Influence of cash flows from investing activities on Shareholders Returns among Manufacturing and Allied Companies Listed in the Nairobi Securities bourse, Kenya

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ABSTRACT
The study investigated the influence of cash flows from investing activities on shareholders returns among manufacturing and allied firms in Kenya. It their investing activities to pay shareholders dividends. Therefore, this study was guided by theories to establish whether cash flows from investing activities influenced shareholders return. Miller and Orr’s Cash Management Model was one of key theory that was used. The study adopted a descriptive research design. The target population comprised accounts and finance staff working with manufacturing and allied firms listed in the Nairobi Security Bourse was observed that manufacturing and allied firms listed in the Nairobi Securities bourse have been displaying significant fluctuations in their trends of cash flows from investing activities. Majority of those firms were struggling to generate adequate cash flows from. The study population constituted 227 Finance and accounting staff derived from listed manufacturing and allied firms. A sample of 54 respondents was obtained from the sampling frame using stratified random sampling technique. The data collected was processed and analyzed using Statistical Package for Social Science. The results of the analysis were presented using tables. The study found that cash flow from investing activities significantly influenced shareholders’ returns ($t=3.849; p<0.05$). The study concluded that cash flows from investing activities were highly important in determining the returns received by shareholders in form of dividend and share appreciation. The study recommended that manufacturing and allied firms should increase investment in shares. In addition, they should increase cash received from security investments. It was further recommended that the firms should reduce their capital expenditure to increase shareholders returns. When firms focuses more on capital intensive projects the amount paid to shareholders in the form of dividends tends to decline.

Key Words: Cash flow from investing activities, cash flow trends, manufacturing and allied firms, shareholders’ returns

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1. INTRODUCTION

Background of the Study
Efficient management and utilization of cash flows is what the success of corporate entities such as manufacturing and allied companies depends on. Cash flow can be defined as the primary matrix that shows a company’s liquidity position. It involves the cash amount and cash
equivalent that a firm receives or gives out through payments. Cash flow acts as an indicator that money coming in and out of the business. Cash inflow includes receipts and receivables from customers while cash outflow includes an organization overheads payment such as mortgages, taxes, accounts payables and taxes (Michaely, & Qian, 2016).

Cash flows statement is among the three components of a company that makes up its financial statement. Companies use cash flow as an important tool that enables them to meet their dairy organization operations. Cash flows are considered to be positive when there is a higher closing balance compared to the opening balance. A positive cash flow however does not imply that a company is profitable as there is no direct relationship between cash flow profitability of the company. For instance, a company may be having a positive cash flow because it has not made payments to its creditors and has not pay dividends to its stakeholders (Michalski, 2014). Also, such a company could have sold one of its fixed assets and hence, it does not mean that a company with positive cash flows it has an improved its liquidity position. When making an investment decision, investors should not concentrate on analyzing cash flows because cash flow is not the most suitable metric for analyzing a firm when making investments decisions. Other financial statements such as income statement and balance sheet should be utilized when making investment decisions because if a company is not investing cash, it may act as a negative sign that indicates the firm is not using its liquidity to diversify or expand the business.

The sector of manufacturing and allied firms contributes a great proportion of the world GDP especially in most developed countries. The global manufacturing sector continues to expand with Europe dominating as the top global economies having higher volume of manufactured exports. In United Kingdom, there have been ongoing negotiations and uncertainties relating to Brexit. The manufacturing sector however has shown increased in strength through their positive trends when compared to that of United States. Brexit implies that by the mid of 2019, the United Kingdom could be out of European Union. British have recently experienced rapid development which has caused its pond to appreciate by 1.7 percent over the past months.

There has been numerous challenges experienced by manufacturing sector in Africa and these challenges have been inhibiting growth in the continent. One of the major challenges experienced in African manufacturing sector includes insufficient and poor production capacities. In 1970’s Africa contributed to 30% of manufacturing output in the world economy. However, in 2010 the level of African output has declined significantly to 1.5 %. Such decline explains the reason why there have been higher cases of unemployment and manufactured export products (National Association of Manufacturers, 2012).The Kenya manufacturing sector has been contributing 13% to the GDP every year for the past five years up to 2009 when the GDP declined to 1.3%. However, the GDP attributed to manufacturing and allied sector increased to 4.5% in 2010 and later dropped to 3.3% in 2011 (African Development Bank, 2013) indicates that.

