CAPITAL STRUCTURE AND FINANCIAL PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA

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DECLARATION

This research1project is my1original work1and has1not been1presented for1a degree by myself or any1other person from any1other institution

Signed_____   Date _____

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Declaration by Supervisor

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

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DEDICATION

This work is foremost dedicated to Almighty God, for good health and love. Furthermore, am thankful to my Father, Calistus Nyongesa and Mother, Catherine Nyongesa for their encouragement, tolerance, love as well as enormous support.

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ABBREVIATIONS AND ACRONYMS

DER: Debt to Equity Ratio

GM: Gross Margin

LTD: Long Term Debt

MM: Modigliani and Miller

NSE: Nairobi Securities Exchange

OLS: Ordinary least squares

PTPR: Presidential Task Force on Parastatal Reforms

ROA: Return1on Assets

ROE: Return1on Equity

SMEs: Small1and Medium1Enterprises

SOEs: State-Owned Enterprises

STD: Short-Term1Debt

TOT: Trade-off1theory

OPERATIONAL DEFINITION OF TERMS

Capital structure: Is the ratio of debt, internal financing and equity in commercial state corporations

Commercial State Corporations This is a company where the state or the government holds a sizable amount of ownership—either fully, largely, or significantly.

Equity capital: It is the finance contributed by investors and amount received by selling of shares to fund business' operations, proxies in the study will be equity ratio.

Financial performance: Is the1capability of any organization to use accessible resources so as to accomplish specific objectives, proxies in the study will be return on assets.

Long term debt: This refers to the sum of money that has been outstanding to lenders for more than a year as of the current balance sheet data and proxies will be long term**1**debt ratio.

Return on Assets: This is a financial ratio that measures a company's profitability by comparing its net income to its total assets.

Short term1debt: Refers to the obligations which include overdraft facilities and trade credit that are due within one year, proxies in the study will be short-term debt ratio.

ABSTRACT

Commercial state corporations play essential role in enhancing public service delivery and meeting the needs of the people, as well as creation of employment opportunities. As such, various commercial state corporations have been getting capital through debt financing and equity capital. However, even after getting finances via these sources, commercial state corporations have been poorly performing as shown by decreasing profitability in the last five years. The general objective1of the1study was to1examine the1effect of capital1structure on the financial1performance of commercial state1corporations in1Kenya. Further, specific objectives1were to examine effect of short term debt on financial1performance of commercial1state corporations in1Kenya; to determine1effect of long term debt on financial1performance of commercial1state corporations in1Kenya; and to find out effect1of equity capital on financial performance of commercial1state corporations1in Kenya. This study was1anchored on1trade-off theory, agency theory and1Modigliani and Miller (MM) theory. An explanatory research design was1adopted during the study. Moreover, target population was 26 commercial1state corporations distributed in different parts of Kenya. Since target1population is small, census method was utilized therefore, the entire population was included during the study. Further, this research made use1of secondary panel data. The secondary data covering 10 years1from 2012 to 2021, was gathered from Office of Auditor General Website and individual companies annual reports. In data analysis, inferential and descriptive statistics were utilized and STATA version 14 was used in statistical1analysis. Further, descriptive1 statistics encompassed frequency1distributions, mean, percentages, variances and standard1 deviation. The inferential statistics were conducted by employing panel regression analysis. Additionally, the findings of the study were displayed in figures and tables. The study established that equity capital has positive1and also significant effect1on financial performance1of commercial state corporations in Kenya. In addition, short term debt has significant negative influence on Kenyan commercial state corporations' financial1 performance. Further, long term1debt has1significant positive1effect on Kenya commercial state corporations' financial performance. The study concludes that equity capital and long term debt have a positive effect on financial1performance of commercial1state corporations in1Kenya, but short term debt had a negative effect on financial1performance of commercial1state corporations in1Kenya. The study1recommends that management ought to utilize equity capital to fund their operations because equity owners are capable of consistently monitoring and exerting effect on managerial decisions therefore ensuring proper allocation and utilization of various resources. In addition, commercial state corporations must avoid short term debt as they are characterised by high interest rates. Also, the management of commercial state corporations should use long term debt to fund varied investments with longer paying periods.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Commercial state corporations are essential in national growth as they help in building the state's technical capabilities and capacities (Brigitta, 2017). They also play essential role in enhancing public service delivery and meeting the needs of the people, as well as creation of employment opportunities (Mwangi & Arani, 2021). Unlike other state corporations, commercial state corporations operate in a competitive profit-driven business environment alongside other players including the private sector. As observed by the Brumby and Gokgur (2021) some of the commercial state corporations, all other the world, have been experiencing losses and decrease in profitability, leading to the collapse of some of them.

Around the world, state-owned1enterprises (SOEs) have less profit and are less1efficient than private corporations, despite operating in the same business environment (Brigitta, 2017). Further, while there are commercial state corporations that have been performing well financially in terms of meeting their financial obligations and profitability, most of commercial state corporations around the world have been making losses and experiencing decrease in their profitability (Nguyet, 2019). In addition, many of them fail to maximize their firms' profitability and enhance financial performance, the usage of diverse capital structures have been recommended by finance managers in distinct sectors (Singh & Bagga, 2019). Financing of commercial state corporations comes from equity, internal funds and debt. The1pecking order1theory states that an organization ought to prefer to internally finance its diverse operations using internal financing. If monetary source is inaccessible, they can fund operations via debt. The final option in financing company's operations should be giving out equity. An organization can thus finance its activities using debt, internal financing or equity (Public Service Commission, 2020).

In numerous companies, finance managers have advocated the use of diverse capital structures to increase their companies' profitability and boost financial performance (Singh & Bagga, 2019). Internal money, debt and1equity are three key sources1of funding for commercial state corporations. According1to the pecking1order principle, a company1should prefer employing

internal financing to support its activities. Internal financing involves the use of a company's own resources to finance its operations, growth, and investments, without relying on external sources of funding. Firms can use debt financing to support their activities if internal financing is not available. The issuance of1equity should be1the last option for financing a company's activities. A company can therefore finance its activities via internal resources, debt, or stock.

In the United States, Brigitta (2017) indicated that despite operating in the same business environment and utilizing a similar capital structure, state-owned enterprises (SOEs) in the United States, are less efficient and have lower profitability compared to private corporatons. In Japan, Nguyet (2019) argued that the use of longterm debt and equity capital had a significant effect on state-owned enterprises. In China, Budiman, Lin and Singham (2009) observed that the average return on assets at state-owned enterprises in China was less than half that of the private sector, despite the use of debt and equity capital in financing operations. Further, the World Bank (2015) report indicates that while there are commercial state corporations in Africa that have been performing well financially in terms of meeting their financial obligations and profitability, most of them have been making losses and experiencing decrease in their profitability.

In Ghana, Prempeh, Nsiah and Sekyere (2016) indicated that there exists a positive relationship between capital structure, in terms of long term debt, short term debt and equity capital, and financial performance of state owned enterprises. In Kenya, Ngure, Muema and Mutea (2018) indicates that while the use long term debt influences the financial performance of commercial state corporations positively, short term debt had a negative effect on financial performance. Similarly, Githaiga and Kabiru (2015) observed that capital structure measured using equity capital and long term debt had a positive and significant effect on financial performance of commercial state corporations.

1.1.1 Capital Structure

Capital structure combines many forms of finance, including internal financing, debt, as well as equity finance, used to finance an enterprise (Gharaibeh, 2015). According to Lungatso and Otuya (2019), capital structures are determined by finance decisions, and poor financing choices can cause a company to fail. According to Nyanamba (2018), state-owned businesses

in1Kenya frequently use bank loans and1payables to finance private debt. This study's major goal is to examine the effects of state owned enterprises' capital structures and forms of capital ownership following equity.

In1South Africa, Ferina (2021) indicated that capital structure of state owned enterprises encompasses equity financing, debt and state financing. According to Mugisha (2020), capital structure in state corporations in Kenya include short term debt, long term debt and equity capital. In addition, Ndambiri, Karuma and Oluoch (2018) observed that capital structure encompasses of equity capital, long term debt and short term debt. This study looked at capital structure in commercial state corporations in terms of equity capital, short term1debt and long term1debt.

When contrasted to current assets, short term debt is an excellent dimension of company's performance and liquidity. Current liabilities include obligations that are due within a year, such as overdraft facilities (Singh & Bagga, 2019). According to Mugisha, Omagwa and Kilika (2020), Short term debt refers to the debt ratio in an organization whose maturity is one year or less to the total assets in the organization. Short-term debt with quick maturities makes it possible to cater for short-term financial requirements without committing long-term resources. Short term debt payment costs are economical for an organization. Nasimi and Nasimi (2018) indicate that commercial state corporations use short term debt to fund short term plans including payment of rent and salaries. In addition, Nyamita, Dorasamy and Garbharran (2015) established that, as a proportion of the total assets, short term debt decreased from 0.369 in 2007 to 0.305 in 2008, 0.287 in 2009, 0.264 in 2010 and 0.251 in 2011.

The long term debts are obligations payable after one year including mortgages and bonds (Bannerman, Stephen & Fu, Gang, 2019). Long-term debts are commitments due more than a year, including bonds and mortgages (Bannerman, Stephen & Fu, Gang, 2019). Long term debt also called non-current liability and businesses sometimes have preference to it since it provides time to cover urgent costs like starting business, growth and research or yield profits to cover it. According to Ter-Minassian (2017), commercial state corporations in Latin America have over the years accumulated excessive long term debt negatively affecting their operations and return on assets. In Ferrarini, China and Hinojales (2018) observed an

increase**1**in use**1**of long**1**term debt among state owned corporations. Nyamita, Dorasamy and Garbharran (2015) observed that most1state-owned1corporations in America, Asia, Europe as well as South Africa utilize publicly financed debt, via financial assets quoted in international and local financial markets. However, Kenya state-owned corporations use private long term debt financing, through bank loans and payables. Nasimi and Nasimi (2018) indicate that commercial state corporations use long term debt to fund their diverse operations and finance long term plans.

The high risky type of financing is equity financing, which firm owners contribute to (Kasozi, 2018). Companies raise money because they may need it to pay their expenses immediately or because they have a long-term objective and need to invest in their expansion. According to the number of shares owned, shareholders are permitted to receive a portion1of company's profit, which is often paid out as a dividend. Suhaila (2014) indicate that state owned enterprises in tourism industry were using equity to finance their operations. In addition, Miring'u and Muoria (2017) found that some of the Kenyan commercial state corporations had sold shares to other organizations so as to financial their operations. Further, Nyamita, Dorasamy and Garbharran (2015) observed that, as a ratio of equity capital, total assets, increased in Kenya commercial state corporations from 0.339 in 2007 to 0.413 in 2008, 0.415 in 2009, 0.451 in 2010 and 0.502 in 2011.

1.1.2 Financial Performance

A company's financial1performance includes a range of results related to how it employs its accessible resources to produce revenue. Additionally, the most typical financial results include net asset values, profitability, operating income, profit before tax, and interest (Njiru & Nyamute, 2018). However, there isn't a single measure of financial performance that may be used. A comprehensive evaluation of company's success should consider many performance measures. How well a certain measure of financial performance accomplishes a goal is what should be considered while choosing it. Additionally, in the retail sector, financial performance is seen as a firm's capacity to generate long-term profit while also maintaining the consistency of its operations (Lungatso & Otuya, 2019). The financial performance is the capacity to allocate resources to increase stakeholders' wealth and to produce sustainable profits in order to strengthen its capital base.

In Kenya, the commercial state corporations' financial performance has been measured using different measures in the past. For instance, Njiru and Nyamute (2018) measured the commercial state corporations' financial performance in Kenya using return on assets (ROA). Ong'onge and Awino (2017) measured the commercial state corporations' financial performance in terms of ROA. According to Kasozi (2018), return on assets is the overall measure of profitability as it puts into account all of assets in an organization, both tangible and intangible. Therefore, the financial performance will be measured in terms of ROA. The ROA in commercial state corporations increased from 2.86% in 2013 to 4.61% in 2014. The return on assets then slightly decreased to 4.53% in 2015 and 4.32% in 2016, but drastically decreased to 1.60% in 2017. In the year 2018, the return on assets in commercial state corporations increased to 3.07% in 2018, but decreased to 2.66% in 2019 and 0.69% in 2020 (Public Service Commission, 2020).

Figure 1.1: Trend of Return on Assets (2013 to 2020)
Source: Public Service Commission (2020)

1.1.3 Commercial State Corporations

A business company that is owned or managed by the state is referred to as commercial State Corporation. Moreover, a corporate entity created by the president's order is also a commercial state corporation. In Kenya, there are 26 Commercial State Corporations that operate (Public Service Commission, 2019). A high1number of1commercial1state corporations

are1concentrated1in transport1and energy1sectors, performing1strategic functions. KPLC, KPLC and KPA are a few examples of such organizations in Kenya (Public Service Commission, 2019). The constitutive document including the articles of association and memorandum for limited liability companies, statutory state corporations diverse statutes, and order that is precise to it for those established by executive order, determine the functions of a given commercial state corporation.

According to Public Service Commission (2017), commercial state corporations are established1to provide1goods or services1for instance transport, health and housing to the members of the public. In order to protect users from high pricing and substandard goods, state companies also prohibit monopolization of markets, which is the control of the market by one dominating entity. Commercial State corporations have an essential role in governance. They are regarded as an executive extension and as a result, all of their workers are considered public servants and are governed by all relevant laws and governance systems. They are required to perform public interest role, which entails being responsible and accountable to the public through numerous checks on public accountability, and are first and foremost political in nature.

