AN EXAMINATION OF THE RELATIONSHIP BETWEEN FINANCIAL MANAGEMENT PRACTICES AND STOCK RETURNS OF LISTED COMPANIES IN THE NAIROBI SECURITIES EXCHANGE

BY

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DECLARATION

This research project is my original work and has not been presented to any other institution or examination whatsoever

…… ……..

Kephar Kuria Gachucha. Date

D63/75744/2012

This research project is presented with the approval of my supervisor

…… ……

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DEDICATION

The project is solely dedicated to my parents for their relentless effort to ensure i attain the best education at the prevailing conditions.

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I wish to express my sincere gratitude and appreciation to my supervisor Dr. Josiah Aduda for his valued assistance, guidance and contribution towards the success of this research.

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LIST OF ABBREVIATIONS

ANOVA-Analysis of Variance

APT-Arbitrage pricing Model

CAPM-Capital Assets Pricing Model

CMA-Capital Market Authority

Current ratio-Current assets/Current liabilities

D/E ratio-Debt/Equity ratio

EMH- Efficient market hypothesis

DPS-Dividend per share

IOU-I owe you

NSE-Nairobi Securities Exchange

ROI-Return on Investment

ROA-Return on Assets

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ABSTRACT

This study aims at identifying the relationship between financial management practices which are and stock returns of listed companies in Nairobi Securities Exchange. To achieve the study's objectives, the researchers reviewed the annual reports of the public companies listed in Nairobi Securities Exchange, and also reviewed the Nairobi Securities Exchange's statistical bulletins for the years 2008-2012 to get the accounting variables and the stocks' closing prices. The study consisted of (61) listed companies as at 31 December 2012. The study concluded that financial management practices (investing decisions, Dividend policies, financing activities and the liquidity management) explained (64.80%) of the volatility in stock return while (35.20%) of the volatility in stock returns referred to other reasons. The results of the study also showed that there was an important strong positive correlation between dividend per share (76.40%), Current ratio (39.10%), Return on investment (18.90%) and weak positive correlation with debt/equity ratio (3.10%) and volatility in stock returns. The researcher recommended that a further research be conducted to establish other factors explaining the volatility in stock returns in the Nairobi Stock Exchange and other jurisdictions.

CHAPTER ONE
INTRODUCTION

1.1 Background to the study

Financial management is that managerial activity which is concerned with the planning and controlling of the firm's financial resources. Practicing managers are interested in this subject because among the crucial decisions of the firm are those which relate to finance .Understanding of the theory of financial management provides finance managers with conceptual and analytical insights to make decisions skillfully(Pandey,2004).

Study on the relationship between organizational performance and financial management practices like capital structure decision, dividend policy, investment appraisal techniques, working capital management and financial performance assessment in Pakistani corporate sector depicted a positive and significant relationship between financial management practices and organizational performance in Pakistani corporate sector (Butt et al, 2010).

Myres (1984) asserts that capital structure has a greater impact on the economic systems and managers should identify the ideal corporate structure of the company (pinegar, 1989). Li (2001) pointed that enterprise's capital structure reflected the power base of corporate governance subject; reasonable capital structure can decide the performance of the enterprise's management and effectiveness of company's governance to an extent.

The value of dividend decision is critical (Modigliani, 1961) and believes that without market imperfections like transaction costs and taxes, dividend policy could bring no changes to the value of the firm. This has given rise to unstoppable discussions on the dividend policy and value of the firm (Black, 1976).Financing strategies and investments moves by the firm result in the performance of any firm. Whenever a firm focuses on the maximization of

shareholders' wealth, always get proper care of its financing and investments (Mc Connel and Servaes, 1990).

Working capital policy is primarily based on a day to day cash inflows and outflows, thus managing the surplus and interest rates. Companies should find out coordination between cash inflows and cash outflows to reduce potential liquidity problems and to have backup credit support for the adjustment of short term adjustments (Butt et al, 2010).

The study review the core finance functions and outlines capital structure decision, dividend policy, investment appraisal techniques, working capital as the most common financial management practices in Kenya corporate sector.

1.1.1 Financial Management Practices

The financial management's practices are classified into four main functions:

Investment decision or capital budgeting involves the decision of allocation of capital or commitment of funds to long-term assets that would yield benefits in the future. Finance theory asserts that only investments with positive Net present Value should be under taken only regardless of whether internal or external funds are used to finance the investments (Myers and Majluf, 1984).

The financial manager must strive to obtain the best financing mix or the optimum capital structure for his or her firm. The firm's capital structure is considered to be optimum when the market value of shares is maximized. The use of debt affects the return and risk of shareholders; it may increase the return on equity funds but it always increases risk. A proper balance will have to be struck between return and risk. When the shareholders' return is maximized with minimum risk, the market value per share will be maximized and the firm's capital structure would be considered optimum. Once the financial manager is able to

determine the best combination of debt and equity, he or she must raise the appropriate amount through the best available sources. In practice, a firm considers many other factors such as control, flexibility loan convenience, legal aspects etc. in deciding its capital structure (Pandey, 2004).

The financial manager must decide whether the firm should distribute all profits, or retain them, or distribute a portion and retain the balance. Like the debt policy, the dividend policy should be determined in terms of its impact on the shareholders' value. The optimum dividend policy is one that maximizes the market value of the firm's shares. The financial manager should also consider the questions of dividend stability, bonus shares and cash dividends in practice. Most profitable companies pay cash dividends regularly. Periodically, additional shares, called bonus share (or stock dividend), are also issued to the existing shareholders in addition to the cash dividend.

A conflict exists between profitability and liquidity while managing current assets. If the firm does not invest sufficient funds in current assets, it may become illiquid. But it would lose profitability, as idle current assets would not earn anything. Thus, a proper trade-off must be achieved between profitability and liquidity. In order to ensure that neither insufficient nor unnecessary funds are invested in current assets, the financial manager should develop sound techniques of managing current assets. Finance functions may affect the size, growth, profitability and risk of the firm, and ultimately, the value of the firm. The function of financial management is to review and control decisions to commit or recommit funds to new or ongoing uses. Thus, in addition to raising funds, financial management is directly concerned with production, marketing and other functions, within an enterprise whenever decisions are about the acquisition or distribution of assets (Solomon, 1969).

1.1.2 Stock Returns

This refers to the price the share is fetching at the Nairobi Securities Exchange. Stock return is the appreciation in the price (capital gain) plus any dividends yield. The market price per share is also called the intrinsic value of a share of stock or the actual value based on the actual variables taken from the company's financial statements. The current trading price is based on investor buying and selling behavior. If investors are paying more than the intrinsic value, then the stock is overvalued. If investors are paying less than the intrinsic, then the stock is undervalued and is a good buy. Empirical study conducted by O'Hara (2000) has proven that stock returns are directly related to the earnings of the firm as well as to the dividends declared by the firm (www.nse.com).

The stock return is determined by demand and supply of shares .As shares of a particular company increases in capital gains and profits many investors will be willing to invest in the company, where the company will have more confidence and issues more shares in order to raise more capital. It therefore issues its share at a higher price while various investors will engage in buying shares (www.nse.com).

