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CEO DOMINANCE AND CAPITAL STRUCTURE OF LISTED FIRMS IN NAIROBI SECURITIES EXCHANGE. THE MODERATING ROLE OF DEBT TAX SHIELD

Abstract
Firm management faces challenges in determining the best means to raise cash while also trying to meet the various stakeholder interests, such as whether to issue stocks or bonds. The capital structure of a company is made up of these sources of funding. Despite substantial research on the subject, little attention has been paid to the likely moderating role of the debt tax shield on the link between CEO dominance and capital structure. In trying to solve this problem, the research sought to establish the effect of CEO dominance on capital structure, moderated by debt tax shield. It specifically sought to assess the effect of CEO dominance and debt tax shield on capital structure, as well as the conditional effect of debt tax shield on the direct relationship. Data were analyzed using both descriptive and inferential statistics. Descriptive statistics showed that firms prefer debt to equity in financing projects. The fixed effect regression results indicated that CEO dominance and debt tax shield have a significant effect on the capital structure of a firm. In contrast, debt tax shield proved to moderate the relationship between CEO dominance and capital structure. CEO dominance portrays a positive and significant effect on capital structure, meaning it significantly increases the debt ratio. Firms should evaluate the influence of CEO dominance on their financing strategies. Policymakers and stakeholders should consider the moderating role of the debt tax shield in shaping corporate leverage policies to enhance financial sustainability.

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