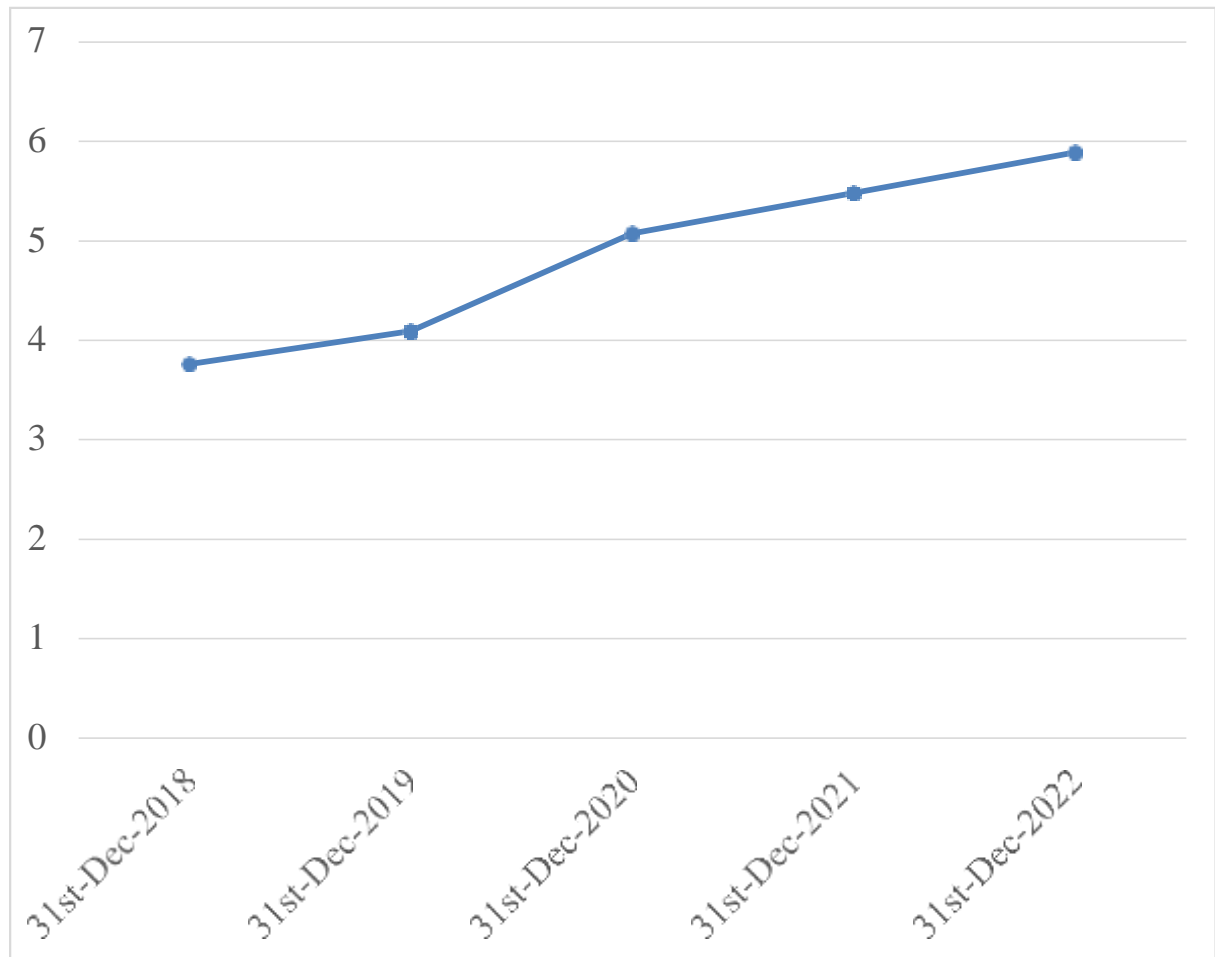
Figure 4.1: Trend Analysis of long-term debt financing

From Figure 4.1 indicate that there was generally an increasing trend in use of long term to finance the operations of consumer goods firms listed in the NSE. In particular, there was a significant rise in use of long-term debt for financing among this firms in 2020-2022, this can be attributed to the rise of COVID-19 pandemic that created short term liquidity issues forcing these firms to increase the use of long-term debts to finance operations.

4.3.2 Short term debt financing

The findings of trend analysis on short term financing were determined and summarize as shown in Figure 4.2.
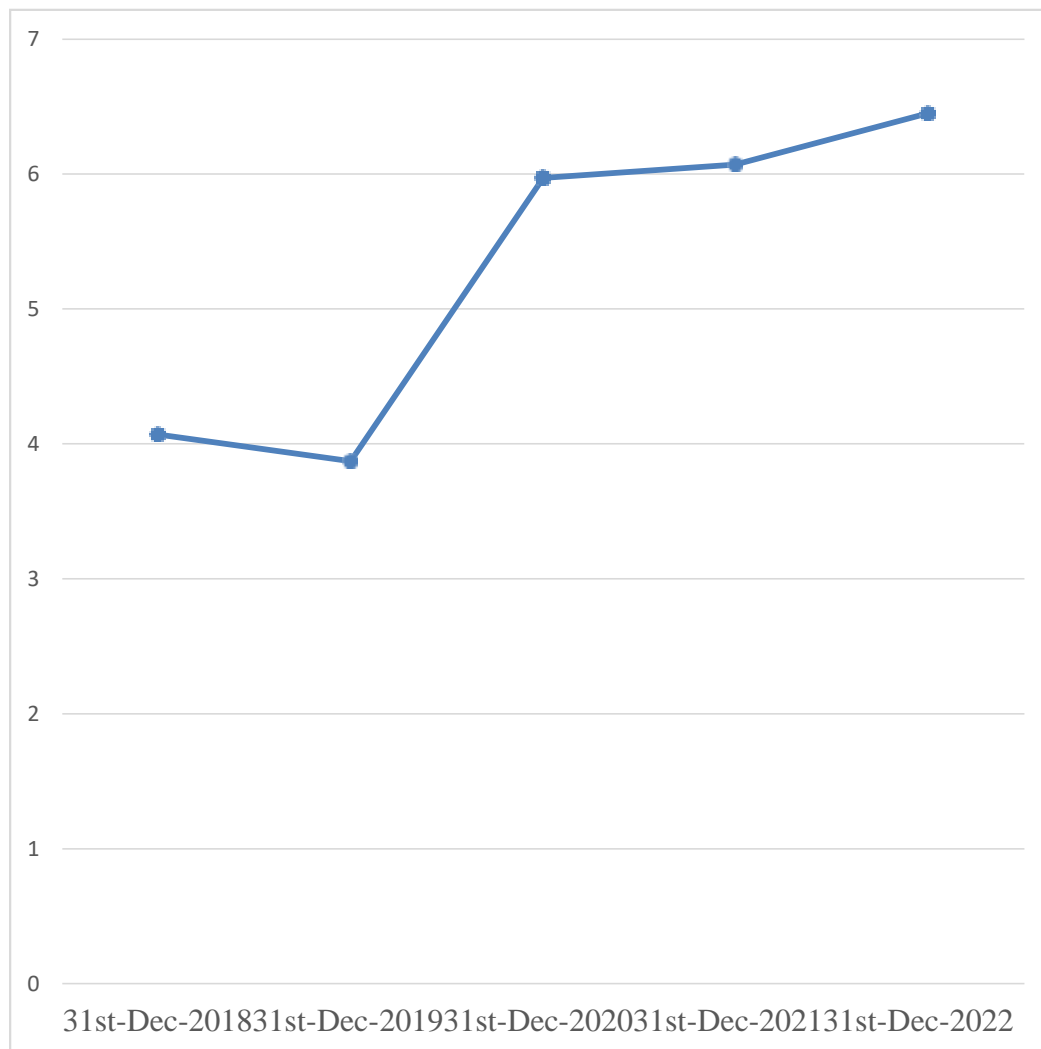
Figure 4. 2: Trend Analysis on Short Term Financing

