

Firm Characteristics and Financial Performance of Manufacturing and Construction Firms Listed In Nairobi Securities Exchange, Kenya

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Abstract

This paper examined the firm effects attributes had on manufacturing and allied and construction companies listed on NSE financial performance. This research reviewed theories were liquidity preference, trade-off, and pecking order. This survey used a descriptive research design to describe the characteristics of the phenomenon being studied. The study's target population was nine manufacturing and five construction and allied NSE-listed firms. The financial statements were obtained from the various company websites and the NSE website. Descriptive statistical analysis was applied in analyzing the data using regression models, which aided in examining the correlations that existed amongst the study variables. Diagnostic testing preceded data analysis for data reliability and validity determination. The analysis indicated that assets structure had a significant negative correlation with firms' financial performance in the manufacturing and allied firms. In contrast, it was observed that asset structure had an insignificant positive correlation with the firms' financial performance for the construction and allied firms. The study's results also indicated that the leverage ratio had a significant negative correlation with the financial performance of manufacturing and allied firms. For the construction and allied firms', financial leverage had an insignificant positive correlation with the financial performance. Liquidity had an insignificant negative correlation with the manufacturing and allied firms' performance, while for the construction and allied firms, financial performance correlation with liquidity was positive and significant. The study recommended that further research be carried out in the same sectors and the other listed ones to capture firm attributes' effects on financial performance by comparing the pre-Covid and the post-Covid period.

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I. Introduction

Acknowledging the effects of company characteristics on firms' performance is paramount, whether the returns on investments, equity, assets, or profitability. Financial performance has proved to be a diverse construct, especially in its definition and measurement. The settled relevant measure depends on the organizations' type under evaluation and the anticipated objectives. Sentiments by Naser and Makhtar (2004) indicated that higher performance levels reflected management effectiveness and efficiency in utilizing the organization's resources, which contributed to the country's economic growth. Assessment of financial performance determinants for manufacturing companies has gained much interest lately in the corporate finance literature since the government introduced the Big Four Agenda. Industrialization is one of the agendas as the government purports to encourage industrialization to create employment for the many jobless graduates and hasten the economic growth that comes hand in hand with an excellent financial performance by these firms. However, this has been hindered by the limited public resources available to meet the citizens' current economic and social welfare needs (Gatauwa, 2020).

Therefore, Kaguri (2013) added that the "financial performance construct had been attracting a high level of awareness by researchers in different fields such as that of strategic management as well as that of business." Firm Performance has a significant part to play not only in a firm's market value increment but also in determining its level in the industry's growth; thus, this also translates to economic growth. Therefore, the performance of all firms should be monitored closely. The goal of every manufacturing company is to be efficient, innovative, and flexible as much as possible. Effective manufacturing operations offer customers a more comprehensive range of products and services, consider employee well-being, have healthy financial

indicators, and adapt to the changing environment (Peasy, 2019). There is a great significance to businesses and individuals from mass production firms since they contribute primarily to the economic growth and well-being of individuals in the society, i.e., they increase the number of employment opportunities. Nevertheless, manufacturing companies continue to face challenges ranging from the rising quality of offshore manufacturing, changing regulations, shortage of skilled workers, and rapidly advancing technology. Lowering the prices of the company's most profitable products and cutting waste through lean manufacturing techniques should lead to increased cash flow, market share increment, and high profitability in the manufacturing sector.

Manufacturing firms in Scandinavian indicated that the economic crisis did not affect them and recorded a 22.2% growth rate of sales. The same firms in Europe recorded a 10% average sales growth rate (Lemonakis et al., 2016). European and Scandinavian manufacturing firms' gross profit margin growth rate was approximately 10% for that period, while their returns on assets growth rates were 10.62% and 30.12%, respectively. These continents also recorded growth in their total assets by 22.70% and 13.84%, respectively (Lemonakis et al., 2016). Efundade and Akinola (2020) noted an average return on assets (ROA) of 4.569 for manufacturing firms quoted at the Nigerian securities exchange, which deviated by 3.6178 while studying the impacts of firm attributes on Nigeria quoted manufacturing firms'. The deviation means that values of the profitability of the quoted firms vary across the manufacturing firms. Rwanda has seen an 8% growth of its gross domestic product in the recent past, resulting from an increase in manufacturing sector output by 15%. The share of investment and finance channeled to manufacturing has seen Rwanda attain a GDP of 24%, higher than average investment in other low-income countries in sub-Saharan Africa (Calabrese et al., 2017).

