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CORPORATE GOVERNANCE, ETHICS, SIZE, RETAINED EARNINGS AND DEBTS: THEIR RELATIONSHIP WITH SHAREHOLDER VALUE OF FIRMS IN NAIROBI SECURITIES EXCHANGE

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Abstract:-
Traditionally, Corporations exist primarily to maximize shareholders wealth (Berle & Means,1932; Kapoor,2006; Stout, 2012; Friedman, 1962).The struggle for Corporations to maximize profits have taken centre stage in recent years. This has led to increased use by Corporations of various practices to meet the expectations of various stakeholders / shareholders. This study investigates the relationship between corporate ethics, governance, retained earnings, debts and sizes and shareholder value (EPS) of firms listed on NSE. The results of the study should assist Corporate CEOs and Executives make informed use of the Corporate Practices in furthering corporate objectives. A Survey of staffs of 33 Kenyan Firms listed on NSE revealed that there is significant correlation between these practices and the EPS of the Companies. In addition the study revealed that higher ratings on governance and ethical practices promote efficiency of operations among firms hence increased EPS. Increased adoption of retained earnings and debts to finance investments portrayed increased effects on EPS of the firms. The findings further revealed that corporate size have no significant influence on the EPS of the firms. Adoption of these practices can be an appropriate strategy towards maximization of corporate returns; hence shareholder value of firms. Corporate Managers, CEOs and Executives should, however, carefully evaluate corporate strategies/practices they employ against other forces including market characteristics and nature of company products/services.

Keywords: - *Governance, ethics, retained earnings, Corporate Size, EPS, NSE*

11.0 INTRODUCTION

The Struggle for Corporations to maximize profits has taken centre stage all over the world in recent years. Corporation exists to maximize shareholders wealth. Corporate investors have developed keen interest in the share prices of corporations to invest in shares. Corporate CEOs, Managers and Executives have had challenging times in coming with strategies/practices geared towards corporate profit maximization. Some of the strategies/practices include the use of retained earnings, corporate debts/leverage, corporate size, governance and ethics.

Although extensive researches have explored the specifics of these strategies/practices and their interactions with shareholder value of firms (Kariuki, 2011; Munyua & Ragui, 2013; Rappaport, 1986; Myers & Majluf, 1984; Fama & French, 2000;Alskaran, 2001;Donaldson & Preston, 1995; Kleiman, 2015;Heysel, 2013; Kohar & Konar, 2001; Paul, Craig & Hensen, 2009; Berrone, Surroca & Tribo, 2005; Godfrey,2005; Gill & Mathur, 2011; William, 2008), Much less research has investigated the relationship between these variables and the EPS of the firms. The increased and continued use by corporations of these strategies conveys the need to research more on all these variables beyond their specifics. This need is illustrated by the fact that almost 95% of the companies listed on NSE use retained earnings, almost all the firms employ debts to finance their investments. In addition corporate ethics and governance concerns have become a mantra in the modern corporate world. Corporate data is available and companies are becoming more transparent and open in their operations due to increase need for ethical standards and improved governance.

It's becoming increasingly useful that corporations are using these practices over time to meet shareholders wealth maximization objective. These Corporate practices will still be expected to become key factor in corporate profit maximization and success. Theories such as Stakeholder theories, Shareholder theories and the Pecking order theory gives credit for the adoption of these strategies in ensuring organizational success. Although researchers like Professor Walter, IM Pandey and Myers and Majluf have acknowledged the relationship between some of these variables and organizational success/profitability, little is known about the extent and the nature of effect of these corporate practices on the earnings per share of the firms in NSE.

This study further explored the effects associated with adoption of these practices/strategies in order to see their contributions to profit maximization objectives. The research questions driving this study are as follows:

- What is the relationship between retained earnings and shareholder value of firms?
- What is the relationship between corporate governance and shareholder value of firms?
- What is the relationship between corporate ethics and shareholder value of firms?
- What is the relationship between corporate size and shareholder value of firms?
- What is the relationship between corporate leverage (debts) and shareholder value of firms?

The study involved survey interview conducted on staff of 33 firms listed on NSE in Kenya in order to investigate these research questions. The Study used regression Analysis and Chi Tests of Significance to analyze the data collected using survey Questionnaires. The Study reviewed the extant literature on the corporate practices: Enhanced Corporate ethics, improved corporate governance, use of retained earnings, use of debt finance and corporate sizes.

