



CAPITAL INVESTMENT AND STOCK RETURNS AMONG NON-FINANCIAL LISTED COMPANIES AT NAIROBI SECURITIES EXCHANGE

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Abstract

Business industry is highly volatile and quite competitive which have a direct impact on organization's achievements and therefore the need to appreciate the weight of capital investments in relation to organization's achievements explained by stock returns. Recent studies evidences that capital investment has been researched in relation to stock returns but in other economies and what has been researched in Nairobi Securities Exchange (NSE) is not Capital Investment and stock returns hence the need of the present study. Additionally, supplementary research works have offered diverse opinions thus whether the impact of Capital Investment on stock returns is positive or negative needs to be explored further. This study was grounded on free cash flow theory and agency theory. The findings of this paper adds to writings of principal and agent theory in business economics, accounting reports examination, capital market efficiency, finance theory and investment dimension. This gives indication as to how expenses incurred by agents (represented by free cash movement) influences investments and future performance. This research assumed an explanatory approach by using panel

research design to fulfill the study objective. It targeted forty four non-financial organizations registered with NSE from 2014 to 2018. Secondary data was used which was obtained from the targeted firms monetary reports from capital market authority. Analysis of data was carried out through descriptive statistical techniques, linear regression analysis and trend analysis. The results discovered that changes in asset level does not explain the variations in dividends. Besides, this research found an insignificant relationship between changes in asset level of the firm and dividends. The study therefore concluded that there is no significant relationship between capital investments and stock returns of listed firms in NSE. The study however recommended that the management of firms listed at the NSE should invest in capital investments since capital investments are used to generate sales, which increases the firms' profitability. This analysis focused on capital investment and stock returns among non-financial firms listed in NSE and therefore did not consider entities in financial sectors such as banks and insurance companies. There is need to carry out further research with a focus on these industries and determine whether the results would hold irrespective of industry being considered.

Keywords: Capital Investments, Stock returns, Non-financial firms, free cash flow hypothesis, profitability

INTRODUCTION

Background of the study

Business industry is highly volatile and quite competitive which have direct impact on organization's achievements and thus the need to appreciate the weight of assets investments in relation to organization's achievements explained by stock returns. Jung, Nicholas, Yih, and Zang (2015) in their study on security investment increases and required returns, they generalized that throughout the trading cycle and the subsequent financial period, the influence of the rise on asset Investment on required returns were positive, and the Capital Investment-variation was negative. Donling (2004) in his study on the analysis of funds' Investments for Forthcoming Productivity and required Returns-an Overtrading Viewpoint concluded that Capital investment has a vigorous undesirable inference for imminent productivity and adverse link is robust when organizations have superior asset option that is, for the businesses with advanced free cash movement and reduced effect. From the latter findings, it is evidenced that there are mixed results happening in relation to asset investment and required yields as one finding shows positive connection on capital investment and required returns while the other shows negative connection in regard to capital investment and required returns. Being the

inconsistency in findings, the results may not be used in generalization so as to apply to all firms thus this necessitates this research paper to establish effect of capital investment on asset returns in the context of the African set up specifically in Kenya, Nairobi stock exchange.

This study was grounded on free cash flow theory coined by Jensen (1986), where it contends that administration can remain quick to capitalize redundant, adverse NPV schemes as a consequence of surplus free cash movements in the hands of charged with administration. Besides, the theory means that increased free cash movements may result to additional adverse administrative surplus and ineffectiveness. Precisely, this research is intended to observe the validity of the FCF theory. Because previous works simply viewed FCF as agency costs and did not figure out the relationship between FCF and agency costs, this research work is aimed at filling the research gap by examining how the FCFs at management's will may impact agency costs. The idea of asymmetric information which was first presented in George A. Akerlof's 1970 is also relevant to the present study. Analyzing the information asymmetry theory, growing Capital Investment can grow the financial measure and industrial level of firms, therefore growing organization worth. Though, as soon as the difficulties connected to the free cash flow theory occur, growing Capital Investment lessens organization's worth. Hence, growing Capital Investment may not essentially portray growth in firm value. Further research is therefore required to explain with a lot of clarity the effect of capital investment policies on actual behaviors of registered businesses in the Nairobi Securities market and if the assertions of information asymmetry theory really influences the worth of the organization and investors' interests.

Non-financial establishments mainly involve in the manufacture of marketplace things and non-financial services and their financial transactions are exclusively different from those of their owners. Non-financial businesses can be private and public concerns, holding enterprises, nonprofits or associations. The effect of capital investment on imminent required returns has significant inferences for both assets valuing and commercial finance among non-financial firms. Lately, an amount of pragmatic research points a significantly negative connection among organization's capital investment and succeeding irregular required earnings. Titman et al. (2004) evidences a negative correlation amid huge growth in capital investment plus post compared accustomed yields, and Cooper et al. (2008) evidences that this connection spreads to security development, a gross quantity of capital investment. Titman, Wei and Xie (2003a) hold that adverse relationship amid capital investments in regard to forthcoming required yields is robust in businesses with advanced unrestricted money movement and lesser debt. The latter authors infer a confirmation as stockholder under response to the over investment conduct by executives with territory building motivations. Though, there is little indication as to what aspects

could elucidate this undesirable connotation specifically in relation to non-financial firms. Present research work seeks to find out this relationship from an over investment viewpoint, and the extent to which undesirable connection amid capital investment and future stock returns is constant among non-financial entities.

Capital Investment

This refers to the non-current assets' ventures that frequently has prolonged lifecycles with quantifiable economic worth, which comprises vast business's sources for extended term (Vaicondam, Anuar and Ramakrishnan, 2016). According to Donling (2004), capital investments signify an important signal appealed by forecasters to be valuable in envisaging forthcoming success and stock return. Capital investment therefore refer to expenditure of kept cash on asset properties and other productive equipment.

Capital investment is measured in terms of current assets (free cash flow) and changes in asset levels. Besides, it takes into consideration funds used to acquire and upgrade physical assets thus measured through capital expenditure. All expenses incurred on newly acquired capital assets are considered to be capital expenditures in nature or investments that will improve economic life of an asset (Vengesai and Kwenda, 2017). The major proxies used to measure capital investment include the net of financial commitment in property, plant and equipment (PPE), overall capital, besides total speculation in addition to research and development costs (R&D).

Biddle and Hilary (2006) take a view of capital investment to mean resources which can produce core investment to the organization. Besides, extra notes produced as a result of capital asset is presumed to not all be repaid to the stockholder but definite sum is reserved in the business as fund for coming investment. Bellouma (2011) and Cheng (2001) contends that when with the announcement of capital investment, share prices portrays considerable and positive price shifts.

Stock Returns

This is defined as an income on an asset. Mugambi and Okech (2016) defines stock returns to entails capital gains as well and other revenue received by an investor from the stock It includes any alteration in worth of the asset, and/or cash movements that the stockholder obtains from the venture, such as interest payments or dividends. It can be priced either in complete terms (e.g., shillings) or as a percentage of the money invested. The is also referred to as the holding period return which Robinson and Stowe (2013) defines as the income received as a result of participating in an investment for a specified period of time. Stock returns are used to predict

output and investment since they are forward looking variables. They serve as index to investors or government in making their investment decisions.

Over the years, researchers and practitioners have investigated into the factors that drive stock returns in non-financial firms. Commonly observed factors include firm fundamentals, macro-economic factors, investors' sentiment and momentum indicators. Firm fundamentals are the features of a corporation associated to its properties, productivity, financial strength, hazard or progress, Muiva (2014). The present research considers three business essential drivers of earnings thus; sales progression, assets progression and modification in leverage.

