Effect of equity on financial performance of supermarkets in Eldoret town

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ABSTRACT

Financial performance in the supermarket sector depends partly on a retailer's ability to finance inventory, maintain operating capacity and invest in productive assets. This study examined the relationship between equity financing and the financial performance of supermarkets in Eldoret Town, Kenya. A descriptive research design was adopted. The study was anchored on the pecking order and trade-off theories. The study covered 11 supermarkets selected from a population of 18, and obtained 86 usable questionnaires from a planned sample of 97 respondents, representing an 88.7% response rate. Respondents included directors, branch managers, finance controllers and procurement managers. Data were collected using a structured questionnaire and analysed using descriptive statistics and Pearson's product-moment correlation. Financial performance was operationalised through respondents' assessments of market share, stock levels, employee numbers and the asset base; these are broader operational indicators rather than audited profitability ratios. Equity financing was positively and strongly associated with the performance measure ($r = .796$, $p < .001$).). Simple regression further indicated a positive and statistically significant association between equity and financial performance ($\beta = .673$, $SE = .061$, $t = 11.093$, $p < .001$), with $R^2 = .278$. The study concludes that stronger equity financing is associated with better financial performance among supermarkets in Eldoret Town. The findings suggest that respondents who reported stronger equity financing also tended to report stronger operating and market-position indicators. Because the study used a cross-sectional, respondent-based design, the association should not be interpreted as proof that equity alone caused improved performance. The study recommends that supermarket managers assess equity financing in relation to investment productivity, liquidity requirements and the wider financing mix.

Key Words: Eldoret Town, Equity, Financial Performance, Supermarkets

I. INTRODUCTION

Financial performance is important to the continuity and development of a business because it reflects how effectively resources are converted into financial and operating outcomes. In retailing, this question is especially practical: supermarkets must keep shelves stocked, meet supplier and payroll obligations, maintain premises and equipment, and respond to changing customer demand. Business performance research distinguishes narrow financial measures, such as profitability and returns, from broader operational indicators and recognises that studies may use either primary or secondary data (Venkatraman & Ramanujam, 1986).

This distinction matters in the present study. Financial performance was assessed through respondents' perceptions of market share, stock levels, employee numbers and the asset base. These indicators capture operating scale and market position, but they are not equivalent to audited measures such as return on assets (ROA), return on equity (ROE) or net profit margin. The findings should therefore be interpreted as evidence about perceived financial and operational performance, not as a direct estimate of accounting profitability.

A firm's financing choices can shape its ability to fund operations and investment. Equity capital does not impose the same contractual interest and principal repayments as debt, which may give a firm greater flexibility when cash flows fluctuate. However, equity also has an opportunity cost and may dilute existing owners' control. The relationship between financing structure and performance is therefore not necessarily uniform across firms or settings. Myers (1984) explains that firms' financing choices can be understood through competing trade-off and pecking-order perspectives.

The relevance of financing decisions to Kenyan supermarkets was illustrated by the financial pressures experienced by major retailers. In August 2020, auctioneers closed a Tuskys outlet in Eldoret over reported rent arrears of KSh 14 million; the same report described wider cash-flow and supplier-payment difficulties at the retailer (Kimuge, 2020). This episode does not establish that any particular financing source caused the retailer's difficulties, but it illustrates the importance of liquidity and the ability to meet operating commitments.

Empirical findings on capital structure and performance vary across settings. Abor (2005), using listed firms in Ghana, found that the relationship between debt components and profitability differed according to the type of debt.

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Zeitun and Tian (2007) reported a negative relationship between capital structure and several performance measures among Jordanian firms. By contrast, other research has identified relationships between capital structure, ownership and firm efficiency that depend on firm characteristics and the performance measure adopted (Margaritis & Psillaki, 2010). In the Kenyan supermarket sector, Nyongesa and Omondi (2023) reported a significant negative relationship between capital-structure decisions and profitability among large-scale retail supermarkets. These differences reinforce the need to examine financing and performance in a clearly defined context.

Although existing studies have considered capital structure and firm performance, evidence specifically addressing equity financing and supermarkets in Eldoret Town remains limited. This study contributes local evidence by examining the association between equity and a respondent-based measure of supermarket performance.

1.1 Statement of the Problem

Supermarkets require sufficient, appropriately structured capital to finance inventory, maintain stores, cover operating expenses, and pursue growth. Where cash resources are constrained, retailers may experience stock shortages, delayed payments, and operational interruptions. The closure of a Tuskys outlet in Eldoret following rent arrears provides a local illustration of the financial pressures that can affect retail operations (Kimuge, 2020).