The reminder of the article is structured as follows: First, a Literature review giving a review of the extensive literature and previous studies conducted. The Methodology including the target populations and sample sizes and the procedure used to test the hypothesized effects of the variables ethics, governance, size, debt and retained earnings is described. The findings of the study are then presented. The Article concludes with a summary of the discussions of the research findings. (Note 1)

2.0 LITERATURE REVIEW

A Review of the extensive literature on shareholder value creation show both positive and negative relationship between the corporate practices retained earnings, debts, governance, ethics and size and the EPS of firms. The studies that support the conclusion that the variables influence shareholder value of firms (increased use of the practices/strategies leads to higher EPS) includes Alsakran (2001), Kayo & Kimura (2010), Fama & French (2000), Myers & Majluf (1984), Walter (1963), Donaldson & Preston (1995), Robert (2015), Rappaport (1987), Heysel (2013), Kohen & Konar (2001), Paul, Craig & Hensen (2009), Godfrey (2005) and Ronal (1937).

According to Alsakran (2001) and Kayo & Kimura (2010) argued that the more retained earnings ploughed back into business, the more the increase in profitability and shareholder value of firms. They suggested that the most profitable firms are those that invest more retained earnings in financing their investments choices. Firms utilize retained earnings at lower or zero costs compared to other sources of finance hence generate more returns. In his theory of dividend policy, Walter (1963) argued that the choice of dividend policy affects the retention ratio of firms which in turn affects the profitability of firms. In his study, he explained that the relationship between the cost of capital and rate of returns in determining dividend policy maximize shareholder value of firms. His model capitalized on the use of retained earnings to maximize shareholder value of firms.

Myers & Majluf (1984) also argued that corporations use retained earnings as internal sources of finance first before other sources to finance the growth of their investments. They argued that increased use of retained earnings is positively related to increased shareholder value of firms. Fama & French (2000) conducted a study and found out that less leverage (use of less debt) non-payers of dividend are more profitable corporations. They observed that increased profitability is related to use of less debts and increased use of retained earnings to finance firms' investments.

Donaldson & Preston (1995) conducted a study on the Boards and Management of firms' effects on corporate goals and discovered that corporations use boards and management to achieve their goals, including shareholder value creation. They observed that the use of moral and philosophical approaches in furthering corporate goals positively influences profitability of firms. In another study, Zogning, Felix (2017) showed that corporate ethics and governance (effective agency relations) are used to motivate the boards and management to further the interest of shareholders; increased value for firms. They observed that effective governance practices and ethical standards positively affect growth in value of firms

Rappaport (1987) conducted a study and found out that reduced income tax rates, lower costs of capital and increased profitability are essential for increase in shareholder value of firms. Peter Heysel (2013) carried out a study on the effect of corporate culture on shareholder value of firms. He found out that entrenching the culture of corporate ethics enhances shareholder value of firms through increased returns. Cohen & Konar (2001) conducted a study on the relationship between environmental problems and market value of shares of firms in SXP 500 Companies in USA. They observed that bad environmental performance negatively correlates with firms' level of financial performance

Paul, Craig & Hensen (2009) carried out a study on the relationship between corporate social responsibility and shareholder value of firms. They found out that among USA Firms, CSR cushion firms against risk of losses; in the case of negative activities, the decline in shareholder value of firms is noted to be smaller. Berrone, Surroca & Tribo (2005) carried out a study on corporate ethics as determinants of firms performance .They found out that with strong ethical identity firms achieve a greater degree of shareholder satisfaction; which in turn positively influences firms' performance. Further, the study findings show that higher shareholder value for any positive increase in the use of corporate practices/strategies; retained earnings, governance, ethics and higher leverage except for corporate size which shows no significant influence on value of firms. However, some studies did not show a significant relationship between the corporate practices and EPS of firms. Ronal (1937) found out that in his study of 100 USA firms that increase in size of firms results in increased internal costs of the firms which in turn reduces the market price of shares if they happen to be more than the market price of shares. Baumol (2008) found out that the conducts of the corporate executives/ managers to maximize their objective utility (that of increased salaries, perks, allowances, prestige and power) increases the cost of firms in turn reducing the profitability of firms; He argued further that these practice undermines the objective of firms. In another study, Gill & Mathur (2011) carried out a study on 91 Canadian firms listed on Toronto Stock Exchange and found out that corporate size positively impacts on shareholder value of firms These studies have shown varied results in the literature review and these could be attributed to:

i). The accuracy of primary data provided by the respondents during surveys; respondents may feel to defend or punish their organizations due to their personal feelings about their organizations.
ii). the accuracy of the governance and ethics ratings which was based on the perceptions of workers
iii). Reliability of the source data and the variations in the nature of sectors from which the samples for the survey was drawn. Some sectors are well developed compared to others and some have better access to markets and other performance boasters for firms.
iv). Possible influence associated with other variables which have not been considered for assessments during this study which may have possible influence on the profitability of the firms.

