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Effect of Equity on Financial Performance of Financial Institutions Listed in Nairobi Securities Exchange

Onderi Kerima Geoffrey[1] Dennis Nyamasege[2] Charles Okioga[3]
Department of Accounting and Finance, Kisii University, Kisii, Kenya
ORCID ID: 0009-0003-2194-4406
*Email Address: gkerima@gmail.com

ABSTRACT
Financial instruments are used on a wider scale mainly due to the global financial crisis. These tools are central in averting financial risks in many countries for a long time. The general objective of the study was to determine the effect of equity on financial performance of financial institutions listed in Nairobi Securities Exchange. The study was supported by trade-off theory, pecking order theory and preferred habitat theory. The study adopted a descriptive design. The target population of the study was 18 listed financial institutions in Nairobi Security Exchange. This study also adopted purposeful sampling technique to select a sample size of 10 listed commercial banks. The study used secondary data, which was collected using a data collection sheet obtained from financial reports for 10 years from 2011-2020. Descriptive statistical methods such as minimum, maximum, mean and standard deviation were used to analyse data. In addition, inferential statistical methods like correlation and panel data regression analysis were used to determine the effect of the financial instruments on the performance of financial institutions. The findings of the study were presented in figures and tables. The study identified that equities had positive and significant relationship with financial performance of listed financial institutions at Nairobi Securities Exchange.The study identified that, equities had a weak, positive and significant correlation with financial performance of listed financial institutions in Nairobi Securities Exchange. Accordingly, an increase in equities led to a corresponding improvement in financial performance of listed financial institutions. Similarly, it was demonstrated that, equites had a positive and statistically significant effect on financial performance of listed financial institutions in Nairobi Securities Exchange. As result, a change in equites increased financial performance of listed financial institutions in Nairobi Securities Exchange substantially. It was concluded that, equities had a weak, positive and significant effect on financial performance of listed financial institutions in NSE. Accordingly, an increase in equities led to a corresponding increase in financial performance of listed financial institutions. Similarly, the study concluded that equites and financial performance of listed financial institutions at NSE had positive and significant effect relationship. As result, a change in equites led to change in financial performance of listed financial institutions in NSE. The study recommended that outfits listed at NSE ought to increase leverage through equity. Equity provides a cheap source of financing. Thus, increased equity scales up amount funds available for re-injection into existing and new more profitable projects. Investments in new projects would enhance return on equity leading to increased financial performance. Additionally, the increasing equity financing requires firms to reduce equity: debt ratio from external and expensive sources. This, reduces the amount of paid interests, hence increasing profitability
Key words: Financial Instruments, Equities, Financial Performance, Nairobi Securities Exchange, financial institutions.
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1.0 INTRODUCTION

Financial instruments' origin dates back to 700 B.C in Asia Minor. Financial tools have gained prominence due to shortfalls of other forms of money like paper currencies and coins recognized as legal tenders. The development of virtual currency which is used as legal tender is anchored on technology however, it can be influenced by unauthorised duplication therefore, for them to meet demands and expectations of consumers like normal currencies, there must be a steady technology (McKinney, Shao, Shao & Rosenlieb, 2018).

Financial instruments like public loans, public equity or venture capital, or credit guarantees are being used on a wider scale mainly due to the global financial crisis, increasing endemic problems for some firms, plummeted lending together with increased automated lending technologies and centralization of organisational structures. These tools played a central role in averting credit crunch, which limited access to finances in many countries for a long time (Brown & Lee, 2017).

Equity is a low-cost source of funding for most firms. Small and Medium Enterprises find it easier to source funds from retained earnings than Angel investors. Retained earnings play a central role in reducing the cost of borrowing for many SMEs in Garissa County, hence, improve their financial performance. The majority of the SMEs prefer retained earnings as their best source of capital (Noor, 2020).

Equity financing includes; retained earnings, own savings, contributions by board members, contributions by friends, arrears and business earnings, have a great effect on financial performance. Equity has a direct linkage with performance enterprises. Additionally, application of equity leads to improved performance due to direct control from equity holders who ensure that resources are allocated efficiently (Sheunesu & Tewari, 2019).

