AN ANALYSIS OF THE FACTORS THAT INFLUENCE INVESTMENT CHOICE AT THE NAIROBI STOCK EXCHANGE
A CASE STUDY OF NSE STOCK BROKERS AND DEALERS

By

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JULY 2007

DECLARATION AND RECOMMENDATION

DECLARATION

This is my original work and has not been presented for any study programme in any university or college.

Students Name: **James Dixon Gichana** Date-19/07/07--- Signature-------------

RECOMMENDATION

The research project has been submitted for examination with my approval as the university supervisors.

Supervisor's Name: **Wycliffe Oluoch** Signature------------ Date-19/07/07---

Supervisor's Name: **Christopher Ngacho** Signature------------ Date-19/7/2007---

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DEDICATION

I dedicate this project to my parents, wife, children; Lynnette Monyangi, Peter Gichana, Tabitha Kerubo and Griffins Paul Gichana.

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ABSTRACT

This study concentrated on investments in securities by NSE dealers and brokers. The main objective of this study was to identify and analyze the factors considered by dealers and stock brokers in making investments in securities at the NSE. Several scholars had identified different factors that determine the investment choices and stock prices. Ayieye (2004) identified profitability, risk, liquidity, dividends, returns, monetary and physical policies, industry factors and management and staff composition as the factors considered by individual investors when buying shares. Mugo (1999) also identified the factors considered by institutional investors as economic, industry and company related. These factors influence the supply and demand of investments and thus their prices. The dealers and brokers mainly determine investments in stock. There is need therefore to determine what influences brokers and dealers in making investment choices thus the motivation of this study. The population of the study comprised of all the 10 registered and active stockbrokers and 11 NSE registered dealers. To facilitate and achieve the objectives of this study census was used to collect data from both dealers and brokers. The sample size comprised all 10 stockbrokers and all 11 registered dealers. Both primary and secondary data was used in the study. Primary data was collected by use of a semi-structured questionnaire. Data collected was analyzed and the findings of the study discussed. Discussions the findings from the categories of determinants or factors considered by stock brokers and investment dealers prior to making decisions on investing in securities centered on the following categories economic factors, company specific factors, government policy related factors, political and timing factors. The findings of the study indicated that the stock market's main intermediaries considered all variables investigated, but at varied preferences.

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CHAPTER 1: INTRODUCTION

1.1 Background Information

An investment is a vehicle into which funds can be placed with the expectation that it can generate positive returns. It is an economic activity which foregoes consumption today with an aim of increasing output in future (Samuelson 1992).In finance, an investment is a purchase of security such as stock or bonds and can be taken either by an individual, corporate body or the state. Nairobi Stock Exchange (NSE) dealers and brokers operate in the financial markets.

Financial markets comprise several participants, who include borrowers, lenders, intermediaries (brokers, dealers, advisors) and several institutions including banks, insurance firms, mutual funds, mortgages firms, finance companies, stock firms and co-operatives. The main function of financial markets is to foster mobilization of savings or excess funds and allocate/transfer accumulated capital to productive investment in areas that bring the most value to the economy and investors. They also provide avenues for investment opportunities and diversification that eventually support economic growth of a country. Further, capital markets provide commercial ventures/entities with long-term funding to engage in productive economic activities, which cannot be reasonably carried out through short-term lending (Kenya's Capital Market Authority, 1999).

Capital markets are an essential part of the financial sectors of modern economies and more so for growing economies. They are markets for trading in long-term securities such as stocks and bonds (Mc Menamin 1999). Particularly, capital markets sustain funding of governments, companies, banks and long term projects alongside facilitation of capital mobilization and allocation of long-term funds for investment by providing funds transfer mechanisms, increasing diversification and competition, and providing market signals on market situations (Capital markets 2005). Capital markets provide an avenue for alternative savings tool to savers and non-bank sources of financing. An efficient financial sector reduces the cost of producing and trading goods and services and thus makes an important contribution to raising the living standards. It also helps investors to allocate their savings through financial markets and institutions rather than buying non-productive assets as a store of value (Wagacha 2000).

The Capital Markets Authority (CMA) was established in 1989 as a corporate body with perpetual succession through an Act of Parliament to regulate and oversee the orderly development of Kenya's capital markets (Capital Markets Authority Act CAP 485). The mission of Capital Markets Authority is to promote the development of orderly, fair, efficient, secure, transparent and dynamic capital markets in Kenya within a framework which facilitates innovation through an effective and flexible system of regulation for the maintenance of investor confidence. The body has a board of directors consisting of the chairman appointed by the President of Kenya - on the recommendation of the Minister of Finance, six members appointed by the Minister of Finance to serve for three years and who have experience and expertise in legal, financial, banking, accounting, economics or insurance matters, and are eligible for re-appointment for another three years, Permanent Secretary to the Treasury or his/her representative, Attorney General or his/her representative and a Chief Executive who is appointed for four years and is eligible for a second four-year term. CMA draws the bulk of its financial support from prescribed fees paid by licensed members of the CMA and NSE. The government of Kenya provides an annual grant of about 5% of CMA's annual budget. Although the CMA is a statutory body, it is operates as an independent entity in contrast to a government department. CMA is mandated by the Capital Markets Authority (Amendment) Act, 2000 to license participants in the capital markets. Pursuant to its mission, the CMA is guided by the following objectives:

a) Facilitate the creation of incentives for and the removal of impediments to long-term investments in productive activities.

b) Facilitate the existence of a market in which securities can be traded in an orderly, fair and efficient manner, and ensure participation of the general public.

c) Protect investors from financial loss arising from failure of a broker or dealer to meet his contractual obligations through a guarantee embodied in the compensation fund.

d) Develop a framework through which electronic commerce may be used for the development of capital markets in Kenya.

e) Develop new financial products to diversify the market and attract investors.

f) Facilitating the training and education of investors and other market participants.

g) Participate in the integration of the East African capital market.

h) Develop a legal and regulatory framework for the market. In this regard, the CMA has formulated the following rules and regulations:

    i. Capital Markets (Licensing Requirements) (General) Regulations, 2002

    ii. Capital Markets (Securities) (Public Offers, Listing and Disclosure) Regulations, 2002

    iii. Capital Markets (Takeovers and Mergers) Regulations

    iv. Capital Markets Authority, Foreign Investor Regulations, 2002

v. Capital Markets Authority Fees Structure

vi. Collective Investment Schemes Regulations, 2001

vii. Corporate Governance Guidelines, 2002

viii. Rating Agency Guidelines, 2001

CMA's Annual Reports clearly explain the role of the Government in promoting the development of capital markets. The following taxation and policy incentives have been made available by the government to promote the capital market performance.

