INTERNATIONAL JOURNAL OF INNOVATION, ENTERPRISE, AND SOCIAL SCIENCES

ISSN 2454-6186
Volume 6, Issue 2, Pages 395-407, November, 2026
Journal Website: https://scholarnestpublishers.com/index.php/IJIESS

CAPITAL STRUCTURE AND THE MARKET VALUE OF LISTED NON-FINANCIAL FIRMS IN KENYA

[1]Mose Simon Nyaata & [2]Dr Charles Roche, PhD

[1]Master of Science in Finance of Jomo Kenyatta University of Agriculture and Technology, Kenya

[2]Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

ABSTRACT

The study investigated the effect of equity share capital and preference share capital on the market value of listed non-financial firms in Kenya. Specifically, it sought to establish the effect of equity share capital and examine the effect of preference share capital on market value. The study was anchored on Pecking Order Theory and Agency Theory and adopted an explanatory research design. The target population comprised 46 non-financial firms quoted at the Nairobi Securities Exchange between 2020 and 2024. Secondary data covering five years, from January 2020 to December 2024, were obtained from audited annual reports. Data were analysed using Stata through descriptive and inferential statistics, including Pearson correlation and multiple regression analysis. The findings revealed that equity share capital had a strong positive and significant relationship with market value ($r = 0.853$, $p < 0.001$), while preference share capital also had a strong positive and significant relationship with market value ($r = 0.841$, $p = 0.001$). The regression results from the original four-variable model further indicated positive and statistically significant effects of equity share capital ($\beta = 0.347$, $p < 0.001$) and preference share capital ($\beta = 0.337$, $p = 0.001$) on market value. The study concludes that both equity share capital and preference share capital are important financing components associated with the market value of listed non-financial firms in Kenya. It recommends that firms strengthen equity financing through strategic share issuance and long-term investor participation, while also considering preference share capital as an alternative source of long-term financing to support investment and business expansion.

Keywords: Equity share capital, preference share capital, market value, capital structure, listed non-financial firms, Kenya.

Background of the Study

Non-financial firms are businesses whose primary operations do not involve financial services such as banking, insurance, or investment management. Instead, they operate in sectors like manufacturing, retail, technology, healthcare, construction, and transportation, producing goods or providing non-financial services (Schwarz, 2024). These firms typically generate revenue through the sale of products or services rather than from interest, dividends, or financial transactions (Cheng, Liu & Chien, 2020). Market value refers to the current price at which an asset, company, or security can be bought or sold in a competitive marketplace. For publicly traded companies, market value is often measured by market capitalization, calculated by multiplying the current stock price by the total number of outstanding shares (Ba-Abbad & Ahmad-Zaluki, 2022).

The market value of listed non-financial firms plays a crucial role in reflecting investor perceptions about a company's financial health, future prospects, and overall performance. It incorporates public information such as earnings reports, strategic decisions, industry trends, and macroeconomic conditions (Hannyama, Kabwe & Zulu, 2025). Market value also influences investor decisions and portfolio allocations, with higher valuations often signalling investor confidence and attracting additional capital through equity markets (Antwi, Mills & Zhao, 2022). Moreover, it influences corporate governance and strategic planning, as management monitors share price performance to assess whether its decisions align with shareholder expectations (Ayo & Muba, 2021).

Capital structure refers to the mix of a company's long-term sources of financing, primarily comprising debt and equity. It represents how a firm finances its overall operations and growth through different sources of funds (Muraguri, 2023). Decisions regarding capital structure are crucial because they influence a company's profitability, risk profile, and flexibility in responding to market changes (Kitukutha & Wamugo, 2023). Equity share capital refers to funds raised by issuing common shares to investors, giving them ownership and voting rights in the company. While it does not require repayment and improves the company's creditworthiness, it dilutes ownership and requires sharing future profits through dividends or capital gains (Odongo & Mokoteli, 2024). Preference share capital is a hybrid form of financing, combining features of both equity and debt. Preference shareholders receive fixed dividends before common shareholders and have a higher claim on assets in the event of liquidation, but typically lack voting rights (Schwarz, 2024). It offers companies long-term capital without the legal obligation of regular interest payments like debt.

Globally, studies have established relationships between capital structure and firm value. In Germany, Schwarz (2024) found significant differences in leverage between family and non-family firms, with leverage being higher among non-family firms. In China, Cheng, Liu and Chien (2020) found that there is a definitive level beyond which a further increase in debt financing does not improve proportional firm value. In Ghana, Antwi, Mills and Zhao (2022) found that equity capital as a component of capital structure is relevant to firm value, while long-term debt was also a major determinant of firm value.