Equity capital represents the core portion of a company's capital that is debt free and, denotes the owners' stake in the firm. It consists of retained earnings preferential shares as well as typical stock. Equity financing inversely affects profitability of small traders in EAC when measured by (ROCE) and (ROE). Also, equity affects financial performance of small business firms directly and largely, when it's determined by (ROA), (Chindengwike, 2021).

Equity and performance of small business in Tanzania are directly related. Financial assets are essential for the growth of small business firms. Equity is an affordable source of financing that improves the financial performance of SBFs, which in return enhances the competitiveness of the economy (Mashenene, 2020).

Equity securities are key in the earnings of picked outfits listed in Kenya. Funding through equity directly and significantly affects their financial performance. Equity adds value to shareholders through optimizing capital structure and hence, balancing tax shield rewards and costs of financial distress (Gathara, Kilika & Maingi, 2019).

Equity financing affects performance of DT-MFIs positively. Increasing the sale of equity shares to existing and potential investors ensures that DT-MFIs have enough cheap capital for investment. Unlike other securities, equity financing does not require collateral but depends on the ability to create value by growing enterprises (Kiende, Wepukhulu & Matanda, 2017).

Increased financial performance in Pakistan's banking sub-sector has been contributed by restructuring. Rapid innovation, enhance monetary effectiveness and use of experienced staff who are ready to implement change, have boosted profitability of commercial banks. This has led to the ability of banks to overcome financial obstacles they face as they gain a sustainable competitive advantage as a key ingredient for banks' financial performance (Atiase, Mahmood, Wang & Botchie, 2018).

Financial performance indicators help top brass and interest parties to quantitatively transform a firm's activities and thus, evaluate the firm's objectives and strategies. The mostly PM, asset turnover, leverage and cash flows are mostly utilized. Improved firm performance leads to growth contributed by an increase in tangible assets (Wahyudi, Sulistiani & Muhajat, 2019).

Firm performance measurement uses various measures like (ROS) operating margin return and ROCE. However, ROE, ROA are mostly utilised in measuring of firm's profitability because they represent the ratios between EBIT and total assets with total equity. Return on asset deals with investor's income from commercial trading of the business while ROE deals with amount of return that stockholders earn on investment (Napitupulu, Primiana, Nidar, Effendy & Puspitasari, 2020).

Low financial performance is a big challenge to many commercial banks. This is due to fraud, many uncontrolled mobile lenders, NPL, credit risks, weak asset quality and growth in private industry and failures to implement new ideas in finance innovations swiftly (Kenya Bankers Association KBA, 2019). This has made banks in Kenya, to use other innovations such as, E- banking and M-Pesa products to enhance profitability (Anebo & Lantera, 2019).

Financial performance of most commercial banks in Africa countries such as Egypt, Algeria, Nigeria and Malawi have recorded a reduction in profitability due to loan-loss, increased expenses and indirect corporate growth ambitions. Moreover, less liquidity and poor quality of credit available in Rwanda and Uganda have led to declining financial performance (Businge, 2017).

The financial performance evaluates how the available resources are applied by banks to maximise profits and wealth of shareholders. It can be measured through markets, accounting, and survey measurements. The market is key to shareholders because it is directly associated with financial position of the shareholder. On the other hand, financial performance determined by ratios driven from balance sheet and income statement on typical prices (Onsongo, Muathe & Mwangi, 2020).

Financial performance is affected by the poor quality of assets that lose value continuously, defaults on loans, higher interest rates and unfriendly policies. To increase profitability, banks have resorted to other means of generating long-term capital like trading of derivatives, asset securitization, credit card banking, mobile and E-banking are some the means applied to generate income (Obong'o, Mutea & Rintari, 2020).

Financial performance of banks increased through the use of modern technology. The use of E-banking has directly and greatly influenced commercial banks' earnings in Kenya. The use of modern technology has radically changed the way banks are operated. In addition, M-banking gives commercial banks a good chance to tap many untapped mobile customers due fewer bank networks. The adoption of technology has directly impacted the performance of commercial banks (Ireri, 2020).

