EFFECTS OF CAPITAL STRUCTURE ON FINANCIAL PERFORMANCE OF LISTED CEMENT MANUFACTURING FIRMS IN KENYA

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ABSTRACT

The choice between debt and equity financing has been directed to seek the optimal capital structure.

This research was an attempl to gauge the impact of capital structure on financial performance of cement manufacturing companies listed on the NSE. Capital structure has attracted strong debate and scholars attention across the manufacturing industry in general moreso cement manufacturing firms over the past years. Capital structure decision is a vital one since profitability of enterprises and companies is directly affected by such decision. The objectives of the study were to examine the relationship between capital structure on financial performance of the listed cement manufacturing plants in Kenya. The study adopted a descriptive survey research design. The target population comprised of approximately 2861 employees from all the three cement manufacturing firms. Stratified random sampling was adopted to select 30 respondents across the firms.this was selected from among managemenl, only 25 respondents filled the questionnaires and returned. The data analysis tool was the Stratified Package for Social Sciences (SPSS). The data gathered was analysed using descriptive statistics like percentages and frequencies. This descriptive design provided a link between the theoretical perspectives, research purposes and the data collected which in turn brought out the research findings. The results were presented using figures, tables, graphs and pie charts but for the purpose of presentation, I the researcher used figures and tables.Data analysis used both qualitative and quantitative in terms of research quantity and identified relevanl causes of action.

From the research findings,it is clear that, capital structure hasa strong relationship with financial performance of cement manufacturing firms in Kenya. According to debt-equity to capital ratio, 84% of the respondents said that high debt-equity ratio increases the profitability of cement manufacturing firms in general. In the case of inflation, about 80% of the respondents agreed that increased inflation affects financial performance of the firms. Based on financial risks, it is clear that, increased fiancial risks of a firm affiects financial performance. This is also evidenced in the research finding analysis where, almost all the respondents agreed with the statement. Size of a firm conlributes lo its profitabilily, 80% of the respondents agreed with the satetement and only 20% disagreed with it. Size of a firms makes it diverse and thus gaining its competitive advantage in the market. It also brings about positive impact on financial