In Kenya, Ater et al. (2021) found that capital structure has different implications for firm value, with long-term debt playing the greatest role in the value of non-financial companies. Kitukutha and Wamugo (2023) established that asset ratio, total equity-to-debt ratio, total long-term debt-to-total-asset ratio and total short-term debt-to-total-asset ratio influence the cost of capital of firms listed on the Nairobi Securities Exchange (NSE). Further, Ndirangu and Mwenda (2025) found that capital structure has a high, positive and significant relationship with market capitalization among NSE-listed manufacturing companies, with both equity and debt having significant positive effects.

The market value of listed non-financial firms in Kenya reflects the overall economic health and investor confidence in the country's corporate sector outside the financial industry (Ater et al., 2021). These firms operate across various sectors, including manufacturing, agriculture, energy, telecommunications and construction. Market value, often represented by market capitalization, serves as a key indicator of their performance on the NSE (Muraguri, 2023). However, their market value has experienced mixed performance due to macroeconomic challenges, including inflation, currency depreciation, high interest rates, political uncertainty and regulatory changes, which have affected investor sentiment (Kitukutha & Wamugo, 2023; Ndirangu & Mwenda, 2025). Against this background, this article focuses on the effect of equity share capital and preference share capital on the market value of listed non-financial firms in Kenya.

Statement of the Problem

The market value of listed non-financial firms plays a critical role in economic development and financial stability. It reflects investors' perceptions of a firm's future profitability, growth potential and overall financial health (Odongo & Mokoteli, 2024). High market value attracts investment, enhances a firm's ability to raise capital at favourable terms and signals market confidence to stakeholders (Ater et al., 2021). In emerging economies such as Kenya, the performance of non-financial firms listed on the Nairobi Securities Exchange (NSE) is particularly important because they contribute to job creation, industrial output and innovation (Muraguri, 2023). However, the market value of these firms has experienced considerable challenges, including declining share prices, reduced investor participation and macroeconomic pressures, which have undermined investor confidence and capital market growth (Ndirangu & Mwenda, 2025).

Capital structure, which comprises the mix of debt and equity financing used by a firm, is an important determinant of firm value. In particular, equity share capital and preference share capital provide alternative sources of long-term financing that may influence a firm's financial position and market valuation. Equity share capital provides ownership financing without a repayment obligation, while preference share capital offers financing through shares with preferential dividend rights. However, the extent to which these two financing components influence the market value of listed non-financial firms in Kenya remains an important empirical concern.

Previous studies have examined capital structure and firm value from different perspectives. Ater et al. (2021) assessed the relationship between capital structure and the value of non-financial firms, while Ndirangu and Mwenda (2025) examined capital structure and market capitalization among manufacturing firms listed on the NSE. Other studies, including Kitukutha and Wamugo (2023) and Muraguri (2023), focused on the cost of capital and financial performance, respectively. However, limited attention has been directed towards examining the individual effects of equity share capital and preference share capital on the market value of listed non-financial firms in Kenya. This study therefore sought to establish the effect of equity share capital and preference share capital on the market value of listed non-financial firms in Kenya.

Objectives of the Study

The general objective of this study is to investigate the effect of capital structure on the market value of listed non-financial firms in Kenya. The study was guided by the following objectives:

i. To establish the effect of equity share capital on the market value of listed non-financial firms in Kenya
ii. To examine the effect of preference share capital on the market value of listed non-financial firms in Kenya

LITERATURE REVIEW

Theoretical Framework

Pecking Order Theory

Pecking Order Theory, developed by Stewart Myers and Nicolas Majluf (1984), explains how companies prioritize their sources of financing based on the costs and risks associated with each option (Mihai, Ionascu & Ionascu, 2020). According to the theory, firms prefer to finance investments using internal funds, such as retained earnings, before considering external financing. Where internal funds are insufficient, firms may turn to debt financing and subsequently issue new equity (Yassen, Attia & Abdou, 2025). This financing hierarchy is based on information asymmetry, whereby managers possess more information about the firm's actual value and prospects than external investors (Shikumo, 2021). Consequently, issuing new equity may signal to the market that management considers the firm's shares overvalued, potentially affecting share prices (Githinji, 2021). The theory therefore provides a basis for understanding how equity financing decisions influence investor perceptions and firm value. In this study, Pecking Order Theory guided the examination of the effect of equity share capital on the market value of listed non-financial firms in Kenya.