In Kenya, robust manufacturing and construction sector growth has proved challenging, with economic growth being driven primarily by service and agriculture sectors. Premature industrialization was experienced in the country with a decline in domestic product contribution from these two sectors, partly 8.4% in 2017 from 9.2% in 2016 (KAM Report, 2018). The rising share of the service sector is attributable to premature industrialization, which has fuelled a debate as to whether the service industry can replace the manufacturing sector as an engine for economic growth.

However, most research on firm characteristics and their influence on NSE-listed firms' financial performance has generalized all firms. From a financial point of view, the results from these studies cannot be applied in all the sectors since they are performing very differently based on the annual reports they publish every financial year. Therefore, the current research paper intends to address the literature gaps in this topical area. The paper has four subdivisions: literature review, research methodology, data analysis, and conclusion.

II. Literature Review

2.1 Theoretical Review

This research reviewed theories were liquidity preference, trade-off, and pecking order. Myers and Nicolas (1984) introduced the pecking order theory but was later modified by Donaldson (1991). According to the theory, management observes hierarchy in consideration of finance sources. Some sources are most preferred, including equity, debt, and retained earnings financing. Companies first use retained earnings to finance their projects because they do not incur floatation costs or require additional disclosure. This theory assumes the inexistent target capital structure. This theory proposes that high profitability firms make use of minimal debt financing compared to firms with lower profitability because high profitability firms don't need to source finances from external sources (Agnes, 2013). The choice of financial leverage in terms of debt financing adopted by the organization signifies outside investors that the firm needs to source funds externally. The management can also use this to strategize for making investment decisions (Farooq, 2015). However, criticism of this theory indicates that it seems to be helpful, mainly to small organizations, since the lack of equality in access to information is seen as a big problem. It is therefore appropriate to this research because it indicates the leverage level of a company, i.e., whether it is highly levered or not, and also provides a framework of how the assets of the company and business operations are financed and also because of the solvency variable that determines financial leverage.

Kraus and Litzberger (1973) brought up the trade-off theory, which was later improved by Myers (1984). It is a capital structure theory, and it states that firms balance their benefits and costs when choosing the amount of equity and debt financing to utilize. Kraus and Litzberger (1973) attested to this by noting companies identify an ideal structure of capital that balances the costs associated with financial distress against interest tax benefits. Myers (1999), in analysis to establish the connection the firm numerical quantity has with leveraging, noted that leverage is paid by the firm's profits earned, which has a decreasing effect on the leverage. The amount of leverage determines a firm's performance, hence the relevance of the theory in this research paper.

Keynes (1936) proposed the liquidity preference theory, and according to this theory, the currency is the best easily convertible asset, and highly volatile investments are easy to liquidate. Based on this conjecture, the demand for cash arises from the desire to remain liquid and not because an individual intends to borrow the

desired funds. The proposer of the conjecture assumed that the growth in the amount of savings depended on the inflation of the rates in interest. The rate of interest based on Uchendu (2010) plays the following roles; it helps retain the credit supply availability, guaranteeing that the current savings shall flow into investments that will promote economic growth, balances money supply with money demand policies. It provides fillable finances to high remittance investment projects. Highly liquid firms always have a competitive edge over the other players in the same sector; therefore, this theory is relevant to the current survey.

