

**DETERMINANTS OF INVESTMENT PERCEPTIONS OF
THE MANAGERS OF FIRMS LISTED AT NAIROBI
SECURITIES EXCHANGE, KENYA**

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**Determinants of Investment Perceptions of the Managers of Firms
Listed at Nairobi Securities Exchange, Kenya**

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Degree of Doctor of Philosophy in Business Administration (Finance) of
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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University

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DEDICATION

This thesis is dedicated to my wife Linet for her patience and understanding and my children Dr. Winnie, the late Elvis and Moses who have been a source of inspiration and support in the course of my studies.

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ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
ARDL	autoregressive distributed lag
Capex	Capital Expenditure
CAPM	Capital asset pricing model
CDSC	Central Depository System Corporation
CF	Cash Flow
CMA	Capital Markets Authority
EMH	Efficient Market Hypothesis
EPS	Earnings per Share
FCF	Free cash flow
FDI	foreign direct investment
FISD	Financial Information Services Division
IFC	International Finance Corporation
IPO	Initial Public Offer
ISDA	International Swaps and Derivatives Association
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
MSFs	Multiple Strategies Foundations
NACOSTI	National Commission for Science, Technology and Innovation
NGOs	Non-governmental organisations

NPF	Non-performing financing
NPV	Net Present Value
NSE	Nairobi Securities Exchange
OLS	Ordinary Least Squares
R&D	Research and Development
ROA	Return on Assets
ROE	Return on Equity
RoKE	Republic of Kenya
SEM	Mauritius Trade Stores
SIIA	Software and Information Industry Association
SMEs	Small and Medium Enterprises
UK	United Kingdom
US	United States
VAR	Variance

DEFINITION OF KEY TERMS

A firm listed on NSE	A firm that has its shares traded on the Securities exchange that increases public participation in ownership of such an organization (Mwangi, Makau & K0osimbei, 2014).
Business risk	The measure of risk associated with a particular security and refers to the possibility that the issuer of a stock or bond may go bankrupt or unable to pay the interest or principal in case of bonds (Hull, 2014).
Cash flow	The total amount of money that gets in and out of the company (Kruschwitz & Löffler, 2020)
Investment Perception of the Managers of Firms entail	financial discernments towards allocation of resources to future projects of an organization with aim of maximizing the wealth of shareholders (Foucault & Fresard, 2014).
Determinant	A factor having an influence or effect on a process or an event which can be quantified in certain terms (Almumani, 2014)
Investment decision	An estimation of value for comparison with market price to determine whether to invest (Graham, Harvey & Puri, 2015)
Portfolio income	Money earned during the revenue period on the exchange of goods or services, the sale or investment of goods or goods (Elwell, 2014).

Leverage	The use of borrowed money to increase the return on cash investment (Greenbaum, Thakor & Boot, 2015).
Portfolio income	Includes dividends, interest, capital gains from property that produces portfolio income, and royalties (Farlex Financial Dictionary, 2009).
Stock exchange	An organized and regulated financial market where securities are bought and sold at prices governed by the forces of demand and supply (Sritharan & Vinasithamby, 2014).

ABSTRACT

This study was conducted with the general objective of examining the determinants of investment perceptions of Managers of firms listed at Nairobi securities exchange in Kenya for the period 1st January 2013 to 31st December 2017. The specific objectives were to establish the effect of cash flow on investment perceptions of managers of firms listed at Nairobi securities exchange in Kenya; To assess the effect of business risk on the investment perceptions of managers of firms listed at Nairobi securities exchange in Kenya ;To examine the effect of portfolio income on the investment perceptions of managers of firms listed at Nairobi securities exchange in Kenya and to determine the effect of financial leverage on the investment perception of the managers of firms listed at Nairobi securities exchange in Kenya. The investment perception of the managers of the firms is a vital organ of the strategic plan of every business establishment. Success of new projects radically adds to the development, effectiveness and growth of the company. On the contrary, when a company project is unsuccessful, the company suffers reductions in efficiency threatening future existence. Companies faced with wrong investment perceptions of managers are placed under receivership; financial challenges; restructuring or delisted from Nairobi securities exchange altogether. This study intends to fill the gap by considering the possible investment perceptions of managers of listed companies that can affect the existence and growth of the listed firms. The study targeted 64 firms listed at the NSE in Kenya. The sample size of 32 firms in the study formed 50% of the targeted population. This was in line with Mugenda and Mugenda (2003) who stated that a sample size of 50 % is sufficient and effective for data analysis. The study was based on primary and secondary data which was collected between 2013 to 2017. The management executives from Operations, Finance and Accounts of the listed companies were requested to use the standard questionnaires for the 96 respondents in the study. Data was analysed using financial ratios, descriptive, correlation, standard deviation and means. Panel data updates were used to find out the impact of each of the variables in the study. The Random Effects Model (EGLS) criterion was used to describe the objectives of this study. Regression coefficients had a positive impact on cash flow, business risk, and financial leverage, while portfolio income had a positive but statistical impact on corporate investment visibility from the EGLS randomized approach. Finally, cash flow, business risk and financial leverage had null hypothesis rejected in favour of alternative hypothesis (financial leverage had a significant impact on financial perceptions). However, the null hypothesis of portfolio income was not rejected because it had significant impact on manager s financial perceptions. The study proposed that management of firms listed at the NSE in Kenya ought to have a good financial management system for effective investment management, that listed companies should ensure that a risk management strategy is developed to guide investment decisions, in order for Shareholders to increase wealth and their returns. The study had a number of limitations viz; the study was limited to only five variables relevant to the research; cash flow, business risk, portfolio income and financial leverage. It was limited to period of the study i.e. 2013 to 2017. Any period out of the study timelines was excluded from the study findings. The study findings were

limited to the firms listed at the Nairobi securities exchange within Nairobi geographical period. Social, political and Economic factors also caused some of the limitations on the research findings. The study was also limited to the observations obtained from the identified senior managers of the firms. The study concluded that NSE and CMA managers should enforce collaboration between financial experts, analysts and investors to promote the process of making well informed investment perceptions of managers of the firms listed at the Nairobi securities exchange.

CHAPTER ONE

INTRODUCTION

This introductory chapter focused on the background of the study, statement of the problem, objectives of the study, research questions, significance of the study, limitations, and scope of the study and finally the definition of the operational terms used in the study.

1.1 Background to the study

1.1.1 Global Perspective of Determinants of Investment perception of the managers of firms

Due to the importance of investment to the growth path of the economy, several studies analysed the investment behaviour from a macroeconomic perspective, often focusing on large and developed economies (Ali, Rahat & Shah, 2020; Sadiq *et al*, 2021). However, albeit being an undoubtedly important issue for policymakers (European Investment Bank, 2016), studies that focused on the firm-level investment performances are scant. Evidence suggests that corporate executives (financiers) have some control over the creation of capital, and therefore a strong level of influence on the price and value of capital affects financial investment within model firms (Folorunsho, 2017).

Haydarov (2020) supported financial investment ideas in various investment activities with significant monetary results or profits. However, these concepts have been widely discussed particularly economists who work mainly on neoclassical culture have examined whether economic aspects alone contribute to a “real” thing like investment. Such results appear to challenge the decision-making basis that is neoclassical approach. Outstanding work on this procedure will be with Dale Jorgensen and his colleagues. Jorgensen, Miller, Modigliani supported this conclusion in the theory, which shows real decision and financial freedom in certain circumstances. Jorgensen’s work also emphasizes the economic implications of other similar studies due to association between economic instability and neoclassical

investment specifics. James Tobin made an investment proposal based on stock markets. Tobin suggested that corporate investment rates should be based on the current investment value of capital restructuring costs (Folorunsho, 2017).

All companies aim to grow and, therefore, the investment models of companies are greatly influenced by the financial climate and the financial conditions in which they operate. In addition to large variations like rate of real interest, firms cautiously examine their equity assets in the firm's financial investment. The decision to invest in companies is one of the most important lessons in the life of a company because investments can destroy strong values that lead to liquidation or increase the fair value of a good company. In addition to the importance of the study, companies planning to invest in the future need critical financial analysis. Ultimately, the financial outlook of an investment is influenced by investment strategies; therefore, it is crucial to understand the source of the investment to provide basis for its thorough analysis. Investment money may not be a big issue for reasonably priced or great and recognized companies. However, this may be true for small companies that require foreign investment at their expense. For a well-defined definition of financial behaviour, this makes it necessary to employ careful scrutiny of the aspects of finance that influence financial investment at the company level (Umit & Hassan, 2017).

The financial condition or financial difficulties of the company are important factors for strong investment. Financial difficulties are the nature of a firm's financial position or strong balance flows, such as the balance sheet of a business (Farre-Mensa & Ljungqvist, 2013; Silva & Carreira, 2012). An organization financial choice affects its investment focus because taxes, tariffs, agency disputes, and credit information related to debt and equity influences capital cost due to internal and external financial costs differences and change between management incentives for different projects (Zhong, Ren & Song, 2021). An aspect that has called for special attention is the sensitivity to invest in internal financial transactions. Financially, an organization may invest more for three reasons: i) internal cash may be more expensive than foreign currency, ii) managers may spend more money not available

internally and iii) opportunities may be linked to cash flow investment (Zhong, Ren & Song, 2021).

Managers can draw knowledge to have better chances to have sound financial investment (Awais, Laber, Rasheed & Khursheed, 2016). The authors further noted that there are three main factors that contribute to existence of risks; risks are due to uncontrolled factors that cannot be measured precisely, risks are caused by the cost of information that some firms may not afford and inability of decision makers to use the available information (Awais *et al.*, 2016).

Zaher (2019) studied the effect of false self-confidence of a manager on the activities based on reality and found that overconfidence has a positive effect on real earnings management and accruals. Heydari and Abdoli (2019) showed the effect of the CEO perception bias on economic decision making and financial reporting quality level and also indicated that reliability and competitiveness affect financial decision making and quality of reporting so that the difference between the current value and future value of investment projects may show lower future returns and uncertainty causes the lack of competition and comparability, and in fact, it leads to earnings management and changes in return on capital. Mohammadi, Kardan and Salehi, (2018) examined narcissism in managers and its effect on financial reporting quality and found that managers' narcissism has a significant relationship with reward, management, and earnings quality causing the increase of earnings management and reduction of earnings quality.

The decision to invest is old to man and is now embedded in an ancient mystery. Decisions arise from the desire to prepare for the future or to prepare for rainy days and hence they are influenced by the thoughts of each individual. The need to reduce the uncertainty associated with the future outcomes of current actions has made investment decisions unrealistic. However, uncertainty about future outcomes is always the expected outcome of seasonal changes and environmental factors, which underscores the financial risk (Farayibi, 2015).

Every investment decision involves some level of risk, Virlics (2013) precisely outline this in his analysis on investment decision making and risk. The paper looks

at the role played by risk and uncertainty in the course of making decision on a particular investment. In business, the proprietor considers the expected returns, availability of investments and cost of acquiring them, length of time before returns can be expected and the expected riskiness of such an investment project including changes in market value through inflation and depreciation. Uncertainty is one of the risks that decision makers have to analyse and deliberate upon before making a conclusive decision, this then implies that accurate information has to be collected to decrease the level of uncertainty of the markets.

In America and Europe, Corrado *et al.* (2013) by using panel data estimated investment in scientific factories in the US, France and Japan. The study showed investment was associated with profit on one hand and on the other; it was associated with sales and cash flow and was dependent on the affiliated country. In the UK, Mohamed, Fairchild, and Bouri (2014) analysed the economic factors influencing investment decisions on support outcomes.

In particular, they estimated the return on investment that would divide the company's ability to address the chances of financial crisis in the UK industry within the period between 1983 and 2000. They found that the complex nature of the investment decisions of large companies could not be explained in low tuff; however, its descriptive powers were maintained for the same for smaller firms. The amount of the variance in cash flows in the investment equation can be determined by describing the differences in the major financial markets.

In China, the results from 60 firms conducted by Li and Jodi (2010) strongly linked the credit and investment perception of the managers of real estate firms from company data between 2006 and 2008 using the multi-line retrieval method. Gupta (2020) analysed the influence of investors' perception on the mutual fund investment. This implies that primary investment and earnings are positively associated with large investment in medium-sized factories.

1.1.2 Regional Perspective of Determinants of Investment perception of the managers of firms

Financial debt has negative association with the slow growth of investments. A study conducted by Fernandes, Lynch and Netemeyer (2014) to assess the influence of financial assistance on organizations' financial investment found financial debt negatively associated with low investment; the financial results revealed a negative relationship between the two categories of high resilience. Riro and Momba (2016) assessed effects of strong tax cuts on FDI in construction companies operating in Nigeria. Strongly used tax rates in Nigeria have reduced tax avoidance or tax evasion. Extended tax collections used by countries to attract more technological investment include effective tax cuts, tax holidays, free tax deductions, reduced tax deductions, lower prices and more losses. The state decreased the rate of income tax to 60% from 65% between the years 1929 and 1955 to promote investment. Since 1996, fixed income tax has been at the rate of 30% per annum on any company's profits. Research shows a strong link between a strong income tax and a reduction in FDI.

Hassen and Anis (2012) studied the impact of FDI on Tunisian economic growth. Relying on data from 1975 to 2009, the findings assert that FDI could boost the process of long-term economic growth. More so, Wakyereza (2017) examined the impact of FDI on growth, employment and poverty reduction in Uganda, between 1985 and 2014. Using the vector autoregressive (VAR) and ordinary least squares (OLS) techniques, the findings reveal that FDI contributes to Uganda's economic growth, employment and poverty reduction. In addition, Nguye (2017) tested the short-run and the long-run effect of FDI and export on the growth of Vietnamese economy. Using the autoregressive distributed lag (ARDL) technique on the secondary data obtained between 1986 and 2015; the authors confirmed a significant and positive impact of FDI on economic growth in the long run. In a slight contrast to these findings, Tabassum and Ahmed (2014) examined the impact of FDI on economic growth in Bangladesh, using a multiple regression technique on data spanning 1972 to 2011. The authors obtained that domestic investment exerts a

positive influence on economic growth, whereas FDI and trade openness are less significant.

1.1.3 Local Determinants of Investment perception of the managers of firms

In Kenya, companies have identified corporate profits as a main capital source. However, the credit usage of companies listed on the Kenya NSE has shown different results. While some companies use borrowing funds to boost growth and profits, some companies get into financial trouble by having poor financial investments. Some of the latter categories have been delisted from the NSE and subject to adoption as a result (Maina & Ismail, 2014).

Investors' idea of earnings, get-rich-quick, stock sales, past company stock activity, government bonds and the creation of fixed financial markets affects investment behaviour. However, individual financial investment and behaviour affects the process of making choices about the purchase of small amounts of securities for personal gain (Jagongo & Mutswenje, 2014). These aspects form basis of most adopted financial investment. Jagongo and Mutswenje, (2014) argue that financial investment is influenced by certification firm, corporate position in industry, projected incomes, profit and advertising position, past operating company, price per share, financial statement and dividend estimates for investor.

Firms are faced with financial constraints in the respective firms to finance their capital needs (Kimuyu & Omiti, 2010). Firms can use affordable short-term bank financing or equity to finance their investment. Organisation decision on whether to use total debt as opposed to long term or short-term debt as leverage for investment decision is critical process that most organisations has to go through (Kibet, Kibet, Tenai & Mutwol, 2011). This decision helps organisation to avoid the contradictory relations between debt and leverage as mostly experienced in the banking firms of the financial sector.

In Kenya, the stock market began in the 1920s during British colonial rule. There was no official market and no rules governing stock trading activities. The business is in the women's contract, where regular commissions are charged and consumers

are required to respect their contract agreements in order to provide a good deal and incur reasonable costs. In 1951, an agent named Francis Drummond was formed and founded the first stock exchange company and other stockbrokers.

The Nairobi Securities Exchange came into existence in 1954 as a regular tea cup trading at the New Stanley Hotel. The NSE Associations Act was formed in 1954 as a deliberate broker-dealer entity and in 1991; the Nairobi Securities Exchange was incorporated as a limited liability company under the Kenya Act and was not funded. Subsequent market growth saw the introduction of stockbrokers, investment banks, the establishment of banking and credit rating agencies and growth in the listing of companies over time. Secure trades include stocks, stocks and popular stocks (Republic of Kenya, 2012).

1.2 Statement of the Problem

Investment perception of the managers of firms is vital organ of strategic plan of every business establishment. Success of new projects radically adds to the development of firm's effectiveness as denoted by M-pesa project for Safaricom that has grown its net profit to Kshs 23.9 billion in 2016 (Kamau & Kagiri, 2015). On the contrary, when a company project is unsuccessful, the company suffers reduction in efficiency threatening future existence of affected companies.

Listed companies allow shareholders to increase their financial base in these companies. By repaying the capital invested, the listed companies pay dividends regularly. It is through this relationship that the growth target in the stock market emerged (Azidade, Amuda & Olurin, 2019). Joint investment decisions guide this goal of maximizing the assets of the company listed on the NSE.

However, according to the Republic of Kenya (RoKE) report, low economic performance is a major obstacle to achieving Vision 2030, low economic growth of economy and job losses in Kenya, which is impeded by social injustice (RoK, 2014). A total of 13 listed corporations has either been placed under receivership, faced financial challenges, undertaken financial restructuring or delisted from NSE altogether since independence (NSE annual bulletin, 2016). In addition, more than

56% of companies listed on the NSE have rejected their market capitalization for a period between 2011 and 2016(CMA, 2016). Such problems faced by some firms listed by the NSE can be attributed to wrong investment perception of the managers of firms by management hence the gap that this study intends to fill by considering possible factors that affect corporate investment perceptions.

The review of literature indicated that cash flow relates positively with investment financial perceptions as revealed by studies of Kwon, Ahn and Kim, (2021); Sprenger and Lazareva, (2021); Muniroh and Yuliati (2021); Kariuki, Orwa and Namusonge (2017); Liu, Pan and Tian (2018). On risk as decision making factor, Olweny, Namusonge and Onyango (2013) considered the risk tolerance levels of investors, while Yuniningsih, Widodo and Wajdi (2017) looked at the loss aversion in risk taking behaviour of investors and Okelo (2015) considered the financial risks absorbed by companies listed at the NSE and Okelo, Namusonge and Iravo (2014) considered financial risks based on availability and accessibility of information as a requisite for decision making.

In terms of income level, a study conducted by Tomola (2013) found that inflation affects investor preferences and financial investment. These findings are consistent with Sheikh and Kalakundrikar (2011) which maintained that factors associated with investor financial investment depend on different types of salary, level of knowledge, market and the number of people who depend on them to make investment decisions. According to Sharma, Mitas and Kankanasit (2014), a company's value increases when its capital expenditure decreases. The form of debt consolidation and equity reduce the cost of payment of companies and thereby increase the company's profits and market value hence is a key financial structure that influences investor investment decisions. Afrifa and Padachi (2016) in the study on working capital level influence on SME profitability found working capital level negatively affected investments financed by external sources in the SME sector on profitability in the long run.

Njuguna, Namusonge and Kanali (2016) assessed the attitude and automated investment information of each investor, the investment value, compliance, ethical and effective behaviour for controlling the intentions of individual investors. Aaron, Namusonge and Sakwa (2014) examined the stock-taking impact on investment - a stock-investment interview in Kenya found that share-based financing had a significant impact on P-value investment decisions.

NKetia (2017), on the other hand, used the Altman model to examine financial investment in general estimating company pressures. These studies take into account certain factors that influence a particular investor's decisions and do not specify any of the financial reports of firms listed on NSE. The current paper does not focus on the decision to invest from a macroeconomic perspective, but on the internal subtleties of investing in corporate thinking. Though many studies have improved our understanding of corporate investment in Kenya, there is a lack of a holistic level analysis that combines indicators of internal variables and investment performance. This study thus seeks to address the gap; investigation of factors of investment perception of the managers of firms on firms listed at the NSE in Kenya.

1.3 Research Objectives.

The study is based on general and four specific objectives

1.3.1 General Objective

The general objective of this study was to assess effects of investment perception of the managers of firms listed at the Nairobi Securities Exchange in Kenya.

1.3.2 Specific Objectives

1. To establish the effect of cash flow on investment perception of the managers of firms listed at the Nairobi Securities Exchange in Kenya.
2. To assess the effect of business risk on investment perception of the managers of firms listed at the Nairobi Securities Exchange in Kenya.
3. To examine the effect of portfolio income on investment perception of the managers of firms listed at the Nairobi Securities Exchange in Kenya.

4. To determine the effect of financial leverage on investment perception of the managers of firms listed at the Nairobi Securities Exchange in Kenya.

1.4 Research Hypotheses

The study is guided by the following null hypotheses:

H₀₁: Cash flow does not significantly affect investment perception of the managers of firms listed at the Nairobi Securities Exchange in Kenya.

H₀₂: Business risk does not significantly affect investment perception of the managers of firms listed at the Nairobi Securities Exchange in Kenya.

H₀₃: Portfolio income does not significantly affect investment perception of the managers of firms listed at the Nairobi Securities Exchange in Kenya.

H₀₄: Financial leverage does not significantly affect investment perception of the managers of firms listed at the Nairobi Securities Exchange in Kenya.

1.5 Significance of the Study

By examining the factors influencing investment perception of the managers of firms listed at the NSE is of particular interest to all its stakeholders such as policy makers, managers, researchers and scholars considering their stake and interest position as discussed herein:

1.5.1 Financial Policy Makers

This study would be beneficial to different supervisory institutions in the Kenyan financial sector comprising the Capital Market Authority (CMA), such that the findings will enhance the regulations created by the body for the listed firms at the NSE in Kenya. The findings would provide for meaningful insights in formulation of sound rules and regulations governing the exchange of shares on NSE in Kenya. For the case of the Central Bank of Kenya, the findings from this study would help in assessing the profitability of the companies listed at NSE in Kenya to inform formulation of regulations and policies that are in line with these listed financial

institutions. It will also guide the financial institutions in the country to create structures that ensures all the investment decisions yield high returns to the investors. For KRA, the study establishes findings that would inform regulations and requirements for corporate taxation and capital gain taxation. Sound corporate decision-making means more income earners for the listed firms and results in the tax body creating avenues on collection of taxes and levies.