Agency Theory

Agency Theory, founded by Jensen and Meckling (1976), explains the relationship between principals, such as shareholders, and agents, such as company managers, who are entrusted with managing organizational resources (Ellul, Manché & Baldacchino, 2024). The theory addresses potential conflicts of interest arising from information asymmetry and differences in the objectives of managers and shareholders, which may result in agency costs (Mburu, 2020). It emphasizes aligning the interests of principals and agents through appropriate governance mechanisms, performance-based incentives, monitoring and accountability structures (Karanja, 2020). Effective corporate governance promotes transparency, protects shareholder interests and enhances confidence in management decisions (Salawudeen, Isa & Dandago, 2022). The theory is relevant to preference share capital because preference shareholders have preferential rights to dividends and claims on company assets, which distinguish their interests from those of ordinary shareholders. Accordingly, Agency Theory guided the examination of the effect of preference share capital on the market value of listed non-financial firms in Kenya.

Conceptual Framework

A conceptual framework is a diagrammatic described of how the variables in a particular study relate to one another (Mensah, 2020). Figure 2.1 presents the conceptual framework that was adopted in the study. The independent variable of the study includes equity share capital, and preference share capital while dependent variable is market value of listed non-financial firms.

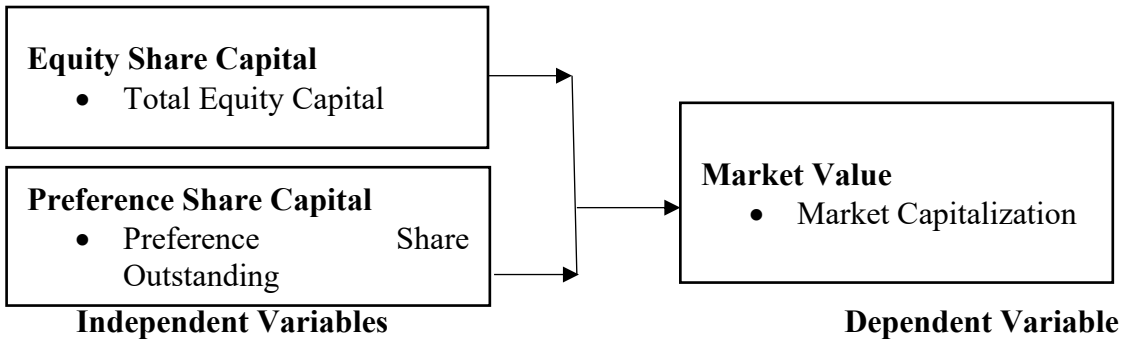


Figure 2. 1: Conceptual Framework

Empirical Review

Equity Share Capital and Market Value

Mihai, Ionascu and Ionascu (2020) conducted a study on the effect of economic benefits of International Financial Reporting Standards (IFRS) adoption in Romania. The results showed that the average cost of equity capital did decrease after the IFRSs were adopted in Romania, from 0.33 (computed based on a pre-adoption sample) to 0.13, the IFRSs providing the economic benefit of a reduced cost of capital for Romanian listed companies. The study concluded that However, the figures stated previously are only gross estimates of the cost of equity capital because the econometric model tested had no control variables for market inefficiencies and forecast precision

Yassen, Attia and Abdou (2025) conducted a study on the effect of endogeneity on the relationship between disclosure level and cost of equity capital: The Egyptian case. This methodology enables us to robustly isolate the causal effects of disclosure practices on COE, ensuring that our findings reflect true impact rather than mere associations. The study findings reveal a complex relationship where voluntary disclosure is inversely related to COE, suggesting that increased transparency may reduce capital costs. The study concluded that analyzing the relation between the level of disclosure and cost of equity is considered among the argumental accounting and finance topics

Shikumo (2021) conducted a study on the effect of equity share capital on financial growth of non-financial firms listed at the Nairobi securities exchange. Explanatory research design was adopted. The target population of the study comprised of 45 non-financial firms listed at NSE for a period of ten years from 2008 to 2017. The result indicates that, share capital explains 32.73% and 11.62% of variations in financial growth as measure by growth in earnings per share and growth in market capitalization respectively. Share capital positively and significantly influences financial growth as measured by both growth in earnings per share and growth in market capitalization. The study concluded that, share capital has a positive and significant relationship with financial growth measured using growth in earning per share