According to Nairobi Security Bourse, Kenya has nine firms listed under manufacturing and allied sector. Also, Kenya has sixty-seven listed companies in Nairobi Security Bourse falling
under two main segments which include main and alternative segments. The listed companies are classified in accordance to the economic sectors in which they operate. According to Kenya National Bureau of statistics, Kenya manufacturing and allied sector showed a growth of 3.2% in 2014. The growth was later increased slightly to 3.5% by 2015 and this led to 10.36 contributions in Gross Domestic Products. However, despite a slight improvement in growth of manufacturing and allied sector, the GDP attributed to manufacturing, and allied sector has been declining. Economic Survey (2012) showed that the manufacturing sector contribution to GDP has worsened from 9.6 percent in 2011 to 9.2 percent in 2012, In addition the growth rate deteriorated from 3.4% in 2011 to 3.1% in 2012. The survey further showed that surviving firms have less debt outstanding than those companies that have cash flow crises. The total debt to total assets ratio is considered to be high at 87.68% in the surviving companies with a median value of 81.10%. Generally, averages of 36.90% of surviving companies’ assets are totally financed through debt. The decline is attributed to numerous factors including poor management of cash flows.

**Statement of the Problem**
Over the last decade manufacturing and allied companies listed in the Nairobi Security bourse have been facing problems of having adequate cash flows from investing activities. In addition, there have been significant fluctuations in the amount no cash flows generated from investing activities and hence the study wanted to determine whether such fluctuation in cash flows from investing activities tends to influence shareholders returns. Increase in fluctuating trends of cash flows from investing activities has made manufacturing and allied firms listed in the Nairobi Securities bourse to show declining trends in their performance for the past few years. Some firms have even closed down there operations while others are in the verge of collapsing. Most of those firms have a high capital expenditure attributed to interest capital to fiancé their loans.

The government had to intervene to revive some of those companies that are struggling in paying their debt by injecting billions shillings to boost their cash flows investing activities and ensure continuity of their operation into a foreseeable future. The manufacturing and allied sector was identified as one of the key sector in the Kenyan economy that could help the country achieve its Vision 2030 strategy. Most of the Kenyan owned firms have been reporting millions of losses. They lack adequate cash flows to sustain their investing activities hence chasing away investors. The study aims to investigate the influence of cash flow from investing activities on shareholders returns among listed manufacturing and allied companies in Kenya. There is no specific research that has been carried out in Kenya to determine how cash flows from investing activities influence shareholder's returns.

**Study Objective**
To determine the influence of cash flows from investing activities on shareholders returns among listed manufacturing and allied companies listed in the NSE.

**Research Hypothesis**
There is no significant influence of cash flows from investing activities on shareholders returns among manufacturing and allied companies listed in the Nairobi Security Bourse.
2. LITERATURE REVIEW

Theoretical Review
Miller and Orr’s Cash Management Model

Miller and Orr (1966) put forth with a theory called Miller and Orr’s Cash management model that describes cash inflows and outflows. The model deals with cash flows that tend to fluctuate in a random manner on a daily basis. The model is based on the assumption that net cash flow distribution is usually distributed and has a zero standard deviation and the mean.

The model helps firms to manage their cash flows by taking into consideration fluctuations of money on a daily basis. Miller and Orr (1966) postulated that a firm allows movement of cash within the two limits namely lower and the upper limit. They argued that firms tend to buy and sell marketable securities if their cash balance is equal to those two limits. For example, if the company cash balances come into contact with the upper bound such firm purchase certain number of marketable securities that will help the firm to come back to its desired level of cash (Michalski, 2014). However, if the company cash balances come into contact with the lower limit, such firm tends to sell its marketable security so that it can come back to its desired level of cash. The model appears graphically in terms of upper limit (H) and the lower limit (L) and returning point (z).