1.5.2 Management of Firms

The results of this study provide reliable insight on the management of firms listed at NSE in Kenya to comprehend the factors that affect the companies' financial investments. The Government on her part will be able to monitor how listed firms are being managed and come up with proper policies to enhance efficiency, economy and effective operations of the firms. Those firms found to be underperforming can be delisted and Managers responsible for the mistakes disciplined as per legislations and regulations put in place from time to time.

1.5.3 Academicians and Researchers

The study would be useful to students and future scholars, as it will contribute to pool of knowledge concerning financial market in Kenya. It would enrich literature in financial system solidity and individual firm reliable strength. That is information available at the Nairobi Securities Exchange in Kenya about any particular firms is authentic and data thereby collected is reliable for research purposes.

1.5.4 Investors and Lenders

The investors and lenders can draw reliable insight from this study since it provides insight into the impact of a particular operating style on firms to cover the interests of managers and shareholders, as well as setting a value-based capital market report-based performance protection. Similarly, lenders and other financiers can draw a line on the repayment of their loan or indicate the activities of the company. Therefore, both investors and lenders can rely on information.

1.5.5 Shareholders

This study will enhance corporate investment mechanisms among listed firms in Kenya empowering them to improve productivity in line with shareholder's interest. Shareholder's main interest is more often than not to achieve profitable return on their investment and increase the value of the firm in both the long term and short term. This research will give shareholders an insight on how different determinants affect financial investment thus they can make more informed decisions with a more understanding of the roles they play at their positions of trust.

1.6 Scope of the Study

The study concentrated on the determinants of investment perception of the managers of firms listed on NSE in Kenya. There are different determinants affecting investment perception of the managers of firms such as Political stability, government incentives, corporate management, cash flows, business risk, and portfolio income and demographic factors such Employee educational levels and experience. However, this study specifically investigated how cash flow, business risk, portfolio income, financial leverage and government policy as a modulator affects investment perception of the managers of firms among the NSE listed companies in Kenya. The study targeted the 64 firms listed on the NSE as at 2017. The study used both primary data and secondary panel data obtained from the audited firm's accounts, central Bank of Kenya reports and the capital Markets handbook reports covering 5 years from 2013 to 2017. The choice for the period was meant to capture the period when the stock market experienced a lot of volatility and high levels of inflation resulting into low activities being witnessed at the NSE in Kenya.

1.7 Limitations of the Study

The research study period covered the years 2013 to 2018. Any changes made before or after this period have not yet been included in this study. Thus, the findings may not present the correct current status since it is based on historical data. The study was Limited to four independent variables; cash flow, business risk, portfolio income

and financial leverage. The study also considered on intervening factor and one dependent variable; investment perception of the managers of firms by considering the returns/profits and investment risk in capital. Furthermore, there were limitations with companies accounting periods in the study since various accounting approaches were adopted. In addition, the annual account-closing period varied between companies. Various accounting policies and annual account closures contributed to the consolidation and validation of results. The research findings were also limited to the responses obtained from the sampled senior management of the firms. Finally, the data collected in the study were historical. Historical data are not usually correct in forecasting variable behaviour and therefore reduces the accuracy of the results attained. The data acquired were not consistent resulting into behavioural characteristics being excluded. This might have been a significant obstacle in finding a trend and a meaningful relationship.

A number of limitations were also anticipated for the current study undertaking on the collection of primary data. The targeted participants were made up of corporate' management that operates under strict schedules. The researcher anticipated difficulties trying to secure time with the members targeted for purposes of addressing the questionnaire items. To moderate this shortcoming, drop and pick approach was considered in distributing the instruments. This ensured that the respondents could create their own convenient time to give their contribution through the questionnaire, which potentially improved the response rate. Some of the target participants were also hesitant to provide some of the information on the instrument. This is because financial risk management and profitability constitute very sensitive information that could jeopardize the competitive position of the firm if shared irresponsibly. The researcher attached a personal commitment letter providing that the data would be handled with utmost confidence and would not be divulged to third parties. Authorizations from Jomo Kenyatta University of Agriculture and Technology and NACOSTI were attached to guarantee respondents on the academic goal of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section presents some of previous research on the psychological framework that illustrates corporate investment perceptions and research of financial structure. It offers a critic of the scholarly works and international studies in the field and describes the key variables in the literature that inform research design and the conceptual framework.

2.2 Theoretical Framework

This thesis uses the economic and social perceptions of stock market participation as an effective analytical framework to differentiate the mechanisms that motivate people to take part in the stock market. The economy is directly associated to the type of structures used to obtain testable and or acceptable research results. Fundamentals in financial economics include agency theory, portfolio theory, prospect theory and trade-off theory which explain how investors should measure returns and losses when investing heavily in assets or securities.

2.2.1 Agency Theory

Adam Smith (1776) was the first proponent of an agency idea and the agency's motivation behind economists to develop aspects of teaching. Berl and Means (1932) reiterated this concern in his theory that he analysed the ownership of large firms in the US and found that agents employed by employers controlled and operated large companies, which could be used between principals and agents.

The stock market scholarly evidence dated back in the 1960s and 1970s outlines the problem of agencies in companies with the risk-sharing problem in cooperatives involved in organizations (Arrow, 1971; Wilson, 1968). The people and groups in this factory can withstand different risks and perform different, appropriate tasks. Principals or owners who invest and risk financial gains, suppliers who run the

company are at risk and are concerned about maximizing their personal profits. Both the principal and the agent have risk prevention priorities and their risk distribution challenge give rise to agency conflict.

Ross (1973) and Mitnick (1975) considered the organization's process and initiated two unique methods to their different tasks. Ross saw the agency as the trigger for the problem, and Mitnick saw the problem because of the organizational structure, but the main idea behind these ideas remained the same. Ross saw the problem with the lead agent as a result of the compensation decision and decided to disclose the problem rather than at the company. Mitnick's organizational approach assisted in the creation of theoretical processes and was designed to understand real-world activities. His view is that companies are built around the organization and are growing to consolidate that work.

Johnson and Droege (2004) suggested that the company explain how to maintain a relationship between agents and principals with the intention of managing to achieve its goals. The interest in the agency's relationship with the growth of large firms was evident. There are entrepreneurs who have the ability to raise capital, as well as managers who have more ideas to use than capital. Because capitalists (principals) do not have the necessary skills to run business, they entrust them to regulatory agencies (day management), hence the division of ownership in the administration and the issue of guard agency. In agency relations, leaders and agents obviously define accountabilities: Leaders are appointed by governments (to ensure that there is an effective management system, attorneys are involved in day-to-day business activities (Keswani, Dhingra & Wadhwa, 2019).

The existence of agency problems is broadly demonstrated in various fields of education. Accounting (Ronen, & Kashi, 1995) Finance (Jensen, 1986), Economics (Jensen & Meckling, 1976), Political Science (Hammond & Knot, 1996), Sociology (Adams, 1996), Institutional behaviour (Kosnik & Bittenhausen, 1992) and Marketing (Tate et al., 2010). The presence of an agency challenges with a wide variety of organizations has become one of the most significant economic and financial principles for this policy.

Historically, the domains of director acting on behalf of shareholders overseeing the effective management ethic that defines business management have referred to the relationship between shareholder and firm as a "principle". Nevertheless, wider descriptions of business management continue to draw interest of many scholars (Filatochev, & Wright, 2011). In fact, effective business management involves a large number of participants. The main partners are managers, stockholders and boards of managements, while the main players influencing the interests of the company are some workers, contractors, consumers, associates and the public. Therefore, business management aimed at these community expansion scenarios guarantees accountability participating and non-participating shareholders from the managements, as well as those interested in ensuring that the organization is properly managed.

Some corporate governance experts (LeBlanc & Gillis, 2005) have also argued that board structure is not at the centre of decent governance of the firm (which is largely recognized in current law), but the board system (especially how board of management work with this view as a team and the level of independent directors). Consequently, the current expert discussion of corporate governance reflects this research organization. These divisions are integrated and managed through agency relationships at several levels; shareholders to board of management (ISDA, 2002). In the case of such principals, the company always has conflicting environmental opportunities since the financial motivations received by agents differ from principals' motivations (ISDA, 2002) ISDA records that all firms are aware of agency issues work with them in some way. Establishing mechanisms for regulation of agency functions, supervision of employees, encouragement of financial resource providers is committed to specific responsibilities that pose a risk to objectives and administrative functions (ISDA, 2002).

In this context, the companies listed with NSE and its corporate owners are treated as the principal and the stockbrokers and stock agents who make investment decisions on behalf of corporate due to their knowledge hence abiding by the Agency theory. Agency's opinion centres on whether there are mechanisms in the market to make informed decisions to stockbrokers and stockbrokers and to work on ways to increase

the use of corporate patents owned and regulated by segregation. Thus, the theory relevantly gives a picture of how the principal-agent conflict influences investment perception of the managers of firms especially when it comes to Business risk. In cases where the investors are risk takers and agents are risks averse and tend not to agree consequently affecting the investment making decisions by the corporate.

2.2.2 Portfolio Theory

Harry Markovitz developed the concept of portfolio in 1952. Markovitz defines portfolio security as a collection of more securities viz; security becomes available when there will be uncertain returns on investment and hence losses, which should establish what portfolio they have. Markovitz argues that investors should base their portfolio decisions solely on expected returns and general deviations. Investors should measure the returns and general deviation of each portfolio and select the best one based on these two frameworks.

Markovitz (1952) introduced the basic and widely accepted model of portfolio selection, introducing the use of return-derived returns rates and portfolio risk. He explained the risk reduction benefits associated with the acquisition of various asset segments. The purpose of a portfolio is to make a financial profit or make money or a combination of both. The purpose of the portfolio is to increase the set of investments selected for its value-added investment, while the cash-generating portfolio includes selected investments with their current dividend or interest. At the end of the day, investors have to make trade decisions to take advantage of their portfolio.

Later, Newman and Morgenstern (1947) developed a portfolio vision based on model making. In theory, the greatest exchange on investment would be between risk and profit. Various scholars support the knowledge of capturing a diverse portfolio (Markovitz, 1952; Roy, 1958; Tobin, 1958). Analysis of their diversity means that the investor must allocate his assets to the several resources existing in the market, which is a one-time development drive.

Various theories formulated establish the Markovit framework for diversity to improve relationships for expected returns (Sharp, 1964; Lintner, 1965; Mosin, 1966). As investors reduce risk, the expected profit reduces. The theories formulated by Sharp, Lintner and Mosin adopted capital in a form of asset prices. The CAPM model offers a basic tool for relating returns on market portfolios for each return on share capital. This tool is in adequate beta (β), so CAPM is an example in terms of market security. This model is based on the idea that the market works well and that investor rates are repetitive and risky. Consequently, the investment list for all personal stocks and portfolios is likely to be maintained according to the variance index. Since investors prefer higher returns and lower losses, they should dominate those that do not have portfolios that are more efficient.

Omisore, Yusuf and Christopher (2011) stated that a portfolio is, in fact, a complete collection of investments made by an individual or company, including stocks, bonds, real estate, options, futures and personal investments. Portfolio risk is the combination of assets or units within a single investment group that is likely to fail to achieve financial goals. In a way, portfolio risk can be eliminated through effective classification as the basis for making good decisions about how, where and when to invest to realize lowest risk and highest returns.

The appropriate expected portfolio will have the highest expected return or the lowest return expected variance on the available variables. By choosing a low-cost asset, you have the opportunity to reduce your risk for the entire portfolio. Because the return of a single asset decreases, it is eliminated with the return of a fixed growing asset. If those industries are running differently against larger industries (Joponidis, Dompos & Fabozi, 2014), this is especially possible with protection from factories in different industries.

Individuals and institutional investors face similar problems when allocating their financial resources to third parties. The property allocation puzzle is, in theory, very large in size (Levinson *et al.*, 2013). Thousands of companies are listed on the Global Stock Exchange market, with a large number of government and commercial employees with various losses and maturities, savings, financial, commercial, arts

and residential assets. In addition, there is a very large amount of cash acquisition of a variety of options, exchanges, pasts and structured products in the asset classes specified by their representatives (Michalski, 2013). These variables bring every investor to make decisions and do a pre-selection process that helps them to make the right decision of which asset classes to pick and where it is best to invest. The decision to be made is a very stressful part for all investors whether individual or corporate; the case for corporate is bigger because the risk is spread across a wider number of people, unlike individuals who suffer risks alone. This theory is applicable to this study as it describes different actions taken under portfolio management and how they affect the investment choices made by firms listed at the NSE in Kenya. The theory further explains how business risks can be minimized when such firms make corporate investment financial decisions.

2.2.3 Prospect Theory

The concept of hope is the concept of psychological perception, which describes how people choose for themselves over other potential risk factors where the probability of an outcome is undefined. The theory is that individuals make choices based on risks and benefits rather than outcomes, and people measure these risks and benefits using certain assumptions. The model seeks to show real options that are the right decisions as a standard model.

The theory was developed in 1979 and developed into a logical explanation for decision making in 1992 compared to the application theory proposed by Daniel Kahnman and Amos Towers. In the original version, the word Asha refers to the lottery. The paper "Hope for a Vision: An Analysis of a Decision at Risk" (1979) is called "The Paper on Ethics in the Ethical Economy" (Kahnman & Towersky, 1992).

The result of true faith is that people can take or accept risk in terms of the values involved and whether gambling is good or bad. This is an explanation why a person can buy insurance policy and a lottery ticket. A significant aspect of this concept is that investors invest in results or consistency in their minds that affects the performance they expect or do. The result of a record written by Tavorsky and Kahnman in experimental settings (1986) is colour premise, in which individuals

ignore other related risks and anticipate their own new gamble. This can be seen in the application of public reactions at the stock market level compared to other aspects of their overall economy; those emerging in the stock market are more vulnerable against their employees or the housing market. Sanders and Hambrick (2007) showed that low fencing can lead to risky losses for the stock market investors. This feature is broadly used in economics and psychology (Barberis, 2013).

The digital age has implemented the concept of prospect through software. This theory has been designed and examined in a variety of contexts that seem different from the general economic complexity: the equity premium puzzle, the high puzzle and the long-term PPP exchange rate for imperial knowledge economics. The effect of gambling and betting, the use of different times and the intensity. It has also been suggested that in the context of the most difficult bidding (such as the secret price) to reconcile with the general economic policy, the theory of economic can explain a number of visual aids (Schmidt & Zank, 2007).

Many models suppose that investors are evaluating tablets based on a ready-to-use framework. Unluckily, investigational work suggests that individuals deliberately disrupt the framework when selecting between risky chances. Kahneman and Tversky, (2013). promoted a new theory called prospect theory. In this approach, the results are much easier compared to the results obtained to confirm the results to the public - given the advantages and disadvantages over value assets, the weight of the decision changes the possibilities.

This theory predicts a distinctive fourfold risk approach; Get high and low losses from medium as well as low and medium losses. Loss and conflict have a greater impact on priorities than profit and gain (Kahneman & Tversky, 2013). Loss is measured as double profit. Losing \$ 1 is twice as painful as gaining \$ 1. This is manifested in a certain way when people turn to losses, i.e., investors are moving towards losses in the anticipation that prices will eventually rise. In addition, individuals and families use a set of psychological tasks to plan, evaluate, and monitor financial activity (Taylor, 1985). Individuals keep their money in some part

of the mind and respond to the investment based on the room you know. When individuals are given a new chance, they assess their own risk differently from their other risks. In other words, although gambling is one of the many factors that determine their financial loss, they act as if they directly aided the effects of gambling. This is contrary to the traditional definition in which the agent indirectly uses the effect of gambling through his contribution to his entire property.

The psychiatrist found remorse as a strong motivation for something to change. Festinger, Reichen and Schacherter (1956) argued that if two concepts held at the same time were not mutually exclusive, it would lead to disagreement. Because the experience of self-doubt is not pleasant, they try to decrease it by altering their beliefs. Repentance is a natural tendency to grieve by making mistakes. Avoiding the pain of remorse can sometimes change the way a person behaves irregularly. Regret can be described as the fact that investors are delaying the sale of depreciating shares and accelerating the sale of depreciating shares (Sheffin & Stetman, 1985). Register attendance is consistent with this study because the top management teams of registered companies take risks in terms of returns, which brings up the issue of business risk, which determines the financial considerations of the participants.

2.3.4. Trade-off Theory

The commercial structure of a firm is a financial idea of how much a firm will choose its debt and how much equity it should use to measure costs and profits. Many agency expenses are also included in the balance sheets of the firms. In the pogo concept of structured capital construction, this idea is often set as a competitive thinker (Frank & Goyal, 2011).

The main purpose of this concept is to explain the fact that companies generally provide funding somewhat by credit and equity. Credit financing, debt tax benefits and debt financing costs, financial stress costs, debt collateral and non-bank expenses (e.g., travel staff, providers), bondholder / stockholder techniques supported by bad credit terms. As the debt increases, the lower the interest rate on the forward credit rate, the higher the unacceptable cost, so that a company that has reached its full value, focuses on the amount to be spent and the equity sales when choosing these.

The empirical justification of the trade-off theory is often questioned. For instance, Miller (1977) likens this analogy to a rabbit between the contents of a horse and the material in a single horse character. Tax rates are high and reliable, depreciation is rare and, according to Miller, low cost for weight loss. Therefore, he suggested that if the business approach is right, companies should have higher credit levels than they actually see. Myers (1984) criticized his presidential speech at American Finance Association meetings, which he called the "palette order." Farm and French (2002) suspect trading with a nickname and Order of Order, which is inconceivable in several ways. Welch (2004) argues that the effect of stock price segmentation must be in the original sense of the expiration date and therefore the actual change in commodity prices that creates structural variation. Along with such criticisms, there is a dominant perspective on financial structure, as taught in the great financial books of business. Powerful versions of the model often provide ample flexibility in data comparison and, contrary to Miller (1977)'s oral argument, dynamic trading models are hard to dismiss.

A trade-off view is defined by an organization that believes that a particular target infrastructure measures the benefits of interest-free tax protection against costs associated with financial pressures. While interest rates are likely to increase the value of a company, this will only be a fraction of the cost because increasing the number increases the risk of default, resulting in the cost of financial pressures. Therefore, the increase in the soon-to-be financial crisis will replace the interest tax protection benefit and this will reduce the value of the company. Myers (1997) analysed the relationship between credit finance and firm value. Those corporate profits were used to make profitable payments and these deductions were reduced. It has also been established that profitable trading companies use less profit when the Trade-off Theory works.

In the concept of trade-off theory, large firms are exposed to high risk and cashless flows and are likely to benefit from the economic level at which they market security issues (Ajayi, 2014). The size of the company is tied to the knowledge of market diversity; the larger companies are more knowledgeable about them in the market and providing opportunity to access extra financial services. On the other hand,

knowledge of inequalities increases the cost to a small company in obtaining external financial resources. Titman and Wessels (1988) stresses existence of an adverse association between debt ratio and solid volume. Titman and co-author hold that, small companies have restricted access to financial markets and as a result rely on borrowing from financial institutions to pay for their operations.

The concept of trade-off is useful for assessing the effects of financial management on financial investment. Investors trade their liberty of choice on an individual basis on shares acquired from a listed company, converting it for financial gain. This concept helps in defining the financial status of the company. When a company borrows, it sells the freedom to make decisions that affect its profitability through debt issues. Companies are at danger of collapsing in the case of defaulted loan as planned.

2.3 Conceptual Framework

Independent and credible content structures take into account the relationship between diversity. This study examines the determination of the joint financial views of managers of companies listed on the NSE in Kenya. Cooper and Schindler (2011) defined dynamic variables as moderate, predictable or predictable variables and subject to variability because of change in independent variables. Independent variance is also defined as the variance observed by the researcher and consequently has a greater impact on the reliable variable. The conceptual framework in this research represents the association between the study variables as shown in Figure 2.1. A credible difference in the research is the concept of independent variables need to be established: cash flow, business risk, and portfolio income financial leverage and revenue generation.

The term cash flow (CF) means cash flow or cash flow to enter or exit a business. It is important for any investor to conduct a cash flow analysis by looking at cash flows, total cash flows and US (Dollar currency) cash flows. Its purpose is to demonstrate the role of these regulations in financial accounting, financial analysis and business practice to support the decision-making process. Cash flow on a cash flow statement is classified as operating performance, investment or demonetization

depending on the type of transaction (Marty Schmidt, 2018). This study used free cash flow (same cash flow is equivalent to effective cash flow / current liabilities) to collect data from the financial reports of firms listed on the NSE in Kenya. Total Free Cash Flow from Capital Expenditure (Capex). Investment perceptions were founded on FCF investment and, if there was a shortage of cash, would be funded by investment or equity (Modigliani & Miller, 1958). Lewellen and Lewellen, (2016) on the other hand suggested that debt and equity-related taxes, distribution costs, and agency disputes influences the cost of coins.

Business risks cover aspects that indicate to an investor that they may lose their investments and fail to gain any returns. This study used Total liability/ equity to collect data from listed companies' financial reports. There are several risks that any investor should put into consideration during the decision making process. Some of these risks are positive market risk and investment value due to economic growth or other events affecting the overall market. The primary forms of risks associated with equity market and investing in stocks losses are those where the stock market price varies from time to time subject to demand and supply. Equity risk is the loss due to falling stock market prices; Fluctuations in interest rates, the concept of financial losses due to interest rates, especially if in the investment position and financial loss that applies to foreign investment. It is dangerous to lose money as a result of a move on the conversion rate. For instance, in case US dollar changes relative to the Kenyan currency, the US stock investor will be much lower than the Kenyan shilling will (Hull, 2014).

There are definitely some benefits to earning revenue from portfolio earnings. Once you have the experience and experience of regularly earning portfolio revenue, you can pursue new profits (including your revenue) after each sale. In addition, any long-term portfolio property is usually taxed at a lower rate. This study used revenue yield derived from Earnings per Share (EPS) divided over stock price to collect data from the financial reports of firms listed at the NSE. Monetary value is the money earned during the working period as an investment from the sale of goods or commodities or as an investment or return (Elwell, 2014).