2.2 Empirical Review

A review of literature on manufacturing and allied and construction and allied firms has indicated that they have been experiencing a declining financial performance for the past few years. This can be attributed to the challenging economic condition that the country faces. These two sectors have been battling poor governance, capital inadequacy, inadequately skilled labor, poor asset quality, slow adoption of technology, and operational inefficiency. This is as per the report of a study that Strathmore Business School carried out in conjunction with SYSPRO (2020). Financial results that are registered within a given financial period of any company operating in any given industry at a given time are highly influenced by firm characteristics. Advantages of operating on a large scale in companies are as a result of; division of labor and specialization in organizations, better interest and discount rates, and splitting of the costs that are fixed in various denominations.

There have been mixed results on the evaluated writings on the topical scope, with some in support of a positive relationship with others, not in support of this correlation. Usman and Zahid (2011) further indicated that older firms benefit loyal customers who have been transacting with them for a long time and would be reluctant to switch to the competitor. Pandey (2010), in their study, noted that an organization's size is determined through assets number that it controls or the proportion of a market that it controls in a given industry determines the proportion of customers it is likely to serve hence determining the financial outcome. In the Kenyan context, influences of various firm characteristics on performance research were conducted. Some of these studies are such as that of Nyamiobo, Muturi, Okibo, and Olweny (2018), Rosemary (2017), Akuno and Kariuki (2019), and that of Wangige (2016), among others.

Tanui et al. (2021) surveyed corporate governance, capital structure, and asset structure impacts on Kenyan NSE-listed manufacturing and construction firms. This survey examined 12 listed firms in the securities market. Both inferential and descriptive statistics were applied. Based on the results from this study, both current and noncurrent assets had a positive statistical significance on the Kenyan listed manufacturing and construction firms' financial performance. However, the research only tested the effect of one firm attribute on financial performance, i.e., asset structure. The current study factored other firm attributes such as financial leverage in testing how they influence the two sectors' financial performance.

Ngunya and Mwangi (2018) examined the impacts asset structure had on all Kenyan manufacturing entities' performance. This survey adopted a causal research design by conducting a census for all eight firms. An insignificant negative impact of tangible fixed assets on return on assets was established from the study. On the contrary, an insignificant positive effect of intangible fixed assets on the return on assets was also depicted from the survey. The study only factored in the asset structure predictor variable's effect on performance. The current survey factored in additional firm attributes and tested their effects on financial performance.

Kithandi and Katua (2020) examined the influence Financial Leverage had on Kenyan NSE-listed Energy and Petroleum Sector Companies' Financial Performance. The survey did a census on five NSE-listed companies. Findings from this survey reflect an opposite correlation betwixt the dependent and independent variables, with an increase in the financial leverage leading to a decline in the ROA for these firms. However, this survey targeted NSE-listed Petroleum and Energy Sector entities. Thus, these results cannot be applied in the construction and manufacturing sectors, hence the current study.

Although this study only used the quick ratio, a firm's liquidity is measured via acid test and cash ratio. Ochingo and Muturi (2018) studied the impacts of company attributes on Kenyan SACCOs and used 2013 and 2015. These researchers used descriptive statistics like mean, panel regression, and standard deviation. From this research paper, a significantly positive relationship between firm attributes was selected for the study and Kenyan SACCOs' Performance. However, this study disregarded the firm size, financial leverage, and solvency as essential characteristics influencing financial performance; the researcher intended to fill the existing literature gap.

A study done in India by Panigrah (2014) studied the influence firm attributes had on the risk of Bankruptcy. This study was conducted between 2000 and 2009, and the researcher used an exploratory research design. This survey indicated a negative effect of working capital, which resulted from an aggressive capital policy, and the researcher recommended that an adequate level of liquidity and profitability be maintained.