The results show that the trend in short term financing of the studied firms was erratic characterized by fluctuations within the period of consideration. This erratic movement in short term financing can be attributed to an opportunity cost that existed between it and long term financing and the risk appetite behavior of the finance managers working in the studied firms.

4.3.3 Financing Ordinary Share

The findings of trend analysis on financing of ordinary shares were established and presented as shown in Figure 4.3 below.
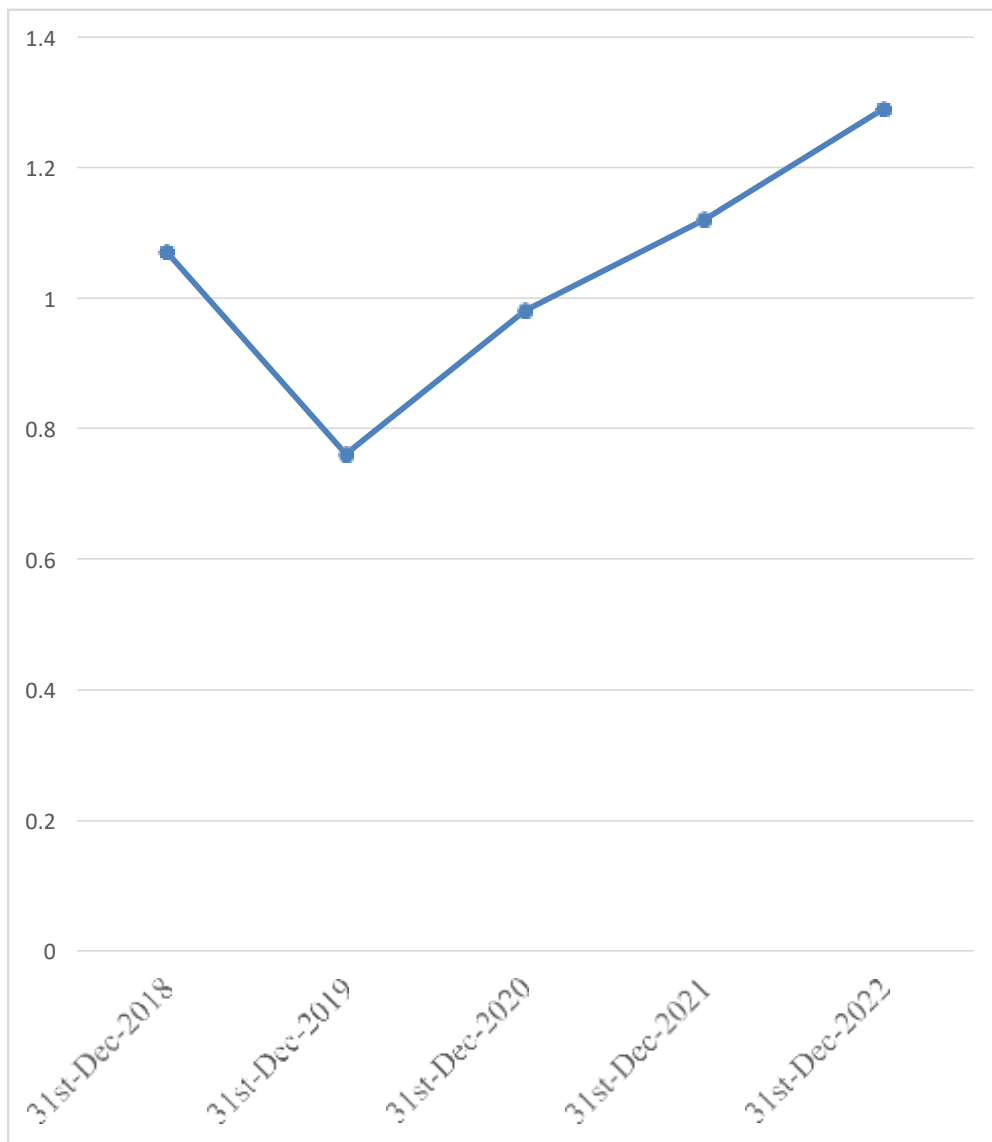
Figure 4.3: Financing Ordinary Share

The findings in Figure 4.3 indicate that there was a steady rise in ordinary share financing by the studied firms from 2019-2022. In most cases, ordinary shares are appealing to the firm compared to preferred shares because of differences in risks attached to both forms of financing in the firm.