Many firms have to incur debts to grow their commercial processes and at the same time run day-to-day activities. Any investor must look at the liabilities that a firm has before making the decision to invest in a specific firm. Debts make a firm vulnerable especially during the economic downturn and it may lead to cases of bankruptcy. In finance, there are many types of benefits that affect a company's operating income and performance. This is based on the relationship between debt and equity financing, also known as the credit ratio. It is a form of consolidated financing in which most of the money is raised through lending rather than stock systems and using fixed costs to raise the rate of return on investment. A company to cover growth in its performance or to maximize profits, while extending debt to increase the amount of money a company can use to repurchase shares can use credit financing. The Fund works to increase return rates and increase the amount of risk involved in investing them and businesses. The business owner and / or shareholders of the company create equity. These funds have no claim on commercial property; Assets are available to be used as security for loans. Finance loan is used to increase investment (Greenbaum, Thakor & Boot, 2015). This study used Total liability divided by total assets to collect data from financial reports of firms listed in NSE in Kenya.

Increasing GDP, and consequently economic growth, acts as a positive springboard for investments on the stock market. When consumers and governments spend more, company profits raise (GuechHeang & Moolio, 2013). These profits are reinvested by businesses in a bid to drive profits even higher over time. This is shown in Figure 2.1 below:

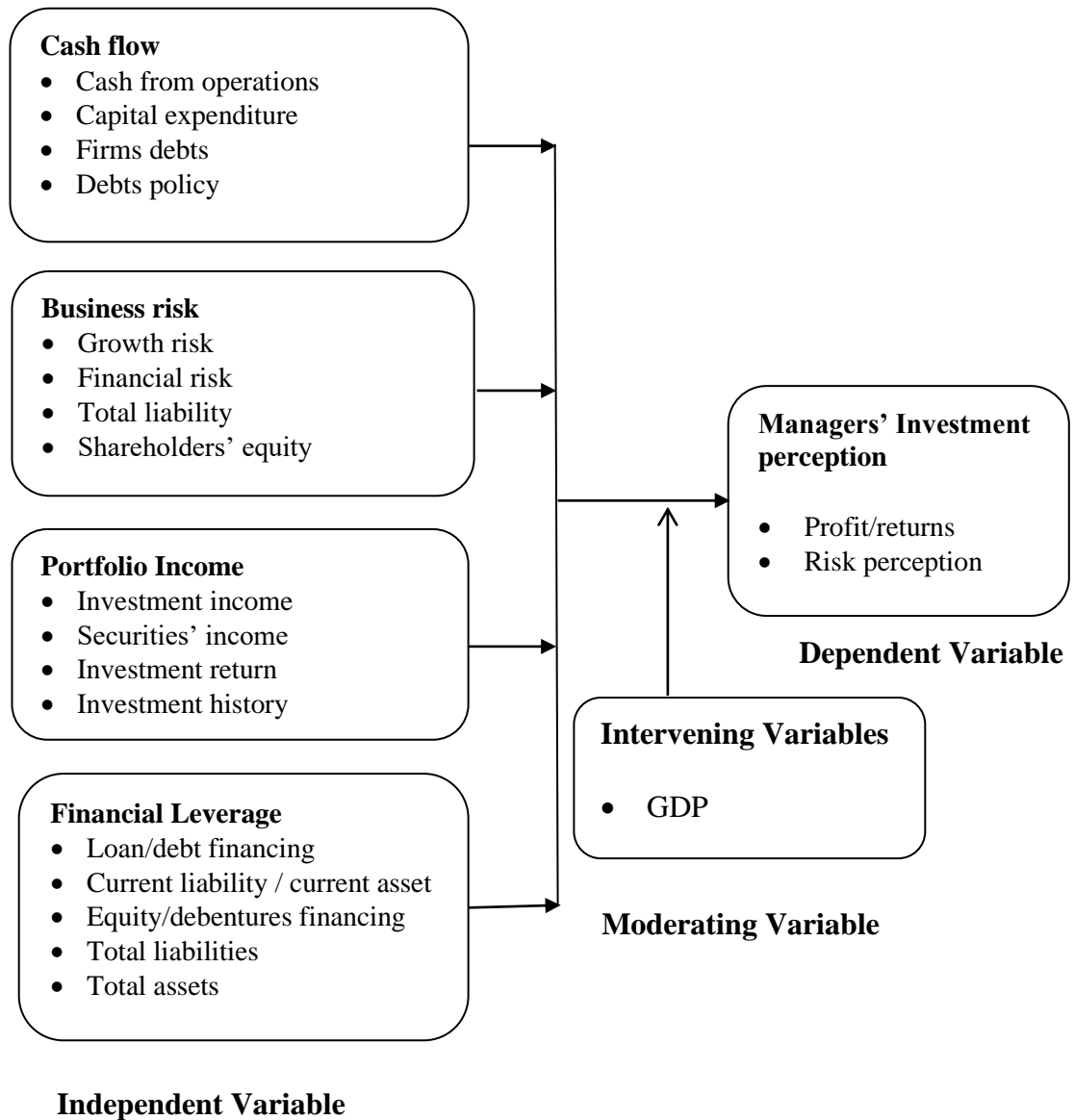


Figure 2.1: Conceptual Framework

2.4. Review of variables

This section sets out to review the independent and dependent variables as set out by the conceptual framework. The variables are explained in detail to allow an understanding of the conceptual framework as indicated in this study.

2.4.1 Cash Flow

Cash flows from operating activities show whether company daily processes generated or depleted cash. Negative net cash flow from operating activities indicates that a firm's expenditure is more than its revenue. The reverse is true with positive net operating cash flows (Omag, 2016). Negative net cash flow position will compel a firm to seek extra funds from external sources such as debt or stock issue. Debt financing increases a firm's expenditure on interest payment, hinders growth and exposes the firm to the risk of bankruptcy. Issue of stock on the other hand dilutes firm ownership (Frank & James, 2014).

There are two methods of accounting for operational activities: direct and indirect. The most direct way to use cash flow from operational activities is to report receipts and major payment sources from customers, starting with cash receipts from customers. Payments for stock purchases and operating expenses are deducted from this balance to determine cash flow from operating activities (Seo & Soh, 2019). In an indirect way, the money coming from the operating activities is initially earned with a profit and then corrected by cashless expenditure, e.g., depreciation rate (Frank & James, 2014).

The smooth running of organizations operations is heavily dependent on a firm's liquidity. Managers should therefore strive to maintain a high level of liquidity in a firm to be able to reinvest in other assets, pay dividends to stockholders and remain with some cash within the firm (Mutua & Atheru, 2020). The optimal cash levels maintained by a firm is determined by its different policies concerning investments, dividend payment, cash flow, working capital requirements and capital structure (Kamran, Zhao & Ambreen, 2017).

Investors are attracted to firms with free cash flows when looking for investment opportunities in the market. These firms are not only attractive to investors but also creditors because of their financial flexibility and creditworthiness. Besides, financial flexibility means that the firms have ability to repay their debts and still maintain cash profits (Wanjiku, 2019). Since 1986 when Jensen came up with free cash flow theory, literature on the theory has gradually evolved in describing the behaviour of

firms in a manner different from economic theorists' view that dominated finance literature before then (Akumu, 2014).

Free cash flow is one of the financial tools used to gauge a firm's financial performance. It shows the firm's available cash after taking into consideration how much has been spent on development and as recurrent expenditure (Frank & James, 2014). A firm's shareholders can use free cash flows to assess a firm's financial soundness. Investing free cash flows in projects with a positive net present increases the value of a firm. It is worth noting that firms have two avenues of financing their activities, namely; internal and external sources of financing. Internal financial sources include use of reserved earnings whereas as external financial sources include debt and equity (Jiang, Li & Lin, 2014).

Cash flow from investment events is the income report that converts a company's income into profits (or losses) invested in any stock (stock market) and operating companies and large investments. Analysis of firm's financial health should include all the financial aspects that affect the company finance. Many times, company is likely to have unfavourable cash flow for a specific duration, but in the event, company create effective cash flow without running the business, improper cash flow will lead to all the high investment costs, which is not a bad thing (Ambreen & Aftab, 2016).

The flow of funds from investment activities is crucial for development and professionalism. Changes in materials, machinery and equipment, the main line item on the rest of the page goes here. In moments of diagnosing the expenditure-associated with PPE in the company, analyst can look at the resources and costs of the investment phase of a cash flow report. The main costs included in this part of the cash flow statement are the quantities used to measure the stock. Arise in cost implies that the firm will invest in prospect operations, but will also show a decrease in revenue. Firms with high operating costs are often in a slow pace to grow. Cases of poor investment activities are the acquisition of fixed assets, the acquisition of investment services such as securities and loans. Cases of good returns are the sale of

organized assets, the sale of instruments of investment and obtaining loans and cover (Levelen & Levellen, 2016).

Investment related cash flows show how the money of the company is used for securities. For instance, spending heavily, acquiring and expanding goods and materials. Cash flows from investing activities measure a firm's investment. This is where investment in other companies and capital expenditures are recorded. Capital expenditure relates to purchase of fixed assets such as plant and machinery. The figure is usually negative when the firm buys more of its assets than it is selling and vice versa (Frank & James, 2014).

Employing effective cost cutting measures within an organization is another way of improving on the firm's free cash flows on the company's profitability because the firm now has extra cash to invest in other profitable ventures (Mweta, & Kipronoh, 2019). Proper management of a firm's liquidity does not only have an effect on a firm's productivity as well as firm's account. Cases where net earnings are higher than free cash flows in a firm's account are a clear indication of ineffective net working capital management in the firm (Frank & James, 2014).

Vakilifard and Shahmoradi (2014) revealed a positive and significant association between profitability and free cash flows. That is to say, an increase in one factor leads to a corresponding increase in the outcome variable and vice versa. This can be achieved through investing in profitable ventures using the extra cash flows. For instance, excess cash flows can be used to purchase overpriced firms as opposed to paying dividends to ordinary shareholders (Kangarlouei, Motavassel, Azizi & Farahani, 2012).

Since revenue is used to finance the purchase of fixed assets in a firm, it is important to ensure that growth in capital expenditure to boost a firm's capacity matches with revenue growth. Otherwise, the firm may be faced with serious cash flow problems that may spell doom to its survival. Capital expenditure varies from industry to industry. Firms that require large machines for production such as manufacturing firms have higher capital expenditure than firms with a large amount of intellectual property or intangible assets for instance investment firms (Qandhari, Khan & Rizvi,

2016). Other sources of cash flow from investing activities include; acquisitions and divestitures of subsidiaries, commodity hedges, currency hedges and investment in marketable securities. For financially sound firms, the figure for net cash flow from investing activities should be negative. This means that cash from operations is being driven back into the business for expansion to generate more profits (Omag, 2016).

Financial Awareness on Investment FCF depends on investment and, if there is a shortage of existing cash flows, can be funded by investment or equity. Debt and equity-related taxes, distribution costs, and agency disputes affect the cost of coins (Levelen & Levelen, 2016). A company which invests a lot of money resulting from cash flow caused by internal currency is more expensive than foreign currencies and managers can spend more cheaply. Chang *et al.* (2014) separates financial inefficient companies based on solid size. If its size is small, the company will be under considerable financial pressure. They found that financially incapable companies spend more revenue on money than companies do with fewer problems. Larger firms share more investment flows than larger firms do. He argues that less successful companies work harder. Higher cash flow leads to higher investment.

A firm's future investments can be used to gauge its growth and survival prospects. Thus, fruitful assets such as property, plant and equipment are given priority during investment decision. However, there is also need to invest in intangible assets and long-term securities of other firms. Consequently, long-term financial planning becomes crucial towards this end (Omag, 2016).

The purpose of the institutional segmentation approach is to expose investors to the potential for revenue generation (Van Loon & Aalbers, 2017). The property classification principle is assessed by examining changes in income. However, in a largely declining cash market, firms will not be able to get unlimited investment and dividends, as they will have to rely more on domestic income. When such cash flows are questionable, firms may decide to reduce dividends, reduce cash, adjust cash, or accept foreign exchange (Deng *et al.*, 2013).

Deng *et al.* (2013) found that there is a non-"n-shape" relationship in the dividing budget, depending on the different level of uncertain income. Divide uncertainty into three categories, i.e., low, medium and high. They found a negative correlation of equality with a certain level of uncertain income. When the uncertainty of the FCF is low, there are strong corporate objectives of making money by paying dividends, indicating sentiment towards positive and growing financial investment. Despite the FCF uncertainty balance, companies maintain their investment rates by eliminating small stocks so that sensitivity remains low. When FCF uncertainty is high, firms decrease both stock and profit, making sensitivity positive and straightforward.

Free Cash Flow (FCF) is Supplementary cash flow necessary to fund all projects (Jensen, 1986) at affordable current value (NPF). In the FCF concept, free-moving companies incur higher agency costs due to conflicting interest of shareholders and managers. Despite the limited investment opportunities (represented by negative NPVs) (Zhang *et al.*, 2016), strong managers are motivated to invest without distributing FCFs as shares. Theoretical theory predicts that senior executives will make unnecessary decisions about internal FCFs by investing in internally valuable private benefit projects (Jensen, 1986). This behaviour is called congestion, which is consistent with the FC agency problem, reflecting a conflict of interest between participants and management (Wanjohi, & Mwita, 2019). Debts in FCF are declining due to interest rates. The investment and debt maturity are related to strong investment opportunities (Joan & Nichihara, 2015).

The economic sustainability of any firm is gauged by its ability to carefully monitor and manage its cash flow. The introduction of cash flow statements to replace funds flow statements is an improvement on the information made available to investors and other stakeholders who rely on this information for decision-making. Cash flow is a significant factor that has a direct association with the existence of the firm. A cash flow report is a vital financial report used to evaluate the administrative capacity of a firm to operate. The entry indicates cash receipts and the cash out indicates cash outlay (Kroes & Manikas, 2014).

Financing activities relate to activities attributed to acquisition of capital to finance start-ups, expansion or financing of any other activity that the business organization needs extra funds for. Financing could take the form of internal or external financial sources. Retained earnings form the basis of financing internally while equity and debt financing form the basis of external financing. Cash may be obtained by selling company shares to investors. Sale of bonds on the other hand constitutes debt financing by the firm. Thus, such funds are raised through financial markets (Omag, 2016).

Dividend payments are outflows because it entails cash payment to a firm's shareholders. Stockholders view firms that pay out dividends positively than those firms that do not pay out dividends. A decrease in dividend payment is often viewed as a signal that a firm is faced with a myriad of problems, particularly if the downward trend is not directly proportional with the reduction in the number of outstanding shares. It is however not uncommon for a firm not to pay dividends. Firms experiencing significant growth may opt not to pay dividends to their shareholders but invest the extra income that would otherwise be distributed and paid as dividend in projects aimed at expanding their business. The figure for the net cash from financing activities may be used to gauge its effect on a firm's overall cash flow position. However, a study of how a firm raising cash or repaying cash for the individual line items is more important (Budagaga, 2017).

Cash flow statements provide its users with information regarding the source and use of the entire financial period. According to Hamza, Mutala and Antwi (2015), high inflow allows a company to increase its performance, replace damaged assets, and take advantage of existing market opportunities and pay a share to its shareholders. It is important to note that lenders are concerned about the strength of the firm's reputation for paying short-term development obligations. Long-term investors, however, are interested in the firm's capability to produce sufficient cash flow by using the relevant loan as a long-term and long-term provider. Clearly, good net performance is better than bad. A positive calculation shows lenders and investors that the company can generate enough from performance to pay off current asset obligations. A big positive rating means that the business has more money to grow

faster without taking on new debt or new investors. It can pay for its growth with current growing activity.

2.4.2 Business risk

Business risk refers to the risk of failing to meet previous business claims with funds created by the company. Corporate failures in Kenya are often associated with negative financial decisions (Mwangi, Makau & Kosimbei 2014). It is clear that firms that have associated products in a specific month may show diverse returns from other firms. According to Ayuma (2015), it is vital for managers and investors to deliberate descriptions of financial risk and their impression on stock recovery, to take steps to minimize their impact. Restructuring of firms varies widely with changes in financial risk and their impact on transformation significantly affects the financial sector (Sobia, 2015). When conducting business, decisions must always be made with uncertain outcomes and therefore risk-averse, and in order to deal with this honesty effectively, mandatory risk management is a responsibility in a business environment conducive to market conflicts (Cavusgil *et al.*, 2020).

Using a loan to financially assist a company's assets poses a financial risk. Lee (2010), argues that financial risk to factory workers is unacceptable when debt and equity is used as a form of company financing method. Failure to achieve economic policy (SOBIA, 2015) can lead to losses. Losses reflect risk as a result of conversion rates, price of instruments, quality of credit, working capital and access to financial institution (Margaret & Kevin, 2010). This nature of seismic change obviously puts any institution at risk. All financial decisions include risk factors and returns. Economic risk significantly influences the global economy. High-risk assets are the primary goal of an economy that can determine the maximum expected return (Cooper & Schindler, 2011).

The surprising thing about the latest global financial crisis is that it came at a time when management of risk was at the central of the administration of large and complex financial organizations (SOBIA, 2015). However, losses of finances have amplified significantly over the years where management of risk or risk itself are not the challenges of today. The impact of global markets suggests that losses could be

offset by measures that are not conducive to the local market (Robert, 2015). Data is available immediately, which means the next market change and response is happening more swiftly.

Variations in conversion rates, interest rates, and prices of instrument are constantly influenced by economic and market conditions (Cooper, 2000). Therefore, it is vital to ensure that loss of finances is properly detected and controlled (Pitruvyasam, 2011). Planning is an important part in management of risk. Knapp (2011) holds that in the management of financial risk, analyst uses financial analysis to identify, analyse and monitor internal business risks using only the finance risk that internally affect firms. Estimates are very important in terms of finance, financial rejection and financial structure, satisfaction and risk categories of company profits. All companies incur financial losses and their capability to achieve their objectives is a function of management of these losses. It is hence important to set up a framework to identify and define the main types of risks when a company is exposed, which describes the key tools and processes used to manage the organization.

The business world today is well aware of the fact that investment risk and managing large projects are crucial to the financial viability of any organization. Investment projects are subject to a variety of risks that affect the performance of beneficiary expectations. Aspects like the external environment, certain environmental characteristics, and the performance of the structure and the functional purpose of the investment objective may at times be different expressions than previously thought. Therefore, when there is a significant deviation, there is a risk that the project will fail to see it achieve the desired result. Management of financial and investment risks is important in achieving effective financial performance of many organizations (Burja & Burja, 2009).

Considering the implications of these principles, Burja and Burja (2009) learned to analyse investment project decisions in Romania. This study explored how other risk groups might emerge in investments and performed risk analysis based on project sensitivity. As practice in Romania has shown that risk on the life of investment projects is inevitable, it has been found that risk analysis has a large purpose to study

other potential economic consequences and the consequences of those outcomes. Until the investor is aware of the negative consequences that dictate his position on the project, risk analysis has become a quantitative analysis method that gives investors the tools they need to make better decisions. In the project analysis process, Berja chose that identifying the risk category is a mandatory first step in looking at the risks and to better understand and manage the impact produced. They concluded that the use of appropriate risk analysis methods increases the likelihood of investors making accurate decisions on the likelihood of specific investment projects to achieve a particular interest.

Managing business risk can be classified as legal risk and temporary risk. A logical risk is not meticulous by one firm, but all firms in the republic experience it, such as the prevailing financial difficulties of corporate inflation indicators. There are other risks apart from financial risk that are not controlled by the organization. This risk is primarily related to the decision-making, investment, finance and management capacity of the company associated with the policy. Organized risk and conflict risk are related to the value of the business. As an economic perspective on investment, research on financial decisions contributes to the risk inherent in this theoretical approach. Analysis of the concept of smuggling, where the increased debt increases the firm collapsing risk since increased debts increases the interest to be paid. High interest rates are high and lenders have to deal with a recession that could lead to a depreciation of the firm. The implication of this trading concept is that the manager examines between the cost of savings and the way out of debt, which affects the value of the company (Yulia, 2017).

2.4.3 Portfolio income

The purpose of investment is to raise money from investors and diversify the portfolio into a wide range of investments. Most Multiple Strategies Foundations (MSFs) have a small cap, a large cap, a global market or a growing market targeting a specific asset class, while other funds can only invest with multiple strategies. Foundations are not commonly used by MSF (Deloitte, 2017).

Limited companies reflect the division of management and ownership, with the management responsible for communicating with shareholders in the firms' financial performance at the end of each financial period, which usually occurs through a statement of income. Managers try to make the most of shareholder wealth through adoption of good decision for acquired finances. Profit statements (especially profit & assets) are important because they determine a company's financial performance. Uncertainty in the current markets raises the question of whether investors should come through inefficiencies or promote technology. With market research, investors may shy away from looking at solid and basic investment styles that contribute to long-term profitability (Akenga, 2017).

Flexible earnings change over time in the earnings reported by the company. It has the potential to influence current revenue levels in estimating future earnings (Yosra & Fauji, 2015). Real income is different from expected income due to certain large and small economic conditions. Such situations may include inflation, social instability, austerity policies and the availability of funds to the organization. Earnings volatility therefore may subsequently affect the estimation of future value of a firm as well as its equity value (Gworo, 2019).

Kenya has experienced continuous exchange rate volatility since October 1993 when the fixed exchange rate regime was abolished and floatation of the Kenya shilling was introduced. The continuous volatility of exchange rate brings about increase in foreign exchange risk exposure, which in turn leads to increase in transaction costs of companies. Higher transaction costs lower the expected earnings of companies, which subsequently affect the market price of stocks hence, the value of companies and the investors' wealth. Stock prices represent returns, which investors expect from a given security. Hence, variables that cause stock prices to change are of importance to investors and the economy at large. Changes in stock prices and changes in volatility have always been of interest to the financial market, which has given its impact on the strength of the stock market and the strategies followed by investors (Onyango, 2018).

Investors should consider several sources of income for the portfolio: bond coupons, stock shares, financial strategy and financial development. Individually, each source provides a certain level of income and the opportunity to invest large amounts and create other risks from liquidity, volatility and growth. For example, in today's low-yield environment, investors who rely heavily on cash flows are lowering their bond box compared to their other investment and as a result they are in risky areas, which they often ignore. Various methods can help reduce these risks (Merrill Lynch *et al.*, 2017).