These variations could yield different results in the study. Finally, Some studies have used only specific items which only forms part of the variables in this study hence are subjected to lesser challenges compared to others due to limited scope. This could include less data set which could be inadequate. Though investigations on shareholder value variation related to some of the variables in the study was challenging, this paper attempts to address these issues through the choice of a more inclusive semi-variables, most suitable shareholder value measure, comprehensive variable elements and empirical methodological choices for the study.

3.0 METHODOLOGY

3.1 SAMPLING

The target Population of this study consisted of staffs of the firms listed on Kenya's NSE between the years 2010 and 2016.The Unit of analysis was the members of staffs comprising of (68 firms each 3 staffs) 204 staffs. A List of 68 firms was obtained from Kenya Daily Nation Newspaper and NSE Website. The List served as the population from which sampling frame was drawn for the study. To account for the impact of low response rates usual with survey questionnaires, three survey questionnaires were issued to each of the sampled 33 firms selected on the sampling frame. This was done in order to realize a large sample for use in the study at the analysis stage as recommended by Tabachnick & Fidell (1998). The final realized sample included 64 usable questionnaires, representing a 65% response rate. All the 64 Questionnaires were analyzed. Table 1.1 and 1.2 below shows the target populations, sampling frames and demographic profiles of the respondents used for the study.

Table 1.1 Target Populations for the Study

Serial No.	Target Sector	Population (No. of firms in each Sector)
1	Agricultural	7
2	Automobiles and Accessories	3
3	Banking	11
4	Commercial and Services	9
5	Construction and Allied	5
6	Energy and Petroleum	7
7	Insurance	6
8	Investment	3
9	Investment Services	1
10	Manufacturing and Allied	9
11	Real Estate and Investment Trust	6
12	Telecommunication and Technology	1
13	Growth Enterprise Market Segments -GEMS	2
	TOTAL	**68**

Table 1.2 Sampling Frame for the Study

Level	Target population	Sample size
Top management	68	33
Middle level management	68	33
Lower level management	68	33
Total	**204**	**99**

3.2 DATA COLLECTION

The Questionnaire (Annexe 1) was pre-tested using a convenience sample of 20 questionnaires administered to 20 college students in the University of Nairobi. Cooper and Schindlers (2006) collaborative participants pre-testing method was used. Data for the main study was collected over a period of one month (4 weeks) in April and May 2017 through survey questionnaires administered to three staffs in all the identified firms in the sampling frame to obtain the required study information.

Before conducting surveys, authority to carry it out was obtained from Kenya Methodist University School of Business (Annexe 2) and the National Council for Science, Technology and Innovations (Annexe 3).To avoid biasness; simple random sampling and stratified sampling methods were used to administer the questionnaires. While allowed to fill questionnaires by themselves, some respondents were orally interviewed by the research assistants due to limited time for the respondents in the work place, to minimize loss of questionnaires and to save time. Well informed research assistants approach staffs during lunch hours and in work place and assist them to fill questionnaires.

3.3 MEASUREMENT

3.3.1 Corporate Size

The Multiple choice single response questions scale was used to assess the respondents response to give the size of their organizations (see annexure 1, Part I, items 1-6).The Six items of the scale (items 1-6) are multiple choice single response questions. All the scale points were labeled ranging from A to E.

A Reliability analysis of the six items multiple choice questions indicated that items 2-6 have to be removed at the analysis stage since the size of the firms can be uniformly assessed using the responses to question 1. The Cronbach alpha coefficient for item 1 of 0.751 indicates internal consistency reliability. The Cronbach alpha of 0.751 is higher than the suggested value of 0.6 ((Nunnally & Bernstein, 1994; Nunnally, 1974). The response given by each of the respondents for a specific firm was averaged to get an overall corporate size score for the firms. A higher overall score indicates a larger corporate size.

