



**Moderating Effect of Board capital on Firm Leverage and Financial Performance of Firms**

**listed at Nairobi Securities Exchange in Kenya**

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**ABSTRACT**

The variations in financial performances of firms listed at Nairobi Securities Exchange in Kenya are dependent on the decision made by the board of directors, more so on capital structure. While from the previous studies, there has been an inadequate linkage of board capital and financial performance with other themes. Firms listed in Kenya have financed their operation with more equity as compared to debt. The purpose of this study is to establish the moderating role of board capital on the relationship between firm leverage and financial performance for the firms listed at Nairobi Securities Exchange Kenya. The study objectives are to examine the effect of; Firm leverage on the financial performance of listed firm at Nairobi Securities Exchange in Kenya and establish whether board capital has an interactive relationship on firm leverage and financial performance. The steward theory and trade-off theory informed the. The philosophical foundation underpinning the study was positivism and an explanatory research design. The target population comprised all the 65 firms listed at NSE in Kenya. The sample was done using inclusive and exclusive criteria, and secondary data was used to collect data and information. All the suspended and delisted firms were excluded. As a result, panel data from audited financial reports were collected from 40 firms listed. Four hundred observations were, therefore, obtained from firms listed. Descriptive statistics were used, and inferential statistics. In addition, panel regression analysis was employed to establish the nature and significance of the relationship between independent variables and dependent variable with leverage with beta  $\beta = -.295$ ,  $q < .05$  to financial performance. Later the process was repeated with the moderating variable the results showed a significant moderating effect of board capital on the relationship between leverage and financial performance ( $(R^2\Delta=0.07, \beta=0.03; q<0.05)$ ) The study found out that the board capital had an enhancing moderation effect on leverage and the study found out that firm boards of Directors are able to advise on how to vary the leverage while meeting the listing requirements to suit the operations for the company, with the board, there should also be a sound management of firms leverage to the extent of improving financial performance. Theoretically, the enhancing effect of board capital by the firms listed in NSE validates the stewardship theory, which is on the premise that directors and managers are trustworthy and fair stewards of the resources entrusted to them. In addition, this research would equip regulators, owners and investment advisors of firms listed on how to improve their financial performance. Finally, the researcher recommends a further study focusing on firms not listed in NSE to ascertain whether the study results hold.

**Keywords:** firm leverage, board capital and Financial performance.