

**THE RELATIONSHIP BETWEEN THE CAPITAL STRUCTURE AND THE
FINANCIAL PERFORMANCE OF EAST AFRICAN BREWERIES, KENYA.**

MUHIYADIN SAID ADEN

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN
PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE
DEGREE OF BACHELOR OF COMMERCE IN BUSINESS ADMINISTRATION
OPTION OF GREYSA UNIVERSITY.**

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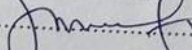
DECLARATION

DECLARATION

This research project is my original work and has never been presented for a degree at Gretsia University or any other University.

Name: Muhiyadin Said Aden


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Supervisors' Approval

This research project has been submitted for examination with my approval as the University Supervisor.

Signature 

Date 10/12/24

Name of supervisor: IRENE KINYUA

School of business

Gretsia University

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ABSTRACT

The research in this area explored the relationship between the capital structure and the financial performance of EAST AFRICAN BREWERIES, a company listed on the NSE market. The two major decision areas for a firm included financing and investment. How a firm was financed was of great importance to managers and providers of funds, including stakeholders. The capital structure variables and independent variables considered in this study included debt finance, equity finance, and hybrid finance. The research employed a descriptive design. Several theories were utilized, including the Trade-Off Theory, Modigliani and Miller Theory, and the Market Timing Theory, which explained the variation in price per share. Secondary data obtained from the NSE database was used to carry out this study. The relevant data were collected and analyzed using the regression analysis model, standard deviation, and mean.

CHAPTER ONE: INTRODUCTION

1.1 Introduction

This chapter introduces the whole area of interest in this research. This chapter includes research objectives, conceptual framework, the statement of the problem, justification, the research background, the purpose of the research, the significance of the research, and research questions.

1.2 Background of the study

A company's primary goal is to maximize revenues while utilizing the resources at its disposal. A corporation can obtain finances from various sources, including equity finance, internal funding, debt finance, borrowing, or external financing. Many organizations have implemented a blend of equity and debt financing, also known as hybrid finance, at various ratios in their capital structure, as Modigliani and Miller Orr (1958) described as the mixture of debt and equity corporations utilize to fund their day-to-day operations or activities.

The research by Modigliani and Miller Orr (1958) asserts that the decision to fund a firm with debt or equity directly impacts the company's worth or the availability of capital. He offered proof for this claim.

According to Kenya Statistical Abstract (2014). One of the sectors in Kenya with many industries working with agricultural products is the agriculture industry. Several enterprises in this sector have varying capital structure ratios, which affects financial performance.

Agricultural firms mentioned in the NSE, EAST AFRICAN BREWERIES, being among the quoted ones, have more access to cash from the public; therefore, the borrowing capacity raises their leverage which in turn changes the capital structure proportions of equity and debt. (2019) research by M.W. Fraukender and Peterson asserts that businesses lacking access to the public markets are more constrained in their borrowing options and thus have lesser leverage.

According to Antonius A, Guney Y, and Paudyal K (2008), when a firm is choosing which form of capital structure to adopt, it needs to analyze numerous elements, which include interest rate, risk, cost of equity, flexibility, return on investments, and cost of debt involved, among others. These effects include the capital structure used, which affects a company's or firm's financial performance, and if there is a positive or negative link between the capital structure and a company's financial performance.

1.3 Statement of the problem.

Much research has been done on capital structure. However, little has been done on the link between capital structure and financial performance and the situation of EAST AFRICAN BREWERIES, which is listed on the NSE. James et al. (2002) found that capital structure has a large and adverse impact on firm profitability, suggesting that a greater capital structure reduces profitability.

The research gap brought about by this study is the link of the financial performance of EAST AFRICAN BREWERIES to the capital structure.

This research aims to evaluate if the capital structure impacts the financial performance and position of EAST AFRICAN BREWERIES, which is listed on the NSE. The study will determine whether debt financing impacts the financial performance of EAST AFRICAN BREWERIES. The research will also attempt to analyze the impact of equity financing on the company's financial performance. The study's final objective is to investigate how hybrid financing has affected East African Breweries financial performance.

The aims will be addressed empirically by the previous studies on the same. Given that the firm is expected to continue developing and increasing in the future, the sampling approach chosen in this research is the time series technique.