When the political stability of a country is conducive it creates confidence of the investors according to Nairobi Stock exchange survey conducted during 1992, 1997, 2002 and 2007 showed that the price of shares is very low during Elections periods .This has negative effects as both foreign and domestic investors are not willing to invest as the uncertainty of the future of the country (www.nse.com).

1.1.3 Financial Management Practices and Stock Returns

Walter (1963) has asserted that the choice of dividend policy affect the value of the firm and thus financial management policies should be made with proper caution so as to maximize shareholder's wealth.

The study on the changes in stock returns as predictors of accounting earnings implied a correlation between the events that affect accounting earnings and changes in stock returns (Kamuruci, 2003). Further a research on the relationship between financial variables and stock returns, case study of Iran Khodro's company (A listed firm in Iran Stock Exchange) concluded that there was a positive relationship between (EPS) and stock price, a negative relationship between Dividends per Share (DPS) and Iran Khodro's stock returns and a negative relationship between Price to Earnings ratio and stock price (Hossein et al, 2012).

1.1.4 The Nairobi Securities Exchange

The stock market is a market, which deals in the exchange of shares of publicly quoted companies, and government, corporate and municipal bonds among other instruments. The Nairobi Stock Exchange, which was formed in 1954 as a voluntary organization of stockbrokers, is now one of the most active markets in Africa. As a capital market institution, the Stock Exchange plays an important role in the process of economic development: It helps mobilize domestic savings thereby bringing about reallocation of financial resources from dormant to active agents. Long-term investments are made liquid, as the transfer of securities (shares and bonds) among the participating public is facilitated, The Exchange has also enabled companies to engage local participation in their shares ownership thereby giving Kenyans a chance to own shares of reputable firms, Companies can also raise extra finance essential for expansion and development. To raise funds, a company (issuer) issues extra shares; an issuer publishes a prospectus, which gives all pertinent details about the operations and future prospects of a company, while at the same time stating the price per share of the

issue also enhances the inflow of international capital and facilitate government's privatization programmes.

Shares are financial instrument where one acquires ownership stakes of a company. Returns are neither fixed nor guaranteed one acquires voting rights and benefits from exceptional performance. Bonds on the other hand are financial instruments that serve as an IOU; an investor loans an issuer, and returns are fixed and guaranteed, no voting rights and no benefits from exceptional performance by a company. One can acquire shares or bonds in the primary market (when the company is issuing them) or in the secondary market (which is more common) –by buying from an investor who has bought them. Much of what is predominant at the Nairobi stock exchange is the latter. When one buys a share he/she owns a fraction of the company; while when ones buy a bond he/she becomes a creditor of the company. While the shareholder is allocated a fraction of the profits in terms of dividends, bond holders will be paid a percentage interest on their bond value in agreed interval until the bond reaches maturity when the principal will also be paid back by the company.

When selecting a company to invest in, one should make sure the company is in a strong industry, and/or that it is strong or growing. There are many different methods to enable wise investment these include: Fundamental analysis; which study the company's current management and position in the market. Technical analysis which is totally based on charts, identify trends in the company and invest accordingly. Investor's look for the following when selecting securities: reason for which they are investing in securities; state of management in the company. The Board of Directors and other key management personnel in the company ought to be people of repute to run the company honestly and successfully, to be considered also is the nature of the product dealt in and its market share.

The marketability/liquidity of the shares/bonds is another important consideration. One has to find out whether the shares from a particular company can readily be sold or bought. There are some slow-moving shares and there are some fast-selling ones too. There is hardly a point for an investor to hold shares which cannot sell should it become necessary to dispose them off. Other considerations will be the company's trading partners both local and abroad, competitors and possible changes in people's life styles. A good company to invest in is one, which shows signs of progress and readiness to meet rowing future demand. Hence, the company's development and expansion programmes should be looked into. If a company has the capacity for future growth, then it is a good company to invest in.

1.2 Research Problem

It is expected that sound financial management practices: optimal capital structure and dividend policies, viable investments and proper liquidity level, will culminate to profitability of the company and ultimately affect share movements at the bourse. Walter's Model asserts that choice of dividend policy affect the value of the firm **(**Walter, 1963). Capital Assets Pricing Model Capital implies that share prices reflect all available information and individual investors are not able to affect the prices of securities (Sharpe et al, 2004).

According to the random walk hypothesis, stock market prices evolve according to a random walk and thus cannot be predicted in any model. Musee (2013) asserts that accounting variables (Gross Profit Margin, Return on assets, Asset Turnover) could not explain stock returns because all public information was reflected in a semi-strong efficient market.

A study on the effects of accounting variables on profitability and stock returns of firms listed at NSE depicted a positive relationship between accounting variables and stock returns (Ngunze, 2013) and further a research on fundamental accounting variables and stock returns showed a positive relationship (Mwangi, 2007).

Various researches done by Sasa (2013) on the relationship between capital structure and stock prices volatility at the Nairobi Securities Exchange, Muriuki (2010) study on the relationship between dividends policies and share prices for companies listed at the Nairobi Securities Exchange, Kihara (2011) study on the relationship between dividend announcements and return on investments: a case study of companies quoted at the Nairobi Securities Exchange, Mwangi (1999) study on whether P/E ratio was an investment performance indicator on listed companies in the Nairobi Securities Exchange and lastly the study on the trading behavior and its effect on stock prices movements at Nairobi Securities Exchange (Mburu, 2007) looked on separate function of financial management in isolation of the other function thus no single research have combined all the major functions (investing, financing, liquidity and capital functions).

From the literature above, most of the research paper has dealt with a single function of financial management and stock returns. It's apparent that a research on relationship between financial management practices and stock returns need to be carried out to cover all major functions of financial management and thus fill the gap.

1.3 Objectives of the study

1.3.1 General objective

To determine relationship between financial management practices and stock returns of listed companies in Nairobi Securities Exchange.

1.3.2 Specific objectives

The objective of the research is to determine the following:

(a) To establish the relationship between working capital management (liquidity) and stock returns of the firms

(b) To establish relationship between dividend policies and stock returns.

(c) To determine the relationship between investment decisions and stock returns of listed companies.

(d) To determine the relationship between the financing decisions and stock returns of listed firms.

1.4 Value of the study

The outcome of the research will be beneficial to management of the listed companies to evaluate financial management policies in order to achieve better stock returns and create wealth for shareholders.

It's believed research findings will enable existing investors evaluate their portfolios. The research will be a yardstick for future researches relating to financial management practices of companies listed in Nairobi Securities Exchange.

Research finding will assist directors of the listed companies when evaluating company's investment and thus sanction viable projects to the benefits of the shareholders. Besides, the study will aid formulation of fiscal policies especially capital gains tax.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter analyses theoretical and empirical studies to the study of the relationship between financial management practices and the stock returns of listed firms at Nairobi Securities Exchange.