In Kenya, operational profit margin, ROE, ROA, and net firm income are all used to assess the state corporations' financial performance (Gitonga, 2019). In spite of the reforms the government of Kenya has adopted over the last few years' financial scandals have largely hit the country. The resultant effects are low economic development, inadequate investments, insecurity and also poor delivery of services hence under development. This may also suggest that Vision 2030 is not achieved, which has an adverse effect on the wellbeing of Kenyan citizens. According to the PTPR of 2013, 17 commercial1state corporations reported losses in fiscal year 20111to 12, up from 12 in 2010–11 and 16 in 2009–10 (PTPR, 2013).

Commercial state corporations in Kenyan have adopted various forms of capital structure including debt, internal financing and equity capital. In commercial state corporations, Nyamita, Dorasamy, and Garbharran (2017) found that aggregate debt levels were stable for long-term debt but fluctuated slightly for aggregate total debt and1short term1debt in SOEs in Kenya. The SOEs prefer to use their own internal resources before turning to debt (local as well as foreign loans) and equity (allocations by the government and grants) Achieng and

Wanjare (2018) found that Kenyan state-owned enterprises frequently use privately financed debt via payables and bank loans.

1.2 Statement of the Problem

Kenyan commercial state1corporations experienced a decrease in their profitability for the period between 2015 and 2020 measured using ROA (Public Service Commission, 2020). As such, various commercial state corporations have been getting capital through debt financing, internal sources and equity capital. However, even after getting finances via these sources, commercial state corporations have been poorly performing as shown by decreasing profitability in the last five years as shown in Table 1.1.

Table 1. 1: **Return on Assets of Commercial State Corporations in Kenya**

Year	Return on Assets
2013	2.86
2014	4.61
2015	4.53
2016	4.32
2017	1.60
2018	3.07
2019	2.66
2020	0.69

The ROA in commercial state corporations increased from 2.86% in 2013 to 4.61% in 2014. The return on assets then slightly decreased to 4.53% in 2015 and 4.32% in 2016, but drastically decreased to 1.60% in 2017. In the year 2018, the return on assets in commercial state corporations increased to 3.07% in 2018, but decreased to 2.66% in 2019 and 0.69% 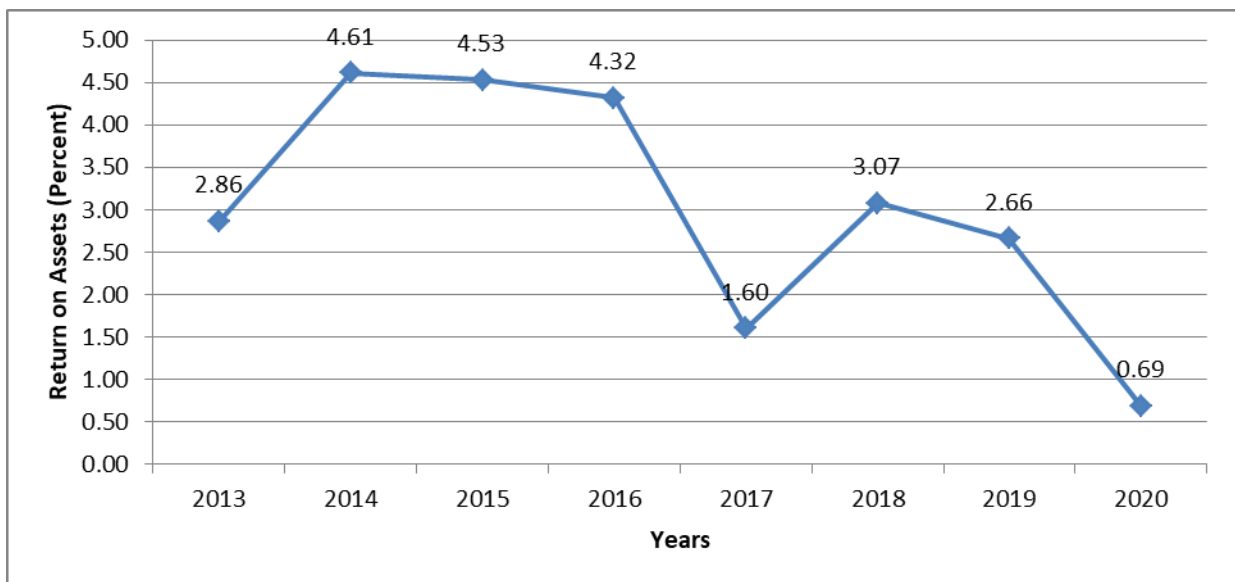in 2020 (Public Service Commission, 2020). In addition, Kenya Safari Lodges and Hotels Limited experienced a reduction in its profitability, measured using ROA, which reduced by 22.28% (Office of the Auditor General, 2020). Between the year 2018 and 2019 the New Kenya Cooperative Creameries experienced a decrease in profitability, measured using ROA, by 16.89%. Between the years 2018 and 2019, the profitability of Kenya Electricity Transmission Company, measured using return on assets, decreased 65% while between the year 2019 and 2020 it decreased by 69%. Nzoia Sugar Company experienced a decrease in its return on assets between the year 2019 and 2020 by 26%. In addition, Kenya Power and

Lighting Company experienced a decrease in its return on assets by 17% for the period between 2019 and 2020.

In Kenya, various researches have been performed in relation to capital1structure and financial1performance. Cheruyot (2015) for instance, assessed the association between capital1structure and quoted commercial banks' financial performance; Omukaga (2017) examined the1relationship1between capital structure1and NSE-quoted firms' financial performance for the1Period; and Mutegi (2016) conducted an evaluation of capital structure and NSE listed companies performance. However, these studies were limited to commercial banks and firms listed in NSE. Further, Cheruyot (2015) study covered capital structure measured using debts, deposits and equity, Omukaga (2017) conceptualized capital structure using DER and Mutegi (2016) conceptualized capital structure using debt ratio. However, the focus of this study was on short term1debt, long1term debt1and equity1capital as components of capital1structure.

In addition, Cheruyot (2015) research covered the period between 2009 and 2013, Omukaga (2017) covered the period between 2010 and 2016 and Mutegi (2016) covered the period between 2011 and 2015. However, between 2016 and 2022, there are various policies that have change in the public sector that affect the operations and performance of commercial state corporations. These policies include the Finance Act 2022 that introduced changes in taxation to raise revenue. In addition, external factors such as Covid 19 epidemic affected the operations and capital structure of organizations including commercial state corporations. Therefore, this study sought to assess influence of capital structure on commercial state corporations' financial performance in Kenya for the period between 2011 and 2021.

1.3 Objectives of the Study

1.3.1 General Objective

The general1objective was1to evaluate1effect of1capital structure on the financial performance of commercial state corporations in Kenya

1.3.2 Specific Objectives

Specific objectives of the study were;

  i.   To examine effect of short term debt on financial performance of commercial state corporations in Kenya
 ii.   To determine effect of long term debt on financial performance of commercial state corporations in Kenya
iii.   To find out effect of equity capital on financial performance of commercial state corporations in Kenya

1.4 Research Hypotheses

Below are null hypotheses:

H_01: Short term debt has no statistically significant effect on financial performance of commercial state corporations in Kenya

H_01: Long term debt has no statistically significant effect on1financial performance1of commercial state corporations in Kenya

H_01: Equity capital has no statistically significant effect1on financial1performance of commercial1state corporations in Kenya

1.5 Significance of the Study

The results from this research are important in ensuring there is an improvement in the performance of Kenyan commercial1state corporations. To commercial state1corporations' management, information on various capital structures and how they influence financial performance is provided by this study. This data is crucial in helping decision-makers determine the appropriate capital structures to employ in order to guarantee advancement in financial performance. These findings can also be beneficial in the creation of techniques for integrating different types of capital structure in an effort to enhance performance.

Some commercial state corporations in Kenya have been making losses, others have unbearable amounts of debts while others like Pan African Paper Mills collapsed. In order to

help the Kenyan government as well as policymakers ensure the survival of commercial state corporations, the report gives essential information in regard to how capital structure influences their performance. This information could then be employed to develop policies in relation to equity capital, internal financing and debt financing. These regulations are crucial for safeguarding suppliers and other industry stakeholders.

The study offers data that can be utilized as research material by other academics and researchers, as well as to identify information gaps in studies pertaining to capital1structure and commercial state organizations' financial1performance. Also, the research forms basis upon which further studies can be done to compare capital structure and financial performance among Kenyan commercial1state corporations and private corporations1

1.6 Scope of Study

This research was performed among 26 Kenyan commercial state corporations. The study's focus will be four capital1structure components: Short term1debt, equity capital and1long term debt. Commercial state corporations' financial1performance will be measured using ROA. This research covered duration between 2011 and 2021. This period was selected because it was within this period that many commercial state corporations experienced losses and decrease in their revenue.

1.7 Limitations of Study

Data on interest of short term1debt, long term1debt, equity capital and ROA in each of the commercial state corporations may not be available in the Public Service Commission website. Therefore, the data was collected from of each of 26 commercial state corporations' websites. However, some websites have not specified short term1debt and1long term1debt. The researcher therefore looked for this information from various commercial state corporations' management. The management was assured by the researcher that the findings are intended for learning purposes.

1.8 Organization of the Study

This research project has three chapters. Chapter one is the introduction chapter and covers background of the study, statement of problem, objectives of study, research hypotheses,

significance of study, scope of study, limitations of study and organization of the study. Chapter two is the literature review and covers theoretical framework, empirical review, summary of research gaps and conceptual framework. Chapter three is the research methodology chapter and covers research design, target population, sampling design, data collection instruments, data collection procedure, data analysis and presentation and ethical considerations. Chapter four presents research findings and discussions with the main sections being response rate, descriptive statistics, inferential statistics and hypothesis testing. Chapter five presents summary of findings, conclusions, recommendations and areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This1chapter comprises theoretical framework, empirical1review and summary of related literature1and also research1gaps. Moreover, this chapter covers conceptual framework showing hypothesized relationships between variables in the study.

2.2 Theoretical Framework

A research study's theory is supported or held in place by a theoretical framework. Theoretical explanations as to why research1problem occurs are introduced1and described in theoretical1framework. This study was1anchored on1trade-off1theory (TOT), agency theory and Modigliani and Miller theory.

2.2.1 Trade-off theory

The Trade-off theory was coined in 1973 by Litzenberge and Kraus. TOT of capital1structure is based on the notion that businesses decide how much1debt and1equity financing to utilize by weighing benefits and drawbacks. The idea weighs the bankruptcy costs against the debt tax savings benefits. Frequently, agency1costs are incorporated in the1balance. Additionally, this theory aims to provide explanation for the fact1that organizations are typically funded partly using debt and1equity (Sharma & Bhardwaj, 2015). It suggests that borrowing money is beneficial, for instance tax benefits, but also has shortcomings, such as costs related with financial distress, for instance costs associated with bankruptcy as well as1non-bankruptcy costs (staff turnover, suppliers1demanding unfavorable financial conditions, and bondholder/stockholder infighting).

The trade-off theory assumes that there is a tax advantage to using debt financing because interest payments on debt are tax-deductible. This means that a company can reduce its tax liability by using debt financing, which can increase its after-tax profits. The trade-off theory also assumes that there are costs associated with financial distress and bankruptcy (Sharma & Bhardwaj, 2015). These costs can include legal fees, lost customers, and lower employee morale. As a result, a company may be reluctant to use too much debt financing, as it may

increase the risk of bankruptcy. It also assumes that there are imperfections in the financial markets that can affect a company's cost of capital.

Agency costs and the cost of financial hardship are the foundational ideas of the TOT. Furthermore, the theory suggests that the best possible leverage offers trade-off between liquidation expenses and tax advantages of debt. It is predicated that a corporation can gain from capital1structure leverage up till the best capital1structure is finally reached. Further, the idea acknowledges tax advantages of interest payments (Peacock, 2019). The main goal of TOT is to clarify the fact that, in most cases, debt and also equity are deployed to fund corporate activities. Debt capital has a number of advantages, including as tax exemptions, but excessive debt levels of capital structure can also cause liquidation and also agency costs (Nassar, 2016). Conflicts of interest between multiple parties and lack of knowledge lead to agency expenses. As a result, incorporating agency cost into TOT demonstrates how a company chooses its ideal capital structure through weighing debt benefits against risk of financial difficulty.

The study used tradeoff theory1to describe the idea1that commercial state corporations weigh costs and also benefits of deploying different amounts of debt and equity financing and how these choices impact the financial performance. When determining amount of debt as well as equity to employ for purposes of funding, a corporation which is maximizing entire value will emphasis on this particular trade-off since, according to this theory, marginal gain of more rise in debt declines with increase in debt whilst marginal cost rises.

2.2.2 Agency Theory

Agency theory1was developed by Jensen1and Meckling (1976) and describes managers as agents and stakeholders as principals because numerous decisions that financially affect the principal are caused by agents. The theory is predicated on assumption that it is not always that managers will behave in shareholders' interests. The theory makes this claim by pointing out two key disputes that arise between the many parties involved in a corporation: the first is between management and shareholders, and between shareholders and creditors. It is necessary to strike a balance between the interests of the agents and the principals in order to overcome disparate preferences for business activity as well as attitudes toward risk exposure. Due to information asymmetry, which states that agent and principal possess uneven information

(usually, the principal has less access to information than the agent), it is expensive and difficult for principal to monitor various agent activities (Chen, Wang & Wang, 2021).