The idea of using resources to manage and distribute losses using investment (or money) is not a new concept. It has been used for a long time and the financial difficulties associated with it continue to grow. Similar to traditional investments, direct investment in marketing security, from the Great Recession to the economic cycle, has contributed to the success of these vehicles during the global financial crisis of 2008-2009. However, many investors use investment skills as an important tool for fraud in managing their investment portfolios, which can help mitigate the effects of financial cycles. Commodity securities (MSFs) are general investments in stocks, bonds and other securities that can be traded on behalf of their partners. The purpose of this investment is to provide a wide variety of portfolios by investing more widely with investors. Most MSFs have a small cap, a large cap, a global market or a growing market targeting a specific asset class, while other funds can only invest with multiple strategies. Foundations are not commonly used by MSF (Deloitte, 2017).

2.4.4 Financial leverage

Debt financing has very high consequence for firms as far as its processes are undertaken therefore leading to a better firm's performance as well as their failure. Financial management entails two different types of leverage. The applicable rate is the result of liability due to all fixed expenses without interest and on the other hand due to financial costs and acceptable interest (Gathara, Kilika, & Maingi, 2019). Financial liability used by companies is generally designed to make a lot of money in relation to financial expenses. Financial liability in response to changes in operating

income includes differences in stock earnings that result in financing a company's assets through its preferred reserves or credits.

Clarifying role of financing activities in firms' financial performance is one of the primary roles of modern research. However, this role has remained a questionable subject and it has continued attracting the attention of many researchers. Researchers have analysed the debt equity ratio with the aim of establishing whether an ideal mix of debt and equity and other sources of financing exist or not. Ideal debt equity ratio aims at minimizing the cost of capital for a firm, while at the same time maximizing the value of a firm. Thus, it is a ratio that maximizes the profitability of a firm (Kebewar, 2012). Scholars have come up with three theories to describe the effect of debt on firm profitability namely; signalling theory, agency theory and influence of tax. The relationship between debt and equity is true in information situations such as diversity. According to the agency theory, debts are accompanied by strong leverage due to similar costs between agency shareholders and managers. However, this relationship does not weaken due to the cost of borrowing between real estate owners and lenders. Finally, it is difficult to explain the tax effect on business profits affected by various factors such as income tax, debt tax benefits and interest rate support policies (Mostafa & Boregowda, 2014). Kebewar (2012); Shubita and Alsawalhah (2012) confirmed inverse relation between debt and profitability. On the other hand, Alkhatib, and Harasheh. (2012) found a positive effect while Bhutta and Hasan (2013) revealed both influences in its studies. Several reasons may be attributed to differences in empirical study results. For instance, use of different sample types, use of different measures of profitability as the dependent variables and varying independent variables. Lastly, the studies adopted different research methodologies.

Companies often fund their investments (Bodie & Kane, 2020). The use of a financial institution's investment base is supported by a variety of conceptual foundations. The first is Oladepo, (2020), which explains why most companies look to foreign exchange options without sponsoring financial equity in the context of Peking order theory. Mule and Mukras (2015) note that the order of funding depends on the costs associated with these types of funds and their availability. The Hart and

Zingales (2017), guarantee a complete market, in which the company value is never affected by the equity or debt used by the company. The concept of commercialization also defines institutional debt financing to establish a balance of debt profits and borrowing costs (Nyamita, 2014). Agency Post and Byron (2015) also argued that greater debt keeps the student in control and is therefore associated with improved financial performance (Evgeny, 2015). In addition, market recovery theory suggests that debt is positively correlated with stock recovery (Brealey, Myers, Allen & Mohanty, 2018).

During periods of financial instability, tangible assets supported lenders and acted as security for loans (De Rassenfosse & Fischer, 2016). In addition, high-quality financial institutions are more sensitive to income than small debt-paying companies are, and therefore, it can be difficult for companies to make more money because they are at risk of collapsing due to inflation. Managers may refrain from making profitable investments to fulfil their short-term debt commitments. There is a big proportion of financial instability and collapse during times of cash flow as wealth strengthened and sales declined (Bengtsson, 2013). According to them, the financial slowdown may be a problem because funds are declining and the cash flow of the company is uncertain and therefore affects the level of investment of the company. Strong size, cash flow and investment opportunities were important for investment decisions (Ruiz-Porras, Antonio & Lopez-Mateo, 2011).

In the finance world, decisions on whether to use debt or equity in a company is very crucial as shift in leverage could either cause financial difficulties in the firm. Almendros and Mira (2018) explains there exist an optimal leverage ratio which equals debt benefits example tax shields to the costs of debt like an increase in expected bankruptcy costs. Companies use financial leverage to make more money than their expenses (Enekwe, Agu & Eziedo, 2014). Financial liability is more than the amount spent for the financial structure of the firm and therefore this increase arises as a strong financial expenditure for the firm (Adenugba, Ige & Kesinro, 2016). Two unique results can be achieved using grants, which increase profits or reduce negativity. The company incurs losses due to large amounts of debt, which must be repaid in full (Al-Otaibi, 2015). Firms utilize financial leverage so that they

can experience a return on investment. Unwarranted use of debt or adoption of financial leverage can be a risk to a company if not well managed (Tangut, 2018).

2.4.5 Investment Perception of the Managers of Firms

Financial investment is an investment enhanced by the capitalism economic system. Capitalism is social economic systems where capital assets are merely owned and controlled by private persons, where labour is purchased for money wages, capital gain accrue to private owners, and price mechanism is utilized to allow capital goods between uses. Capitalism emerged after the failure of the feudal system in the 14th century and reached a high level of development during the industrial revolution, which began in Britain in 1688. The industrial revolution brought about large-scale machine production, which was based on hydroelectric power and the wide application of science to the process of production. In the context of this study, the financial investment is centred on Properties, stocks and shares, bonds, fixed deposit necessity various investment market such as property market, capital market, money market, forex market, commodity market, and others

Investor's motive to make investment in stock market is to get return in the form of dividend or capital gain as well as company ownership. Prior to investment, investors will take stock return they are going to accept and corporate value into account. Stock price represents the corporate value of public companies. Higher stock price equals to higher corporate value (Husnan& Pudjiastuti, 2012).

Institutional finances affect the financial investment decision. These decisions can easily be divided into two main categories: investment decisions and financial decisions. These decisions must work together to create a number of shareholders in an organization. In order to make good financial decisions (e.g., to increase shareholder wealth) in line with the overall organization goal, the financial manager uses analytical tools to analyse, plan, and manage the company's operations. In fact, financial analysis is a necessary condition for making good financial decisions (Vo, 2019). Similarly, financial management can be defined as the completeness of the functions and tools that allow financial managers to conduct financial audits for internal and external control purposes. Because of the need to control their profit and

resource costs from investors, financial managers use a comprehensive analysis system that includes financial reports, forecasts, financial planning, investment forecasts and financial structure analysis. One of these tools plays an important role in overseeing financial management performance, providing comprehensive information to the accounting officer who assists the company's investment decisions and financial decisions (Renzetti, 2015).

Internal and external finances are two main methods used by companies to finance their investment projects. When funding internally, organizations use cash costs and savings, and foreign exchange payments are based on the profits from new financing and loan disbursements. In a large money market, domestic and foreign currencies are not a viable option and, as a result, financial segmentation, financial decisions and investment decisions are interrelated (Simmons-Süer, 2016). Furthermore, companies have preference of internal financing as opposed to investing in other securities because in the absence of large market capitalization, domestic income is the cheapest source of income (Muthoni, 2019). Similarly, for limited internal funding, transactions between departments and investments take place (Sánchez-Sellero, Rosell-Martínez & García-Vázquez, 2014). In fact, companies depend more on domestic financing than on foreign exchange due to advanced foreign exchange costs for large firms than for smaller firms (Karim & Ajman-Saini, 2013).

The primary goal of stockholders and finance administrators is to develop the stock market in general. Financial decisions affect firm's value, shape investment, financial choices and budget decisions. The study shortcoming is indistinctness concerning influence of financial arrangement on a firm's value, where managers must choose the appropriate financial structure of the company that prevents it from increasing its value, thereby expanding the company's assets (Ramadan & Ramadan, 2015).

This amount provides a taxable benefit, so we develop a clear value (Tahir & Razali, 2011). Taxes are very important factors when managing the financial decisions of a company. If a company chooses financial assistance for a loan, it is liable to tax, which is a taxable form of interest payment. However, if companies choose financial assistance (utilization of shareholder funds), the money distributed from the after-tax

benefit may lead to personal tax liability. In the case of credit card debt, two companies with the same business value and future operating costs, the lower-income company, often have a higher rate than the company's lower market value and differ in their market value (Wang, 2015). Twiresh (2014) studied the results of large-scale financial decisions and operations of listed companies on the Saudi Arabian Stock Market (Tadrea) between 2004 and 2012; the results suggested financial decision affected firm profitability. Asif and Aziz (2016) support the finding that capital is associated with financial performance.

2.5 Empirical review

A review has been done based on practical and measured phenomena, which derives awareness from real involvement from previous studies similar to this study. The previous findings are presented and relevance and conflicting findings discussed by the researcher.

Phan (2013) researched indicators of comprehensive economic thinking in Vietnam. Taking a consistent approach, it has been found that cash flow, business risk, distribution and solid volume are important factors in investment activities. Furthermore, using a flexible approach, the results suggest that past investments may also affect the financial investments at a stable level. An analysis of the level of flexibility presented in this article shows that increased grants may be associated with greater diversity of investment and employment. The high volatility of high-income firms increases the volatility of internally generated currencies in high financial responses and operating needs. Monetary policy is a way of influencing joint investments and employment firms and firms to influence interest rates and cash flows. The recent rise in corporate status reflects greater sensitivity to investment in employment and monetary policy, at least in companies that have significantly increased their leverage (Phan, 2013).

Rendon (2010) found that advances in the literature could have a significant impact on cash flow and an organization's firm balance sheet investment. Establishing a relationship between returns, convenience and investment indicates how important monetary policy and communication policies are to the business sector. While cash

flow is an important resource for investment, changes in monetary policy (by changing interest rates) affect investment in cash flow, which is also adjusted with the rate of return. If so, high-level corporate acquisitions mean that same things being equal, that monetary policy will have a greater impact on investment than ever before.

Tomat (2014) noted that the effects of monetary policy are felt unequally across the region. The cash flow of less established firms pays more attention to changes in interest rates than the cash flow of firms with low profits. In this paper, we will use analysis of panel data to assess the effect of economic factors on the profitability of companies in the Australian corporate sector. We found strong support for the impact of financial resources on the economics of investment. Internal cash flows, stock, and working capital are all significant impacts on investment spending, especially for small firms, high-profit firms and firms with other savings rates.

Gupta, Mahakud and Debta (2018) looked at how CEO influenced decision to invest targeting companies listed in Indian stock market. The study notes that the basic principles of institutional investment are primarily defined by traditional economic methods such as agency principle and disproportionate knowledge (Myers & Majluf, 1984; Jensen & McLeang, 1976). In line with these ideas, extensive research has found that cash flow, development prospects, profits and subsidies are the main drivers of consolidated investment. Gupta, Mahakud and Debta explored the role of personal attitudes (chief executives) in determining age, occupation, academic attainment and organizational work experience. Research on dynamic data models, especially the general method of obtaining results, reveals a negative relationship between age and business investment. The CEO's financial literacy influenced their decision to invest. In analysis of sensitivity on investments, the age of the CEO and financial education can reduce investment sensitivity in relation to cash flow. Results can be reinforced at different times depending on the issues described. Research has found that in times of financial crisis, corporate growth and age, CEO experience and appointments are also important factors for investing in companies. This study shows that unified finance had a major effect while deciding on an investment among the

CEO of a company and, therefore, the investment ideas of the participating company are influenced by the natural beliefs of the CEO.

Melander, Sandström and von Schedvin (2016) looked at how cash flow influenced investments. The researcher used large data sets obtained from private companies' investment and accounting statements to test the theory sheet. The study reported strong cash flow positively influenced investment and financially weak companies make those good returns. Levelen and Levelen (2016) investigated investment and cash flow. The study covered factories in the US covering the period 1971-2009. The results of this study showed that financial problems and problems with free cash flow are important in investment decisions. Nadia (2016) saw business investment and financial flow sensitivity. This study is based on the evidence of jasmine revival in the Tunisian market. This study covers the period 2003–2013. Based on the findings, the firm's investment decisions with financial constraints are more likely to harm internal income than illiterate ones. In general, challenges of finances significantly affected the firm's decision. Particularly, financial challenges perceived very challenging during the financial crisis and after the transition.

Sharma and Saha (2016) assessed how cash flow statements influenced shareholders decision to invest. The study noted that cash flow statements are one of the most important financial statements as it provides valuable information to investors; but on the other hand, many investors are unable to understand it. Cash flows provide details on operating, financial and investment activities and the outcomes or returns from each activity. Singular retail investor may not easily understand all the complex financial statements; however, cash flow statements are simple enough and are used as a source of information to the retail investor. Cash flow statements report the inflow and outflow real actions. For any investor, understanding how much cash flow to use while investing in a specific project and the expected outcomes or returns is sufficient information that will guide them in the decision-making process. In any case, the whole idea behind investing is gaining a higher level of returns. Therefore, all necessary information becomes a valuable asset in the process of investment decision.

Maina and Ishmail (2014) in the study analysed how capital structure affected the profitability targeting firms listed by NSE. Noting that the investment decision involves three key stages, first making informed decision on when to buy securities; secondly through constant monitoring of the market trends, investors decide how long to hold onto the Securities and lastly the decision to sale them. All these decisions are made through considering how much cash was invested and through monitoring the market trends and previous financial reporting, how much money to expect as returns.

Koroti (2014) investigated how the firm's financial decisions affected their performance which found that after examining the effect of investment decision which was evaluated using total assets available and the financing decision rated using debt to equity ratio of the financial performance which was measured in terms of ROA. The study found that investment decisions could have a positive association with profitability, as well as a negative impact on profitability.

Ndungu (2016) researched the impact of effective cash flow on the profitability of public firms in Kenya. The study covered the period January 2008 to December 2015 for a period of 8 years. The analysis also reinstated the construction company using the Modified Commodity Model (CAPM), which is many times more market weight than the initial free rate of return on fluctuations. The results suggested that construction firms positively influenced firms' profitability, while investment, cash flow and free cash flow negatively affected performance of firms.

Toor (2014) looked at the factors that affect investor participation at Nairobi Securities Exchange. Does cognitive ability affect investor participation at Nairobi Securities Exchange (NSE)? What information do investors seek to enable them to readily invest their money and how information availability affects their participation? On cognitive ability and investor participation, the study noted that the male population was more actively involved when compared to the female population of Kenya. A majority of the investors were neutral in their investment pursuits, avoiding any sort of major risk. It was also observed that a large proportion of the investors that were sampled had a first degree. Almost half of the investors lay

in the age brackets 18-30 years and earned between Shillings 51,000-100,000. The portfolio performance of the investors improved with experience and the study provides evidence of this. This study also noted that the older population of investors tended to hold less concentrated portfolios. On information availability and investor participation, the study found that the NSE is an efficient market since a large proportion of the investors are easily able to obtain information that helps them make investments decisions. The study observed a high tendency of an investor's family member also investing in the securities exchange if one member was currently investing. The study noted that the investors looked at financial information and trends prior to investing. On investor confidence and investor participation, the study observed that a large majority of the investors were quite confident in the NSE and the investor's financial investments were highly affected by news concerning the cash-flows of listed companies. The study noted that eighty percent of the respondents were able to comfortably interpret financial information as provided in the listed firm's financial statement. Investor education lacks in Kenya and this was one of the reasons why there were so few individuals investing in the Nairobi securities Exchange (1.4 million against a population of more than 40 million).

Chepkoech (2017) examines the implications of investment decisions for pension schemes. The trade-off between investment risk and investment plan returns for pension programs in Kenya formed the study focus. The study notes that investment decisions in pension programs are based on the regression of business losses and key economic factors. The finding implies that investment decisions for pension schemes in Kenya affect risk exposure. Any successful investment in pension programs is expected to recoup current losses. In this case, it is clear that fund managers measure risk to ensure maximum returns. Regarding the macroeconomic factors, it was evident that pension schemes investment decision was influenced by interest rates, capital markets performance, the rate of national economic growth and other macroeconomic factors before making investment decisions (Ndung'u, 2019).

Muiruri (2014) conducted an analysis of systematic risk in equity targeting firm's listed NSE, noting that investors seek information on risks associated with different investment options and create a relationship with returns. It was noted that systematic

market risks influenced returns that informs the decisions making process for potential investors. The study also looked at 12 sectors of the NSE and revealed that the agricultural sector is the riskiest with market fluctuations and the maximum volatility, rating finance and investment as a least risky industry. Such market analyses inform investors on risks associated with each sector of the NSE and hence make decisions on their capacity of risk tolerance.

Restrepo, Correia and Población (2012) analysed the impact of political risk on investment decisions. This paper analyses the various definitions and discourses of political risk and provides a comprehensive explanation of its origins and consequences. Regarding the effects of political risk on corporate finance, this paper describes the various political risk statements that have positive and negative effects on investment opportunities and the many ways in which investors make investment decisions. Finally, it proposes a variety of research to address some of the weaknesses identified in the available literature.

Neamtiu, Shroff, White and Williams (2014) suggest that reduced options are more likely to stabilize and that current factors such as stock market performance may be due to changes in perceived risks. They found that the impact on simultaneous investment options affects risks. Awareness of risk may be consistent and changes may be unaware of risk. From a financial advisory point of view, this means that by correcting misconceptions about investment risk, financial advisors positively influenced the financial outlook on investment. The financial advisor may decide that the client's risk awareness can be reduced by providing additional investment information.

Mohammed (2018) conducted a study on the effect of risk on the business of financial structure using Jordan in America as case study. The researcher researched how industry companies determine their flexible framework in terms of risk. The study concludes with managerial behaviour in relation to business risk, profit, solid volume and sales growth. Design/Method: Industrial data for Jordan for the period 2009–2011 was fitted in a linear regression model. The results of the research indicate that corporate executives are at risk and that strong market growth and

strong volume are linked to monetary policy decisions. Profit is negatively related to a company's monetary policy.

Kinyanjui (2014) explores the link between terrorism and foreign direct investment (FDI) in Kenya. Secondary data on terrorist attacks and Foreign Direct Investment from 2010 to 2012 were used for this study. Several iterative models are used to test the relationship between subject variability. Using this model, the study found that FDI in Kenya adversely affects terrorism. Terrorist activities in Kenya have been found to adversely affect FDI. Terrorist activities reduce the confidence of foreign investors, which in turn reduces FDI.

Kiriroti (2013) tested association between risk and investment growth in firms listed at NSE in Kenya. The survey targeted all listed companies from 2008 to 2012. Hence, it is a total kill, which includes all the details of the stock performance in the competition. Data were recorded under various analytical tools to establish any trends used to predict future market performance. Acceptability has been shown to have a relative relationship between risk and institutional investment growth. The researcher recommended further consultation between management and shareholders to measure asset growth and expected returns on investors. Its goal is to minimize any potential conflicts and provide an appropriate work environment.

Faryabi (2015) considered risk profile in investment decision in Nigeria. The researcher achieved the goal of the research by using basic data on the management of questionnaires for respondents from various investment firms in Lagos, Nigeria. Chi-square test of association was used to analyse field data. The results of the study suggest that Nigerian companies should always consider any investment opportunity before investing, in order to be competitive in business. In other words, he suggested that companies should use the best practices in their investment activities to accelerate with the global economic power.

Research on the volatility of uncertainty by Bloom (2014) found that the provision of risk data affects an individual's confidence and risk, but the relationship between this and ultimately behavioural change is not strong. The risk factor for any investment decision makes many investors uncertain about their decision, choice and return. The

study found that providing this information is unique and there is little evidence that it is helpful or harmful to the illiterate. The study found that disclosure of risk information significantly increases trade-offs. Although risk profiles are very tempting to consumers, they are clear or straightforward as required by an independent provider.

Mburu, Ngugi and Ogollah (2015) investigated the impact of risk management strategy on boat management in Canara construction companies. The study conducted a detailed regional phase study for 153 manufacturing companies in Kenya. Based on the results, companies can conclude that cost management has significant cost reductions in line with the performance of contracts made for net purposes, reporting annual target savings and monthly savings, as well as competition, retail purchases and cost to customers and delivery to multiple companies enhance relationships through service delivery systems.

Hussein and Nasreen (2012) point out that not all limiting factors affecting investor's decision to invest are overcome over time and that various human factors vary greatly from investor to investor. According to Tomola (2013) the level of income affects investor preferences and attitudes towards investment decisions. This current study therefore employs income level as one of its independent variables. The study will look at the level of net income, Income after dividend and commitment income of firms listed on NSE. First, research has shown that the existence of liquidity problems conducted by an investment study, according to Chandra (2017), can be explained by the fact that people with low incomes or wealth cannot save or buy equity, less stock holds less distribution of income and wealth. In other words, you need a minimum amount and the required amount to invest in the stock market. Uniningh, Widodo and Wajdi (2017) Note the positive relationship between stock market participation in many developed countries and domestic financial wealth, which supports entry costs. However, there is also evidence that many wealthy families do not invest in stocks, suggesting that other factors may explain this phenomenon.

CroceDella (2012) investigated on the trends in large pension fund investment in infrastructure and the results show that generally expected return; the risk-taking capacity; risk level in the desired investment; nature of risk in the global investment markets and investment portfolio desired were the most influential factors that determined financial investments across all the firms. The least influential results across the pension schemes were consistency in returns, decision-making preferences of the decision makers, benchmarking with other pension funds, social responsibility issues and the nature of the fund owners.

