# INFLUENCE OF RETAINED EARNINGS FINANCING ON THE FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS QUOTED AT THE NAIROBI SECURITIES EXCHANGE

**Ithai Julius, PhD** ✉

Meru University of Science and Technology

P.O Box 972-60200, Meru, Kenya

jithai@must.ac.ke


**Kinyua Mercy Makena Nkirote**

Meru University of Science and Technology

P.O Box 972-60200, Meru, Kenya

**Abstract**

*Firms require capital to finance their business operations and investments. Most firms are faced with a predicament on whether to utilize debt or equity to finance their investments. Consequently, these firms need to find the best option and effectively manage their risks. The main aim of this study was to establish the influence of financial structure on the financial performance of firms quoted at the Nairobi Securities Exchange. The specific objective identified for the study was to establish the influence of retained earnings financing on the financial performance of manufacturing firms quoted at the Nairobi Securities Exchange. The study employed a descriptive research design. The census method was adopted and a target population of 8 manufacturing firms quoted at the Nairobi Securities Exchange was considered. A questionnaire was the primary data collection instrument while a secondary data collection form was used for collecting secondary data from audited financial statements of the firms. Secondary data was obtained from audited financial statements of the eight firms identified for the study as per institution websites and Central Bank of Kenya annual supervisory reports from 2018-2022. Descriptive statistics and inferential statistics were applied using Statistical Package of Social Science (SPSS) version 29. The study findings established that retained earnings*

*financing had a significant positive influence on the financial performance of manufacturing firms quoted at the Nairobi Securities Exchange. Therefore, the study recommends that this is the cheapest way of financing the firm because the finances are there. The managers should discuss with the shareholders and agree on the amount to be spent. The study provides useful information to managers and policymakers on the best financing option to initiate before choosing other financing options. Finally, the study recommends that other studies be conducted to establish the influence of retained earnings financing on the financial performance of manufacturing firms that are not quoted at the Nairobi Securities Exchange.*
*Keywords: Financial Performance, Financial Structure, Manufacturing Firms, Nairobi Securities Exchange, Retained Earnings, Reserves, Undistributed Profits*

## INTRODUCTION

Financial structure is the mix of debt and equity that an organization, company or firm uses to finance its operations. The financial structure describes the means that the firm uses to raise finances for its operations by use of debt capital, equity capital or a blend of both debt and equity capital (Ndirangu *et al.,* 2018). Firms have choices to raise their capital by various means including internally generated funds, new equity issues, or various types of debt. The decision to select sources of finance is referred to as a financial structure decision (Holderness, 2018). Financial structure decisions are very critical with great implications for the firm's financial performance.

Financial performance is the process of measuring the results of a firm in monetary terms. It is an arbitrary indicator of how successfully a company can turn resources from its main line of business into income (Njagi *et al.,* 2017). Adequate finances are critical in supporting working capital requirements and fixed assets, firms may not be without a good mix of the financial structure. In almost every aspect of fixed asset investment decisions, the financial structure decision is crucial because it affects the profitability of the firms (Anwar, 2018).

Firms quoted in the Nairobi Securities Exchange have various combinations of asset structures ranging from tangible assets, current assets, cash in hand, cash at the bank, and current investments. Research has shown that this combination affects the companies' financial success (Koralun, 2014). The mobilization of savings in the domestic market, which has an impact on the reallocation of financial resources, is mostly dependent on the Nairobi Securities Exchange. Since increasing shareholder value is the company's primary goal, performance measurement aids in assessing how much a shareholder gains from investment decisions over a specific period (Berger *et al.*, 2012).

Revenue retention also known as retained earnings refers to the portion of the firm's profit that is kept in the business for re-investment at the end of the financial year instead of distributing it as dividends to shareholders (Chasan, 2012). According to Glen (2013), the higher the retained earnings of a firm the stronger the sign of its financial health. Gecheti *et al.* (2012) state that financial access is essential to the expansion and development of medium-sized and small businesses, and that the profitability of businesses with limited capital raising choices is directly impacted by the availability of financing.