Tendencies and development in the turnover of a business's financial statement are indicators stockholders use in assessing the business's previous performance and yet to come forecasts (Aghion and Stein, 2008). Putrakrisnanda (2009) also affirms that security progression demonstrates how variations in establishment's assets will impact on the yields of the businesses that have confidence that alteration of proportion in total assets is an improved gauge in computing the progress of the organization. Pandey (2007) as well notes that the proportion of liability to equity has inferences for the stockholders' bonuses and peril, this influences the cost of capital and the marketplace price of the business. From the latter propositions, it is evident that the main elements that affect stock returns include assets, profitability, financial strength, and risk or growth.

Capital Investment and Stock Returns

Capital investments signify an essential sign asserted by experts to be beneficial in forecasting forthcoming success and stock return, Donling (2004). On the other hand, Stock return is defined as revenue on an investment (oxforddictionaries.com). This encompasses any variation in price of the investment, and/or cash flows which the stockholder obtains from the venture, such as yield payments or dividends. It may be measured either in complete terms or as a percentage of the amount invested. Capital investment is affected by the availability of cash and it is measured in terms of liquidity (free cash movement) and changes in asset levels. Factors that drive stock returns in non-financial firms commonly observed include firm fundamentals *visa viz*; company assets, profitability, financial strength, risk or growth, macro-economic factors, investors' sentiment and momentum indicators, Mwangi (2017). Capital investment escalates organization worth by increasing economic scale and technological levels of a firm. Capital Investments results to adequate ability to compete, reduction in hazards that the organization may be exposed to, and generation of improved net income. Therefore, increasing Capital Investment of a firm increases firm value. Mwangi (2017) explains how capital investment is

measured, however, the study does not focus on how the latter sub variables influences the stock returns in the long run and therefore the present study seeks to determine the link in regard to capital investment components and stock returns components at NSE.

Non-financial Firms

This was founded in 1954 as a volunteer association of securities brokers listed under the Societies Act. The NSE is a stock market that has remained considered by modest early stages and it has developed noticeably for a period of time. The NSE successfully instituted the central securities depositories (CSD) in November 2004 and installed an automated trading system (ATS) in November 2007. The exchange is also undertaking reorganization of its control system through demutualization. Branded by its liquidness, market capitalization and turnover, the NSE might be considered to be emergent market and frontier market. NSE is consequently a prototypical marketplace in assessment of its high yields, vitality and proper established marketplace structure. It hence, promotes interest and sets an example for benchmarking with other upcoming markets in Eastern Africa and the world at large (Nyambura, 2005).

There are 44 non-financial firms registered at the NSE under the following sectors: Agriculture, Moneymaking and services, telecommunication and technology, automobiles and accessories, investment, Manufacturing and allied, Construction and allied, Energy and petroleum. The NSE is open for transaction from Monday to Friday, and closed on Saturday and during public holidays (Mokua, 2003). Given the important role that a capital market plays in the economy, it is crucial to understand the significance of capital investment variables affecting stock returns in emerging markets such as the Nairobi Securities Exchange. As a result of the latter explanations, this research seeks to examine the result of growth in entire security, increase in capital investments and variation in use of borrowed capital on returns of non-financial firms registered on the NSE.

Research Problem

The most current researched areas relating to capital investment include capital investment and working capital management (Vaicondum, 2016), financial leverage and investment in NSE (Mwangi, 2017), implications for capital investment on future profitability (Donglin, 2004). The latter evidences that capital investment has been researched in relation to stock returns but in other economies and what has been researched in NSE is not CI and stock returns thus the need of the present study with specific reference to Nairobi Securities exchange. Many applicable researches have revealed that growing Capital Investment positively impacts required security yields. Though, supplementary research works have offered diverse opinions.

Therefore, whether the impact of Capital Investment on stock returns is positive or negative needs to be explored further. Besides, founded on the information asymmetry theory, administrators perform underinvestment by allocating extra stock bonuses to fulfil owners or possible shareholders. It suggests optimistic effect of a Capital Investment growth on the business's asset yields. This study therefore sought to explore if information asymmetry theory and the free cash flow theory apply to registered organizations in Nairobi Securities exchange when interacting with Capital investment activities of which it may be of great significance to finance theory and literature as it may add to the available information on financial leverage and investment decision of listed firms.

Capital investments involve Management planning, evaluation, and control of investments in fixed assets. Besides, it involve a long-term commitment of funds and that the investment must earn a reasonable rate of return. Capital investment analysis methods used by non-financial firms in NSE include consideration of dividends paid out, average annual incomes, and the level of liquidity to meet daily obligations. Capital investments are financed directly by the capital markets in form of ordinary share capital, in the form of interest bearing medium and long-term loans and internally generated by the firm in the form of retained profits. Capital investment is one of the contentious issues in finance. Various theories have been put forward by researchers to justify the existence of capital investment of a firm. The theories have been developed to try to unearth the financing preferences managers may have in selecting a particular capital investment, Abor (2007). Different nations have different tax regulations and culture Suh (2008) hence the results of one nation may not apply to other nations as the interactions between various variables may not be the same. Hence Kenya a developing nation require such a research to enable managers and investors to undertake prudent investment decisions as researches in this area are only centered on developed nations

Ayako, Kungu and Githui (2015) contend that even though few non-financial organizations registered with the Nairobi Securities Exchange portray progress in their bottom line, several organizations experience decreasing growth making them to be delisted from the Nairobi Securities Exchange over the past years. Obonyo (2015) moreover advances that several listed non-financial organizations in Kenya have been undergoing profitability problems and therefore pronouncing very little earnings per share or none at all. Njire (2014) in his study in Kenya revealed that several establishments have been experiencing shrinking performance making some of them to be delisted from the Nairobi securities exchange in past years. From the latter studies by Ayako, Kungu and Githui (2015), Obonyo (2015) and Njire (2014), it is evidenced that registered non-financial organizations in Nairobi Securities exchange have been experiencing challenges being what is reflected in the bottom line at close of business. This

therefore leads to the question; to what extent does capital investment affects profitability and stock returns of a company with specific reference to non-financial organizations registered in the Nairobi Securities Exchange?

Objective of the Study

To establish the effects of capital investment on stock returns of non-financial firms in Nairobi securities exchange.

Value of the study

This exploration paper adds to writings of principal and agent connection theory in business economics, accounting reports examination, capital marketplace efficiency, and finance theory and investment dimension. This gives indication as to how expenses incurred by agents (represented by free cash movement) influences the link as regards to investments and forthcoming functional performance.

This research outcomes might assist financial executives to come up with enhanced capital investment policies on organizational financial of listed companies at NSE so as to increase on profitability of non-financial companies.

The results of this research work provides indication to those interested in investing whether it is possible to predict stock returns given increased capital investments and change in total assets. Investors are also able to evaluate whether details analysis of financial statement information is a worthwhile endeavor.

LITERATURE REVIEW

Theoretical Review

This study is based on free cash flow hypothesis and information asymmetry hypothesis.

Free Cash Flow Hypothesis

Distinctive suggestions contended by Modigliani and Miller (1958, 1963) overlook the incidence of info, agency and bankruptcy costs. MM adopt that executives act entirely for shareholder's welfares without info asymmetry, thus stockholders together with administration have identical information almost about the organization's coming possible investments. Discharge of information and agency costs brands capital market perfect and subsequently, capital structure irrelevant. Compared to what has remained proposed by Modigliani and Miller (1958; 1963), Jensen and Meckling (1976), Myers (1977), and Jensen (1986) amid other people, make available indication telling that administrators can place their individual goal or objectives in

advance of those of stock holders. A situation where a conflict of interest among executives and stock holders is formed. As administrators have extra familiarity than strangers, their investment and financing statements may be implicit by strangers in a manner that could grow overheads of dispensing debt and equity, and consequently grow the businesses' dependence on inner funds (Myers, 1984; Myers and Majluf, 1984).