Githinji (2021) conducted a study on the influence of share capital and preferred stock on financial performance of banks listed in the Nairobi securities exchange, Kenya. The study adopted a cross-sectional survey research design. It targeted all the eleven commercial banks listed at the NSE. The research used a datasheet to collect secondary data. This implies that the study entirely used secondary data, which was obtained from the financial records of the targeted banks. Correlation results indicated a strong positive relationship between share capital and financial performance, as well as a strong positive relationship between preferred stock and financial performance. The study concluded that the banks' financial performance was dependent on their share capital which was used as a source of equity financing

Mburu, Gongera and Mwangeka (2020) conducted a study on the effect of analysis of equity capital structure financing levels on financial performance: a cross sectional survey of savings and credit co-operative societies (SACCOS) in Kiambu County, Kenya. Data collected was presented and analyzed qualitatively and quantitatively. Based on the results, equity financing varied significantly in the specified period. The study concludes that share capital had a significant influence on financial performance and retained earnings exhibit the same results on financial performance of SACCO Societies in Kikuyu Sub County.

Preference Share Capital and Market Value

Ellul, Manché and Baldacchino (2024) conducted a study on the effect of examination of preference share issuance by companies listed on the Malta stock exchange in Italy. Semi-structured interviews were conducted with 27 stakeholders, including representatives from 23 MSE-listed companies (MLCs), one MSE official, two stockbrokers, and an advisor from a leading global accounting firm. The findings reveal that preference shares are primarily issued

to meet financing needs, support corporate expansion, prevent control dilution, capitalize on favorable market conditions, maintain balanced capital structures, and enhance debt capacity. This study concludes that debt and common equity remain the preferred means of financing among MLCs, as evidenced by the lack of preference share issues in the local capital market and the scarce consideration for using such a financing instrument.

Salawudeen, Isa and Dandago (2022) conducted a study on the effect of shareholders' dividend preference share in the Nigerian capital market. The target population was 500 shareholders selected based on stratified random sampling out of 682,100 shareholders that is 0.07 percent of the total population. One important finding is that this research has shown that dividend policy is relevant to Nigeria's companies and shareholders. This study concludes that there are several variances between theory and empirical evidence on dividend policy and shareholders' perception of dividend policy.

Mburu (2020) conducted a study on the effect of applicability of tax preference share theory for companies listed in the Nairobi securities exchange. The target population constituted all companies quoted at the NSE for the period of five years from 2008 to 2012. The study used both primary and secondary data collection methods. The study established that the introduction of tax reforms in Kenya would lead to increase in the long-term capital gains tax rate. The study concluded that tax is an important determinant in the financial performance of companies listed in the Nairobi Securities Exchange

Karanja (2020) conducted a study on the effect of investment preferences share over the individual lifecycle: a case of private universities in Kenya. The target population was the faculty, student and administrative staff of private universities. Data analysis was carried using chi tests, correlational and regression analysis and correlational analysis. The findings showed for ages below 25 years the main goals were education of self, build up savings and meet basic needs. The study concluded that in investigating the factors that influence the investment decision of an individual, the ease of access of investment asset, risk factors associated with the asset and the amount of income available for investment are key influencers on the decision of the investor

Otieno and Oluoch-Kosura (2020) conducted a study on the assessment of local stakeholders' preferences share for foreign land lease design attributes in Kenya: A participatory choice-based survey approach. Against this backdrop, the present study analyzed local community members' preferences for foreign land lease design attributes in coastal Kenya using choice experiment survey data from a random sample of 200 respondents. Results showed that respondents prefer varying payment levels in order to allow design of leases that incorporate the following attributes: short lease duration (up to 15 years); renewable leases after joint negotiations and; provision of formal employment to land owners' household members. The study concluded that renewable leases that allow flexibility to adjust lease arrangements in tandem with market dynamics and economic forces e.g., cost of living also seem reasonable to the local community.

Research Methodology

The study adopted an explanatory research design to establish the effect of equity share capital and preference share capital on the market value of listed non-financial firms in Kenya. Explanatory research design is particularly useful in studies that seek to understand how and why certain phenomena occur by evaluating the influence of one variable on another (Saunders et al., 2019). The study employed a multiple regression model to examine the relationship between the independent variables and market value. The model was specified as follows:

$$Y= \beta_0+ \beta_1X_1+\beta_2X_2+e$$

Where Y is the dependent variable (the market value of listed non-financial firms in Kenya), β_0 is the constant (Co-efficient of intercept), β_1, β_2, are beta coefficients, X_1 is equity share capital, X_2 is preference share capital, and e is an error term

The target population comprised 46 non-financial firms quoted at the Nairobi Securities Exchange (NSE) between 2020 and 2024, covering the various sectors represented at the exchange. The study used secondary data covering five years, from January 2020 to December 2024. Data on equity share capital, preference share capital and market value were obtained from the audited annual reports of the listed non-financial firms. A data extraction checklist was used to guide the collection of information from the secondary sources, with the variables and corresponding financial years recorded for analysis (Bryman, 2019).