Use of securities like equity securities, debt and bonds moderated by inflation rates leads to the growth and better financial performance of listed Commercial Banks. These instruments provide cheap funds that are used in investment of projects that enhance financial result of business banks.

The banking sector' earnings fell drastically in 2020. In 2020, ROA was 2.0% while in 2019 was 3.2%. Similarly, the average return on equity (ROE), declined from 21.1% in 2019 to 13.3 % in 2020. Such decline was contributed by an increase in loan loss provisions as asset quality of the banking sector reduced and an increase in impairment losses and the impact of the monetary policy rate cut on interest margins (SBI, 2021).

1.2 Specific Objective

i. To determine the effect of equity on performance of financial institutions listed in Nairobi Securities Exchange.

2.0 LITERATURE REVIEW

2.1 Theoretical review

Myers and Majluf introduced Pecking Order Theory in 1984. It holds the view that, outfits choose own funds over external. Wherever they require capital from outside sources, they choose debt over equity. Equity can be used as a last option because it's expensive. The theory further opines that the asymmetry nature of information makes them avoid pre-determining maximum debt to equity ratio. Thus, firms utilise other conversional means and debt financing to optimize the firm's net worth. Additionally, the theory argues that outfits have a certain order that is best for funding operations (Mwangi, Muathe & Kosimbei, 2016).

The theory assumes that firms have two primary sources of capital i.e. Internal and external. Thus, they select the best mix of the two sources that would maximise their profit and enhance the value of the firm. Internal sources are preferred by many firms because they are cheap. Secondly, it posits that investors fear risks thusly, opt to put their investments where risks are low. Finally, the theory argues that investors have similar income expectations However, financial information flowing into the market is not the same (Okwo, Okelue & Nweze, 2016).

The critiques of the theory assert that the pecking order theory is not applicable for high- and low-leverage firms because, high-leverage firms' fancy equity to fund heavy projects due to the inadequacy of domestic funds while low-leverage firms prefer debt as their main source of finance. Additionally, they argue that, pecking order theory believes that companies have hierarchy of preferences regarding funding sources due availability of uneven information. Management is known to have more information regarding the firm's value as opposed to shareholders (Njagi ...*et al.*, 2017).

The theory is suitable for this study since it was used to inform the link betwixt equity securities and performance of quoted firms in Kenya. To maximise owners' income, firms prefer internal sources of funds to external funds. Internal funds maximize return, hence, increase profitability and maximize Shareholders' benefits.

2.2 Empirical Review

Tasáryová and Pakšiová (2021), determined the effect of equity information on business performance. It utilized a quantitative research design. The unit of analysis was data obtained from of businesses that recorded a declined in equity between 2014–2018. Collected data was analysed through Altman z-score and the index and it indicated that equity and business performance had an inverse linkage. They also noted that, equity and bankruptcy had a powerful positive linkage between negative. Additionally, the study noted a weak association betwixt equity and all zones. Similarly, the study noted high performance indicated management effectiveness in resources utilization.

Okolo, Okwu, Ugwuoke and Kornom-Gbaraba (2019), utilised ex-post facto design to study effects of equity funds on corporate performance of Nigeria's DT banks. Sample size was 14-DT banks selected through stratification for whom annual reports for 11 years provided data that PLOS methods was utilized to analyse. It was discovered that both ROE and EVA directly and significantly affected corporate financial health. Additionally, it found out that, (ROE) had a direct linkage with economic value added. Further, the study noted that, ROE was positively correlated with equity financing and economic value added (EVA). The study concluded that, equity financing directly enhanced profitability. It was suggested that all stakeholders should continuously monitor the categorization of funds in order to avoid any decline in the firm's value.