Jensen and Meckling (1976) recommend therefore differentiation of ownership and executives enhances executives to provide the significance for their private paybacks. This situations generates agency expenditures felt by stockholders who ought to labor commendably to lessen outcome of these expenses on their fortune. Gillan and Starts (2003) suggested that the agency challenge may be overstated by diffuse environment of business proprietorship. Since minor stock holders have no incentive for enduring the cost of directing the administration performance, Zurigat et al (2014). The agency conflict and its expenses will be extra damaging in the existence of free cash under administration control. Subsequent the agency theory reason, it is rational to undertake that executives might tend to spend in meagre venture prospects or to overestimate the asset necessities for their own welfares. For their information gain, Grenadier and Wang, (2005) claim that executives can establish venture funding necessities above their actual price and practice the variance between the actual and fake balances for their own welfares. The agency costs and its related problems led to the free cash flow issue since the agency costs are blamed on free cash flow. Jensen (1986) talked about agency conflict under situations of the free cash flow theory.

Free cash flows refers to reduced worth of all the operational cash movements after requirements of optimistic NPV projects. Further to the accounting concept, free cash movements also symbolize shiftless cash movements at the decision of administration. The free cash flows theory, suggested by Jensen (1986), contend that administration might expedite to capitalize redundant, adverse NPV developments when there are abundant free cash movements in the administration's control. Besides, the theory deduces that an advanced level of free cash movement would result to extra of unnecessary administrative surplus and ineptness. Meanwhile the consequences of pragmatic research work on trying the FCF theory are fluctuating, the research work intends to empirically assess how FCF may affect the business's performance by means of the data of public registered businesses on Nairobi Stock Exchanges (NSE).

Agency Theory

According to Jensen and Meckling (1976) agency theory refers to the association factors that exist when there is a definite association between a principal and an agent. Agency relationship

can be created when the principal delegate authority or job to an agent (Al- Tally, 2014). This theory highlights the conflict of interest between management of a firm and the owners, in this case the shareholders are the principal and the management acts as the agent. Conflict of interest arises when the management pursue its own interests rather than the interests of the owners of the business. The theory argues that managers act in their own interests such as job security and prerequisites (Mule & Mukras, 2015). This theory concerns the diverging interests when an organization's management and ownership seize to be one. The core case following this presumption is that the managers of a company always operate in their own self-interests (Njire, 2014).

The agency theory postulates that managers do not entirely benefit from gains of a firm's investments since they do not incur the overall costs of these for the activities by abandoning those expenses which would personally advantage them (Al-Tally, 2014). According to the theory, the management might under-invest in times of fear that the investments might not produce adequate cash to pay the interest and principal of the debt that was required to fund the investments. An increase in debt leads to under-investment because the likelihood of default raises which in turn results in the management to keep the level of debt at lowest point as possible (Tempel, 2011). The theory also asserts that debt agreements give shareholders an encouragement to invest sub-optimally. If firms are booming and yielding large returns above the leverage, the shareholders enjoy most of the benefit, however if a firm fails to yield profits, the debtors are the ones who bear utmost loss because their liability is limited (Ryan, 2010).

This theory describes two agency problems that are related to the managerial investment activities. Managers who have considerable free cash flow might over-invest so as to increase their personal compensation as well as their benefits. When equity finance is used to fund a company, the management is not obliged to make dividend payments and by not doing so, it can misuse free cash flows for their personal benefits to the extent of neglecting dividend payments to the shareholders (Tempel, 2011). Agency problems also arise from attractions between shareholders, debt holders, management and effect the investment. Sometime under investment or over investment leads to a range of situations in which investments may not be entirely reactive or may be in excess of reactivity with the changes in economic essentials (Khan, 2015)

Determinants of Capital Investment and Stock Returns

According to Chau and Hirth (2010), investment involves the buying of a good or any other valuable item with hopes that the future returns will be favorable and desirable. The aim of an

organization's decision to invest is mostly to optimize the net present value (NPV) because the NPV automatically increases the capital assets (Efni, 2017). Liu et al., (2015), posits that companies get involved in the investment of capital in order to raise the company's worth by raising their economic levels and technological enhancements while conducting diversification strategies. This results to a company getting a competitive edge, a reduction in the operational risks which could be incurred and a possible raise in the profits attained. An increase in the expense incurred during investment are linked with an improved chance of greater opportunities to invest. Also, increased expenditure in investment can also foretell that the capital market, that gives investment finances, has more confidence in the running of the business and in functioning of the business itself (Titman, Wei and Xie, 2004).

Many related research work also have indicated that growing Capital Investment surely affects asset revenues (Woolridge and Snow, 1990; Chung et al., 1998). Though, supplementary research work asserts dissimilar opinions. Chung et al. (1998) evidences that when advanced-technology companies do not valued venture openings, businesses suggest that growing CI undesirably affects asset worth. When low know-how businesses own investment openings, the organizations asserts that raising CI escalates asset worth. Consequently, the discrete issues of businesses are further impacts on irregular yields than trade factors. Cheng (2001) expresses that at the time of CI declaration, asset value of business's display substantial and optimistic fee actions. Accordingly, whether the effect of CI on stock returns is optimistic or negative requires more analysis.

Liquidity

This is known as the ability of a firm to honor its existing obligations. Companies have to make sure that they are not affected with illiquidity since it may lead into financial distress that eventually leads to insolvency of firms. Illiquidity will lead to struggles when it comes to honoring current obligations for the firm; this have effects on the credit worthiness of a firm (Odit and Chittoo, 2011). A business which is deprived in money possibly will lose chances to take on schemes that are lucrative. Firms with poor cash are forced to have access to funds so as to fund their projects or even honor their obligations. Cost of obtaining funds may be relatively high because of the firm's asset structure. Financial institutions evaluate this as a high risk (Al-Tally, 2014). Current ratios show the ability of a firm's current assets (receivables, stock, cash) to settle its current debts. A higher current ratio will show that a firm is more competent in paying its current debts when they are due (Sajid, Tahir and Sabir, 2015).

Profitability

Profitability is defined as the net profit which is retained from the activities related to business and its decisions (Abdi, 2018). Profitability is a reflection of the efficacy and usefulness of the operations conducted and further it reveals the impact of asset management liquidity and the company results liability. Silva et al., (2013) defined profitability as a major factor for survival in the highly competitive market share. Investment in the capital items is among the critical ingredients which facilitate the profits gained by an organization (Lian et al., 2017). Most investors will invest in the organizations that have good profitability to their investment only (Suwardi, Yunita and Iradianty, 2016). Major hinters like the ROA, ROE and asset turnover have been in the past used as comparative to the organizations profitability in relation to the corporate governance levels, concentration of ownership or even may be utilized to forecast yet to come worth of shares and various other necessary applications (Maiyo, 2013). The rate of profitability is measured in regards to the performance measures such as, margins of both sales and profit, asset returns, net worth returns among other variables (Silva et al., 2013).

Economic Growth

Economic growth affects the level and the number and the various level of opportunities for investment for a company. The growth of the economy gives the nation a good opportunity to give much attention to the long-term business trends and also to consider the various policies of governance. It points out the way the economy is moving towards. Stability in the economy indicates a volatility GDP growth, the rates of interest and inflation the rate of exchange as well as other factors that vary in the economy (Putintica and Bonaci, 2013). According to Houdou (2017), GDP is defined as the total performance measurement in an organization's performance with its GDP. The increase in GDP, results to a more desirable opportunity for the investors that consequently causes an increased demand for funds to venture into business.