The agency theory assumes that individuals are self-interested and seek to maximize their own welfare. Agents are assumed to act in their own interests, rather than in the interests of the principals they represent. Agency theory also assumes that there is an asymmetry of information between agents and principals (Nassar, 2016). Agents have more information about their actions and the outcomes of their actions than principals, which creates a potential conflict of interest. Further, there is a relationship between a principal and an agent, where the agent is hired by the principal to perform a task. This relationship can take many forms, including employment contracts, franchise agreements, and outsourcing agreements.

Managers are initially enticed to maximize companies' earnings they oversee for their benefit at the shareholders' expense. In latter case, debt gives stockholders an incentive to make unwise investments. According to Fayezi, O'Loughlin, and Zutshi (2018), the advantages of an investment that generates returns greater than face value of debt go to the owners. In contrast, by using their right to withdraw, the shareholders restrict their liability if the venture fails. As a result, the company that the debt holders are left with has a market worth that is lower than the amount of the existing debt. Myers brings up a further potential agency cost of debt (1977). He points out that even when there are projects with positive NPV, shareholders are not motivated to invest more equity capital in enterprises that are close to bankruptcy. This is due to the fact that the projects' value will primarily benefit the loan holders. The conclusion is that projects with higher value may be rejected as a result of high debt levels.

The agency1theory was1used to show the influence of equity and debt capital1on commercial state corporations' financial1performance. Shareholders may experience both good and negative effects from debt payments. The ability to pay off debt forces managers to pay off the interest, which lowers the risk of overinvestment. On the down side, high interest repayment costs from excessive debt may result in the rejection of profitable ventures, which would exacerbate the underinvestment issue. Therefore, the pros and cons of debt are balanced to define capital structure.

2.2.3 Modigliani and Miller Theory

Modigliani and Miller (1958) proposed capital1structure theorem. Modigliani, Later and Miller amended capital structure's irrelevance preposition that was founded on the idea that the company's funding decision had little bearing on its assessment. Businesses can choose to implement an all-debt financing structure in response to the belief that using debt finance provides a tax shield. Alifani and Nugroho (2013) stated that while the model is valid in principle, it does not hold in practice because bankruptcy costs increase when debt is used. The MM preposition theory states that businesses with larger debt ratios are more advantageous; nevertheless, since borrowing creates an interest tax shield, this may result in costs associated with financial difficulty. Financial hardship and, ultimately, bankruptcy may result when financial obligations to finance suppliers are broken or difficultly honored (Ahmeti & Prenaj, 2015).

M&M theory assumes that capital markets are perfect, meaning that all investors have equal access to information, there are no transaction costs, and there are no taxes. In this ideal world, investors can borrow or lend money at the same interest rate, and all assets are priced correctly (Popescu & Visinescu, 2019). The theory also assumes that there are no costs associated with financial distress or bankruptcy. This means that the costs of bankruptcy, such as legal fees and lost customers, are not considered in the analysis. Further, the theory assumes that all investors have the same expectations for the company's future cash flows, growth, and risk. This means that there are no differences in opinion or expectations between investors that affect the company's value.

The Modigliani and Miller theory's initial iteration was riddled with problems because it was developed on the basis of perfectly efficient economies (Jaros & Viera, 2015). Second edition of this theory then added bankruptcy costs, taxes, and asymmetrical details. Second assumption of M&M Theorem suggests that cost of stock is inversely correlated with debt burden. As company's debt load grows, the danger of default rises as well (Popescu & Visinescu, 2019). Consequently investors need a higher price of stock to make up for increased return.

The study used Modigliani and1Miller theory to show the effect of debt on the performance1of commercial1state corporations. The principle of Modigliani and Miller encourages debt usage

in capital structure since interest rates are tax deductible, which decreases borrowing costs and raises the firm's value. The firm's valuation will rise as a result of raising the debt component of the funding system, which will also boost the firm's financial efficiency. Given the presumption that leverage has no impact on firm's valuation in an ideal economy, this research would explore the very same. As per Dao and Ta, 2020), Kenyan market however is not ideal. Additionally, this study tries to ascertain if a corporation can shield more of the revenue from taxes by raising leverage by using debt in place of equity in the capital structure, given corporate tax structure and deductibility of tax of interest payments.

2.2.4 Pecking Order Theory

The pecking order theory, which has to do with capital structure, was formulated by Myers and1Majluf (1984). It asserts that1managers choose below sources to finance1investment opportunities: company's retained earnings, debt, and equity financing (Hernant, 2016). Asymmetric information, occurs when one person has better (more) information than the other. This results in differences in transaction power. Managers of a firm frequently have a greater understanding of its future prospects, performance, prospects and dangers, than do shareholders and creditors who are external customers (Singh & Bagga, 2019). To pay compensation for knowledge disparity, external consumers seek higher return in order to balance the possible risk.

The pecking order theory assumes that managers have better information about the company's prospects than external investors. This creates a situation of asymmetric information, where investors do not have access to the same information as managers. In addition, the theory assumes that external financing (such as debt and equity) is costly, meaning that it involves transaction costs, fees, and information asymmetry (Hernant, 2016). External financing is therefore more expensive than internal financing. It further assumes that managers prefer to avoid the dilution of their ownership stake that comes with issuing new shares. Managers may therefore prefer to finance investments with retained earnings rather than issuing new equity (Gharaibeh, 2015).

Theory's' founding principle, retained earnings finance, reduces information asymmetry. Like debt financing or equity, where the organization has to pay fees in order to get external

funding, internal finance is the least costly and most practical type of funding (Topal, Tunahan & Dizkirici, 2013). Because investors and creditors are less knowledgeable about an investment opportunity when a corporation uses external funding (debt or equity), a bigger return is expected. Because investors and creditors have less knowledge of the company than managers do, they want a bigger return when a chance of investment is funded by the corporation using external financing. Concerning external funding, managers chose debt over stock since cost of debt is economical than equity cost (Gharaibeh, 2015). Debt issuing frequently denotes underrated stock as well as board's assurance that the company will be productive. The issuance of equity serves as a warning reminder that stock is overpriced and management is attempting to generate cash by reducing number of shares outstanding for the company.

Pecking Order1Theory was used to demonstrate how the commercial state corporations' management chooses among internal finance, debt, and equity and how each choice affects financial performance. Most of the time, businesses choose retained earnings, then debt, and ultimately raising equity to reduce the costs**1**associated with**1**knowledge asymmetry.

2.2.5 Profit maximization theory

The profit maximization theory can be traced back to Adam Smith's (1776) essay on national wealth. He said that every employee in his company would operate in his or her own self-interest in order to maximize revenues. Today, this theory has taken on an economic viewpoint, in which businesses ensure that their profits are maximized by equal marginal costs and marginal revenues. According to Lee (2016), a corporation achieves its goals by making profit and, more specifically, by transforming its resources into services and goods, which are then sold to clients for a profit. He also claims that company's1survival is dependent1on its profit.

Profit maximization theory assumes that firms are rational and will make decisions that maximize their profits. This means that firms will evaluate the costs and benefits of different decisions and choose the option that results in the highest profits (Lee, 2016). It further assumes that firms have a single objective, which is to maximize profits. This means that firms are not concerned with other goals such as social welfare or environmental sustainability, but only with increasing profits (Doha, Das & Pagell, 2013). The theory also assumes that firms have

perfect information about market conditions, including the prices of goods and services, the costs of production, and the demand for products. In this ideal world, firms have all the information they need to make optimal decisions.

According to profit maximization theory, the variation between total cost and total income is used to calculate total profit of a company. When the variation between total revenue and total expense is the greatest, profit is maximized. For profit maximization, two requirements must be met: the first order condition and the second order condition (Doha, Das & Pagell, 2013). First order condition necessitates that MR should be equal to MC. The MR is defined as earnings derived from selling last unit of output, whereas MC is the incurred cost due to production of one more unit of output. Second order condition necessitates that first order condition ought to be satisfied in case of declining MR and rising MC. When marginal costs— the increase in costs brought on by producing a new good—are equal to marginal revenues, state firms are best positioned to maximize their profits.

Profit maximization theory has had various criticisms over the years. First, the theory assumes that maximization of profits is the sole organizations objective (Alulu, 2019). Organizations, on the other hand, accomplish a variety of other goals in the actual world. Maximization of sales, growth rate, managerial utility function, and market share retention are all essential organizational goals. Secondly, the theory claims that businesses have complete knowledge of the market, demand, and cost situations (Eniola & Entebang, 2014). Organizations, on the other hand, do not have perfect knowledge of the business environment, according to current economics, and their price as well as output choices are dependent on probability.

Profit maximization1theory was used to examine commercial state corporations' financial performance in Kenya. State corporations maximize their profits by increasing their marginal revenues and decreasing their marginal cost. Equity and debt are employed by an enterprise to finance its entire operations as well as growth so as to increase revenue generated in an organization. In order to increase profitability, enterprises should utilize stable1capital sources including equity and long1term debt for longstanding assets investment.

2.3 Empirical Literature Review

This sub-section focused on long term**1**debt, equity capital, short term**1**debt, and**1**financial performance.

2.3.1 Short Term Debt and Financial Performance

A research by Mugisha (2020) in Buganda, investigated how short term debt affected the SMEs' financial1performance. The results established that short1term debt1has significant inverse influence on SMEs' ROA based financial1performance. However, the study focused on Buganda rural areas and hence findings are not applicable to Kenyan commercial state corporations. Ngure, Muema and Mutea (2018) assessed influence of1short term1debt on NSE quoted companies' financial1performance. The findings established that short1term debt1had insignificant effect on listed firms' performance. However, because this study focused on NSE-listed enterprises, findings are not generalizable to Kenya's commercial state corporations because of the disparities in their financial requirements, business environments, and regulatory environments.

In Nairobi Securities Exchange, Ndambiri, Karuma and Oluoch (2018) assessed whether debt financing (short term debt) influences manufacturing firms' financial1performance. The results revealed that1short term1debt financing measured using overdraft and accounts payable affected financial performance of selected manufacturing companies significantly. Nevertheless, the research was performed in manufacturing firms in private sector, which are different from commercial state corporations.

Baum, Talavera and Schäfer (2016) assessed the effects of short term debt on firms' success in Germany as well as US. The study found that companies in German are likely to be more profitable than United States' firms if they rely more on short-term liabilities. The1study further found that1short-term liabilities have significant effect1on the US and German firms' profitability. However, because this study was conducted in developed nations like the US and Germany rather than developing nations like Kenya, findings are not applicable to Kenya because of variations in legal frame work and business environment.

In Kenya, Nasieku and Susan (2016) assessed short term1debt and financial1performance. The results revealed that1short term1debt financing influences firms, financial performance significantly. The short term1debt financing1have maturities of one1year or less and call for prompt repayment within 90 to 120 days. Short-term term loans make it easier to finance short-term needs without making a long-term commitment. However, the study was conducted among commercial banks, which are different from commercial state corporations.

Prempeh, Nsiah and Sekyere (2016) assessed the1effect of short term1debt on manufacturing companies' performance. The results revealed that in Ghana the firms' debt structure was comprised of 49 percent long term debt and 51% short term debt. The findings suggested that short term debt has an inverse impact on companies' performance. Although the current research will employ ROA, the organizations' financial performance used before includes Tobin's Q ratio and gross margin profit. Additionally, the study was done with manufacturing firms, whose business models differ from those of commercial state corporations.

2.3.2 Long Term Debt and Financial Performance

In Bangladeshi, Mohammad, Ayrin and Umme (2020) assessed the influence of long1term debt on1performance. Three ratios of financial performance were used: ROE, ROA and gross margin. The results showed significant inverse influence of1long term1debt on1financial performance. Moreover, long term1debt has insignificant impact on firm performance. Also, result shows1short term1debt has an inverse influence on1performance. Since this research was performed on organizations in Bangladesh rather than Kenya, the findings cannot be applied to Kenyan organizations because of the country's different political atmosphere, macroeconomic climate, and business rules, including taxation.

Stephen Bannerman and Gang Fu's (2019) examined the connection between long-term debt and business growth in China. Although not statistically significant as initially believed, long-term debt negatively impacts business growth when sizes and duration remain a primary considering choice to get long-term financing. However, business growth was the dependent variable which varies from firms' financial performance.

Ahmed and Siddiqui (2019) examined debt financing and textile sectors' performance of Pakistan. Long term1debt to asset ratio1and ROA were shown to be positively correlated in

the study. This study focused on textile industry, which is distinct from commercial state corporations because it deals with the production of textiles. The study was also conducted in Pakistan, a nation that varies greatly in terms of culture, overall business environment, economic activities, political climate, and business legal framework from that of Kenya.

Ngure, Muema and Mutea (2018) assessed long term debt1and the NSE-quoted companies' financial1performance. The NSE-listed companies' financial performance was found to have significant association with long term debt financing. A company can access useful technology with the help of affordable long-term debt that it otherwise would not have been able to do with internal funding. However, the researcher focused on NSE-listed companies whose structure, legal system, and business climate differ from those of commercial state corporations.

Abor (2015) examined the association between long1term debt and Ghanaian-listed1firms' profitability. The findings found significant association between short1term debt and ROE. However, because of differences in macroeconomic environment and the legal framework governing business operations, this study was performed in Ecuador, and as a result, findings cannot be applied to Kenya.