a) Withholding tax on dividend income has been reduced from a high of 15% to 7.5% (for foreign investors) and 5% (for Local investors)
b) Expenses of companies issuing shares to the public are now tax deductive.
c) Expenses incurred by companies in having their financial instruments rated an independent rating agency are also now tax deductible.
d) Registered and approved routine capital funds now enjoy a longer tax holiday.
e) Income accruing to registered collective investment schemes is less tax free
f) Licensed dealers also enjoy tax benefits, as long as they turn their portfolios according to laid down guidelines.
g) Transfer of listed securities exempt from stamp duty and VAT.
h) Since January 1995, foreign investors can now participate in the stock market.

As from 2002 the locals can own 25%, 75% to be taken by either foreign and locals. In order to encourage the transfer of technology and skills, foreign investors are now allowed to acquire up to 49% of local brokerage firms

Source: *Capital Markets Authority," Licensing requirements." (Nairobi: 2004).*

The Nairobi Stock Exchange was incorporated under the Companies Act of Kenya in 1991 as a company limited by guarantee and without a share capital. Prior to 1991, it was registered as a voluntary association of stockbrokers under the Societies Act in 1954.
The Nairobi stock Exchange (NSE) stands out as an average stock market with a high growth potential and a significant driver of Kenyan economy.

In Kenya dealing in shares or stocks started in the 1920s when the country was still a British colony. There was however no formal market, no rules and no regulations to govern stock brooking activities. Trading took place on gentleman promise in which standard commissions were charged with clients being obliged to honor their contractual commitments of making good delivery and settling relevant costs. The stock brokering was conducted by Europeans in areas of specialization such as accountants, auctioneers, lawyers and estate agents who met to exchange prices over a cup of tea/coffee

In 1951, an estate agent called Francis Drummond established the first professional stock-brooking firm. He also suggested to the then finance minister of Kenya, Sir Ernest Vasey and impressed upon him the idea of setting up a stock exchange in East Africa. And in 1953, the two approached London Stock Exchange officials to assist in the setting up of Nairobi Stock Exchange as an overseas stock exchange. By 1966, the NSE had begun measuring daily trading activity by computing the NSE Index. The index measured daily average price changes in 17 companies that were considered the most active stocks in the market. It was computed as a weighted average of price changes in the selected stocks and 1966 was used as the base year and set at 100 points.

The 1970s saw about 20 more companies listed on the NSE. This was the largest number of companies listed in a span of about a decade. The 1972 oil crisis dealt a blow to this growth due to the depression of share prices arising from inflation. In 1975, a 35% Capital Gains Tax was introduced, leading to further losses experienced by the NSE. Other factors that negatively affected the NSE include the nationalization and compulsory acquisition of companies quoted or subsidiaries of companies quoted at the NSE by Tanzania and Uganda, introduction of exchange controls and introduction of inter-territorial restrictions among the East African countries.

In 1984, the Government of Kenya through the Central Bank of Kenya in conjunction with the International Finance Corporation (IFC) conducted a study dubbed "Development of Money and Capital Markets in Kenya". This study became a blue print for structural reforms in Kenya's financial markets and culminated in the establishment of the Capital Markets Authority (CMA) in 1989 as a regulatory body that would enable the development of Kenya's capital markets and the creation of a conducive environment for economic growth.

In 1988, the first privatization through the NSE was implemented when the government sold 20% of its stake at the Kenya Commercial Bank. The 1990s saw ten more listed companies. In 1991 NSE was registered under the Companies Act and also adopted a 20-share index and changed the computational method of the index to a geometric mean. On February 18, 1994 the NSE recorded an all record high of 5030 points on the 20-Share Index. The number of stockbrokers also increased from six to fourteen when eight more were licensed.

In 1995, the government made changes with regard to the restrictions on foreign ownership of local companies from an aggregate limit of 20% and an individual limit of 2.5% to 40% and 5%, respectively with an objective of encouraging foreign portfolio investments. The Exchange Control Act was repealed. Rates of commission were reduced from 2.5% to between 2% and 1% for equities and 0.05% for fixed interest securities. In 1998, a number of incentives were introduced by the government to encourage foreign investment such as tax-free Venture Capital Funds, removal of Capital Gains Tax on investments by insurance companies and allowance of beneficial ownership by foreigners in local stockbrokers and fund managers.

In 2001, NSE was categorized into three market segments namely, the Main Investment Market Segment (MIMS), Alternative Investment Market Segment (AIMS) and Fixed Income Securities Market Segment (FISMS). The first rights issue under the AIMS was implemented in February 2001 (NSE handbook). New foreign investor regulations were enacted in 2002. They provided that there would be a 25% minimum reserve of the issued share capital for locals while the balance of the 75% would be for all types of investors. A local investor was defined as a Kenyan individual, a company incorporated under the Companies Act of Kenya or any other body corporate established or incorporated in Kenya under the provision of any law in which Kenya citizens or the Government of Kenya had beneficial interest in 100% of its ordinary shares. A board of directors and the chief executive manages NSE affairs. The Board of directors consisted of eleven directors made up of two directors representing listed companies, two directors representing public investors, one director representing institutional investors, five directors representing stockbrokers and dealers, and the Chief Executive.

Investments can be classified as securities or properties. Securities represent ownership of a legal right to acquire, own or sell an ownership interest or title. Most popular type of securities are stocks, bonds and options. Bonds represent funds lent in exchange for interest and promised payment of the bond at a future date. Stocks represent an ongoing ownership in business or property. Derivatives (options) obtain their value from and have characteristics similar to those of an underlying asset (Mayo 1998).

In real life one's incomes rarely balances with consumption. Sometimes one has more incomes than what he/she wants to buy and vice versa. Faced with this puzzle, one has two options, save when incomes are more and borrow when vice versa. Through savings and borrowings one can decide to consume all incomes earned or a portion with the balance left for investment thus increasing future consumption. (Samuelson 1992). Different people/firms have different investment opportunity sets and choice of investment depends on the utility (tastes and preferences) that an investor gets from a particular investment.