Interest Rates

Puntintica and Bonaci (2013) defined Interest rate as the cost that levels the wish to have wealth which is in the form of cash with what is already available amount of cash, and not necessarily as savings reward. The rate of interest is as a result of income. Its major function is assist in the optimization of resources provided financially and to make sure that the resources are used in such a manner as to promote development and growth of the economy (Efni, 2017). The rate of interest is a factor of discounting in models of valuation. Hence, the rate of interest directly influences the costs and hence the benefits gained on the net profit value (NPV) of the flow of cash in the future. Furthermore, the increased rates of interest results in the addition of

cash demanded and therefore the currency is appreciated while this increases the fiscal deficit and depressing the outputs got, which both are likely to cause the currency to decrease in value (Houdou, 2017).

Empirical Review

In their study, Da Silva et al. (2013) examined empirically the relation between past investment and profitability. Data from the financial statements of non-financial companies listed on Brazilian Stock Exchange was collected from 2001 to 2011. The results revealed a positive relation between contemporary investment and profitability, and a negative relation between past investment and profitability while the relation of past investment with the profitability (using Tobin's q) was positive. His study only examined one variable of stock return; investment and firm profitability. The present study seeks to examine capital investment and stock returns with specific reference to Nairobi Securities Exchange. Besides, his study was based in Brazil of which the generalization may not be used as an exact conclusion among firms listed in NSE due to different environments and market conditions. Therefore, the need to conduct the present study in Nairobi Securities Exchange.

Cooper, Gulen and Schill (2008) conducted a study on the impact of firm-level investment in the assets in the expected returns by determining the cross-sectional correlation between the asset growth of a company and the corresponding returns on stock. The research did a comparison between the growth of assets with the formerly listed determinants of stock returns namely; book-to-market ratios, lagged returns, firm capitalization and accruals. The findings indicated that the company's annual growth of assets is seen as a statistically and economically important forecaster of the cross-section of U.S stock returns. However, the study specifically was keen on the growth of organizations and their stock returns with very little emphasis on the capital investment decision which the present study is based on.

According to Titman, Wei and Xie (2003a) there is adverse connection amid capital investments and forthcoming asset yields is robust in businesses with advanced free cash flow and lower control. They infer their confirmation as stockholder under reaction to the over investment characteristic by executives with empire construction enticements. Though, it is not flawless if it is absence risk aspects or worth terminating optional investments that drive their results. To find out more about the causes, the current research work pursue to examine if free cash flow and leverage influences the link as regards capital investment and forthcoming asset yields of businesses registered in NSE.

The corporate finance research works is not strong if businesses in general have a practice of over trading or under trading. Empirically there is varied suggestion in what way the

marketplace perform to capital investments. Beneish, Lee and Tarpley (2001) realized that the range of capital outlays is unpleasantly linked to upcoming share performance. Abarbanell and Bushee (1998) contends that industry adjusted capital payments advancement is adversely connected by forthcoming earnings, an outcome contrasting to their supposition. Titman et al (2003a) gives an equal adverse relation and offer suggestion that business over-investment is accountable for this adverse connection. Titman et al (2003 b) link Japanese keiretsu organizations and self-regulating organizations and discovers that in the preceding groups there is adverse link as regards investment and forthcoming proceeds while in the previous the connection is progressive. This outcome is in line with the impression that keiretsu organizations, that have low-cost access to capital, tend to over invest. Hennessy and Levy (2002) discovers that territory construction is the main issue principal to organizations to over invest. Kerstein and Kim (1995) studied worth significance of asset expenses for clarifying yields past the use of current incomes. What they concluded expresses that variations in the equal of capital expenditure were strongly and positively linked to extra returns. This unveils the fact that current capital expenditure has good news for the future performance of an organization and backs the use of capital expenditures for forecasting forthcoming incomes. The latter research work therefore provide varied outcomes as to the link between capital investment and stock returns of businesses which demands the present research.

Maiyo (2013) explored the influence of investment decisions on performance of establishments registered at the Nairobi Securities Exchange. The research assumed a descriptive survey design and the population consisted of all forty businesses registered at the Nairobi Securities Exchange. Using simple regression exploration, the research established out that there was a positive connection between the invested amounts and performance of the registered corporations. The research however examined the affiliation as regards to performance of the registered businesses and investments and not stock returns which the present study is based on.

Ondimu (2012) did a study on the effect of asset growth on returns for businesses registered on the NSE. The study found that the market is inefficient in the allocating capitals and valuing investment opportunities. He found that assets growth had a negative growth effect on stock returns. However, his study failed to control for financing effect.

Muiva (2014) studied the fundamental analysis of stock returns of non-financial businesses registered at the Nairobi securities exchange. His enquiry applied descriptive research design with a census targeting the 44 non-financial businesses registered between the years 2004 and 2013. He found that stock returns and change in total assets have a weak positive correlation and generalized that transformation in total assets, change in revenue and

change in financial leverage may not be used to implicitly assess security yield for non-financial organizations registered at the Nairobi Securities Exchange. His results is inconsistent with other empirical findings which showed positive association as regards capital investment and security yield and therefore need for the present study to establish the exact relationship among firms listed in NSE.

Conceptual Framework

This refers to a picture of a connection amongst variables in a given study (Abdi, 2018). The conceptual framework of this study will comprise of Capital investment, which will be the independent variable while stock returns will be the dependent variable which will include profitability, economic growth and interest rate. The conceptual framework is diagrammatically illustrated by figure 1.

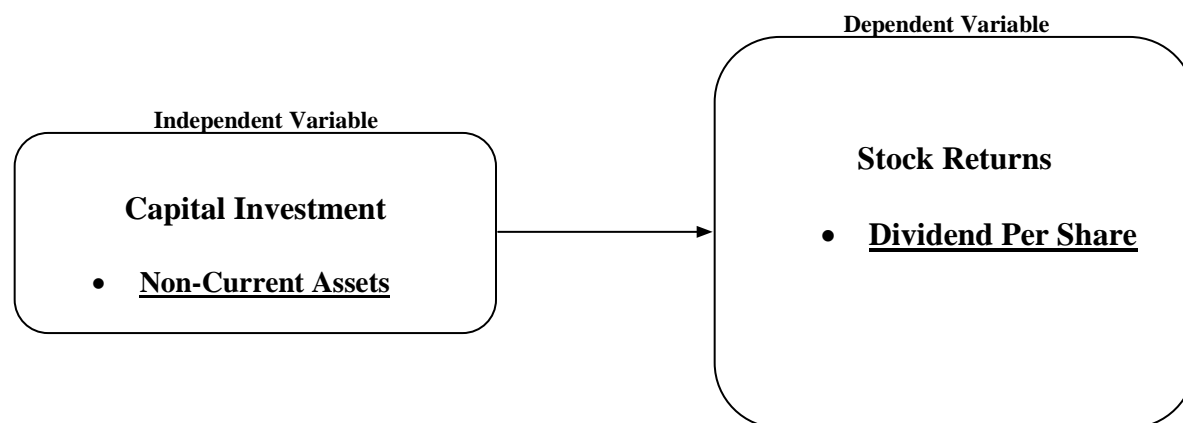


Figure 1: Conceptual Model

Summary of Literature Review and Gaps

This study re-examine free cash flow hypothesis which posits that administration could prompt to invest unnecessary, negative Net Present Value projects when there are too much free cash flows in the management's hands. Additionally, the hypothesis implies that a higher level of free cash flows would lead to more of unnecessary administrative waste and inefficiency. The study is also based on agency theory. However, when the challenges linked to free cash flow hypothesis occur, improving Capital Investment reduces firm value. Based on the international studies captured here in, it's portrayed that many of them focus more on investments and firm's performance and not stock returns. For the local studies, most studies focus on investment decision in non-listed firms like Sacco's and the various capital budgeting techniques adopted by the firms. The reviewed studies from Kenya also focus more on investments and financial performance and not Capital investment and stock returns.