4.3.4 Retained Earnings

The findings of trend analysis on retaining earnings as a study variable were determined and summarized as shown in Figure 4.4.
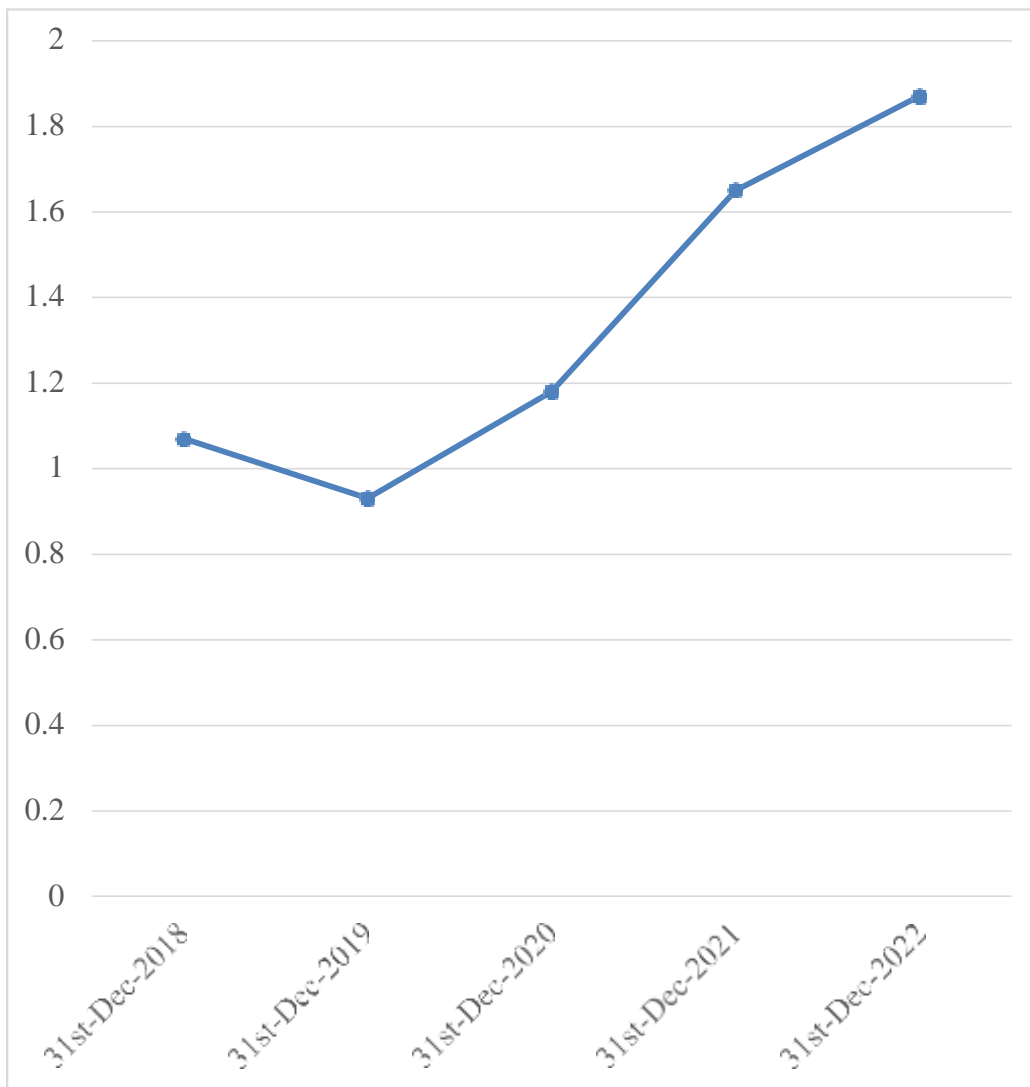
Figure 4.4: Trend Analysis on Retained Earnings

The findings in Figure 4.4 indicate that there was a steady rise in the use of retained earnings as a source of financing in the analyzed firms. The possible explanation for this steady rise in using retained earnings is because the less costs and risks involved with retained earnings as compared to other forms of financing like the use of debts attract interest payment and which may increase the risks from financial distress and instability of the firm.

4.3.5 Firm Growth

The dependent variable covered in this study was growth and the trend analysis on the same was determined and presented as shown in Figure 4.5.
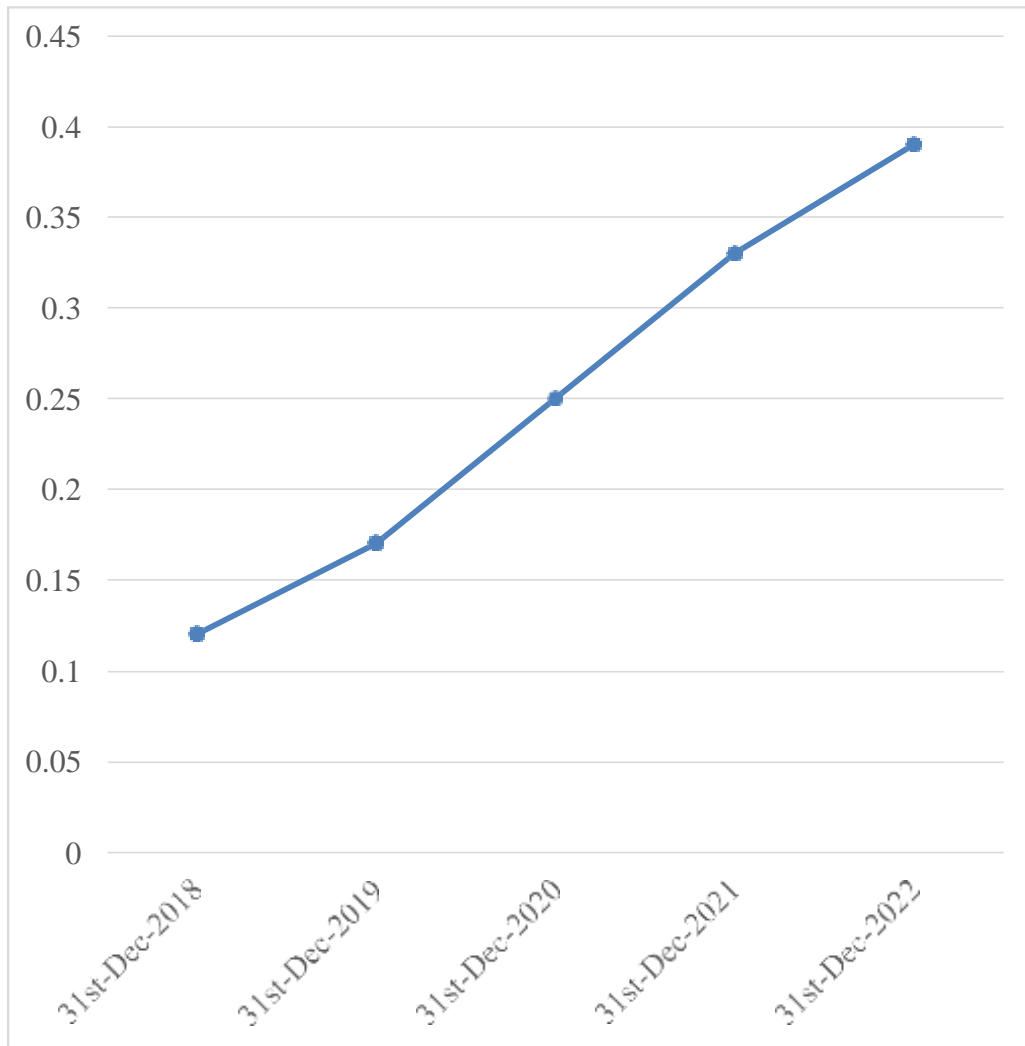
Figure 4.5: Trend Analysis on Growth