Choice of investment depends on the motives and the rationale behind the investment. Since investment is continuous the choice of investment very much depends on the financial benefits of the investment. A typical investor, buyer, broker or advisor would prefer more benefits to less. In other words firms will prefer those investments that will make them reach their goals. It therefore follows that an investor would prefer satisfactory investment that basically would take into account return and risk.

This is because investments are a commitment of funds for a gain so investors, dealers and brokers would go for those investments that would compensate them for the time the funds were committed, the expected rate of inflation and uncertainties of future payments.

Investments are large and volatile components of spending. They have major impact on supply and demand, which in turn affects employment. Investments lead to accumulation of capital, which affects the national output and growth. There are a number of incentives to investments that include; enhancement of current and future incomes through interests and dividends, saving, speculation, returns and obligations.

Efficient market hypothesis (EMH) asserts that financial markets are "efficient" or that price on traded assets, such as stocks, bonds, or property, already reflect all known information and therefore are accurate in the sense that they reflect the collective beliefs of all investors about future prospects. The efficient market hypothesis implies that it is not possible to consistently outperform the market — appropriately adjusted for risk — by using any information that the market already knows, except through luck or obtaining and trading on inside information. EMH allows that when faced with new information, some investors may overreact and some may under-react. All that is required by the EMH is that investors' reactions be random enough that the net effect on market prices cannot be reliably exploited to make an abnormal profit. Under EMH, the market may, in fact, behave irrationally for a long period of time. Crashes, bubbles and depressions are all consistent with efficient market hypothesis, so long as this irrational behavior is not predictable or exploitable.

There are three common forms in which the efficient market hypothesis is commonly stated — weak form efficiency, semi-strong form efficiency and strong form efficiency, each of which have different implications for how markets work. In weak form efficiency, no excess returns can be earned by using investment strategies based on historical share prices or other financial data. In semi-strong form efficiency, share prices adjust instantaneously and in an unbiased fashion to publicly available new information, so that no excess returns can be earned by trading on that information. In strong-form efficiency, share prices reflect all information and no one can earn excess returns. Some observers dispute the notion that markets behave consistently with the efficient market hypothesis, especially in its stronger forms. Some economists, mathematicians and market practitioners cannot believe that man-made markets are strong-form efficient when there are prima facie reasons for inefficiency including the slow diffusion of information, the relatively great power of some market participants (like financial institutions), and the existence of apparently sophisticated professional investors. The way that markets react to news surprises is perhaps the most visible flaw in the efficient market hypothesis. For example, news events such as surprise interest rate changes from central banks are not instantaneously taken account of in stock prices, but rather cause sustained movement of prices over periods from hours to months. Research work by Brealey and Dryden, and also by Cunningham found that there were no significant dependences in price changes suggesting that the UK stock market was semi strong form efficient and so are many stock markets in the world including the Nairobi stock Exchange.

1.2 Statement of the Problem

Most investors use brokers and dealers to determine their investment choices. Dixon (1992) points out that the importance of knowing the determinants of stock prices is that it offers strong advice on how investors, dealers and stock brokers should act in deciding how, where and when to invest in shares. It is important to be aware of the existence of these factors because they affect the stock or bond prices and thus influence investment choices. Several factors have been identified to influence choice of investment by individual and institutional investors. Available studies identified the factors that influence institutional and individual investors and none on dealers and brokers, yet most investments are done by or through dealers and the brokers.

1.3 Objectives of the Study

The general objective of this study was to analyze the factors that influenced NSE dealers and stockbrokers' choice of investment.

The specific objectives of the study were:

i) To establish the significance of economic factors in influencing NSE dealers and brokers' choice of investment.

ii) To establish the significance of policy related and social factors in influencing NSE dealers and brokers' choice of investment.

iii) To establish the significance of political and time related factors in influencing NSE dealers and brokers' choice of investment.

iv) To establish the significance of company specific/related factors in influencing NSE dealers and brokers' choice of investment.

1.4 Research Questions

i) To what extent do economic factors significantly influence NSE dealers' and brokers' choice of investments?

ii) To what extent do government policy related and social factors affect brokers' and dealers' investment decisions in the NSE?

iii) To what extent do political factors influence investments decisions in the NSE?

iv) How do company-related factors influence the dealers' and brokers' investment decisions in the NSE?

v) Do timing factors influence decision formulation prior investments in the NSE?

1.5 Significance of the Study

The findings of the study were expected to be useful to the following stakeholders:

i) Commercial entities in order to raise adequate capital and also achieve high returns. Commercial entities constituted institutional investors who owned 80% of the traded stocks at NSE.

ii) Investors to achieve high rate of returns through wise investment choices.

iii) NSE participants who included brokers, dealers, analysts so as to improve their forecasting techniques and be able to create more value to investors.

iv) Government for the purpose of streamlining policies, regulations and supervision. The government also played a big role in the stock exchange through issuance of bills, bonds and thus needed to understand these factors and their significance while floating government papers and shares of parastatals.

v) Academicians and researchers in forming a basis for further research studies and in the area of capital markets, market capitalization, security pricing and investment choices.

1.6 Scopes and Justification of the Study

It was important that the investors, dealers and stockbrokers understood the most significant factor(s) in order to make investment decisions or provide competitive advices to their clients. Also, it was important to analyze the major factor(s) that determined investment choices. Several studies had been done in relation to factors influencing investment choices and stock prices. Ayieye (2004) in his study identified a number of factors considered by individual investors in investing at the NSE. They included profitability, liquidity, risk, dividend, returns, monetary and physical policy, industry factors, diversification and management and staff. His study however was on individual investors. Mugo (2004) also identified the factors considered by individual investors while investing at NSE. It was noted that most investors whether institutional or individual invested through brokers or NSE dealers, thus the importance to determine what really influenced their investment decisions. Although brokers did not always make investment decisions, they were always in touch with the investors especially on advice regarding types and choice of investment. The focus of this study therefore was to determine the factors that NSE brokers and dealers considered before making investment decisions. No study had been carried out to determine the factors considered by brokers and dealers in making investment decisions.

1.7 Definition of Terms

Shares or Stock-A share is a term referred to the unit of ownership interest provided to the stockholder or owner of a company. The term is often used in connection with the number of units issued to an owner of Common Stock or Preferred Stock in a company.