3.3.2 Corporate ethics

Psychologist Rensis Likert's, Likert Scale was used to determine the ratings of the ethical standards for the specific firms. This 23 item, 5-Point Likert scale (See annexure 1, Part III) measures the standards of ethical practices in the firms. All scale points were labeled ranging from 1 (''strongly agree'') to 5 (''strongly disagree''). No scale items were reverse scored. The scores were analyzed using Chi-square test of significance after obtaining the overall ratings for the firms. The Overall rating was obtained using a median score for the scores. The Cronbach alpha coefficient for the scale is 0.814 which indicates acceptable internal consistency reliability.

3.3.3 Corporate Governance

The Governance rating for the firms was assessed using a five-point, 23 items likert scale (see annexure 1, Part IV). All the scale points were numbered 1 (''strongly agree'') to 5 (''strongly disagree'') and no scale items were reverse scored. A higher score on the scale items indicates a higher degree of agreement with higher governance ratings as practiced by the firms. The Cronbach alpha coefficient for the scale is 0.644 which indicates acceptable internal consistency reliability.

3.3.4 Corporate Leverage/Debts ratio

The Corporate debts ratios for the firms were assessed using a 4 items, open ended question scale (see annexure 1, Part V). A reliability analysis for the 4 items questions indicated that 2 items (2 & 4) have to be removed since corporate debt ratio can be reliably be assessed using items 1 & 3.

The Cronbach alpha coefficient for the scale is 0.714 which indicates acceptable internal consistency reliability. The response given by each of the respondents was analyzed using the regression analysis model to determine the correlation with earnings per share of the firms. A higher debt ratio indicates a higher leverage for the firms.

3.3.5 Corporate retained earnings

A 2 item, Open ended questions scale was used to assess the retained earnings for the firms (See annexure 1, Part V). Retained earnings ratio was used to assess the amounts of profits ploughed back into business by firms. A higher ratio indicated a higher use of retained earnings for the firms. The Cronbach alpha coefficient for the scale is 0.697 which indicates acceptable internal consistency reliability.

3.3.6 Shareholder Value Measurement

The Earnings per Share of the firms was used as proxy measure for the influence of the variables. This was assessed through a 5- item; open ended questions (see annexure 1, Part VI).

3.3.7 Demographic Variables

The Questionnaire also contained questions to determine the respondents firms, respondent's contacts, Department of work, Position of respondent in the firms and the firms industry of operation (see annexure 1, items 1-4, Part I).

4.0 RESULTS

The Primary aim of this study was to find out the relationship between corporate practices: retained earnings, corporate governance, corporate ethics, Corporate Size and Corporate debts/leverage and the Earnings per share of the firms sampled in the study. The Results of the study (Table 4.1) showed that retained earnings have been employed to finance investments by all (100%) of the firms interviewed. The Percentage of retentions are in different proportions across the firms.

Table 4.1: Table showing the retained earnings and EPS of the firms

Companies	Retained Earnings	R/E Ratios	EPS (Ksh)
C1	3,238,934.00	0.061379833	26.92
C2	25,074.00	0.048302832	14.49
C3	75,785.00	0.04919826	1692.4
C4	2,174,032.00	0.170985709	0.76
C5	1,836,936.00	0.369140173	49.76
C6	18,555,971.00	0.023363085	10.45
C7	39,574,445.00	0.033808249	2.31
C8	4,110,156.00	0.036161724	0.43
C9	52,216,000.00	0.030135626	4.65

C10	114,181,310.00	0.745668027	0.99
C11	13,759,189.00	0.440857033	42.7
C12	13,572,645.00	0.691667731	6.49
C13	7,076.50	0.031837405	11.8
C14	715,782.00	0.023652754	1.55
C15	2,747,505.00	0.052568435	8.71
C16	74,431,346.00	0.023353719	0.8
C17	1,300,662.00	0.271225524	0.17
C18	1,061,690.00	0.036660187	-2.95
C19	5,657,455.00	0.035030616	2.57
C20	19,363,526.00	0.440949709	6.86
C21	5,518,553.00	-0.242428834	-23.77
C22	51,009.00	0.624498041	0.25
C23	-199,923,616.00	0.3327152	-1.7
C24	4,089,473.00	0.654773498	0.32
C25	12,971,933.00	0.181567564	17.12
C26	187,260.00	0.918256264	-1.42

C1-C26; Codes for the companies interviewed; R/E is the retained Earnings; EPS is the Earnings per share.

To Carry out the test, the following hypothesis was formulated: $H_{0:}$ There is no significant relationship between the earnings per share and the retained earnings. Table 4.2 Shows the results of the Regression Analysis conducted to find out the relationship between the retained earnings of the firms and their earnings per share.