In Kenya, Githaiga and Kabiru (2015) evaluated the association between long term debt1and financial1performance. The1study findings indicated that long1term debt influenced SMEs performance inversely measured using liquidity and ROA. Long-term debt prevents the company from departing the market when its continuous operation has become socially unfavorable and reduces the firm's response to worsening market conditions. The study, however, was restricted to SMEs in Eldoret town, which have different financial requirements, growth plans, and levels of competitiveness than commercial state businesses. The previous study used primary data, whereas the present study will use secondary data.

2.3.3 Equity capital and Financial Performance

In Kenya, Noor and Simiyu (2020) examined whether equity capital influences SMEs' financial performance in Garissa County. The findings established that equity capital influences financial performance significantly and positively. However, the study was

restricted to SMEs in Garissa County, which in terms of their goals, missions, and organizational structures as well as the legal and regulatory frameworks that regulate them, differ significantly from Kenya's commercial state corporations. Additionally, the researcher used net income as a dimension of performance; however, the current study will use ROA instead.

In a census of all NSE-listed firms, Kimetto and Koech (2020) assessed the effect association between equity capital and financial1performance. The findings indicated that equity capital influenced financial performance positively and significantly. The study was undertaken between 2008 and 2013, but it was also restricted to NSE-listed businesses, whereas the current study will look at the years between 2011 and 2021. Additionally, ROE was used as a dimension of performance, whereas ROA will be used in this research.

Using descriptive survey approach, Mwende, Muturi and Njeru (2019) evaluated the association between equity capital and1financial performance. The1findings revealed that equity capital influences SMEs' financial1performance significantly. Furthermore, this study focused on SMEs whose capital structures vary from those of commercial state corporations.

Wanjare and Achieng (2018) examined the association between equity capital options and NSE-listed1non-financial1firms' financial1performance. The1study found1that equity capital options had influenced financial performance significantly. Due1to various approaches1in capital structure decisions1and discrepancies in the regulatory environment controlling enterprises listed at NSE and commercial state corporations, the results cannot be used in this study.

In Embu, Kenya, Njagi et al., (2017) did a1research on equity capital1and SMEs' performance. The results showed clear association between equity financing and the SMEs' financial success. Equity provided long-term funding alternative with little to no interest payments or capital outflow. However, the researcher's attention was not on any commercial state organizations targeted in ongoing research because the researcher was only interested in SMEs in Embu Town.

In Mogadishu, Somalia, Abdullah and Bile (2016) utilized primary data to assess whether equity capital influences commercial banks' financial performance. The researcher noted that equity finance significantly affects financial performance. Equity reduces debt drawbacks by sharing in the business risk with the entrepreneur and not taking money away from the company to pay off debt. However, this study was done among commercial banks, which have different goals and resource requirements than commercial state corporations. Furthermore, the business climate in Somalia is very different from that in Kenya.

2.3.4 Financial Performance

Njiru and Nyamute (2018) did a research with the purpose of determining the SOEs' financial performance. The findings obtained revealed that commercial state corporations' financial performance measured using ROA and profit margin was increasing for five years. The organizational structure's influence on commercial state enterprises, financial performance was further established. However, the independent variable in this study1was financial risk, which is different from capital structure.

In Kenya, Kamau (2019) evaluated connection between financial1management and commercial1state-owned corporations' operational success. The study findings revealed that commercial state-owned corporations' financial performance decreased for a period of three years (2012 to 2014). However, the independent1variable in this study1was financial management, which is1different from capital structure used in the current study.

Tonui (2018) evaluated whether characteristics of the board influences state corporations' financial1performance. The1study discovered significant1positive nexus between board characteristic and state corporations' financial performance. Financial1performance was measured1by ROA. Nonetheless, independent variable in this study was characteristics of the board. In Kenya, Jepkemboi (2018) assessed the corporate governance and State Corporations in Energy Sectors' financial performance. The results indicated that internal controls, organizational culture, stakeholder management and leadership were discovered to influence Kenya's state-owned energy enterprises financial performance significantly. However, besides being limited to the energy sector, the independent variable in this study was corporate governance, which is different from capital structure.

From the empirical literature, Njiru and Nyamute (2018), Tonui (2018), Jepkemboi (2018) and Kamau (2019) made use of return on assets to measure financial performance. Return on assets (ROA) is a financial ratio that measures a company's profitability by comparing its net income to its total assets. ROA indicates how effectively a company is using its assets to generate profits. A higher ROA means that a company is generating more profit per dollar of assets, while a lower ROA suggests that a company is less efficient in using its assets to generate profits. As such, this study made use of return on assets to measure the financial performance of commercial state corporations in Kenya.

2.4 Summary of Research Gaps

Numerous researches have been done on capital structure and financial performance. These researches nevertheless were performed in various countries, organizations, regions and employing distinct study populations. In addition, the research conceptualized variables differently and employed various approaches.

Table 2.1: Summary of Research Gaps

Author	Research	Results	Research1gaps	How Research Filled the Gap
Equity capital and Financial Performance				
Abdullah and Bile (2016)	Equity capital and performance of Somalian commercial banks	Equity finance influences performance of Somalian commercial banks significantly	This research employed primary data, obtained through questionnaires. The researcher focused on banking sector This study focussed on equity capital	The current research will use secondary data This research will be performed in Kenyan commercial state corporations. The research will examine short term1debt and1long term1debt as dimensions of capital1structure.
Koech and Kimetto (2020)	The influence1of equity capital on financial1performance of all NSE-listed firms	Equity capital influenced financial performance positively and significantly.	The research focused on NSE-quoted firms The research focused on equity capital. The employed an explanatory non-experimental research.	The research focus was on commercial state corporations The study will examine short term1debt and long term1debt. The1study will use explanatory research design

Mwende, Muturi and Njeru (2019)	The relationship between equity finance and SMEs' financial performance in Kenya	The study found a significant relationship between equity capital and SMEs' financial performance	This study deployed descriptive research method The research deployed primary data The research focused on equity finance	The research will focus on commercial state corporations The study will utilize an explanatory research approach The study will use panel secondary data The study will1focus on short1term debt and long term1debt
Short Term Debt and Financial Performance				
Baum, Talavera and Schäfer (2016)	Relationship1between short term1debt and profitability of US and German firms	The1study found that1short term1debt influenced profitability of US and German firms positively	The research took place in developed nations; US and German This research used comparative research method The research used profitability as dependent variable	This research will be performed in Kenya The research will adopt explanatory research approach This study will use financial performance as dependent variable
Mugisha, Kilika and Omagwa (2020)	Relationship between short1term debt1and Buganda SMEs' performance	Short1term debt affected SMEs' performance significantly and negatively.	The study deployed primary data gathered using questionnaires,	This research intends to use secondary data.

			While this research used cross-sectional research method The study examined SMEs in Buganda Region The study used short term1debt as a dimension of capital structure	The researcher will utilize an explanatory research approach The focus of this research will be commercial state corporations in Kenya. The researcher will use long term debt and equity capital to measure capital structure.
Karuma, Oluoch and Ndambiri (2018)	Effect of debt financing (short term debt) on NSE-quoted manufacturing companies' financial performance	The study indicated short term1debt financing influenced manufacturing firms' financial performance significantly	The study focused on manufacturing firms in NSE Short term debt was measured using overdraft and accounts payable Descriptive research method was used	The research will be conducted among commercial state corporations The study will measure capital structure using long term debt1ratio and1equity capital. This1study will use explanatory research approach.

Long Term1Debt and1Financial Performance				
Mohammad, Umme and Ayrin (2020)	Effect1of long term debt financing on Bangladeshi companies' financial performance	There long1term1debt influences firm financial performance insignificantly.	Descriptive survey approach was used The studied Bangaldeshi companies and therefore findings are not applicable to Kenyan commercial state corporations The study used firm performance as dependent variable	The study will employ explanatory research approach This research will be performed among Kenyan commercial state corporations This study will utilize financial performance as dependent variable.
Bannerman, Fu, Stephen and Gang (2019)	The relationship between1long term debt1and Chinese firms development	Long term debt inversely affects firm development	The research used survey research approach and primary data. The firms growth was used as the dependent study variable The research was performed in China	This research will use secondary data and will adopt an explanatory research design This study will use financial performance as dependent variable This1study will be carried out in Kenya.
Ngure, Mutea and Muema (2018)	Influence of1long term debt on listed NSE companies' financial performance	The long term1debt influenced NSE-listed firms financial performance significantly.	This study deployed historical and descriptive research method The research used long term debt to capital structure	Current research will employ an explanatory research approach. This research will measure capital structure using short term debt and equity capital.

Source: Literature Review (2022)

2.5 Conceptual Framework

This refers1to diagrammatic1representation which aids in description of anticipated relationship between study variables. Hypothesized relationship1between study variables is presented in Figure 2.1. In this study, independent variables1were short term1debt, equity capital and long term debt1while dependent variable1was financial1performance.

Independent study Variables   **Dependent study Variable**
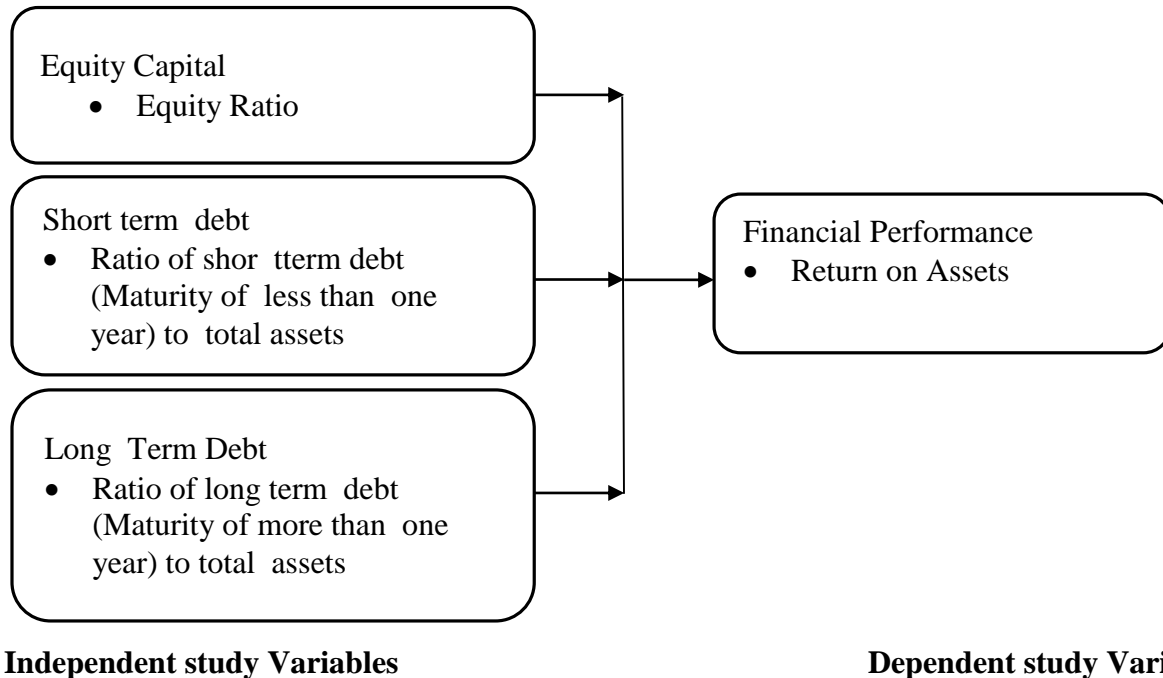
Figure 2.1: Conceptual Framework

Any quantity of unpaid debt a firm has that has maturity of not less than a year is referred to as long term debt. It appears on the balance sheet of the corporation as a non-current obligation. Bonds, mortgages, bank loans, and debentures are just a few of these types of debt that can be purchased with long1term debt, and the term to maturity can range from 12 months to more than 30 years. Because it is protected by formally stated contractual terms, long1term debt financing is beneficial because it's typically less1inclined to1short-term risks. Long-term debt financing is typically clearly specified and well-structured. In contrast to short-term1debt financing, including supplier credit, 1which fluctuates over time and requires continuous monitoring, long term debt financing accounts require less resources to monitor and maintain.

Financial commitments made by a company that are due to be repaid in less than a year are referred to as short term debt. The banks' short-term loans, lease payments, accounts1payable, wages, and payable income1taxes are typical examples of1short term1debt. Short-term loans enable one to address short-term financial needs without committing to long-term obligations. When there are unfinished contracts, short-term debt gives the lender control.

Equity capital refers to the money that a small business owner or other investor contributes. Equity capital gives stockholders the ability to frequently monitor and affect managerial decisions through the board of directors. Since all stock holders are the residual claimants and have direct control over the company's operations, they are needed to make sure resources are used effectively to enhance shareholder wealth. Retained earnings are part of equity capital. They represent the portion of a company's net income that is not paid out as dividends but is instead kept by the company to be reinvested in the business.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This1section encompasses the procedures1and techniques that1this research1will deploy in analyzing research data. Specifically, it entails research approach, study population, sampling method, instruments used in collecting data, procedure for gathering and1analyzing data.

3.2 Research design

In this1study, explanatory research design was used. The goal of explanatory1research is to determine the scope and type of cause-and-effect interactions. Explanatory research determines whether one occurrence leads to another (Devi, 2017). Explanatory study can also be carried out to evaluate the effects of particular modifications on current norms, various procedures as well as performance. Explanatory research design helps to test hypotheses by manipulating independent variables and measuring the effects on dependent variables. In this study explanatory research design was important in showing the cause and effect relationship between capital structure and financial performance in commercial state corporations in Kenya.