III. Research Methodology

A descriptive research design was used in this paper. As per the sentiments by Cooper and Schindler (2006), descriptive studies describe the general characteristics of the study population in a research study. Creswell et al. (2003) narrated descriptive design to explore who, what, and the how of the phenomenon that forms the basis of this study. This study targeted 14 companies, including five construction and nine manufacturing NSE-listed companies. This study's period was between 2014 and 2018. This research paper utilized subsidiary information drawn from financial statements from the NSE website-specific company websites. The researcher used descriptive analysis, which comprised numerous regression models. The drawn information was analyzed using Stata. Quantitative data analysis involves using relative frequencies, i.e., mean, mode, median, and standard deviation (Kothari, 2009). The researcher conducted several diagnostic tests, including normality and Hausmann specification tests, which preceded the data analysis. Fixed effects model was appropriate for this survey and is presented below;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where: Y- Financial Performance, β_0 –Constant, β_1 to β_3 – Coefficients, X_1 –Asset Structure, X_2 –Financial leverage, X_3 –Liquidity, and E- Error term

IV. Data Analysis

4.1 Data Description

Outcomes of this surveys investigation are bestowed in this part. The information for statistical examination for this section was obtained from nine manufacturing and allied and five construction companies. Stata was used to conduct a descriptive analysis of the study variables. Diagnostic tests preceded the actual data examination to develop data reliability and suitability. After that, regression analysis was conducted using the regression equations provided in chapter three, and interpretation of the findings was interpreted using inferential statistics.

4.2. Summary Statistics

4.2.1. Manufacturing and Allied Firms

This part presents the results of examining the survey's particulars that illustrate their mean, standard deviation, maximum and minimum values, and the observations for manufacturing firms.

Table 1. Descriptive Statistics

Parameter	Observations	Mean	Std. Deviation.	Minimum	Maximum
ROI	45	-0.1007	1.963389	-12.5977	0.951793
Asset Structure	45	2.348468	4.216238	0.216863	24.04705
Leverage	45	3.392568	5.079595	-2.19847	31.8421
Liquidity	45	2.055334	1.909134	0.029041	9.428015

Source: Research Data (2021)

The table above illustrates that for the period between 2014 and 2018, the number of observations was 45, implying that nine manufacturing and allied firms were being studied for five years. The ROI for the firms' had an average value of -0.1007 while its minimum value was -12.5977, with its maximum value being 0.951793. That is an indication that these firms had difficulty converting their investments into profit. The current ratio of the companies' average value was 2.05533 with a 0.029041 minimum value and a 9.428015 maximum value, which implied that the firms could quickly liquidate their assets to meet the short-term debts when and as they fell due.

A leverage ratio mean of 3.39257 was observed with a -2.19847 minimum value and a 31.8421 maximum value, indicating the firms' risk of external borrowing reliance was low. Table 1 also illustrated the firm's asset structure ratio, which showed a mean of 2.348468 and a 0.216863 minimum value. A 24.04705 maximum value implies that the firms' asset base was properly constituted.

4.2.2. Construction and Allied Firms

This part presents the results of examining the survey's particulars that illustrate their mean, standard deviation, maximum and minimum values, and the observations for construction firms.

Table 2. Descriptive Statistics

Parameter	Observations	Mean	Std. Deviation.	Minimum	Maximum
ROI	25	0.025706	0.293799	-0.5416	0.531665
Asset Structure	25	4.857675	5.318517	0.291778	18.15128
Leverage	25	2.51996	1.109457	1.275142	5.332463
Liquidity	25	0.879832	0.564357	0.216551	2.696565

Source: Research Data (2021)

Table 2 illustrates that for the period between 2014 and 2018, the observations were 25, implying five construction firms were studied for five years. The ROI for the companies' average value was 0.025706, with a -0.5416 minimum and a 0.531665 maximum value. This indicated that these firms had difficulty converting their investments into profit. The current ratio of the companies' average was 0.87983 with a 0.216551 minimum value and a 2.696565 maximum value, which implied that the firms could quickly liquidate their assets to offset current debts.

A leverage ratio with a 2.51996 mean, 1.275142 minimum value, and a 5.332463 maximum value indicated that the firms faced lower risk if they relied on external borrowing. Table 2 also illustrated the firm's asset structure ratio, revealing a 4.857675 mean, 0.291778 minimum value, and an 18.15128 maximum value, which implied that the firm's asset base was properly constituted.

4.3. Diagnostic Tests

The researcher conducted several diagnostic tests, including normality testing Hausmann specification tests.