Mehmet, Apan and Ayval (2015) looked at the determination of factors affecting individual investor behaviours: a study on bankers. The study noted that the main aim of individual investing in different avenues is to expand their income portfolios and increase their expenditure options. In investment made, there is a probability of loss making or profit making hence the decision on whether to invest or not solely lays with the investor and the information that s/he gets. The information accuracy is an important factor as it guides investors in making decisions that propel their portfolios. Mehmet *et al.* (2015) further note that there are several approaches to investment and the most common one is the traditional investment conception, where investors make investment decisions solely with the aim of earning high yields from their investment instruments. It is also with the belief that by increasing the number of investment instruments, the investors earn higher yields. Wealth maximization was rated as one of the most important factors in the investment decision-making process for individual investors. Both social and economic factors featured highly in the behaviour of individual investors 'decision-making process. These findings are similar to Geetha and Vimala (2014) who found age, education, income and occupation influenced the investment avenue preference. The underlying factor cutting across all demographic factors was the need to increase earning capacity and income levels.

Loh (2016) researched on how ethical behaviour influenced decision to invest: A study of aging investors in Kuala Lumpur. Traditionally, investment is considered a legal activity based on a financial goal. The main goal of investment is to increase financial strength and market value. Millennial investors, a group aged between 21

and 36 years and the acquisitions indicated the group had raised money to raise funds and had enough money for its operational needs.

Olaleye, Riro and Memba (2016) examined the effects of corporate tax cuts on FDI Nigerian construction companies. Strong income tax has been used successfully in Nigeria instead of tax deduction or tax evasion. Extended tax collections used by countries to attract more technological investment include effective tax cuts, tax holidays, free tax deductions, reduced tax deductions, lower prices and more losses. The state lowered the income tax rate from 65% to 60% between 1929 and 1955, the rate was further reduced to 35%, which was eventually reduced to 30% over the previous year to promote investment from 1996 to the present. Fixed income tax is defined as a tax payable at the rate of 30% per annum on any firm's profits. The article assessed the income tax motors company performance on FDI in Nigeria integrated construction companies.

Tomola (2013) found that income levels influence investor preferences and attitudes in investment decisions. These results are consistent with previous work Shaikh and Kalkundrikar in the year 2011 that the issues affecting investor investment decisions was based on multiple factors; income, market level, knowledge, qualifications and number of dependents. Personal income level held a significant position in working out the type of investment. An investor with a high level of income is more likely to invest than an investor with a low level of income (Nwibo & Alimba, 2013).

Karimi (2011) researched the association between the choice of investment portfolios on the NSE and the profitability of listed investment firms. The number of people interested in this study was compiled with four companies listed as investment firms on the NSE. The study used a randomized controlled model to select the 49 senior and middle management executives responsible for their financial institution and the different investment options undertaken by each financial institution. There were 49 respondents in this study. The questionnaire was designed to establish a link between the choice of investment portfolios listed on the NSE and the profitability of investment firms. Investing is not just about stocks, it is an investment management strategy to choose the right combination of stocks in nest distribution, to invest in

various assets that create good returns while maintaining high risk. Using Sharp's guidelines, Kinneek (2013) also tests unit trust firms' performance compared to the stock market and that unit trust portfolios operate under the stock market. Therefore, it clearly shows that the stock market reversed the profits at a significant risk compared to the unit trust portfolio.

Katie, Mika, Magda and Konstantinos (2012) suggest that firms are linking bonds with a desire to reorganize their balance sheets particularly to decrease bank dependency. As long as companies do not increase their resources and reduce their borrowing costs, it will strengthen firms' balance sheets increasing the financial capacity to increase future investment. However, compiled scholarly findings suggest that the weak investment policies of strong business firms in 2010 and 2011 reflect ingenuity in companies, with markets such as consolidated investments accessing them when they do not. This suggests that improving foreign direct investment in companies without capital gains in the market could provide investment assistance to UK business.

Franklin and Muthusamy (2011) analysis on impact of a medical institution's decision to invest in India between 1998 and 2009. Measuring the power-gaining impact on corporate investment visibility, asset recovery considerations, and random and sustainable ones. Using the model, sales strength, sales, cash flow, asset returns, cubes queue, liquidity and earnings are managed as independent variables and invested as reliable variables. In addition, small, medium and large companies were created. The results suggest existence of association between growth and investment, as well as investing in medium-sized companies and earning and investing in larger companies. Financial results revealed an unequal relationship between the two variants of medium and large companies.

Jagongo and Mutswenje (2014) sought to analyse factors affecting decision to invest targeting investors in the NSE in Kenya. The study found correlation between the characteristics of the code of conduct and the promotion of prior evidence for investment. The most important certification firm, corporate position in industry, expected earnings, profitability and statement position, past operating firm, price per

share, financial statement and share capital outstanding were the factors that affected investment decisions. The results of this study provide insight into the various decisions that investors must make at the end of each decision based on the circumstances and outcomes, highlighting the factors that have a significant effect on the firm's investment behaviour and their future policies and strategies.

In a study on the influence of performance levels on SME profits, Afrif and Padachi (2016) established the negative impact of foreign-backed investment on profitability. This effect can be credited to the high rate of interest on long-term loans and the high costs and costs of additional administrative requirements associated with foreign capital. The study recommended that companies use internal financial resources, especially long-term ones, such as capital gains to invest.

Kimuyu and Omiti (2010) found low liquidity to trade in Kenya was a very important factor. They recommended that repayable businesses get affordable short-term bank financing and concluded that foreign exchange is crucial for the business growth and the profitability. On the other hand, Nyale (2010) on a study to investigate the association between decision making on company investment by firms listed on the Nairobi Securities Exchange in Kenya noted that lenders often show a lack of commitment when their companies invest in activities beyond their control because they do not know how to repay the investment. Nyale (2010) argues that companies sometimes make a variety of investments to protect themselves and reinvest their money at negative returns. Different investment decisions can be made by investing in new products, investing in completely new service avenues and moving to new areas as a way to deal with losses and achieve poor performance. The study found that approximately 36% of listed companies were not involved in various decisions regarding investment. It was also found that there was a very weak relationship between the company starting rates and how much money the company could make in making an investment decision. This proves that companies consider each decision individually and that the amount that contributes to the investment decision does not depend solely on that company's purchase rate.

On investment decision-making by women entrepreneurs in Kenya, Mwaura (2015) found that young people and women in the organization are struggling to find an important reason why they can survive due to rising operating costs. Research has shown that foreign investment can help such companies grow faster. The availability of large amounts of start-up capital has recently been seen as a barrier, but recently banks and governments have recognized the importance of the women and youth market and have applied advanced analyses to gender entrepreneurship and economic debate.

Zainudin (2015) focuses on the effects of financial returns on a company's decision on investment to assess how financial assistance influenced investment rates. Zainudin hopes to contribute to the current literature by presenting evidence that has been suspended for more than 15 years from a 27-member information panel listed on the Mauritius Trade Stores (SEM). Furthermore, this study identified differences between the two kinds of organizations, viz.: (i) growing firms; and (ii) slow growing firms. It was observed that growth and investment were negatively related. Surprisingly, although the research firm reported a negative association between growth and underdevelopment, our financial results identified an important association between these two high-intensity factors.

Muhammad, Amir and Hazoor (2016) conducted a study elaborated most significant aspect influencing the company's investment decision and the downfall of Pakistan's listed companies. The study used detailed statistics, correlation analysis and included a specific class return model to analyse 30 companies (financial and non-financial) from Pakistan. The study found economic growth has a negative and significant impact on financial investments. Research results in policy help arts managers make financial decisions on whether or not they will take out a long loan.

Frank (2011) describes the relationship between the delivery decision included in the Euronext Amsterdam list and the Dutch AEX investment decision. According to the results, companies that grow slowly in distribution have a negative impact on investment. However, their impact on most growing companies is actually very negative. This implies that the challenge of low prices in industrial areas is growing

at a high rate. Growing companies fear losing financial comfort, as these Companies project need more financial resources. Secondly and most likely reason for this finding is that directors of growing companies are overconfident and jealous during growth of company. Risky decisions are made as investments in investment opportunities. Hence, debt management significance has more risk opportunities but has great potential.

Njire (2014) examined the impact of multiple grants on non-financial investment companies listed on the NSE. This study used secondary data obtained from the NSE Library, CMA and the organization's annual public reports. The population includes 62 designated companies and 45 companies. This study used multi-disciplinary methods in data analysis using SPSS version 21.0. Fundraising was found to have a negative impact on investment.

In the Kannadasan (2014) study, "Does Financial Assistance Affect Investment Decisions?" The study concluded that debt is related to investment by sector and year by its direction and size. High investment issues in the industry and construction equipment sector were identified in 2007 as the backbone of the long-term loan promotion. In 2008, 2009 and 2010, interest loans appeared to limit investments in the healthcare sector and the industrial and property sectors. Investment problems are minimal in all sectors and in all years where lending at interest is fundamental. Management does not solve the problem of over-investment in share ownership. Ownership of shares by managers and companies minimizes the problem of small investments when ownership figures are adequate. The magnitude of the high investment and small investment problem is not difficult and there is no difference in size.

The study by Ngigi and Ileri (2015) on the impact of earnings and investment in listed non-commercial organizations on NGOs was used to analyse the return on full sales and the return on investment found that the legitimacy of the firm affects the firm's investment decision. When development opportunities are low, it is expected that there will be overuse due to lack of good NPV projects. Managers want their

independent (free) income to do what they want, but the company's profits are ignored.

Hoque, Awang, Muda and Salleh (2018) explored the role of fundraising in achieving consolidated revenue in Pakistan. The sample comprised panel data of 400 NGOs time analysis from 1998 to 2011(fourteen years). The study included cash flow, solid volume and Tobin's cables control variables. Types of joint effects were used for measurement. The result stressed that imports have had a negative and significant effect on the firm's investment, and that this development is an opportunity to target investors and avert them from investing in many Pakistani companies.

Karanja (2014) conducted research on the impact of financial gain on non-financial resources listed at NSE in a period of five years (2009 - 2014) using secondary data from the NSE Library, CMA and the organization's annual reports. The population included 62 well-known companies and 45 companies. The study findings showed that economic recovery and liquidity negatively influenced investment.

Mwangi (2017) conducted research on the impact of high investment on non-financial entities listed on the NSE. Research shows that investing in commercial capital is an important economic activity and ultimately crucial to maintaining our corporate wealth and productivity. The study found that linking credit ratings to investors was good, but not necessary. The study also reported association to profit, market growth and investment measurement was low. These findings suggest that finance leverage negatively related to investment. The study found that investments listed in non-financial entities on the NSE were not influenced by returns, market growth and profitability. Financial advice had significant effect on non-financial investments listed on the NSE. The study concluded that managing non-financial entities should have adequate income to ensure that firms are not damp enough to make investment decisions without affecting other business performance.

According to Graham, Harvey and Puri (2015), friends (probably classmates) who invested in the stock market while engaging in economics while in school due to the "peer pressure" effect on investment, respondents who have these friends are able to

put funds in financial market. A number of scholars have studied that “peer results” are excellent explanations for choosing a portfolio (Sharma *et al.*, 2014).

Carr, Kolehmainen and Mitchell (2013) outlines that peer education levels are important with share ownership. Friends with a college degree are more likely to own shares. Therefore, information and learning are provided through social media. Reading newspapers has a positive effect on awareness and their regular work is very important. There has been an increase in learning opportunities for stock learning, joint ventures and business responsibilities (Jawaheer, Vikneswaran & Manual, 2016). It also indicates that financial deficiencies are more prevalent among young people and adults who are less likely to show financial information.

Kevin and Tom (2015) did research on how investment decisions related with rate of interest on Australian companies. Companies often measure investment opportunities by calculating expected returns and payback periods. Research suggests that Australian firms are getting the expected returns at a higher cost than the 'hard' prices of refunds, which often outweigh the costs and do not change constantly. In addition, most companies need more money in a few years. Consequently, decisions to use many companies did relate directly to changes in interest rates. Additionally, though both return issues and payment times provide definitive rules for financing financial decisions, the general decision-making practice is frequently large, so that ‘animal spirits’ play a major role.

Merikas, Merikas, Vozikis and Prasad (2011) using Greek Stock Exchange examined investments and Behavioural Research of Investors. The results suggest that people should base their decisions on buying stocks in the financial process and other options. The results show that there is some correlation between factors that contribute to financial awareness on morality and that it has emerged as an influential factor among mid-sized investors, as well as what appears on the Athenian Stock Exchange (ASE) to be influenced by active personality trends.

Graham et al. (2015) argue that those that have prior knowledge about economy from college studying are more expected to have peers (probably classmates) investing in the financial market. Due to the “peer pressure” effect on investment, participants

who show these friends are able to participate in financial market. Defining the association between rate of investment and flow of cash is a good indication that highly invested companies have high returns (Phan, 2013).

In a study that provided clear comprehension of investment financing considerations, Emanuel, Harris and Komakich (2010) reported that decision to invest changes with change in levels of risk. Therefore, this study separates this financial analysis. All businesses face 5 common risks: development risk, Product risk, Marketing risk, financial risk and Growth risk.

2.6 Critique of Existing Literature

Ndungu (2016) researched the impact of effective management of cash flow on profitability in Kenya. The study was carried from January 2008 to December 2015 for a period of 8 years. The analysis also reinstated the construction company using the Modified Commodity Model (CAPM), which is many times more market weight than the initial free return rate fluctuations. The results suggest that construction firms have a positively influenced stock profitability, while investment, cash flow and free cash flow have a negative impact on construction firms 'market performance. However, the model used may not reflect the true picture of market dynamics, as many assumptions behind the model's CAPM formula have been shown to be unrealistic. The model is based on the principle that losses can be measured by the strength of the stock price. However, price increases in both indices are not equally dangerous. Return periods to determine stock volatility are not uncommon because stock recovery (and risk) is rarely distributed. The market portfolio used to earn market risk premium is only theoretical value and is not an asset that can be bought or invested elsewhere in the stock.

Salomon (2014) examined association between terrorism and FDI in Kenya. This study however used only primary data covering a period of 2010 to 2012. The current study will however substitute both primary and secondary data. On the other hand, Olaleye, Riro and Memba (2016) examined how income tax incentives affected FDI in Nigerian firms. This study only covered the manufacturing segments

of firms in Nigeria; the current study will cover all the 64 listed firms at NSE in Kenya.

Kevin and Tom (2015) on the other hand sought to assess how firms 'decision to invest related with rate of interest in Australia. The results of this study cannot be applicable to the Kenyan settings as Australia is more developed than Kenya. Research on financial research and investor behaviour by Merikas, Merikas, Vozikis and Prasad (2011): In the case of Greek stock exchanges. This study assumed a list of revised questionnaires and was conducted in Athens; the current study uses primary and secondary data and is being conducted in Kenya.

Njuguna, Namusonge and Kanali (2016) analysed objectives for investment: Every investor's perspective from the NSE; the study considered individual investors failing to make a case for corporate investors and their decision-making process. Aroni, Namusonge and Sakwa (2014) concerned on dividend payout on investment. This study concentrated on the returns from investments made, as opposed to the decision-making process done by corporate. Chepkoech (2017) concentrated on determinants of investment in Kenyan pension schemes. The study fails to cover considerations for Manager's investment perceptions on the Nairobi Securities Exchange in Kenya.

2.7 Research Gaps

Ndungu (2016) assessed how managing of cash flow affected profitability of Kenyan construction firms, this was done in the construction industry; Chepkoech (2017) investigated investment decisions determinants in Kenyan pension schemes, this study looked into the pensions sector of the economy. These studies looked at investment decisions but in another economic sector different from the financial one. On the other hand, research by Jagongo and Mutswenje (2014) studied investors in effort to explain determinants of investment. Okelo, Namusonge and Iravo (2014) on the other hand looked at the financial risks of public firms, i.e., a need to make a decision when considering the availability and access to information. A study by Njuguna, Namusonge and Kanali (2016) on investment objectives in the context of Nairobi Securities Exchange focuses on investment objectives from individual investors and fails to cover Managers investment perceptions.

Most of the local studies were done in different sectors of the economy and the studies covered NSE market were on individual investor decision-making and availability of information before commencing the decision-making process, thus failing to look at Managers perception decision making process. Through these identified gaps, the study was carried out to complement the investment perception of the managers of firms listed on the Nairobi Securities Exchange in Kenya.

2.8 Summary

The above chapter discusses various theories that explain the independent and reliable variability of research. Revised theories have been examined for the consistency of certain variables. The study is hinged on the agency theory, Portfolio theory, Prospect theory and Trade-off theory. The agency theory helps to clarify the relationship between the agent (Managers of a business) who form the corporate governance and the principals (Shareholders) and the impact of the relationship on financial investments of firm. The study sought to test whether the theory is applicable to firms listed on NSE in Kenya. Portfolio theory is relevant to the study as financial investment will be measured by investment rate (dividend interest or return from securities, stocks or bonds). The concept seeks to describe how individuals select from different choices or expectations and is intended to clarify and forecast the varieties an individual makes particularly in the circumstances of improbability. The prospect theory is based on hope. It is relevant since investors hope to get more returns or profits on their investments. The Trade-off view explains that large firms have several unstable cash flows and that they can benefit from price-fixing economies that make high financial returns for investors in market security. Empirical literature on both predictor and predicted variables was also reviewed. It is from this review that research gaps were highlighted.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methods that were used in collecting data that responds to the research objectives. The chapter covers sections on the research design that the researcher used, the study target population and the sampling methods that were applied in getting the sample size. It also covered the types of data that were collected, the instruments and methods applied. The last section shows the data analysis procedures used and the presentation of the study findings.

3.2 Research philosophy

Positivist research philosophy emphasizes measurement tools and methods of measurement and calculation. The positivist approach incorporates causal relationships, a well-planned approach, scientific theory, great models, contributing to growth in theory. Positivist philosophy is used because the data is highly organized by large models, sizes and measurement data. According to Travers (2001) positivism focuses solely on facts, strongly measured by the methods used to collect them by focusing on people's performance and knowledge.

The choice of research philosophy defines the structure of the study. The two philosophical traditions that guided social science research were the qualities behind the building and the social structure. Positivism is a philosophy that pursues the authenticity of a social object that is purposeful, impartial and thoughtful, and does not care much about the invention of certain people. The idea that was developed from the point of view of this situation did not start a long time ago. The study developed ideas for motivation and the participant was an observer, and he tried to comprehend what was going on and assessed small sections over time. This study assumed the notion of ontology of objectivism indicating that social reality is actually found in social actors in relation to their existence (Saunders, Louis & Thornehill, 2007). Consequently, we conclude that there could be only three

approaches: Quantitative (Positivism and Post positivism): approach of measurements and numbers (Bryman & Bell, 2007). Qualitative (Constructivism & Transformative): approach of words and images. Mixed Methods (Pragmatism): approach of measurements, numbers, words and images (Cooper & Schindler, 2006). This study adopted Positivism and Post positivism worldview. This study sought to measure numbers and opinion. This gave researcher room to describe the phenomenon better for comprehensive description of financial investment among companies listed in NSE.

3.3 Research Design

The research design is a research program that is designed to provide answers to research questions; this is according to Meyers (Gamst & Guarino, 2016). This study assumed explanatory study design that considered concurrent transformative design. The transformative design considers data of a quantitative and qualitative nature that is collected for purposes of responding to the research question. It helps in evaluating the different perspectives during the analysis stage (Creswell & Creswell, 2017). This method was used in further elaborating, enhancing and collaborating and clarifying the results collected using one method and instrument. Explanatory construction has been used because it focuses on complex analysis so as not to incorporate dynamic changes; as one variation affects changes in the other. This focuses on understanding, interpreting, predicting and controlling the relationships between dynamic forces. This is in line with Sekaran and Bougie (2016) who explain that explanatory elements are defined as a way to collect data by negotiating or managing questionnaires to a sample of people and are appropriate as it answers research questions on who, what, where, when of the problem and how. Definitive explanatory constructions were therefore worthy of the study because they were intended to answer 'how' questions related to investment perception of the managers for companies listed on the NSE in Kenya.

3.4 Target Population

According to Panneerselvam (2014), the number of groups of people, objects, or objects from which samples are measured, or a group of people or objects containing at least one object. The target population for this study was 64 firms listed on the NSE in Kenya between 2013 and 2017.

Table 3.1: Target population

Sector	Target population
Agricultural	7
Commercial and services	10
Telecommunication and Technological firms	1
Automobile and accessories	3
Banking	11
Insurance	6
Investment	6
Manufacturing and associated firms	10
Construction and associated firms	5
Energy and petroleum firms	5
Total	64

Source: Nairobi Securities Exchange (2017).

3.5. Sampling Frame

A simple definition of a sampling frame is a set of source materials from which the sample is selected (Yin, 2017). The sampling frame for this survey is all the 64 firms listed at the NSE. The listed firms were easy to collect data from as they are licensed and thus could be easily reached through the contact information provided to CMA. The unit of observation in this study is company listed in NSE.

3.6. Sample Size and Sampling Technique

Matthews and Ross (2014) state that the human domain determined to represent or represent human characteristics is model. The number of firms surveyed in this study was 64 companies listed on the NSE in Kenya between 2013 and 2017. The researcher used random samples to identify organizations that had studied and

analysed panel data. This eliminated any selection based on the selected group that had representatives of the characters to appear in the entire group. Questionnaires were administered during this time from a sample of firms listed on the NSE in Kenya. Respondents were Managers from the Department of Accounts, Commercial and Finance. Each of the manager from the sampled firms was given a set of questionnaires to fill. From 32 sampled firms three sets of questionnaires were administered, bringing the total respondents to 96. The choice of the departments was because the departments are financially related and relevant to the study being undertaken. A sample was used to select respondents from 64 listed firms at Nairobi Securities Exchange in Kenya for the period 2013 to 2017 calculated using an average of 50 percent in line with the formula of Mugenda and Mugenda (2003) which is 50% of the target population.

$$S = 50\% \times N$$

S = required sample size

N = the population size

$$S = 50\% \times 64 = 32$$

Table 3.2: Sample Size

Description	Target Population	Proportion	Sample Size
Agricultural	7	50%	3
Commercial and services	10	50%	5
Telecommunication and Technological firms	1	50%	1
Automobile and accessories	3	50%	2
Banking	11	50%	6
Insurance	6	50%	3
Investment	6	50%	3
Manufacturing and associated firms	10	50%	5
Construction and associated firms	5	50%	2
Energy and petroleum firms	5	50%	2
Total	64	50%	32

3.7. Data Collection Methods

Data collection refers to the process of collecting raw and unrefined data before it can be processed into meaningful data, following the scientific process of data analysis (Gall, et al., 2007). The study used primary and secondary data. Questionnaires were used to collect the primary data while secondary data was analysed using panel data.