Factors-An event, circumstance, influence, or element that plays a part in bringing about a result. They actively contribute to an accomplishment, result, or process

Investment-An investment is a vehicle into which funds can be placed with the expectation that it can generate positive returns. It is an economic activity that foregoes consumption today with an aim to increasing output in future.

Dealers- They are also referred to as investment banks. They are institutions that act as underwriters or agent for corporations and municipalities issuing securities. They also maintain operations, maintain markets for previously issued securities, and offer advisory services to investors. Investment banks also have a large role in facilitating mergers and acquisitions, private equity placements and corporate restructuring. Unlike traditional banks, investment banks do not accept deposits from and provide loans to individuals.

Investment Choices-An overview of the different types of investment choices available to the potential investor e.g. short and long term investments, stocks, bonds, and mutual funds

Brokers- A stockbroker is a person or firm, which acts as an agent for the investors at the NSE. They undertake the selling and buying of shares and other securities on behalf of the investors. They do not buy or sell shares on their own but on behalf of their clients. They are paid by way of commission.

CHAPTER 2: LITERATURE REVIEW

2.1 Studies on Capital Market Markets

Various experts and players in the market had identified several factors thought to be affecting the performance of capital market. Investors normally attempt to balance the objective of high return with their particular preference for low default risk and adequate liquidity (Jeff, 1995). New information about economic conditions and corporate performance affect the efficiency of capital markets. Some information has immediate impact on security prices because capital market participants take position in securities as soon as the information is released. For example, the values of debt securities such as bonds and mortgages can change significantly in response to interest rate movements. Thus financial institutions that consider buying or selling these securities closely monitor their values.

When interest rate rise, the price of existing bonds decreases because high interest rate of return reduces the present value (and therefore market price) of existing bonds. When, however, interest rate decreases, the required rate of return by investors also decreases and the present value of bonds increases.

Investors frequently forecast interest rates to determine how the required rate of return on bonds will change and therefore, how bond prices will change. Because participants in the bond markets react immediately to money supply announcements, bond prices adjust immediately after these announcements.

A meeting that was held in Nairobi by the officials of East Africa Capital Markets Authorities in 2002 identified low levels of domestic savings as one of the reasons responsible for the poor performance of regional capital markets. Security transactions cost was also mentioned as one for the factors affecting capital market performance. This cost result when financial institutions break down or unbundled a company's securities into any size desired by investors.

African capital markets are faced with numerous impediments. Some of these impediments have been listed as fluctuating exchange rate, risk volatility in share prices inadequate market structures including lack of proper regulation inefficient trading and settlement systems and insufficient and untimely information flow. In addition to these factors, the capital markets are also subject to restriction imposed by domestic securities regulators and other government policies (Nangaya 2002).

Coopers and Lybrand, the consultants who undertook a study that was commissioned in 1992 by Kenya's Capital Market Authority (CMA) to examine the market for new shares in the expectation that parastatals earmarked for privatization would be floated on the Nairobi Stock Exchange (NSE) listed lack of money, lack of interest in shares, and a belief that shares do not yield sufficient returns as some factors/reasons people stated for not wishing to buy shares in the next five years.

Most investors make a number of costly mistakes when investing on securities at a stock exchange just because they do not know what accurately determine(s) the prices of stock they want to buy or sell and what determine(s) the future returns of the stock sold. O'Neil (1995) notes that most investors` never get past the starting point because they do not use good selection criteria. They do not know what to look for in order to find a successful stock. He continues to say that first time speculators want to make a killing in the market. They want too much, too fast, without doing the necessary preparation or acquiring the essential methods and skill. They are looking for an easy way to make a quick buck without spending any time or effort really learning what they are doing.

Several studies have been done on capital market performance both locally and abroad. Samuels, Wilkes and Brayshaws in 1999 undertook to test the hourly effect. They found out that the first 45 minutes of trading on Monday produce negative returns, which on other days it's positive. According to laws of economics, negative returns are likely to occur when there is more sales/supply than demand and therefore lowering the selling price below buying price. A study by Gibbon and Hess (1982) dwelt on the day of the week effect. The researchers found out that there is a persistent negative result on Mondays. Muragu (1990) examined the weekly price movements at NSE. His focus was on the level of market efficiency in the stock. The study found that random walk hold for NSE, which according to him implies that there is no systematic pattern in weekly price. Opong (1980) and Beaver (1968) studied on the effect of dividend announcements on stock prices. They found the mean trading volume in the announcement week to be 33% larger than the mean volume during non-report period. Beaver concluded that his findings supported the contention that earning report posses' information content. The finding from Opong study indicates that the information continued in earnings announcements might be more important for small firms than for large ones.

According to UN study (1991) a weakness was found in the legal and regulatory framework for securities markets in the emerging markets. Responsibility for regulation and supervision of markets for securities, public companies and individual investors not defined, incentives for companies to go public are lacking requirement for information flows and disclosures are weak and ambiguous. And accounting and auditing standards remain inadequately specified. Mwobobia (2004) also carried a study to identify the factors that influence investment in various investment instruments at NSE as viewed by investment companies. She identified the factors as economic factors like return, risk, monetary and physical policies, company related, social factors like infrastructure, insecurity and geographical factors. However she did not determine the most significant of these factors established.

In 2004 a study was conducted on price volatility at the NSE (Kalui, 2004). He identified the following as major causes of price volatility at the NSE: dividends, leverage, growth in assets, size of the firm and risk. His sample was only firms listed at the NSE. Ayieye (2004) in his study identified the following as factors considered by individual investors in investing in stock at the NSE. They are; profitability, liquidity, risk, dividend, returns, monetary and physical policy, industry factors, diversification and management and staff. Onyango (2004) also researched on the response of price to earning announcement. In his findings, he concluded that prices respond positively to earning announcements. He found out that earning was a major factor in stock price determination since most investors used earnings as a measure of which company to invest in. Mokua E.M (2003) Studied on the weekend effect on stock price while Kamau (2003) studied on the January effect on the stock prices .All the studies were time engineered and desired to measure the time effect on stock prices.

2.2 Factors Determining Investment Choice

A number of factors have been suggested by many writers and scholars affecting the performance of capital markets, but the extent or intensity of each has never been tested.