Table 3. Bi-Variate Interaction Coefficients

	ROI	Asset Structure	Leverage	Liquidity
ROI	1			
Asset Structure	-0.3507	1		
Leverage	-0.7669	0.2045	1	
Liquidity	0.0661	-0.1711	-0.2385	1

Source: Research Data (2021)

The coefficient value for asset structure, as illustrated in Table 3, is -0.3507, which implies that the correlation between asset structure and ROI is negative, but it is significant. The same case applies to the leverage ratio, whose correlation coefficient is -0.7669, implying that leverage had a significant negative impact on ROI. Conversely, liquidity has a 0.0661 correlation coefficient, and thus that means the liquidity effect on ROI is positive though insignificant.

Table 4. Collinearity Statistics

Variable	VIF	1/VIF
Leverage	1.09	0.915508
Liquidity	1.08	0.92749
Asset Structure	1.06	0.942334
Mean VIF	1.08	

Source: Research Data (2021)

From Table 4, the collinearity level was observed to demonstrate no problem with the multicollinearity of the independent variables. There would have been multicollinearity if there was a linear association between two or more of the predictor parameters.

Table 5. Tests of Normality

Variable	Shapiro-Wilk W test for normal data				
	Obs	W	V	z	Prob>z
ROI	70	0.30165	42.985	8.178	0.000
Asset Structure	70	0.50610	30.401	7.425	0.000
Leverage	70	0.48610	31.632	7.511	0.000
Liquidity	70	0.66655	20.525	6.571	0.000

Source: Research Data (2021)

Results of the normality test are illustrated in figure 5 above. They indicate a P-value of 0.00 for the dependent and independent variables. Thus, we reject the null hypothesis since the value is below 0.05 and conclude that the data is not normally distributed.

Table 6. Skewness/ Kurtosis Test for Normality

Variable	Obs	Skewness/Kurtosis tests for Normality			
		Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	joint Prob>chi2
ROI	70	0.0000	0.0000		0.0000
Asset Structure	70	0.0000	0.0000	67.93	0.0000
Leverage	70	0.0000	0.0000		0.0000
Liquidity	70	0.0000	0.0000	39.18	0.0000

Source: Research Data (2021)

Probability distributions above show that particulars of all the variables were not normally distributed in the Skewness test based on P-values of 0.00. For the Kurtosis test, all the variables data is also not normally distributed. In the joint probabilities, the data for all variables is also observed not to be normally distributed.

4.4. Panel Regression

Retgression analyses were carried out in the survey to establish comic relationships betwixt this surveys' parameters, whose findings are discussed below.

4.4.1. Manufacturing and Allied Firms

Table 7. Regression Results

Source	S.S.	df	M.S.	Number of obs =	45
				F(3, 41) =	29.04
Model	115.3318	3	38.4439277	Prob > F =	0
Residual	54.28362	41	1.32399078	R-squared =	0.68
				Adj R-squared =	0.6565
Total	169.6154	44	3.85489557	Root MSE =	1.1506

ROI	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]
Liquidity	-0.08586	.0960783	-0.89	0.377	[-.2798904 0.108178]
Leverage	-0.2997	.0357792	-8.38	0.000	[-.3719573 -0.22744]
Asset Structure	-0.09411	.0433216	-2.17	0.036	[-.1815969 -0.00662]
_cons	1.313523	.3278133	4.01	0.000	[.651491 1.975556]

Source: Research Data (2021)

Table 7 summarizes the model summary and coefficients for panel data regression for manufacturing and allied firms. An R^2 value of 0.68 implies a combined impact of firm attributes of 68% on performance. A 0.0000 P-value is less than the tabulated 0.05 significance level. Thus, the researcher rejects the null hypothesis, implying a difference between the sample data and the given data; hence, the model was fit in explaining the correlation betwixt the predictor and outcome parameters.