3.7.1. Primary Data

Primary data collection was undertaken by identifying respondents and their availability. The questionnaires were administered by competent research assistants who adopted the drop and pick after seven (7) days approach which enabled respondents to fill the questionnaires at their own convenience. Consent for the request for data collection was obtained from the Chief Executives officers of the

firms listed at the Nairobi Securities Exchange in Kenya and letters sent to respondents regarding the voluntary nature of the research and how this information will be used. In order to create confidence and assure respondents that data was purely needed for academic purposes and that the information obtained would be treated confidential and purely for academic purposes, a letter of approval (Appendix iii) was obtained from the University and NACOSTI (appendix iv) stating the purpose of research.

The researcher obtained initial data on cash flow, business risk, portfolio income and financial leverage using questionnaires at the level of 5 Likert points (Appendix VI). Questionnaires were designed in a simple and easily understandable language which made it easy for respondents to fill in the questionnaires with uniformity of understanding hence simplifying the analysis process. The questionnaires were divided into six sections. Section (A) presented general information about respondents in this study, section (B) provided information on cash flows and section (C) information on business risk. Section (D) provided information on portfolio income Section (E) on financial leverage while section (F) presented investments perceptions of management.

3.7.2. Secondary data collection

Secondary data on cash flow, Business risk, portfolio income, and financial leverage were gathered using a secondary data collection sheet. (Appendix V). The secondary data was obtained from annual reports and financial statements of the firms listed at Nairobi Securities Exchange in Kenya for the period of 2013 to 2017. This information was readily available at Capital Markets Authority website.

3.8 Pilot Study

To examine the authenticity and reliability of the questionnaires, a pilot study was conducted to gather the information necessary for the purpose of the research. The purpose of the pilot test is to determine the accuracy and suitability of the design and research (Yin, 2017). The pilot study was conducted using 10 respondents. According to Sekaran and Baghe (2016), respondents to pilot tests do not have to be

statistically selective when assessing the reliability of devices and their performance. Its purpose is to examine the reliability and authenticity of the questionnaire. It is also intended to determine if there are any errors, limitations, or other weaknesses in the design of the questionnaires, so as to allow the questionnaires to be edited before the study begins.

3.8.1 Validity Test

Validity can be defined as the level at which an instrument is intended to be measured (yin, 2013). The accuracy and consistency of interpretation of exercises based on research results is related (Brahmana & Sankat, 2012). There are three types of authenticity in this study, namely legal related authentication, content verification and proper verification. The validity of the work is also known as the mental guarantee, which is used to indicate the accuracy of a measure or procedure by comparison with another standard or method. Research based on tools developed in other relevant disciplines and concepts generated in the appropriate range of literature. The target depends on the size of the sample rating that reflects the specific domain of the content. This study used material verification to determine whether the content of the research instrument had reached the representative model of the measuring fiction model. The researcher used experts or experts in the field of concept or strategy for the measurement and also determined which elements or team of researchers would best represent the topics in the study.

3.8.2 Reliability Test

Reliability is a list of measuring instruments or measured in the same way every time an instrument is used in the same conditions and under the same conditions (Kronbach, 1951). During this time, the questionnaire assesses the accuracy of any measurement process and gives similar results i.e., the stability or sustainability of research over time or beyond (Flick, 2015). If the score of a person given twice in the same test is the same, the rating is considered reliable. Different variations affect the reliability of the results. For example, respondents may not be able to answer angry or enthusiastic questions. To minimize this diversity, Lewis (2015) advises that

respondents be carefully selected to ensure that they are willing to participate in the study and that they answer questions with limited choice.

Two methods of experimental reliability were used in this study: equilibrium testing and internal measurement testing. The similarity test was confirmed by conducting a questionnaire with a sample of equity-based respondents who did not participate in the study. The internal consistency of the research device was used by Cronbach's Alpha. Cronbach's Alpha is a reliable measure that shows how properly aligned objects is connected to each other (Sekaran & Bougie, 2016). According to Yin (2013), a standard reliability of 0.7 to 1.0 is considered acceptable. Alpha combinations of 0.7 and above were considered reliable in this study. The Cronbach alpha was computed using the SPSS.

3.9 Data processing and analysis

Data analysis is a practice in which raw data is streamlined and refined so that useful information can be gathered (Gall *et al.*, 2007). Detailed statistics such as average and frequency are used to perform data processing. Detailed and asynchronous statistics used to determine explorations and overall performance of a population. Some detailed statistics are small, average scores and simple deviations. Differential analysis (ANOVA) was evaluated to reveal the significance of the overall model. In particular, the calculated F number is compared with the F value. A negative value of 0.05 was also used to determine whether the complete model was important. Individual regression coefficients have been used to determine whether there are various factors influencing the effects of investment factors. A significant value of 0.05 was also used to determine whether each difference was significant.

Several linear adjustment patterns have been used for independent variables such as:

$$INV_{it} = \beta_0 + \beta_1 CF_{it} + \beta_2 BR_{it} + \beta_3 PI_{it} + \beta_4 FL_{it} + \epsilon_{it} \text{ Where:}$$

$$INV_{it} = \text{financial Investment time } t$$

$$CF_{it} = \text{Cash flow at time } t$$

BR_{it} = Business risk at time t

LI_{it} = Portfolio Income at time t

CF_{it} = Financial Leverage at t

$\beta_1, \beta_2, \beta_3, \beta_4$ = are coefficients to be estimated

e = stochastic term at time t

3.11 Diagnostic Tests

Before fitting data into a regression model, the researcher assessed the multicollinearity and normality tests to determine the suitability of the regression model. The tests performed by the researcher were Multicollinearity, Normality Test, heteroscedasticity and Unit root tests.

3.11.1 Normality Test

Normality test is done to test whether the data set is normally distributed. Normality tests are used to determine if a data set is well-modeled by a normal distribution and to calculate likelihood for a random variable essential for the data set to be normally distributed. Normality is the likelihood that the collected data relating to a certain phenomenon will be normally distributed over the population sample. Ghasemi and Zahediasl (2012) recommend that before actual data analysis via regression analysis and correlation analysis, it is important to ascertain that the normality condition is met. Normality test was done using Shapiro-Wilk Test to determine whether the p values of the variables cash flow, business risk, portfolio income and financial leverage are less than 0.05.

3.11.2 Heteroscedasticity Test

Heteroscedasticity is useful for assessing whether there is any difference in the duration of recognition. Regression analysis assumes that the variance of the error term remains constant across observations, if not the random variables are said to be heteroscedasticity. The researcher conducted Test Glejser by regressing absolute

residual value of the independent variable with the regression equation. According to White (1980), significance of independent variables plays an important role while conducting Test Glejser in that if significance is greater than 0.05, then there is no Heteroscedasticity otherwise the converse is true. From the findings, cash flow had significance of 0.000, business risk had 0.001, portfolio income had 0.000 and financial leverage had 0.000. The findings suggest presence of minimal heteroscedasticity in the data set.

3.11.3 Multicollinearity Test

This was done to ensure that the model did not have overlapping elements to avoid the multiple colonization problems. Multicollinearity (is a phenomenon where abnormal population patterns in many modification models can be estimated directly from others with high accuracy). This is a situation where some reliable variations in the model are closely related to the independent variables. According to Iacobucci, Schneider, Popovich and Bakamitsos (2017), the multicollinearity test attempts to determine whether there are two regression models using the variance inflation factor VIF to determine cash flows, or if more detailed variables were found. Business Risk, Portfolio income, financial leverage and Investment perception, 1–10.

3.9.4 Autocorrelation Test

In the autocorrelation test, the focus is recorded with reliable contrast and stored. The variables used are not statistically significant. This indicates that no serial connection is left (Brooks, 2014).

3.9.5 Unit root tests

Stationarity means data differences, structural and structural differences do not change over time (Gujarati, 2003). The base test of the unit determines whether the time series is closed before data analysis. This test was performed to determine if the mutations were stable (Brooks, 2008). The problem-free root alpha is considered to be the > 0.5 stand-alone series.

3.10 Ethical Considerations

According to Kothari (2011), ethical practices in study involve the process taken to safeguard the confidentiality, discretion and privileges of subjects while going about various processes involved. A research permit letter was acquired from Jomo Kenyatta University of Agriculture and technology and a permit from National Commission for Science, Technology and Innovation (NACOSTI). A personal commitment letter was drafted and signed by the researcher as an assurance to respondents that confidentiality would be observed to the letter. The researcher did not coerce respondents to participate and participation was voluntary. Due acknowledgement was made while dealing with other parties' knowledge and to that end, the research strictly adhered to anti-plagiarism considerations.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter provides an analysis of the secondary and primary data collected by the researcher. Data analysis was performed on two descriptive definitions to display the median, minimum, maximum, and standard deviation of the variable. Diagnostics tests were carried out to find out presence of fixed and or random effects. Inferential statistics was applied to establish panel estimation.

4.1.1 Response rate

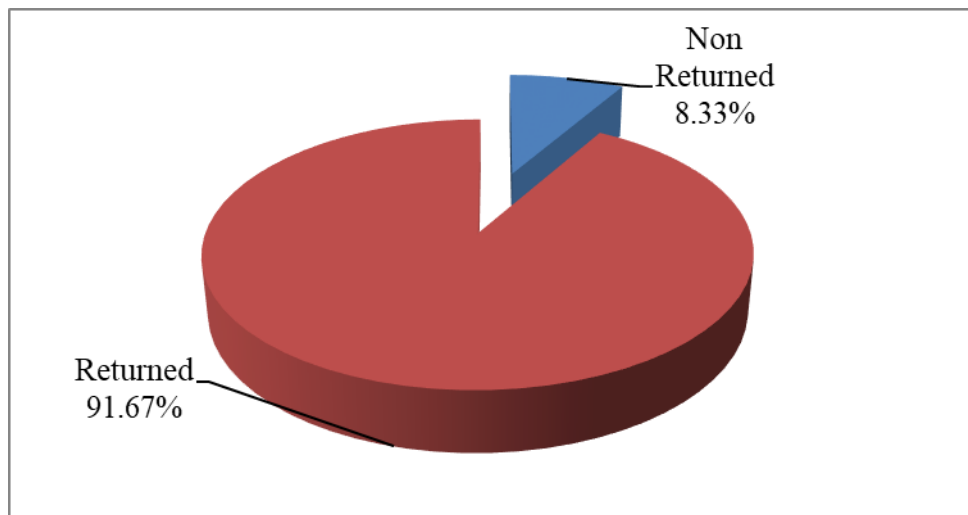


Figure 4.1: Response rate

The targeted population was from the 64 listed firms at Nairobi securities exchange for the period 2013 to 2017. A sample of 32 of the listed firms was selected to record the details of 96 questionnaires. From the study 88 questionnaires were duly filled, returned by the respondents and analysed by the researcher. This translated to a response rate of 91.67%. The response rates were consistent with Bobby's (2004) data, stating that the return of more than 50% is acceptable. Similarly, Mugenda (2008) stated that a 50% response rate is sufficient for analysis and reporting, while a 60% level is generally good, a response rate greater than 70% is effective.

4.1.2 Pilot Study Results

In this study, Cronbach Alpha Test was used to determine the reliability of the research instruments. Cronbach's alpha is a reliable illusion that shows how objects are exactly aligned with each other (Sekaran, 2003). According to Bryan and Kramer (2005), a standard reliability of 0.7 to 1.0 is considered acceptable. Alpha combinations of 0.7 and above were considered reliable in this study.

It was noted that the reliability results obtained through Cronbach Alpha suggested that the tool was reliable in capturing the desired results. According to Gliem and Gliem (2003), a coefficient rate greater than 0.70 implies that the study tool is consistent. Therefore, the questionnaire was considered reliable in collecting the study data. This is shown in table 4.1 below.

Table 4.1: Reliability analysis

	Items	Number of items	Cronbach's alpha,
1	Cash Flow	5	0.879
2	Business Risk	5	0.956
3	Portfolio Income	5	0.784
4	Financial Leverage	5	0.846
5	Investment Perception of The Managers of Firms	4	0.806

N=16

4.2. Descriptive statistics

The study relied on both primary and secondary data, which was collected from managements from selected firms listed in Nairobi stock Exchange. Questionnaires were used to target 3 representatives from 32 selected companies. The demographic information included gender, age bracket, education background and duration worked in the position worked at the time of this study. This information offers a basic understanding on the respondents on the on investment; particularly work experience and education background.

Table 4.2: General information

		n	%
Gender	Female	37	42.0
	Male	51	58.0
	Total	88	100.0
Age distribution	18-25 years	12	13.6
	26-35 years	30	34.1
	36-55 years	34	38.6
	Above 55 years	12	13.6
	Total	88	100.0
Education Background	Diploma	3	3.4
	Degree	44	50.0
	Masters	35	39.8
	PHD	6	6.8
	Total	88	100.0
Work experience	Less than 2 years	13	14.8
	2 to 4 years	20	22.7
	5 to 10 years	32	36.4
	More than 10 years	23	26.1
	Total	88	100.0

The study found the proposition of male (58.0%) participants was more than that of female (42.0%). Over 70% of the participants were aged between 26 years and 55 years; 31.1% were aged between 26-35 years while 38.6% were aged between 36-55 years. Majority of the respondents had at least degree qualification; 50.0% had attained a degree certificate, 39.8% had master's qualification while 6.8% reported to have attained a PhD. Education is a critical factor in decision making, it is assumed people who are well informed are more likely to make reliable decisions. Finally on the basic information, the study examined work experience among the respondents and found that most of the respondents had worked for at least 5 to 10 years while 26.1% had worked for over 10 years.

Table 4.3: Results of Descriptive statistics

	MIP	CF	BR	PI	FL
Mean	0.724490	0.461395	49.08918	0.145952	0.874966
Median	1.000000	0.060000	15.92000	0.090000	0.640000
Maximum	1.000000	87.20000	467.0800	91.69000	24.16000
Minimum	0.000000	-11.39000	-1.700000	-62.47000	-0.200000
Std. Dev.	0.447533	5.365583	79.37942	6.719913	2.200360
Skewness	-1.004943	14.43536	2.673467	5.713063	8.046089
Kurtosis	2.009911	234.3885	10.66708	144.3787	71.17671
Jarque-Bera	61.49403	666083.5	1070.329	246451.4	60111.01
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	213.0000	135.6500	14432.22	42.91000	257.2400
Sum Sq. Dev.	58.68367	8435.319	1846220.	13231.07	1418.585
Observations	294	294	294	294	294

Detailed statistics are small descriptive modules that summarize the set of data provided, either as a whole representation or as a sample of people. Detailed statistics were divided into intermediate trend measures and spreads.

The mean for Managers investment perception variable was 0.724490. The maximum of Managers investment perception variable reported at 1.000000, the minimum was 0.000000, and a standard deviation of 0.447533 as shown in Table 4.3.

The mean for Cash flow was 0.461395. The maximum of Cash flow stood at 87.200000, a minimum of -11.39000 and a standard deviation of 5.365583 (Table 4.3). This implies that variable data was normally distributed. It therefore suggests that the stability of the variable and that the classical assumptions were satisfied and therefore, we conclude that Cash flow significantly deviated from the expected mean.

The mean for business risk was 49.08918. The maximum of business risk stood at 467.0800, minimum of -1.700000 and a standard deviation of 79.37942 (see Table

4.3). The variable data was normally distributed, implying that variable classical assumptions were satisfied.

The portfolio income for 294 generated a mean of 0.145952, a standard deviation of 6.719913 and a maximum and minimum of 91.69000 and -62.47000, respectively suggesting that portfolio income variable did not significantly deviate from the expected mean.

The financial leverage for 294 cases reported a mean of 0.874966, a standard deviation of 2.200360 and a maximum and minimum of 24.16000 and -0.200000, respectively suggesting that financial leverage variable did not significantly deviate from the expected mean.

4.2.1 Analysis of Normal Distribution

Measurements include standard deviation, variance, small and high variability, as well as kurtosis and JarqueBera. Variables are kept lower than normal to see if the data is still distributed. . From Table 4.1, a distortion value of -1.004943 is called for a reliable variable cash flow, business risk, portfolio income and financial leverage at 14.43536, -2.673467, 5.713063 and 8.946089 respectively.

The documented values for kurtosis from financial investment, cash flow, business risk, portfolio income and financial leverage are 2.009911, 234.3885, 10.66708, 144.3787 and 71.17671 respectively. In summary, the likelihood of value gained from the Jarque-Bera test statistic results of 0.00 implies that all variables were statistically significantly and normally distributed at 0.05.

4.3. Diagnostics Tests

The first research task to be done after data extraction is to examine the data quality at hand. When panel data, is well managed the variables gives a schematic and/or random results. The most important issue for consistency is the analysis unit, which states that each value in the data set must be maintained and measured equally. If every value is unstable in many cases, then any data based on that data is unreliable (Park & Hun Myoung. 2011).

Panel data models can be used to fix or observe group (individual) results, time results, or both variance or individual effects. These results may have a planned or unplanned effect. The statistical result model is evaluated when differences between groups or time periods are detected, while the random result model examines differences in variability variables for each period or periods (Park & Hun Myoung, 2011).

4.3.1 Autocorrelation Test

The F-statistic found was 0.090449, Prob.0.9135 and the chi-square was found to be (Observed * R-squared 0.185194; Prob. 0.9116). Table 4.4 presents the results on (Lagrange multiplier (LM) – Test) autocorrelation test. The dependent variable was the residuals. The residuals were regressed on dependent variables plus a lagged value of the residuals. The decision was made based on F-statistic and the chi-square which in this case was statistically insignificant. The conclusion was that there was no serial correlation in the model.

Table 4.4: Autocorrelation Results

Breusch-Godfrey Serial Correlation LM Test:			
Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	0.090449	Prob. F(2,287)	0.9135
Obs*R-squared	0.185194	Prob. Chi-Square(2)	0.9116

4.3. 2 Correlation Test

This was done to ensure that the model did not have overlapping elements to avoid the multiple colonialization problems. Understanding of the interaction between reliability and independent variables has led to integration tests conducted to determine the presence of multicollinearity. To find out if there is a relationship between the variables used in the study, the cross-linking study was analysed to determine the scope of the relationship. The data that led to the correlation analysis

showed that the change in the independent variable (Cohen, Cohen, West, & Aken, 2003) was due to a change in the dependent variable.

The low correlation between the independent variables was a good sign and was an early indicator of orthogonality. This means that one could fit a regression model without challenges of dealing with collinearity problem. It was now a standard procedure to conduct a correlation analysis before conducting a regression analysis. Thus, all the independent variables were retained for further analysis.

Table 4.5: Correlation Analysis

	CF	BR	PI	FL
CF	1	0.013837	0.027645	0.224021
BR	0.013837	1	0.001567	0.104694
PI	0.027645	0.001567	1	0.027007
FL	0.224021	0.104694	0.027007	1

4.3.3 Heteroscedasticity Test

The researcher conducted Test Glejser by regressing absolute residual value of the independent variable with the regression equation. From the findings, cash flow had significance of 0.000, business risk had 0.001, portfolio income had 0.000 and financial leverage had 0.000. The findings suggest presence of minimal Heteroscedasticity in the data set.

Table 4.6: Heteroscedasticity results

Model	Sig.
Cash flow	.000
Business Risk	.001
Portfolio Income	.000
Financial leverage	.000

4.4. Cash flow and investment perception of managers of the Firm

In the first objective of this study was to analyse how cash flow influenced the investment perception of Managers of the firm. The study evaluated cash flow using both secondary and primary data. The study sought the judgement of the management on the sufficiency of the cash for the company's shareholders, the level of debts in the firm, cash for debtors and availability of debt management policy in the organisation

Table 4.7: Cash flow and investment perception of managers of the Firms

	n	mean	STD Dev
The firm has enough cash for its shareholders	87	3.563	1.227
The firm's debt level is higher	85	2.388	1.092
Your firm has no debt	87	2.805	1.396
The firm has enough cash for its debt holders	88	3.636	1.136
Your firm has a clear debt management policy	88	3.727	1.182
Cash Flow	84	3.214	0.607

Most respondents agreed that they had enough shareholders cash as implied by a mean of 3.563 and a standard deviation of 1.227. This implies that most of organisations had enough cash for its shareholders while there were cases that did not have enough cash for their shareholders as shown by large standard deviation.

Regarding the debt, respondents reported an average rating on the level of debts in their organisations as well as the possibilities of organisation having the debt. To be specific an average of 2.388 and standard deviation of 1.396 in the response to higher level of debts as well as mean of 2.805 and standard deviation of 1.396 on the response of having no debt implies that the response were varied and there are cases with high levels of debts and ones with low levels and equally some had debts while others did not have debts at all.

The study further found firms had enough cash for its debt holders as shown by a mean of 3.636 and a standard deviation of 1.136. It was observed that most firms had a clear debt management policy as shown by a mean of 3.727 and standard deviation of 1.182.

4.4.1 Unit Root Test

Financial organizations, investors and analysts, more frequently when making economic projections, analysis of financial market, or personal data studies use time series data on financial models. This model reveals biasness and unreliable findings and may lead to misunderstandings and predictions. The solution to the problem is to change the timeline data to keep it consistent. The panel is applied to the root test unit for all variables used in the analysis to determine if the panel data is consistent. The data is obtained from all the cross-sections in the independent variables, cash flow, business risk, portfolio income and financial leverage and dependent variable, investment perception of the managers of firms.