Equity financing may provide a more flexible source of funds than debt because it does not require scheduled interest and principal repayments. Nevertheless, its contribution to performance depends on the quality of investment decisions and the way equity is combined with other funding sources. Previous research has examined listed companies, SMEs and large-scale supermarkets in other locations, with findings that differ across contexts and performance measures (Abor, 2005; Nyongesa & Omondi, 2023; Zeitun & Tian, 2007). The extent to which equity financing is associated with supermarket performance in Eldoret Town therefore warrants specific investigation.

Existing studies have been conducted largely among SMEs, listed firms or supermarkets in locations outside Eldoret Town, and they use different measures of performance and research designs. Consequently, there remains limited empirical evidence on the relationship between equity financing and financial performance specifically among supermarkets operating in Eldoret Town. This study addresses that contextual gap by examining the equity–financial performance relationship using evidence from 11 supermarkets and 86 usable respondent observations.

1.2 Research Objective

The objective of the study was to determine the effect of equity on the financial performance of supermarkets in Eldoret Town.

1.3 Research Hypothesis

H_{01}: There is no statistically significant effect of equity on the financial performance of supermarkets in Eldoret Town.

II. LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Trade-off Theory

Trade-off theory explains capital-structure decisions as a balance between the benefits and costs of financing alternatives. In its conventional form, the theory considers the tax benefits of debt against the expected costs of financial distress (Kraus & Litzenberger, 1973). Myers (1984) later described the static trade-off approach as a framework in which a firm considers a target debt ratio while balancing the benefits of borrowing against distress-related costs. Although the theory is often discussed in relation to debt, it is also relevant to equity, as equity can reduce the pressure imposed by fixed debt-service commitments.

For supermarkets, the trade-off perspective is relevant because working-capital requirements and inventory commitments can expose firms to liquidity pressure. An adequate equity base can finance assets and operations without increasing mandatory debt-service commitments. However, the theory does not imply that more equity automatically produces better performance. The benefits depend on the productivity of the assets financed, the firm's operating environment and the opportunity cost of owners' funds. The empirical analysis therefore tests the equity–performance relationship rather than assuming that equity is inherently beneficial.

2.1.2 Pecking Order Theory

Pecking Order Theory provides a complementary explanation of financing preferences. Myers (1984) contrasts the trade-off framework with a financing hierarchy in which firms generally prefer internal funds, followed by debt and then external equity when external financing is required. The theory is relevant to supermarkets because retained cash flows and equity resources can reduce dependence on short-term borrowing. It also highlights that the observed equity position of a firm may reflect financing constraints, investment opportunities and the availability of internally generated

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funds. Together, Trade-off Theory and Pecking Order Theory provide complementary explanations for why equity financing may be associated with financial performance.

2.2 Empirical Review

2.2.1 Equity and Financial Performance

The relationship between equity and performance should be considered alongside the wider capital structure. Modigliani and Miller (1958) provide the foundational proposition that, under restrictive assumptions, financing mix does not alter firm value. In practice, taxes, distress costs, information asymmetry and agency considerations mean that financing choices may matter. Myers (1984) discusses how firms' preferences for internal funds, debt and equity can reflect information and financing costs.

Empirical evidence is mixed. Abor (2005) found that the relationship between debt and profitability among Ghanaian listed firms differed between short- and long-term borrowing, illustrating why a single financing ratio may conceal important differences. Zeitun and Tian (2007) found that capital structure was negatively related to several corporate-performance measures in Jordan, although the effect varied by measure. Margaritis and Psillaki (2010) examined capital structure, ownership and firm performance among French manufacturing firms and showed that the relationship between financing and efficiency needs to be understood in relation to ownership and firm characteristics.

Evidence from Kenya is particularly relevant. Nyongesa and Omondi (2023) studied large-scale retail supermarkets and reported a negative and statistically significant relationship between capital-structure decisions and profitability. Their results do not isolate the effect of equity in the same way as the present study, but they demonstrate that financing choices are consequential in the supermarket sector. The present study narrows the focus to equity financing and supermarkets operating in Eldoret Town.

The literature therefore provides no basis for assuming that equity will always improve performance. Equity may ease fixed repayment pressure and support investment, but its contribution depends on whether the funds are allocated to productive assets and operating needs. The current study tests this relationship using the perceptions of respondents with managerial, financial and procurement responsibilities.

2.3 Research Gaps

Gap	What prior research indicates	How this study responds
Contextual	Research has examined listed firms and supermarkets in other countries and Kenyan settings (Abor, 2005; Nyongesa & Omondi, 2023; Zeitun & Tian, 2007).	Focuses specifically on supermarkets operating in Eldoret Town.
Empirical	Prior findings vary by financing measure, performance proxy, and institutional setting (Margaritis & Psillaki, 2010; Zeitun & Tian, 2007).	Examines the equity–performance relationship in a defined local retail setting.
Measurement	Business performance research distinguishes accounting outcomes from broader operational measures and data sources (Venkatraman & Ramanujam, 1986).	Makes explicit that the dependent variable is a respondent-based composite of market share, stock levels, employee numbers and asset base.