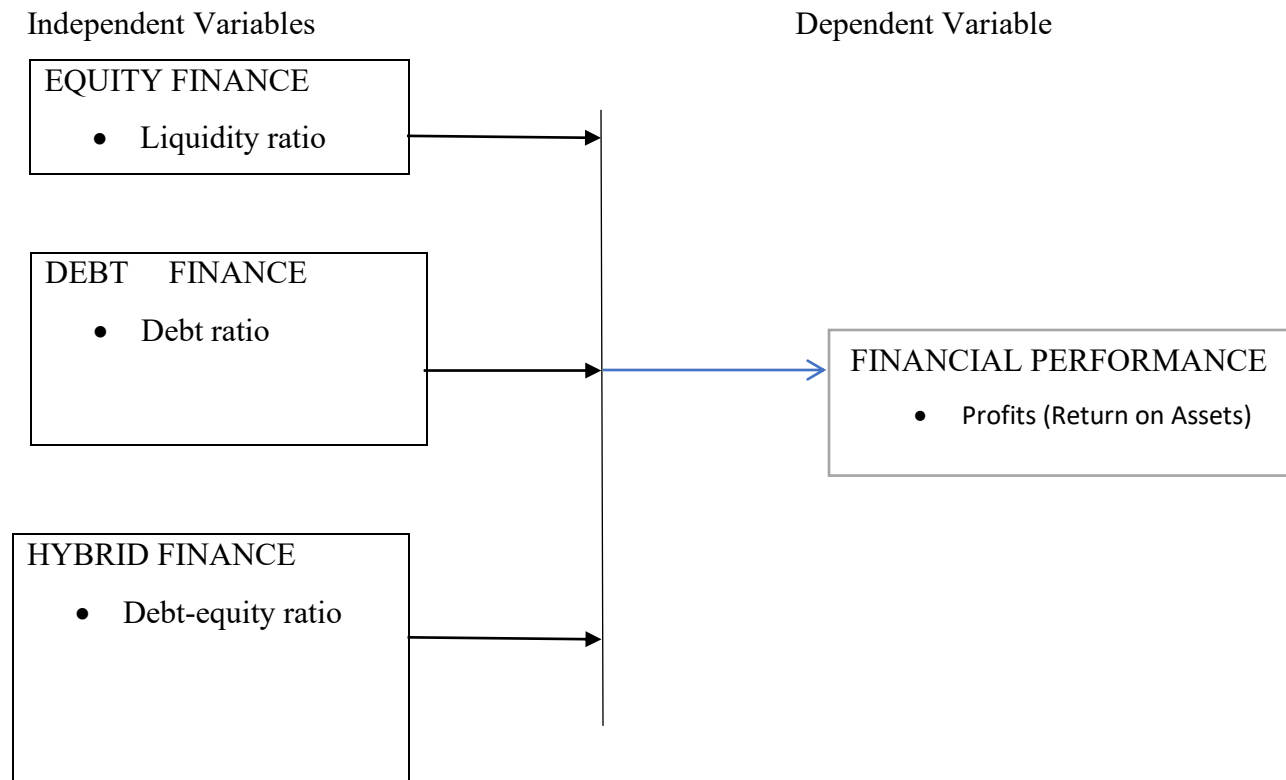
1.4 Purpose of the study

The research aims to identify and investigate the connection between the capital structure and the company's financial situation and performance, EAST AFRICAN BREWERIES, which is listed on the Nairobi Stock Exchange market.

1.5 Conceptual framework

In a research study, a conceptual framework serves as a framework that primarily illustrates the link between distinct variables, the independent and the dependent variables

Figure 1: Conceptual framework



1.6 Research questions

1. There is a relationship between the debt finance level and the company's financial performance. The relation is that it is favorable to the financial performance.
2. There is a relationship between equity finance and the company's financial statement. Equity financing has positive relation to the financial performance.
3. There is a relationship between the hybrid finance, debt, and equity level of finances and the company's financial performance. It has a negative relation to financial performance.

1.7 Research objectives

1.7.1 General objective

The study's general objective is to examine the relationship between the capital structure and the financial performance of East African Breweries company.

1.7.2 Specific objective

1. To examine the debt finance affects the financial performance of the company
2. To assess how equity financing affects the company's financial performance (EAST AFRICAN BREWERIES).
3. To investigate whether hybrid financing affects the company's financial performance

1.8 Justification of the Study

The study's results, upon completion, contributed in different ways to the stakeholders. For instance, the company developed appropriate policies regarding matters related to the financing of the company. The research highlighted various strategies that were used to improve the company's financial performance.

1.9 Significance of the Study

The research filled the information gap on the link between capital structure and financial performance.