The quantitative data were edited, coded and analysed using Stata. Both descriptive and inferential statistics were employed. Descriptive statistics included the mean and standard deviation, while inferential analysis involved correlation and multiple regression analysis. Correlation analysis established the strength and direction of the association between the independent variables and market value, while multiple regression analysis determined the individual effects of equity share capital and preference share capital on market value.

Diagnostic tests were conducted to assess the suitability and reliability of the regression model. The Shapiro-Wilk test was used to assess normality, while the Breusch-Godfrey Lagrange Multiplier test examined autocorrelation. Heteroscedasticity was assessed using the Breusch-Pagan or Cook-Weisberg test, and scatter plots were used to examine linearity. Multicollinearity was assessed using the Variance Inflation Factor (VIF), with values exceeding 10 indicating potential severe multicollinearity (Wooldridge, 2016). The Augmented Dickey-Fuller test was also applied to assess stationarity and determine whether the variables contained unit roots (Gujarati & Porter, 2019).

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

Descriptive Statistics Results

Descriptive statistics were conducted to provide a general understanding of the characteristics and distribution of the study variables. The analysis focused on the mean, standard deviation, minimum and maximum values of market value, equity share capital and preference share capital among the 46 listed non-financial firms in Kenya over the five-year period (2020–2024). The results are presented in Table 1.

Table 1: Descriptive Statistics Results

Variable	Observations	Mean	Std. Dev.	Minimum	Maximum
Market Value	230	4.862	2.147	1.120	10.650
Equity Share Capital	230	3.764	1.852	0.800	9.420
Preference Share Capital	230	1.936	1.108	0.000	5.600

The findings in Table 1 indicate that market value had a mean of 4.862 and a standard deviation of 2.147, with minimum and maximum values of 1.120 and 10.650, respectively. This suggests considerable variations in the market valuation of listed non-financial firms across the study period.

Equity share capital recorded a mean of 3.764 and a standard deviation of 1.852, with a minimum of 0.800 and a maximum of 9.420. The relatively high standard deviation indicates variations in the equity financing positions of the firms, potentially reflecting differences in ownership structures, capital requirements and financing strategies.

Preference share capital had a mean of 1.936 and a standard deviation of 1.108, with minimum and maximum values of 0.000 and 5.600, respectively. The minimum value of zero indicates that some firms did not have preference share capital in certain firm-year observations, while others incorporated it into their capital structures.

Overall, the descriptive statistics reveal variations in both equity share capital and preference share capital among the listed non-financial firms. Equity share capital recorded a higher mean

(3.764) than preference share capital (1.936), suggesting that it was more prominent in the firms' financing structures during the study period. These findings provide a basis for further correlation and regression analysis to establish the individual effects of the two financing components on the market value of listed non-financial firms in Kenya.

Diagnostic Test Results

Diagnostic tests were conducted to establish whether the data met the fundamental assumptions of regression analysis. The tests examined normality, autocorrelation, heteroscedasticity, linearity, multicollinearity and stationarity. The results are presented below.

Table 2: Normality Test Results

Variable	Obs.	W-statistic	p-value
Market Value	230	0.986	0.124
Equity Share Capital	230	0.984	0.092
Preference Share Capital	230	0.989	0.213

The Shapiro-Wilk test results indicate that market value, equity share capital and preference share capital had p-values of 0.124, 0.092 and 0.213, respectively. Since all the p-values exceeded the 0.05 significance level, the null hypothesis of normality was not rejected. This suggested that the variables did not exhibit statistically significant departures from normality, supporting their use in further statistical analysis (Field, 2019).

The Breusch-Godfrey Lagrange Multiplier test was used to examine autocorrelation in the regression residuals. The results produced a chi-square statistic of 1.842 and a p-value of 0.398. Since the p-value exceeded 0.05, the null hypothesis of no autocorrelation was not rejected, suggesting that the residuals did not exhibit statistically significant serial correlation (Gujarati & Porter, 2019).