First, a growing economy creates rising demand for goods and service, which translates into rising demands for short-term capital sourced from the capital market. Rose (1983). Risk has been mentioned as one of the determinants. Investors differs with respect to default risk they are willing to incur, the desired liquidity of securities and their tax status making some type of securities preferable to some investors but not to others. For example securities that are not as safe and liquid as desired might still be considered if the potential return is sufficiently high. Inventors normally attempt to balance the objective of high return with their particular preference follow default risk and adequate liquidity, Jeff (1995).

Secondly, economic changes, withdrawal of donor funds, declining value of shilling—have caused a risk in domestic debt, with the government offering even higher returns on its debt; – the sum effect has been the crowding out of private investment from the market as investors rush for windfall gain (analyst, May 1999).

Further, Jeff (1995) notes that the value of debt securities such as bonds and mortgages can change significantly in response to interest rate movements. When interest rise the prices of existing bonds decreases because higher interest rate of return reduces the present value (and therefore market price) of existing bonds. When interest rates decreases, the required rate of return by the investors' decreases and the present value of bond increase. Investors' decreases and the present value of bonds increase.

Investors frequently forecast interest rates in order to determine how the required rate of return on bonds will change and thus change in bond prices. In 1998, the switch to higher yielding government securities, coupled with a turn toward investing in treasury bills because of rising interest rates brought the market down at the close of the second quarter. Volume and turnover for June dramatically increased as a result of the then finance minister's announcement of a new deficit-financed budget (IFC 1999).

Fourthly, the former Nairobi Stock Exchange chairman also notes that the poor performance in the market is due to regulations which bar foreign participation leaving an arguable massive float. The foreign ownership restriction of holding only up to 20% was increased to 40% in 1995 a figure that is still seen a slow for substantial involvement of foreign investors (analyst1999). The local ownership was however reduced to 25% in 2002. According to the World Bank report (1990), taxes reduce aggregate savings or raise aggregate investment tend to raise a country's net financing need and hence increase net capital flows. First taxes may affect capital flows in three basic ways. First taxes affect aggregate savings and investment in country and hence have an impact on net flow of capital into or out of the country. Second taxes influence portfolio composition – including the form in which the individuals hold their wealth mix of assets held and liabilities incurred by financial intermediaries, and the manner in which the firms finance their investment; these decisions have implications for the gross flow of capital among various countries.

Fifthly, taxes affect the location of trading activity in particular financial assets and hence gross flow by providing an incentive for trading to take place in lower taxes jurisdiction. This effect of taxes on capital flow will eventually affect capital performance (World Bank 1990).

Sixth, the political activity in the country is also a major factor influences the capital market performance. After 2002 elections the activity of the NSE in terms of the volume of shares traded increased. Because of political goodwill after election, investors, had confidence in the new government thus the increase in the volume of shares traded. In 1991 the volume was 16.60 Million and in 1992 it fell down to 14.8 million and again went up in 1993 to 27.30 million. During the year 1997 a year prior to the second multi-party election, the volume was 125.44 million and in 1998 it increased to 177.4 million and again went up in 1999 to 136.2 Million before falling to 136.6 in 2000 and 2001.This reflects uncertainties caused by elections due in 2002. After elections in 2002 the volume traded rose to 173.2 Million. The fluctuations/movements are linked to the political climate at a particular point in time (NSE Annual report 2002).

Finally, Jeff (1995) points out that the performance of stock can be affected by time periods. He asserts that stock have performed better in specific time period, for instance small stock have performed unusually well in the month of January (known as January effect) the January seasons extend to April because of profit declarations by listed companies. Stocks have also historically, high performance on trading days just before a holiday (Holiday effect) to the extent that if a given pattern continues it can be used by investors to earn abnormal returns thus market inefficiency. There is no evidence that such pattern persist once they are recognized by the investment participants.

2.3 Conceptual Framework

Stockbrokers and NSE dealers make investment choices for and on behalf of investors, however investors too make investment choices/decisions but they cannot directly participate in the NSE.

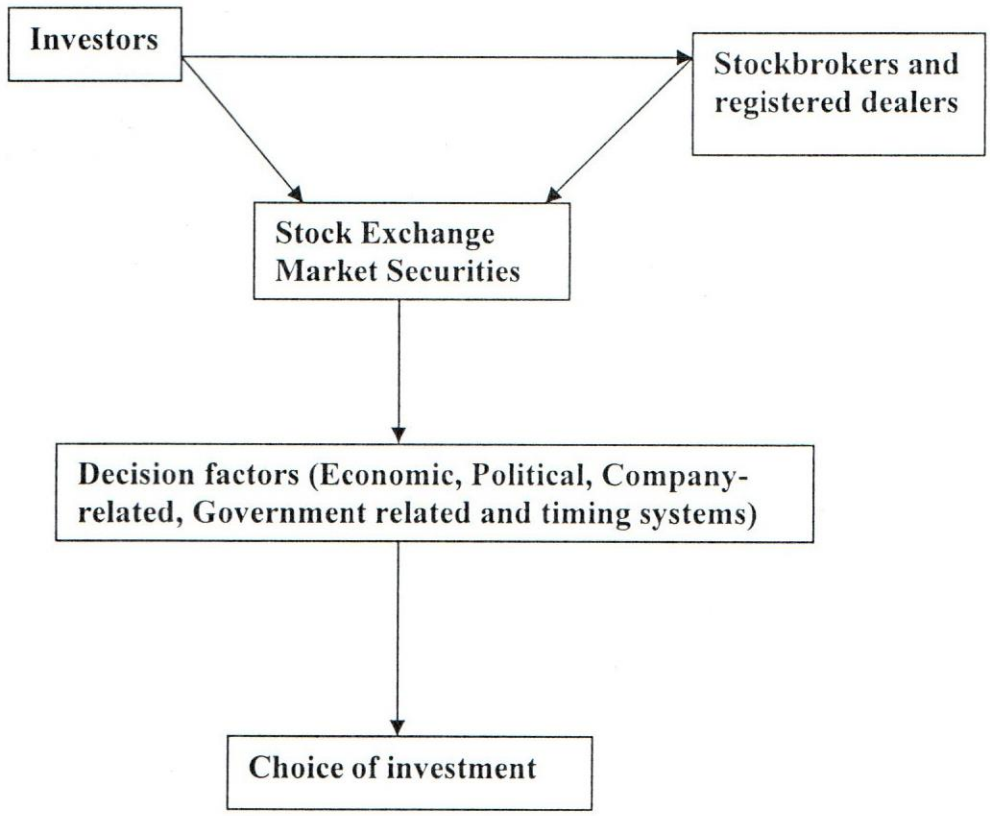


Fig: Conceptual Framework of the Study

Source: Own

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

The researcher used census study as the strategy or design for the study since the entire population was used to collect the data. The research was a case study since the researcher obtained in-depth understanding of these factors that influence dealers and stock broker's choice of investment.