**Statement of the Problem**

The "Big Four" agenda, which is anchored in the third medium-term Plan of the Kenya Vision 2030 and sustainable development goals aimed at making Kenya an industrial country with innovation, developed infrastructure and responsible consumption and production, outlines four areas that need to be prioritized to fast-track growth and improve the standards of living: ensuring food security; expanding the manufacturing sector to create jobs; providing universal health coverage to improve human capital; and providing affordable housing to increase access by low-income earners (KIPPRA, 2021).

In reality, the performance and contribution of the Kenyan manufacturing firms to the economy have been distressing mainly in the wake of realizations that other sectors of the economy such as telecommunications have increased GDP from 5 percent in 2014 to 7.5 percent in 2021 and real estate have increased GDP from 13.8 percent in 2016 to 20 percent in 2021 surpassing manufacturing on the contribution to the GDP (Mutunga, *et al.*, 2017). In 2021, the share of manufacturing in GDP declined to 7 percent from 7.6 percent in 2020. Even before the onset of COVID-19, the performance of the manufacturing sector was already below the targeted GDP which is 15 percent before the end of 2020 as per Kenya Vision 2030. In 2021, the share of manufacturing contribution to GDP was 7 percent, having declined from 8.7 percent in 2017 (Nairobi Securities Exchange, 2021).

Firms in the manufacturing industry in Kenya are operating in an increasingly competitive, highly regulated, and dynamic market. Many large manufacturing firms have relocated or restructured their operations opting to serve the local market by importing from low-cost manufacturing areas such as Egypt, South Africa, and India thereby, resulting in job losses (Nduati *et al.,* 2020). Furthermore, many listed firms have either been put under statutory management for non-performance or have been liquidated (Nairobi Securities Exchange, 2021).

This situation has resulted in huge losses to investors in these firms and a loss of confidence in the Nairobi Securities Exchange market in Kenya. It is therefore against this background that this study seeks to establish the influence of retained earnings financing on the

financial performance of companies listed in the Nairobi Securities Exchange. Studies revealed have dwelt on only a specific company trading in the Nairobi Securities Exchange and a particular sector and not a combination of sectors of firms trading in the Nairobi Securities Exchange. This study combines companies in various sectors and aims to bridge the knowledge gap on the influence of retained earnings financing on financial performance. This study, therefore, analysed the influence of retained earnings financing on the financial performance of firms quoted at the Nairobi Securities Exchange.

## Objective of the Study

To establish the influence of retained earnings financing on the financial performance of manufacturing firms quoted at the Nairobi Securities Exchange.

## Hypothesis of the Study

$H_0$1: Retained earnings financing had no significant influence on the financial performance of firms quoted at the Nairobi Securities Exchange.

## LITERATURE REVIEW

This section reviewed the theoretical literature and the Empirical Literature. Theoretical literature involved the review of theories that underpin the study while empirical literature reviewed past studies that were relevant to the objective of this study.

## Theoretical Literature

This study was guided by the Pecking Order theory. The theory pioneered by Myers and Majluf in 1984 suggests that firms have a particular preferred order for capital to finance their businesses. Owing to the information asymmetry between firms and potential investors, the firm will prefer internal finance sources to debt, debt over external equity, and equity as the final resort. The theory asserts that firm performance decreases due to the tax deductibility of the cost of debt.

Pecking order arises when the costs of issuing new securities overwhelm other benefits and costs of debt and dividends. Due to these costs, firms finance new investments with retained earnings, then with safe debt, then with risky debt, and finally with equity (Fama *et al.*, 2002). Myers *et al.* (1984) argued that when firms have high future growth opportunities they should use more equity in their financing because a higher-leveraged firm is likely to pass up more profitable investment opportunities.

