Financing Structure And Financial Performance Of Selected Supermarkets In Nairobi City County, Kenya

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Abstract: Supermarkets in Kenya form significant component of retail sub-sector. For them to survive in the wave of increasing globalization and increasing competition, they have to expand their networks and offer a wide range of products, which requires a lot of finance. Supermarkets in Kenya have been performing poorly with some of them closing down completely and others reducing the number of branches. For instance, the return on assets in large-sized supermarkets decreased from 0.1418 to 0.1390 between 2016 and 2017, and from 0.1473 in 2018 to 0.1446 in 2019. It is therefore essential to understand how use of equity financing affects financial performance. The objective of the study was to evaluate influence of financing structure on selected supermarkets' financial performance within Nairobi County. The target population was 88 large and medium supermarkets in Nairobi County. Purposive sampling was used to select 9 large-sized supermarkets in Nairobi City County with 150 and above employees. Therefore, this research was conducted among large supermarkets that have been operating for at least five years (2016-2020). Secondary data was collected using data collection checklist. The study used inferential as well as descriptive statistics to analyze data and STATA version 14 was utilized to carry out all statistical analysis. Descriptive statistics included frequency distributions, percentages, mean and also standard deviation. In addition, regression analysis was used to carry out inferential statistics. Moreover, the findings of the study were presented in figures (line graphs) as well as tables. The study found that equity financing, measured in terms of debt to equity ratio, have a significant effect on the financial performance (return on assets) of supermarkets in Nairobi City County. The study recommends that the supermarkets within Nairobi City County should use equity financing to finance their operations since equity owners are able to continuously monitor and exert influence on managerial decisions via the board of directors hence ensuring efficient allocation of resources.

Keywords: Equity Financing, Financial Performance, Supermarkets

I. INTRODUCTION

Essential role of retail sector in the national economy has globally improved since 1990s due to changes in demand as well as supply conditions, globalization as well as the increased use of modern technology. Supermarkets play key role in retail sector as they offer a wide variety of products including food, household products, beverages, electronics and clothing among others (Ogola & Ali, 2018). Currently, retail chains such as supermarkets, represent about 50 percent of sales in the retail industry and hence the high volume of products sold in supermarkets make their performance vital to the national economy (Sharma & Bhardwaj, 2015). Even

though most of the supermarkets have retail chains around the world, they have remained unstable since the introduction of "rules of the game" have changed due to increased globalization, competition, and changes in modern technology where customers can now order goods from their door-steps. As a result, many supermarkets, globally, have had challenges in their performance with some of them closing business due to losses.

The financial performance of supermarkets centers around their net sales, operating costs, costs of goods sold, fixed assets and amount of capital invested in merchandise. Supermarkets around the world have reported decline in financial performance forcing some of them to close up their

doors. For instance, Sharma and Bhardwaj (2015) reported that the top 10 retail chains in India had accumulated losses of up to $58 million. In Angola and Nigeria, Peacock (2019) reported that the trading profits of Shoptrite sunk by 14.3% from the previous year leading to closure of all branches. Supermarkets in Kenya such as Nakumatt, Ukwala, Choppies and Uchumi have been closed in the last five years and Tuskys is experiencing major challenges and has closed most of its branches. Hernant (2016) indicates that the financing structure of a retail chain is an important determinant of its financial performance. One of the components of financing structure in retail supermarkets is equity financing.

Equity finance is the finance that business owners contribute and is the most risky kind of finance (Nasimi & Nasimi, 2018). The shareholders are allowed to share the company profit normally known as dividend according to amount of held shares. Among supermarkets in Kenya, Kinuthia (2015) indicates that some of the supermarkets in Kenya were using equity financing to finance their operations as well as expansions in terms of branches. Omukaga (2017) established that Uchumi supermarket had adopted both debt and equity in financing of their operations, which played a key role in improving financial measures. According to Cytonn (2019), supermarkets in Kenya have a debt to equity ratio of 0.52.