3.2 Population of the Study

The population of the study consisted ten (10) stockbrokers and eleven (11) stock dealers at the NSE. Most investors though can make investment choice, leave decision making to stockbrokers and dealers thus their importance in the capital markets was paramount. These NSE participants were helpful in this study because they were actively involved in the day to day buying and selling of stock at the NSE. All brokers and dealers were considered for the purpose of this study.

Licensed Stockbrokers

NSE has 10 licensed brokers who were all included in the study. The licensed stockbrokers were sourced from CMA because it is the licensing body. Since stockbrokers are market professionals who buy and sell securities for or on behalf of clients at a Stock Exchange the researcher believed that they had sufficient information on how best to trade profitably and were therefore in a better position of knowing the factors that affected investment in stock exchange. Stockbrokers spend a lot of time analyzing these factors because they directly affect their business and by extension the performance of the stock exchange.

NSE Registered Dealers

NSE has eleven (11) registered dealers who are also referred to as investment banks and all of them formed the respondents' scope. The research recognized their crucial part in day-to-day participation at the NSE.

3.3 Data Collection Method

Necessary data for the study was both primary and secondary. Secondary data was obtained from the NSE, CMA, Libraries and the Internet. The primary data were collected by use of semi-structured questionnaires. Both open-ended and closed-ended questions were used. The open-ended questions aimed at collecting qualitative data and any major factor that were not covered in the questionnaire and more so encouraging interviewees or respondents to provide as much information as possible. The closed-ended questions were used to collect specific information desired. The questionnaire included a Likert scale that represented a set of preference statements with respondents being asked to express agreement or disagreement to the factors listed. . The Likert scale is commonly used for attitudinal measurements thus its favorability for this study. This scale measured attitudes and preferences by use of a five-point scale ranging from most significant to least significant factor.

The questionnaires were pre-tested before distributed to the respondents. A pilot survey was done to ensure the questionnaire was free from ambiguity and negative statements. The questionnaires were serialized to distinction since each group had different perceptions. Because of limited available time the administrator did not always avail himself when the questionnaires were being filled. They were given to the respondents and collected or sent by the respondents after completion.

3.4 Data Analysis Techniques

Since the research used the Likert scale to measure the degree to which people agreed or disagreed with the questions, the data collected were mainly ordinal and presented in tables. For all the factors, the mean score and standard deviation were calculated.

The factors were ranked in terms of significance. Significance was based on the mean score with the highest score variable being ranked high influential, while the standard deviations measured the varied degrees of response variability. T- Test was used to test the significance of the factors.

CHAPTER 4: DATA ANALYSIS AND FINDINGS

This chapter presents analysis of the data collected and discusses the findings of the study. It is divided into two sections: The first section provides the overview of the data collected and analyzed while the other discusses the findings from the categories of determinants or factors considered by stock brokers and investment dealers prior to making decisions on investing in securities. The outlined categories included economic factors, company specific factors, government policy related factors, political and timing factors.

4.1 Demographic Information

4.1.1 Response Rate

Out of the twenty one (21) questionnaires that were distributed to all study units (ten (10) to stock brokers and eleven (11) to registered dealer/ investment banks), sixteen (16) were successfully completed and returned, eight (8) from stock brokers and nine (9) from registered dealers/investment banks. Aggregately, these represented a response rate of 81%. The table below shows response rates from each cluster in the target population:

Table 4.1.1: Response Rate

Respondent Cluster	Questionnaires Distributed	Questionnaires Completed and Returned	Response Rate
Stock Brokers	10	8	80%
Registered Dealers/ Investment Banks	11	9	81.8%
Aggregates	21	17	81%

Source: Research Data

Despite several visits by the researcher, a total of five target units ultimately failed to return their responses. However, this did not compromise the research findings' reliability given that a more than 80% aggregate response was achieved. Bell (1990) argues that in a survey, at least a third of the entire target population is adequate for a reliable analysis. Moreover, the derived balance from the two clusters, 80% from stockbrokers and 81% from registered dealers/investment banks, reflected a non-skewed analysis whose findings would be validly generalized.

4.1.2 Firms' Operational Life-Length in NSE

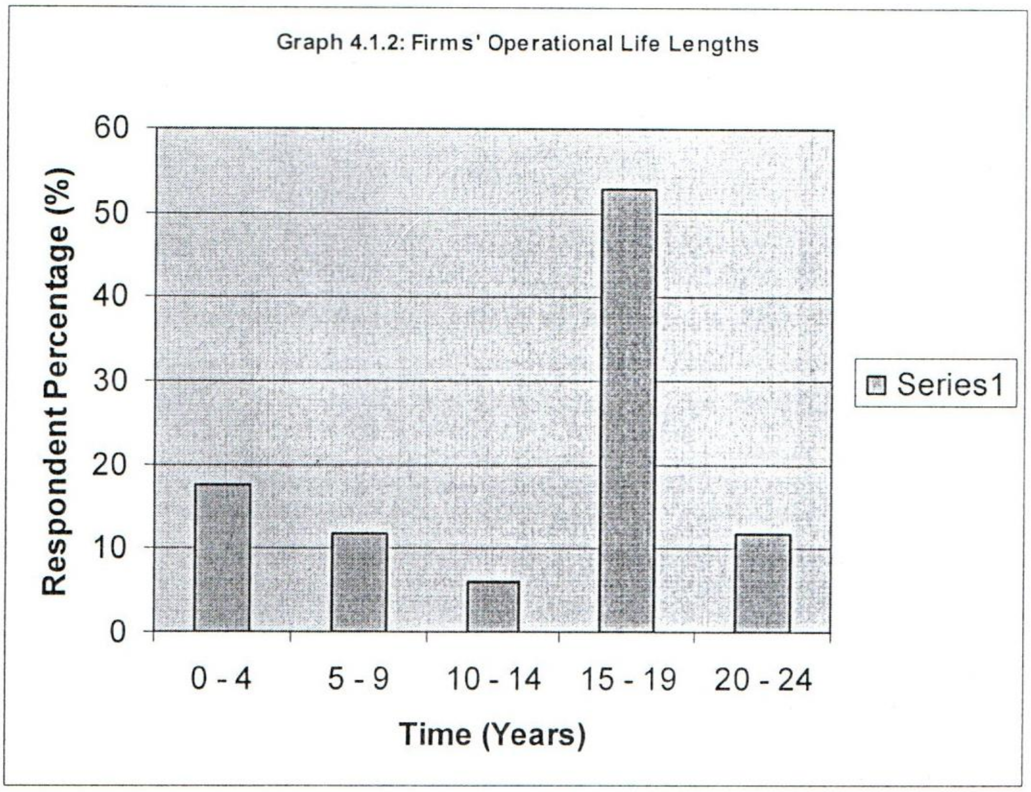
Incorporation of historical evidence is quite vital whilst investigating issues involving trends and forecast. This research study's intent indicated to assessing key variables, which the two intermediaries consistently considered before committing clients' investment capital.