Financiers of long-term debt require collateral in the form of fixed assets and this is a challenge to firms characterized by intangible assets hence the need to consider internal sources as suggested by the theory. The pecking order theory concludes that optimum capital for a firm is difficult to determine because firms make use of equity capital then debt and lastly external equity in financing new investments. Equity capital appears both at the start and end of the pecking order (Fama *et al.*, 2002).

The theory was appropriate to the study because it helps explain the contribution of retained earnings in financing the financial performance of manufacturing firms quoted at NSE. Since the firms under examination are quoted at NSE, it implies that they can opt for retained earnings rather than selling stocks to finance their ventures. Given that these firms are usually large, they can opt not to pay dividends and retain the earnings to expand their business. Thus, pecking order theory underpinned the retained earnings variable because it's less costly than other financing means for an already existing firm. The research study results affirm the theory because retained earnings financing had a positive correlation with financial performance and 57.4% of the variation in financial performance could be explained by retained earnings financing.

**Empirical Literature Review**

A study by (Nduati *et al.*, 2020) sought to ascertain why savings and credit cooperative societies like other monetary foundations assume an extraordinary role in the economy by preparing reserve funds and providing credit for members. The study aimed to assess the effect of retained earnings on the financial performance of regulated SACCOs in Nairobi County. The study adopted a descriptive survey research design and the target population of the study was 29 registered Deposit Taking Saccos. The study used secondary data from financial reports in Deposit-taking SACCOs. Descriptive data analysis and univariate linear regression analysis were done to assess the relationship between retained earnings and financial performance. The results revealed that retained earnings predict a significant and positive effect on financial performance in Deposit-taking SACCOs.

Yemi *et al.*, (2018) examined the effects of retained earnings on the market value of listed firms after controlling for earnings per share, dividend payout, and financial leverage in the context of the Nigerian stock market. The sample data was extracted from 75 non-financial firms listed on the Nigeria stock Market during the period 2003 to 2014. The unbalanced panel data used to examine the relationship were obtained from the annual financial statements of the various firms. Two basic approaches descriptive and multiple regression models were used to determine the relationship between the underlying variables. The results indicated a positive

and significant relationship between retained earnings, earnings per share, dividend pay-out, and value of firms while market value was positively but non-significant associated with financial leverage.

Pibowei *et al.*, (2021) investigated the effect of retained earnings on the financial performance of selected Nigerian breweries in times of crisis. The study reviewed extant literature, while shift-ability theory and anticipated income theory were adopted. The study adopted an ex-post-facto research design with an interval scale of measurement and a preceding-year basis of sampling. The population of the study was five (5) breweries quoted on the Nigerian Stock Exchange. The sample size was four (4) selected breweries in Nigeria with each having nine-year observations from 2012 to 2020. Published annual reports and accounts of the breweries that were quoted provided secondary data. The study employed the OLS model, ANOVA, F-test, and T-test statistics for data analysis. The study found that there was no significant relationship between the retention index, and the ROA, no significant relationship between the retention index and the ROE, and no significant relationship between the retention index and the earnings per share. The study concluded that the financial structure with retained earnings was not adequate to improve the return on assets, return on equity and earnings per share. These findings augment the findings of

Javed *et al.,* (2015) sought to identify the effect of retained earnings on stock returns of the food and personal care goods industry listed on the Karachi Stock Exchange. The study used three sub variables of stock returns, which were capital gain/loss yield, stock prices and cash dividend per share which identified its relationship with retained earnings. The analysis consisted of seven active companies in the food and personal care goods industry and used the data from 2009 to 2014. The study used convenience sampling of non- probability method and used linear regression and Spearman's correlation analysis. The study concluded that the retention of earnings has a weak and insignificant relationship with stock returns.

This finding supports Thuranira's (2014) and Pibowei *et al.,* (2021) study findings but is inconsistent with other studies. Owing to the inconsistencies in the existing literature the study seeks to investigate the influence of financial structure on financial performance of firms to shed more light. Thus, there was a need to undertake to paint a better picture of the influence of retained earnings financing on the financial performance of firms.