Miller and Orr model assumes that the average distribution value of net cash flows is zero and the standard deviation is also zero and the distribution of cash within the firm assumes a normal distribution curve (Premachandra, 2004). Miller and Orr model of cash management tend to be applied in different firms. However, the application of the model requires managers of those firms to follow certain procedures which include choosing the possible levels of cash flows that they firm intends to hold (Alvarez, Lippi, & Robatto, 2017). Secondly, managers should look at the interest rates, and compute regular cash flows standard deviation. Thirdly, a manager must identify the estimated prices at which marketable securities may be purchased and sold (Da Costa Moraes, Nagano, & Sobreiro, 2015). Miller and Orr’s Cash Management theory is relevant in this study because it supports the key variables used in the research. One of the key variable
that the theory support is the variable pertaining cash flow from investing activities where firms tends to buy and sell marketable securities to maintain standard level of cash flows within the organization. When cash flows go below the lower limit firms tends to sell marketable securities to retain cash flows within a standard level. On the contrary, when cash flows go up to the upper limit they invest through buying marketable securities such shares to maintain cash flows within a standard level.

**Empirical Review**
Cash flow from investing activities is the cash attributed to noncurrent assets. It includes amount cash inflow and outflow generated from sale and acquisition of fixed assets. Some of the cash inflow from investing activities includes sales of property, plant, and equipment (Gordon, Henry, Jorgensen, & Linthicum, 2017). It may also include sales of intangible assets, and cash generated from investments in shares, securities, and debentures. Changes in Securities Investment include increase and decrease in cash flows due to investment or sales of securities (Vogt, 1994). On the contrary, cash outflow from investing activities includes cash channeled in the purchase of fixed assets and payments of long-term assets (Baik, Cho, Choi, & Lee, 2016). Prudent investments should be made using free cash flows because if such cash flows are invested in projects that are not profitable, the firm may end up incurring losses (Carroll, & Griffith, 2001).

There is no direct relationship between Cash Flows from Investing Activities and shareholders returns because some companies engage in profitable investment projects and generating more profits. However, despite generating more profits from investing activities, it is not a guarantee that higher profits will automatically result in higher dividends among the shareholders (Meghana, 2017). Depending on the dividends policy of the company, some firms may not pay dividends after generating profits from investments because their dividend policy focuses on business growth and expansion. For example, a company with irregular dividend policy it may not reward shareholders with dividends in certain financial years even after generating higher profits from investments (Richardson, 2006). Also, a firm that employs “no immediate dividend policy” may not pay a dividend at all after generating more cash flows from capital investment projects. However, those companies that have regular and extra dividend policy must pay their shareholders dividend irrespective of whether the firm made a loss from its investment projects (Michaely, & Qian, 2016).

Cash flow from investing activities measures the investments the firm has made in other company. Normally net cash flow from investing activities should be positive in most healthy businesses because it is an indication that such company is making money from its investments. Some of the common components of Cash Flows from Investing Activities include capital expenditure and investments in subsidiaries. Capital expenditure (Capex) involves cash outflow where the firm has invested in the acquisition of property, plant, and equipment the figure tends to be negative because it involves spending of money by the firm (Renneboog, & Szilagyi, 2015). It is imperative to ensure firm assesses the industrial trends when engaging in capital investment project. Such assessment may help the firm to make a sound investment decision that has minimal risks. The growth of the firm can only be sustained if the company engages in capital investment expenditure that enables the firm to expand. Investing cash flow may be
measured by adding all the line items that appear under investing activities (Collins, Hribar, & Tian, 2014). Cash flows from investing activities may be obtained by adding capital expenditure; sales of property plant and equipment, then less purchase of securities and add changes in securities.