II. STATEMENT OF THE PROBLEM

Supermarkets form significant component of retail sub-sector and hence as witnessed in recent past, dismal performance is something that requires to be taken seriously (Kasozi, 2018). To survive in the wave of changing business environment, increasing globalization, systematic risks and increasing competition resulting from local and foreign new entrants, supermarkets in Kenya have to expand their networks and offer a wide range of products, which requires a lot of capital (Mathai, 2012). Diversified portfolio minimizes the unsystematic risk, systematic risks cannot be managed by simple diversification. Investors therefore need to understand the effect of systematic risk on performances (Mwenda Mutwiri, N., Omagwa, J., & Wamugo, L. 2021). As such, various supermarkets have been obtaining finance through equity financing. Nonetheless, even after obtaining finances through equity financing, supermarkets in Kenya have been performing poorly, leading to the closure of some of their branches.

Muturi, Omwenga and Owino (2017) indicate that leading supermarkets in Kenya have been performing poorly culminating into eventual closure of business or reduction in the number of branches. As indicated by Mwaura (2019), the return on assets in large sized supermarkets decreased from 0.1418 to 0.1390 between 2016 and 2017, and from 0.1473 in 2018 to 0.1446 in 2019. In a period of 3 years (2018 to 2020), the number of supermarket branches in Kenya has shrunk by 39.8 percent from 314 to 189, with big retailers being the biggest losers (Mboya, 2020). Just like in large sized supermarkets, the return on assets in medium sized supermarkets has been fluctuating for the period between 2015 and 2019. In the year 2015, return on assets in medium sized

supermarkets was 0.0810, which increased to 0.0837 in 2016 and 0.920 in 2017. However, this figure decreased to 0.0893 in 2018 and 0.0865 in 2019. While other retail chains have been capitalizing on this, 125 branches have been closed in 2020 and only 13 new outlets opened. In addition, South Africa's giant chain, Shoprite that entered into local market in 2018, closed all its four branches in 2020, citing the underperformance of its supermarkets. Besides poor performance, some of the supermarkets in Kenya have accumulated a lot of debts with Nakumatt having a debt of Ksh 38 billion and Tuskys having Ksh 6.2 billion. Currently, Nakumatt, Tuskys and Uchumi are not operational. Some of the supermarkets like Naivas and Quickmart have obtained equity financing to finance their expansions. To ensure their survival, it is therefore important to understand effect of equity financing on supermarkets' financial performance.

Various research studies have been done in Kenya on financial performance of supermarkets. For instance, Noor and Simiyu (2020) examined effect of equity financing on financial performance on small and medium enterprises in Garissa County; Njagi and Kariuki (2017) assessed the effect of equity financing on financial performance of small and medium enterprises in Embu Town; Mwende and Njeru (2019) examined whether there is a link between equity financing and financial performance of small and medium enterprises Muranga County. However, Noor and Simiyu (2020), Njagi and Kariuki (2017) and Mwende and Njeru (2019) used a descriptive research approach, the present research intends to use explanatory research approach. In addition, these studies were conducted in small and medium enterprises, but this study focused on large supermarkets. The research thus assessed the effect of equity financing on financial performance of selected supermarkets within Nairobi County.

H_01: Equity financing has no statistically significant effect on financial performance of supermarkets within Nairobi City County.

III. THEORETICAL FRAMEWORK

The study was anchored on Trade-off theory. Trade-off theory can be traced back to Kraus and Litzenberge (1973). TOT of financing structure refers to a notion that companies select the amount of equity finance as well as debt finance to employ by balancing benefits as well as costs. The theory considers the balance between the debt tax saving benefits and bankruptcy dead-weight costs. Agency costs are often encompassed in the balance. The purpose of this theory is to give an explanation of the reality that corporations are normally partly financed with equity and debt (Sharma & Bhardwaj, 2015). It affirms that it is advantageous to financing with debt, tax benefits and also there is financing cost with debt, financial costs distress involving debt bankruptcy costs as well as non-bankruptcy costs (stockholder/bondholder infighting, suppliers demanding payment terms that are disadvantageous, staff leaving).