Figure 4.5 indicate that there was a general increase in growth of the studied firms, which can be attributed to ease of access to capital through debts, equities and retained earnings.

4.4 Diagnostic Tests

These tests included normality, multicollinearity, autocorrelation and heteroscedasticity were conducted and the findings presented herein.

4.4.1 Normality Test

Normality was tested using the Shapiro Wilk test and its summary of results presented in Table 4.2.

Table 4.2: Normality Test

	Shapiro-Wilk		
	Statistic	**df**	**Sig.**
Firm growth	.840	4	.195
Long term debt financing	.963	4	.798
Short term debt financing	.827	4	.161
Financing of ordinary shares	.946	25	.208
Retained earnings	.865	5	.246

Source: Analyzed data from the companies website on published financial report

Results indicate that the outputs from test found that all the p-values are above 0.05 for the five variables covered in this. This provides an indication that the variables and the data collected in the study had a normal distribution.

4.4.2 Multicollinearity Test

Multicollinearity test based on VIF results was conducted and Table 4.3 gives summaries of the obtained results.

Table 4.3: Multicollinearity Test

	Collinearity Statistics	
	Tolerance	**VIF**
Long term debt financing	.223	4.490
Short term debt financing	.197	5.089
Financing of ordinary shares	.687	1.456
Retained earnings	.472	2.117
Mean VIF		**3.288**

Source: Analyzed data from the companies website on published financial report

The findings in Table 4.3 indicate the mean VIF value as 3.288 with all the values for the respective variables being below 10. This provides an indication that there was no multicollinearity in the dataset that was used in the current research and hence it was suitable to support regression analysis.

4.4.3 Autocorrelation Test

The Durbin Watson Statistic helped in determining the presence of autocorrelation, and its results are shown in Table 4.4.

Table 4.4: Autocorrelation Test

Model	Durbin-Watson
1	1.804

Source: Analyzed data from the companies website on published financial report

The findings in Table 4.4 indicate the value of Durbin Watson Statistic as 1.804 which can be rounded off or approximately to 2. As the values are closer or equal to 2 provide, it indicates the lack of serial correlation in the data and thus this applied to the present study.

4.4.4 Heteroscedasticity Test

It was tested using the Levene test in SPSS as summarized in Table 4.5.

Table 4.5: Heteroscedasticity Test

	Levene Statistic	df1	df2	Sig.
Long term debt financing	1.782	6	48	.123
Short term debt financing	7.359	6	48	.345
Financing ordinary shares	2.582	6	48	.530
Retained earnings	14.288	6	48	.090

Source: Analyzed data from the companies website on published financial report

Study results indicate the findings of Levene test that was used to determine existence of Heteroscedasticity in the data. From the findings, al the p-values are above 0.05 which is within the established threshold and rule of thumb. Thus, absence of heteroscedasticity in the sample data used in the study is assumed.

4.5 Correlation Matrix

Correlation analysis was used to predict the relations of capital structure and growth of consumer goods firms listed in the NSE. Table 4.6 is a breakdown of the findings.

Table 4.6: Correlation Matrix

		Firm growth	Long term debt financing	Short term debt financing	Financing of ordinary shares	Retained earnings
Firm growth	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	60				
Long term debt financing	Pearson Correlation	.764	1			
	Sig. (2-tailed)	.000				
	N	60	60			
Short term debt financing	Pearson Correlation	.773	.879	1		
	Sig. (2-tailed)	.000	.000			
	N	60	60	60		
Financing of ordinary shares	Pearson Correlation	.700	.496	.532	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	60	60	60	60	
Retained earnings	Pearson Correlation	.677	.668	.707	.496	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	60	60	60	60	60

Source: Analyzed data from the companies website on published financial report

The findings in Table 4.6 indicate that long term debt financing is a strong, positive and significant correlate of the growth of consumer goods firms listed in the NSE (r=0.764, p<0.05). The findings concur with what Shikumo, *et al.* (2020) found that long-term debt significantly improved financial growth of the assessed firms. Short term debt financing as a variable had a strong and worthy relations to the growth of consumer goods firms listed in the NSE (r=0.773, p<0.05). In the research in Nepal, Pradhan, *et al.* (2017) also found a positive effect of short-term debt and growth, while contradictory findings were found by Abeywardhana (2017) sharing negative influence of short-term debt to growth in the analyzed firms in South Africa.

Furthermore, the results show there exists strong, significant and positive correlation between financing of ordinary shares and the growth of consumer goods firms listed in the NSE (r=0.700, p<0.05). Just as shared by Muthoni (2019) established that increase in ordinary shares led to improved firm growth. However, Isiker and Tas (2021) found issuance of ordinary shares diluted the ownership structure causing longer decision-making processes that had negative effects to growth of the firms in the five Islamic nations including Turkey and Egypt. Retained earnings and the growth of consumer goods firms listed in the NSE are strongly, positively and significantly related with each other (r=0.677, p<0.05). It then can be inferred that capital structure and the growth of consumer goods firms listed in the NSE are positively related with each other. Farooq *et al.* (2017) found similar results echoing what this study found that retaining earnings improved growth of Pakistani firms and Ball *et al.* (2020) also found that retaining and investing the earnings improved yields and growth in firms in the USA.

4.6 Regression Results and Hypotheses Testing

Regression analysis was conducted to predict capital structure on the growth of consumer goods firms listed in the NSE and these sections provide the findings.

