

**INVESTIGATION STOCK SPLITS AND RIGHTS ISSUE ON COMPANY
PERFORMANCE: A STUDY OF COMPANIES LISTED AT THE NAIROBI
SECURITIES EXCHANGE**

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ABSTRACT

In competitive markets, companies strive to be innovative so as to gain a large market share. Therefore companies tend to find ways to increase the market share through stock splitting; a company is able to increase its shares therefore giving opportunities to potential investors. The study is set out to investigate and evaluate a company performance based on the exercise of stock split and right issue. Random sample of 10 companies listed in the NSE have been taken, whereby they have been divided into two categories, five of which explain stock split and the other right issue and how they affect a company's performance. The study used secondary data. The study includes surveys and fact findings hence more in depth information provided. Findings of the study were that stock split and right issue affect a company's performance. The exercise of stock split by companies showed that there was a decrease in stock prices right after splitting before the start increasing. At the same time when rights issue is announced, the stock prices increases, but before the right issue, the stock prices seemed to have decreased. This was an indication that the performance of these companies was being influenced by the practice of stock splitting and right issue. The study recommends that the company managers should undertake their right issue or stock splits openly to the public to increase their credibility.