



## EFFECT OF CAPITAL ATTRIBUTES ON THE PERFORMANCE OF COMMERCIAL AND SERVICES COMPANIES LISTED IN NAIROBI SECURITIES EXCHANGE

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### Abstract

This study sought to determine the effect of capital attributes of listed commercial and services firms and their performance. The study was guided by the following key objectives: to analyze the relationship between financial leverage and performance of commercial and services companies listed in NSE, Kenya; to assess the relationship between total current liabilities to total assets ratio and performance commercial and services companies listed in NSE, Kenya; and to investigate the relationship between total current assets to total assets ratio and performance of commercial and services companies listed in NSE, Kenya. The target population was the nine commercial and services companies listed in Nairobi Securities Exchange. The study used secondary data, mostly from NSE handbooks from 2003-2013 and the data was analyzed using SAS. The data was analyzed using descriptive statistics, correlation analysis, and panel multiple regression analysis. Presentation of the analyzed data was through figures and frequency Tables. From the findings of the study, increased financial leverage has a negative effect on performance of commercial and services companies listed at the NSE as measured by their ROE. The study further established that the firms' performance improved when they used more current liabilities to finance assets. Additionally, the study found that increasing the proportion of current assets in relation to total assets enhanced performance as measured by both ROA and ROE. The study therefore recommends that corporate managers should reduce financial leverage in order to enhance performance.

**Keywords:** Capital attributes, financial performance, financial leverage, return on equity, Return on Assets, securities exchange, and cost of capital.