4.4.2 Unit Root Test for cash flow

Table 4.8: Unit Root Test for cash flow

Null Hypothesis: VAR0000101 has a unit root				
Exogenous: Constant, Linear Trend				
DF-GLS Test Equation on GLS Detrended Residuals				
Dependent Variable: D(GLSRESID)				
Method: Least Squares				
Date: 05/18/19 Time: 11:34				
Sample (adjusted): 2 294				
Included observations: 293 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
GLSRESID (-1)	-0.956068	0.058465	-16.35284	0.0000
R-squared	0.478026	Mean dependent var		0.002616
Adjusted R-squared	0.478026	S.D. dependent var		7.496383
S.E. of regression	5.415968	Akaike info criterion		6.219987
Sum squared resid	8565.151	Schwarz criterion		6.232548
Log likelihood	-910.2282	Hannan-Quinn criter.		6.225018
Durbin-Watson stat	2.001333			

Results for cash flow were found to be stationary in the test with a p-value of 0.0000 that is less than 0.05. The null hypothesis (H0, cash flow has a unit root) was rejected and alternative hypothesis (H1, cash flow has no unit root) accepted. The test of stationarity was important because it helped to identify the order of integration of a variable and avoid spurious regression (Table 4.8).

4.5. Business risk and Investment perception of managers of the Firms

In the second objective of this study, the study sought to analyse how business risk influenced the investment perception of managers of the firm. The study evaluated business risk using both secondary and primary data. The study sought the judgement of the management on the experienced growth risk, experienced financial risk, experienced development risk and availability of strategic plan and audit committee at the firm.

Table 4.9: Business risk and Investment perception of managers of the Firms

	n	mean	STD Dev.
The firm has experienced growth risk for the 5 past years	88	4.193	1.113
The firm has experienced financial risk for the 5 past years	87	2.839	1.055
The firm has experienced development risk for the 5 past years	84	2.976	1.119
The firm had a strategic plan for the 5 past years	87	3.494	0.963
The firm has an audit committee	88	3.602	1.150
busi_risk2	84	3.410	0.622

The study found, most firms had experienced financial growth risk 5 years prior the study as shown by a mean of 4.193 and standard deviation of 1.113. The standard deviation implies that some organisation did not experience growth risk within the same period. The study further found on the question of financial risk, the respondents reported an average of neutral value on the perceived financial risk 5 years prior the study period as implied by a mean of 2.839 and standard deviation of 1.055. Other risk analysed in the study was development risk; most firms reported

mixed response about the on issue of development risk as shown by a mean of 2.976 and standard deviation of 1.119.

On the business risk, the study further assessed the availability of strategic plan and possibilities of audit committee. It was observed that the firms had strategic plan that guided their activities 5 years prior the study as shown by a mean of 3.494 and standard deviation of 0.963. Equally the findings imply that firms had audit committee as shown by a mean of 3.6 and standard deviation of 1.150.

4.5.1 Unit Root Test for Business risk

Results for Business risk variable were found to be stationary in the test with a p-value of 0.0000 that is less than 0.05. The null hypothesis (H0, Business risk has a unit root) was rejected and alternative hypothesis (H1, Business risk has no unit root) accepted. The test of stationarity was important because it helped to identify the order of integration of a variable and avoid spurious regression.

Table 4.10: Unit Root Test for Business risk

Null Hypothesis: VAR0000201 has a unit root					
Exogenous: Constant, Linear Trend					
DF-GLS Test Equation on GLS Detrended Residuals					
Dependent Variable: D(GLSRESID)					
Method: Least Squares					
Date: 05/18/19 Time: 11:39					
Sample (adjusted): 2 294					
Included observations: 293 after adjustments					
Variable	Coefficient	Std. Error	t-Statistic	Prob.	
GLSRESID (-1)	-0.219821	0.036651	-5.997650	0.0000	
R-squared	0.109676	Mean dependent var	-0.116350		
Adjusted R-squared	0.109676	S.D. dependent var	55.77711		
S.E. of regression	52.62960	Akaike info criterion	10.76784		
Sum squared resid	808803.5	Schwarz criterion	10.78040		
Log likelihood	-1576.489	Hannan-Quinn criter.	10.77287		
Durbin-Watson stat	2.017107				

4.6. Portfolio income and Investment perception of managers of the Firm

The study further sought to analyse the relation between portfolio income and investment perception of managers of the firm. The study evaluated portfolio income using both secondary and primary data. The study sought the judgement of the management on the *effects of investor's behaviour in the events of increased income, experts report such as* consumer reports influences investors financial investment; history of a specific investor form basis for their investment, the investment perception of managers of the firms shaped by maturity date of their investment on selected stock and Investors' perceptions of managers of firms is also affected by the stability of the economy.

Table 4.11: Portfolio income and Investment perception of managers of the Firm

	n	mean	STD Dev
When company reports increased income, investors develop more interest in the stocks	87	3.839	1.190
During investment process, investment history of a specific investor form basis for their investment	88	3.784	0.837
Experts reports such as consumer reports influences investors financial investment	88	3.909	0.721
During investment, the financial investment is shaped by maturity date of their investment on selected stock	88	3.875	0.945
Investor's investment decisions is also affected by the stability of the economy	88	3.932	1.026
Portfolio	88	3.868	0.450

The study found when company reports increased income; investors develop more interest in the stocks as shown by a mean of 3.839 and standard deviation of 1.190. During investment process, investment history of a specific investor form basis for their investment as shown by a mean of 3.74 and standard deviation of 0.837. It was also observed that experts report such as consumer reports influences investors' financial investment as implied 3.909 and standard deviation of 0.721. The study further found the investment perception of managers of the firm is shaped by

maturity date of their investment on selected stock as shown mean of 3.875 and stand deviation of 0.945. Finally, the study evaluated the effect of economic stability on the investors ‘as shown by a mean of 3.932 and standard deviation of 1.026, investment perception of managers of the firm was influenced by the stability of the economy.

4.4.1 Unit Root Test for portfolio income

Results for portfolio income were found to be stationary in the test with a p-value of 0.0000 that is less than 0.05. The null hypothesis (H0, portfolio income has a unit root) was rejected and alternative hypothesis (H1, portfolio income has no unit root) accepted. The test of stationarity was important because it helped to identify the order of integration of a variable and avoid spurious regression.

Table 4.12: Unit Root Test for portfolio income

Null Hypothesis: VAR0000301 has a unit root				
Exogenous: Constant, Linear Trend				
DF-GLS Test Equation on GLS Detrended Residuals				
Dependent Variable: D(GLSRESID)				
Method: Least Squares				
Date: 05/18/19 Time: 11:40				
Sample (adjusted): 2 294				
Included observations: 293 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
GLSRESID (-1)	-1.018034	0.058511	-17.39900	0.0000
R-squared	0.509017	Mean dependent var		-0.000185
Adjusted R-squared	0.509017	S.D. dependent var		9.605467
S.E. of regression	6.730567	Akaike info criterion		6.654603
Sum squared resid	13227.76	Schwarz criterion		6.667163
Log likelihood	-973.8994	Hannan-Quinn criter.		6.659634
Durbin-Watson stat	1.999759			

4.7. Financial leverage and investment perceptions of managers of the firm

The study further sought to analyse the relation between financial leverage and investment perception of the managers of the firm. The study evaluated financial leverage using both secondary and primary data. The study sought the judgement of the management on attractiveness of loan as opposed to equity in their firm, comparison between current liability burden as opposed to its current assets, cost of equity compared to the debentures cost on Profit and loss account, checking of leverage level of our company and guidelines to manage liquidity to avoid bankruptcy.

Table 4.13: Financial leverage and Investment perceptions of managers of the firm

	n	mean	STD Dev
Loan is more attractive to our firm than equity	85	2.894	1.124
The company has a large current liability burden as opposed to its current assets	87	2.966	1.072
Cost of equity is greater than the debentures cost on Profit and loss account	84	2.810	1.081
The leverage level of our company is constantly checked	88	3.307	1.207
The company has clear guidelines to manage liquidity to avoid bankruptcy	88	3.205	1.270
Financial leverage	81	3.049	0.703

The management of firms reported a mixed response on the attractiveness of loan as opposed to loan; a mean of 2.894 and standard deviation of 1.124 implies neutral response in this subject. Equally, there was a neutral response on the possibilities of large current liability burden as opposed to its current assets in the studied firms as shown by a mean of 2.966 and standard deviation of 1.072. The respondents were also neutral on their response that the cost of equity is greater than the debentures cost on Profit and loss account (Mean of 2.810 and standard deviation of 1.081); this implies that the responses were widely varied.

The study further examined the habit of checking leverage level of the companies and found that the neutral response that the leverage level of firms were constantly checked as implied by a mean of 3.307 and a standard deviation of 1.207. Equally, firms reported mixed reaction on availability of clear guidelines to manage liquidity to avoid bankruptcy as shown by mean of 3.205 and a standard deviation of 1.270. The standard deviation in this case implies varied response among the firms' management.

4.7.1 Unit Root Test for financial leverage

Results for financial leverage were found to be stationary in the test with a p-value of 0.0000 that is less than 0.05. The null hypothesis (H0, financial leverage had a unit root) was rejected and alternative hypothesis (H1, financial leverage had no unit root) accepted. The test of stationarity was vital since it provides basis in which variables are ordered to avoid spurious regression.

Table 4.14: Unit Root Test for financial leverage

Null Hypothesis: VAR0000401 has a unit root				
Exogenous: Constant				
DF-GLS Test Equation on GLS Detrended Residuals				
Dependent Variable: D(GLSRESID)				
Method: Least Squares				
Date: 05/18/19 Time: 11:43				
Sample (adjusted): 9 294				
Included observations: 286 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
GLSRESID (-1)	-0.209492	0.057551	-3.640137	0.0003
D(GLSRESID (-1))	-0.184970	0.069777	-2.650874	0.0085
D(GLSRESID (-2))	-0.145474	0.067241	-2.163460	0.0314
D(GLSRESID (-3))	0.186114	0.062068	2.998578	0.0030
D(GLSRESID (-4))	0.201807	0.063062	3.200134	0.0015
D(GLSRESID (-5))	-0.245439	0.064198	-3.823177	0.0002
D(GLSRESID (-6))	-0.152362	0.062329	-2.444474	0.0151
D(GLSRESID (-7))	-0.228846	0.058387	-3.919498	0.0001
R-squared	0.347660	Mean dependent var	-0.001224	
Adjusted R-squared	0.331234	S.D. dependent var	1.864326	
S.E. of regression	1.524610	Akaike info criterion	3.708928	
Sum squared resid	646.1934	Schwarz criterion	3.811194	
Log likelihood	-522.3767	Hannan-Quinn criter.	3.749919	
Durbin-Watson stat	1.991989			

4.8. Investment Perception of the Managers of Firms

The study further sought to analyse the relation between financial leverage and the investment perception of Managers of the firm. The study evaluated financial leverage using both secondary and primary data. The study sought to analyse the corporate financial investment. The increase of EPS over the last 5 years, increase of ROE, increase of ROE, increase in firms' profit and increase in return on investment 5 years prior the study period.

Table 4.15: investment perception of the managers of firms

	n	mean	STD Dev
The firm has received increase in EPS over the last 5 years	87	3.621	1.003
The ROE has been on increase over the last 5 years in the firm	88	4.000	1.104
The ROA has been on increase over the last 5 years in the firm	88	3.636	1.008
The firm's profit has been on raise over the last 5 years	88	3.795	0.984
The firm's return on investments has increased over the last 5 years	88	3.432	1.081
INVESTMENT PERCEPTION OF THE MANAGERS OF FIRMS	87	3.692	0.501

The study found most firms had received increase in EPS 5 years prior the study period has shown by a mean of 3.62 and a standard deviation of 1.000. The respondents also reported a general increase in ROE 5 years prior to the study period as observed by a mean of 4.00 and a standard deviation of 1.104.

4.8.1. Unit Root Test for Investment Perception of the Managers of Firms

Results for investment perception of the managers of firms were found to be stationary in the test with a p-value of 0.0003 that is less than 0.05. The null hypothesis (H0, investment perception of the managers of firms have a unit root) was

rejected and alternative hypothesis (H1, investment perception of the managers of firms had no unit root) accepted. The test of stationarity was important because it helped to identify the order of integration of a variable and avoid spurious regression.

Table 4.16: Unit Root Test for Investment Perception of the Managers of Firms

Null Hypothesis: Group variables has a unit root

Exogenous: Constant

DF-GLS Test Equation on GLS Detrended Residuals
 Dependent Variable: D(GLSRESID)
 Method: Least Squares
 Date: 05/18/19 Time: 11:46
 Sample (adjusted): 6 294
 Included observations: 289 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GLSRESID (-1)	-0.266008	0.071741	-3.707866	0.0003
D(GLSRESID (-1))	-0.512835	0.077837	-6.588545	0.0000
D(GLSRESID (-2))	-0.333599	0.077580	-4.300090	0.0000
D(GLSRESID (-3))	-0.261514	0.071835	-3.640496	0.0003
D(GLSRESID (-4))	-0.260464	0.057322	-4.543844	0.0000
R-squared	0.417001	Mean dependent var		0.003460
Adjusted R-squared	0.408790	S.D. dependent var		0.562103
S.E. of regression	0.432202	Akaike info criterion		1.177304
Sum squared resid	53.05086	Schwarz criterion		1.240737
Log likelihood	-165.1204	Hannan-Quinn criter.		1.202721
Durbin-Watson stat	2.023858			

4.8.2 Unit Root Test for group variables

The first part of each phase in each variation provides standard unit tests conducted by Kevin, Lin and Chu (2002) and tests developed by Breitung's (2001) T-Statistics. Tests showed that all cross sections were determined at the same time. In other words, they have no problem with the origin of the unit, because the null hypothesis of unit was rejected, which is indicated by a high value of p0000 of 0.0000. The second phase panel submitted three more tests for data adjustment. They are Im, Pesaran and Shin (2003), ADF - Fisher Chi-Square Madala and Wu (1999), PP -

Fisher Chi-Square (Choi, 2001). These experiments assumed that each cross-section had a process of unit roots. As shown by the statistically significant p-values, the explicit view of instability is rejected. There is an explanation that all the variables are constant in both experimental cases. Finally, the environmental configuration test is important because it helps determine the order of the variable dynamics. In this case, all variables were found to be combined with zero (0).

Table 4.17: Unit Root Test for group variables

Group unit root test: Summary				
Newey-West automatic bandwidth selection and Bartlett kernel				
Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-24.9247	0.0000	5	1457
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-23.6676	0.0000	5	1457
ADF - Fisher Chi-square	380.667	0.0000	5	1457
PP - Fisher Chi-square	478.762	0.0000	5	1465

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

4.9. Regression analysis

Regression is a statistical technique to determine the linear relationship between two or more variables. The R square in a regression output shows how well the values fit the data. Regression analysis is an analysis that shows how variation in one variable predicts the variation in another.

Table 4.17 show that financial leverage, portfolio income, cash flow, business risk at 98.1% of variations of Investment perception of the managers of firms among the firms listed in Nairobi Security exchange

Table 4.18: Determinants of investment perception of the managers of firms

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.990 ^a	.981	.980	.05507

a. Predictors: (Constant), financial leverage, portfolio income, cash flow, business risk

The value of $F(4, 80) = 974.111$, $P\text{-value} < 0.05$ shows that financial leverage, portfolio income, cash flow and business risk significantly predict Investment perception of the managers of firms among the firms listed in Nairobi Security exchange.

Table 4.19: Financial leverage, portfolio income, cash flow and business risk significantly predicts Investment Perception of the Managers of firms

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.818	4	2.954	974.111	.000 ^b
	Residual	.231	76	.003		
	Total	12.048	80			

a. Dependent Variable: Investment Perception of the Managers of Firms

b. Predictors: (Constant), Predictors: (Constant), financial leverage, portfolio income cash flow, business risk

Multiple regression analysis was conducted to determine the contribution of financial leverage, portfolio income, cash flow and business risk on the investment perception of the managers of firms among the firms listed in Nairobi Security exchange. The findings show that financial leverage, portfolio income, cash flow and business risk had significant effect on the Investment perception of the managers of firms among the firms listed in Nairobi Security exchange at $\alpha=0.05$ as shown in table 4.19 below.

Table 4.20: Financial leverage, portfolio, cash flow and business risk significantly predicts investment perception of the managers of firms

Model	Coefficients ^a				t	Sig.
	Unstandardized Coefficients		Standardized Coefficients	Beta		
	B	Std. Error				
1 (Constant)	1.084	0.130			8.307	.000
cash flow	0.198	0.050	0.260		3.984	.000
Business risk	0.204	0.048	0.298		4.275	.000
Portfolio income	0.241	0.059	0.218		4.047	.000
Financial leverage	0.129	0.038	0.233		3.390	.001

a. Dependent Variable: investment perception of the managers of firms

The regression model is given by the following equation; $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + E$
investment perception of the managers of firms = 0.198 (cash flow) + 0.204 (Business risk) + 0.241 (Portfolio) + 0.129 (Financial leverage). These findings imply that investment perception of the managers of firms would increase by 0.241 units when Portfolio income increase by one unit. It also suggests when cash flow increases by one unit the investment perception of the managers of firms will increase by 0.198. When business risk increases by one unit, the investment perception of the managers of firms will increase by 0.204 while unit increase in financial leverage increased the Investment perception of the managers of firms by 0.129.

According to Numibo and Alimba (2013), high-income investors invest a portion of their income more than low-income investors. The results of this study showed that the firms listed at the Nairobi securities exchange had a clear debt management approach. The study found that the firms' credit rating was different for Sharma and others. (2014) the value of firms increases as the cost of payment decreases. The study from Asset Recovery Analysis found that cash flow is important in influencing corporate investment perceptions.

Research indicated that business risk had a positive and significant impact on financial thinking. According to Hull (2014), the trade deficit is the losses associated with business planning, including business plans, investment cycles, and technological changes. Therefore, investment considerations should be influenced by changes in risk levels. Asset analysis results suggested that business risk can have a significant impact on the financial performance of companies.

The study found that portfolio income has no impact on consolidated financial perceptions. According to Neamtiu, et al., (2014) the financial advisor may find that providing specific information about the investment reduces the client's risk awareness. The study found that investors consider their ultimate experience when making investment decisions. Research has shown that the main factor influencing investment awareness for investors is financial stability. Analysis of economic conditions revealed that portfolio earnings are also important in influencing common economic perceptions.

Afrif and Padachi (2016) mentioned about the use of internal financial resources as opposed to external sources can solve the problem of inflation. Research has shown that the company keeps its revenue levels in check. The research revealed that the equity cost burden was greater than the financial cost burden on the profit and loss account. These results are consistent with Phan (2013) reviewing the strategies of investment firms in Vietnam and found that the increase in numbers is related with greater diversity of investment and employment. From the results of the return analysis, money can have a significant impact on joint investment perceptions of managers of firms.

4.10. Hypotheses Test

H_{01} : Cash flow does not significantly affect investment perception of the managers of firms listed at the NSE.

Cash flow had a coefficient of positive 0.198 and significant p-value of 0.000. Since $P_value < 0.05$, we reject the null hypothesis that cash flow does not affect Investment perception of the managers of firms listed at the Nairobi Securities

Exchange. Significance at 0.000 depicts cash flow as a strong factor when investing cash at hand.

H₀₂: Business risk does not significantly affect investment perception of the managers of firms listed at the NSE

Business risk had a coefficient positive 0.204 and significant p-value of 0.000. Therefore, we reject the null hypothesis that business risk does not affect investment perception of the managers of firms listed at the Nairobi Securities Exchange.

This affirms that firms in the stock exchange evaluate the risks before investing in the NSE. If risks are perceived, then investment is postponed until such risks are mitigated to allow managers invest in the NSE. A significance of 0.000 shows that business risk management affected the Investment perception of the managers of firms among companies listed in NSE.

H₀₃: Portfolio income does not significantly affect investment perception of the managers of firms listed at the NSE.

Portfolio income had a coefficient positive 0.241 and significant p-value of 0.000. Therefore, reject the null hypothesis that portfolio income management does not affect investment perception of the managers of firms listed at the NSE. This study used Earnings yield with the formula of EPS/stock price to collect data from financial statements of companies listed in NSE. This result therefore implies that earnings yield influenced the investment perception of the managers of firms among companies listed in NSE. A firm that have positive and high earnings yield is likely to have a positive the investment perception of the managers of firms among companies listed in NSE.

H₀₄: Financial leverage does not significantly affect investment perception of the managers of firms listed at the Nairobi Securities Exchange.

Financial leverage had a coefficient positive 0.129 and significant p-value of 0.001. Therefore, we reject the null hypothesis that financial leverage does not significantly affect the investment perception of the managers of firms listed at the NSE and

conclude that financial leverage influences the investment perception of the managers of firms listed at the NSE. Thus, a negative debt-to-equity ratio means firms will not invest in the NSE until such figures can be seen to be positive. The table below summarizes the hypothesis and ranks the four factors influence of firm financial investment.

Table 4.21: Hypotheses Test summary

Hypothesis	P-value	Significance	Decision
H ₀₁ : Cash flow does not significantly affect investment perception of the managers of firms listed at the NSE.	0.000	Significant	H0 Rejected
H ₀₂ : Business risk does not significantly affect Investment perception of the managers of firms listed at the NSE	0.000	Significant	H0 Rejected
H ₀₃ : Portfolio income does not significantly affect Investment perception of the managers of firms listed at the NSE	0.000	Significant	H0 Rejected
H ₀₄ : Financial leverage does not significantly affect Investment perception of the managers of firms listed at the NSE	0.001	Significant	H0 Rejected

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the researcher summarizes the findings of the study as per the specific objectives. The chapter concludes in line with the findings of the study. The recommendations of the study are also presented in this chapter with relevant implications to theory, policy and practice. The chapter further gives areas for further studies to help future scholars and academicians in expanding the knowledge base.

5.2 Summary of the Findings

The purpose of this study was to examine the results of Managers investment perceptions of companies listed on the NSE in Kenya. The research assessed how cash flow, business risk, portfolio earnings and financial leverage affected the investment perception of the managers of firms listed at the NSE.

5.2.1 Cash Flow

The first objective of this study was to look at the impact of cash flow on the consolidated economies of listed companies on the NSE. From the results, cash flow is good and important for firms' financial expectations. High-income investors invest a portion of their income more than low-income investors. The results of this study showed that the firms listed at the Nairobi securities exchange had a clear debt management approach. The study from Asset Recovery Analysis found that cash flow is important in influencing corporate investment considerations.