The study was advantageous to the firm as it enabled the company to identify the strengths and weaknesses of its financial performance. The research led to a higher valuation in the market by demonstrating that a good capital structure ensured the effective utilization of available funds, ultimately increasing the company's profits. The research provided the company with options on whether to increase or decrease debt capital depending on the situation, as a good capital structure offered firms flexibility.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter discusses a literature review that includes both theoretical and empirical research. The study also includes an outline of regions under investigation and distinctions between previous research projects and those now underway. The ideas used in the research on capital structure and financial performance are discussed. The main theories discussed relate to capital structure and financial performance: the trade-off theory, Modigliani and Miller propositions, and the theory of market timing.

2.2. Review of literature

Equity finance is internal financing in that it helps shareholders retain the business' control and does not have any additional financial burden or obligation to the business in the form of interest. This form of financing does not affect the firm's financial performance. However, it can dilute existing shareholders' holdings because the company's net income is divided among a larger share.

Debt finance affects financial performance because it increases the risk perceptions of shareholders while raising financial costs in terms of interest and the principal amount advanced at specific terms. A company with too much debt will likely default on the interest repayment.

Hybrid finance combines debt and equity finance, enabling a firm to diversify and avoid concentration risk. It affects financial performance because a perfect blend of the two offers higher returns than regular debt finance while not being as risky as equity finance.

2.3. Theoretical framework.

The capital structure theory begins with Modigliani and Miller's famous argument. Since the publication of Modigliani and Miller's irrelevance theory of capital structure in 1958, the theory of corporate capital structure has piqued the curiosity of numerous financial economists. The primary theories of capital structure have been evolving for a while, departing from the assumptions of ideal markets (under which the irrelevance model works). The first is known as the "market timing theory," which claims that the existing capital structure results from previous

attempts to trade equities on the market. The primary theories of capital structure have been evolving for a while, departing from the assumptions of ideal markets (under which the irrelevance model works).

The first is known as the “market timing theory,” which claims that the existing capital structure results from previous attempts to trade equities on the market. MTT suggests that companies issue new shares when they believe the existing ones are undervalued. MTT issuance behaviors have been well documented by Baker and Warger (2002), Susilawati (2008), and Salad (salad) (2010). The second is the trade-off theory, which assumes that businesses weigh the advantages and disadvantages of debt and equity financing to determine the best capital structure after considering market imperfections, including bankruptcy, tax, and agency charges.

2.3.1. The trade-off theory

According to this approach, a company decides how much debt and equity financing would be employed to balance expenses. When corporate income tax is added to the initial irrelevance, the version of trade-off theory that emerged from the MMT controversy benefits debt because it served to generate earnings exempt from taxes, which is made possible by the removal of interest expenses from income before the firm imposes taxes. A company’s performance is improved by debt financing by resolving disputes between shareholders and managers over free cash flow, and the best investments (c Macho do) (2019). Debt financing involves obligations for upcoming cash outflows in the form of periodic interest and principal borrowed. These commitments raise the likelihood of businesses’ financial failure. According to this idea, prosperous businesses should borrow more money to run with high leverage since they have a larger income for shield. As a result, level and business performance should be positively correlated. This is because the option to raise leverage in the future serves to lower the ideal level of leverage. According to the concept, a company’s leverage reacts more to long-term value changes than short-term equity swings. The trade-off models seem to be considerably more promising now than they did a few years ago. The option values encoded in the deferred leverage decision of the following period can be considered using the evolution trade-off models. Leland and Goldstein (2001) noted that companies with less leverage now have the flexibility to raise their leverage in the future. Suppose enterprises only optimally finance seldom due to the costs of the transactions. In that case, the debt ratios of the firm will diverge from the optimal costs of the moment.

2.3.2. Modigliani and miller theory

The theorem approach to capital structure theory was established in the 1950s. In order to finance its assets, a corporation can select between debt and equity, and all it has to do is distribute the cash flows among investors, according to the assumptions made by Modigliani and Miller in 1958. Whether the company is heavily leveraged or has a lesser debt component for its market value, it makes no difference. The market value of a corporation depends on its operating income. MM theory is based on several assumptions that have no existence in the real world due to the brokerage cost and individual taxes and which do not remain in the perfect situation. This is impossible for investors to take the same rate practiced in firms. The capital structure of a firm, its assets, and the firm can either use debt, equity, or a mix of the two to fund its activities. Adverse selection, bankruptcy costs, age agency conflicts, lack of operational and financial separation, investor clientele effects, and adverse selection are some of the most frequently used components. These approaches have pros and cons, and Modigliani and Miller's theorem has been disproven in several situations. Although the Modigliani and Miller hypothesis does not offer a realistic account of how businesses fund their operations, it does offer a method for determining why financing could be significant. This explanation offers a fair understanding of most corporate finance theories.