4.6.1 Model Summary

Table 4.7 is a breakdown of the findings of the regression model summary.

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.864	.747	.730	.01016

Source: Analyzed data from the companies website on published financial report

The findings in Table 4.7 show that capital structure improved growth of consumer goods firms listed in the NSE. The results show 73% change in growth of consumer goods firms, confirmed by the values of the adjusted R^2=0.730. The long-term debt, short-term debt, ordinary shares and retained earnings contributed to 73% improvement in firm growth with a residual effect accounting for the remaining 27% changes in growth of firms.

4.6.2 Beta Coefficients and Significance

The findings of the beta coefficients analysis is shown in Table 4.8.

Table 4.8: Beta Coefficients and Significance

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	0.136	0.016		8.500	.000
Long term debt financing	0.771	0.113	0.296	6.823	.035
Short term debt financing	0.667	0.112	0.214	5.955	.048
Financing of ordinary shares	0.613	0.108	0.367	5.676	.000
Retained earnings	0.572	0.117	0.145	4.889	.031

Source: Analyzed data from the companies website on published financial report

From the findings in Table 4.9, the following model is predicted:

$$Y= 0.136 + 0.771X_{1\,t} + 0.667X_{2\,t} + 0.613X_{3\,t} + 0.572X_{4\,t}$$

Based on the beta coefficients in Table 4.8, increasing long term debt financing by a unit would lead to 0.771-unit increase in growth and an increase in short term financing by a unit would lead to 0.667-unit increase in growth. It further emerged that increasing

financing of ordinary shares by a unit would lead to 0.613 unit increase in growth and that increasing retained earnings by a unit would result into 0.572 unit increase in growth. At 5%, the study observed that retained earnings, short term debt financing, financing of ordinary shares and long-term debt financing all have significant effect on growth of consumer goods firms listed in the NSE ($p<0.05$). Thus, capital structure is a significant predictor of growth of consumer goods firms listed in the NSE.

CHAPTER FIVE

5.0 DISCUSSION

This chapter highlighted discussions on the four study variables as linked to growth of firms. The discussions link findings of the current study with past empirical literature that either agrees/confirms or disagrees and constructs from the theoretical framework.

5.1 Long-Term Debt Financing and Firm Growth

Correlation analysis results were that long term debt financing is a strong, positive and significant correlate of the growth of consumer goods firms. This positive relationship implies that when a firm borrows on a long-term basis, the same funds are used to support growth opportunities. With long term debt financing, a firm has a greater opportunity of paying flexible interest although the only disadvantage is that it heightens the risks and financial distress of the firm.

The findings that debt financing positively and significantly affected the growth of the consumer firms, was contradicted by the findings in the research done by Nazir, *et al.* (2021) when assessing firms listed at the Pakistan Stock Exchange; showing a negative and significant effect between long and short-term debt financing and performance. However, focusing on performance is not necessary the same to growth and might explain the differences in findings. Additionally, other factors including social, cultural and economic variabilities in Kenyan and Pakistan economies could account for the contradictory findings.

These study findings also disagree with Pradhan, *et al.* (2017) whose research covered the Nepalese banks and revealed a negative link that long-term debt had on growth of firms. The differences could be explained by the sector specific elements, such as surrounding the banking sector and those in the consumer goods firms or in terms of background setting as either Nepal and Kenya. Expanding research is then able to collect new data and inferences are made to account for all disparities or similarities.

The findings in this research on strong association between long-term debt financing and growth being strong from the analyzed data collected for a five-year period from the consumer goods firms. The findings in the research by Bannerman and Fu (2019) in China, where the results showed negative association for long-term debt financing and firm size, growth and maturity structure. The variance in research studies can be linked to differences in operating environments and linking long-term debt financing to several factors hence diminishing the effect. In the end, for the long-term debt financing depending with its structuring, was found to either positively or negatively affect growth in firms.

From regression analysis, it was established that long term debt financing is a significant predictor of the growth of listed consumer goods firms. This means that in deed, an investment in long term can allow the firm to realize growth. This finding agrees with Shikumo, *et al.* (2020) established that long-term debt significantly affected financial growth in terms of growth in earnings per share and market capitalization. However, the finding disagrees with Ng'ang'a (2017) findings where the association was insignificant as debt financing did not improve revenues. Additionally, Mwiti and Gitagia (2023) shared that long-term debt financing significantly influenced financial performance. Similarly to findings by Adibeli and Amahalu (2023) that found that debt financing resulted in creation of wealth for shareholders of the firm.

The findings are in agreement with the net income approach theory. According to the net income approach theory the optimal capital structure is where capital costs are lowest while the total value gains are at the highest. This is due to the fact that cost of capital is a function of the capital structure in the firms. Thus, the findings showing that long-term debt financing predicts and supports growth of consumer goods firms listed in the NSE; align with the net income approach theory. Decisions on capital structure is taking long-term debt help in valuation of the firm and therefore influence growth in these assessed consumer goods firms listed at the NSE.

5.2 Short-Term Debt Financing and Firm Growth

From correlation results, the study noted that short term debt financing has a strong, positive and significant relationship with growth of consumer goods firms listed in the NSE. This means that when a firm decides to have in short term debt financing, its growth was improved. In other words, a firm grows by leveraging short term debts. The finding agrees with Shikumo, *et al.* (2020) who noted that short-term debt improved financial growth as measured in this study in terms of earnings per share and market capitalization. The structure of short-term debt financing implying decreased interest rate payments that could account differences in growth patterns in organizations.

The finding disagrees with Magoro and Abeywardhana (2017) who found that long-term and short-term debt financing negatively affected growth when covering wholesale firms in South Africa. Among many reasons for such findings, it could be challenges the firms face when seeking refinancing of short-term debts and industry or sector-specific factors. The operating locations also dictate the outcomes and could explain the low performance and negative growth patterns in organizations. The finding further agrees with Pradhan, *et al.* (2017) in Nepal, revealed a positive association of short-term debt and growth. This type of financing is beneficial since it allows for little fluctuations in price adjustments for the financial method but subject to interest rate variabilities.

From regression analysis, it was established that short term debt financing significantly predicts the growth of consumer goods firms listed in the NSE. This shows that careful and prudent borrowing and utilization of short-term debts can allow the firm to achieve superior growth. This finding agrees with Nicolas (2022) who established that short-term credit constraints greatly impact on investment decisions made by the SMEs. It follows that the entrepreneurs make decisions on financing of their activities and the attached investments, which impact on outcomes and growth pattern. Thus, it essential for the entrepreneurs to thoroughly assessed the different financial options available to select one with fewer risks and more gains.