Chindengwike (2021), studied how equity impacted performance among small business firms in EAC. Panel data research and a cross-sectional research methodology were applied. The independent variables were: equity and business size. secondary data was derived from reports for 4 years. 828 observations were earmarked through random sampling as a representative. Inferential statistics was utilized analyse data. It was discovered that, equity and profitability of small business firms of EAC were inversely related as measured through (ROCE) and (ROE). Conversely, the study noted that equity directly affected profitability of firms in EAC.

Kiende and Wepukhulu (2020), utilized a descriptive research design to carry out a study on the effect of equity financing on financial performance of DT-MFIs in Kenya. Census sampling techniques was applied in picking 13 DT-MFIs from whom secondary data f or 5 years was obtained by a data sheet. Descriptive inferential statistics were applied to process data. They revealed that, equity and performance of DTMFIs in Kenya had direct and meaningful relationship. Additionally, the study noted that equity financing increased significantly from 2014 to 2018, however, there was a small reduction in 2017. It was concluded that funding by typical stock directly and substantially affected performance of DTMIs in Kenya. Further, it recommended that, the top brass of the DTMIs ought to enhance their equity financing by selling shares to prospective shareholders and investors to boost their financial performance.

Noor (2020), wanted to find out how equity funding affects financial performance of small and medium enterprises in Garissa County, Kenya using descriptive design. It was anchored on investors, retained earnings, donation and plough back profits as dependent variables while financial performance was measured using ROE. Stratified random sampling was utilized to earmark 341 respondents. A list of queries was employed gather primary data and processed it through descriptive and inferential techniques. It was illustrated that; most SMEs in Garissa town did not get funds from angel investors thus the cost of selecting them was minimal. The study further, found out that most SMEs prefer obtaining funds from retained earnings due its affordability hence this helps them reduce the cost of borrowing. Additionally, the study identified that SMEs employ ploughed back profit as the main source of capital because it's readily available and cheaper. The study concluded that angel investors and financial performance were inversely and markedly related. Further, the study suggested that donations and ploughed profits significantly and direct influenced performance.

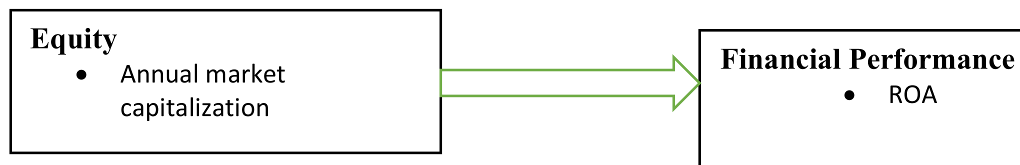
Gathara, Kilika and Maingi (2019), applied Causal or explanatory research design to evaluate impact of equity on financial performance of selected companies listed in the NSE. Correlation analysis measures of central tendency and multiple regression techniques were applied to scrutinize information obtained from financial reports of 30 firms selected through stratification. It was demonstrated that, equity had immaterial but direct influence on performance of picked outfits quoted at NSE. Further, it was established that, an increase in owners' equity improved financial performance. Additionally, it was noted that equity financing adds value to shareholders through optimizing effectively balancing the merits of tax shield with draw backs of financial distress. It was concluded that the level of owners' equity has a favourable and noteworthy effects on performance of companies listed. It was suggested that top dogs picked outfits quoted at NSE, Kenya ought to utilize diverse sources of funds because financial structure directly enhances performance.

Njagi, Maina and Kariuki (2017), evaluated impacts of common stock and financial performance of SMEs in Embu town. Simple random sampling technique was utilized to arrive at 60 SMEs as sample size. Questionnaires was utilized to gather Primary data, and it was analysed by descriptive and inferential statistics. Their findings indicated that equity finance and performance of SMEs had a positive linkage. Additionally, it was established that, angel investors are not popular among entrepreneurs in Embu town since most businesses are sole proprietorships that are controlled and managed by the owners.

2.3 Conceptual Framework

A conceptual framework brings together a number of related concepts to explain a certain event and also give a wider understanding of the research problem (Fuad, 2020). In This study, equity securities, debt securities and bonds were independent variables.