The table also illustrates the coefficients of the three independent variables with their corresponding P-values values where liquidity had a 0.377 P-value, more substantial than the 0.005 significance level. Thus, the study fails to reject the null hypothesis that there is no significant effect of liquidity on the firms' performance hence concluding that liquidity had no significant effect on the manufacturing and allied firms' performance. A coefficient value of -0.08586 for the liquidity ratio means that for every unit increase in the liquidity ratio, ROI decreases by 0.08586 for the manufacturing and allied firms. Increasing the number of current assets has a positive effect on the current ratio, and thus the firms should work on expanding their current asset base.

On the other hand, financial leverage posted a 0.000 P-value of less than 0.005 significance level; thus, this study rejects the null hypothesis that leverage has no significant effect on the firms' performance. A conclusion was made that financial leverage significantly affected the manufacturing and allied firms' performance. A coefficient value of -0.2997 for the leverage ratio meant that ROI declined by 0.2997 for the manufacturing and allied firms when the leverage ratio increased by one unit. This implies that for these firms' to realize the increment of the share-holders value, they have to seek alternative financing modes other than debt financing.

Similarly, the Asset Structure ratio posted a 0.036 P-value of less than 0.005 significance level; thus, the researcher rejected the null hypothesis that asset structure had no significant effect on the firms' performance. A conclusion was made that asset structure significantly affected the manufacturing and allied firms' performance. A coefficient value of -0.09411 for asset structure ratio implied that as asset structure increased by a single unit, ROI declined by 0.09411 for the manufacturing and allied firms. A firm's fixed assets indicate its value and growth, showing how big the asset structure can be placed as collateral supporting its growth, value, and profitability.

4.4.2. Construction and Allied Firms

Table 8. Regression Results

Source	S.S.	df	M.S.			
				Number of obs =	25	
				F(3, 21) =	2.66	
Model	0.571007	3	.190335711	Prob > F =	0.0743	
Residual	1.500626	21	.071458394	R-squared =	0.2756	
				Adj R-squared =	0.1722	
Total	2.071633	24	.086318058	Root MSE =	0.26732	

ROI	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]
Leverage	0.038552	.0745476	0.52	0.610	-0.1164782 0.193582
Liquidity	0.381652	.1630556	2.34	0.029	.0425596 0.720745
Asset Structure	0.020655	.0191919	1.08	0.294	-.0192564 0.060567
_cons	-0.50757	.3881203	-1.31	0.205	-1.314711 0.29957

Source: (Research Data, 2021)

Table 8 summarizes the model summary and coefficients for construction and allied firms' panel data regression. An R^2 value of 0.2756 implies that all the firm characteristics combined had a 27.56% effect on the construction and allied firms' financial performance. The 0.0743 P-value is more than the tabulated 0.05 significance level. Therefore, the researcher fails to reject the null hypothesis, implying no difference between the sample data and the given data; hence, the model did not explain the correlation between this predictor and outcome variables.

The table also illustrates the coefficients of the three independent variables with their corresponding P-values values where liquidity had a 0.029 P-value of less than 0.005 significance level. Thus, the researcher rejected the null hypothesis that liquidity had no significant effect on the firms' performance. A conclusion was

made that liquidity significantly impacted the construction and allied firms' performance. A coefficient value of 0.381652 for the liquidity ratio implied that ROI increased by 0.381652 for the construction and allied firms for every unit increase in the liquidity ratio. Increasing the amount of current would boost the firms' returns on investment.

On the other hand, financial leverage posted a 0.610 P-value, which is more than 0.005 significance level; thus, the researcher did not reject the null hypothesis that the financial leverage had no significant impact on the firms' performance. A conclusion was made that leverage has no consequential impact on construction and allied firms' performance. A coefficient value of 0.038552 for the leverage ratio meant that ROI increased by 0.038552 for the construction and allied firms; the leverage ratio increased by one unit. These firms should increase their gearing ratio to increase the share-holders value creation.

The asset Structure ratio posted a 0.294 P-value, which is more than 0.005 significance level; thus, the researcher did not reject the null hypothesis that asset structure had no consequential impact on the firms' performance. A conclusion was made that asset structure had no significant impact on the construction and allied firms' performance. A coefficient value of 0.020655 for asset structure ratio implied that ROI increased by 0.020655 for the construction and allied firms for every unit increase in the asset structure. A firm's fixed assets indicate its value and growth, showing how big the asset structure can be placed as collateral supporting its growth, value, and profitability. Thus these firms should invest in more fixed assets to improve their returns.