3.3 Target population

This is a collection of activities or persons that the researcher is interested in learning more about (Gilliland, McKemmish & Lau, 2017). The study targeted commercial state corporations. As indicated by Public Service Commission (2020), in Kenya, there are 26 commercial state corporations. Target population was therefore 26 commercial state1corporations distributed in different parts of Kenya.

3.4 Sampling Design

Since the target population was below 30, this research used census approach and entire population was used during the study. The quantitative research technique known as a census involves counting every single person in the population. This is based on the premise that a census approach is the most appropriate in small populations (Saunders, Lewis & Thornhill, 2016). It is considered a complete number of whole population, wherein each unit of the population is involved in data

collection. As stated by Metsamuuronen (2017), census sampling eliminates sampling error and is suitable for small populations, and gives data on all persons within the population. One of the advantages of census is that the results obtained through census are accurate and also reliable whilst there are probabilities of different errors from study's results.

3. 5 Data collection Instruments

This1research deployed secondary panel data. Greenfield and Greener (2016) suggests that the already gathered as well as accessible information from other sources is known as secondary data. Such data is cheaper and easier to obtain compared to primary data, and they may perhaps be accessible when main data is not available. Common secondary data sources include published articles, yearly reports, census, publications, research projects, newspapers as well as magazines. The secondary data on shareholders equity, total debt, short term1debt (below one year), long1term debt (beyond one year),1total assets and ROA was collected from Office of Auditor General Website and individual companies annual reports. Moreover, the research obtained secondary data by the assistance of data extraction tool (Appendix I). Data extraction is a procedure that involves retrieving data in any format or type from unstructured data sources.

Data extraction checklist was employed to obtain secondary data. Data extraction checklist's objective is to instruct the researcher on the kinds of necessary data that could be gathered from various secondary sources (Gilliland, McKemmish & Lau, 2017). The data extraction checklist comprised of 7 columns as per the study variables, which include year, commercial state corporations, equity capital, short term debt, long term debt and financial performance (ROA).

3.6 Data Collection Procedure

A1research technique is a strategy for gathering and analyzing data on variables in a recognized, systematic manner that enable one to respond to specific research questions, test hypotheses, and assess the findings (Babbie, 2017). An approval letter from Kenyatta University and permit of conducting the research from NACOSTI was obtained before data collection process. This study used publicly accessible information. The researcher obtained data pertaining to equity capital, short term1debt, long1term debt1and financial1performance (return1on assets) was obtained from individual commercial state-owned corporations' financial statements.

3.7 Data Analysis and Presentation

Data1collected by a checklist was in panel form, covering commercial state corporations and the period between 2011 and 2021. Panel data are multi-dimensional measurements of data throughout time. Panel data also include observations of entities (commercial state corporations) gathered during a predetermined time frame. This study involved 26 Kenyan commercial state corporations over a 10-year period. Inferential and also descriptive statistics were deployed in data analysis, and STATA1version 14 was used for all statistical1analysis. Further, frequency distributions, percentages, means, variances, and standard deviation were included in descriptive statistics. Panel regression1analysis was used1to perform inferential statistics. Tables and figures (line graphs) will be used to display study's results.

The study deployed panel regression model. Measurement of the cross section of the same unit is done at different periods in panel regression, which brings together time series1and also cross section1data. Data from1a number of persons who have been watched constantly throughout time is known as panel data. A balanced data panel is that in which overall unit time is the similar for each respondent. Instead, if the time units differ for each individual, it is referred to as an unbalanced panel (Greenfield & Greener, 2016).

Financial performance in functional model was the dependent variable whilst independent variables encompassed equity1capital, short1term debt, and long term1debt. The empirical model functional association was:

$FP = f(EC,STD,LTD)$…………………………………………….……..………….. (3.1)

Panel regression model was;

$FP_{it} = \beta_0 + \beta_1 EC_{1it} + \beta_2 STD_{2it} + \beta_3 LTD_{3it} + \varepsilon_{it}$ …………………………..………….. (3.2)

FP is Financial performance, B$_0$ represent β_1- β_3 are coefficients of determination, Y intercept, EF represent Equity capital, STD represent Short Term Debt, LTD represent Long Term Debt, t subscript represent time, ε=error term, and i subscript represent number of commercial state corporations.

3.7.1 Diagnostic Tests

There are five main assumptions in linear regression which include data collected is distributed normally, no auto-correlation, no multicollinearity, homoscedasticity and linear relationship.

3.7.1.1 Linearity Test

Linear regression needs the nexus between variables to be actually linear. Moreover, it is fundamental to test outliers because linear regression is delicate to the influence of outlier (Kumar, 2019). The1study deployed Pearson correlation1coefficient to show liner relationship1 between study variables.

3.7.1.2 Normality Test

The assumption1of normality1must be achieved for the1majority of1parametric1tests. When a test's1distribution is1considered normally distributed, it has1bell-shaped shape1with mean1of 0, standard1deviation of11, and symmetric1bell curve shape (Kothari, 2017). Almost no data can be collected from a precise normal distribution. The distribution of many naturally occurring events, however, is quite close to being normal (Sileyew, 2019). Shapiro Wilk1test was employed to determine if variables1are distributed normally in order to satisfy the condition of normal distribution (Saunders, Lewis & Thornhill, 2018). The population's normal distribution is this tests' null hypothesis. The null1hypothesis is denied and it is evident that tested data is not from population with a normal distribution if p-value is not more than selected alpha level and vice versa.

3.7.1.3 Multicollinearity Test

In multiple regression model, when predictor variables are significantly linked, it is referred to as multicollinearity. This means that one may be linearly projected from others with high degree of accuracy. Moreover, multicollinearity was tested using VIF which quantifies the multicollinearity severity in OLS regression analysis (Sileyew, 2019). It gives index that evaluates the collinearity that raises the variance of a regression coefficient. According to the common rule of thumb, VIFs above 4 indicate a need for additional research, while VIFs over 10 indicate multicollinearity that has to be corrected.

3.7.1.4 Autocorrelation Test

Bias results from autocorrelation and as a result spurious estimates. Serial correlation connotes there exist a nexus between consequent time periods' stochastic random error terms (Waddell, 2020). To examine this, this research utilized Breusch-Godfrey LM test for autocorrelation which measures autocorrelation of regression1model's errors. A1test statistic1is obtained1from residuals from1the model being1investigated in regression1analysis. There1is no serial association, which is the null hypothesis.

3.7.1.5 Heteroscedasticity Test

The presence of heteroscedasticity is a significant issue when applying regression analysis, such as the ANOVA since it may nullify statistical1tests for significance1that presume modeling errors are1uniform—thus, that variances1do not change with modeled effects (Waddell, 2020). For instance, OLS estimator is ineffective because the covariance and true variance are underestimated, despite the fact that it is still unbiased in existence of heteroscedasticity (Zikmund, 2017). The study assessed for heteroscedasticity using Breusch-Pagan.

3.7.1.6 Stationarity Test

To test for data stationarity, Im-Pesaran-Shin test which is usually a better test to analyze panel data was used. Im-Pesaran-Shin test allows heterogeneous coefficients. Im-Pesaran-Shin test suggests a method for determining whether in panels there are unit roots which integrates time series as well as cross section dimensions' data (Saunders, Lewis & Thornhill, 2018). Moreover, unit root is present in null hypothesis, whilst partial unit root is present under alternative hypothesis.

3.7.1.7 Hausman Test

Hausman Test is deployed in regression model for detection of endogenous repressors (Waddell, 2020). In regression model, endogenous repressors may cause failure of OLS estimators. Moreover, the presumption is that association between predictor variable and error term is absent. Null hypothesis1is that fixed1effect mode is the alternative1hypothesis whilst random1effect is the preferred model.

3.7.2. Operationalization and Measurement of Variables

In this1research, independent1variables are equity capital, short1term debt and long1term debt. Financial performance was the dependent variable in this research. Table13.1 depicts operationalization of1study variables

Table 3.1: Operationalization and Measurement of Variables

Category of Variable of the study	Variables of the study	Operationalization	Measurement	Hypothesized Direction
Dependentt Variable	Financial1 Performance	• ROA	$$ROA = \frac{Net\ Income}{Total\ Assets}$$	• Positive • No association • Negative
Independent Variable	Equity capital	• Equity ratio	$$= \frac{Equity\ capital\ Shareholder's\ fund}{Total\ Assets}$$	• Positive • No association • Negative
	Short1Term Debt	• Ratio of1short term debt (Maturity of below one year) 1to1total assets	$$\frac{Amount\ of\ short\ term\ debt\ (Maturity<1\ year}{Total\ Assets}$$	• Positive • No association • Negative
	Long1 term debt	• Ratio of long term1debt (Maturity of not less than one year) to total assets	$$\frac{Amount\ of\ Long\ term\ debt\ (Maturity>1\ year}{Total\ Assets}$$	• Positive • Negative • No association

3.8 Ethical Considerations

Secondary data available to the people was used in this study. The Public Service Commission conducts an annual evaluation of commercial state corporations and publishes measures of performance. One of the requirements of commercial state corporations is that they must disclose financial statement records to the public. Therefore, secondary data in this research will be derived both from PSC yearly reports and individual websites of each of commercial state corporations. Besides that, data from commercial1state corporations, will be used for education purposes only. When using the secondary data, the researcher also observed the ethical guidelines of the owners. In order to substantiate the statements and claims of ownership of this research, other academicians, researchers, and writers' work was acknowledged in this study.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This1chapter presented the study findings. This study's aimed was1to examine the1effect of capital1structure on commercial state corporations' financial1performance in Kenya. The study assessed the influence of short1term debt, 1long term1debt and equity1capital on commercial state corporations' financial1performance in Kenya. The chapter encompassed descriptive analysis, diagnostic tests, Hausman test, as well as panel regression analysis. Moreover, the study used 25 commercial state corporations for a period of 10 years (2012-2021).

4.2 Response Rate

A response rate is an important consideration in research because it can affect the generalizability and reliability of the findings. The target population of this study was 26 commercial state1corporations distributed in different parts of Kenya. Out of 26 commercial state corporations, data on 25 commercial state corporations was obtained. According to Babbie (2017), a 60% response rate is acceptable, and a response rate of greater than 70% is considered good. This indicates that the response rate of 96.15% in this study was sufficient for analysis, making conclusions, and reporting.

4.3 Descriptive Statistics

Descriptive statistics included number of observations as well as working out of mean, standard deviation, maximum, mean, and also minimum values of study variables. Results were presented in Table 4.1. EC represents Equity Capital, STD represents Short Term Debt, LTD represents Long Term1Debt and ROA represents Return on Assets.

Table 4.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	250	9.351228	4.752692	2.927	33.396
EC	250	1.598072	.5020186	.703	2.758
STD	250	.150972	.1328104	.017	.563
LTD	250	.256064	.2565848	.016	1.12

Source: Research Data (2022)

As shown in Table 4.1, there were 250 observations from 25 commercial state corporations covering 10 years (2012 to 2021). The average return on assets among the 25 commercial state corporations between 2012 and 2021 was 9.351228 and standard1deviation of 4.752692. The minimum ROA was 2.927 and1maximum was 33.396. The findings agree with Njiru and Nyamute (2018) observation that the average return on assets was 9.0. Furthermore, average equity capital for all 25 commercial state corporations for the period between 2012 and 2021, measured in1terms of equity1ratio, was 1.598072 and standard1deviation was 0.5020186. The1minimum equity capital was 0.703 and maximum was 2.758.

Average short term1debt for all the 25 commercial state1corporations for the period between 2012 and 2021, measured using ratio of short term debt (Maturity of below one year) to total assets was 0.150972 while standard1deviation was 0.1328104. Minimum short term debt was 0.017 and maximum short term debt was 0.563. Findings also show that average long term debt for all the 25 commercial state corporations for the period between 2012 and 2021, measured in terms of ratio of long1term debt (Maturity of more1than one year) to1total assets, was 0.256064 and standard1deviation was 0.2565848. Minimum long term1debt was 0.016 and1maximum long term debt was 1.12. These findings agree with Ferina (2021) observation that commercial state corporations had more long term debt than short term debt.

4.4 Inferential statistics

Inferential statistics is a branch of statistics that deals with drawing conclusions and making predictions about a population based on a sample of data. It covers diagnostic tests, correlation analysis and panel regression analysis.

4.4.1 Diagnostic Tests

The most popular technique for1estimating linear1models is called ordinary least squares (OLS) method. Regression analysis can be employed to examine simultaneous effects of numerous predictors on dependent variable. However, if OLS assumptions are not met by data set, results from regression analysis are considered inacurate. The results are relatively accurate because the OLS approach assumptions are met which produces unbiased estimates. The assumptions of OLS technique were then tested by the researcher by employing diagnostic tests. Moreover, autocorrelation, normality, heteroscedasticity, linearity, multicollinearity, Hausman, and unit root tests were the main focus of the diagnostic tests.

4.4.1.1 Test for Normality

A test of normality is Shapiro-Wilk test. The population is assumed to be evenly distributed under the null hypothesis of this test (Sileyew, 2019). The null hypothesis1is rejected and1there is evidence1the data1tested is not from1a normally1distributed population if p-value is not more than alpha level. If1p-value is not higher than alpha level,1null hypothesis that indicates data comes from study population1that is normally distributed is accepted.

Table 4.2: Shapiro-Wilk Test

	Statistic	df	Sig.
Equity Capital	.917	250	.732
Short1Term Debt	.936	250	.123
Return on Assets	.961	250	.111
Long Term Debt	.945	250	.578

a. Lilliefors Significance Correction

Source: Research Data (2022)

As shown in Table 4.2, return on1assets (0.111), equity1capital (0.732), short term1debt (0.123) and long term1debt (0.578) were normally1distributed. This suggests that dependent1variable and as all independent1variables had a normal distribution.