Trade-off theory was based on two concepts: agency costs and cost of monetary distress. Moreover, the theory indicates that optimal leverage gives a trade-off between bankruptcy

deadweight costs and debt tax benefits. It assumes that a company can benefit to leverage in financing structure until the best financing structure is attained. The theory recognizes tax benefits from interest payments (Peacock, 2019). Trade-Off Theory major objective is to explain the reality that generally businesses are funded partially with equity and partially with debt. Debt capital leads to various benefits including tax shied although levels of high debt in financing structure can lead to bankruptcy as well as agency expenditures (Nassar, 2016). Agency expenditures are caused by conflict of interest among various stakeholders and due to information failure. Therefore, including agency cost into Trade-Off Theory shows that a corporation determines its ideal financing structure through balancing debt benefit against financial distress (expenditures of extreme debt) and resultant equity agency expenditures against costs of debt agency.

This study used the Trade-Off Theory to explain the notion that supermarkets choose how much EF as well as debt finance to use by balancing benefits as well as costs, and how this decision influences financial performance. In supporting, the utilization of debt, the theory indicates that the marginal benefit increases as debt increases, whereas marginal cost rises to enable a firm that is enhancing its value to pay attention on trade-off when selecting the amount of equity as well as debt to employ for purposes of financing (Sharma & Bhardwaj, 2015).

IV. EMPIRICAL REVIEW

In census of all firms quoted at NSE, Koech and Kimetto (2020) examined influence of Equity Financing (EF) on firms' financial performance. Moreover, the research covered a period of 5 years (2008-2013) and used explanatory non-experimental research. The study deployed secondary data from published annual reports as well as financial statements of listed companies at NSE. Results discovered that EF had significant positive effect on firms' financial performance measured using ROE. However, besides being conducted in listed companies at the NSE, the study was conducted between 2008 and 2013, while this study examined the period between 2016 and 2020. In addition, performance was measured using ROE, but the current study measured performance using ROA.

Using descriptive research approach, Noor and Simiyu (2020) examined effect of EF and SMEs' financial performance in Garissa County. Moreover, the study population was 3097 SMEs in Garissa County. Both primary and also secondary data was used. Results indicated that equity financing significantly and also positively affects changes in firms' financial performance measured in terms of net income. Nevertheless, the researcher was only limited to SMEs in Garissa County, which are different considerably from supermarkets in Nairobi County, in terms of objectives, mission, vision, organizational structure and regulatory frameworks governing them. In addition, the researcher measured performance using net income, but current study measured performance using return on assets.

Among non-financial firms listed at NSE, Muthoni, Jagongo and Muniu (2019) examined impact of equity financing on creating shareholder value. The study employed positivism philosophy and explanatory research design. Moreover, the researcher focused on forty non-financial companies. Additionally, secondary data was collected from NSE guidebooks, CMA publications as well as annual financial statements. The results indicated that equity financing had influenced the creation of non-financial companies' shareholder value quoted at NSE significantly. This research was conducted among non-financial companies quoted at NSE hence, findings are not applicable to supermarkets due to differences in mission, vision and regulatory framework governing different sectors. In addition, the dependent study variable was creation of shareholder value, which varies from financial performance.

Using a descriptive research design, Mwende and Njeru (2019) examined whether there is a link between EF and SMEs' financial performance operating in Kenya. Study population was 291,449 licensed SMEs operating in wholesale as well as retail trade in selected counties. The study's secondary as well as primary data were essential in providing information during this study which was either qualitative or quantitative. The findings revealed a significant correlation between EF and SMEs financial performance in Kenya. However, the researcher used a descriptive research design, but current research used an explanatory research design. In addition, the studies were conducted among SMEs whose financing structures differ from those of large sized organizations.

Utilizing panel econometric techniques, Achieng and Wanjare (2018) assessed the association between EF options and performance of various NSE-listed non-financial firms. Additionally, the research covered 40 non-financial companies quoted at NSE from 2009 to 2015. Results discovered that EF options had significant impact on financial performance measured by use of ROA. Nonetheless, the research was conducted among non-financial companies quoted at NSE. These findings cannot be utilized in the current study due to different approaches in financing decisions and differences in regulatory framework governing firms listed at NSE and supermarkets. In addition, the study deployed descriptive research approach, which cannot be deployed to establish relationships between variables.