The combined contextual, methodological, and empirical gaps justified testing the effect of equity on financial performance among supermarkets in Eldoret Town.

III. METHODOLOGY

3.1 Research Design

The study adopted a descriptive research design. The design was appropriate because the study sought to describe the characteristics of the variables and determine the statistical relationship between equity and financial performance without manipulating the study environment (Kumar, 2018). The design also enabled the researcher to collect standardized information from respondents across the selected supermarkets.

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3.2 Study Area

The study was conducted in Eldoret Town, Kenya. The town was selected because it has an established supermarket sector operating in a competitive retail environment, providing an appropriate setting for examining the relationship between equity financing and financial performance.

3.3 Target Population

The target population comprised 18 supermarkets operating in Eldoret Town, based on the Kenya Business Directory in 2021. The unit of analysis was the supermarket, while the unit of observation comprised directors, branch managers, finance controllers, and procurement managers who were considered knowledgeable about financing and operational performance. The sampling frame contained 167 potential respondents: 50 directors, 40 branch managers, 40 finance controllers, and 37 procurement managers.

3.4 Sampling and Sample Size

Stratified sampling was used to group respondents into directors, branch managers, finance controllers, and procurement managers. Systematic random sampling was then used to select respondents from the eligible supermarkets. The sample of supermarkets was determined using Nassiuma's (2000) formula:

$$n = Nc^2 / [c^2 + (N - 1)e^2]$$

where n is the required sample size, N is the population of supermarkets, c is the coefficient of variation (0.25), and e is the standard error (0.05). Using N = 18 gives n ≈ 10.7; hence, 11 supermarkets were included in the study. The planned respondent sample was 97. Eighty-six usable questionnaires were returned and analyzed, giving an achieved response rate of 88.7% (86/97 × 100). The distinction between the planned sample and the achieved responses is explicitly reported to maintain consistency throughout the manuscript.

Table 1

Respondent distribution. Source: Research Data (2026).

Category	Sampling frame	Planned sample	Usable responses
Directors	50		
Branch managers	40		
Finance controllers	40		
Procurement managers	37		
Total	167	97	86 (88.7%)

3.5 Data Collection Instruments and Procedures

Primary data were collected using a structured questionnaire administered to the selected respondents. The questionnaire used a five-point Likert scale for the equity items, ranging from strongly disagree to strongly agree. Documentary information was also used to complement the assessment of financial performance, particularly the indicators reported for the selected supermarkets. The researcher obtained institutional authorization and the required research permit before data collection. Two research assistants supported the researcher, and questionnaires were administered using a drop-and-pick procedure. Completed questionnaires were collected after approximately two weeks.

3.5.1 Validity and Reliability

Content validity was assessed through expert review, with the supervisors examining the relevance and clarity of the questionnaire items. Construct validity was assessed through factor analysis. Internal consistency reliability was evaluated using Cronbach's alpha. A pilot test was conducted at Gilanis Supermarket Limited in Nakuru County using 10 respondents who were not part of the main study. The reported composite Cronbach's alpha was 0.759, exceeding the commonly used minimum threshold of 0.70.

3.6 Data Analysis

Data were coded and analyzed using descriptive and inferential statistics. Frequencies, percentages, means, and standard deviations were used to summarize the data. Pearson's product-moment correlation was used to assess the strength and direction of the association between equity and financial performance. Simple linear regression was then used to test the direct effect of equity on financial performance. The regression model was specified as:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

where Y = financial performance; X_1 = equity; β_0 = intercept; β_1 = regression coefficient; and ε = error term.

Regression assumptions relating to linearity, normality, autocorrelation, multicollinearity, and heteroscedasticity were assessed before interpreting the regression model.

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3.7 Ethical Considerations

Participation was voluntary, and respondents were informed of the study's academic purpose. Confidentiality was maintained by limiting access to completed questionnaires and reporting results in aggregate form. Authorization and the relevant research permit were obtained before data collection, and respondents were not required to provide information that could personally identify them in the reported results.

IV. FINDINGS & DISCUSSION

4.1 Demographic information of the respondents

The study targeted 97 respondents and received 86 usable responses, yielding an 88.7% response rate. The respondents comprised directors, branch managers, finance controllers, and procurement managers. The demographic distribution is presented in Table 2.