RESEARCH METHODOLOGY

Research Design

This research assumed an explanatory approach by using panel research design to fulfill the above objective. The advantage of using panel data is that it controls for individual heterogeneity, less collinearity variables and tracks trends in the data something which simple time-series and cross-sectional data cannot provide, Baltagi (2005).

Population of the Study

This current research paper targeted forty four non-financial organizations registered with NSE from 2014 to 2018. Appendix 1 provides a list of the non-financial companies. Organizations in the finance industry have been left out due to varying reporting necessities in the industry and the guidelines that do not apply to the non-financial organizations. A head count will be carried out. The study considered only those firms that have been listed and continuously trades between 2014 and 2018.

Data Collection

To carry out this research, secondary data was used which was obtained from the targeted firms monetary reports. Secondary data analysis was used since it saves time and offer larger and higher-quality records that would be unachievable for any specific researcher to accumulate on their own. Besides, secondary data was considered critical, since it is difficult to carry out a fresh survey that can sufficiently take care of past change and/or developments. Data on capital investments, liquidity and stock returns was obtained from statement of financial position while data on cash flows, was obtained from the statement of comprehensive income whereas data on profitability was obtained from both statements. The secondary data considered a trend of five years from 2014 to 2018. Trend analysis is a method to analyze the statistical data and recorded market behavior over a defined period of time which in this study was five years. It helps in inter-firm comparison that is trend analysis method help analysts to make suitable comparisons between two or more firms over a period of time giving the necessary future projections thus its preference in the current study.

Data Analysis

Analysis of data was carried out through descriptive statistical techniques, and the linear regression. Regression examination was employed in ascertaining the degree of association as well as the relationship between the variables respectively. It was analyzed through use of Microsoft excel and statistical software for social scientists (SPSS).

Analytical Model

This present study considered listed firms with abnormal increases in capital investment in Kenya from 2014 to 2018 by dividing the samples into seven capital investment portfolios. Subsequently, to analyze the collected data the study used the regression model to establish the association between liquidity and dividends as was formulated as follows;

$$Y = \beta_0 + \beta_1 X_1 + \mu$$

Where,

Y = Stock returns

β_0 = Constant of the model

$\beta_1 - \beta_1$ = Coefficients of the regression equation

X_1 = Changes in asset level (Non-current assets/Total assets)

μ = Tolerable error

ANALYSIS AND DISCUSSION OF RESULTS

Response Rate

The study targeted the 44 non-financial firms listed at the Nairobi securities exchange as at 31st December 2018. Out of the 44 non-financial firms, the study managed to obtain complete data from 41 firms since some had been delisted hence making up a response rate of 93.1%, which was considered adequate for the research being more than 50%.

Test for linearity

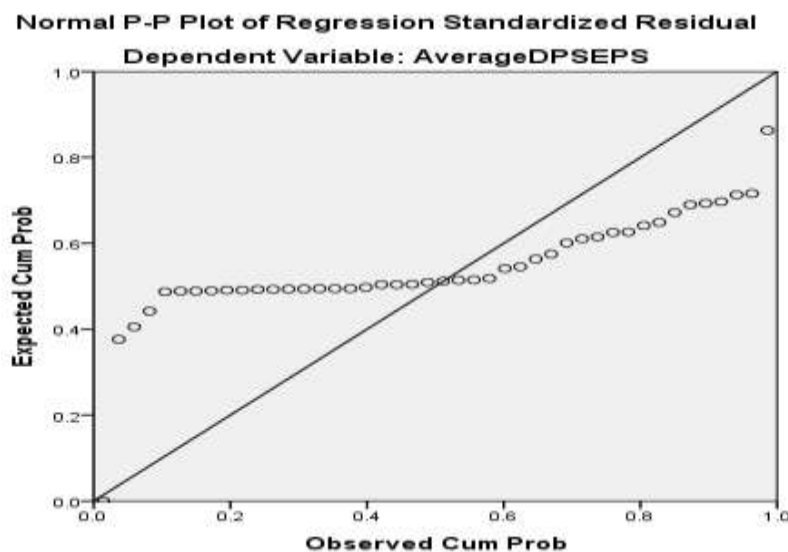


Figure 2: Normal p plot

The study used a normal probability plot of regression-standardized residuals to test for linearity. The figure shows that there is no linear relationship among the study variables being the shape of the plot.

Descriptive statistics

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Dev.	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
Average DPS/EPS	46	-9.6	1.7	.031	1.5041	-6.018	.350	39.346	.688
Average NCA/TA	44	.0	1.3	.581	.2723	-.174	.357	-.167	.702
Valid N (listwise)	44								

The descriptive statistics results on table 1 show that the dividends had a mean value of 0.31 with the minimum and maximum values being -9.6 and 1.7 respectively. The results further indicate that changes in capital investment had a mean value of 0.581 with the minimum and maximum values being 0.0 and 1.3 respectively. The kurtosis and skewness values for Capital investment (the changes in capital level) lie within the recommended values of +2 and -2 which indicate that the variables are normally distributed. On the hand the Kurtosis and skewness for dividends are not normally distributed.

It is empirically demonstrated therefore, that dividends per share was averagely distributed at Ksh. 0.31. This portrays that investors would want to invest in the stock market since there are returns. Suwardi, Yunita and Iradianty (2016) affirmed that investors will invest in the organizations that have good profitability which will offer dividends to their investment.

It is also verified that the capital investment of the firms in the NSE remained constant and high from 2014 to 2018. Being the constant ratio of 0.581, it signifies that all the existing firms in the NSE were capable to cover their immediate and long-term obligations. This is in line with the propositions of Sajid, Tahir and Sabir (2015) that changes in capital investment show the ability of a firm's current assets (receivables, stock, cash) to settle its current debts. A higher current ratio therefore show that a firm is more competent in paying its current debts when they are due.