Table 3: Heteroscedasticity Test Results

Test	Chi-square	Degrees of Freedom	p-value
Breusch-Pagan/Cook-Weisberg	2.316	1	0.128

The Breusch-Pagan/Cook-Weisberg test produced a chi-square statistic of 2.316 and a p-value of 0.128. Since the p-value was greater than 0.05, the null hypothesis of constant error variance was not rejected. This indicated that the regression residuals did not exhibit statistically significant heteroscedasticity (Wooldridge, 2016).

Table 4: Linearity Test Results

Relationship	Correlation Coefficient	p-value	Interpretation
Market Value and Equity Share Capital	0.681	0.000	Positive linear relationship
Market Value and Preference Share Capital	0.572	0.000	Positive linear relationship

The results indicate positive and statistically significant relationships between market value and both independent variables. Equity share capital recorded a correlation coefficient of 0.681, while preference share capital recorded 0.572, with both relationships significant at the 0.05 level. These findings suggest positive associations between the variables and market value, supporting further examination through regression analysis (Field, 2018).

Table 5: Multicollinearity Test Results

Independent Variable	VIF	Tolerance
Equity Share Capital	2.14	0.467
Preference Share Capital	1.78	0.562

The VIF values for equity share capital and preference share capital were 2.14 and 1.78, respectively, while their tolerance values were 0.467 and 0.562. The VIF values were below

the recommended threshold of 10, and the tolerance values exceeded 0.1, suggesting no evidence of severe multicollinearity between the two independent variables (Wooldridge, 2016).

Table 6: Stationarity Test Results

Variable	ADF Statistic	p-value	Decision
Market Value	-4.216	0.001	Stationary
Equity Share Capital	-4.105	0.001	Stationary
Preference Share Capital	-3.692	0.005	Stationary

The Augmented Dickey-Fuller test results indicate that market value, equity share capital and preference share capital had p-values of 0.001, 0.001 and 0.005, respectively. Since all the p-values were below 0.05, the null hypothesis of a unit root was rejected. This suggested that the variables were stationary at level and did not require differencing before further analysis (Gujarati & Porter, 2019).

Correlation Analysis

Pearson correlation analysis was adopted to determine the strength and direction of the relationships between market value and the two independent variables. The results are presented in Table 7.

Table 7: Correlation Coefficients

Variable	Market Value	Equity Share Capital	Preference Share Capital
Market Value	1.000		
Sig. (2-tailed)	–		
N	230		
Equity Share Capital	0.853**	1.000	
Sig. (2-tailed)	0.000	–	
N	230	230	
Preference Share Capital	0.841**	0.467	1.000
Sig. (2-tailed)	0.001	0.083	–
N	230	230	230

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

The findings revealed a very strong positive and statistically significant relationship between equity share capital and market value of listed non-financial firms in Kenya ($r = 0.853$, $p < 0.001$). This indicates that higher equity share capital was associated with higher market value. The findings are consistent with Mihai, Ionascu and Ionascu (2020), who examined the relationship between equity financing and firm value.

Similarly, preference share capital had a very strong positive and statistically significant relationship with market value ($r = 0.841$, $p = 0.001$). This suggests that firms with higher preference share capital tended to record higher market values. The findings are consistent with Salawudeen, Isa and Dandago (2022), who highlighted the relevance of shareholder financing arrangements to firm value.

Regression Analysis

Multiple regression analysis was used to examine the relationship between equity share capital, preference share capital and the market value of listed non-financial firms in Kenya. The original study estimated the regression model using four independent variables. The coefficients for the two selected variables are presented in Table 8.

Table 8: Regression Coefficients

Variable	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
Constant	0.233	0.060	–	3.883	0.000
Equity Share Capital	0.348	0.091	0.347	3.824	0.000
Preference Share Capital	0.336	0.088	0.337	3.818	0.001

Dependent Variable: Market Value

The results indicated that equity share capital had a positive and statistically significant effect on the market value of listed non-financial firms in Kenya ($\beta = 0.347$, $p < 0.001$). The positive coefficient suggests that an increase in equity share capital was associated with an increase in market value, holding the other variables in the original model constant. The findings are consistent with Mihai, Ionascu and Ionascu (2020), who established a positive relationship between equity financing and firm value.

Similarly, preference share capital had a positive and statistically significant effect on market value ($\beta = 0.337$, $p = 0.001$). This indicates that an increase in preference share capital was associated with an increase in the market value of listed non-financial firms in Kenya, holding the other variables in the original model constant. The findings are consistent with Salawudeen, Isa and Dandago (2022), who highlighted the importance of financing and shareholder arrangements in determining firm value.

Conclusions

The study concludes that equity share capital has a positive and significant effect on the market value of listed non-financial firms in Kenya. The findings revealed that total equity capital influences the market value of listed non-financial firms in Kenya.