Independent variables **Dependent variable**



Source: Researcher 2023

Figure 2.1 Conceptual Framework

Equities are used as the main and one of the cheapest and long-term sources of funds for investment. Ordinary shareholders are always paid dividends after preference shareholders. Funds raised from the sale of equities allows firms to investment in long term projects with higher returns. This leads to enhanced financial performance.

3.0 RESEARCH METHODOLOGY

3.1 Research design

According to Cooper & Schindler, (2012) Research Design Gives a road map on how to choose the various sources and kinds of information required and defines the linkage betwixt variables. The Study utilized descriptive research design. a descriptive design allowed studies to observe, describe reasons for the status of a certain phenomenon (Cooper Et *Al*., 2003).

3.2 Study area

The study targeted 18 Financial Institutions listed in NSE Kenya (appendix I). Kenya is found in E.A it borders Tanzania to south, Uganda, Ethiopia and Somalia to the east. The location of where most of the headquarters are located is Nairobi, 1.2921° S, 36.8219° E.

3.3 Target population

A Target population is a group of items, persons, or elements with common features found or not found in diverse geographical location (Mugenda, 2008). The unit of analysis was 18 financial institutions quoted at NSE as at Dec 2021. Seven firms that did not have complete data for all years targeted were dropped. Thus, the final target population was 11 firms.

3.4 Sampling design and sampling techniques

3.4.1 Sampling design

Sampling design is a roadmap utilized in earmarking a sample size (Kothari *et al.,* 2010). Purposeful sampling technique was applied to pick 10 commercial banks out of the 18 listed financial institutions.

3.4.2 Sample Size

Mugenda & Mugenda (2003) states that, a sample size is a section of the whole set. The study used purposeful sampling methods. 10 quoted commercial banks in NSE were sampled. The sample size was arrived at using Yamane formula 1967.

$$n = \frac{N}{1+N(e)^2}$$

Where

n = the Minimum Sample.

N = population size

- e = confidence level at 95 % (5%=0.05)

$$\frac{11}{1+11(0.05)^2} = 10$$

Table 3.1 Sample Size

BANKING
ABSA Bank Kenya
Diamond Trust Bank Kenya
Equity Group Holdings
HF Group
KCB Group
I &M bank
Stanbic holding
NCBA Group
Standard Chartered Bank Kenya
The Co-operative Bank

Source: Researcher, 2022

3.5 Data Collection

Data utilized was obtained from financial reports for 10 years from 2011-2020 through a data collection sheet.

3.6 Data Analysis and Presentation

Sheikh (2015) stated that data analysis is a mechanism for reducing and organizing data to produce findings that require interpretation by the researcher. This involves coding, editing, data entry, and monitoring the whole data processing procedure.

3.6.1 Descriptive Statistics

The study applied descriptive statistics to analyse data, and the results was presented in tables. In descriptive statistics, the study utilized the minimum, maximum, mean, and standard deviation.

3.6.2 Inferential Statistics

In addition, the study used correlation methods to analyse collected data. The findings of this study were presented in tables and figures. Panel data model for the study was as follows:

$Y_1 = \beta_0 + \beta_1 X_{1it} + \varepsilon$

Where

Y_1- ROA

β_0 - Constant variable

$\beta_1, \beta_2, \beta_3, \beta_4$ – Regression coefficients

$X_{1\ it}$ – equity

ε = Error term

Simple panel data analysis model was as shown below

$Y_1 = \beta_0 + \beta_1 X_{1it + \varepsilon}$

4.0 DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Descriptive Statistics

4.1.1 Equity

The study determined equity of financial institutions listed in NSE by descriptively processing data derived from annual reports. The findings of the study are shown below4.1

Table 4.1 Equity

	N	Mini	Maxi	Mean	Std. Deviation
Equity Group	10	60.73	185.14	126.0830	34.61840
KCB Group	10	50.02	173.53	121.3984	38.49683
Standard Chartered Bank	10	29.34	97.79	70.3488	26.20509
NCBA Group	10	45.93	103.26	70.1466	17.74701
ABSA Bank Kenya	10	49.44	95.61	66.9643	18.49126
The Co-operative bank	10	26.68	52.50	40.7925	7.66072
DT Bank Kenya	10	17.71	56.90	39.2535	14.31690
I & M bank	10	10.95	49.42	30.4813	10.54459
Stanbic bank	10	8.76	43.80	19.9985	10.78736
HF Group	10	.81	10.53	3.9829	3.10935
Valid N (listwise)	10				