Njagi and Kariuki (2017) assessed the effect of EF on SMEs financial performance in Embu Town. The researcher deployed descriptive research approach and study population was 300 SMEs from which a study sample size of sixty SMEs was obtained. It was found that equity finance influenced the financial performance of SMEs positively. Equity provided a lasting financing option with minimal or no cash outflow in form of interest. Moreover, the researcher found that SMEs performance was influenced by business liquidity position and source of finance. However, the researcher was limited to SMEs in Embu Town and hence did not focus on any of the supermarkets targeted in on-going study. In addition, the researcher used descriptive survey research design which cannot be used to establish relationships between variables.

In Somalia, Bile and Abdullah (2016) used primary data to explain the impact of EF on firms' performance of selected commercial banks located in Mogadishu. The researcher employed primary data which was obtained from commercial

banks' finance managers in Somalia. The research found that equity finance influences commercial banks' financial performance significantly. Equity eradicates the shortcoming of debt as it does not move capital away from business so as to pay liability, and also it as well splits in company's risk together with businessperson. However, this study made use of primary data and was conducted among commercial banks, which are different from supermarkets in terms of resources needs and goals. In addition, the business environment in Somalia considerably differs from that of Kenya.

V. CONCEPTUAL FRAMEWORK

This refers to a diagrammatic or visual representation that helps in illustration of expected associations between concepts and variables being examined. Figure 2.1 depicts hypothesized associations between variables. The independent variable was equity financing and the dependent variable was financial performance, measured using return on asset.
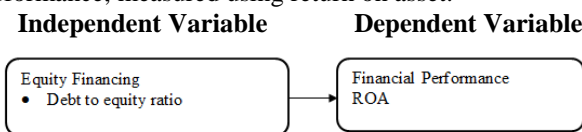
Independent Variable   **Dependent Variable**

Equity Financing		Financial Performance
• Debt to equity ratio	→	ROA

Figure 1: Conceptual Framework

VI. RESEARCH METHODOLOGY

Explanatory research design was adopted in this study. The unit of analysis in this study was large and medium supermarkets situated in Nairobi City County. According to Otieno (2015), small-sized supermarkets have between 10 and 50 employees, medium-sized supermarkets have between 50 and 149 employees and large-sized supermarkets have 150 and above employees. According to KNBS (2018), there are 88 large and medium supermarkets within Nairobi County. Therefore, target population was 88 large and medium supermarkets in Nairobi City County. The study used purposive sampling to select 9 large size Supermarkets. According to Bhattacherjee, (2012), sample of 10%-30% of the total population is sufficient for a study. Therefore, the focus of this study was large-sized supermarkets based Nairobi City County.

The study utilized secondary data which was obtained by use of a data collection checklist. The 9 large size selected supermarkets that are not listed in Nairobi Securities Exchange do not attach their financial statements in their websites. However, the financial statements of the 9 supermarkets, Carrefour, Chandarana, Clean shelf, Choppies, Eastmatt, GameStores, Kassmart, Naivas and Quickmart was obtained from Retail Trade Association of Kenya (RETRAK) website and annual reports.

Panel data was generated by data obtained through a data collection checklist. Panel data encompass observations of organizations (supermarkets) acquired over a specified time period (Wilson, 2014). This study covered a period of five years and also involved 9 large size supermarkets. The study used inferential as well as descriptive statistics to analyze data

and STATA version 14 was used to carry out all statistical analysis. Descriptive statistics comprised of mean, frequency distribution, standard deviation, percentages and trend analysis. Inferential statistics included regression analysis. Results were given in figures (line graphs) and tables.

The regression model was;

$$FP_{it} = \beta_0 + \beta_1 EF_{1it} + \varepsilon_{it}$$

FP is dependent study variable (Financial performance (Return on Assets)), B_0 symbolize Y intercept, β_1 are coefficients of determination, EF symbolize Equity Financing (independent study variable), ε = error term, t subscript symbolize time, while i subscript symbolize number of supermarkets.