2.2 Review of Theories.

2.2.1 Portfolio Theory

A portfolio is a bundle or a combination of individual assets or securities. The portfolio theory provides a normative approach to investors to make decisions when investing in assets or securities at risk. Portfolio suggests that investors can limit volatility of their portfolio while improving its performance by spreading the risk among different type of securities that do not behave in the same way. It is based on the assumption that investors are risk averse. This implies that investors hold well diversified portfolios instead of investing their entire wealth in a single or a few assets.

Portfolio theory asserts that if investors hold well diversified assets their main concern is the expected rate of return and the risk of portfolio rather than individual assets and the contribution of individual asset to the portfolio and assumption that returns of assets are normally distributed. This means that the expected value and variance or standard deviation analysis is the foundation of the portfolio decisions. Further, portfolio is extended to device models (Capital Assets Pricing Model and Arbitrage Pricing Model) for valuing risky assets.

All the efficient portfolios which represent the highest level of return in a given level of risk are chosen to form the portfolio (Markoviz, 1959).A single asset portfolio is considered to be efficient if no other asset or portfolio of assets offers higher expected returns with the same

(lower) risk or lower (or higher) expected returns(Brown & Riley,2009)

2.2.2 Capital Markets Theory

The capital markets theory builds on the portfolio theory in that it extends by developing a model for pricing all risky assets. The capital market theory depends on existence of risk free assets which in turn leads to the designation of market portfolio (Brown & Riley, 2009)
Market portfolio combines riskless and risky assets to form a portfolio. Risk is measured by the beta co-efficient which calculates the level of systematic risk compared to that of the market. The relationship between the expected return and beta is the Capital Assets Pricing Model (Sharpe et al, 2004).

Capital market theory assume: market efficiency -which implies that share prices reflect all available information and individual investors are not able to affect the prices of securities this means there are large numbers of investors holding small amount of wealth. Investors are risk averse and mean –variance optimization, investors evaluate security's return and risk in terms of the expected return and variance optimizers and they form efficient portfolio. Investors have homogeneous expectations and decisions are based on a single time period. Meaning investors have same expectations about the expected returns and risky of securities. In addition can lend and borrow at a risk free rate of interest and form portfolios from publicly traded securities like shares and bond

The CAPM is not able to account for the difference in assets' return using he beta, this paved way for the development of an alternative approach.APT does not assume investors employ mean-variance analysis for their investment decisions. In CAPM beta is considered important in capturing the systematic risk of the assets whereas the latter uses other industry-specific and macro economics factors that affect security returns (Ross, 1976).

2.2.3 The Efficient Market Hypothesis (EMH)

The efficient market hypothesis (EMH) maintains that all stocks are perfectly priced according to their inherent investment properties, the knowledge of which all market participants possess equally. At first glance, it may be easy to see a number of deficiencies in the efficient market theory, EMH assumes, first the efficient market hypothesis assumes that all investors perceive all available information in precisely the same manner. The numerous methods for analyzing and valuing stocks pose some problems for the validity of the EMH. If one investor looks for undervalued market opportunities while another investor evaluates a stock on the basis of its growth potential, these two investors will already have arrived at a different assessment of the stock's fair market value. Therefore, one argument against the EMH points out that, since investors' value stocks differently, it is impossible to ascertain what a stock should be worth under an efficient market.

Under the efficient market hypothesis, no single investor is ever able to attain greater profitability than another with the same amount of invested funds: their equal possession of information means they can only achieve identical returns. But consider the wide range of investment returns attained by the entire universe of investors, investment funds and so forth. If no investor had any clear advantage over another, would there be a range of yearly returns in the mutual fund industry from significant losses to 50% profits, or more? According to the EMH, if one investor is profitable, it means the entire universe of investors is profitable. In reality, this is not necessarily the case.

Strong efficiency states that *all* information in a market, whether public or private, is accounted for in a stock price and insider information could not give an investor an advantage, Semi-strong efficiency implies that all public information is calculated into a stock's current share price. Neither fundamental nor technical analysis can be used to achieve

superior gains and Weak efficiency implies that all past prices of a stock are reflected in today's stock price. Therefore, technical analysis cannot be used to predict and beat a market (Fama, 1991).

2.3 Empirical Studies

The study by Kamuruci (2003) on the changes in share prices as predictors of accounting earnings implied a correlation between the events that affect accounting earnings and changes in stock prices. He noted that years the earnings were positive, the stock prices were positive and vice versa.

Musee (2013) study on the effects accounting variables on profitability and stock returns of firms listed at NSE established that the accounting variables explained the profitability and had positive relationship with profitability. Lee Chin and Lee Weng Hong (2008) analysis of dividend yield as predictor of stock return concluded that dividend yield was able to predict stock return in the Malaysian stock market.

Nyamai (2012) study on the effects of cash management and firm’s liquidity on share prices of companies listed at the NSE concluded that liquidity has a positive influence on share performance. He recommended further research since liquidity influenced 4.6% of total variations in share performance thus the need for further research to analyze other variables that affected the share performance. The study on the trading behavior and its effect on stock prices movements at NSE indicated that trading volumes do not play significance in driving stock prices (Mburu, 2007).

Sasa (2013) examined the relationship between capital structure and stock prices volatility at the Nairobi Stock Exchange and noted that debt-equity ratio had a positive impact on the stock prices. Muriuki (2010) study on the relationship between dividends policies and share prices for companies listed at the NSE concluded that dividend policies had great effects on

the share prices and thus such policies should be implemented with great caution so as to avoid dilution of shareholders' wealth.

Karani (2009) analyzed the debt –equity ratio and expected common stock returns: Empirical evidence from NSE noted that there was no relationship found explaining the relationship between expected stock returns and the debt-equity ratio in the capital market. Maina(2009) study on the empirical investigation of stock returns reaction around earnings announcement for quoted companies at NSE showed that stock returns and trading activity react to earnings announcements.

Kihara (2011) study on the relationship between dividend announcements and return on investments: a case study of companies quoted at the NSE found that there is no strong evidence that stock prices react significantly on the announcement of dividend. Also, noted a positive correlation between cash flows and the earnings. Odongo (2008) investigated the effects of liquidity level on stock returns at the NSE found no evidence to link share prices to liquidity of the firms listed. Mwangi (1999) tested whether P/E ratio was an investment performance indicator and concluded that P/E ratio had a positive relationship to Earning growth and thus a viable tool to improve portfolios.

A study on impact of selected financial variables on share price of publicly listed firms in the Philippines concluded that EPS has a strong positive impact on share price. In short, he disregarded the possible effect of short-term changes in share price and EPS itself. If we were to predict share price given the model, we could assume that for every percentage change in EPS, there would be an average increase in share price by about 1.431%.As for ROA, for every percentage increase of the said variable, share price would decrease by an average of 0.178%. Return on Assets (ROA) is negatively correlated with share price. At first glance, this might be extraordinary because a high ROA would mean higher profitability of the firm.