Table 2

Demographic characteristics of the respondents

n=86		Frequency	Percent
Gender	Male	49	57.0
	Female	37	43.0
Age category	18-28	6	7.0
	29-38	6	7.0
	39-48	30	34.8
	49-58	32	37.2
	58-above	12	14.0
Highest education qualification	Certificate	12	14.0
	Diploma	21	24.4
	Bachelors	46	53.5
	Masters	6	7.0
	PhD	1	1.1
Length of service at the supermarket	0-5	34	39.5
	6-10	25	29.1
	11-15	13	37.1
	16-20	5	15.1
	21-25	6	7.0
	25-above	3	3.5
Designation at the supermarket	Directors	30	34.9
	Branch Manager	18	20.9
	Finance controller	18	20.9
	Procurement managers	20	23.3
Total		**86**	**100.0**

The respondent profile indicates that the study obtained views from different managerial and operational positions relevant to supermarket financing and performance. Directors accounted for 34.9% of the respondents, while branch managers and finance controllers each accounted for 20.9%, and procurement managers accounted for 23.3%. The distribution, therefore, included respondents with direct exposure to financial, procurement, and operational decisions.

4.2 Descriptive statistics: Equity

Respondents generally reported that equity financing supported supermarket operations. The highest level of agreement related to the statement that the supermarket's asset base had grown through common-stock funding. Agreement was also high on the view that equity funding had supported asset expansion and market position, and that equity-related financial stability helped supermarkets attract and retain employees.

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Table 3

Descriptive statistics

Equity item	Agree/strongly agree	Mean	SD
Equity funding enabled asset expansion and a larger market share	86.0%	4.23	1.15
Preferred stock positively influenced the asset base	83.7%	4.05	1.27
Equity-facilitated asset growth supported employment and market position	69.8%	3.85	1.49
Stock holdings improved following common-stock equity injection	83.7%	4.12	1.24
Equity-related financial stability supported employee attraction and retention	86.0%	4.20	1.23
Asset-base expansion relied substantially on equity financing	72.1%	3.76	1.54
The asset base grew through funds raised by common stock	93.0%	4.59	0.91

The pattern is consistent with the proposition that equity can provide financial room to invest in assets, stock and operating capacity. It should not, however, be interpreted as proof that equity alone caused the reported outcomes. Respondents were reporting perceptions, and other influences—including demand, competition, management quality and access to supplier credit—may also affect performance.

4.3 Financial Performance

The study also sought to assess the financial performance of Supermarkets in Eldoret Town. Financial performance was assessed through four indicators: market share, stock levels, annual employee numbers and the asset base. Table 4 presents the frequency distribution and descriptive statistics for each indicator.

Table 4- Descriptive statistics for indicators

Indicator	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	Mean	Std. dev.
Market share is high	10.5	11.6	14.0	26.7	37.2	3.69	1.36
Stock levels are high	25.6	16.3	0.0	45.3	12.8	3.03	1.47
Annual employee numbers increase	15.1	24.4	3.5	26.7	30.2	3.33	1.50
Asset base is high	15.1	24.4	9.3	29.1	22.1	3.19	1.42

Respondents gave the most favourable assessment to market share (M = 3.69, SD = 1.36), followed by the number of employees (M = 3.33, SD = 1.50), the asset base (M = 3.19, SD = 1.42) and stock levels (M = 3.03, SD = 1.48). The results suggest that respondents viewed market position relatively positively, while assessments of stock levels were more mixed. The standard deviations indicate variation in respondents' views across the supermarkets.

The use of several indicators is consistent with the view that organisational performance is multidimensional and that researchers should explain why selected indicators fit the context (Venkatraman & Ramanujam, 1986; Richard et al., 2009). In this study, however, these indicators are perceptual measures of financial and operating performance. They should not be equated with audited profit, return on assets or return on equity.

4.4 Time Series Analysis

Trend analysis of the financial performance of the supermarkets was done to assess trend patterns for asset base, stock levels, number of employees, and supermarket market share for a period of six (6) years, and the results are presented below. The trend analysis curve for supermarkets' market share is presented in Figure 1.