Trend analysis of capital investment and stock returns for the year 2014-2018

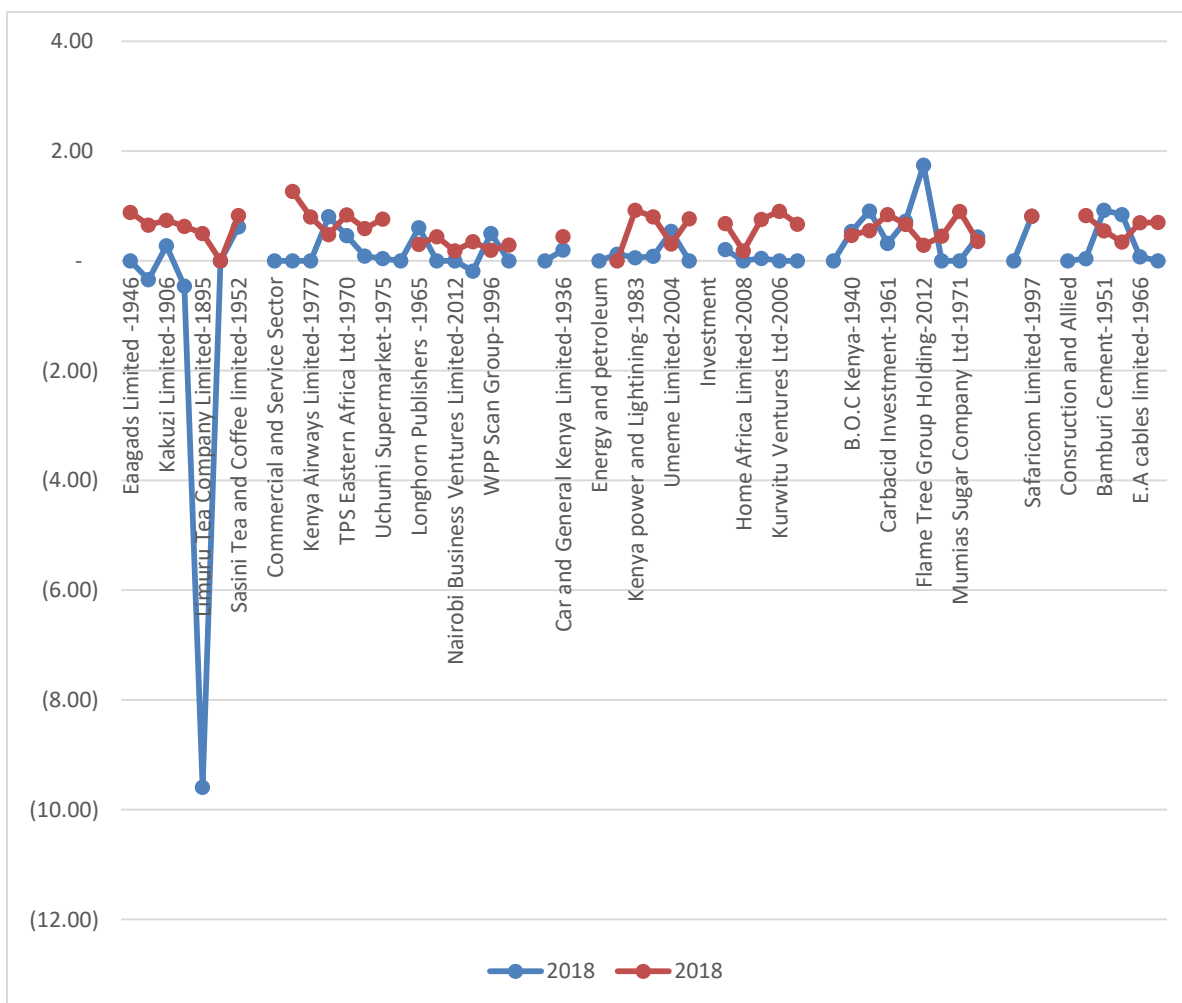


Figure 3: Analysis of changes in capital investment and stock returns by company

The figure shows that some companies during the period under consideration (2014-2018) were not able to pay dividends. This signifies low profits which is not healthy for the investor. However, most of the firms were able to distribute the dividends to shareholders and thus a good signal. The cash flow and changes in capital level on the other hand demonstrates that the companies' had the ability to pay meet obligations. Capital investment is measured in terms of free cash flow and changes in asset levels and the higher the liquidity, the stronger the company has the capability of handling its obligations. However, according to Jenesn (1986) increased free cash movements may result to additional adverse administrative surplus and ineffectiveness.

Regression results for the effects of capital investment and stock returns

Summary Statistics of regression model

Table 2: Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	Change Statistics				Durbin-Watson	
					R ² Change	F Change	df1	df2		Sig. F Change
1	.005 ^a	.000	-.024	1.5569	.000	.001	1	42	.972	1.837

a. Predictors: (Constant), Average NCA/TA

b. Dependent Variable: Average DPS/EPS

Capital return was proxied by changes in asset level (free cash flow) while stock returns was measured in terms of the change in dividends (DPS/EPS). Table 2 shows the summary statistics of the regression model. The second column gives R of the regression model based on the full sample. The R² of the companies in the NSE was 0.00, with p-value of 0.972 and the DW statistic was 1.8.

The R² is a degree of the goodness of fit of the changes in capital level in explaining the variations in stock returns (changes in dividends paid). This means capital investment explain about 0.5% of the variation in the stock returns while the remaining 99.5% is explained by other variable which this study did not consider. Therefore cash flow (capital investment), is not good explanatory variable of the stock return (dividends) among financial firms in Kenya. Besides, the D.W. statistic was about 1.9 inferring that there was no serious evidence of serial correlation in the data.

Analysis of Variances

Table 3: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.003	1	.003	.001	.972 ^b
	Residual	101.804	42	2.424		
	Total	101.807	43			

a. Dependent Variable: Average DPS/EPS

b. Predictors: (Constant), Average NCA/TA

The Analysis of Variance (ANOVA) results on table 3 shows that the regression model is insignificant since the P value is more than the significance value (0.972>0.05). This indicates that the model is not fit and is not good predictor of the relationship between capital investment and stock returns. That is, there is no significant difference in capital investment and stock

returns and the objective does not hold. This is in agreement with the investigation by Donling (2004) in California on The Implications of Capital Investments for Future Profitability and Stock Returns-an Overinvestment Perspective where he affirmed that Capital investment has a strong negative implication for future profitability and the negative association is stronger when firms have greater investment discretion, i.e., for those firms with higher free cash flow and lower leverage.

Table 3: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	.050	.558		.090	.929	-1.077	1.177
1 Average NCA/TA	-.031	.872	-.005	-.036	.972	-1.791	1.729

a. Dependent Variable: Average DPS/EPS

The model $Y = \beta_0 + \beta_1 X_1 + \mu$ is used.

Where,

Y = Stock returns

β_0 = Constant of the model

$\beta_1 - \beta_1$ = Coefficients of the regression equation

X_1 = Changes in asset level (Non-current assets/Total assets)

μ = Tolerable error

Assumption - the multiple regression model is based on the assumption that for any specific value of the independent variable, the value of the dependent variable are normally distributed and that the variances for the dependent variable are the same for each of the independent variable, Robert, Elmad & Anyira (2018).

Substituting into the equation; Stock return= 0.50 – 0.31*capital investment

Rearranged beta value gives 0.31 which has a standard coefficient of -0.005. Ignoring the sign it implies that capital investment only predicts 0.5% of stock returns which is less than 50%. Therefore, capital investments is insignificantly related to stock returns is not a predictor.

Discussion of Findings

The results discovered that capital investment does not explain the variations in stock returns. This, is a signal that existence of free cash flow in the firm does not have any impact on stock returns and even in the bottom line of the business. A study by da Silva et al. (2013) revealed a

positive relation between contemporary investment and profitability, and a negative relation between past investment and profitability.

This study also explains that managers have to work in the best interest of the shareholders so as to promote achievement of shareholders which is wealth maximization. Tempel (2011) illustrate that when equity finance is used to fund a company, the management is not obliged to make dividend payments and by not doing so, it can misuse free cash flows for their personal benefits to the extent of neglecting dividend payments to the shareholders. As per the results of this study, free cash flow does not explain the variations in dividends. It implies that the managers should therefore invest the free cash flow in better investments which can improve the value of the firm and any deviations by managers as they carry out investment decisions would adversely translate to the bottom-line of the business of which they must avoid under all circumstances.

The research also found an insignificant relationship between capital investment of the firm and stock returns. This is an indication that there is insignificant relationship between capital investments (free cash flow/changes in asset level) and stock returns (dividend) of listed firms in NSE. It is in agreement with Titman, Wei and Xie (2009) who assessed the effect of capital investments and stock returns in Japan and found no significant relation between capital expenditures and subsequent stock returns. This hence implies that generalization made by Titman, Wei and Xie (2009) apply to NSE. Fund managers therefore, stands better chance of utilizing this outcome in forecasting the market trends and offering advice to investors.

This study also discredits the free cash flow theory by Jensen (1986) which posited that at higher level of free cash flows, the management would lead to more of unnecessary administrative waste and inefficiency. From the panel data collected from 2014 to 2018 among non-financial firms in NSE, it has been evidenced that there is no significant relationship between free cash flow (capital returns) and dividends (stock returns).

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

The aim of this study was to determine the relationship between capital investment and stock returns of firms listed at the Nairobi Securities Exchange. The study employed an explanatory approach by using panel research design to fulfill the study objective. and the population of this study was made up of 44 non- financial firms listed at the Nairobi Securities Exchange between 2014-2018. This study used panel data which collected through secondary sources. To analyze the collected data the study used trend analysis and linear regression model. The study targeted the 44 non-financial firms listed at the NSE and out of the 44 non-financial firms, the

study managed to obtain complete data from 41 firms hence making up a response rate of 93.1%, which was considered adequate for the research.