2.3.3. Market timing theory

Market timing theory of capital structure demonstrates that firms and corporations in many sectors select whether to fund their investment with equity, debt finance, or a blend of equity and debt finance (hybrid finance). The hypothesis also explains that corporation's issue fresh stock when their share price is overstated and purchase back when the price of the shares is underestimated (Baker and Warger, 2002). The price variations of shares impact the corporate financing decisions and, finally, the capital structure of a business.

2.3.4. Empirical review

The choice of a company's capital structure is one of the most important corporate financing decisions, and managers frequently struggle to select the best option. (Lawal, 2014) The choice of an adequate capital structure is a crucial one for every business organization. This choice must

consider the firm's capacity to deal with its competitive environment and the requirement to optimize returns to diverse constituencies.

Nawaz Ahmad (2016) observed that the capital structure of a firm includes debt, equity, or a mixture of both, and how the firm will compose its capital structure will matter most.

2.3.5. Debt finance

Abeywardhana D.K.Y (2017) stated that when maximizing the value of a firm share should use a capital structure with more debt capital as the interest to be paid is tax deductible and lowers debt effective cost. Onyango (2019) observed that debt financing includes funding assets and operations of the firm by issuing short-term debts, bonds, debentures, and long-term debts. Lawal stated that debt financing could be referred to as long-term bonds a firm uses to find its investment while coming up with the borrowed and paying interest accrued.

2.3.6. Equity finance

(Guthrie and Muturi,2015) stated that equity finance is the funds invested into the business by the business proprietor. Caroline and Willy,2015 observed that equity finance is a critical source of funding and has an optimistic relationship with business performance. Businesses that use equity finance have good management, leading to better firm performance, and shareholders ensure that resources are distributed effectively. Lawal explained that equity finance is the money originally invested in the business in exchange for stock and retained earnings as profits from the previous business year that have been set aside by the management to boost the business's balance sheet acquisition and expansion.

2.3.7. Hybrid finance

Dare, F. D and Sola, and there are three alternatives of hybrid finance,100%equity:0%debt, X%equity, Y%debt, and 100%debt:0%equity. According to Nassar (2016), capital structure is a trend in how businesses fund their assets and operations by combining debt, equity, or a combination of instruments. According to Ahmad (2016), a firm's capital structure might be composed of debt, equity, or a combination of the two, and the composition of the capital structure will be crucial.

2.4. Research gap

Table 1: Research gap

VARIABLE	RESEARCH OBJECTIVE	FINDINGS	GAP	AUTHOR
FINANCIAL PERFORMANCE	GENERAL	The performance of firms listed on the Nairobi Stock Exchange was impacted by capital structure.	Few studies have been conducted on the link between capital structure and financial performance.	K.OPOKU-ASANTE(2022)
DEBT FINANCE	SPECIFIC	Debt and equity are important performance factors for companies listed on the NSE.	There is evidence of a negative association between capital structure and all performance measurements.	MAINA L., ISHMAIL M., (2014)

HYBRID FINANCE	SPECIFIC	The findings showed that equity and the long-term positively and significantly affect performance .	Short terms debt reduces financial	Githire C, Muturi W, (2015)
EQUITY FINANCE	SPECIFIC	The findings showed that companies financed through equity finance perform better	Studies fail to account for the mismanagement of funds in the firm	OGILO, F.O 2017

CHAPTER THREE RESEARCH METHODOLOGY

3.0 Introduction

This chapter described the blueprint, framework, or strategy employed to carry out the inquiry in order to answer the research questions and achieve the study goals. It also addressed the research design techniques and procedures utilized to identify answers to the hypotheses presented in Chapter one.

3.1 Research Design

According to Cooper and Schindler (2008), research design served as a framework utilized as a guide in obtaining and analyzing data. The research design employed in this study was descriptive. William (2007) argued that descriptive research is a form of inquiry that ascertains the circumstances around a contemporary phenomenon. The descriptive design made it easier to find and evaluate the link between variables. The return on assets ratio, return on equity ratio, pretax profits, and after-tax profits were the independent variables used in the study's framework, with the debt-equity ratio as the independent variable.

3.2 Target Population

According to Creswell (2012), a population is a collection of people who share certain traits and whose research was of interest. The target demographic for this study was EAST AFRICAN BREWERIES, one of the agricultural companies listed on the NSE market.