The study concluded that there was a statistically significant effect of retained earnings financing on the financial performance of manufacturing firms quoted at the NSE. According to the results of the coefficient of determination ($R^2=0.574$),57.4% of the variation in financial performance could be explained by retained earnings financing.

**Conceptual Framework**

The independent variable was debt financing while financial performance the dependent variable as shown below in Figure 1.
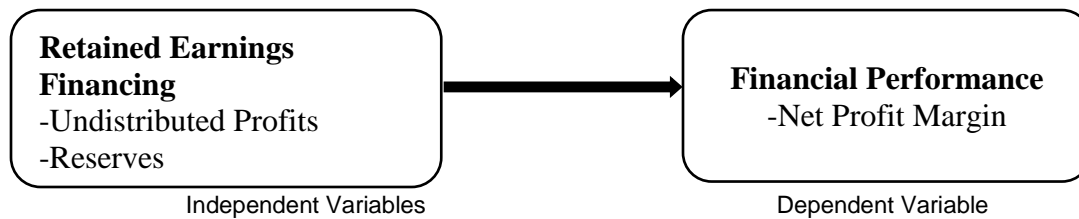


Figure 1: Conceptual Framework

**RESEARCH METHODOLOGY**

This study employed a descriptive research design. In descriptive design, information is collected from the target population without manipulating the environment (Kothari, 2019). The target population of the study was 8 manufacturing firms quoted at the Nairobi Securities Exchange. The respondents for this study were 114 employees comprising of General Managers, Directors and Finance Department staff members working in the 8 firms. The census method was adopted since the population was small. The study used both primary data and secondary data. Primary data was collected using a questionnaire while secondary data was collected from audited financial statements of eight firms quoted in the Nairobi Securities Exchange using a secondary data collection form for the period between 2018 and 2022. The data was analyzed through multiple regression analysis.

The influence of retained earnings financing on the financial performance of manufacturing firms quoted in the Nairobi Securities Exchange was evaluated by applying regression analysis where Statistical Package for the Social Sciences (SPSS) software was used for data analysis. The regression model that was derived to explain the influence of equity financing on the financial performance of manufacturing firms quoted in the Nairobi Securities Exchange was:

$Y = \beta_0 + \beta_1 X_{1 + \varepsilon}i$

Where:

Y: Financial performance

$\beta_0$ : Constant

$\beta_4$ : Regression coefficient of the variable

$X_1$ : Retained Earnings Financing

$\varepsilon i$: error term for all companies over the period.

## FINDINGS AND DISCUSSIONS

### Response Rate

109 questionnaires out of 114 distributed were returned which was 96% of the total responses while 4% was not returned as shown in Table 1;

Table 1: Response Rate

|  | Frequency | Valid Percent | Cumulative Percent |
|---|---|---|---|
| Returned Questionnaire | 109 | 96 | 96 |
| Unreturned Questionnaire | 5 | 4 | 100 |
| Total Questionnaire Distributed | 114 | 100 |  |

### Descriptive Statistics for Retained Earnings Financing

The study sought to also determine descriptive statistics of retained earnings financing on the financial performance of manufacturing firms quoted at the NSE. Likert scale was used, where 5 represented Strongly Agree(SA), 4-Agree(A), 3-Neutral(N), 2-Disagree(D) and 1-Strongly Disagree (SD) respectively. The findings are presented in Table 2;