Analysis of variance results revealed that there is insignificant relationship between capital investment and stock returns. This is an indication that there is no significant relationship between capital investments and stock returns of listed firms in NSE. The study based on this finding therefore concludes that there is no significant relationship between capital investments and stock returns of listed firms in Nairobi Securities Exchange.

Conclusion

The main objective this study was to examine the effect of capital investment on stock returns among non-financial firms listed in securities exchange market. The study was based on one main objective which was to establish the effects of capital investment on stock returns of non-financial firms in Nairobi securities exchange. Panel data from 2014 to 2018 of 44 non-financial firms was analyzed using trend analysis and linear regressions technique. From the discussion of the findings above, it can be concluded that capital investment insignificantly affects stock returns among non-financial firms listed in NSE. Therefore, it can be concluded that dividends generated from net profits of listed firms are not largely dependent on the type of capital investment the directors are implementing-whether capital expenditure or revenue expenditure. Besides, fee cash flow may not lead to wastage by the managers.

Recommendations

The study made the conclusion that there was no significant relationship between capital investments and stock returns of listed firms. The study however recommends that the management of firms listed at the NSE should invest in capital investments since they are used to generate sales, which increases the firms' profitability which in the long run translate to dividends paid out.

The study also recommends that the management of listed non-financial firms in Nairobi Securities Exchange should focus on maximizing the wealth of the shareholders so that they can enhance the value of the firm.

Further, study recommends that the management of the listed non-financial firms should consider investing in appropriate project so as to enable them reap from the expected returns.

Limitations and further Studies

Limited financial resources restricted the period of the study. A study covering a longer period would result in more reliable results. Old annual accounts for significant number of listed firms in

the NSE could not be retrieved or be obtained, further limiting the period of the study. Moreover, the study was limited by failure of some of the firms listed in the NSE to disclose some of the required data for the study. Such firms were dropped from the selected sample and this may have impacted the results of the study.

Secondly, the study focused only on non-financial listed firms and excluded financial firms comprising of banking institutions and insurance firms. The findings therefore are only applicable to the listed non-financial firms and may not be generalized to financial institutions listed at the Nairobi securities exchange. In addition, the context of the study was Kenya hence the findings may not be applicable to listed firms in other countries.

5.6 Suggestion for Further Research

A similar study, although focusing on the relationship between capital investments and stock returns of listed commercial and listed financial firms should be undertaken, since the study focused only on the Nairobi securities exchange.

The study focused on effect of capital investment and stock return among non-financial firms listed in NSE and therefore did not consider entities in financial sectors as banks and insurance companies. There is need to carry out the research with a focus on these industries and determine whether the results would hold irrespective of industry being considered.

Similar studies to this can also be replicated in few years to come to assess the effect of capital investments and stock returns among non-financial firms listed in NSE, also the effect of capital investment on corporate strategy is another area of interest which can be further researched.

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APPENDICES

Appendix 1: Data Collection Sheet

	Company and Year of Incorporation	EPS				
		2014	2015	2016	2017	2018
	Agriculture Sector					
1	Eaagads Limited -1946	-1.30	0.66	0.01	0.56	-0.94
2	Williamson Kenya Limited-1874	81.36	-26.00	42.15	-13.75	27.86
3	Kakuzi Limited-1906	8.17	23.45	28.70	30.19	30.20
4	Kapchorua Limited-1874	-5.82	-2.91	29.95	30.95	30.95
5	Limuru Tea Company Limited-1895	-0.02	0.80	(1.19)	-9.22	1.25
6	Rea Vipingo Plantation Limited-1995	<i>Delisted</i>				
7	Sasini Tea and Coffee limited-1952	0.20	4.83	2.53	1.49	2.05
	Commercial and Service Sector					
8	Express Kenya Limited-1918	-2.32	-1.70	(2.34)	-2.55	-2.60
9	Kenya Airways Limited-1977	-2.26	-17.20	-17.52	-6.73	-6.30
10	National Media Group-2008	13.05	11.79	11.94	6.95	7.02
11	TPS Eastern Africa Ltd-1970	0.94	-1.51	0.65	0.66	0.70
12	Standard Group-1902	2.70	-3.54	2.43	-2.58	2.40
13	Uchumi Supermarket-1975	1.45	-9.37	-7.77	-4.61	-4.50
14	Hutching Biemer-1965	Suspended				
15	Longhorn Publishers -1965	0.93	0.93	0.70	0.66	0.49
16	Eveready East Africa Limited-1967	-0.85	-0.87	-0.82	-0.81	-0.83
17	Nairobi Business Ventures Limited-2012	0.23	0.22	0.30	0.80	0.60
18	Sameer Group-1969	-0.32	-0.06	-2.34	0.05	0.60
19	WPP Scan Group-1996	1.65	1.26	1.22	1.26	1.27
20	Decons(East Africa)-1973	-0.01	-0.01	-0.04	-0.04	-0.04
	Automobile and Accessories					
21	Car and General Kenya Limited-1936	6.94	3.17	2.200	1.99	2.10
	Energy and petroleum					
22	Kengen-1954	6.50	5.24	3.07	4.12	4.20

23	Kenya power and Lightning-1983	3.31	3.81	3.87	3.72	3.60
24	Total Kenya Limited-1955	8.13	9.23	12.76	15.64	15.70
25	Umeme Limited-2004	62.61	65.91	85.50	21.86	21.40
	Investment					
26	Centum Investment company-1967	4.59	11.94	2.81	2.36	2.30
27	Home Africa Limited-2008	0.02	-0.96	(0.42)	-0.45	-0.44
28	Olympia Capital Holding Ltd-1968	1.13	-0.35	0.37	0.97	-0.09
29	Kurwitu Ventures Ltd-2006	87.54	-149.35	-141.63	-105.06	-102.50
30	Trans-Century Ltd-1997	-8.13	-8.64	(3.15)	-11.54	-2.34
	Manufacturing and Allied					
31	B.O.C Kenya-1940	16.71	15.10	13.06	6.55	6.24
32	British America Tobacco-1902	42.25	49.75	42.34	33.36	36.40
33	Carbacid Investment-1961	14.44	11.59	1.47	1.38	1.40
34	East Africa Breweries-1988	8.67	12.06	10.14	10.77	10.80
35	Flame Tree Group Holding-2012	0.95	1.10	0.90	0.25	0.30
36	Kenya Orchards Limited-1959	1.99	2.24	0.29	0.29	0.15
37	Mumias Sugar Company Ltd-1971	-21.30	-3.04	(3.11)	(4.43)	(4.40)
38	Unga Group Limited-1908	5.06	5.68	6.76	1.14	1.20
	Telecommunication					
39	Safaricom Limited-1997	0.80	1.51	0.95	1.21	1.30
	Construction and Allied					
40	ARM Cement-1974	3.02	-5.84	(3.30)	(6.82)	(4.60)
41	Bamburi Cement-1951	10.75	16.18	16.23	5.44	4.20
42	Crown Paints Kenya-1958	0.83	0.43	1.85	3.14	3.16
43	E.A cables limited-1966	1.35	-2.93	(2.30)	-2.32	-2.25
44	E.A.Portlands Cement Co. Ltd-1933	-4.43	-4.10	(3.10)	-2.70	-2.40