4.4.1.2 Heteroscedasticity Test

Heteroscedasticity was assessed using Breusch-Pagan test. The definition of heteroscedasticity is a population with various variabilities (independent and dependent variables). Homoscedasticity

occurs as a result of differences in size of1error terms1across independent1variable values. When heteroscedasticity rises, the degree of1assumption that ignores the1influence of homoscedasticity is violated (Zikmund, 2017). Alternative hypothesis is heteroskedasticity, while null hypothesis is that variance is constant. The degree to which the homoscedasticity assumption is violated affects the consequences, which increases with increasing heteroscedasticity1

Table 4.3: Breusch-Pagan1Test for1Heteroskedasticity

H$_0$: Constant Variance
Variables: fitted values of ROA
Chi2(1) = 1.27
Prob> - 0.2607

Source: Research Data (2022)

The p-value1of 0.2607 was below the significance level1 (0.05), indicating that dataset's variance was constant. 1This suggests that data set1had homoscedasticity.

4.4.1.3 Multicollinearity Test

VIF measures multicollinearity severity in OLS regression analysis. Further, it offers index that determines how much collinearity raises variance of a regression coefficient. If variable's VIF value is more than 10, it could be require further assessment.

Table 4. 4: Collinearity Statistics

Variable	VIF	1/VIF
STD	3.50	0.285929
LTD	3.44	0.291035
EC	1.07	0.937272
Mean VIF	**2.67**	

Source: Research Data (2022)

As shown in Table 4.4, VIFs for variables, equity capital (3.50), long term debt (3.44) and equity capital (1.07) were below 10. Therefore, there was no any serious multicollinearity. Given that independent variables in multiple regression equation do not have a strong correlation with one another, this suggests that results obtained from multiple regression equation are accurate.

4.4.1.4 Autocorrelation Test

According to Waddell (2020), LM1test allows to choose between simple random effects1of regression and1OLS regression. Moreover, null1hypothesis of LM1test indicates variances between items are actually zero. This suggests there are insignificant variations between units. The results were presented in1Table 4.5.

Table 4.5: Breusch-Godfrey LM test

Breusch and Pagan Lagrangian multiplier test for random effects		
ROA (State Corporations, t) = xb+u(state corporations) + e(state corporations, t)		
Estimated results		
	Var	sd=sqrt(Var)
ROA	22.58808	4.752692
ε	2.713236	1.64719
μ	12.28439	3.504909
Tes: Var(u) = 0		
	Chibar2(01)	=672.34
	Prob>chibar2	=0.0000

Source: Research Data (2022)

Table 4.5 demonstrates that there exists a significant variation between units because p-value (0.0000) is below significance1level (0.05). This1suggests that1variances between entities are1not zero (there is panel effect).

4.4.1.5 Unit Root Test

IPS recommends a method for determining whether there are unit roots1in panels1that integrates data from cross section and time series1dimensions. The1IPS test was1used in this1study because1it is a better test for1analyzing panel1data (Saunders, Lewis & Thornhill, 2018). Under alternative hypothesis, there is partial unit root whereas there exists a unit root under null hypothesis. The1results were as shown in1Table 4.7.

Table 4. 6: IPS Unit-Root Test

1Variable	t. 1statistic	p- value1	Fixed-N1exact1critical-values		
			1%	5%	10%
ROA	-1.9335	0.0096	-2.010	-1.850	-1.770
EC	-2.2317	0.0003	-2.010	-1.850	-1.770
STD	-1.9865	0.0063	-2.010	-1.850	-1.770
LTD	-2.1173	0.0057	-2.010	-1.850	-1.770

Source: Research Data (2022)

As shown in Table 4.7, the financial performance1measured in terms1of return1on asset null hypothesis1is that ROA in all1panels (25 commercial state corporations) contains unit1root. Since p-value1 (0.0096) was below significance1level (0.05), we1can reject null hypothesis hence, financial performance measured using ROA has partial1unit root.

The null1hypothesis indicated that1equity capital, measured using1debt to1equity ratio, in all panels (25 commercial state corporations) contains unit1roots and alternative1hypothesis was that1some panels1are stationary. Since1p-value (0.0003) was below significance level1 (0.05), we1can fail to1accept null1hypothesis. This1implies that equity capital has partial unit root.

In respect to short term debt, null hypothesis indicates that short term debt, measured using ratio of short term1debt (Maturity of less than1one year) to total assets, in all panels (25 commercial state corporations) has unit root and alternative hypothesis1was that some1panels are1stationary. Because p-value (0.0063) was below significance1level of 0.05, we can reject null1hypothesis and1therefore short term debt has partial unit root.

In respect to long term debt, null hypothesis is that long term1debt, measured1using ratio1of long1term debt (Maturity of1more than1one year) to total1assets, in panels (25 commercial state corporations) has unit root. Because p-value of 0.0057) was below 0.05, we can reject null hypothesis thus long term debt has partial unit root.

4.4.1.6 Hausman Test

In a specific regression model, endogenous repressors were found using the Hausman Test (Waddell, 2020). OLS estimator fails when an endogenous repressor is present. As a result, it is believed that the error terms and predator variables do not correlate. The fixed influence model in

this study was alternative hypothesis, while null hypothesis1was that1random influence1was the most preferred model. The1results were as presented in1Table 4.8.

Table14. 7: Hausman1Test

| | ――― Coefficients ――― | | | |
	(b) fixed	(B) random	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
EC	2.588456	2.616645	-.0281888	.2207611
STD	-8.262331	-8.247167	-.0151636	.5498354
LTD	2.877092	2.884298	-.0072053	.3677945

```
                        b = consistent under Ho and Ha; obtained from xtreg
          B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

            chi2(3) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                    =          0.03
          Prob>chi2 =       0.9989
```

Source: Research Data (2022)

As shown in1Table 4.8, the p-value (0.9989) of Hausman specification1test was below alpha value of 0.05. This meant that null hypothesis in this study was accepted, indicating the requirement for a random effects model in the research.

4.4.2 Correlation Analysis

Correlation analysis is a statistical method used to measure the strength and direction of the relationship between two or more variables. It can help to determine whether a relationship exists between variables, and if so, how strong it is. Correlation coefficients range from -1 to +1, with values closer to -1 indicating a negative correlation, values closer to +1 indicating a positive correlation, and values close to 0 indicating little or no correlation. The1study deployed correlation1analysis to test linearity of1relationship between study variables.

Table 4. 8: Correlation Results

		Return on Assets	Equity Capital	Short Term Debt	Long Term Debt
Return on Assets	Pearson Correlation	1			
	Sig.1(2-tailed)				
	N	250			
Equity Capital	Pearson Correlation	.307**	1		
	Sig. 1 (2-1tailed)	.001			
	N	250	250		
Short1Term Debt	Pearson Correlation	-.834**	.133*	1	
	Sig. 1 (2-1tailed)	.000	.036		
	N	250	250	250	
Long1Term Debt	Pearson Correlation	.707**	-.007	.072	1
	Sig. 1 (2-1tailed)	.000	.915	.256	
	N	250	250	250	250

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

*. Correlation is1significant at 0.05 level (2-tailed).

Source: Research Data (2022)

As depicted in Table 4.6, equity capital had a linear relationship with ROA (correlation coefficient =0.307, p-value = 0.001). The findings agree with Simiyu (2020) observation that equity capital influences financial performance significantly and positively. In addition, the findings concur with Kimetto and Koech (2020) argument that equity capital influenced financial performance positively and significantly. Also, the findings are in line with Mwende, Muturi and Njeru (2019) findings that equity capital influences SMEs' financial1performance significantly.

Additionally, short term debt had linear inverse relationship with ROA (correlation coefficient = -0.834, p-value =0.000). The findings agree with Mohammad, Ayrin and Umme (2020) observation that shows1short term1debt has an inverse influence on1performance. Further, Baum, Talavera and Schäfer (2016) observed that that1short-term liabilities have a negative significant effect1on the US and German firms' profitability. The findings are in disagreement with Ndambiri, Karuma and Oluoch (2018) observation that that1short term1debt financing measured using overdraft and

accounts payable affected financial performance of selected manufacturing companies significantly.

Also, long term debt had linear positive relationship with ROA (correlation coefficient =0.707, p-value = 0.000). The findings are contrary to Mohammad, Ayrin and Umme (2020) argument that long term debt has insignificant impact on firm performance. These findings agree with Ngure, Muema and Mutea (2018) observation that NSE-listed companies' financial performance was found to have significant association with long term debt financing. However, the findings are contrary with Githaiga and Kabiru (2015) argument that long1term debt influenced SMEs performance inversely measured using ROA.

4.4.3 Panel Regression Analysis

When using panel regression, the same unit cross section is measured at various intervals through cross section data and also time series. Panel data is data from some of the same organizations observed in a particular duration of time. The panel regression model was as shown below;

$$FP_{it} = \beta_0 + \beta_1 EC_{1it} + \beta_2 STD_{2it} + \beta_3 LTD_{3it} + \varepsilon_{it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \text{ (4.1)}$$

FP is dependent1variable (Financial1performance) B_0 represent Y intercept, β_1- β_3 are coefficients of1determination, EF represent Equity1capital , STD represent Short1Term Debt, LTD represent Long Term1Debt, ε =error term, *t*1subscript symbolize1time, while *i*1subscript symbolize1number of commercial state corporations.

Table 4.9: Regression1Results

```
Random-effects GLS regression              Number of obs      =       250
Group variable: State_Corp~s               Number of groups   =        25

R-sq:  within  = 0.3819                     Obs per group: min =        10
       between = 0.2698                                     avg =      10.0
       overall = 0.2668                                     max =        10

                                            Wald chi2(3)       =    142.28
corr(u_i, X)    = 0 (assumed)               Prob > chi2        =    0.0000
```

ROA	Coef.	Std. Err.	z	P>|z|	[95% Conf. Interval]	
EC	2.037737	.7673329	2.66	0.008	.5337925	3.541682
STD	-11.33744	2.445214	-4.64	0.000	-16.12997	-6.544907
LTD	10.16792	.8944962	11.37	0.000	8.414736	11.9211
_cons	5.202776	1.413684	3.68	0.000	2.432005	7.973546
sigma_u	3.5049094					
sigma_e	1.6471904					
rho	.81908896	(fraction of variance due to u_i)				

Source: Research Data (2022)

In the results, as1shown in1Table 4.9, R-squared shows variation in1dependent variable that can be explained by1independent variables. As shown1in Table14.8, R-squared1was 0.2668. This means, Short Term1Debt, Equity Capital and1Long Term1Debt could account1for 26.68% of financial performance.

For F-test, p-value1 (0.000), is not more than 0.051(significance1level) which means the model is good fit1for the1data. Moreover, within every commercial state corporations, independent study variables (Short Term1Debt, Equity Capital and1Long Term1Debt) account for 38.19% of financial performance of commercial state corporations. The p-value1for F-test1was10.000, is not more than 0.05, the significance1level. This means1that the model1is good1fit for research data.

4.5 Hypothesis Testing

4.5.1 Equity Capital and Financial Performance

As shown in Table 4.9, equity capital, measured using equity ratio1has significant positive association1with commercial state corporations' financial1performance (β1=2.037737). This denotes that unit enhancement of equity capital throughout time as well as commercial state1corporations would enhance commercial state1corporations' financial1performance by 2.037737. The relationship was also significant because p-value of 0.008 was below 0.05. Further, these findings1concur with Muthoni and Muniu (2019) results that equity capital had significant effect on1return on assets among NSE-listed non-financial firms. In addition, the findings agree with Koech and Kimetto (2020) discoveries that equity financing had significant positive1effect on1financial performance1measured using return1on asset. The findings also agree with Wanjare and Achieng (2018) findings that equity capital options had influenced financial performance significantly.

4.5.2 Short Term Debt and Financial Performance

According to the findings, as show in Table 4.9, short term debt has significant negative influence on commercial state corporations' financial performance (β1=-11.33744). This means1that unit enhancement in short term1debt across time as well as commercial state corporations would decrease financial performance (ROA) of commercial state corporations by 11.33744. The correlation was considered significant because p-value1 (0.000) was below 0.05. Additionally, these1findings are contrary to Aniefor and Onatuyeh (2019) arguments that short-term1debt to asset1ratios positively influences performance of1consumer goods firms1in Nigeria. Moreover, these findings conform to Mugisha, Omagwa and Kalika (2020) arguments that short1term debt influenced SMEs' financial performance negatively and insignificantly.

4.5.3 Long Term Debt and Financial Performance

As shown in Table 4.9, the study found that long**1**term debt1has significant positive effect1on commercial state corporations' financial1performance (β1=5.202776). This denotes that unit enhancement in long term debt across time as well as commercial state corporations would enhance the financial performance by 5.202776. Moreover, the correlation was statistically1significant as p-value (0.000) was above 0.051 (significance level). Moreover, results agree with Mohammad,

Umme and Ayrin (2020) discoveries that there1is significant1influence of long term debt1on firm financial1performance. Further, results agree with Omete (2017) discoveries that1Long-term debt1negatively and1insignificantly affects return1on assets.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covers summary of1study findings, conclusion and recommendations made. The focus of conclusions and recommendations was on addressing study's general objective which was1to examine effect1of capital structure on commercial state1corporations' financial performance in1Kenya

5.2 Summary of the Findings

The study sought to examine the influence of1capital structure on commercial state corporations' financial performance in Kenya. In particular, the study examined effect of1short term1debt, long term1debt and equity1capital on financial performance1of commercial state corporations1in Kenya. An explanatory research design was adopted in this study. Target population was 26 commercial state corporations distributed in different parts of1Kenya. Further, the study1used descriptive1and inferential1statistics and statistical analysis was conducted by employing STATA1version 14. Moreover, descriptive1statistics encompassed frequency1distributions, variances, percentages, standard1deviation and mean. Inferential1statistics were conducted using panel1regression analysis.