Table 2: Respondents Opinion and Descriptive Statistics for Retained Earnings

| Retained Earnings | N | SA % | A % | N % | D % | SD % | Mean | Std. Dev. |
|---|---|---|---|---|---|---|---|---|
| Retained earnings minimize the cost of debts. | 109 | 57.8 | 34.9 | 7.3 | 0 | 0 | 4.50 | .633 |
| Retained earnings improve the profitability of firms | 109 | 50.5 | 45 | 3.7 | 0.9 | 0 | 4.45 | .616 |
| Retained earnings have eliminated the need for debts. | 109 | 44 | 49.5 | 5.5 | 0.9 | 0 | 4.37 | .633 |
| Retained earnings use discourages shareholder's investing in the firm. | 109 | 28.4 | 68.8 | 1.8 | 0.9 | 0 | 4.25 | .530 |
| Retained earnings are a flexible way of financing a firm. | 109 | 52.3 | 45.9 | 1.8 | 0 | 0 | 4.50 | .538 |
| Undistributed profits are used by the firm for financing it as per the firm's constitutional documents. | 109 | 44 | 54.1 | 1.8 | 0 | 0 | 4.42 | .532 |
| Firms accumulate funds for future use. | 109 | 60.6 | 38.5 | 0.9 | 0 | 0 | 4.60 | .511 |
| Reserve strengthens the firm's financial position. | 109 | 49.5 | 50.5 | 0 | 0 | 0 | 4.50 | .502 |
| **Average score** |  |  |  |  |  |  | **4.45** | **.562** |

Table 2 shows the respondent's opinions and descriptive statistics for equity financing. The results show a mean of 4.45 and a standard deviation of 0.562 which shows that the majority of the respondents agreed with the statement on the retained earnings financing option.

**Financial Performance of Manufacturing Firms**

The study sought to measure the financial performance of firms by use of net profit margin. Net Profit Margin (NPM) is a financial ratio used to calculate the percentage of profit produced by a firm from its total revenue (Budiyanta, 2021). The net profit margin was computed as shown in Table 3 below;

Table 3: Financial Performance (Net Profit Margin)

| Firms | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| B.O.C Kenya Ltd | 11.14 | 8.12 | 15.28 | 9.49 | 9.24 |
| British American Tobacco Kenya Ltd | 19.68 | 16.16 | 21.77 | 25.50 | 25.17 |
| Carbacid Investments Ltd | 98.57 | 79.71 | 83.05 | 92.84 | 94.34 |
| East African Breweries Plc | 25.72 | 59.97 | 64.59 | 69.35 | 57.79 |
| Unga Group Ltd | 3.92 | 3.04 | 0.362 | 1.65 | 1.73 |
| Eveready East Africa Ltd | -44.38 | -159.20 | -51.66 | -38.66 | -61.56 |
| Kenya Orchards Ltd | 12.30 | 14.05 | -22.01 | 7.47 | 3.74 |
| Flame Tree Group Holdings Ltd | 1.36 | 1.85 | 2.58 | 3.03 | -5.34 |

Table 3 shows percentage of net profit margin (NPM) per firm for the period of 5 years. For B.O.C Kenya Ltd, 2020 had the highest NMP of 15.28%, 2018 of 11.14%, 2021 of 9.46%, 2022 of 9.24% and 2019 of 8.12%, showing that it performed well in the year 2020. For British American Tobacco Kenya Ltd, the NPM percentage decreased in 2019 to 16.16% from 19.68 of 2018. In 2020 the NPM increased to 21.77%,2021 to 25.50% while in 2022 there was a slight decrease to 25.17%, implying that the firm performed well in 2021. Carbacid Investments Ltd had the highest NPM among the firms, performing well in 2018 at 98.57%. The NPM decreased to 79.71% in 2019 but increased to 83.05% in 2020, 92.94% in 2021 and 94.34% in 2022. East African Tobacco Kenya Ltd, had a low NPM of 25.72% in 2018 compared with other years which had a increase in NPM. For 2019 it had NPM of 59.97%, 2020 of 64.59%, 2021 of 69.35% and decrease in 2022 to 57.79%. Unga Group Ltd had a low NPM of less 5% for the five years. During 2018, the NPM was 3.92% which decreased to 3.04% in 2019, to 0.362% in 2020, slight increase in 2021 to 1.65% and 1.73% in 2022. Eveready East Africa Ltd, made

losses over the five years so the NPM was negative. For 2018 it was -44.38%, 2019 was -159.20%, for 2020 was -51.66%,-38.66 and -61.56% for 2022. For Kenya Orchards Ltd, 2018 had a NPM of 12.30% which increased to 14.05% in 2019. In 2020 the firm made losses so the NPM was negative at 22.01%, 2021 it increased to 7.47% and 3.74% in 2022 which was low. Flame Tree Group Holdings Ltd had a low NMP for the five years, in 2018 1.36% which increased to 1.85% in 2019, then to 2.58% in 2020 and 3.03% in 2021. The year 2022, the firm made a loss which resulted to a negative net profit margin of 5.34%.