Table 4.10: Table showing results of regression analysis of retained earnings and EPS

Regression Statistics	
Multiple R	0.079955901
R Square	0.006392946
Adjusted R Square	-0.043287407
Standard Error	0.227664369
Observations	22

ANOVA

	Df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.006669703	0.00667	0.128681576	0.723561912
Residual	20	1.036621302	0.051831		
Total	21	1.043291006			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*
Intercept	0.145707053	0.04991666	2.919006	0.01	0.041582726
26.92	-4.95834E-05	0.000138222	-0.35872	0.723561912	-0.00033791

The regression analysis results showed a regression coefficient of Positive (1.457), p-value 0.010), Multiple R, the Coefficient of correlation is at 7.9% and the R squared, is at 0.6%.

The relationship between corporate ethics and earnings per share of the firms was obtained through the use of Chi-Square test of significance. The result (Table 4.3) showed that there is significant relationship between the two variables. The Hypothesis formulated to be tested was:

$H_{0:}$ There is no significant relationship between the corporate ethics and Earnings per share of firms listed on NSE.

Table 4.3 showing the results of the Chi-Square tests conducted to find out the relationship between corporate ethics and EPS.

	Value	Df	P-Value
Pearson Chi-Square	38.886	12	0.000
Likelihood Ratio	36.421	12	0.000
Linear-by-Linear Association	21.783	1	0.000
No. of Valid Cases	62		

a. 16 cells (80.0%) have expected count less than 5. The minimum expected count is .05.

The Pearson Chi-Square results was $X^2 = 38.886$, n = 62, p = 0.000.The study also tested the relationship between corporate governance and the EPS of the firms using the Chi- Square test of significance. The result of the study (Table 4.4) also showed that the corporate governance practices have significant relationship with the earnings per share of the firms. To test this relationship the following hypothesis was formulated:

H_0 There is no significant relationship between the earnings per share and Corporate governance of the firms listed on NSE.

Table 4.4 showing the results of the Chi-Square test for the relationship between corporate governance and the EPS of the firms.

	Value	Df	P- Value
Pearson Chi-Square	147.084[a]	100	0.002
Likelihood Ratio	98.866	100	0.513
Linear-by-Linear			
Association	0.929	1	0.335
N of Valid Cases	62		

a. 130 cells (100.0%) have expected count less than 5. The minimum expected count is .03.

The Pearson Chi-Square results was $X^2 = 147.084$, n = 62, p = 0.002.

Further, the result of the study (Table 4.5) revealed that corporate size has positive significant relationship with the earnings per share of the firms. To test this relationship, Regression Analysis was used and the hypothesis tested was:

H_0 = There is significant relationship between Corporate Size and Earnings per share (Shareholder value) of the companies listed on NSE.

Table 4.5 showing Regression Results for test of significance between Corporate Size and the EPS of the firms.

Regression Statistics	
Multiple R	0.377244138
R Square	0.142313139
Adjusted R Square	0.101470908
Standard Error	0.923233239
Observations	23

ANOVA

	df	SS	MS	F	Significance F
Regression	1	2.970013345	2.970013345	3.484460432	0.075973625
Residual	21	17.89955187	0.852359613		
Total	22	20.86956522			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%
Intercept	3.218821139	0.197884767	16.26613907	0.000	2.80729724
X Variable 1	0.001045709	0.0005602	1.866670949	0.075973625	-0.000119291

The regression analysis results showed a regression coefficient of Positive (3.218), p-value 0.000), Multiple R, the Coefficient of correlation is at 37.7 and the R squared, is at 14%. The study sought to establishthe relationship between corporate debts ratios and the earnings per share of the firms using Regression Analysis modeland the hypothesis tested was:
$H_{0:}$ There is no significant relationship between corporate leverage/debt ratios and the earnings per share of the companies listed on NSE.
The results of the study (Table 4.6) showed that there is no statistically significant relationship between the earnings per share of the firms and their corporate debt rations.

Table 4.6 showing the regression results for the test of significance between corporate debt ratios and the EPS of firms.