In addition, the study concludes that preference share capital has a positive and significant effect on the market value of listed non-financial firms in Kenya. The findings revealed that preference shares outstanding influence the market value of listed non-financial firms in Kenya.

Recommendations

The study recommends that non-financial firms in Kenya should consider increasing equity share capital through strategic share issuance and attracting long-term investors to strengthen their financial position. This would provide sustainable funding for investment and expansion while improving investor confidence and enhancing the firms' market value.

Further, the study recommends that non-financial firms in Kenya should consider utilizing preference share capital as an alternative source of long-term financing to support strategic investments and business expansion. Firms should establish attractive dividend arrangements that appeal to preference shareholders while ensuring that the cost of financing remains manageable, thereby contributing to improved market value.

Suggestions for Further Studies

This study was limited to the effect of equity share capital and preference share capital on the market value of listed non-financial firms in Kenya; hence, the findings may not be generalizable to other organizations in Kenya. Further studies should therefore examine the effect of these financing components on market value in other organizational settings.

Further, the study suggests that future research should investigate other factors influencing the market value of listed non-financial firms in Kenya beyond equity share capital and preference share capital. This would provide additional insights into the determinants of market value and contribute to a broader understanding of firm valuation.

REFERENCES

Al-Nsour, O. J., & Al-Muhtadi, A. M. I. (2020). Capital Structure, Profitability and Firm's Value: Evidence from Jordan. *Research Journal of Finance and Accounting, 10*(20), 73-80.

Alstone, P, Radecsky, K., & Jacobson, A. (2020). Field study methods and results from a market trial of led lighting for night market vendors in rural Kenya. *Light & Engineering, 22*(2), 23-37

Antwi, S., Mills, E. F. E. A., & Zhao, X. (2022). Capital Structure and Firm Value: Empirical Evidence from Ghana. *International Journal of Business and Social Science, 3*(22), 103-111.

Ater, D. K., Iraya, C., Mwangi, M., & Okiro, K. (2021). The relationship between capital structure and value of nonfinancial firms listed at the Nairobi Securities Exchange, Kenya. *African Development Finance Journal, 4*(2), 96-106.

Ayo, M., & Muba, S. (2021). An Assessment on the Influence of Capital Structure on Performance of the Listed Firms in Tanzania. *East African Journal of Business and Economics, 4*(1), 1-13.

Ba-Abbad, K., & Ahmad-Zaluki, N. A. (2012). The Determinants of Capital Structure of Qatari Listed Companies. *International Journal of Academic Research in Business and Social Science, 2*(2), 105–122.

Cheng, Y., Liu, Y., & Chien, C. (2020). Capital structure and firm value in China: A panel threshold regression analysis. *Global Journal of Business Management, 14*(3), 1-8.

Deneke, T. S. (2020). Capital Structure as Determinant of Financial Performance of Commercial Banks in Ethiopia - A Case Study on Private Banks in Ethiopia. *International Journal of Research in Business Studies and Management, 7*(4), 1-13.

Ellul, L, Manché, B., & Baldacchino, P. J. (2024). An examination of preference share issuance by companies listed on the Malta stock exchange in Italy. *Journal of Corporate Governance, Insurance, and Risk Management, 11*(1), 1-24

Githinji, R. K. (2021). Influence of share capital and preferred stock on financial performance of banks listed in the Nairobi securities exchange, Kenya. *American Journal of Strategic Studies, 2*(1), 12-21

Hannyama, C., Kabwe, M., & Zulu, T. (2025). *Effect of Capital Structure on Financial Performance: Evidence from Companies Listed on the Lusaka Securities Exchange (Luse)*. Retrieved From, https://rsisinternational.org/journals/ijriss/articles/

Irankunda, D., & Bergeijk, P. A. G. V. (2020). Financial inclusion of urban street vendors in Kigali. *Journal of African Business, 21*(4), 529-543

Karanja, J. (2020). *Investment preferences share over the individual lifecycle: a case of private universities in Kenya*. Retrieved from https://su-plus.strathmore.edu/server/api/core/

Kitukutha, M. N., & Wamugo, L. (2023). Capital structure on the cost of capital of firms listed at the Nairobi Securities Exchange, Kenya. *International Journal of Finance And Accounting, 2*(4), 84-105.