3.3 Sampling Framework

Cooper and Schindler (2011) stated that the sampling frame refers to the population from which the sample is drawn. A sample was selected from the units of the population. Sampling allowed for more accurate outcomes and data collection. A representative sample was drawn from the NSE agriculture firms that were publicly traded. This study utilized a census of data collected over ten years, from 2011 to 2021.

3.4 Sampling Technique

Collins and Hussey (2006) stated that choosing components from a population representative of the majority is done using a sampling methodology. The time series method of probability sampling was employed for this investigation (10 years) from 2011 to 2021, providing 40 data points. Challenges arose due to the time frame and the respondents. The capital structure and financial performance of the EAST AFRICAN BREWERIES firm were compared using the time series sampling approach.

3.5 Sample Size

According to Creswell (2012), the sample size refers to the portion of the target population analyzed to draw general conclusions about the group. In this study, the sample size was EAST AFRICAN BREWERIES, one of several companies listed on the NSE market.

Table 2: Measurement of variables

Variable	Type	Measures	Measurement scale	Question number
Debt finance	Independent	Yearly grade report	Ratio	1
Equity finance	Independent	Yearly grade report	Ratio	2
Hybrid finance	Independent	Yearly grade report	Ratio	3
Finance performance	Dependent	Yearly grade report	Ratio	

3.6 Data collection method

The data collection technique is the process through which information is gathered from the research topic stated by Mugenda,2003. Data are facts gathered for future reference and analysis. Data is a determining element in research since it contains all the hidden meanings of that

information that are important in the research process. Devices and equipment will be employed to collect data that will be useful for analysis by the researcher as part of the data collection technique. According to Mugenda & Mungenda (2012), we shall use secondary data for this investigation. Secondary data is information acquired from a storage device or an existing document. Secondary data sources include the company's profile, financial periodicals, post-research results, the internet, financial records, and books.

3.7 Data analysis methods

According to Daniel Johnson (2022), in order to find usable information, data analysis is the process of cleaning, manipulating, and modeling data. The truth will be discovered at this point, which is more necessary and significant. Here, the researcher attempts to provide the information gathered with some context and understanding so that interested others might use it. Data analysis sought to examine the relationship of debt, equity, and hybrid finance on the financial performance of the company, EAST AFRICAN BREWERIES, quoted in the NSE market. This study will use regression, especially the multiple linear regression analysis. Data will be coded using numerals then the data will be analyzed using SPSS.

$$Y = \alpha + B_1X_1 + B_2X_2 + B_3X_3$$

Y is the dependent variable (financial performance).

α represents the y-intercept.

The independent variable is B_1X_1 (debt finance)

The independent variable is B_2X_2 (equity finance)

The independent variable is B_3X_3 (hybrid finance)

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.0. Introduction

This chapter of the research addresses the findings, from the conducted study, analysis as well as interpreting the data. This research involves analyzing the relationship between the capital structure and financial performance of EAST AFRICAN BREWERIES, company listed in NSE.

4.1. Descriptive statistics

The study focused on finding out how the capital structure affects the financial performance of EAST AFRICAN BREWERIES, listed in NSE. The descriptive statistics covers the mean and the standard deviation, from the table below, profits have a mean of 0.097964 and the standard deviation of 0.0412012, debt has a mean of 0.2338 and a standard deviation of 0.022895, equity has mean of 6.8827 and standard deviation of 3.1896348, hybrid has a mean of 7.1417 and a standard deviation of 3.154232.

Table 3. Descriptive Statistics.

Descriptive Statistics

	Mean	Std. Deviation	N
PROFIT	.097964	.0412012	11
S DEBT	.233800	.0222895	11
EQUITY	6.882700	3.1896348	11
HYBRI D	7.141700	3.1542320	11