The study established that equity capital, measured by equity ratio has significant positive effect on commercial state corporations' financial1performance in Kenya. This denotes that unit enhancement of equity capital throughout time as well as commercial state1corporations would enhance commercial state1corporations' financial1performance. The study found that short term debt1has inverse and1significant influence on commercial state corporations' financial1performance. This means1that unit enhancement in short term1debt across time as well as commercial state corporations would decrease financial performance (ROA) of commercial state corporations. Further, long term1debt, measured by1ratio of1long term1debt1 (Maturity of more1than one year) to1total assets has positive significant effect on commercial state corporations' financial performance. This denotes that unit enhancement in long term debt across time as well as commercial state corporations would enhance the financial performance.

5.3 Conclusion

This1study therefore concludes1that equity capital, measured using equity ratio, has significant positive association1with commercial state corporations' financial1performance performance1of commercial state corporations in1Kenya. This means that an increase1in equity capital, measured using equity ratio, would increase financial1performance commercial state corporations' financial performance in Kenya.

The1study further concludes that short1term debt1measured using1ratio of1short term debt (Maturity1of less than one1year) to total1assets has negative and1significant influence on commercial state corporations' financial1performance in Kenya. This means that improvement in short term debt would reduce commercial state corporations' financial performance in Kenya.

Long term1debt measured using ratio of1long term1debt, measured in terms of maturity of more than one year to total assets, has positive significant1influence on commercial1state corporations' financial performance in1Kenya. This denotes that increase in1long term debt, measured in terms of maturity of more than one year to total assets, would result to an improvement1in commercial state1corporations' financial1performance in Kenya.

5.4 Recommendations

5.4.1 Recommendations for Policy

The government can create policies that incentivize companies to raise funds through equity capital rather than debt. This can help to reduce the financial risk for companies and increase their financial stability. The government can also improve regulations and transparency around equity capital to ensure that investors have access to accurate information about a company's financial health. In addition, the government can create policies that encourage the development of equity markets and make it easier for companies to list their shares. Also, the government of Kenya can develop policies to regulate short term debt in commercial state corporations and increase long term debt.

5.4.2 Recommendations for Practice

The researcher established that equity capital has positive1influence on commercial state corporations' financial1performance. Therefore, commercial state corporations in Kenya can

utilize equity capital to fund their operations because equity owners are capable of consistently monitoring and exerting effect on management decisions therefore ensuring proper resources allocation and utilization.

This study discovered short term1debt has significant1negative effect1on commercial state corporations' financial1performance. Therefore, 1the study recommends that commercial state corporations can shun away from getting short term debt since in a partial contracts environment, short term debt gives the creditor control as firm's potential to reverse debt is likely to be conditioned by sufficient performance as well as financial ratios. Furthermore, because this mechanism limits1managerial discretion, 1it may aid to relaxation1of financial1constraints.

This study established that long1term debt1has positive1significant influence on commercial state corporations' financial1performance. Therefore, management can utilize long term debt to fund diverse investments with prolonged paying periods because it is1usually less incline to short term1shocks because it1is protected by developed contractual circumstances. Furthermore, limited resources are usually put to monitor1and also maintain long1term debt1financing accounts1as compared to1short term funding like supplier credit which require frequent monitoring due to the constant change.

5.5 Areas for Further Research

The researcher focused1on commercial state corporations in Kenya therefore, results are not generalizable to private sector. Therefore, more studies ought to be done to examine1influence of capital structure1on firms' financial1performance within the private sector in Kenya. These can be conducted in sectors such as the banking sector, insurance sector and manufacturing sector among other sectors. The study found that capital structure accounts for 26.68% of commercial state1corporations' financial performance in1Kenya. Therefore, the1study suggests for more researches to examine other factors that affect commercial state corporations' financial performance in Kenya. Moreover, Return1on Asset was used to1measure financial1performance. This study thus recommends more researches to examine how capital structure affect financial performance1in terms of1return on1investment and1return on1equity.

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APPENDICES

APPENDIX I: DATA EXTRACTION TOOL

State Corporation	Year	Return on Assets	Equity Capital	Short term Debt	Long Term Debt
East African Portland Cement Company	2012	8.186	1.683	0.542	0.685
East African Portland Cement Company	2013	8.088	1.656	0.516	0.705
East African Portland Cement Company	2014	7.905	1.703	0.519	0.738
East African Portland Cement Company	2015	7.82	2.214	0.513	0.312
East African Portland Cement Company	2016	8.912	1.965	0.333	0.393
East African Portland Cement Company	2017	9.13	1.728	0.281	0.437
East African Portland Cement Company	2018	10.73	1.999	0.192	0.473
East African Portland Cement Company	2019	11.73	2.286	0.268	0.498
East African Portland Cement Company	2020	8.212	1.683	0.539	0.684
East African Portland Cement Company	2021	8.129	1.656	0.515	0.703
Kenya Electricity Transmission Company	2012	8.351	0.882	0.235	0.496
Kenya Electricity Transmission Company	2013	8.08	0.827	0.225	0.49
Kenya Electricity Transmission Company	2014	8.312	0.827	0.253	0.487
Kenya Electricity Transmission Company	2015	8.249	0.86	0.272	0.492
Kenya Electricity Transmission Company	2016	8.225	0.861	0.224	0.467
Kenya Electricity Transmission Company	2017	8.155	0.851	0.18	0.461
Kenya Electricity Transmission Company	2018	8.12	0.868	0.172	0.521
Kenya Electricity Transmission Company	2019	7.922	0.703	0.194	0.428
Kenya Electricity Transmission Company	2020	8.143	0.824	0.225	0.493
Kenya Electricity Transmission Company	2021	8.4	0.829	0.253	0.49
Kenya Wine Agencies	2012	9.889	2.274	0.127	0.177
Kenya Wine Agencies	2013	9.511	2.402	0.131	0.184
Kenya Wine Agencies	2014	9.375	2.42	0.154	0.184
Kenya Wine Agencies	2015	9.484	2.292	0.1	0.193
Kenya Wine Agencies	2016	9.761	2.665	0.146	0.197
Kenya Wine Agencies	2017	10.037	2.578	0.153	0.202
Kenya Wine Agencies	2018	10.313	2.758	0.162	0.211

Kenya Wine Agencies	2019	10.59	2.643	0.175	0.222
Kenya Wine Agencies	2020	9.939	2.357	0.131	0.184
Kenya Wine Agencies	2021	9.73	2.376	0.154	0.184
Kenya Literature Bureau	2012	11.794	1.539	0.091	0.084
Kenya Literature Bureau	2013	10.828	1.407	0.086	0.078
Kenya Literature Bureau	2014	10.859	1.54	0.101	0.081
Kenya Literature Bureau	2015	10.866	1.714	0.1	0.079
Kenya Literature Bureau	2016	11.142	1.821	0.101	0.095
Kenya Literature Bureau	2017	11.419	1.876	0.107	0.106
Kenya Literature Bureau	2018	11.695	1.539	0.074	0.127
Kenya Literature Bureau	2019	11.971	1.754	0.104	0.138
Kenya Literature Bureau	2020	10.882	1.411	0.086	0.078
Kenya Literature Bureau	2021	10.853	1.543	0.1	0.081
Kenya Broadcasting Corporation	2012	7.072	1.098	0.041	0.044
Kenya Broadcasting Corporation	2013	7.108	1.073	0.04	0.043
Kenya Broadcasting Corporation	2014	6.758	1.076	0.039	0.042
Kenya Broadcasting Corporation	2015	6.4	1.145	0.038	0.042
Kenya Broadcasting Corporation	2016	5.269	1.03	0.027	0.033
Kenya Broadcasting Corporation	2017	5.394	1.061	0.03	0.037
Kenya Broadcasting Corporation	2018	5.269	1.105	0.03	0.033
Kenya Broadcasting Corporation	2019	5.87	1.13	0.034	0.04
Kenya Broadcasting Corporation	2020	7.366	1.072	0.04	0.043
Kenya Broadcasting Corporation	2021	7.041	1.076	0.039	0.042
Kenya Safari Lodges and Hotels	2012	12.322	2.047	0.048	0.082
Kenya Safari Lodges and Hotels	2013	12.256	1.963	0.044	0.079
Kenya Safari Lodges and Hotels	2014	12.187	1.961	0.042	0.079
Kenya Safari Lodges and Hotels	2015	12.248	1.904	0.036	0.076
Kenya Safari Lodges and Hotels	2016	12.524	1.888	0.039	0.077
Kenya Safari Lodges and Hotels	2017	12.8	1.853	0.044	0.081
Kenya Safari Lodges and Hotels	2018	13.077	1.914	0.044	0.089
Kenya Safari Lodges and Hotels	2019	13.353	2.042	0.048	0.092
Kenya Safari Lodges and Hotels	2020	12.256	1.914	0.044	0.079

Kenya Safari Lodges and Hotels	2021	12.187	1.91	0.042	0.079
Kenya Seed Company Limited	2012	3.384	1.279	0.025	0.056
Kenya Seed Company Limited	2013	3.019	1.266	0.022	0.049
Kenya Seed Company Limited	2014	3.02	1.235	0.021	0.049
Kenya Seed Company Limited	2015	3.01	1.235	0.019	0.049
Kenya Seed Company Limited	2016	3.288	1.343	0.019	0.051
Kenya Seed Company Limited	2017	3.362	1.342	0.021	0.054
Kenya Seed Company Limited	2018	3.388	1.374	0.022	0.056
Kenya Seed Company Limited	2019	4.128	1.379	0.024	0.062
Kenya Seed Company Limited	2020	2.989	1.263	0.022	0.049
Kenya Seed Company Limited	2021	2.982	1.232	0.021	0.048
National Oil Corporation of Kenya	2012	13.728	1.449	0.108	0.436
National Oil Corporation of Kenya	2013	13.724	1.467	0.113	0.438
National Oil Corporation of Kenya	2014	13.575	1.383	0.111	0.428
National Oil Corporation of Kenya	2015	13.629	1.385	0.115	0.016
National Oil Corporation of Kenya	2016	13.906	1.407	0.125	0.019
National Oil Corporation of Kenya	2017	14.182	1.408	0.121	0.02
National Oil Corporation of Kenya	2018	14.458	1.469	0.117	0.035
National Oil Corporation of Kenya	2019	14.735	1.506	0.121	0.4
National Oil Corporation of Kenya	2020	13.782	1.467	0.113	0.438
National Oil Corporation of Kenya	2021	13.808	1.383	0.11	0.425
National Water Conservation and Pipeline Corporation	2012	4.196	1.509	0.226	0.295
National Water Conservation and Pipeline Corporation	2013	4.248	1.342	0.216	0.286
National Water Conservation and Pipeline Corporation	2014	4.339	1.296	0.215	0.277
National Water Conservation and Pipeline Corporation	2015	4.234	1.477	0.206	0.273
National Water Conservation and Pipeline Corporation	2016	4.44	1.434	0.203	0.265

National Water Conservation and Pipeline Corporation	2017	4.398	1.372	0.236	0.288
National Water Conservation and Pipeline Corporation	2018	4.497	1.302	0.224	0.317
National Water Conservation and Pipeline Corporation	2019	4.117	1.254	0.26	0.273
National Water Conservation and Pipeline Corporation	2020	4.261	1.342	0.216	0.285
National Water Conservation and Pipeline Corporation	2021	4.357	1.293	0.215	0.276
Nzoia Sugar Company	2012	8.634	2.424	0.563	1.098
Nzoia Sugar Company	2013	8.358	2.431	0.548	1.109
Nzoia Sugar Company	2014	8.17	2.26	0.519	1.12
Nzoia Sugar Company	2015	7.82	2.214	0.513	0.312
Nzoia Sugar Company	2016	8.912	1.965	0.333	0.393
Nzoia Sugar Company	2017	9.13	1.728	0.281	0.437
Nzoia Sugar Company	2018	10.73	1.999	0.192	0.473
Nzoia Sugar Company	2019	11.73	2.286	0.268	0.498
Nzoia Sugar Company	2020	8.094	2.431	0.531	1.074
Nzoia Sugar Company	2021	7.958	2.261	0.504	1.087
National Cereals and Produce Board	2012	8.832	0.817	0.272	0.494
National Cereals and Produce Board	2013	8.493	0.812	0.268	0.472
National Cereals and Produce Board	2014	8.455	0.833	0.27	0.485
National Cereals and Produce Board	2015	8.249	0.86	0.272	0.492
National Cereals and Produce Board	2016	8.225	0.861	0.224	0.467
National Cereals and Produce Board	2017	8.155	0.851	0.18	0.461
National Cereals and Produce Board	2018	8.12	0.868	0.172	0.521
National Cereals and Produce Board	2019	7.922	0.703	0.194	0.428
National Cereals and Produce Board	2020	8.448	0.812	0.267	0.472
National Cereals and Produce Board	2021	8.422	0.835	0.269	0.484
National Housing Corporation	2012	7.662	2.341	0.11	0.158
National Housing Corporation	2013	7.686	2.349	0.117	0.156