Conceptual Framework
The conceptual framework shown in figure 2.1 helped to indicate how the variables used in this research relates to each other and how they have been hypothesized. On the left hand side is the independent that is represented by cash flows from investing activities. On the right hand side is the dependent variable that represents shareholders’ returns. The shareholders return was measured using the ration earnings per share ratio. The framework below held that shareholders’ returns were influenced by cash flows from investing activities.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows from Investing Activities</td>
<td>Shareholders Return</td>
</tr>
<tr>
<td></td>
<td>• Earnings per Share</td>
</tr>
<tr>
<td></td>
<td>• Total shareholders’ returns (TSR)</td>
</tr>
</tbody>
</table>

Figure 2.1: Conceptual Framework

3. METHODOLOGY
Research methodology is a chapter that encompasses techniques and methodologies that were utilized in conducting the research. Some of the vital components found in this section include the research design that was employed in conducting the study, data collection techniques, procedure, tools and techniques used to analyze the data. Moreover, the section encompasses target population, sampling techniques, sample size and instruments that were employed to collect the data.

Research Design
A research design involves is a plan and structure that can be used to investigate, and to provide answers to the research questions (Montgomery, 2017). Research design is imperative in the sense that it expresses research problem and provide a plan that was employed to obtain evidence that supports the study (Cooper, & Schindler, 2003). A descriptive research design was employed in this study because it ensured that cause and effect relationship between cash flows from investing activities and shareholders returns was successful investigated and determined. In addition, descriptive research design was useful when investigating effects on shareholders return among listed manufacturing and allied firms in Kenya. Descriptive research design assisted in conducting an advanced level analysis such as regression and correlation analysis to establish the nature and extents of the relationship between cash flows from inversing activities and shareholders returns in this study (De Vaus, & De Vaus, 2001). Quantitative secondary data was gathered from the published financial statements. Moreover, primary data was collected
from finance officers and accountants of the nine manufacturing and allied firms listed in the Nairobi Securities bourse.

**Target Population**

In the context of research, a population is the entire cohort that the research is focusing on. It includes the entire elements where the researcher focuses at obtaining data and making justifiable inferences from past observations (Montgomery, 2017). The target population for the research constituted the accounts and finance staff working with the 9 manufacturing and allied firms listed in the Nairobi Securities Bourse as at January 2017. The reason for choosing the aforementioned was because there was limited research that had hitherto been conducted in relation to cash flow trends and shareholders’ returns among listed manufacturing and allied companies in Kenya. A total of 227 accounts and finance officers working with the foretasted firms comprised the study population.

**Sampling Frame**

A sample is a representative and manageable subset of the entire population where significant estimates and inferences pertaining the whole population can be obtained (Saunders, Lewis, & Thornhill, 2012). A sampling frame is a list of all those item or element in the population. In this case, the sampling frame was made up of accounts and finance staff working with all listed manufacturing and allied firms in Kenya. The sampling frame is as shown in Table 3.1

<table>
<thead>
<tr>
<th>Name of Firm</th>
<th>Accountants</th>
<th>Finance Officers</th>
<th>Sub-Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.O.C Kenya Ltd</td>
<td>15</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>BAT Kenya Ltd</td>
<td>17</td>
<td>12</td>
<td>29</td>
</tr>
<tr>
<td>Carbacid Investments Ltd</td>
<td>8</td>
<td>7</td>
<td>15</td>
</tr>
<tr>
<td>EABL Ltd</td>
<td>24</td>
<td>14</td>
<td>38</td>
</tr>
<tr>
<td>Eveready East Africa Ltd</td>
<td>9</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Frame Tree Group Holdings Ltd</td>
<td>12</td>
<td>7</td>
<td>19</td>
</tr>
<tr>
<td>Kenya Orchards Ltd</td>
<td>13</td>
<td>8</td>
<td>21</td>
</tr>
<tr>
<td>Mumias Sugar Co. Ltd</td>
<td>21</td>
<td>16</td>
<td>37</td>
</tr>
<tr>
<td>Unga Group Ltd</td>
<td>20</td>
<td>12</td>
<td>32</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>139</strong></td>
<td><strong>88</strong></td>
<td><strong>227</strong></td>
</tr>
</tbody>
</table>

**Sample Size and Sampling Technique**

Nassimma’s formula was utilized in this study to computes the size of the sample size as shown below.