**Inferential Statistics**

According to Cooksey *et al.,* (2020), inferential statistics is the process of evaluating the outcome and drawing conclusions from data that vary randomly. A linear regression analysis was applied to establish the relationship between the study's independent and dependent variables. The results are shown in the Tables below;

Table 4: Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .757[a] | .574 | .562 | 1721.851 |

a. Predictors: (Constant), Retained Earning

From Table 4, the results indicate that the relationship between equity financing and financial performance was positive (R=0.757). The results further indicated that the coefficient of determination ($R^2$ =0.574), 57.4 % of the variation in financial performance could be explained by the independent variable which was retained earnings financing.

Table 5: ANOVA Table for Retained Earnings Financing

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 151586004.892 | 1 | 151586004.892 | 51.129 | .000[b] |
| | Residual | 112661333.580 | 38 | 2964771.936 | | |
| | Total | 264247338.472 | 39 | | | |

a. Dependent Variable: Financial Performance (Net Profit margin)

b. Predictors: (Constant), Retained Earnings.

The results in Table 5 show that the influence of retained earnings financing on the financial performance of manufacturing firms quoted at the NSE was statistically significant. It

had a P-value of 0.000 which is less than the recommended threshold of 0.05. Therefore, depicts retained earnings financing as key in determining financial performance.

Table 6: Regression Coefficients

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | -1254.793 | 314.998 | | -3.983 | .000 |
| | Retained Earnings | .144 | .067 | .277 | 2.151 | .038 |

a. Dependent Variable: Financial Performance (Net Profit Margin)

b. Predictors:(Constant), Retained Earnings

Table 6 shows that ($Y = -1254.793 + 0.144X_1$), a unit change in retained earnings financing was subjected to a 0.144 change in financial performance provided other factors were held constant. As per the results of t-statistics (t=2.151; p=0.038), it was revealed that the influence of retained earnings financing on financial performance was statistically significant at p-value=0.05. Therefore, retained earnings financing significantly influences financial performance and thus the null hypothesis **$H_0 1$:** Retained earnings financing has no significant influence on the financial performance of firms quoted at Nairobi Securities Exchange was rejected.

## CONCLUDING AND REMARKS

### Summary

Retained earnings were measured as the undistributed profits for the year plus the undistributed profits for the previous year. The results show that the correlation between retained earnings and financial performance had R of 0.757 and a P-value of 0.000 at a 95% confidence level. It indicates a strong positive correlation between retained earnings financing and financial performance. Linear regression model revealed that a unit change in retained earnings was subjected to a 0.144 change in financial performance when other factors were held constant $Y = -1254.793 + 0.144X_1$. The hypothesis stated that retained earnings financing has no significant influence on the financial performance of firms quoted at the NSE. The P-value of the null hypothesis was 0.000 which was below the significance value of 0.05. This is an indicator that retained earnings financing significantly influences financial performance and therefore **H01**: Retained earnings financing has no significant influence on the financial performance of firms quoted at the NSE was rejected.

## Conclusion

Retained earnings financing had a significant influence on the financial performance of manufacturing firms quoted at the NSE. Consistent with the Pecking Order Theory, the study concludes that retained earnings is the cheapest source of firm financing because the finances are already available. The managers should discuss with the shareholders and agree on the amount to be spent. This study was however limited to manufacturing sector and therefore the same in a different industry would perhaps yield different results.