Source: Filed data 2023

It was illustrated that, equity group had mean value of 126.0830 and standard deviation of 34.61840, KCB Group 121.3984 with standard deviation of 38.49683, Standard chartered bank had mean value of 70.3488 with standard deviation of 26.20509, NCBA Group 70.1466 with standard deviation of 17.74701, ABSA Bank Kenya 66.9643 with standard deviation of 18.49126, Co-op bank 40.7925 with standard deviation of 7.66072, DT Bank Kenya 39.2535 with standard deviation of 14.31690, I & M bank 30.4813 with standard deviation of 10.54459, Stanbic bank had mean of 19.9985 with standard deviation of 10.78736 and HF Group 3.9829 with standard deviation of 3.10935. It was noted that, equity bank had highest equity hence, it was adequately financed. Consequently, it had the highest financial performance while HF Group Holdings had the least amount of equity. Thusly, it was inadequately funded, recorded the least financial performance. Noor (2020), identified that SMEs employ ploughed back profit as the main source of capital because it's readily available and cheaper. The study concluded that angel investors and financial performance were inversely and markedly related. Further, the study suggested that donations and ploughed profits significantly and direct influenced performance.

4.2 Inferential Statistics

4.2.1 Correlation

The study did a correlation analysis to find out the nature of linkage between independent variables and dependent variable. The findings of the study were presented in table 4.5 below

Table 4.5 Correlation analysis

		Equities	Financial performance
Equities	Pearson Correlation	1	.240*
	Sig. (2-tailed)		.016
	N	100	100
Financial performance	Pearson Correlation	.240*	1
	Sig. (2-tailed)	.016	
	N	100	100

Source: field data 2023

*. Correlation is significant at the 0.05 level (1-tailed).

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

It was revealed that, equities had a weak but, direct and significant relationship with financial performance of listed financial institutions in Nairobi securities Exchange r= .240*, .016<0.05. According to the study, increase in equities led to a corresponding change in performance of listed financial institutions. Similarly, Tasáryová and Pakšiová, (2021) noted that, there was a strong positive linkage between equity and bankruptcy. Additionally, the study noted a small linkage betwixt equity and all zones. Similarly, the study noted high performance indicated effectiveness of the big fish in the utilization of firm's resources. Similarly, Njagi, *et.,al..,* (2017), on their study on the effects of equity funds and performance of SMEs in Embu town, Kenya, indicated that, equity finance and financial performance of SMEs had a positive relationship.

4.2.3 Simple Regression

4.2.3.1 Equities and Financial Performance

A simple regression between equities and financial performance of listed financial institutions listed in NSE was carried. The findings of the study were presented in the table 4.9 below

Table 4.9 (a) Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.240[a]	.058	.048	1.78012

Source: Field data 2023

The study identified that; equities was directly correlation with financial performance of listed financial institutions quoted in NSE r= .240[a.] Further, it was noted that, R Square was 0.058. Thus, equities contributed to 5.8% change in financial performance of listed financial institutions listed at NSE. These results, agreed with Chindengwike (2021), discovered that, equity directly affected profitability of firms in EAC when measured by return on assets (ROA).

To test the regression model fitness to predict performance ANOVA Table 4.9 (b) was used.

Table 4.9 (b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.015	1	19.015	6.001	.016[b]
	Residual	310.546	98	3.169		
	Total	329.561	99			

Source: Field data 2023
a. Dependent Variable: Financial performance
b. Predictors: (Constant), Equities
The study discovered that, the model had F value of 6.001, P .016<0.05. Hence, the overall regression was suitably applied. Additionally, the study showed that, equities significantly impacted financial performance of financial institutions listed at NSE. These findings agreed with Kiende and Wepukhulu (2020), who revealed that, equity financing and financial performance of DTMIs in Kenya were directly and significantly related. Additionally, the study noted that equity financing increased significantly from 2014 to 2018, however, there was a small reduction in 2017.
To establish the effect of equities on Financial Performance, the Table 4.9 (c) below were used.