It is a common notion that if the firm is profitable, its share price would increase. Based on past studies, however, it has been documented that there is a strong negative relationship between asset growth and the firm's stock return (Cooper, et al, 2009). This simply means that the growth in assets will not necessarily lead to increase in net income. And if net income remains unchanged but assets increase, ROA decreases. The result of this study may not be appropriate for prediction because it used one year data only. To make a good prediction on share price, a longer period of time is needed in order to capture fully its volatile nature. What this study had accomplished was to confirm that EPS have significant impact on share price. ROA, if ever used, would be a weak negative predictor and may be replaced with other appropriate financial or economic variables. They recommended that if financial statements are to be used in the research, the yearly data should be used instead of quarterly or monthly data but for a longer period of time. A ten-year data should prove adequate. One advantage of yearly data is that financial statement errors are very much minimized in annual financial statements because they are subject to audit. This also makes the data less volatile and more reliable (Placido, 2012).

The analysis of the impact of financial variables on stock prices on Tehran Stock Exchange companies tested three hypotheses. The first hypothesis examines the effect of ROI on the stock price, most researchers in their research concluded that there is a significant positive relationship between these two variables and in this study, the results of the regression model showed that in 95% confidence level there is a significant relationship between ROI and stock price, this relationship is positive. The second hypothesis, the study examined the effect of gross margin of profit on stock price. In the study, statistical tests based on regression model indicate that there is no significant relationship between gross profit margin and stock price. The third hypothesis of this research is based on sales volume and stock price is accepted. Most studies that have examined the relationship between this variables, have

reached the significant negative relationship between these two variables. Also the results of the regression model showed that in 95% confidence level there is a significant relationship between sales volume and market risk, this relationship is negative. According to the results, it seems that the stock price of the companies listed in Tehran Stock Exchange is a function of ROI and sales volume, indeed ROI, and sales volume, play an important role in stock price. But Gross profit margin does not influence the stock price.

They recommended the research be done internationally since the population chosen was from Iran Stock Exchange to obtain more reliable results. The period of this study was years between 2005 -2009, therefore it was suggested that this research performed in different years and since the study was performed generally without differentiation between different industries. It is recommended that the research done to discriminate between different industries (Hossein et al, 2012).

2.4 Financial Management Practices

Financial management is that managerial activity which is concerned with the planning and controlling of the firm's financial resources.

2.4.1 Investment Decisions

Investment decision or capital budgeting involves the decision of allocation of capital or commitment of funds to long-term assets that would yield benefits in the future. Two important aspects of the investment decision are: evaluation of the prospective profitability of new investments, and measurement of a cut-off rate against that the prospective return of new investments could be compared.

Future benefits of investments are difficult to measure and cannot be predicted with certainty. Because of the uncertain future, investment decisions involve risk. Investment proposals

should, therefore, be evaluated in terms of both expected return and risk. Besides the decision for investment managers do see where to commit funds when an asset becomes less productive or non-profitable. There is a broad agreement that the correct cut-off rate is the required rate of return or the opportunity cost of capital. However, there are problems in computing the opportunity cost of capital in practice from the available data and information. A decision maker should be aware of capital in practice from the available data and information. A decision maker should be aware of these problems (Pandey, 2004).

Investments moves by the firm result in the performance of any firm. Whenever a firm focuses on the maximization of shareholders' wealth, always get proper care of its financing and investments (Mc Connel and Servaes, 1990).

2.4.2 Financing Decisions

Business financing method is the specific form of enterprise raising funds. Divided into three categories according to different criteria: internal source of financing and external source of financing, direct financing and indirect financing, and equity financing and debt financing. Internal source of financing is the funds generated from company's operating activities, namely transforming their own savings (including retained earnings, depreciation and fixed liabilities) into investment. With features of being original, autonomous, low cost and risk resistant for capital formation of enterprises, it is essential for the survival and development of an enterprise and external source of financing is enterprises raising money from some other economic entities (Xiya, 2011).

There are many influencing factors on financing decisions. From a large perspective, there are national factors, macroeconomic factors, industry factors and firm characteristics factors.

We focus on the firm characteristics factors and its relationship with the financial leverage. On the whole, firm characteristic factors include asset composition and uniqueness.

Asset composition: capital structure theory argues that the security of tangible assets can reduce the agency costs of debt to a certain extent. In terms of pecking order theory, companies with fewer intangible assets are more sensitive to information asymmetry, and when in need of external financing, these companies will issue debt rather than equity. Therefore, tangible assets and leverage are positively related.

Uniqueness: According to stakeholder theory, in companies producing unique products, customers, suppliers and workers suffer from higher costs, and customer service replacements are more difficult to find. in line with agency costs, the search for employees who do popular work are expected to cost less than the search for that who implement dedicated work. Therefore, when other conditions are equal, the agency costs related to humans are higher for the companies providing specialized products and services. Uniqueness should be negatively related with leverage (Xiya, 2011).

The mix of debt and equity is known as the firm's capital structure. The financial manager must strive to obtain the best financing mix or the optimum capital structure for his or her firm. The firm's capital structure is considered to be optimum when the market value of shares is maximized. The use of debt affects the return and risk of shareholders; it may increase the return on equity funds but it always increases risk. A proper balance will have to be struck between return and risk. When the shareholders' return is maximized with minimum risk, the market value per share will be maximized and the firm's capital structure would be considered optimum (Pandey, 2004).Myres (1984) asserts that capital structure has a greater impact on the economic systems and managers should identify the ideal corporate structure of the company (Pinegar, 1989).

2.4.3 Dividend Decisions

The financial manager must decide whether the firm should distribute all profits, or retain them, or distribute a portion and retain the balance. Like the debt policy, the dividend policy should be determined in terms of its impact on the shareholders' value. The optimum dividend policy is one that maximizes the market value of the firm's shares. Thus if shareholders are not indifferent to the firm's dividend policy, the financial manager must determine the optimum dividend – payout ratio. The payout ratio is equal to the percentage of dividends to earnings available to shareholders. The financial manager should also consider the questions of dividend stability, bonus shares and cash dividends in practice. Most profitable companies pay cash dividends regularly. Periodically, additional shares, called bonus share (or stock dividend), are also issued to the existing shareholders in addition to the cash dividend (Pandey, 2004).

The value of dividend decision is critical (Modigliani, 1961) and believes that without market imperfections like transaction costs and taxes, dividend policy could bring no changes to the value of the firm. This has given rise to unstoppable discussions on the dividend policy and value of the firm (Black, 1976).

2.4.4 Liquidity Decisions

Current assets management that affects a firm's liquidity is yet another important finances function, in addition to the management of long-term assets. Current assets should be managed efficiently for safeguarding the firm against the dangers of illiquidity and insolvency. Investment in current assets affects the firm's profitability.

Chordia,Sarkar and Subrahmanyam(2002) found that improvements in stock market liquidity are associated with monetary expansions and that fluctuations in liquidity are correlated across stocks and bond markets .Eisfeldt (2002) developed a model that endogenous

fluctuations are correlated with real fundamentals such as productivity and investments. Lustig (2001) developed a model in which solvency constraints give rise to liquidity risk factor.