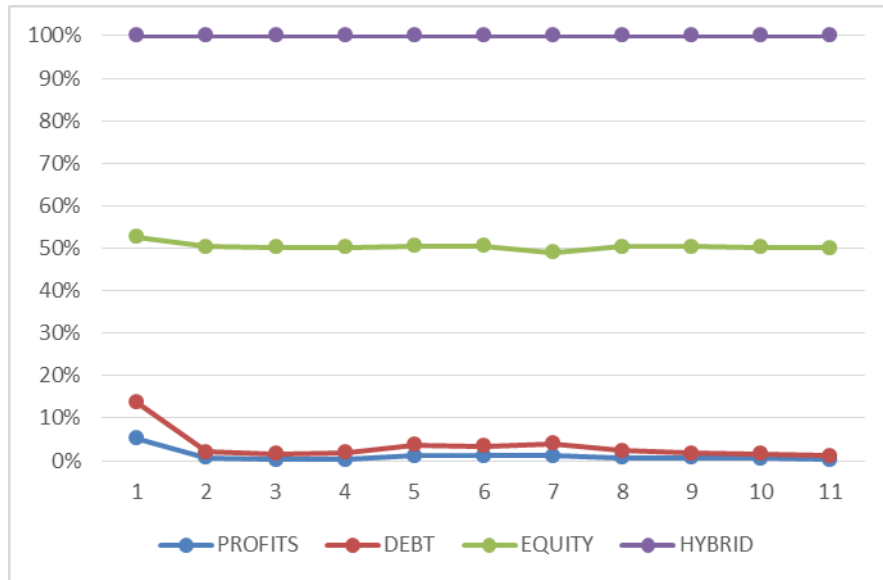


Figure 2. general graph for the variables.

The profits had a decrease in the first year and the rest of the years the profit remained at a constant. The debt on the other hand had a decrease in the first year and on the third and fourth year the debt ratio remained at a constant and thereafter from the fifth year to the eighth and ninth year there's was a slight decrease in the ratio which the ratios in the tenth and eleventh year remained a slight constant ratio. For the equity ratios, had high percentages compared to the debt and profits. Lastly the hybrid ratios was at 100% since it's a combination of both hence the essence giving 100% ratios.

title

Debt and financial performance

According to the first objective, debt contributes to financial performance of EAST AFRICAN BREWERIES, , the model indicated that debt had a positive relationship with the financial performance of EAST AFRICAN BREWERIES, with a beta value of 0.938, p value of 0.009 the p value was significant since it was less than 0.05.

Equity and financial performance

The second objective of the study was to find out how equity contributes to financial

performance of EAST AFRICAN BREWERIES, company. The model indicates that equity positive related to profits EAB, with beta value of 4.192 , p value 0.644. the P value of 0.644 at significant 0.05, it is not statistically significant since it is greater than 0.05.

Hybrid and profits

The third objective was to find out how hybrid relates with financial performance of EAST AFRICAN BREWERIES. The model indicates that hybrid was not significantly contributed to EAST AFRICAN BREWERIES, financial performance. With beta value of -4.003, p value 0.658 at a level of significance 0.05. Indicated that there is no significant relationship between hybrid and financial performance of EAST AFRICAN BREWERIES, company.

Table 4. Correlation.

		PROFIT S	DEBT	EQUIT Y	HY BRI D
Pearson Correlation	PROFIT S	1.000	.755	.103	.119
	DEBT	.755	1.000	.385	.406
	EQUITY	.103	.385	1.000	1.00 0
	HYBRID	.119	.406	1.000	1.00 0
Sig. (1-tailed)	PROFIT S	.	.002	.375	.356
	DEBT	.002	.	.108	.095
	EQUITY	.375	.108	.	.000
	HYBRID	.356	.095	.000	.
N	PROFIT S	12	12	12	12
	DEBT	12	12	12	12
	EQUITY	12	12	12	12
	HYBRID	12	12	12	12

From the findings in the table above, the study found a strong positive association between the debt and financial performance as shown in correlation of 0.755 this too was also found to be significant at 0.002 level. The study found that there was a weak positive association between equity and financial performance as shown in correlation factor of 0.103, this weak association was found to be statistically significant as the significant value was 0.000 which is less than 0.05. the study found that there was weak association between hybrid and profit as shown by correlation factor 0.119, this too was found to be significant at 0.095.

4.2. Regression analysis

4.2.0. Model summary of the general objective.

Table 5. model summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.828 ^a	.686	.551	.0276114	.686	5.089	3	7	.035	1.71

a. Predictors: (Constant), HYBRID, DEBT, EQUITY

b. Dependent Variable: PROFITS

The coefficient of determination R^2 , for the study was 0.686 which indicates that the independent study variables can be applied in explaining about 68.6% of the dependent variable. Other factors that were not included in the study contribute to 31.4% to the dependent variables and this calls for further research to determine the other factors that contribute to the remaining percentage (31.4%).

4.2.1. Analysis of variance.

To predict on the significance that the regression model had on the selected variables, the analysis of variance was computed as shown below.