\[ n = \frac{NXC^2}{C^2 + (N-1)s^2} \]

Where:
- \( n \) = sample size
- \( N \) = Study population
- \( C \) = Coefficient of Variation (21% - 30%)
The above equation was substituted as illustrated below:

\[ n = \frac{\frac{227 \times 0.21^2}{0.21 + (227 - 1) \times 0.05^2}}{54} \]

\( n = 54 \) respondents

Stratified random sampling technique was utilized because the distribution of finance and accounts staff varied across the nine listed manufacturing and allied firms as shown in Table 1.0. The sampling method used ensured that there was proportionate representation of all the nine firms hence, eliminating the sampling bias that could have occurred.

**Research Instruments**

Secondary data and primary data were utilized in this study. Secondary data was obtained from published financial statements of the manufacturing and allied companies in the NSE. Primary data was collected using structured questionnaires from the targeted respondents. Secondary data was recorded in a data collection sheet. A data collection sheet is an important tool for collecting data (Ho, Broucker, Crompvoets, Buntinx, & Pattyn, 2016). Also, data on shareholders return for each firm under investigation was also being recorded.

**Data Collection Procedure**

The study reviewed relevant books, published financial statements and annual financial reports from 2007 to 2016 in relation to listed manufacturing and allied firms in Kenya. In addition, primary data were collected using self-administered questionnaires. The questionnaires were distributed within three days and collected thereafter.

**Pilot Testing**

Pilot study involves pre-testing questionnaire to test validity, credibility and accuracy of the research questions prior to the actual collection of data from actual respondents (Yin, 2003). The pilot study was conducted in Nakuru town prior to administering the research questionnaire on the actual respondents in Nairobi. The respondents for pilot study were drawn from the branches of listed manufacturing and allied firms in Nakuru town. The rationale of conducting the pilot study was to determine both validity and reliability of the data collection tool. Validity was determined through consultation with the University supervisor whose views were deemed sufficient in determining the content validity of the research questionnaire. The Cronbach’s alpha coefficient was used to test the reliability of the data collection instrument. The results of the reliability testing are as shown in Table 3.2.

**Table 3.2: Reliability Test Results**

<table>
<thead>
<tr>
<th>Study Variable</th>
<th>Test Items</th>
<th>Alpha Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from investing activities</td>
<td>7</td>
<td>0.84</td>
</tr>
<tr>
<td>Shareholders’ returns</td>
<td>7</td>
<td>0.85</td>
</tr>
</tbody>
</table>
It is evident from table 3.2 above that the study variable (cash flow from investing activities, and shareholders’ returns) had a Cronbach alpha coefficient greater than the recommended threshold of 0.7. Therefore, the research questionnaire was found to be reliable.

Data Processing and Analysis
A Statistical Package for Social Sciences (SPSS) Version 24 was utilized to process the data collected. The data were reviewed for completeness, accuracy, consistency, and relevance prior to analysis. The analysis incorporated both descriptive and inferential statistics. It is stipulated that regression model can be employed in explanatory research to predict the value of a dependent variable based on independent variable values (Wagner, & Raghunathan, 2007). Therefore, a regression model was utilized in this study to determine the effect of each cash flow trend variable on the shareholders’ returns. The following regression model was used:

\[ Y = \beta_0 + \beta_1 X_1 + \varepsilon \]

Where:
- \( Y \) = Shareholders’ returns
- \( \beta_0 \) = Constant
- \( X_1 \) = Cash flow Investing activities
- \( \varepsilon \) = Error term at 95% confidence level
- \( \beta_1 \) = Regression coefficient

Total Shareholders Return (TSR) was determined using the following formula:

\[ \text{TSR} = \frac{P_e - P_b + \text{Dividend}}{P_b} \]

Where
- \( P_e \) = Price at end
- \( P_b \) = Price at the Beginning

The reason why the study employed TSR ratio is because unlike other measures of shareholders return such as ROE which focuses more on measuring firm profitability, TSR ratio tend to be a direct measure of total shareholders receive at the end of a given financial year. In addition, the Total Shareholders Return (TSR) ratio was used is because unlike other ratios it measures both dividends paid and share price appreciation. However, due to limitation of earning per share where some firm may report their earning per share based on operating cash flows instead of net income, earning per share will be complemented TSR.