Regression Statistics	
Multiple R	0.00391366
R Square	1.53167E-05
Adjusted R Square	-0.049983917
Standard Error	2.194695185
Observations	22

ANOVA

	Df	SS	MS	F	Significance F
Regression	1	0.001475541	0.001476	0.000306	0.986209125
Residual	20	96.33373911	4.816687		
Total	21	96.33521465			

		Coefficients	Standard Error	t Stat	P-value	Lower 95%
Intercept		0.912196303	0.481198936	1.895674	0.072548	-0.091567085
	26.92	-2.33216E-05	0.00133247	-0.0175	0.986209	-0.002802805

The regression analysis results shows a regression coefficient of positive (0.9121), p-value 0.070, Multiple R, Correlation coefficient of 0.004 and R squared, Coefficient of determination of 1.53.

5.0 DISCUSSIONS

The Purpose of this study was to find out the relationships between corporate practices such as use of retained earnings, use of debt finance, enhanced governance practices and ethics and use of varied corporate sizes and the earnings per share of the firms listed on NSE. The findings of the study on the use of retained earnings in investment finance do augment well with the findings of Pandey (2001); Thuranira (2014); Kanwal (2012) and Murekefu & Ouma (2013) that concluded retained earnings have positive but not significant relationship with shareholder value of firms. This was also in agreement with the findings of the study by Khan (2013) and Ngunjiri (2012) that cites retained earnings do not have significant impact on the shareholder value of firms.

The Pearson Chi-Square test results showed that there is a significant relationship between the corporate ethics variables tested and the shareholder value of the firms (EPS); therefore the study rejected the null hypothesis. The Pearson Chi Square test results gave a P-Value of 0.000 which is less than the significance level of 0.05; This showed that there exists a significant relationship between the shareholder value of firms and the their Corporate ethical standards.

Having tested various variables on corporate ethics, the study revealed that there is significant positive relationship between corporate ethical practices of the firms listed on Nairobi Stock Exchange and the Earnings per shares of the firms. These findings augmented well with previous studies conducted by Heysel (2013), Kohen & Khar (2001), Paul, Craig & Hansen (2009), Berrone, Surroca & Tribo (2005), Godfrey Paul (2005) and Keim & Hillman (2001) which concluded that there is a positive significant relationship between the EPS of the firms and corporate ethics.

The relationship test between corporate size and EPS of the firms by use of regression analysis showed a regression coefficient of positive (3.218) which indicated a statistically significant (p-value 0.000) relationship. The study accepted the null hypothesis. The Study did dasagree with the findings of the study conducted by Gill & Mathur (2011),Ronal (1937) and Baumol (2008) which concluded that Corporate Size have no significant influence on the shareholder value of firms.

The study result showed that Multiple R, the Coefficient of correlation is at 37.7% showing that there is a positive relationship between the Corporate Size and the EPS of the firms. The R squared or the coefficient of determination was

14.2% an indication that some 14.2 % of the variations of the earnings per share around the mean in the study was explained by the Corporate Sizes, the independent variable.

The Chi-Square tests for the relationship between corporate governance and EPS of the firms showed a positive and significant relationship. The Pearson Chi Square test gave a P-Value of 0.011 which is less than the significance level of the study of 0.05; this showed this significance. This study results agreed with that of the previous studies conducted by Bechetti, Rocco and Hassan (2009), Gerard and Benjamin (2011),Catherine, Dan and Albert (2003), Lazonick & Mary (1999) and Vincente, Gine and Maria which concluded that there is significant relationships between Corporate Governance and the Shareholder Value of firms. The Studies showed that increased or improved governance practices leads to increased efficiency among firms and hence creates avenues for improved performances.

The study tested the relationship between use of corporate debts and the EPS of the firms by use of regression analysis. The results showed a significant relationship exists. From the Regression Analysis results, Multiple R, The Coefficient of correlation showed a +0.004 value which means that there is a positive relationship between the Corporate Debts ratio and the shareholder value of firms(Earnings per Share). The Coefficient of determination, R Squared, showed a value of +1.53 which indicates that all the variations in the earnings per share around the mean is explained by the independent variable, corporate debts ratio and other factors or variables not considered in the study. Further, the results showed a regression coefficient of positive (0.9121) and that the relationship is statistically not significant (p-value 0.070).The p-value indicated that the relationship though existing isn't significant.

This study results augmented well with the studies carried out by Hayam, Awan (2005), Cheng and Zeng (2011), Rajan and Zingales (1995) and Adeyemi and Obo (2011), which concluded that there is positive relationship between corporate leverage and firms' value. However, the study did not agree with the findings of the study carried out by Eduardo and Brown (1999) which concluded that there is negative relationship between the shareholder value of firms and the corporate leverage of the firms.

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