Table 6. ANOVA

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.012	3	.004	5.089	.035 ^b
	Residual	.005	7	.001		
	Total	.017	10			

a. Dependent Variable: PROFITS

b. Predictors: (Constant), HYBRID, DEBT, EQUITY

The ANOVA results indicate that the regression model had a level of significance of 0.035 which is lower than 0.05 and this helped to conclude that the model was significant. F- value at 5% level of significance was 5.089. this indicates that the entire model was significant i.e there was significant relationship between the capital structure and the financial performance of EAST AFRICAN BREWERIES, company listed in NSE.

4.2.2. Coefficients

Table 7. Coefficients.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-.307	.123		-2.494	.041	-.598	-.016					
	DEBT	1.734	.488	.938	3.557	.009	.581	2.887	.809	.802	.754	.646	1.549
	EQUITY	.054	.112	4.192	.483	.644	-.211	.319	-.319	.179	.102	.001	1679.403
	HYBRID	-.052	.113	-4.003	-.463	.657	-.319	.215	-.315	-.172	-.098	.001	1663.058

a. Dependent Variable: PROFITS

Table 7 above presents the results of testing the relationship between capital structure measured by ratio of debt ratio, debt -equity ratio and liquidity ratio and financial performance measured by Return on Assets (ROA). The study sought to establish a linear regression function of the variables with return on assets as the dependent variable. From the above table the study established the following regression equation:

$$\text{Financial performance (profits)} = -0.307 + 0.938X_1 + 4.192X_2 - 4.003X_3$$

X1 represents the firm's debt finance, which was captured by the ratio of debt to total asset owned by the company.

X2 represent the firm's equity finance, which was captured by the ratio of current assets to the current liabilities.

X3 represent the firm's hybrid finance, which was captured by the debt equity ratio of the company.

AS per the SSPS generated output as presented in the table above the coefficients were used to explain regression model which relates to predictor variable (independent variables) and the dependent variables.

4.3. Interpretation of findings

The goal of this study was to establish the link between the capital structure and the financial performance of the EAST AFRICAN BREWERIES, firm, which is listed on the NSE. Profit was used to assess financial performance, while debt, equity, and hybrid finance were used as control variables to measure capital structure. According to statistical study, there is a substantial R² (68.6%) relationship between the capital structure and the financial performance of the EAST AFRICAN BREWERIES, organization. These independent factors, namely debt, equity, and hybrid financing, could explain about 68.6% of the overall variances in EAST AFRICAN BREWERIES, 's financial performance. The debt ratio has a favorable influence on the company's financial performance, equity and debt financing have a positive effect on the company's financial performance, and hybrid finance has a negative effect on the company's financial success. The study's ANOVA findings reveal that the model was significant at the 95% significance level, with a F ratio of 5.089. The ANOVA model analysis shows that the independent variables may explain approximately 68.6% of the overall fluctuations in the financial performance of the EAST AFRICAN BREWERIES, organization. Kaumbuthu (2011) conducted a study to examine the influence of capital structure on the financial performance of allied and industrial sectors on the NSE from 2004 to 2008. Financial performance was monitored using ROE, while capital structure was measured using the debt-to-equity ratio. Regression analysis was conducted, and it was shown that there is a negative association between capital structure and financial performance. Adekunle (2009) conducted a study on the influence of financial structure on corporate profitability in Nigeria from 2001 to 2007. He obtained secondary data from the financial accounts of 30 non-financial firms listed on the Nigerian stock exchange. Debt ratios were employed as independent factors, and ROA and ROE were used as dependent variables. The study used the ordinary least squares estimate method and discovered that debt ratio had a substantial negative link with company performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter summarizes the previous chapters' findings, the conclusions taken from the research findings, and the flaws discovered over the course of the investigation. The chapter also presents policy proposals that can be used to achieve high financial performance and business worth. Lastly, the chapter includes recommendations for future research investigations that may be useful to future researchers.