A conflict exists between profitability and liquidity while managing current assets. If the firm does not invest sufficient funds in current assets, it may become illiquid. But it would lose profitability, as idle current assets would not earn anything. Thus, a proper trade-off must be achieved between profitability and liquidity. In order to ensure that neither insufficient nor unnecessary funds are invested in current assets, the financial manager should develop sound techniques of managing current assets. He or she should estimate firm's needs for current assets and make sure that funds would be made available when needed. It would thus be clear that financial decisions directly concern the firm's decision to acquire or dispose off assets and require commitment or recommitment of funds on a continuous basis.

It is in this context that finance functions are said to influence production, marketing and other functions of the firm. This, in consequence, finance functions may affect the size, growth, profitability and risk of the firm, and ultimately, the value of the firm (Pandey, 2004).

2.5 Determinants of Stock Returns

The stock returns is determined by demand and supply of shares .As shares of a particular company increases in capital gains and profits many investor will be willing to invest in the company, where the company will have more confidence and it issues more shares in order to raise more capital. It therefore issues its share at a higher price while various investors will engage in buying shares. As a result of company price share and the number of shares bought by investors determines the e equilibrium price of share

When the political stability of a country is conducive it creates confidence of the investors according to Nairobi Stock exchange survey conducted during 1992, 1997, 2002 and 2007 showed that the price of shares is very low during Elections periods .This has negative effects as both foreign and domestic investors are not willing to invest as the uncertainty of the future of the country. Many businesses tends to collapse during elections or when the country is experiencing tension as no investors is willing to risk in loss generating ventures.

As the investors goals are to increase gains and profit from their investments they speculate the chances of a company ability to expand its operations in the global in order to increase their profitability. A company with the probability to gain in future its shares have high demand while a company with low capability to expand its share experiences low demand hence lower stock returns of its company .Ability of a company to expand creates confidence of an investor.

2.6 Chapter Summary

The chapter has reviewed the underlying theories (Portfolio theory, Capital markets theory and Efficient Market Hypothesis), past studies in the field of financial management, major finance functions (investing, financing ,liquidity and dividend decisions) and determinants of stock returns.

From the literature review it's apparent that the empirical studies done on the NSE have been based on a single facet of financial management practices :Nyamai (2012) study on the effects of cash management and firm's liquidity on share prices of companies listed at the Nairobi Securities Exchange, Sasa (2013) study on relationship between capital structure and stock prices volatility at the Nairobi Stock Exchange, Muriuki (2010) study on the relationship between dividends policies and share prices for companies listed at the NSE,

Karani (2009) analysing the debt –equity ratio and expected common stock returns: Empirical evidence from NSE , Maina(2009) study on the empirical investigation of stock returns reaction around earnings announcement for quoted companies at NSE, Kihara (2011) study on the relationship between dividend announcements and return on investments: a case study of companies quoted at the NSE , Odongo (2008) study on the effects of liquidity level on stock returns at the NSE and Mwangi (1999) study on whether P/E ratio was an investment performance indicator .

The research on the relationship between financial management practices and stock returns will cover all major facets of the financial management and will result in multivariate models which will be more reliable than univariate models and feasible to predict stock returns.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This study aims at determining the relationship between financial management practices and stock returns of listed companies at the Nairobi Securities Exchange. The chapter outlines the research methodology that was used to carry out the study. This includes: the study design, population, data collection methods, research procedures, data analysis and presentation methods and chapter summary.

3.2 Research Design

The research problem posed was studied using descriptive design (standard deviation, variance, ANOVA, correlation and other statistics). secondary data was obtained from listed companies' financial statements and Nairobi Securities Exchange financial bulletins for the years 2008-2012. The measurements for financial management practices were represented by Dividend per Share, Return on Investment, Debt-Equity ratio and liquidity ratios. A sample was selected from 61 listed companies using stratified sampling and simple random where companies were classified as per the services offered i.e. telecommunication and technology, manufacturing and allied, investment, insurance, banking, automobiles and accessories, commercial and services, agricultural, energy and petroleum, construction and allied. 29 companies were selected for analysis after qualify the following criteria: complete set of five years data and ease of computation of the above measurements. Banking and insurance firms were excluded due to the fact that computations of liquidity ratios proved futile.

3.3 Target Population

Population refers to the total collection of elements about which we wish to make some inferences (Cooper &Schindler, 2003).A large set of observation is called a population while

a smaller set is called the sample. If the population is extremely large, a sample is often examined to make conclusions about the large population (Hayer, 1997).The target population were 61 listed companies in Kenya as at 31 December 2013.

3.4 Sample Design

3.4.1 Sample Frame

Cooper and Schindler (2003) define a sample as a list of elements from which the sample is actually drawn and is closely related to the population. The sample frame was drawn from the list of listed companies as at 31 December 2013.

3.4.2 Sampling Technique

The sampling technique used was stratified and simple random sampling. The sample was obtained from each category stratified as per the services offered.

3.5 Data Collection Instruments and Procedures

Data collection involves quantitative data from listed companies' financial statements and Nairobi Securities Exchange bulletins for the years 2008-2012. The data is validated for accuracy, completeness and reliability. A sample on 29 listed companies will be analyzed except firms with incomplete data, banks and insurance companies were impossible to obtain current ratio.

3.6 Data Analysis

Data was analyzed using the statistical package for social sciences (SPSS) software to give descriptive statistics needed such as standard deviation, variance, ANOVA, correlation and other statistics. The data will be presented by using tables, charts and figures.

The regression model used

$$y = \beta 0 + \beta 1x1 + \beta 2x2 + \beta 3x3 + \beta 4x4 + u$$

Y-stock returns represented by dividend yield and capital gain

X1 -denotes the ROI representing investing activities=PBT/Investment

X2- denotes the dividend per share representing dividend policies

X3 -denotes the Debt/Equity ratio representing financing decisions

X4-denotes the current ratio representing liquidity decisions

u - denotes the error term

β0, β1, β2, β3 and β4-beta coefficients

3.7 Data Validity and Reliability.

Mugenda and Mugenda (2003) asserted that, the accuracy of data largely depend on the data collection instruments in terms of validity and reliability.

Validity as noted by Robinson (2002) is the degree to which result obtained from analysis of the data actually represents the phenomenon under study. Validity was achieved by having objective data and pre-testing a sample of the information used.

Reliability on the other hand refers to a measure of the degree to which research instruments yield consistent results (Mugenda & Mugenda, 2003).In this study reliability was achieved by selecting a sample and testing it for accuracy from data from respective company website.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

4.2 Data Presentation

The data was analyzed using spreadsheet (attached in the appendix II).

$$\text{Return on investment} = \frac{\text{Profit before tax and extraordinary events}}{\text{Investment } t_1 - \text{Investment } t_0}$$

$$\text{Dividend per share} = \frac{\text{Profit after Tax}}{\text{No. of Ordinary Shareholders}}$$

$$\text{Debt/Equity ratio} = \frac{\text{Long term borrowings}}{\text{Share capital + Revenue reserves}}$$

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

4.2.1 Return on investment

The data for the year 2008-2012 was calculated as follows

=Profit before tax and extraordinary events/ (investment t_1-investment t_0)

4.2.2 Dividend per share

The dividend paid in the year 2008-2012 was analyzed in a spread sheet (Appendix II).