Thus, there was need to establish the time-length within which the firms had been in the operations such that a true trend would be implied. The table and graph below show the varied operational time –lengths of the intermediaries in the market:

Table 4.1.2: Firms' Operational Life-Length in NSE

Time length in years	Frequency	Percentage
0 – 4	3	17.6
5 – 9	2	11.8
10 – 14	1	5.9
15 – 19	9	52.9
20 - 24	2	11.8
Total	17	100

Source: Research Data



Source: Research Data

Out of the total number of respondents, 17.6% had been in operation for a period between 0 – 4 years, 11.8% between 5 – 9 years, 5.9% between 10 – 14 years, 52.9% between 15 – 19 years and 11.8 between 20 – 24 years. Thus, the modal time category was between 15 and 19 years, and a total 70.6% of firms had served the market for a period not below ten (10) years. This was quite encouraging, as the researcher remained assured to accessing information from experienced informants.

4.2 Factors Influencing investment decisions

4.2.1 Economic Factors

The performance of any capital market is somewhat affected by the state of the economy. Important economic factors to the performance of capital markets involve overall security risks, level of returns, investment profitability, dividends scale, company liquidity and prevailing interest rates. When these factors are favourable, the capital markets perform better. Whilst deciding to invest in capital markets, these factors - among others- must be taken into account. The extent to which the factors were significant to Nairobi stockbrokers and investment banks in making investment decisions were found as indicated below:

Table 4.2.1: Economic Factors Affecting Investment Decisions

Economic Factors	Mean Scores	Standard Deviations
Risk	4.19	1.30
Returns	4.78	1.12
Profitability	4.62	0.93
Dividends	3.97	0.91
Liquidity	4.24	1.18

Interest Rates	3.83	0.82
Economic factors average	4.27	1.04

Source: Research Data

To a large extent, risk (4.19), returns (4.78), profitability (4.62), and liquidity (4.24) were regarded by the stockbrokers and investment banks prior purchasing securities from quoted companies in the Nairobi Stock Exchange. Dividends scale (3.97) and interest rates (3.83) were considered but in a relatively moderate extent. In the higher extreme, minimal variability was recorded in the profitability factor (0.93), followed by returns (1.12), liquidity (1.18) and risk (1.30). Similarly, in the moderate extreme, interest rates (0.82) recorded high preference by those who considered it while dividends (0.91) had relatively greater response variability. Thus, in order of preference, profitability, returns, risk and liquidity were the highly preferred economic variables to be considered before ultimate security-investment.

4.2.2 Company Related Factors Influencing Investment Decisions

Company-specific or internal factors also contribute significantly to the ultimate investment choice in the stock market. Some of the variables under this realm include industry type, staff and management, ownership and control, technology, innovation, level of competition and stage of growth. Respondents were asked to rank all these factors in the quest of estimating the investment agents' preferences. The summaries are given in the table below:

Table 4.2.2: Company Related Factors Influencing Investment Choice

Company related factors	Mean score	Standard deviation
Industry type	3.46	0.84
Staff and management	3.67	0.91
Ownership and control	2.41	0.81
Technology	4.21	0.94
Competition level	4.11	1.07
Innovation	3.78	0.77
Stage of growth	4.31	0.65
Company factors average	3.7	0.86

Source: Research Data

As shown in the table, level of technology employed (4.21), company competition status (4.11) and company stage of growth (4.31) were on the higher extreme investigated before investment choices were made. Other factors including industry type where companies fell (3.46), staff and managements (3.67), and innovation (3.78) were to a moderate extent considered. Ownership and control was placed at the lower extreme. In the higher category, stage of growth recorded the lowest standard deviation (0.65), implying that most respondents concurred with its utility more than any other factors. This was closely followed by technology (0.94) and finally competition level with 1.07 standard deviation. The moderate extreme had its minimal disparity on innovation (0.77), followed by industry type (0.84) and staff and management (0.91). At the lowest extreme, ownership and control's extent of variability was recorded at 0.81.

Thus, stage of growth, technology and competition level topped the list of important company-specific factors that stockbrokers and investment banks evaluated before designing investment choice in company securities.

4.2.3 Government Policy and Social Factors that Affect Investment Decisions

Government policies play a major role in the conduct of any business. They outline the rules and regulations governing the business environment. This means that the government policies provide enabling environment for business. Poor and harsh environment policies will therefore have negative effect on the performance of the business. A survey of the major government policy related factors affecting investment choice in Kenya was carried out and the results were presented as shown below:

Table 4.2.3: Government Policy and Social Factors that Affect Investment Decisions

Government Policy and Social Factors	Mean score	Std Deviation
Monetary policy	4.21	0.61
Inflation	3.39	1.27
Taxation	3.97	1.05
Insecurity	3.98	1.32
Infrastructure	2.91	0.94
Governance and corruption	3.11	1.09
Government factors average	3.6	1.05

Source: Research Data

From the government policy-related and social factors tested, the intermediaries essentially considered monetary policy (4.21) to a higher extent, and with minimal response disparity. The findings also indicated that inflation (3.39), taxation (3.97), insecurity (3.98), and governance and corruption (3.11) were regarded, but to a moderate extent. The least influential factor was found to be infrastructure at 2.91 mean score, but with a relatively lower variability (0.94). In the moderately considered category, all the factors recorded more-than-one variability indices, implying that most respondents hardly gave them common preferences. Thus, monetary policy was the most significant government-induced factor that stock brokers and registered dealers/investment banks first preferred analyzing before risking clients' values in the Nairobi Stock Exchange market.