Macharia, W. D., & Osoro, A. (2021). Effect of vendor managed inventory on performance of large retail firms in Nairobi City County, Kenya. International Journal of Supply Chain Management. *International Journal of Supply Chain Management, 5*(2), 507-520

Mburu, K. N. (2020). *Applicability of tax preference share theory for companies listed in the Nairobi securities exchange*. Retrieved from https://erepository.uonbi.ac.ke/bitstream/

Mburu, Z. M, Gongera, G. E., & Mwangeka, R. M. (2020). *Analysis of equity capital structure financing levels on financial performance: a cross sectional survey of savings and credit co-operative societies (SACCOS) in Kiambu County, Kenya*. Retrieved from https://repository.cuk.ac.ke/xmlui/bitstream/

Mihai, S, Ionascu, M., & Ionascu, I. (2020). Economic benefits of International Financial Reporting Standards (IFRS) adoption in Romania: Has the cost of equity capital decreased? *African Journal of Business Management, 6*(1), 200-205

Mose, N, Arthur, D. E., & Fumey, M. P. (2024). An empirical analysis of public debt sustainability in Kenya. *Asian Journal of Economics, Business and Accounting, 24*(9), 350-366

Muraguri, C. W. (2023). *Capital structure and financial performance of commercial and services firms listed at Nairobi Securities Exchange, Kenya*. Retrieved From, https://ir-library.ku.ac.ke/server/api/core/bitstreams/

Musafiri A. & Twesigye D. (2024). Effect of Capital Structure on Financial Performance of Selected Commercial Banks in Rwanda: A Case of Bank of Kigali, Equity Bank and I&M Bank. *Journal of Finance and Accounting, 8*(4), 32-45.

Ndirangu, N., & Mwenda, N. (2024). Capital Structure and Market Capitalization of Manufacturing & Allied Companies Quoted at The Nairobi Securities Exchange, Kenya. *International Journal of Current Aspects in Finance, Banking and Accounting, 7*(1), 1-12.

Ng'ang'a, C. N., & Mbuva, G. (2025). Vendor managed inventory on financial performance of flour processing SMEs in Nairobi City County, Kenya. *International Academic Journal of Economics and Finance, 4*(4), 223-236.

Obiero, W., & Topuz, S. G. (2021). Does public and internal debt cause income inequality? Evidence from Kenya. *Journal of Economics, Finance and Administrative Science 27*(53), 124-138

Odongo, K., & Mokoteli, M. (2024). *Capital structure, profitability and firm value: panel evidence of listed firms in Kenya*. Retrieved From, https://mpra.ub.uni-muenchen.de/57116/1/

Omollo, B. A, Muturi, W. M., & Wanjare, J. (2023). Effect of debt financing on financial performance of manufacturing firms in Kenya. *Research Journal of Finance and Accounting, 9*(10), 150-164

Otieno, D. J., & Oluoch-Kosura, W. (2020). *Assessment of local stakeholders' preferences share for foreign land lease design attributes in Kenya: A participatory choice-based survey approach*. Retrieved from https://www.cell.com/heliyon/pdf/

Salawudeen, A, Isa, M. A., & Dandago, K. I. (2022). Shareholders' dividend preference share in the Nigerian capital market. *International Journal of Management Studies, 29*(2), 45-70

Salehi, M, Lotfi, A., & Farhangdoust, S. (2020). The effect of financial distress costs on ownership structure and debt policy: an application of simultaneous equations in Iran. *Journal of Management Development, 36*(10), 1216-1229

San, O. T., & Heng, T. B. (2021). Capital structure and corporate performance of Malaysian construction sector. *International Journal of Humanities and Social Science, 1*(2), 28-36.

Schwarz, P. (2024). *Capital Structure and Profitability in German Family Firms*. Retrieved From, https://www.diva-portal.org/smash/get/

Shikumo, D. H. (2021). Effect of equity share capital on financial growth of non-financial firms listed at the Nairobi securities exchange. *African Development Finance Journal, 5*(2), 25-44

Ssempala, R, Ssebulime, E., & Twinoburyo, K. (2020). *Uganda's experience with debt and economic growth: an empirical analysis of the effect of public debt on economic growth—1980–2016*. Retrieved from https://link.springer.com/content/pdf/

Yassen, S. O, Attia, E. F., & Abdou, H. A. (2025). *The effect of endogeneity on the relationship between disclosure level and cost of equity capital: The Egyptian case*. Retrieved from https://www.cell.com/heliyon/pdf/

Zuzy, A. (2020). *The impact of financial assistance on income: the case of women fish vendors in north coast of Java*. Retrieved from https://d1wqtxts1xzle7.cloudfront.net/