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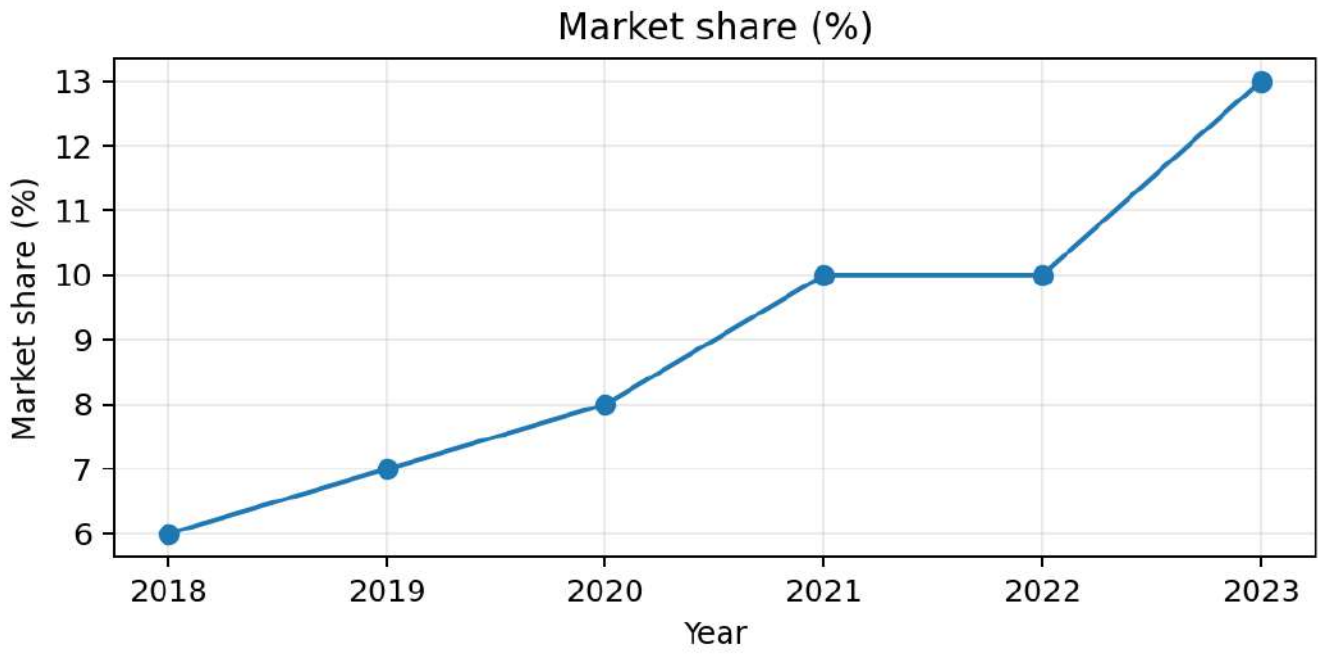


Figure 1
Market share trend curve

The market share of the supermarkets increased between 2018 and 2021, that is, from 6% to 10%, it remained constant at 10% in 2022 but increased to 13% in 2023. This implies that the market share of the supermarkets in Eldoret town kept on changing for the period under consideration. The stock levels trend curve was as presented in Figure 2.