Additionally, the research findings agree with Karuma, *et al.* (2018) in who found significance between short-term debt and growth of manufacturing firms in Kenya and specifically those listed in the NSE. Through careful consideration of the trade-offs the finance managers are able to select the best financial decisions that impact positively on financial performance outcomes. The trade-offs between short-term debt financing and agreements with providers of the finances, often accounts for the realized growth. Therefore, improved growth realized in the consumer goods firms can be explained by the decisions made by the financial managers on trade-offs made.

But Wang and Chiu (2019) while assessing five countries in the Pacific Basin including Malaysia, Taiwan, South Korea, Australia and Singapore; revealed that short term debts increased probability of high default risks that negatively impacted growth of firms. Firms that use short term debt for financing its investment projects must also consider the risks attached to such type of financing. Some of the risks that must be considered when making financial decisions include interest rate fluctuations, risk tolerance to cash flows and liquidity pressures, as these risks impact on outcomes in the firm and influence growth levels.

Mulyungi (2021) assessed the short-term financing and the decision-making process as influencing factors in creation of firm value. The use of pecking order, trade -off, financing and liquidity theories, gives a wider perspective on the choices that financial managers make and what they need to consider in seeking to improve earnings, profitability and value of the firm. In the short-run, the financial managers and others must consider cash management, management of accounts receivable, accounts payable and inventory management, which have a big effect on financial performance as it constitutes firm value. Therefore, in the same manner, the financial managers in the assessed consumer goods firms listed at the NSE must consult widely and make sound decisions in financing business ventures for better results.

Basing these findings on the traditional theory whose key construct states that debt funding for firms' capital is preferable. This is because debt funding and especially short-term debt

financing attracts low interest rates, which reduces cost of capital and enhances the value of the firm. But financial managers must take caution not to take too much debt beyond the optimal point for debt-equity mix, since extra debt leading to negative deviation and lower the market value for the firm. Based on the theory, consumer goods firms listed at the NSE can take short-term debts up to a certain optimum level for favorable value of the firms. This study took the perspective of firm growth in the consumer goods firms listed at the NSE. The findings agree with the principles of the traditional theory on debt funding and growth of firms.

5.3 Financing Ordinary Share and Firm Growth

As per correlation analysis, there exists strong, significant and positive correlation between financing of ordinary shares and the growth of the listed consumer goods firms at the NSE. It then can be inferred that in order for firms to realize positive improvement in their growth pace, they should have ordinary shares. It also implies that when a firm increases a portion of its ordinary shares, chances of realizing superior growth that also increase. The finding is supported by Muthoni (2019) who showed that financing decision of shares through equity, debt, working capital and dividends positively and significantly led to improved shareholder value creation. This indicates that firms that issue ordinary shares can effectively deploy the funds which will fuel additional initiatives and result in overall growth of the firm.

Mutemeri (2019) when conducting a comparative study of performance of initial public offers in stock exchange markets in Nigeria and South Africa; found that IPOs impacted market adjusted returns and investors. Enekwe, *et al.* (2015) noted that financing from dividend payouts positively related to returns on capital employed, assets and equity in Nigerian cement companies. In some cases, the positive relationship can be because of redeploying the funds back into the business venture. As it is, increase volume of equity enable the business venture to reinvest into many different ventures for higher earnings and experience more growth. Ordinary share use symbolizes confidence of the market on the potential growth for the firm and this attracts more people but the shares. The increased

purchase of the ordinary shares allows the firms sufficient funds to invest for better earnings and growth.

In line with regression results, financing ordinary share and the growth of the firm are significantly linked with each other. This shows that ordinary shareholders play an important role by acting as source of funding of the operations to achieve growth at firm level. Similar findings were obtained by Muthoni (2019) who showed that financing decision of shares through equity, debt, working capital and dividends positively and significantly led to improved shareholder value creation. The growth of the firms can be linked to companies investing in high-risk ventures that have better growth potential. The ordinary shares are thus used to fund innovative, creative and inventive ventures that enable the firms to grow and expand its operations in future.

In the reviewed five Islamic countries including Turkey and Egypt, Isiker and Tas (2021) found that right issues announcement resulted in declining share price and abnormal returns for some of the nations. The issuing of ordinary shares can dilute the ownership structure since there is an increase of shareholders who have different interests and hence add challenges including prolonged decision-making since, agreeing and voting for an investment portfolio takes much longer. In the case of the listed consumer goods firms in the NSE, the more shareholders it acquires from issuing of ordinary shares, the more diluted is the voting rights and decision making. This may affect investment decisions and timing causing low returns and also if there are more people willing to purchase the shares, its pricing can go down. With financing through the use of ordinary shares, the company does not enjoy tax advantages linked to debt financing and which may have negative effects on take-home for the shareholders.

In Pakistan, Saeed and Tahir (2015) revealed that earnings per share increased profit margins for the banks and impacted on bank growth rate. As such, the issuance of ordinary shares to the market signals to individual and corporate investors that the firm is well-positioned to grow and expand its operations. This also builds confidence on probability of high return earnings for the investors and a reason to invest in the firm, while also

attracting more investors and encouraging high investment amounts to the portfolio. When firms can access sufficient financial resources to carter for their investment needs, it creates better chance for attaining and delivering of the growth opportunities. In addition, using ordinary shares provides an alternative source of funding with reduced financial risk and higher chances of growth.

According to the research by Oganda (2023) on equity financing and firm value, showing that equity financing had negative effect to firm value when using the Tobin Q model. As such equity financing had little impact on firm value and as such finance managers should be conscious when using equity to finance business ventures and therefore, based on the researcher it should be used as the last option. Ibrahim et al. (2020) also found that equity financing had negative effect on firm value. This confirms the need to show caution when using equity in financing business ventures and therefore recommended using a capital mixed structure.

The findings that financing of ordinary shares significantly improved growth of the consumer goods firms aligning with the pecking order theory. The theory on capital structure shows that firms have a preference for borrowing to use of equity in financing the ventures. At the same time, internal financing is preferred against external financing and if there is need to use external financing, then issuing of ordinary shares is the better option. This is preferred since the finance managers make decisions to retain control of the firms through issuing ordinary shares that are less risky, such that revenues generated are enjoyed in the firm. Therefore, the pecking order ranks the capital financing preferences in order and based by existing circumstances in the firm and the market.