Linear regression (LR) has the following suppositions; data is normally distributed, linear relationship, no multicollinearity, no auto-correlation and homoscedasticity. The study will use a scatter plot to test the linearity of the relationship between the independent variable and the dependent variable. The study used Shapiro Wilk test so as to assess whether study variables are distributed normally or not. The study used Breusch-Godfrey LM test to test for autocorrelation. This study used Breusch-Pagan test to test for heteroscedasticity. To check for stationarity of collected data, the study used Im Pesaran and Shin test. In regression model, Hausman Test is employed to detect endogenous repressors and to make a decision on whether the study needs to use a random effect model or fixed effect model.

VII. RESEARCH FINDINGS AND DISCUSSION

This section covers descriptive analysis of the data, followed by trend analysis, testing of regression assumptions, unit root test, Hausman test and regression analysis. The sample size of the study was 9 large size Supermarkets. The data covered a period starting from 2016 to 2020.

DESCRIPTIVE STATISTICS

Table 1 presents standard deviation(s), minimum(s), mean (s) and maximum values of the variables. There were 45 observations from 9 supermarkets covering duration of 5 years (2016 to 2020). From the findings, the ROA among supermarkets was 8.850 per cent and the standard deviation was 3.632 per cent The minimum return on assets during the study period was 3.01 per cent and the maximum was return on assets was 14.73 per cent. The EF measured in terms of Debt to equity ratio was 1.594 million and the standard deviation was 0.521 percent. The minimum EF among supermarkets, during the study period, was 0.703 million and the maximum was 2.758 million.

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	45	8.849973	3.632431	3.01	14.73482
EF	45	1.594122	.5211479	.70327	2.75818

Table 1: Descriptive Statistics

TREND ANALYSIS

Return on Assets was measured in terms of percentage change in ROA. Figure 4.1 shows the trend of the percentage

Change in ROA for the period ranging from 2016 and 2020. From the findings in Figure 1, the percentage of ROA has been fluctuating during the study period. The high percentage of ROA was 9.38 percent in 2020, followed by 9.06 percent in 2019 and 8.76% in 2018. The lowest percentage of ROA was 8.61 percent in 2017 followed by 8.44 percent in 2016.
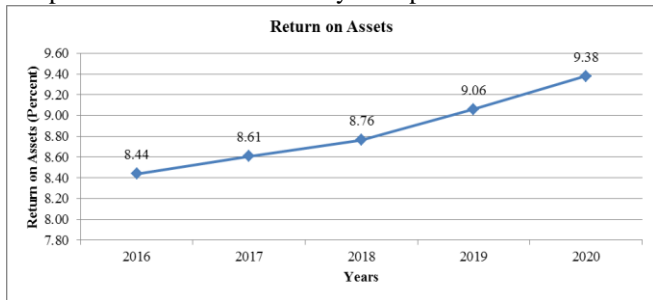

Figure 1: Trend Analysis of ROA (2016-2020)

Equity Financing was measured in terms of debt to equity ratio. Figure 2. shows the trend analysis of equity financing for the 9 supermarkets for the period between 2016 and 2020. From the findings of the study, the trend analysis of average EF for the 9 supermarkets for the period between 2016 and 2020 was 1.581 in 2016. This figure increased to 1.601 in 2017 before decreasing to 1.563 in 2018. This figure increased to drastically to 1.592 in 2019 and further increased to 1.633 in 2020.
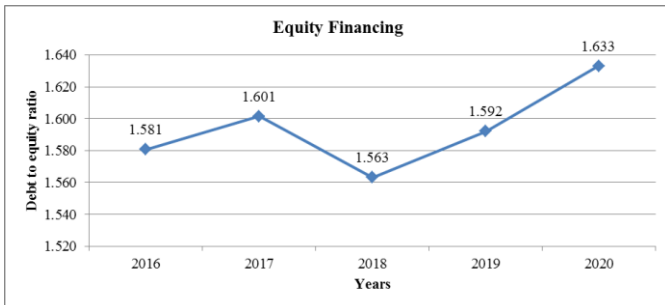

Figure 2: Trend Analysis of Equity Financing (2016-2020)

DIAGNOSTIC TESTS

Diagnostic tests included autocorrelation test, normality test, heteroscedasticity test, linear test, unit root tests and Hausman test.