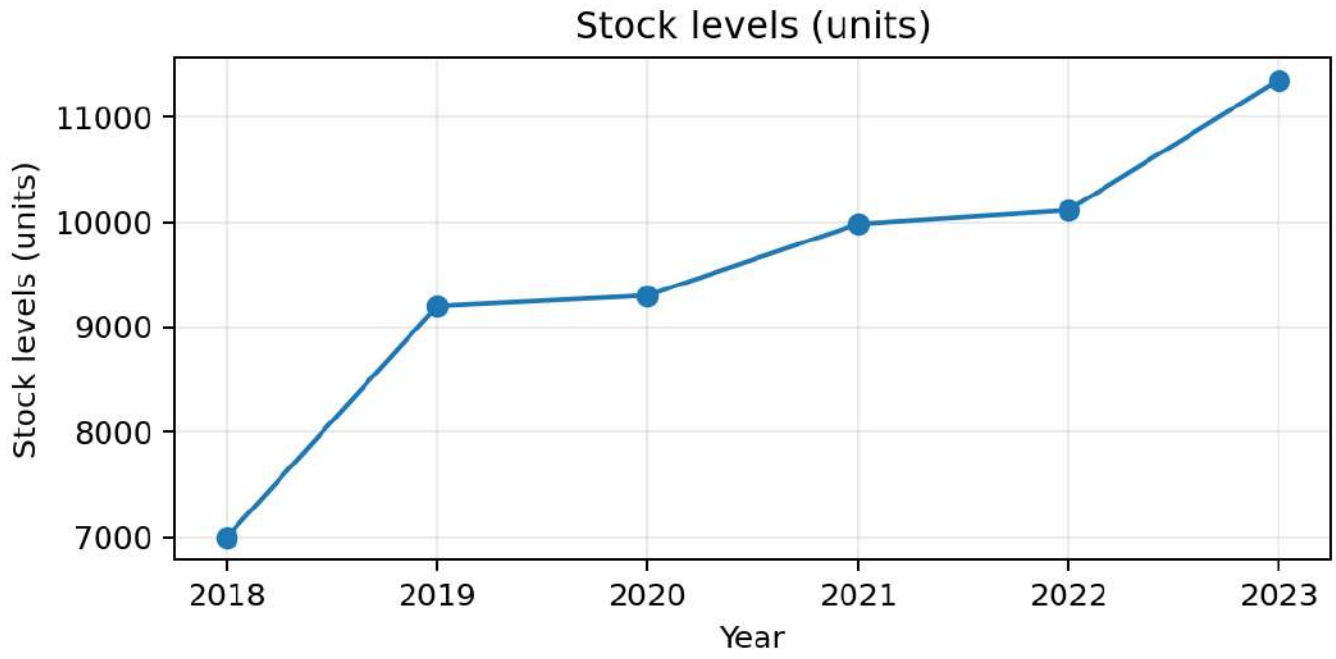


Figure 2
Stock level trend

The stock level of the supermarkets increased between 2018 and 2023, that is, from 7000 units, 9200 units, 9300 units, 9980 units, 10111 units and 11350 units for 2018, 2019, 2020, 2021, 2022 and 2023, respectively. This implies that stock levels were increased in all the supermarkets studied each year. The trend curve for supermarkets' asset base was presented in Figure 3.

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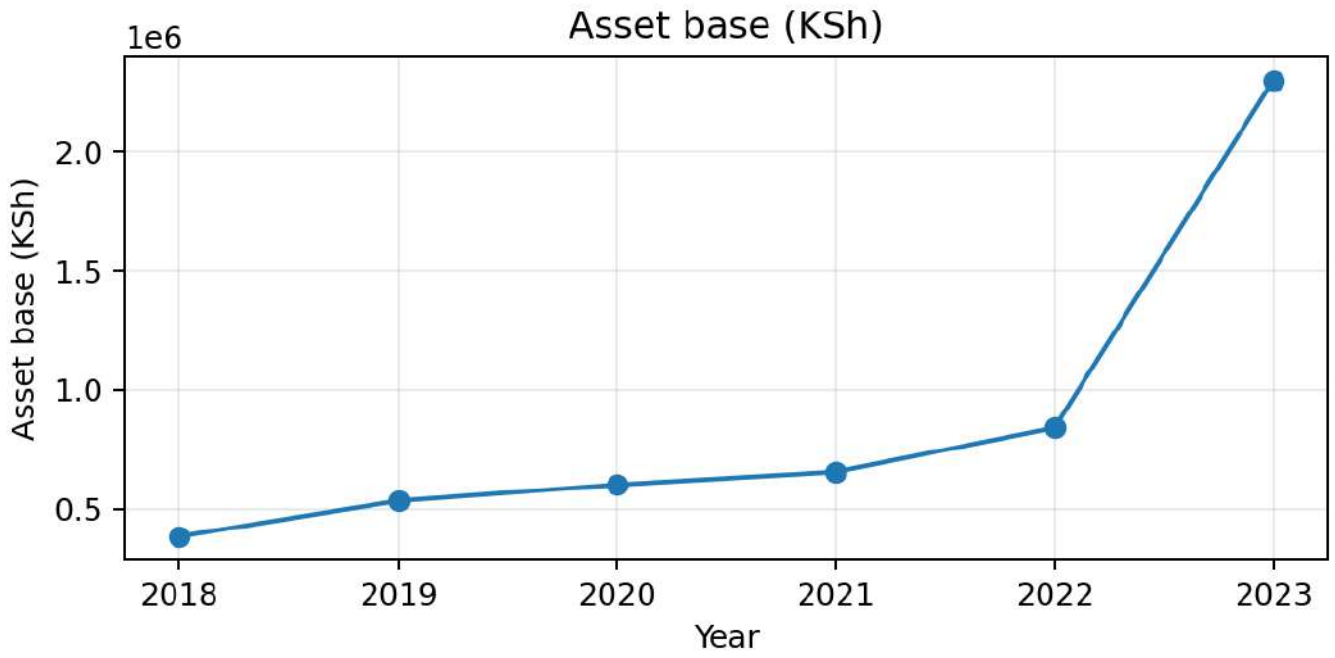


Figure 3
Asset base

The supermarkets' asset base increased from an average asset base of KShs. 585,000 in 2018 to an average asset base of KShs. 2,300,875 in 2023. This implied that the supermarkets kept on increasing their asset base during the period under consideration. The trend curve on the number of employees in the supermarkets for the period between 2018 and 2023 is presented in Figure 4.

