

Firm Characteristics and Corporate Value of Non-Financial Firms Listed in the Nairobi Securities Exchange, Kenya: A Review of the Literature

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Abstract

Corporate value creation and profit maximization are among the key objectives of every firm. Corporate value creation focuses more on long-term sustainability of returns and not just profitability. There has been a key debate on whether firm characteristics play a very important role in general performance of a firm and corporate value creation. Therefore, there has been need to evaluate the interrelationship between firm characteristics and corporate value of firms while considering the influence of the firm size. Hence, this paper analyses these interrelationships using a theoretical approach. The Modigliani and miller theory and trade off theory, underpin the direct and indirect relationships examined in this paper while also reviewing empirical literature. There are mixed findings on the link between firm characteristics and corporate value whereby some researchers support a positive relationship, others negative others no relationship. Nevertheless, firm size factor has generally been found to have a moderating influence on the link between firm characteristics and corporate value among non- financial companies listed at NSE, Kenya.

KEYWORDS: Corporate value, firm characteristics, on-Financial Firms, NSE.