

**DETERMINANTS OF CAPITAL STRUCTURE OF
COMPANIES LISTED AT NAIROBI STOCK
EXCHANGE (NSE)**

BY

GEOFREY MAINGI KAVINDA

L123/15639/06

**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DIPLOMA IN BUSINESS MANAGERMENTS (DBM).**

UNIVERSITY OF NAIROBI

FEBRUARY 2009

DECLARAT ION

This research project is my original work and has not been presented elsewhere for any other assessment of award.

Signed

Date.....15/04/2009.....

Supervisor's approval



This research project has been presented for examination with my approval as the course instructors.

Signed



Date.....15/4/09.....

ABSTRACT

This paper studies the determinant of capital structure of companies listed at Nairobi Stock Exchange (NSE). The main objective is to investigate the relationship between capital structure and hypothesized influential variables such as asset tangibility, growth of the firm, and size of the firm, business risk of the firm (earning volatility) profitability of the firm and non-debt tax shield of the firm. Using multiple regressions as the tool of analysis the result predicts that the variables influence leverage at a varying degree with profitability and non-debt tax shield being the most significant variables in determining leverage.

To the prospective business ladies and men, it is very valuable to consider the determinant factors that improve the co-structural of the firm hence maximization of the profit margin.

AGRONOMY

No	Number of years the companies has taken.
C o e f-	Co- efficiency of the firms.
T-Ration-	Tangibility ratio of the firms
P-	Profitability of the companies
Sign-	Signs that the companies approved
Sig-	The signature of the researcher
Se-co ef-	selected co-efficiency of the firm
NSE-	Nairobi Stock exchange
P-Value-	Profitability value
E.A.	Portland-East Africa Portland
B.A.T-	British American Tobacco
Const-	Consistence of the company
MM-	Modigliani and Miller