TEST FOR NORMALITY

The Shapiro–Wilk test is a test of normality. From the results, return on assets (p-value=0.111) was normally distributed. In addition, equity financing (p-value=0.732) was normally distributed. This implies that all the independent variable (equity financing) and the dependent variable (financial performance measured in terms of return on assets) were normally distributed.

	Statistic	df	Sig.
Return on Assets	.961	45	.111
Equity Financing	.917	45	.732

Table 2: Shapiro-Wilk Test

HETEROSCEDASTICITY TEST

Cook- Weisberg test was used to test heteroscedasticity. From the findings, as shown in Table 3, it was revealed that the p- value of 0.3528 was greater than the significance level (0.05) implying that there was constant variance in the dataset. This implies that there was homoscedasticity in the data set.

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
      Ho: Constant variance
      Variables: fitted values of ROA

      chi2(1)     =      0.86
      Prob > chi2 =    0.3528
```

Table 3: Breusch-Pagan/Cook-Weisberg Test for Heteroskedasticity

AUTOCORRELATION TEST

The Lagrangian multiplier test helps decide between a random effects regression and a simple OLS regression. As shown in Table 4, the p-value (0.0000) is less than the significance level (0.05), we can conclude that variances across entities are not zero, which means that there is significant difference across units (there is panel effect).

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Breusch and Pagan Lagrangian multiplier test for random effects

      ROA[No,t] = Xb + u[No] + e[No,t]

Estimated results:
                       Var      sd = sqrt(Var)

      ROA |    13.19456       3.632431
        e |   .3698834        .6081804
        u |   13.09767        3.619071

Test:  Var(u) = 0
                       chibar2(01) =     83.65
                     Prob > chibar2 =   0.0000
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Table 4: Breusch-Godfrey Langrage Multiplier test

LINEARITY TEST

Scatterplots are useful for testing the linearity of the relationship between the independent variable and the dependent variable. The results, as shown in Figure 3, show a positive linear association between equity financing (Debt to equity ratio) and return on assets is indicated by the use of scatter plot. In addition, equity financing (Debt to equity ratio) can explain 47.1% (R^2) of financial performance of supermarkets, measured in terms of return on assets.
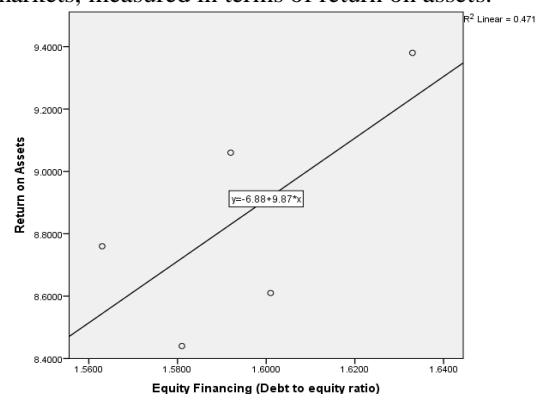

Figure 3: Equity Financing and Financial Performance (ROA)

UNIT ROOT TEST

Im, Pesarian and Shin denoted IPS proposes a test for the presence of unit roots in panels. The null hypothesis indicated that EF, measured in terms of Debt to equity ratio in all panels (9 supermarkets) contains unit roots and the alternative hypothesis was that some panels are stationary. Since the p-value (0.000) was less than the significance level (0.05), we can fail to accept the null hypothesis. This implies that EF measured in terms of Debt to equity ratio has partial unit root (some panels are stationary).

In regard to the dependent variable, financial performance measured in terms of return on assets, the null hypothesis is that return on assets in all panels (9 supermarkets) contains unit root. Since the p-value (0.000) was less than the significance level (0.05), we can fail to accept the null hypothesis and hence financial performance measured in terms of return on assets has partial unit root (some panels are stationary).

Variable	t-statistic	p-value	Fixed-N exact critical values		
			1%	5%	10%
ROA	0.5227	0.000	-3.060	-2.420	-2.170
EF (millions)	-1.7240	0.000	-3.060	-2.420	-2.170

Table 5: Im-Pesaran-Shin Unit-Root Test

HAUSMAN TEST

Hausman Test was used to detect the presence of endogenous repressors in a particular regression model (Bryman & Cramer, 2012). As illustrated in Table 6, Hausman specification test p value (0.6490) was more than the alpha value of 0.05 (at 95% confidence interval). This implied that the null hypothesis failed to be rejected implying that the study needs to use random effects model.