The test for significance of the regression model involved the use of F-test to measure multiple variables. The F-test framework has two frameworks namely restricted and unrestricted framework which helps to explain variation in the independent variables (Wagner, & Raghunathan, 2007). The coefficient of determination (R^2) represents the explained variation. It involves the sum of squares due to regression divided by the total sum of square. A coefficient of determination of 1 implies that regression line has perfectly fitted the data. R^2 is the
explained variation of the dependent variable (Nakagawa, & Schielzeth, 2017). The results of the analysis were presented in form of tables.

4. RESULTS, INTERPRETATIONS AND DISCUSSIONS

This section captures the response rate, and the results of data analysis in respect of cash flow trends and shareholders’ returns amongst manufacturing and allied firms listed in the NSE. The results, which are both descriptive and inferential, are accompanied by pertinent interpretations and discussions.

Response Rate

A response rate represents a percentage of questionnaires that were filled and returned by or collected from the respondents against the total number of questionnaires issued. The researcher had issued a total of 54 questionnaires to the respondents, out of which, 40 were filled and returned. This represented 74.07% response rate.

Descriptive Results and Interpretations

The views of the finance officers and chief accountants regarding cash flow trends and shareholders returns in their respective firms were analyzed. Their views were captured on a Likert scale where ‘strongly disagree’, ‘disagree’, ‘not sure’, ‘agree’, and ‘strongly agree’ were represented by integers 1, 2, 3, 4, and 5 respectively.

Cash flow from investing activities

The study analyzed the views of selected staff working with manufacturing and allied firms listed with the NSE regarding cash flow from investing activities. The results showed that cash flow from investing activities decreases shareholders return.

<table>
<thead>
<tr>
<th>Table 4.1: Descriptive Statistics for Cash Flow from Investing Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returns from investments in shares increase shareholders return</td>
</tr>
<tr>
<td>Cash received from security investments from other companies increases returns of shareholders</td>
</tr>
<tr>
<td>Increase in capital expenditure (Capex) reduces shareholders returns</td>
</tr>
<tr>
<td>Purchase of property plant and equipment reduces shareholders returns</td>
</tr>
<tr>
<td>Purchase of shares reduces shareholders return</td>
</tr>
<tr>
<td>Payment of long term debt reduces shareholders returns</td>
</tr>
<tr>
<td>Cash flows from investing activities decreases shareholders return</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>40</td>
</tr>
<tr>
<td>40</td>
</tr>
<tr>
<td>40</td>
</tr>
<tr>
<td>40</td>
</tr>
<tr>
<td>40</td>
</tr>
<tr>
<td>40</td>
</tr>
<tr>
<td>40</td>
</tr>
</tbody>
</table>

https://supremejournals.com
The study established that 80 percent of the respondents admitted that returns from investments in shares increase shareholders return among manufacturing and allied companies listed in the Nairobi Securities Bourse. An equal number of respondents (80%) held similar views on the assertion that cash received from security investments from other companies increases returns of the aforesaid entities. On average, it was admitted (mean = 3.83) that increase in capital expenditure (Capex) among manufacturing and allied companied listed in the Nairobi Security Bourses reduces shareholders returns. The variation in the respondents’ opinions was not significant (Std dev. = 0.984).

Also, the study revealed that half of the respondents (50.0%) concurred that purchase of property plant and equipment reduces shareholders’ returns, While 32.5% of the respondents admitted that purchase of shares reduces shareholders’ returns, 25.0% others strongly agreed with this view. It was generally not clear (mean = 2.93) regarding the assertion that payment of long term debt by manufacturing and allied companies listed in the NSE reduces shareholders’ returns. Respondents were also not sure whether cash flows from investing activities decreases shareholders’ returns (mean = 2.80). In respect of these two statements, there were significant variations in the views of the respondents (Std dev.> 1.000).

