



EFFECT OF INNOVATION CAPITAL ON FINANCIAL PERFORMANCE OF FIRMS LISTED IN NAIROBI SECURITY EXCHANGE

Stephen Chelogoi

PhD, Student, Department of Accounting & Finance, School of Business & Economics, Moi University
stevehelo36@gmail.com

Joel Tenai

Senior Lecturer, Department of Accounting & Finance, School of Business & Economics, Moi University

Josephat Cheboi

Lecturer, Department of Accounting & Finance, School of Business & Economics, Moi University

Abstract

The purpose of this paper is to investigate the effect of innovation capital on financial performance of firms listed in Nairobi Security Exchange. The longitudinal research design was used. The study targeted 67 firms in Nairobi Security Exchange. Secondary data (financial reports) to obtain financial performance information from 48 firms from Capital Market Authority Statistical Bulletins and Nairobi Securities Exchange Handbook for a period of twelve years from 2006 to 2017. Both descriptive and inferential statistics were analysed on the data. Pearson's correlation coefficient, multiple regression and research hypotheses were tested using hierarchical multiple regression analysis which was adopted to assess the direct and indirect effects of Innovation Capital on financial performance. The study found a positive and significant effect between Innovation capital ($\beta = 0.102$; $q < 0.05$) and financial performance of firms listed at the NSE. The present study has provided significant evidence that will help in generating an additional improvement on the understanding of Intellectual components and their effect on the firm's financial performance. The relationship between innovation capital and firm performance provides a guide on how firms in developing countries can enhance their performance in a competitive environment. Unlike previous studies which focused on developed and emerging economies, this study centered on a developing economy, and the findings are consistent with the propositions of the resource-base-view theory

Keywords: *Innovation Capital, Financial Performance*