5.2.2 Business Risk

The second objective of the study was to examine how the professional disclosure of firms listed is affected by the Business risk. The results of this study show that the firms had an articulate plan for the past five years. Research indicated that business

risk had a positive and significant impact on financial thinking. The trade deficit is the losses associated with business planning, including business plans, investment cycles, and technological changes. Therefore, investment considerations should be influenced by changes in risk levels. Asset analysis results suggested that business risk can have a significant impact on the financial performance of companies.

5.2.3 Portfolio Income

The third objective of the study was to assess the impact of portfolio earnings on investment perception of the managers of firms considerations included in the NSE. Based on these results, the study found that portfolio income has no impact on consolidated financial investments. The financial advisor may find that providing specific information about the investment reduces the client's risk awareness. The study found that investors consider their ultimate experience when making investment decisions. Research has shown that the main factor influencing investment awareness for investors is financial stability. Analysis of economic conditions revealed that portfolio earnings are also important in financial investments.

5.2.4 Financial Leverage

The fourth aim of this study was to determine how financial leverage influences the investment perception of the managers of firms in firms listed on the NSE. From these results, the perception of managers of firms on financial leverage can have a positive and significant impact on comprehensive financial understanding. Research has shown that the company keeps its revenue levels in check. The research revealed that the equity cost burden was greater than the financial cost burden on the profit and loss account. From the results of the return analysis, money can have a significant impact on joint management investment perceptions.

5.3 Conclusions

The conclusion of this study is presented based on each individual study objective as seen in the subsequent sections.

5.3.1 Cash Flow

Cash flow had a p-value of 0.000. Therefore, we reject the Null hypothesis that cash does not affect financial investment decisions of firms listed on the NSE. Cash flow is also a significant factor affecting financial investment since investors reflect the credit level and debt management approach of the company in which they invest. When the investment equation changes the cash flow comes due to the inequality of information in the market. It turns out that high-income investors have higher interest rates than other low-income investors in practice.

5.3.2 Business Risk

The average value of business risk was 0.198 and the minimum p value of 0.000. Therefore, we reject the Null hypothesis that business risk does not influence investment perception of the managers of firms listed at the NSE. Business risks affecting the NSE include growth, financial risk and market risk. Private companies having an audit committee is supposed to assist in five years of risk management planning and forecasting. These factors suggest that these business losses have affected the concept of corporate investment for firms listed on the NSE. The research concluded that it is important for any organization to understand the growth rate, funding and strategies for managing the risks posed by growth in order to get the maximum investment. Business risk therefore had a significant impact on the investment perception of the managers of firms listed at the NSE.

5.3.3 Portfolio Income

Portfolio income had a positive value of 0.204 and an overall value of 0.000. Therefore, we conclude that portfolio income affected the investment perception of the managers of firms listed at the NSE. The decisions of experts and other investors affect investors' investments decision, but investments are considered on financial

stability of an entity. Investors reflect on their previous investment experience when making investment decisions. These investors seek to diversify their investment segments to make the most of one area of the economy and to avoid potential risks. The study concluded that having a successful portfolio income will increase the variability rate or small change from your expected return, so investing in different ways will increase revenue portfolios and spending options. The economic stability of the market and industry also affects portfolio revenue.

5.3.4 Financial Leverage

Financial leverage had a positive rating of 0.241 and significant value of 0.001. Therefore, we reject the Null hypothesis that financial leverage does not affect the corporate investment considerations listed on the NSE. By obtaining transparent financial management guidelines, firms can work out strategies to lower the level of debt in their economy and thereby avoid the risk of collapse. This study found out that investors have a lower regulatory rate of knowledge for investors who want to invest without having to bear the cost of equity and current debt compared to current assets.

5.4 Recommendations

5.4.1 Managerial Recommendations

Research suggests that the management of companies listed on the NSE should devise better strategies to achieve better cash flow and this can be done through effective financial management. The listed companies did not have credit Policies which managers must ensure compliance with the terms of the credit agreement. Revenue and debt are two important factors that companies should consider when making investment decisions. The study recommended that managers of companies listed on the NSE strengthen their goal of expanding the stock market so that investors can benefit from the services offered by the company. Reducing the conflict of interest in the management team can increase the growth of the shareholder economy by increasing portfolio revenue.

5.4.2 Policy Recommendations

The study recommends that the board of management of the listed firms should ensure that proper risk management strategies are put in place to guide financial investment decision. The Capital Market Authority (CMA) as a regulatory body of the listed firms at NSE should put in place effective regulatory frameworks that outline business risk practices of the listed firms. Risk management should be made compulsory among all listed firms and they should set board committees to address risks of the businesses.

The study recommended that NSE and CMA officials work together to ensure the investor have access to credible financial experts and analysts to help in shaping their financial investment decisions. The credit rating and maximum prices of the listed firm should inform the management decisions. The financial structure of Kenyan-owned companies should be a balance between the debt reduction rate and the debt.

5.5 Areas for Further Research

The study could be replicated by adding more dimensions of investment perception of the managers of firms made by firms and the factors that influenced these decisions. Future academicians can look at these factors when carrying out research at the topic on corporate financial investment.

Different studies examined the potential of NSE as well as unlisted companies, family businesses and listed companies investing in a business. This research is based on listed companies and their financial investment decision on investment opportunities. This research suggests that future studies should examine issues that influence independent investor's financial investment decisions, since NSE is accessible to a wide range of people and organizations.

The study was also comprehensive by researching on total 64 firms listed on the NSE as targeted study population; Future research may include listed companies but may be in a specific area such as finance or agriculture. These results are tailored to

address economic sector and provide significant insight to the prospective investors in future.

Sixty-four NSE listed firms and four major factors affecting their financial outlook were central to this study. Future studies especially in other countries, such as Uganda and / or Rwanda, can confirm the results of this study. Likewise, a comparative study of the NSE and foreign investment considerations can be seen in matters affecting investment considerations.

Finally, the study encountered some limitations but not limited to five variables excluding other irrelevant variables to the research objectives; research period was limited to 2013 up to 2017. Any period before or after was excluded from the research; research findings were limited to the firms listed at Nairobi securities exchange within Nairobi geographical region. The research witnessed differences in the accounting periods, policies whose results were consolidated and validated using relevant accounting concepts like accrual concept. Social economic and political factors also caused some limitations on the research findings. The study focused on investment perception of the managers of firms specifically for firms listed at Nairobi Securities Exchange in Kenya for the period 2013 to 2017.

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APPENDICES

Appendix I: Questionnaire

This questionnaire contains four regions, which will take you a few minutes to complete. Please respond correctly to the item provided. This is an exercise meant for academic purpose and all data gathered from respondents will be held with strict confidentiality.

SECTION A: RESPONDENT BASIC INFORMATION

1. What is your gender?

- a) Female
- b) Male

2. How old are you?

- a) 18-25 years
- b) 26-35 years
- c) 36-55 years
- d) Above 55 years

3. What is your level of Education?

- a) Certificate
- b) Diploma
- c) Degree
- d) Masters
- e) PHD

4. For how long have you worked in the firm?

Less than 2 years

2 to 4 years

5 to 10 years

More than 10 years

SECTION B: CASH FLOW

Below are the effects of cash flow on investment perceptions of managers of the firm. Please respond to the questions accordingly. Please do so marking (x) in the box that provide best description of your level of agreement or disagreement with the statements using 5-likert scale indicated below

No	Statement	Strongly agree	agree	Neither agree/n or disagree	Disagree	Strongly Disagree
		1	2	3	4	5
1	The firm has enough cash for its shareholders					
2	The firm's debt level is higher					
3	Your firm has no debt					
4	The firm has enough cash for its debt holders					
5	Your firm has a clear debt management policy					

SECTION C: BUSINESS RISK

Below are the statements on the effect of business risk on investment perceptions of managers of the firm. Please respond to the questions accordingly. Please do so marking (x) in the box that provide best description of your level of agreement or disagreement with the statements using 5-likert scale indicated below

No	Statement	Strongly agree	agree	Neither agree/nor disagree	Disagree	Strongly Disagree
		1	2	3	4	5
1	The firm has experienced growth risk for the 5 past years					
2	The firm has experienced financial risk for the 5 past years					
3	The firm has experienced development risk for the 5 past years					
4	The firm had a strategic plan for the 5 past years					
5	The firm has an audit committee					

SECTION D: PORTFOLIO INCOME

Below are the effects of portfolio income on investment perceptions of managers of the firm. Please respond to the questions accordingly. Please do so marking (x) in the box that provide best description of your level of agreement or disagreement with the statements using 5-likert scale indicated below

No	Statement	Strongly agree	agree	Neither agree/nor disagree	Disagree	Strongly Disagree
		1	2	3	4	5
1	When company reports increased income, investors develop more interest in the stocks					
2	During investment process, investment history of a specific investor form basis for their investment					
3	Experts reports such as consumer reports influences investors investment perceptions					
4	During investment, the perception of investment is shaped by maturity date of their investment on selected stock					
5	Investor's perception is also affected by the stability of the economy					

SECTION E: FINANCIAL LEVERAGE

Below are the effects of financial leverage on investment perceptions of managers of the firm. Please respond to the questions accordingly. Please do so marking (x) in the box that provide best description of your level of agreement or disagreement with the statements using 5-likert scale indicated below

No	Statement	Strongly agree	agree	Neither agree/nor disagree	Disagree	Strongly Disagree
		1	2	3	4	5
1	Loan is more attractive to our firm than equity					
2	The company has a large current liability burden as opposed to its current assets					
3	Cost of equity is greater than the debentures cost on Profit and loss account					
4	The leverage level of our company is constantly checked					
5	The company has clear guidelines to manage liquidity to avoid bankruptcy					

SECTION F: INVESTMENT PERCEPTIONS OF MANAGERS OF FIRMS

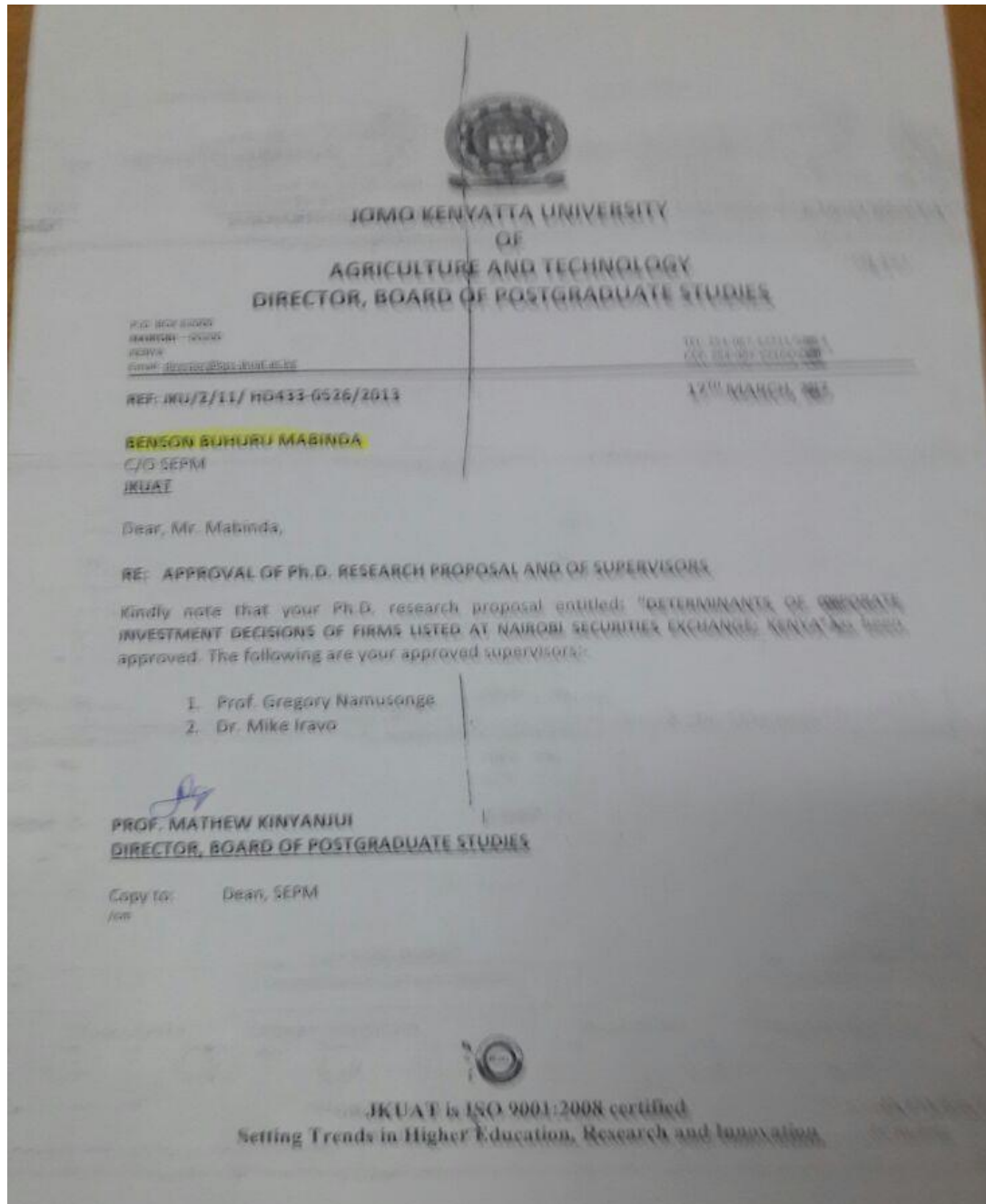
Below are statements on investment perceptions of managers of firms. Please respond to the questions accordingly. Please do so marking (x) in the box that provide best description of your level of agreement or disagreement with the statements using 5-likert scale indicated below

No	Statement	Strongly agree	agree	Neither agree/nor disagree	Disagree	Strongly Disagree
		1	2	3	4	5
1	The firm has received increase in EPS over the last 5 years					
2	The ROE has been on increase over the last 5 years in the firm					
3	The ROA has been on increase over the last 5 years in the firm					
4	The firm's profit has been on raise over the last 5 years					
5	The firm's return on investments has increased over the last 5 years					

Appendix II: Secondary Data Collection Sheet

Year	Firm	Cash flow	Business risk	Portfolio Income	Current Liabilities	Current Assets	Financial Leverage=CL/CA
2013							
2014							
2015							
2016							
2017							

Appendix III: Letter of Authorization from JKUAT




Appendix IV: Research Permit (NACOSTI)

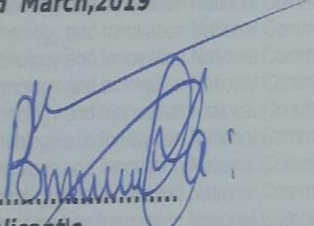
THIS IS TO CERTIFY THAT:
MR. BENSON BUHURU MABINDA
of **JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY, 928-618 NAIROBI**, has been permitted to conduct research in *All Counties*


Permit No : NACOSTI/P/18/46914/21498
Date Of Issue : 2nd March, 2018
Fee Recieved : Ksh 2000

on the topic: **DETERMINANTS OF CORPORATE INVESTMENT DECISIONS OF FIRMS LISTED AT NAIROBI SECURITIES EXCHANGE IN KENYA**

for the period ending:
2nd March, 2019




.....
Applicant's Signature


.....
Director General
National Commission for Science, Technology & Innovation



NATIONAL COMMISSION FOR SCIENCE,
TECHNOLOGY AND INNOVATION

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NAIROBI-KENYA

Ref. No **NACOSTI/P/18/46914/21498**

Date: **2nd March, 2018**

Benson Buhuru Mabinda
Jomo Kenyatta University
of Agriculture & Technology
P.O. Box 62000-00200
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "*Determinants of corporate investment decisions of firms listed at Nairobi Securities Exchange in Kenya*" I am pleased to inform you that you have been authorized to undertake research in **all Counties** for the period ending **2nd March, 2019**.

You are advised to report to **the County Commissioners and the County Directors of Education, all Counties** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit a **copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.


GODFREY P. KALERWA MSc., MBA, MKIM
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioners
All Counties.

The County Directors of Education
All Counties.

Appendix V: Companies Listed at the NSE

NO.	FIRM	LOCATION / CONTACTS
AGRICULTURAL SECTOR		
1	Eaagads Ltd	Ngenda Road, Ruiru
2	Kapchorua Tea Co. Ltd	Karen Office Park, Langata Road, Nairobi.
3	Kakuzi	Punda Milia Road, Thika, Kenya
4	Limuru Tea Co. Ltd	Norfolk Towers, Kijabe Street
5	Rea Vipingo Plantations Ltd	Langata Road, Nairobi
6	Sasini Ltd	Sasini House, Loita Street, Nairobi
7	Williamson Tea Kenya Ltd	Karen Office Park, Langata Road, Nair
COMMERCIAL AND SERVICES		
8	Express Ltd	Road A, off Enterprise Road, Nairobi
9	Kenya Airways Ltd	North Airport Road, Nairobi
10	Nation Media Group	Kimathi Street, Nairobi
11	Standard Group Ltd	Mombasa Road
12	TPS Eastern Africa (Serena) Ltd	Williamson House, 4th Ngong Avenue
13	Scangroup Ltd	Valley Road, Upper Hill, Nairobi
14	Uchumi Supermarket Ltd	Yarrow Road, Nairobi
15	Hutchings Biemer Ltd	
16	Longhorn Kenya Ltd	Funzi Road, Industrial Area, Nairobi
17	Atlas Development and Support Services	Piedmont Plaza, Ngong Road Nairobi, Kenya
TELECOMMUNICATION AND TECHNOLOGY		
18	Safaricom	Safaricom House, Waiyaki Way
AUTOMOBILES AND ACCESSORIES		
19	Car and General (K) Ltd	Dunga/Lusaka Road
20	Sameer Africa Ltd	Mombasa / Enterprise Road Junction
21	Marshalls (E.A.) Ltd	Kampala Road,
BANKING		
22	Barclays Bank Ltd	The West End Building, Waiyaki Way

23	CFC Stanbic Holdings Ltd	CFC Stanbic Centre, Chiromo Road, Nairobi Kenya
24	I&M Holdings Ltd	
25	Diamond Trust Bank Kenya Ltd	Kimathi Street, Nairobi, Kenya
26	Housing Finance Co Ltd	Kenyatta Avenue/Koinange Street
27	Kenya Commercial Bank Ltd	Moi Avenue
28	National Bank of Kenya Ltd	National Bank Building, 18 Harambee Avenue, Nairobi
29	NIC Bank Ltd	NIC House, Masaba Road, Upper Hill
30	Standard Chartered Bank Ltd	Standard Chartered @Chiromo, 48 Westlands Road, P.O Box 30003-00100, GPO, Nairobi, Kenya.
31	Equity Bank Ltd	Hospital Road, Upper Hill. Nairobi, Kenya
32	The Co-operative Bank of Kenya Ltd	Haile Sellassie Avenue
INSURANCE		
33	Jubilee Holdings Ltd	Jubilee Insurance House, wabera Street, Nairobi
34	Pan Africa Insurance Holdings Ltd	Kenyatta Avenue, Nairobi
35	Kenya Re-Insurance Corporation Ltd	Reinsurance Plaza, Taifa Road, Nairobi.
36	Liberty Kenya Holdings Ltd	CFC House, Mamlaka Road, Nairobi
37	British-American Investments FirmK. Ltd	Ragati Roads, Upperhill, Nairobi
38	CIC Insurance Group Ltd	Mara Road, P.O. Box 59485 -00200 Nairobi
INVESTMENT		
39	Olympia Capital Holdings Ltd	Karen Enterprises Ltd
40	Centum Investment Co Ltd	International House, Mama Ngina Street, Nairobi, Kenya

41	Trans-Century Ltd	,Kijabe street
42	Home Afrika Ltd	Morning Side Office Park, Ngong Rd, Nairobi
43	Kurwitu Ventures	Woodlands Office Park: Suite 2B Road: Woodlands Road: Nairobi: KENYA: 105028 - 00101: KENYA
44	Nairobi Securities Exchange	The EXchange, 55 Westlands Road
MANUFACTURING AND ALLIED		
45	B.O.C Kenya Ltd	Kitui Road, Industrial Area
46	British American Tobacco Kenya Ltd	Likoni Road, Industrial Area, P. O. Box 30000 - 00100 GPO, Nairobi, Kenya
47	Carbacid Investments Ltd	Jalaram Road, Ring Road Parklands, Westlands, Nairobi.
48	Unga Group Ltd	Ngano House, Commercial Street, Nairobi
49	Eveready East Africa Ltd	Mombasa Road
50	Kenya Orchards Ltd	Thika Postal Address: Box 212-01001
51	A.Baumann CO Ltd	Kampala Rd
52	Flame Tree Group Holdings Ltd	Off Enterprise Road, Opposite Road A, Industrial Area, Nairobi, Kenya P.O. Box 27621 – 00506, Nairobi
53	East African Breweries Limited	Tusker House, Ruaraka, P.O. Box 30161-00100, Nairobi, Kenya
54	Mumias Sugar Firm Limited	Mumias Sugar Firm Limited in Mumias
CONSTRUCTION AND ALLIED		
55	Athi River Mining	Rhino House, Chiromo Road, Westlands
56	Bamburi Cement Ltd	Kenya-Re Towers, Upper Hill, Nairobi, Kenya.
57	Crown Berger Ltd	Mogadishu road
58	E.A Cables Ltd	Industrial Area Addis Ababa Road, Nairobi

59	E.A.Portland Cement Ltd	LR 337/113/1 Namanga Road, Off Mombasa Road, P.O. Box 20 - 00204, Athi River
ENERGY AND PETROLEUM		
60	Kenol Kobil Ltd	ICEA Building, Kenyatta Avenue, Nairobi.
61	Total Kenya Ltd	Regal Plaza, Limuru Road, Nairobi.
62	KenGen Ltd	Stima Plaza, Kolobot Road, Parklands, Nairobi.
63	Kenya Power & Lighting Co Ltd	Stima Plaza, Kolobot Road, Parklands, P.O. Box 30099-00100, Nairobi
64	Umeme Ltd	Rwenzori House, Plot 1 Lumumba Avenue, Kampala

Source: Nairobi Securities Exchange (2017).