4.2.3 Debt/Equity ratio

The long term borrowing was divided by the Equity capital for the year 2008-2012

4.2.4 Current ratio

This data was analyzed by dividing Current Assets/Current liabilities for the year 2008-2012

4.2.5 Stock returns

The stock return for the 2008-2012 was analyzed in a spread sheet (Appendix II).

The result of correlations was analyzed as shown below:

Table 1. Pearson correlations

Model	Correlation with stock returns
Return on investment-X1	18.9%
Dividend per Share-X2	76.4%
Debt/Equity ratio-X3	3.1%
Current ratio-X4	39.1%

(Source: Researcher 2014)

The table1 above depicted that there was strong positive correlation between dividend per share and current ratio and a weak positive correlation between return on investment and debt/equity ratio. It further suggested that management of dividend policies and cash flows was very critical in financial management practices.

Table 2. Results of Variance Inflation Factor (VIF).

Variable	**VIF**
Return on investment-X1	1.097
Dividend per Share-X2	1.131
Debt/Equity ratio-X3	1.025
Current ratio-X4	1.057

(Source: Researcher 2014)

To check lack of multicollinearity problems between the variables, results of Variance Inflation Factor (VIF) test was used and criterion was if the sample of the study is small and the value of VIF equals 10 or more, this means that there is a multicollinearity problem between the independent variables of the study whereas if the sample of the study is large and the value of VIF equals 5 or more, this indicates a multicollinearity problem between the independent variables (Sekaran and Bougie, 2009).

Table (2) showed that the values of the independent variables were less than 5 and therefore it indicated lack of multicollinearity between the independent variables.

Table 3: Results of Coefficients of Multiple Linear Regression (B) between the all the independent variables together and between the dependent variable (Y)

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	5.367	10.729		0.500	0.618
x1-ROI	-0.117	0.186	-0.040	-0.629	0.531
x2-DPS	12.780	1.124	0.732	11.369	0.000
x3-Debt/Equity	22.743	11.868	0.118	1.916	0.058
x4-Current ratio	9.678	2.204	0.273	4.390	0.000

a. Dependent Variable: y

(Source: Researcher 2014)

Based on the results (Table 3 above) the model is formulated as below:

Y= 5.367 - 0.117 X1 + 12.78 X2 +22.743 X3+9.678 X4

At 5% level of significance or 95% level of confidence a two tailed test, give the following hypothesis to be tested.

Ho: There is no relationship between Return on Investment and stock returns

Ho: There is no relationship between DPS and stock returns

Ho: There is no relationship between Debt/Equity ratio and stock returns

Ho: There is no relationship between Current ratio and stock returns

Model	T Calculated	T Tabulated	Significance	Results of Null Hypothesis
ROI	-0.629	1.986	0.531	Acceptance
DPS	11.369	1.986	0.000	Rejection
Debt/Equity	1.916	1.986	0.058	Acceptance
Current Ratio	4.390	1.986	0.000	Rejection

At 5% level of significance the null hypothesis for dividend per share and current ratio is rejected. Meaning the dividend per share and current ratio are significance in explaining the stock returns .Acceptance of null hypothesis for return on investment and debt /equity ratio means they have no significance in explaining the stock returns.

Table 4: Testing Using F Table

Model	Sum of Squares	Degrees of freedom	Mean Square	F	Sig.
Regression	648157.844	4	162039.46	45.148	.000[a]
Residual	330192.733	92	3589.05		
Total	978350.577	96			

a. Predictors: (Constant), x4, x1, x3, x2)

b. Dependent Variable: y

(Source: Researcher 2014)

At 5% level of significance or 95% level of confidence the following hypothesis is tested.

Ho: There is no relationship between financial management practices and stock returns.

HA: There is relationship between financial management practices and stock returns.

F Calculated	F Tabulated	Significance	Results of Null Hypothesis	R	R(squared)
45.15	2.47	0.000	Rejection	0.814	0.663

The F critical at 5% level of significance was 2.47. Since F calculated (value=45.148) is greater than the F critical (value = 2.47), this shows that the overall model was significant in explaining the stock returns.

4.3 Summary and Interpretation of Findings

The study's results showed that the financial management practices together explain (64.8.%) of the changes in the stock returns which indicates that (35.2%) of the changes in the stock returns may refer to other different and varied reasons including economic circumstances as inflation and interest rates, political circumstances.

At 5% level of significance the null hypothesis for dividend per share and current ratio is rejected. Meaning the dividend per share and current ratio are significance in explaining the stock returns. Null hypothesis for return on investment and debt /equity ratio were accepted meaning they have no or slight significance in explaining the stock returns.

The F critical at 5% level of significance was 2.47. Since F calculated (value=45.148) is greater than the F critical (value = 2.47), this shows that the overall model was significant in explaining the stock returns.

The study depicted a strong positive correlation between dividend per share and current ratio and a weak positive correlation between return on investment and debt/equity ratio. It further suggested that management of dividend policies and cash flows was very critical in financial management practices.

A strong positive relationship between the dividend per share and the volatility in the stock returns (76.4%) which are in agreement with Muriuki (2010) that dividend policies explain greatly the volatility in stock returns. Also, the study revealed a weak positive relationship between debt/equity ratio (3.1%) and stock returns .Chordia (2002) study that improvements in stock market liquidity are associated with monetary expansions and that fluctuations in liquidity are correlated across stocks and bond markets was upheld.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This study aims at identifying the relationship between financial management practices which are (Return on investment, Dividend per Share, Debt/Equity ratio and the current ratio) and stock returns of listed companies in Nairobi Securities Exchange during the years 2008 to 2012. To achieve the study's objectives, the researchers reviewed the annual reports of the public companies listed in Nairobi Securities Exchange, and also reviewed the Nairobi Securities Exchange's statistical bulletins for the years 2008-2012 to get the accounting variables and the stocks' closing prices. The study consisted of (61) listed companies as at 31 December 2012.

Multiple regression model was used to test the independent variables' ability in explaining the variance in the dependent variable (Volatility in stock returns).The study concluded that financial management practices (Return on investment, Dividend per Share, Debt/Equity ratio and the current ratio) explained (64.80%) of the volatility in stock return while (35.20%) of the volatility in stock returns referred to other reasons.

The results of the study also showed that there was an important strong positive correlation between Dividend per Share (76.40%), Current ratio (39.10%), Return on investment (18.90%) and weak positive correlation with Debt/Equity ratio (3.10%) and volatility in stock returns.

The dividend per share and current ratio was found to be significant in explaining the stock returns. Return on investment and debt /equity ratio was found to have no significance in explaining the stock returns.

5.2 Conclusions

The study concludes that dividend per share is highly correlated with stock returns thus management should take caution when deciding the optimal dividend policy for the company. The management should endeavor to relay positive signals to the market so as to create wealth for the shareholders.