5.2. Summary

The study demonstrates a strong correlation between capital structure channels and financial performance. Profit was utilized to evaluate financial performance, and control factors for capital structure were debt, equity, and hybrid finance. According to a statistical analysis, there is a strong R^2 (68.6%) correlation between the EAST AFRICAN BREWERIES, organization's capital structure and its financial performance. Around 68.6% of the overall variations in EAST AFRICAN BREWERIES, 's financial performance could be accounted for by these independent variables, which include debt, equity, and hybrid financing. The debt ratio positively affects the company's financial performance, equity and debt financing positively affect the company's financial performance, and hybrid finance negatively affects the company's financial success. The model was significant at the 95% level of significance, according to the study's ANOVA findings, with a F ratio of 5.089. According to the ANOVA model analysis, the independent variables may be able to explain for around 68.6% of the overall variances in the financial performance of the EAST AFRICAN BREWERIES, company. This conclusion is supported by the findings of Kaumbuthu (2011) and Adekunle (2009), who believe that capital structure has a weak association with financial success. The analysis was carried out using the Statistical Package for Social Science (SPSS) version 20 and Microsoft Excel. Means and standard deviations were utilized to analyse the association between capital structure and financial performance. The descriptive analysis results showed that the mean debt ratio was 0.2338 with a standard deviation of 0.0222895, the liquidity ratio was 6.8827 with a standard deviation of 3.1896348, and the debt equity-ratio was 7.1417 with a standard deviation of 3.154232.

The study findings indicated that the independent variables debt ratio, liquidity ratio and debt-equity ratio could explain about 68.6% of the total variations in the financial performance of EAST AFRICAN BREWERIES, company listed at NSE. The debt ratio was significant at 5% with a coefficient of 0.009, which implies that the financial performance of EAST AFRICAN BREWERIES, company listed at NSE is positively affected by increase in debt ratio. The debt-equity ratio, as evaluated by hybrid finance, was significant at the 5% confidence level with a coefficient of 0.657, implying that financial success is positively connected with a rise in the debt-equity ratio. The F-ratio for the analysis of variance (ANOVA) was 5.089, with a p-value of 0.035. Because the p-value was less than 0.05, this suggests that the research model was significant and may be used to make predictions. As a result of the statistical study, the independent variables, namely debt ratio, liquidity ratio, and company debt-equity ratio, have a substantial relationship on the degree of profitability of the organization.

5.3. Conclusions

The study shows that capital structure channels have a substantial association with business financial success. Profit was used to assess financial performance, while debt, equity, and hybrid finance were used as control variables to measure capital structure. According to statistical study, there is a substantial R² (68.6%) relationship between the capital structure and the financial performance of the EAST AFRICAN BREWERIES, organization. These independent factors, namely debt, equity, and hybrid financing, could explain about 68.6% of the overall variances in EAST AFRICAN BREWERIES, 's financial performance.

The debt ratio has a favorable influence on the company's financial performance, equity and debt financing have a positive effect on the company's financial performance, and hybrid finance has a negative effect on the company's financial success. The study's ANOVA findings reveal that the model was significant at the 95% significance level, with a F ratio of 5.089. The ANOVA model analysis shows that the independent variables may explain approximately 68.6% of the overall fluctuations in the financial performance of the EAST AFRICAN BREWERIES, organization. The findings of Kaumbuthu (2011) and Adekunle (2009) confirm this conclusion, arguing that capital structure has a negative link with financial success.

5.4. Recommendations

The findings of this research study have important policy implications on the individual firm, the industry and macro levels. The research study recommends proper regulation of the banking industry by the government in order to lower the cost debt acquisition and improve firm performance since numerous companies depends on debt financing as depicted by high borrowing interest rates is an impediment to the estimated corporate growth rate and therefore, financial managers should comprehend the effects such capital structure changes on financial performance of the firms. The study recommends that debt is a good determinant of financial performance of firms therefore financial managers should reduce their debt level as it has an effect on the profitability of the firm. Given that the finding of the study affirms that capital structure is so substantial in financial performance of EAST AFRICAN BREWERIES, the study recommends that financial managers of the firm should come up with strategies of ensuring that this is optimal capital in their operations. The study establishes that the firm relies on debt financing. The study recommends that firm should be careful on the use debt given the risk associated with it such as bankruptcy due to intensification in interest payments.

5.5. Limitations of the study

The research concentrated only on one firm listed in NSE, thus the finds cannot be used to generalizing for all companies situated in Kenya. The aim of the study was to examine the relationship between capital structure and financial performance of one firm listed at NSE. Thus, the finding of the research study is only limited to one firm listed in NSE. Since the study aimed to ascertain the effect of capital structure of one firm listed in NSE, the research findings cannot therefore be applied in other companies listed in NSE.

There was a limitation on the time to conduct the research as it was part of the academic program.

5.6. Suggestions for further study

The study focused one firm, a suggestion for further research could be done to the other sectors of the economy. This study concentrated on one firm in agricultural sector, a suggestion for further, research on all firm in the agricultural sector. The study used three variables to represent the capital structure, a suggestion for further research could be done to include more variables to measure the capital structure.

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