**Total Shareholders’ Returns**

In respect of returns of shareholders, the study sought and analyzed the opinions held by the selected employees working with manufacturing firms. A summary of their views is as shown in Table 4.2

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>ML</th>
<th>L</th>
<th>NS</th>
<th>LL</th>
<th>NA</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuing of shares to the public by manufacturing and allied companies listed in the Nairobi Securities Exchange affect the price of share</td>
<td>40</td>
<td>40.0</td>
<td>47.5</td>
<td>10.0</td>
<td>2.5</td>
<td>0</td>
<td>4.25</td>
<td>.742</td>
</tr>
<tr>
<td>Insufficient cash flow affect the price of share issued to shareholders</td>
<td>40</td>
<td>30.0</td>
<td>42.5</td>
<td>17.5</td>
<td>10.0</td>
<td>0</td>
<td>3.92</td>
<td>.944</td>
</tr>
<tr>
<td>Increase in cash flow increase the total dividend issued to shareholders</td>
<td>40</td>
<td>32.5</td>
<td>40.0</td>
<td>12.5</td>
<td>5.0</td>
<td>10.</td>
<td>3.80</td>
<td>1.24</td>
</tr>
<tr>
<td>Insufficient cash flow affect the total dividend issued to shareholders</td>
<td>40</td>
<td>37.5</td>
<td>37.5</td>
<td>12.5</td>
<td>12.5</td>
<td>5.0</td>
<td>3.80</td>
<td>1.18</td>
</tr>
<tr>
<td>Increase in cash flow increase the price of share issued to shareholders</td>
<td>40</td>
<td>22.5</td>
<td>27.5</td>
<td>15.0</td>
<td>17.5</td>
<td>17.</td>
<td>3.20</td>
<td>1.43</td>
</tr>
<tr>
<td>Purchase of plant and equipment, payment of long term debt and purchase of shares always affect share price and dividend paid to shareholders</td>
<td>40</td>
<td>25.0</td>
<td>12.5</td>
<td>15.0</td>
<td>32.5</td>
<td>15.</td>
<td>3.00</td>
<td>1.45</td>
</tr>
</tbody>
</table>

The study established that 47.5% of the respondents agreed while 40.0% others strongly agreed.
that issuing of shares to the public by manufacturing and allied companies listed in the Nairobi Securities Exchange affect the price of share. It was generally admitted that insufficient cash flow in the listed firms affect the price of their shares (mean = 3.92). There was insignificant variation in opinions of the respondents in this regard (std dev = 0.944). Though there was substantive variation in opinions (std dev = 1.244), it was generally admitted that issuing of shares to the public affect dividend issued to shareholders (mean = 3.80).

It was further established that 70.0% of the respondents at least admitted that increase in cash flow increase the total dividend issued to shareholders. In the same perspective, it was disputed by 25.0% of the respondents that insufficient cash flow affected the total dividends issued to shareholders. It was generally not certain (mean = 3.20) whether or not increase in cash flow in manufacturing and allied companies listed in the Nairobi Securities Exchange increase the price of shares. Moreover, respondents were not sure regarding the statement that purchase of plant and equipment, payment of long term debt and purchase of shares by the stated companies always affect share price and dividends paid to shareholders. There was significant variation in the opinions held by the participating respondents (std dev = 1.450).

Inferential Results and Interpretations

The study determined the relationship between cash flows from investing activities and shareholders’ returns was determined amongst listed manufacturing and allied entities operating in Kenya. The study analyzed both secondary and primary data and come up with inferential statistics that helped in evaluating assist influence of cash flows from investing activities on the shareholders’ returns.

Pearson’s Correlation between Cash Flows from Investing Activities and Shareholders Returns

The study analyzed the relationship between cash flow from investing activities and shareholders’ returns using Pearson’s correlation coefficient. The results indicated in Table 4.3 are in relation to the analysis of the pertinent secondary data.