			2014		2015		2016		2017		2018
	Company and Year of Incorporation	Non-current assets	Total assets	Non-current assets	Total assets	Non-current assets	Total assets	Non-current assets	Total assets	Non-current assets	Total assets
	Agriculture Sector										
1	Eaagads Limited - 1946	412,792	445793	572,348	615,526	644,781	761,167	775,263	922,802	786,967	905,895
2	Williamson Kenya Limited-1874	5,819,757.00	8,549,409	5,809,109	8,558,558	5,936,971	9,285,306	5,936,971.00	9,285,306	5,847,938	9,505,074
3	Kakuzi Limited-1906	2,676,369	3,857,454	3,025,106	4,555,179	3,015,067	3,431,805	3,338,922	3955822	3,624,125	5,941,042
4	Kapchorua Limited-1874	1,307,541.00	1,929,161	1,338,975	1,983,239	1,441,311	2,329,151	1,241,605	2,030,309	1,392,411	2,489,043
5	Limuru Tea Company Limited-1895	206,593	338,601	178,596	342,161	137,975	282,193	121,732	262,009	108,734.00	268,255
6	Rea Vipingo Plantation Limited-1995										
7	Sasini Tea and Coffee limited-1952	13,684,494	14929577	13,985,862	16,044,527	10,095,863	13,106,139	10,210,855	13,196,025	10,315,949	12,961,380
	Commercial and Service Sector										
8	Express Kenya Limited-1918	402,899	477,922	333,197	441,898	281,811.00	379,575	263,104	359,932	245,485,855	75,455,915
9	Kenya Airways Limited-1977	119,021,000	148657000	141,011,000	182,063,000	128,705,000	158415000	119,397,000	146,144,000	108,658,000	136,634,000
10	National Media Group-2008	4,569,300	11,944,300	5,171,800	12,696,700	5,010,800	12,174,100	5,009,200	11,320,300	4,770,000	6,428,000
11	TPS Eastern Africa Ltd-1970	13,711,998	15,939,177	13,491,212	15,815,800	281,811	379,575	14,840,166	17,486,823	15,483,109	17,598,123
12	Standard Group-1902	2,610,730	4,101,749	2,651,168	4355614	2,403,240	4,404,931	2,585,175	4,459,637	2,684,536	4,676,133
13	Uchumi Supermarket-1975	4,634,417	6,884,853	4,524,959	6,302,246	3,338,177	5,002,216	3,771,235	4,327,281	3,771,235	4327281
14	Hutching Biemer-1965										
15	Longhorn Publishers -1965	198,711	747,531	225,844	689,320	498,956.00	1,866,944	607,859	1,858,734	753,700	2,407,529
16	Eveready East Africa	166,700	930,057	871,045		816,253	1,082,806	194,792	772652	251,502	

	Limited-1967				1,511,665						573,768
17	Nairobi Business Ventures Limited-2012					48,489.00	155,413	42,536	143,713	43,456	145,513
18	Sameer Group-1969	985,281	3,857,392	985,680	3,751,225	1,000,585	3,290,867	1,271,378	2,969,868	1,287,652	2,587,824
19	WPP Scan Group-1996	2,360,945	13,284,104	2,331,575	12,468,479	2,374,237.00	13,486,398	2,834,897	13,758,912	3,184,247	14,425,198
20	Decons(East Africa)-1973					921,560.00	2,281,680	803,406	1,552,835	803,406	1,552,835
	Automobile and Accessories										
21	Car and General Kenya Limited-1936	3,126,754	8,152,812	3,711,458	8,988,047	4,038,345	9,705,198	4,587,794	9,400,007	5,144,261	10,173,507
	Energy and petroleum										
22	Kengen-1954	222,574,881	250,205,524	321,151,022	342,519,995	345,332,376	367,248,796	347,557,174	377,196,543	347,940,938	379,353,005
23	Kenya power and Lightning-1983	169,697,493	220,109,352	209,430,675	275,493,150	247,532,363	297,542,180	276,367,133	341,653,227	282,035,008	336,655,189
24	Total Kenya Limited-1955	10,301,663	32,541,800	10,766,844	34,225,035	10,805,922	36,161,008	11,533,589	37,987,751	11,973,269	39,258,921
25	Umeme Limited-2004	726,465,000	1,211,939,000	1,358,555,000	1,774,869,000	1,750,352,000	2,226,053,000	1,918,553,000	2,349,433,000	2,126,039,000	2,463,643,000
	Investment										
26	Centum Investment company-1967	29,597,220	38,921,603	72,340,000	106,125,000	78,054,000	112,850,000	61,570,034	78,332,440	44,945,650	94,463,179
27	Home Africa Limited-2008	750,647,809	3,718,636,085	801,416,000	3,862,316,000	747,077,486	3,930,010,782	681,012,512	4,477,827,992	680,132	4,502,462
28	Olympia Capital Holding Ltd-1968	1,183,534	1,538,341	1,093,968	1,531,409	1,187,161	1,606,659	1,291,600	1,638,796	1,254,546	1,647,834
29	Kurwitu Ventures Ltd-2006	105,034	120,677	104,776	140,659	130,154	133,644	134,435	137,569	130,506	138,286
30	Trans-Century Ltd-1997	11,228,995	19,463,658	13,104,427	21,817,981	13,189,323	18,911,552	12,936,460	18,740,964	12,887,478	16,668,181
	Manufacturing and Allied										
31	B.O.C Kenya-1940	1,117,163	2,300,320	1,068,704	2,320,956	1,014,710	2,215,302	1,022,508	2,228,669	969,697	2,141,747
32	British America	9,281,014	18,253,510	9,101,979		9,531,450.00	18,499,800	9,140,336		9,122,684	12,546,234

	Tobacco-1902				18,681,184				17,805,588		
33	Carbacid Investment-1961	1,552,475	2,533,163	1,854,036	2,968,727	1,893,513	1,188,255	2,298,922	3,306,974	2,305,839	3,371,233
34	East Africa Breweries-1988	43,058,789	62,865,943	41,448,623	66,939,778	40,190,000	61,746,000	44,127,000	65,683,000	49,720,864	71,246,826
35	Flame Tree Group Holding-2012	248,733	1,054,455	318,726	1,372,230	380,780	1,521,195	539,166	1,680,770	706,120	1,839,271
36	Kenya Orchards Limited-1959	21,004,803	50,202,177	44,619,344	78,731,223	42,271,780	89,241,627	45,586,126	108,278,261	42,591	114,566
37	Mumias Sugar Company Ltd-1971	19,209,782	23,563,086	17,860,015	20,403,564	24,844,674	26,801,136	22,230,804	24,091,095	15,107,367	15,735,609
38	Unga Group Limited-1908	2,541,402	7,475,611	3,219,069	8,671,788	3,380,021	9,199,783	3,668,100	10,267,471	3,336,842	9,932,664
	Telecommunication										
39	Safaricom Limited-1997	106,279,478	134,600,946	124,367,073	156,957,626	129,242,044	159,182,485	136,527,000	161,689,000	139,977,000	167,439,000
	Construction and Allied										
40	ARM Cement-1974	28,706,803	36,970,051	44,168,407	51936664	42,773,131	51,058,802	38,975,580	42,699,067	37,913,000	50,357,000
41	Bamburi Cement-1951	25,446,000	40,991,000	23,897,000	42,030,000	21,811,000	40,811,000	33,225,000	45,753,000	1,581,869	5,475,693
42	Crown Paints Kenya-1958	1,144,506	4,292,888	1,394,710	5,144,409	1,277,284	5,059,029	1,326,240	5,871,607	4,468,687	6,394,495
43	E.A cables limited-1966	4,042,701	7,889,496	5,439,068	8,384,143	5,318,844	7,548,406	4,661,862	7,038,421	36,041,881	38,027,520
44	E.A.Portlands Cement Co. Ltd-1933	12,393,196	15717257	19,955,246	23,112,582	25,727,272	27,842,120	25,408,293	27,357,388		