The study further concludes that dividend per share and current ratio was found to be significant in explaining the stock returns. Dividend policy is the set of guidelines a company uses to decide how much of its earnings it will pay out to shareholders. There are three main approaches to dividends: residual, stability or a hybrid of the two:

Residual dividend policy, Companies choose to rely on internally generated equity to finance any new projects. As a result, dividend payments can come out of the residual or leftover equity only after all project capital requirements are met.

Dividend Stability Policy: With the stability policy, quarterly dividends are set at a fraction of yearly earnings. This policy reduces uncertainty for investors and provides them with income.

Hybrid dividend policies indicate residual and stable dividend policies are combined.

The firm should strive to set optimal dividend policy which will maximize the share returns and reduce share volatility.

The current ratio is an indication of a firm's market liquidity and ability to meet creditor's demands. Acceptable current ratios must be maintained always .If a company's current ratio is in this range (1.5 and above), then it generally indicate good short-term financial strength. If current liabilities exceed current assets (the current ratio is below 1), then the company may have problems meeting its short-term obligations. If the current ratio is too high, then the company may not be efficiently using its current assets or its short-term financing facilities. This may also indicate problems in working capital management.

Return on investment and debt /equity ratio was found to have no/slight significance in explaining the stock returns and management should put their priorities right in financial management. Finally the study concludes that financial management practices explained (64.80%) of volatility and further research be carried out to obtain the reasons behind 35.2% volatility.

5.3 Policy Recommendations

The researcher suggests the following recommendations that may minimize the stock returns volatility and help the stock market dealers to identify factors that explain the price volatility in Nairobi Securities Exchange. Prevention and limitation of monopoly's phenomenon of information which Nairobi Securities Exchange received and which are controlled by some specific groups and people leading to unusual and immoral gains causing imbalance in the financial market.

Increase the investors' awareness through increasing the ability of the financial analysis and linking between the variables that affect the stock return and to find the causes for this. Supporting the transparency and equal opportunities by making the information available to everyone who would like to deal with the financial market Conducting further studies concerning volatility of stock returns taking into account other variables that are expected to affect the changes of the stock returns in other jurisdiction and at different periods of time

The institute of certified public accountants of Kenya should ensure accountants are trained through mandatory continuous practice education to ensure accountants produce internationally acceptable financial reports and thus ease sharing of information.

It's highly recommendable that International Financial reporting standards be implemented in full to all listed companies in Kenya. Introduction of IFRS will make it possible to bench mark performance of the local companies and international best performing companies.

5.4 Limitation of the study

The accuracy of the data obtained could not be ascertained as it was assumed data obtained from Nairobi securities exchange was genuine and free of errors. However, data was corroborated with available data in the websites of the various companies.

It was impossible to calculate measurements for current ratio for all listed banks and insurance industries. This was due to the fact that it's impossible to delineate between current assets and current liabilities. Some listed companies such as Home Africa and Olympia Capital Holdings ltd had been listed for less than five years thus could not be included in the analysis. The funding for the research was limited thus a smaller period of timing (five years) was analyzed.

5.5 Suggestion for further studies

Researcher suggest further studies concerning volatility of stock returns taking into account other factors that are expected to affect the volatility of the stock returns. The only stock exchange in this study population was Nairobi Securities Exchange. While taking stock of foreign countries and provides the possibility to compare results obtained from the Stock Exchange of countries studied, the more reliable the results will. It is recommended that research be done internationally as well. The period of this study is the years between 2008 - 2012, therefore it is suggested that this research performed in different years. The study performed generally without differentiation between different industries. It is recommended that the research done to discriminate between different industries. The study should be conducted to non listed companies so as to augment the credibility of the models produced when analyzing listed companies.

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APPENDIX I

LISTED COMPANIES AS AT 31 DECEMBER 2013

Construction and allied

1. Athi River Mining
2. Bamburi Cement Ltd
3. Crown Berger Ltd
4. E.A.Cables Ltd

Energy and petroleum

5. KenolKobil Ltd
6. Total Kenya Ltd
7. KenGen Ltd

Agricultural

8. Kapchorua Tea Co. Ltd
9. Kakuzi
10. Limuru Tea Co. Ltd
11. Rea Vipingo Plantations Ltd
12. Sasini Ltd
13. Williamson Tea Kenya Ltd

Commercial and services

14. Express Ltd
15. Kenya Airways Ltd
16. Nation Media Group
17. Standard Group Ltd
18. TPS Eastern Africa (Serena) Ltd

19. Scangroup Ltd

Telecommunication and Technology

20. Safaricom Ltd

21. Access kenya

Automobiles and Accessories

22. Marshalls (E.A.) Ltd

Investment

23. Centum Investment Co Ltd

Manufacturing and Allied

24. B.O.C Kenya Ltd

25. British American Tobacco Kenya Ltd

26. Carbacid Investments Ltd

27. East African Breweries Ltd

28. Mumias Sugar Co. Ltd

29. Unga Group Ltd

APPENDIX II

Data Presentations for the year 2008-2012

		X1	X2	X3	X4	y
	Year	Return On Investment	DPS	Debt/Equity	Current Ratio	stock return
Kakuzi	2012	-1.84	3.75	0.22	8.47	72.00
	2011	4.19	3.75	0.26	3.35	69.50
	2010	3.32	2.50	0.28	2.07	81.50
	2009	17.58	2.50	0.33	1.50	31.75
	2008	-0.16	1.00	0.44	1.07	23.00
Kapchoria	2012	0.52	7.50	0.33	1.65	121.00
	2011	1.54	7.50	0.33	2.10	115.00
	2010	2.00	6.25	0.33	1.64	146.00
	2009	2.14	6.50	0.39	1.68	68.00
	2008	3.36	2.50	0.39	1.77	75.00
Limuru tea	2012	1.48	7.50	0.28	12.41	430.00
	2011	2.74	7.50	0.24	18.29	335.00
	2010	2.09	7.50	0.23	7.97	300.00
	2009	21.52	7.50	0.21	3.84	305.00
	2008	-1.61	10.00	0.32	3.95	305.00
Rea Vipingo	2012	5.42	1.10	0.23	3.41	17.00
	2011	2.48	1.10	0.27	2.10	14.75
	2010	0.50	0.80	0.28	1.34	17.90
	2009	3.02	0.50	0.22	2.24	11.10
	2008	1.55	0.20	0.23	1.43	17.00
Sasini Tea	2012	0.21	0.75	0.32	1.90	10.95
	2011	2.62	0.80	0.35	2.13	12.05
	2010	1.58	0.50	0.34	2.37	13.30
	2009	0.67	0.40	0.37	2.56	6.05
	2008	0.50	0.00	0.40	2.69	7.75
Williamson Tea	2012	1.07	7.50	0.35	2.41	230.00
Kenya	2011	4.22	12.50	0.24	3.38	185.00