## Recommendations

This study recommends that other studies be conducted to establish the influence of retained earnings financing on the financial performance of manufacturing firms that are not quoted at the Nairobi Securities Exchange. Additionally, a study to establish the influence of retained earnings financing on the financial performance of non-financial firms versus financial firms quoted at the Nairobi Securities Exchange. The results will assist the firm in choosing the right form of financing bearing in mind financial structures vary significantly depending on the sector in which the firm operates.

## REFERENCES

Anwar, J. (2018), "The Effect of Working Capital Management On Profitability in Manufacturing Company Listed in Indonesia Stock Exchange", *The Accounting Journal of Binaniaga*, 3(1),1-14.

Berger, A. N., & Patti, E. B. D. (2012). Financial Structure and Firm Performance: A New Approach to Testing Agency Theory and an Application to the Banking Industry. *Journal of Banking & Finance,* 30(4), 1065-1102.

Chasan, H. A. (2012). *An Investigation of the Effect of Financial Leverage on Firm Financial Performance in Saudi Arabia's Public Listed Companies.* Unpublished Doctoral Dissertation. Victoria University.

Cooksey, R. W., & Cooksey, R. W. (2020). Descriptive statistics for summarizing data. Illustrating statistical procedures: *Finding meaning in quantitative data*, 61-139.

Fama, E.F. & French, K.R. (2002). Testing Trade-Offs and Pecking Order Predictions about Dividends and Debt. *The Review of Financial Studies*, 15(1)1-33.

Gecheti, M.K. & Khaurob, K.G. (2012). Choice between Debt and Equity and its Impact on Business Performance. *International Journal of Organizational Innovation*, 5(1), 284-295.

Glen, W. R. (2013). Testing The Modigliani-Miller Theorem of Capital Structure Irrelevance for Banks.

Javed, F., & Shah, F. M. (2015). Impact of Retained Earnings On Stock Returns of Food and Personal Care Good Industry Listed On Karachi Stock Exchange. *International Journal of Scientific and Research Publications 5*(11), 397-407.

Kippra. (2021). *Kenya Economic Report 2021: Imperatives for Reducing the Cost of Living*. Nairobi: Kenya Institute for Public Policy Research and Analysis.

Kothari, C.R. (2019). *Research Methodology: Methods and Techniques* (4th Edition). New Delhi: New Age International, Publishers.

Koralun-Bereźnicka, Julia (2014). On The Relative Importance of Corporate Working Capital Determinants: Findings from The EU Countries, Contemporary Economics, *Vizja Press & It, Warsaw*, 8(4) 415-434.

Mutunga, D. & Owino E. (2017). Effect of Production Capacity on the Financial Performance of Manufacturing Firms in Kenya. *Journal of Economics*, 1(1), 15 - 24.

Myers, S. C., & Majluf, N. S. (1984). Corporate Financing and Investment Decisions when Firms have Information that Investors do not have. *Journal of Financial Economics*, 13(2), 187-224.

Nairobi Securities Exchange (2021) Handbook.

Nduati, N. W., & Wepukhulu, J. M. (2020). Effect of Retained Earnings on the Financial Performance of Saving and Credit Co-Operative Societies in Nairobi County, Kenya. *International Academic Journal of Economics and Finance*, *3*(6), 197-209.

Njagi, I. K., Kimani, E. M. & Kariuki, S. (2017). Equity Financing and Financial Performance of Small and Medium Enterprises in Embu Town, Kenya. *International academic Journal of Economics and Finance*, 2(3), 74-91

Pibowei, W. E., Odong, N. E., & Jimoh, O. F. 2021 Impact of Retained Earnings on the Financial Performance of Selected Nigerian Breweries in Times of Crises (2012-2020). *RUJMASS* 7 (2), 72-83.

Thuranira, M. G. (2014). The Effect of Retained Earnings on the Returns of Firms Quoted at the Nairobi Securities Exchange *(Doctoral Dissertation, University of Nairobi).*

Yemi, A. E., & Seriki, A. I. (2018). Retained Earnings and Firms' Market Value: Nigeria Experience. *The Business & Management Review*, *9*(3), 482-496.