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>Shareholders’ Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>0.117</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.013</td>
</tr>
</tbody>
</table>

The correlation results shown in Table 4.3 indicated that there existed a positive, strong and statistically significant relationship between cash flows from investing activities and shareholders’ returns (r=0.117; p <0.05). The results implied that cash flow from investing activities had significant positive implication on shareholders’ returns amongst listed manufacturing and allied firms. These findings, were consistent to results of an earlier study which found that increment in cash flows from investing activities may lead to increased but
due to a large number of investors, the returns of each shareholder are likely to be lower (Lan, 2012).

Influence of Cash Flows from Investing Activities on Shareholders’ Returns
Cash flow from investing activities were evaluated in the study as part of cash flow trends influenced returns of shareholders in listed manufacturing and allied companies in Kenya. This was achieved through pertinent regression analysis where the results of coefficient of determination, analysis of variance, and regression coefficients are as shown in Tables 4.4 to 4.6

The results of the coefficient of determination ($R^2 = 0.605$) as shown in Table 4.4 indicated that 60.5% of the shareholders’ returns could be attributed to the cash flows from investing activities. In this respect, therefore, the implications of these results was that the specific cash flow trends played an important role in light of returns of shareholders amongst the listed manufacturing and allied firms in Kenya. It was further indicated that, there existed other factors represented by 39.5% that played a role relative to shareholders’ returns among the studied firms. The analysis of variance (ANOVA) results are as shown in Table 4.5. The results indicated that the linear regression model was statistically significant.

The study further examined the influence of cash flows from investing activities on shareholders’ returns amongst listed manufacturing and allied firms listed in the Nairobi Security Bourse. The results to this effect are as depicted in Table 4.6. The following linear regression model was employed.

$$Y= \beta_0 + \beta_1X_1 + \epsilon$$
Table 4.6: Regression Coefficient

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized</th>
<th>Standardized</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.341</td>
<td>.664</td>
<td>.521</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>.456</td>
<td>.052</td>
<td>.710</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Earning per share

The results shown in Table 4.6 are substituted as follows:

\[ Y = \beta_0 + \beta_1 X_1 + \varepsilon \]

\[ Y = 0.341 + 0.456 X_1 \]

The regression model above was interpreted to mean that a unit change in shareholders’ returns was due to increase in cash flows from investing activities of 0.456 unit given that other factors were held constant (0.341). It is evident according to the regression coefficient resulting from analysis of the secondary data that the cash flow trend studied had significant implications on returns of shareholders among listed manufacturing and allied firms listed in the Nairobi Securities Bourse.

Testing Null Hypothesis

Table 4.6 shows the results of the T-statistics that were utilized to test the null hypotheses as follows:

\[ H_{01}: \text{There is no significant influence of cash flow from investing activities on shareholders returns among manufacturing and allied companies listed in the Nairobi Securities Bourse} \]

The p-value was less than 0.05 (p < 0.05). Therefore, the null hypothesis was consequently rejected and concluded that cash flow from investing activities on shareholders returns among listed manufacturing and allied firms was statistically significant.

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

It was found that that returns from investments in shares increase shareholders return among manufacturing and allied companies listed in the NSE. It was also established that that cash received from security investments from other companies’ increases returns. It was also established that increase in capital expenditure reduces shareholders returns. According to the findings, purchase of property plant and equipment reduces shareholders’ returns, and purchase of shares reduces shareholders’ returns. The findings indicated that the effect of cash flow from investing activities was significant.
Conclusions

The study comes up with a conclusion that investments in shares increase shareholders’ return. It was also concluded that that cash received from security investments from other companies’ increases returns. Increase in capital expenditure tends to reduce shareholders returns. Moreover, the study deduced that cash flow from investing activities were substantively consequential to shareholders’ returns among manufacturing and allied firms listed on the NSE.

Recommendations

The study recommended that the manufacturing and allied firms ought to increase investment in shares. In addition, they were advised to increase cash received from security investments. It was further recommended that the firms should essentially their capital expenditure as one of the crucial ways of increasing returns of their shareholders. Moreover, they should reduce their focus on procuring property, plant and equipment.

REFERENCES