5.4 Retained Earnings and Firm Growth

In regard to correlation analysis, retained earnings and the growth of consumer goods firms listed in the NSE are strongly, positively and significantly related with each other. The implication of this positive relationship is that when a firm increases a portion of its retained earnings, its ability to realize superior growth also increases. It also means that a firm grows by increasing the portion of retained earnings. These findings are in agreement

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with results by Farooq *et al.* (2017) who established that retained earnings have positive and significant impact on growth of firms in Pakistan. This could be explained since it is a cheap source of internal funding that can help in expanding the business ventures for increased growth.

The result further agrees with Bassey *et al.* (2016) who revealed a strong association that retaining profits and earnings has on growth of the Niger Mill Companies. Retaining earnings enables the firm and its financial officers to make decisions on how and where best to re-invest the earnings for capital expenditures. Some of areas the firms can invest in include purchase of new equipment or modernizing technology in the firm, research and development programs that can spur innovations and inventions, which is pertinent in firms seeking better earnings and high-growth pattern.

In the USA, Ball *et al.* (2020) found that retaining earnings that are used for investment purposes increased investors earnings and yield. This aligns to the findings in the current study, that also realized that retaining earnings improved the growth of the consumer goods firms. Retained earnings are advantageous since they act as a buffer against financial and economic downtowns and help in clearing debts which has an added effect of improving credit worthiness of the firms. Firms with a stronger financial position can easily acquire new ventures and initiatives resulting in expansion of product lines and market share for attainment of higher overall growth.

It was established from regression analysis that retained earnings are significant predictors of firm growth. Being significant, it implies that a firm that has in place retained earnings is characterized by greater growth rates as compared to those without. The reason why retained earnings is critical for growth of the firm is that it is internal source fund and a firm does not incur any cost to access and utilize the same. The finding agrees with Viet *et al.* (2020) who found that retained earnings led to improve performance of firms in the Vietnamese stock exchange market.

In other researches reviewed, including that by Oganda *et al.* (2022), Ugwu *et al.* (2021) and Dahmash *et al.* (2023) all mention that retained earnings is one the cheapest sources of funds for financing business ventures. Retained earnings improved earnings, financial performance and value of the firms. In most cases, organizations that can use retained earnings can improve their financial outcomes, earnings, growth levels and market share. The retained earnings are also useful in financing expansion, opening of new branches, acquisitions and diversifying ventures and products, that increase earnings and sales volume. This is important in expanding operations for better earnings and should be a key focal point for finance managers and senior managers.

However, the result disagrees with Pibowei, *et al.* (2021) who found a lack of significance relations when retained earnings was linked to firm performance. This could be linked to focusing of the benefits for retaining earnings, however there is need for the financial managers to strike a balance between re-investing the earnings and issuing of dividends to then shareholders. This could also explain the difference in the growth levels experienced in organizations even those in different industries and locations. The decision to retain earnings if based on objective analysis of the industry dynamism and changes in the environment can cause better earnings and growth of the firm.

The findings established that retained earnings predict the growth of the consumer goods firms listed at the NSE, thus agreeing with sentiments of the pecking order theory. When these firms increase a percentage of its retained earnings which goes to finance new projects, there is increase in growth and expansion of the firm. Internal sources of financing improve growth as stated by the pecking order theory where the finance managers make decisions for capital structures that favor internally financing projects as opposed to external sources of capital. The theory shows that retained earnings are a form of cash flows that are less risky and less leveraged, resulting in growth of the firm.

CHAPTER SIX

6.0 CONCLUSIONS AND RECOMMENDATIONS

This chapter is highlighting the drawn conclusions made from the results and discussions. The conclusion is arranged as per objective and has a section on the recommendations made for practitioners, policy makers and future researchers and authors.

6.1 Introduction

It shows the drawn conclusions for this study, which is arranged as per the four specific study objectives. The last section is on recommendations made on policy, practice and for academicians.

6.2 Conclusions

The section discusses the study conclusions and they are arranged as per the study objectives.

Basing on correlation analysis findings that showed that long term debt financing is associated to growth of firms; the study concluded that long term debt financing adopted by consumer goods firms listed at the NSE resulted in improved growth levels of the firms. The regression coefficient also found that long term debt financing was a significant predictor of firm growth among the assessed consumer goods firms that are listed at the NSE. Thus, the study concluded that long-term debt led to growth of consumer goods firms that are listed at the NSE. The high mean score obtained from the conducted descriptive analysis showed that there is collective agreement that long term debt financing influences firm growth. This confirms that the conclusion drawn is factual such that long term debt financing improved the growth levels of the consumer firms listed at the NSE.

The findings revealed that short term debt financing had largely contributed to the growth of consumer goods firms listed in the NSE. Short term debt financing also significantly predicted the growth of consumer goods firms. The study found a high mean score showing agreement in that short term debt financing influenced the growth of firms. Therefore,

based on these results, it is concluded that improved growth of the consumer goods firms listed at the NSE was due to the effect of short-term debt financing methods. The capital venture was sourced from short term debts which resulted in improved growth of the assessed firms.

Findings revealed a high mean score as an indication that financing of ordinary shares was commonly used by firms as capital for its innovative and inventions. Financing of ordinary shares employed by the consumer goods firms listed had high aggregate mean score that improved its growth rate. Furthermore, the results showed there is a strong, significant and positive correlation between financing of ordinary shares and the growth of consumer goods firms listed in the NSE. Financing ordinary share and the growth of the firm are significantly linked with each other. From these results, the researcher concludes that the use of financing of ordinary shares led to improved earnings that resulted in the growth of the consumer goods firms listed at the NSE.

The descriptive analysis findings show low mean score averages between retained earnings and firm growth. This indicates that retained earnings had little influence on the growth of the analyzed consumer good firms that are listed at the NSE. The correlation analysis results shared that retained earnings was found to be strongly, positively and significantly related to growth of consumer goods firms listed in the NSE. In addition, the results from the conducted regression analysis revealing that retained earnings are a significant predictor of firm growth. Based on these findings revealed from the different conducted analysis, this study concludes that retained earnings improved the growth of consumer goods firms listed at the NSE.