	2010	0.66	6.25	0.30	2.03	221.00
	2009	(0.10)	4.00	0.23	2.74	47.00
	2008	(0.42)	0.50	0.35	2.18	57.50
Marshalls EA	2012	0.32	-	0.00	1.13	12.05
	2011	3.50	-	-	0.27	14.15
	2010	9.51	-	3.19	0.50	19.00
	2009	(0.35)	-	0.69	0.89	24.00
	2008	(8.60)	-	1.87	1.29	18.85
Express Kenya	2012	0.07	-	0.69	0.40	3.50
	2011	0.42	-	1.20	0.34	3.90
	2010	(1.21)	-	1.00	0.32	7.80
	2009	1.84	-	0.97	0.31	8.05
	2008	(0.10)	-	0.99	0.36	13.00
Kenya Airways	2012	4.49	0.81	1.34	0.92	13.95
	2011	(17.74)	1.50	1.47	1.06	32.25
	2010	(3.08)	1.00	1.64	0.87	60.00
	2009	(6.14)	1.00	2.16	0.91	19.75
	2008	(3.37)	1.75	1.42	1.52	52.00
Nation Media	2012	7.49	10.00	0.03	2.25	222.00
	2011	31.96	8.00	0.04	2.31	140.00
	2010	23.43	8.00	0.01	1.99	167.00
	2009	7.49	5.50	0.03	2.13	118.00
	2008	6.23	5.50	0.03	1.85	144.00
Scan group	2012	5.63	0.60	0.23	2.28	68.50
	2011	(7.33)	0.70	0.22	2.24	41.50
	2010	4.88	0.70	0.16	1.89	61.50
	2009	1.01	0.50	0.01	2.53	25.50
	2008	11.38	0.69	0.01	2.23	26.75
Standard group	2012	(0.13)	-	0.47	1.12	21.80
	2011	0.81	-	0.65	1.08	25.00
	2010	31.19	0.50	0.87	1.32	45.50
	2009	0.97	0.50	1.22	1.27	38.00
	2008	1.66	1.10	1.51	1.37	50.00

TPS EA Ltd	2012	1.04	1.30	0.41	1.01	40.00
	2011	0.76	1.30	0.45	1.50	55.00
	2010	0.17	1.25	0.39	1.41	68.50
	2009	2.40	1.25	0.48	1.54	45.00
	2008	(2.59)	1.25	0.46	1.23	52.50
ARM Cement	2012	0.80	0.50	1.92	1.22	44.50
	2011	0.31	2.00	1.68	0.84	158.00
	2010	0.31	1.75	1.70	1.32	183.00
	2009	0.22	1.50	1.13	1.00	111.00
	2008	0.62	1.25	1.12	1.02	90.50
Bamburi cement	2012	1.12	10.50	0.17	2.35	185.00
	2011	(28.51)	10.00	0.18	2.62	125.00
	2010	6.85	8.50	0.19	1.72	187.00
	2009	8.27	11.00	2.97	2.58	156.00
	2008	1.08	6.00	0.37	1.84	165.00
Crown paints	2012	9.75	5.63	0.04	1.54	42.50
	2011	1.30	5.44	0.09	1.46	20.50
	2010	(4.24)	3.85	0.09	1.49	36.00
	2009	(3.54)	3.64	0.12	1.44	25.00
	2008	4.38	1.30	0.12	1.34	24.75
East African Cables	2012	1.19	1.00	0.39	1.20	11.70
	2011	(3.39)	0.50	0.37	1.16	10.55
	2010	0.29	1.00	0.44	1.28	16.25
	2009	0.68	1.00	0.54	1.36	20.25
	2008	7.54	1.00	0.62	1.66	26.25
Kenol Kobil Ltd	2012	(3.87)	-	0.14	0.97	13.55
	2011	3.36	1.00	0.13	1.22	9.95
	2010	58.89	0.52	0.03	1.38	10.00
	2009	(0.85)	3.25	0.03	1.30	50.00
	2008	0.57	3.50	0.04	1.30	66.00
KENGEN	2012	(6.77)	0.60	1.11	1.49	8.58
	2011	0.15	0.50	1.16	1.74	13.60
	2010	0.11	0.50	1.04	4.71	17.05

	2009	(9.43)	0.50	0.62	2.17	14.52
	2008	0.64	0.90	0.45	1.34	24.47
TOTAL KENYA	2012	0.28	0.20	0.06	1.30	13.85
	2011	(0.14)	1.05	0.33	1.10	14.75
	2010	(2.66)	1.05	0.39	1.18	29.00
	2009	0.09	1.00	0.44	1.12	29.75
	2008	40.33	2.50	-	1.24	32.00
Centum investment	2012	0.50	-	0.10	0.68	13.05
	2011	3.02	-	-	1.39	21.50
	2010	0.72	-	-	1.29	15.60
	2009	(0.30)	-	-	0.31	10.25
	2008	(4.36)	-	-	4.57	25.00
BOC Kenya	2012	(6.62)	5.05	0.01	2.08	49.69
	2011	(2.29)	6.80	0.02	1.94	88.13
	2010	(1.63)	9.40	0.06	2.48	305.41
	2009	(20.26)	6.80	0.06	0.25	129.40
	2008	(24.13)	6.80	0.04	2.08	106.01
British American (BAT)	2012	3.73	32.50	0.29	1.18	493.00
	2011	9.89	30.50	0.31	1.31	246.00
	2010	324.42	17.50	0.37	1.17	270.00
	2009	3.38	14.75	0.33	0.98	178.00
	2008	5.93	17.00	0.21	1.05	131.00
CARBACID	2012	14.26	6.00	0.13	4.26	125.00
	2011	1.79	5.00	0.15	8.84	91.50
	2010	0.96	5.00	0.12	5.79	156.00
	2009	74.98	15.00	0.12	10.63	103.00
	2008	55.26	10.00	0.14	14.23	137.00
East African Breweries	2012	4.58	8.75	2.68	0.80	227.00
	2011	0.99	8.75	0.27	1.05	193.00
	2010	5.56	8.75	0.11	1.49	181.00
	2009	7.12	8.05	0.12	1.69	151.00
	2008	3.10	8.05	0.09	1.74	199.00
Mumias Sugar	2012	0.46	0.50	0.38	1.25	6.10

	2011	0.55	0.50	0.40	2.20	7.15
	2010	(2.80)	0.40	0.37	2.00	12.85
	2009	0.43	0.40	0.37	1.36	6.00
	2008	1.17	0.40	0.19	1.35	12.70
UNGA GROUP	2012	2.43	0.75	0.11	2.36	12.60
	2011	(19.78)	0.75	0.09	2.52	10.00
	2010	(2.68)	0.50	0.11	2.54	12.25
	2009	(20.49)	-	0.01	1.84	10.00
	2008	1.73	-	0.09	1.92	13.75
Access Kenya	2012	5.34	0.30	0.38	0.53	4.41
	2011	(25.87)	-	0.60	0.73	4.93
	2010	0.02	-	0.57	0.71	14.09
	2009	0.20	0.30	0.53	1.09	19.51
	2008	0.47	0.40	0.03	1.50	19.82
Safaricom Ltd	2012	2.03	0.22	0.18	0.56	3.20
	2011	1.73	0.20	0.19	0.64	3.80
	2010	2.84	0.20	0.13	0.67	5.55
	2009	1.20	0.10	0.10	0.49	3.00
	2008	1.95	0.05	0.15	0.51	3.60