National Housing Corporation	2014	7.594	2.311	0.114	0.15
National Housing Corporation	2015	9.484	2.292	0.1	0.193
National Housing Corporation	2016	9.761	2.665	0.146	0.197
National Housing Corporation	2017	10.037	2.578	0.153	0.202
National Housing Corporation	2018	10.313	2.758	0.162	0.211
National Housing Corporation	2019	10.59	2.643	0.175	0.222
National Housing Corporation	2020	7.502	2.375	0.116	0.155
National Housing Corporation	2021	7.601	2.335	0.114	0.15
Telkom Kenya Limited	2012	13.101	1.583	0.103	0.087
Telkom Kenya Limited	2013	13.036	1.714	0.116	0.089
Telkom Kenya Limited	2014	12.546	1.624	0.109	0.084
Telkom Kenya Limited	2015	10.866	1.714	0.1	0.079
Telkom Kenya Limited	2016	11.142	1.821	0.101	0.095
Telkom Kenya Limited	2017	11.419	1.876	0.107	0.106
Telkom Kenya Limited	2018	11.695	1.539	0.074	0.127
Telkom Kenya Limited	2019	11.971	1.754	0.104	0.138
Telkom Kenya Limited	2020	12.884	1.66	0.114	0.087
Telkom Kenya Limited	2021	12.524	1.579	0.108	0.084
Postal Corporation of Kenya	2012	7.489	1.224	0.044	0.045
Postal Corporation of Kenya	2013	7.509	1.225	0.044	0.044
Postal Corporation of Kenya	2014	7.577	1.158	0.041	0.043
Postal Corporation of Kenya	2015	6.4	1.145	0.038	0.042
Postal Corporation of Kenya	2016	5.269	1.03	0.027	0.033
Postal Corporation of Kenya	2017	5.394	1.061	0.03	0.037
Postal Corporation of Kenya	2018	5.269	1.105	0.03	0.033
Postal Corporation of Kenya	2019	5.87	1.13	0.034	0.04
Postal Corporation of Kenya	2020	7.509	1.219	0.044	0.044
Postal Corporation of Kenya	2021	7.577	1.153	0.041	0.043
Kenyatta International Convention Center	2012	10.331	2.236	0.035	0.069
Kenyatta International Convention Center	2013	10.591	2.036	0.035	0.069
Kenyatta International Convention Center	2014	11.58	2.041	0.036	0.072
Kenyatta International Convention Center	2015	12.248	1.904	0.036	0.076

Kenyatta International Convention Center	2016	12.524	1.888	0.039	0.077
Kenyatta International Convention Center	2017	12.8	1.853	0.044	0.081
Kenyatta International Convention Center	2018	13.077	1.914	0.044	0.089
Kenyatta International Convention Center	2019	13.353	2.042	0.048	0.092
Kenyatta International Convention Center	2020	10.734	2.014	0.035	0.069
Kenyatta International Convention Center	2021	11.893	2.034	0.035	0.071
University of Nairobi Enterprises and Services Limited	2012	3.2	1.227	0.019	0.051
University of Nairobi Enterprises and Services Limited	2013	3.213	1.226	0.02	0.051
University of Nairobi Enterprises and Services Limited	2014	3.048	1.208	0.019	0.049
University of Nairobi Enterprises and Services Limited	2015	3.01	1.235	0.019	0.049
University of Nairobi Enterprises and Services Limited	2016	3.288	1.343	0.019	0.051
University of Nairobi Enterprises and Services Limited	2017	3.362	1.342	0.021	0.054
University of Nairobi Enterprises and Services Limited	2018	3.388	1.374	0.022	0.056
University of Nairobi Enterprises and Services Limited	2019	4.128	1.379	0.024	0.062
University of Nairobi Enterprises and Services Limited	2020	3.238	1.205	0.019	0.051
University of Nairobi Enterprises and Services Limited	2021	3.073	1.197	0.019	0.049
South Nyanza Sugar Company	2012	33.396	1.494	0.281	1.071
South Nyanza Sugar Company	2013	32.589	1.496	0.266	1.013
South Nyanza Sugar Company	2014	32.833	1.417	0.267	1.021
South Nyanza Sugar Company	2015	13.629	1.385	0.115	0.016
South Nyanza Sugar Company	2016	13.906	1.407	0.125	0.019
South Nyanza Sugar Company	2017	14.182	1.408	0.121	0.02
South Nyanza Sugar Company	2018	14.458	1.469	0.117	0.035

Company	Year				
South Nyanza Sugar Company	2019	14.735	1.506	0.121	0.4
South Nyanza Sugar Company	2020	33.109	1.489	0.264	1.005
South Nyanza Sugar Company	2021	31.587	1.418	0.263	1.006
Kenya Railways Corporation	2012	4.133	1.628	0.218	0.289
Kenya Railways Corporation	2013	4.403	1.561	0.22	0.29
Kenya Railways Corporation	2014	4.243	1.509	0.209	0.275
Kenya Railways Corporation	2015	4.234	1.477	0.206	0.273
Kenya Railways Corporation	2016	4.44	1.434	0.203	0.265
Kenya Railways Corporation	2017	4.398	1.372	0.236	0.288
Kenya Railways Corporation	2018	4.497	1.302	0.224	0.317
Kenya Railways Corporation	2019	4.117	1.254	0.26	0.273
Kenya Railways Corporation	2020	4.377	1.561	0.22	0.29
Kenya Railways Corporation	2021	4.226	1.51	0.209	0.276
Kenya Power and Lighting Company	2012	8.085	1.811	0.509	0.771
Kenya Power and Lighting Company	2013	8.353	1.975	0.54	0.863
Kenya Power and Lighting Company	2014	8.204	2.01	0.517	0.893
Kenya Power and Lighting Company	2015	7.82	2.214	0.513	0.312
Kenya Power and Lighting Company	2016	8.912	1.965	0.333	0.393
Kenya Power and Lighting Company	2017	9.13	1.728	0.281	0.437
Kenya Power and Lighting Company	2018	10.73	1.999	0.192	0.473
Kenya Power and Lighting Company	2019	11.73	2.286	0.268	0.498
Kenya Power and Lighting Company	2020	8.385	1.969	0.538	0.86
Kenya Power and Lighting Company	2021	8.259	2.003	0.517	0.893
Kenya Electricity Generating Company	2012	8.595	0.792	0.233	0.476
Kenya Electricity Generating Company	2013	8.661	0.816	0.242	0.511
Kenya Electricity Generating Company	2014	8.437	0.796	0.236	0.488
Kenya Electricity Generating Company	2015	8.249	0.86	0.272	0.492
Kenya Electricity Generating Company	2016	8.225	0.861	0.224	0.467
Kenya Electricity Generating Company	2017	8.155	0.851	0.18	0.461
Kenya Electricity Generating Company	2018	8.12	0.868	0.172	0.521
Kenya Electricity Generating Company	2019	7.922	0.703	0.194	0.428
Kenya Electricity Generating Company	2020	8.679	0.815	0.242	0.51

Kenya Electricity Generating Company	2021	8.498	0.796	0.236	0.487
Chemelil Sugar Company	2012	8.568	2.226	0.085	0.168
Chemelil Sugar Company	2013	8.705	2.164	0.086	0.176
Chemelil Sugar Company	2014	8.781	2.219	0.095	0.175
Chemelil Sugar Company	2015	9.484	2.292	0.1	0.193
Chemelil Sugar Company	2016	9.761	2.665	0.146	0.197
Chemelil Sugar Company	2017	10.037	2.578	0.153	0.202
Chemelil Sugar Company	2018	10.313	2.758	0.162	0.211
Chemelil Sugar Company	2019	10.59	2.643	0.175	0.222
Chemelil Sugar Company	2020	8.699	2.139	0.086	0.176
Chemelil Sugar Company	2021	8.744	2.206	0.095	0.175
Agro-Chemicals and Food Company	2012	11.232	1.974	0.115	0.109
Agro-Chemicals and Food Company	2013	10.878	1.86	0.108	0.101
Agro-Chemicals and Food Company	2014	10.962	1.825	0.103	0.091
Agro-Chemicals and Food Company	2015	10.866	1.714	0.1	0.079
Agro-Chemicals and Food Company	2016	11.142	1.821	0.101	0.095
Agro-Chemicals and Food Company	2017	11.419	1.876	0.107	0.106
Agro-Chemicals and Food Company	2018	11.695	1.539	0.074	0.127
Agro-Chemicals and Food Company	2019	11.971	1.754	0.104	0.138
Agro-Chemicals and Food Company	2020	10.878	1.831	0.108	0.101
Agro-Chemicals and Food Company	2021	10.962	1.835	0.103	0.091
Gilgil Telecommunications Industries	2012	11.891	1.953	0.044	0.082
Gilgil Telecommunications Industries	2013	11.905	1.949	0.043	0.082
Gilgil Telecommunications Industries	2014	12.069	1.947	0.043	0.08
Gilgil Telecommunications Industries	2015	12.248	1.904	0.036	0.076
Gilgil Telecommunications Industries	2016	12.524	1.888	0.039	0.077
Gilgil Telecommunications Industries	2017	12.8	1.853	0.044	0.081
Gilgil Telecommunications Industries	2018	13.077	1.914	0.044	0.089
Gilgil Telecommunications Industries	2019	13.353	2.042	0.048	0.092
Gilgil Telecommunications Industries	2020	11.905	1.916	0.043	0.082
Gilgil Telecommunications Industries	2021	12.069	1.927	0.043	0.08
New Kenya Co-operative Creameries Ltd	2012	2.985	1.192	0.017	0.05

New Kenya Co-operative Creameries Ltd	2013	3.022	1.204	0.019	0.05
New Kenya Co-operative Creameries Ltd	2014	2.93	1.228	0.019	0.049
New Kenya Co-operative Creameries Ltd	2015	3.01	1.235	0.019	0.049
New Kenya Co-operative Creameries Ltd	2016	3.288	1.343	0.019	0.051
New Kenya Co-operative Creameries Ltd	2017	3.362	1.342	0.021	0.054
New Kenya Co-operative Creameries Ltd	2018	3.388	1.374	0.022	0.056
New Kenya Co-operative Creameries Ltd	2019	4.128	1.379	0.024	0.062
New Kenya Co-operative Creameries Ltd	2020	3.049	1.185	0.019	0.05
New Kenya Co-operative Creameries Ltd	2021	2.927	1.237	0.019	0.049
Kenya Pipeline Company	2012	13.569	1.292	0.117	0.453
Kenya Pipeline Company	2013	13.781	1.256	0.116	0.439
Kenya Pipeline Company	2014	13.702	1.259	0.113	0.423
Kenya Pipeline Company	2015	13.629	1.385	0.115	0.016
Kenya Pipeline Company	2016	13.906	1.407	0.125	0.019
Kenya Pipeline Company	2017	14.182	1.408	0.121	0.02
Kenya Pipeline Company	2018	14.458	1.469	0.117	0.035
Kenya Pipeline Company	2019	14.735	1.506	0.121	0.4
Kenya Pipeline Company	2020	13.974	1.254	0.116	0.437
Kenya Pipeline Company	2021	13.722	1.257	0.113	0.422

APPENDIX II: LIST OF COMMERCIAL STATE CORPORATIONS

1. Agro-Chemicals and Food Company
2. Chemelil Sugar Company
3. East African Portland Cement Company
4. Gilgil Telecommunications Industries
5. Jomo Kenyatta Foundation
6. Kenya Broadcasting Corporation
7. Kenya Electricity Generating Company
8. Kenya Literature Bureau
9. Kenya Pipeline Company
10. Kenya Power and Lighting Company
11. Kenya Railways Corporation
12. Kenya Safari Lodges and Hotels
13. Kenya Seed Company Limited
14. Kenya Wine Agencies
15. Kenyatta International Convention Center
16. National Cereals and Produce Board
17. National Housing Corporation
18. National Oil Corporation of Kenya
19. National Water Conservation and Pipeline Corporation
20. Nzoia Sugar Company
21. Postal Corporation of Kenya
22. South Nyanza Sugar Company
23. Telkom Kenya Limited
24. University of Nairobi Enterprises and Services Limited
25. New Kenya Co-operative Creameries Ltd
26. Kenya Electricity Transmission Company

APPENDIX III: RESEARCH AUTHORIZATION LETTER

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Dean, Graduate School

DATE: 23rd August, 2022

TO: Edrine Mwajuma Nyongesa
C/o Accounting and Finance Dept.

REF: D53/CTY/PT/37267/2016

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 17th August, 2022 approved your Research Project Proposal for the M.B.A Degree Entitled, **"Capital Structure and Financial Performance of Commercial State Corporations in Kenya"**.

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and progress report Forms per semester. The Forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.

ANNBELL MWANIKI
FOR: DEAN, GRADUATE SCHOOL

c.c.   Chairman, Accounting and Finance.

Supervisors:

1. Dr. Lucy Wamugo Mwangi
    C/o Department of Accounting and Finance
    Kenyatta University

AM/Inn

APPENDIX IV: NACOSTI LETTER

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 672412

Date of Issue: 31/August/2022

RESEARCH LICENSE

This is to Certify that Ms.. **EDRINE MWAJUMA NYONGESA** of Kenyatta University, has been licensed to conduct research in Nairobi on the topic: **CAPITAL STRUCTURE AND FINANCIAL PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN KENYA** for the period ending : 31/August/2023.

License No: NACOSTI/P/22/20075

672412

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY &
INNOVATION

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