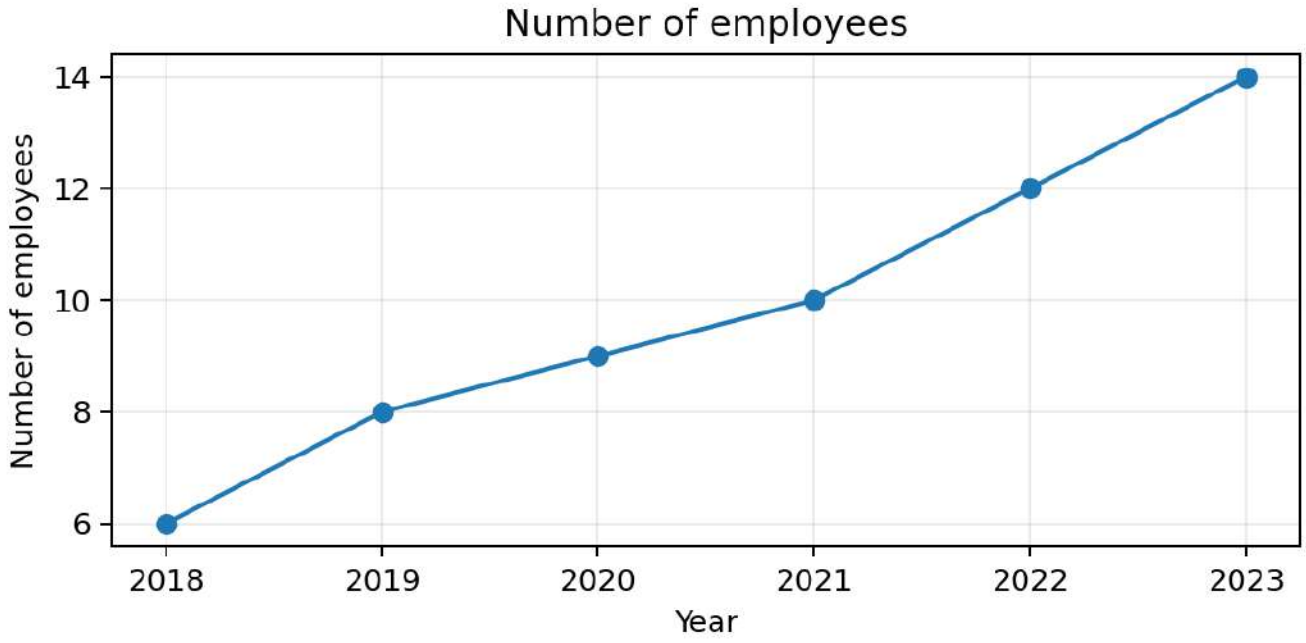


Figure 4
Trend curve for the number of employees

The number of employees in the supermarkets increased from an average of 6 in 2018 to an average of 14 in 2023. This implied that supermarkets continued to recruit more employees between 2018 and 2023. Findings are similar to those of Vătavu (2015), indicating that the market share, asset base, human personnel, and stock levels of firms in the retail sector continue to increase.

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4.5 Correlation Analysis

Correlation analysis is adopted to assess the strength and direction of the association between study variables. It is also used to determine whether a change in one variable is associated with a change in another variable, and, if so, to quantify the extent of the association (Pandey & Pandey, 2021). Correlation analysis results were presented in Table 5

Table 5

Correlation analysis

n=86		Financial Performance	Equity
Financial Performance	Pearson Correlation		
	Sig. (2-tailed)	1	
Equity	Pearson Correlation	.796**	
	Sig. (2-tailed)	.000	1

**. Correlation is significant at the 0.01 level (2-tailed).

In Table 5, the results revealed a positive and significant relationship between equity and financial performance (r=0.796, p=0.000). The study by Owolabi et al. (2021) also established that equity financing enhances financial performance.

4.6 Regression Analysis

Regression analysis is a statistical method that is used to sort the variables that have an impact on the predicted variable. It helps one determine which factors matter most and which ones can be ignored. It helps determine how the factors adopted in a study interact with one another. Results presented in this study include model summary, ANOVA, and regression coefficients. Model summary results were presented in Table 6

Table 6

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.654a	0.428	0.413	2.722293

a. Predictors: (Constant), Equity

In Table 6, R represents the correlation coefficient, and it was 0.654, which implies that there existed a strong relationship between the outcome variable and the predictor variables. R Square is the co-efficient of determination which is the percentage variance in the outcome variable that can be explained by the predictor variables. R Square value was 0.428 which implies that the model fits the data better. The adjusted r square value was 0.413 which implies that equity explain 41.3% change in supermarkets' performance. Model fitness was assessed using Analysis of Variance (ANOVA), and results were presented in Table 7.

Table 7

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	636.761	1	212.254	28.627	.000[b]
1	Residual	852.651	84	7.414		
	Total	**1489.412**	**85**			

a. Dependent Variable: Performance

b. Predictors: (Constant), Equity

The value of the F test is F (1, 84) = 28.627, $p<0.05$. This implies that the model was fit to predict supermarkets' performance in Eldoret town. The study further implied that equity can significantly predict performance. The study sought to determine the regression coefficient, and the results were presented in Table 8.