In general, the study concluded all the four variables of capital structure under long-term and short-term financing, financing of ordinary shares and retaining of earnings contributed to the improved growth levels in the assessed consumer goods firm listed at the NSE.

6.3 Recommendations

From the study results in the conducted descriptive, correlation and regression analysis and the drawn conclusions; these study makes the following recommendations for practice, for policy and for academicians. This is discussed in these upcoming sections:

In practice, its recommended that finance managers in the consumer goods firms and other firms listed in the NSE to adopt prudent measures when making decisions about the capital structure of the firm. The finance manager and other management team members must research on capital structure and develop a model that shows effective capital mix that will yield highest earnings and growth of firms. This model will be utilized to give an optimal level for the equity-debt ratio that improves performance and yields the highest value for the firm. In the quest to increase growth, managers must pursue a capital structure that earns investors more returns at a low risk level. The study recommends for investors to analyze the market and companies and select firms and capital structure for its optimal level that will yield the highest returns and earnings.

In terms of policy, the suggestion is such that policy makers such as chamber of commerce, the Capital Markets Authority (CMA) and ministry of trade to facilitate the formulation of policies and regulations that will be beneficial to sector players. The formed policies will work by easing the operations for firms in the entrepreneurial sector and foster growth and development of the firms. For the adopted regulations, it will help in creating a good working environment and ease the access to capital for new business ventures and expansion for the already existing business ventures that would enhance the growth of these firms. The formulated laws will also guide the activities of firms and investors in aligning with operations and investment portfolios that improve performance outcomes and growth. These formulated policies should also offer guidelines on its implementation procedures that once incorporated into the operations of the firms can result in improved performance and growth of the entity.

6.4 Recommendations for Further Study

The study makes these recommendations to future researchers and authors on enriching the academia. The current study focus was on capital structure and firm growth and future researchers can expand research by considering analyzing how capital structure can influence firm performance or sustainability of the firms. In addition, future researchers can focus on firms that are in different sectors including commercial and financial sector, agricultural, energy and petroleum and still assess the link between capital structure and growth. The research can also cover firms noted listed at the NSE to provide a wider base for the findings. The study was analyzed using secondary data and future researchers can use primary data or a combination of primary and secondary data to assess the link between the two study objectives.

Conceptually, researchers can also consider other factors that influence growth of firms such as macroeconomic factors, monetary policies and volatility of the firms. Thus, the researches will provide diverse influencing factors to growth of firms. Additionally, since capital structure accounted for 73% change in growth of the consumer goods firms listed at the NSE, then future researchers can assess the remaining 27% that enhanced growth in the consumer goods firms listed in the NSE.

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APPENDICES

Appendix i: Secondary Data Collection Sheet

Name of Company			Year		
Data	**2018**	**2019**	**2020**	**2021**	**2022**
Revenue					
Total Assets					
ROE					
Long term debt					
Debentures					
Bonds					
Bank loans					
Short term debt					
Deferred Revenue					
Accounts payable					
Ordinary share capital					
Rights issue					
Bonus issue					
Retained earnings					
Retained profits					
Total profits					

Source: Companies website on published financial report

Appendix ii: Consumer Goods Firms Listed in the Nairobi Securities Exchange

SN	Firm
	BAT Kenya
	Eaagads limited
	East Africa Breweries
	Eveready East Africa
	Kakuzi
	Kapchorua Tea Kenya
	Kenya Orchards
	Limuru Tea
	Sameer Africa
.	Sasini
.	Unga Group
.	Williamson Tea Kenya

Source: Website of Capital Markets Authority, Kenya (2022).

Appendix iii: Data Collection Approval Letter

SOUTH EASTERN KENYA UNIVERSITY
OFFICE OF THE DIRECTOR
BOARD OF POST GRADUATE STUDIES

P.O. BOX 170-90200   TEL: 020-4213859 (KITUI)
KITUI, KENYA
Email: info@seku.ac.ke   Email:directorbps@seku.ac.ke

Our Ref: D61/KIT/20559/2014   DATE: 9th November, 2022

Onyango Benson
Reg. No. D61/KIT/20559/2014
Masters of Business Administration
C/O School of Business and Economics

Dear Onyango,

RE: PERMISSION TO PROCEED FOR DATA COLLECTION

This is to acknowledge receipt of your Masters of Business Administration Proposal document titled: *"Effect of Capital Structure on Growth of the Consumer Goods Firms Listed in the Nairobi Securities Exchange"*.

Following a successful presentation of your Masters Proposal, the School of Business and Economics in conjunction with the Directorate, Board of Postgraduate Studies (BPS) have approved that you proceed on and carry out research data collection in accordance with your approved proposal.

During your research work, you will be closely supervised by Dr. Anne Christine Kabui and Dr. Michael Wahome. You should ensure that you liase with your supervisors at all times. In addition, you are required to fill in a Progress Report *(SEKU/ARSA/BPS/F-02)* which can be downloaded from the University Website.

The Board of Postgraduate Studies wishes you well and a successful research data collection exercise as a critical stage in your Masters of Business Administration.

Prof. David M. Malonza
Director, Board of Postgraduate Studies

Copy to: Deputy Vice Chancellor, Academic, Research and Students Affairs (Note on File)
             Dean, School of Business and Economics
             Chairman, Department of Business and Entrepreneurship
             Dr. Anne Christine Kabui
             Dr. Michael Wahome
             BPS Office - To file

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Appendix iv: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 643718

Date of Issue: 24/April/2024

RESEARCH LICENSE

This is to Certify that Mr.. Benson Onyango Onyango of South Eastern Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: EFFECT OF CAPITAL STRUCTURE ON GROWTH OF THE CONSUMER GOODS FIRMS LISTED IN THE NAIROBI SECURITIES EXCHANGE. for the period ending : 24/April/2025.

License No: NACOSTI/P/24/34883

643718
Applicant Identification Number

Director General
NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY &
INNOVATION

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See overleaf for conditions

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THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013 (Rev. 2014)
Legal Notice No. 108: The Science, Technology and Innovation (Research Licensing) Regulations, 2014

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was the established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way;
    i. Endanger national security
    ii. Adversely affect the lives of Kenyans
    iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
    iv. Result in exploitation of intellectual property rights of communities in Kenya
    v. Adversely affect the environment
    vi. Adversely affect the rights of communities
    vii. Endanger public safety and national cohesion
    viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. The license any rights thereunder are non-transferable
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

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Innovation(NACOSTI),
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