```
                    ——— Coefficients ———
                 (b)          (B)          (b-B)        sqrt(diag(V_b-V_B))
               fixed        random       Difference            S.E.

      EF       1.79109     1.933444     -.1423543          .3128046

                     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(1) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                       =        0.21
            Prob>chi2 =        0.6490
```

Table 6: Hausman Test

REGRESSION ANALYSIS

Regression analysis was used to measure the weight of the association between the independent variable and the dependent variable. The basic model was specified as follows:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \varepsilon_{it}$$

Y_{it} is the dependent variable (Financial Performance), B_0 is the y intercept (Constant), β_1 and coefficients of determination, X_{1it} is Equity Financing. While i represent the number of observations, t is the number of observations for a particular bank (time series data) and ε_{it} is an error term.

In the results, the R-squared shows the variation in the dependent variable that can be explained by the independent

variable. From the findings the overall r-squared for the relationship between equity financing and financial performance (return on assets) of supermarkets was 0.1824. This implies that the independent variable (Equity Financing) explains 18.24% of the dependent variable (financial performance). In this study, the p-value for the F-test was 0.000, which is less than the significance level (0.05). This means that the model is a good fit for the data.

From the findings, EF, measured in terms of Debt to equity ratio has a positive and significant relationship on financial performance (return on assets) of supermarkets as shown by a beta coefficient of 1.933444. This means that a unit increase in EF across time and supermarkets would lead to a 1.933444 increase in financial performance (return on assets) of supermarkets. The association was significant as the p-value (0.016) was less than the significance level (0.05). These findings concur with Mwende and Njeru (2019) arguments that there exists significant correlation between EF and SMEs financial performance in Kenya. In addition, the findings are in line with Bile and Abdullah (2016) findings that equity finance influences commercial banks' financial performance significantly.

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Random-effects GLS regression           Number of obs      =        45
Group variable: No                      Number of groups   =         9

R-sq:  within  = 0.1092                  Obs per group: min =         5
       between = 0.1855                                 avg =       5.0
       overall = 0.1824                                 max =         5

                                         Wald chi2(1)       =      5.75
corr(u_i, X)  = 0 (assumed)              Prob > chi2        =    0.0165

     ROA         Coef.    Std. Err.      z    P>|z|    [95% Conf. Interval]

      EF      1.933444    .8062151     2.40   0.016    .3532911   3.513596
    _cons     5.767828    1.757625     3.28   0.001    2.322945   9.21271

   sigma_u   3.6190706
   sigma_e    .60818036
       rho    .97253523    (fraction of variance due to u_i)
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Table 7: Regression Results

VIII.   CONCLUSION AND RECOMMENDATIONS

The study concludes that equity financing, measured in terms of debt to equity ratio has a positive and significant effect on the financial performance (return on assets) of supermarkets in Nairobi City County. This implies that an improvement in equity financing would lead to an improvement in the financial performance of supermarkets in Nairobi City County. This study recommends that the supermarkets within Nairobi City County should use equity financing to finance their operations since equity owners are able to continuously monitor and exert influence on managerial decisions via the board of directors hence ensuring efficient allocation of resources.

IX. AREAS FOR FURTHER RESEARCH

This study was limited to supermarkets within Nairobi City County and hence its findings cannot be generalized to other supermarkets in other counties. As such, further studies need to be conducted to assess effect of equity financing on financial performance in other Counties in Kenya. This study found that equity financing explains 18.24% of the financial

performance of supermarkets. The study therefore suggests studies on other factors that influence the financial performance of supermarkets. Further, this study measured financial performance in terms of return on assets. The study therefore suggests further studies to look at how equity financing influence the financial performance measured in terms of return on investment and return on equity.

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