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Table 8
Regression coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	4.056	2.120		1.913	.035
1	Equity	.423	.051	.607	8.336	.000

a. Dependent Variable: Performance

Regression model specification based on the results was as follows;

$Y = 4.056 + 0.423X_1$

Where; Y is performance, X_1= Equity

Table 8 shows that equity has a significant positive effect on financial performance (β = 0.423, p = 0.000). The results further implied that an improvement in equity by 1 unit leads to a 0.423-unit improvement in financial performance when other factors are held constant. The study by Vătavu (2015) also established that equity has a significant positive effect on financial performance. The study tested Hypothesis 1 (H01), which predicted that there is no statistically significant effect of equity on the financial performance of Supermarkets in Eldoret Town. In this study, the null hypothesis was rejected as the study recorded a p=0.000, which was less than 0.05. The study concluded that equity has a significant effect on the financial performance of Supermarkets in Eldoret Town. The study by Zulvia and Linda (2019) also established that equity has a significant effect on an organization's financial performance.

4.7 Discussion

The descriptive findings suggest that respondents associate equity financing with a stronger asset base, improved stock holdings and greater capacity to attract and retain employees. This interpretation is consistent with the financing-flexibility argument: unlike debt, equity does not create mandatory interest and principal payments, which may help a retailer preserve cash for working capital. The result is compatible with the pecking-order perspective to the extent that firms with access to internal or owner-provided capital may be less exposed to the costs of external financing (Myers, 1984). It is also consistent with the broader view that financing choices are shaped by firm-specific characteristics and should not be judged independently of investment opportunities and financial risk (Frank & Goyal, 2009).

The reported positive correlation is not entirely consistent with the Kenyan supermarket evidence from Nyongesa and Omondi (2023), who found that capital-structure decisions were negatively associated with profitability among large-scale retail supermarkets. The difference may arise because the studies examine different financing constructs and outcome measures: the present study focused on equity and used respondents' assessments of operational and market indicators, whereas Nyongesa and Omondi used secondary financial data and profitability measures. Their result, therefore, did not directly contradict the present study; rather, they reinforced the need to distinguish equity from leverage and perceived performance from audited profitability.

The findings also need to be interpreted in light of the benchmark set by Modigliani and Miller (1958). Under idealized assumptions, financing mix should not alter firm value. In the supermarket environment, however, financing frictions are likely to matter. Debt obligations can create liquidity pressure when sales or inventory turnover weaken, while equity can provide a less rigid source of funds. At the same time, equity may dilute existing ownership and does not guarantee that funds will be invested productively. The appropriate managerial implication is therefore not to maximize equity indiscriminately, but to ensure that equity-funded investments have clear operating objectives and measurable returns.

Finally, the evidence should not be generalized beyond the study setting without caution. Anderson and Reeb (2003) found a positive association between founding-family ownership and performance in large US firms, but their sample and institutional context differ from the supermarkets studied here. The current article does not test family ownership as a moderator; it therefore draws on that literature only to recognize that ownership structure may influence how financing decisions are made, not as evidence of a causal mechanism in the present sample.

V. CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

The study indicates that equity financing is positively associated with perceived financial performance among supermarkets in Eldoret Town. Respondents generally viewed equity as a useful source of funds for strengthening the asset base, supporting stock availability and maintaining operating capacity. The findings point to the value of an adequate equity base, particularly where supermarkets need financial flexibility and wish to avoid excessive pressure from fixed debt repayments. They do not suggest that equity automatically improves performance: the benefits depend

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on how funds are deployed, the business's operating conditions and the balance between equity and other financing sources.

5.2 Recommendations

Supermarket owners and managers should maintain a financing structure that supports investment while protecting liquidity. Equity funds should be allocated to clearly identified priorities such as inventory capacity, productive assets, technology and store-level capabilities. Management should assess the returns generated by these investments and avoid treating expansion in assets, staffing or stock as sufficient evidence of improved profitability. Where possible, supermarkets should monitor audited indicators—including ROA, operating margin, sales growth and cash-conversion measures—alongside operational indicators. Finally, equity decisions should be evaluated alongside debt maturity, supplier credit, and internally generated funds rather than in isolation.

5.3 Limitations and further research

The study was limited to supermarkets in Eldoret Town and used a cross-sectional survey with a respondent-based performance measure. Its findings may not generalize to other retail formats or locations. Further research should use longitudinal data and audited financial statements to test whether equity financing predicts profitability and asset returns over time. Researchers should also examine whether firm size, family ownership, debt maturity, liquidity and management practices influence the relationship.

Declaration of Interest

The authors declare that they do not have any known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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