Table 4.9 (c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.171	.246		6.968	.000
	Equities	.060	.002	.240	.245	.016

Source: Field data 2023

The study demonstrated, financial performance of listed financial institutions NSE was positively and substantially affected by equities B=.060, t=0.2450, P=.016<0.05. Thus, when other indicators are centris paribus, equities had 17.0% change in performance listed financial institutions listed at NSE. Thus, 83% variation can be explained by other factors. Additionally, it was found out that, change in equities had led to 6.0% increase in financial performance.

Similarly, Okolo, Okwu, Ugwuoke and Kornom-Gbaraba (2019), who established that, both ROE and EVA had a direct and significant effect on corporate's financial results. Additionally, the study found out that return on equity (ROE) had a direct linkage with economic value added. Further, Gathara, Kilika and Maingi (2019), demonstrated that, equity had immaterial but direct influence on performance of picked outfits quoted at NSE. Further, it was established that, an increase in owners' equity improved financial performance. Additionally, it was noted that equity financing adds value to shareholders through optimizing effectively balancing the merits of tax shield with draw backs of financial distress Simple regression model was as shown below
$Y = \beta_0 + \beta_1 X_{it} + \varepsilon$
$Y=.171+.060 X_1$

4.3 Hypotheses Testing

Table 4.12 (c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.522	.318		16.387	.000
	Equities	.110	.002	.470	7.379	.000

Source: field data 2023
To test the hypotheses of the study, use results in tables 4.12c
$H0_1$: Equity securities has no statistically significant effect on performance of financial institutions Listed in Nairobi Securities Exchange.

Further identified that, equites had had a direct and significant effect and financial performance of listed financial institutions at NSE B=.110, t=7.379, p=.000 <0.05. As result, a variation in equites led to 11% increase in financial performance of listed financial institutions in NSE. Similar findings were noted by Gathara, Kilika and Maingi (2019), who indicated that, equity had a significant and direct impact financial performance of selected firms quoted at NSE, Kenya. Further, the study established that increases in the owners' equity, led to improved financial performance. Additionally, it was noted that equity financing adds value to shareholders through optimizing effectively balancing the merits of tax shield with draw backs of financial distress. It was concluded that the level of owners' equity has a favourable and noteworthy effects on performance of companies listed. Consequently, the null hypothesis was rejected.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

5.1.1 Equities and Financial Performance

The study identified that, equities had a weak, positive and significant correlation with financial performance of listed financial institutions in Nairobi Securities Exchange. Accordingly, increase in equities led to a corresponding improvement in financial performance of listed financial institutions. Similarly, it was demonstrated that, equites had a positive and statistically significant effect on financial performance of listed financial institutions in Nairobi Securities Exchange. As result, a change in equites increased financial performance of listed financial institutions in Nairobi Securities Exchange substantially.

5.2 Conclusions

5.2.1 Equities and Financial Performance

It was concluded that, equities had a weak, positive and significant effect on financial performance of listed financial institutions in NSE. Accordingly, an increase in equities led to a corresponding increase in financial performance of listed financial institutions. Similarly, the study concluded that equites and financial performance of listed financial institutions at NSE had positive and significant effect relationship. As result, a change in equites led to change in financial performance of listed financial institutions in NSE.

5.3 Recommendations

5.3.1 Equities and Financial Performance

The study recommended that outfits listed financial institutions at NSE ought to increase leverage through equity. Equity provides a cheap source of financing. Thus, increased equity scales up amount funds available for re-injection into existing and new more profitable projects. Investments in new projects would enhance return on equity leading to increased financial performance. Additionally, the increasing equity financing requires firms to reduce equity: debt ratio from external and expensive sources. This reduces the amount of paid interests, hence increasing profitability.

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