4.5. Discussion

Critical discoveries from this survey revealed that the manufacturing and allied sector asset structure correlation to ROI were -0.09411, which was negative but significant. In contrast, construction and allied sector findings depicted that asset structure had an insignificant positive correlation of 0.020655 with the ROI. Tanui et al. (2021), in a similar study, established that both current and noncurrent assets had a positive statistical significance with the Kenyan manufacturing and construction firms' returns on investment. Ngunya and Mwangi (2018) noted that the study established an insignificant negative impact of tangible fixed assets on return on assets. On the contrary, an insignificant positive effect of intangible fixed assets on the return on assets was also depicted from the survey. The discrepancy in this study's results from the ones discussed is attributable to variance in the sectors and the methods used to determine the firms' financial performance.

Liquidity for the manufacturing and the allied sector had an insignificant negative correlation of -0.08586 with the ROI. Liquidity for the construction and the allied sector had a significant positive correlation of 0.381652 with the ROI. Ochingo and Muturi (2018), in a similar study, noted a significantly efficacious correlation betwixt firm attributes selected and Kenyan SACCOs' Performance which were in line with the results from the construction and allied sector. Panigrah (2014) indicated a negative effect of working capital, which resulted from an aggressive capital policy that was in line with the results from the manufacturing and allied sector. Companies need to stay liquid at all times for them to be able to offset their current debts when they fall due hence the explanation for the similarity in the findings.

In contrast, financial leverage for the manufacturing and allied sectors had a significant negative correlation of -0.2997 with the ROI. Financial leverage for the construction and the allied sector had an insignificant positive correlation of 0.038552 with the ROI. Kithandi and Katua (2020) examined the influence Financial Leverage had on Kenyan NSE-listed Energy and Petroleum Sector Companies' Financial Performance. This survey reflected an indirect correlation betwixt financial leverage and performance for the firms in line with the manufacturing sector results. Akhtar et al. (2012) investigated what effects financial leverage had on financial performance. This study indicated that firms' financial leverage influenced financial performance positively, which is in line with the construction and allied sector results. This similarity in the results is because the companies need to be highly levered to stay afloat.

V. Conclusion

Firm characteristics take part in the shaping of firms' financial performance. Hence the author's motivation to carry out a study to investigate the influence the selected firm characteristics in this study had on returns on investment for manufacturing and construction firms. From these results, the researcher concludes that these attributes do influence the financial performance of firms, although not entirely in isolation, and their effects, as noted in the study, vary based on the sectors that the firms are based. Financial leverage is essential for potential investors who wish to pump capital in various sectors. Therefore, the findings in this study can play a pivotal role for potential investors who want to turn the financial performance of the firms studied around. The manufacturing sector in Kenya is part of the government's big four agenda, as noted in the financial statements used to extract the data for this study. Some firms are sinking into serious financial problems and the current pandemic period is not a picnic for them either. Thus, a closer look has to be made to determine the financial performance problems these firms face, whether financial mismanagement or poor debt financing methods.

A firm's strong liquidity implies settling its current obligations when they fall due. Therefore, this raises how the firms studied balance their current assets and current liabilities. Investing in more current assets enables a firm to easily convert its current assets into liquid cash to pay either a creditor or make an urgent purchase. The manufacturing sector was observed to have the worst liquidity. Thus the management should interrogate its investment decisions keenly if they are to start adding value to the shareholders' investments.

A firm's fixed assets indicate its value and growth, showing how big the asset structure can be placed as collateral supporting its growth, value, and profitability. The balance between a firm's fixed and current assets dictates how big its asset structure will be. The challenge is now on the management of both sectors to maintain a balance between their investment in both the current and fixed assets and also be able to generate profits that will foster growth and value addition to the shareholders' investments.

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