4.2.4 Political Factors

Since mid 20th century, politics has proved to be a major factor influencing the performance of business. Indeed it is increasingly becoming a major factor in the investment environment. For instance, political instability erodes investor confidence and reduces the level of business activity. Quite often print and electronic media report performance changes in capital markets when there is a change in political situations. Depending on the reactions of the investors, the change can either be positive or negative. It is positive if the investor perceives the changes as pro-business and negative if the changes are perceived to be anti-business. It is due to the sensitivity of politics to business that the researcher tested the effects of various political factors on the investment decisions of market securities in the Nairobi Stock Exchange.

Table 4.2.4: Political Factors influencing investment decisions

Political factors	Mean score	Standard deviation
Political violence	4.45	0.25
Expropriation	4.13	1.12
Breach of contract	4.36	0.96
Official corruption	3.09	1.06
Unpredictable change of government	4.21	0.83
Currency convertibility	3.14	0.94
Political factors average	3.89	0.86

Source: Research Data

Within the political spheres, violence that emanates from political activities (4.45), expropriation (4.13), breach of contract (4.36) and unpredictable change of government (4.21) were voted highly as fundamental bases in decision-making whilst investing in the capital market. To a moderate extent, official corruption (3.09) and currency convertibility (3.14) were considered. Most respondents almost commonly implied that political violence was the most important factor, with a remote 0.25 standard deviation. It was followed by distant 'unpredictable change of government' at 0.83, breach of contract at 0.96 and expropriation at 1.12. In the moderate extreme, currency convertibility (0.94) attracted a relatively concentrated response, while official corruption (1.06) responses spread widely.

4.2.5 Time Factors

The returns on shares vary according to various timing effects. The time the management takes to react to particular information, the time of trading in the stock exchange or even the production of the products when the market is favourable are very crucial to the overall performance of a company, not only in the product market but also in the capital market. It was for this reason that the researcher investigated the effect of time in investment decisions. Respondents were generally asked if time factors contributed to the nature of their decisions of investing in company securities. The broad time category scored a mean score of 4.37 and a standard deviation of 0.59. This implied that time factors were, to a large extent, assessed before investment decisions were finalized. This was confirmed by the close variability (0.59) that was recorded from the respondents.

CHAPTER 5: SUMMARY OF FINDINGS, CONCLUSIONS, RECOMMENDATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

This chapter summarizes the findings as well as the conclusions gathered from the analysis of data. Findings have been summarized alongside the objectives of the study, conclusions have been drawn from the study and the recommendations are given.

5.1 Summary of Findings

The objective of this study was to analyze the factors that affect investment decisions in the securities of quoted companies at the Nairobi Stock Exchange and establishing the most significant factors together with their preferences. In the quest of achieving this objective, the factors were first listed from the existing literature and informants were asked to select the ones that they preferred on a Likert scale. The respondents consisted stockbrokers and registered dealers/investment banks at the Nairobi Stock Exchange.

The findings of the study indicated that the stock market's main intermediaries considered all variables investigated, but at varied preferences. Among the economic factors identified and analyzed can be listed in their extent of preference as follows; returns (4.78), profitability (4.62), liquidity (4.24), securities' risk (4.19), dividends (3.97) and interest rates (3.83).

In the company-specific or internal environment, most respondents indicated that stage of company growth (4.31), levels of technology (4.21) and competition level (4.11) were the most important determinants in deriving security-investment decisions.

Innovation (3.78), staff and management (3.67), and industry type (3.46) were also assessed but at a moderate extent. Company ownership and control (2.41) was rated the least important in the whole category.

Regarding the government related and social factors, monetary policy scored highly (4.21). The other variables regarded as moderately important included insecurity (3.98), taxation (3.97), inflation (3.39), and corruption (3.11), while infrastructure (2.91) was placed least important.

Within the political category, political violence (4.45), breach of contract (4.36), unpredictable change of government guards (4.21) and expropriation (nationalizing equity in arbitrary manner) (4.21) were found to be most influential. Others, such as currency convertibility (3.14) and official corruption (3.09), moderately influenced investments choice from the respondents' view.

Finally, though no particular timing variables were highlighted, it was generally noted that timing of trading significantly affected investment decision-making. In the mart, high volumes would be experienced on certain days, time of the day and in particular months.

5.2 Conclusions

Investments in the Nairobi Stock Exchange securities were hardly done without keen considerations on key choice determinant variables. Both stockbrokers and registered dealers/investment banks gave different preferences on different factors involving economic, political, company related, time, and government related and social dimensions. Within the economic domain, security risks, returns, profitability and company liquidity were identified the most influential factors. On the same basis, company-related realm bore companies' competitive status, technology and stage of growth as the key factors usually put under considerations. Politics also played a crucial role arguably and mainly through political violence, expropriation, breach of contracts and unpredictable change of governments. Finally, other than timing, which also contributed significantly in investment decision formation, government-related and social factors, and mainly monetary policy, put stock intermediaries on constant checks before making security-investment decisions.

In general time factor (4.37), economic factors (4.27) and political factors (3.89) were considered most significant factors in investment decision making while government policy and social factors (3.6) and company specific factors (3.7) were least influential in investment decision making.

To test the significance of the difference between the average means of each factor, the researcher used T-Test. The T-Test for economic factors (mean 4.27, Standard deviation 1.04) and company related (mean 3.7, Standard deviation 0.86) gave a single sided probability that the two variances are equal thus the two factors are equally significant (ftest 0.20749, difference between means 0.57 and a t-value of difference of 1.889). The T-Test for economic factors (mean 4.27, Standard deviation 1.04) and government policy related (mean 3.6, Standard deviation 1.05) gave a single sided probability that the two variances are equal thus the two factors are equally significant (ftest 0.48358, difference between means 0.67 and a t-value of difference of 2.027). The T-Test for economic factors (mean 4.27, Standard deviation 1.04) and political factors(mean 3.89, Standard deviation 0.86) gave a single sided probability that the two variances are equal thus the two factors are equally significant (ftest 0.20749, difference between means 0.38 and a t-value of difference of 1.259). The T-Test for economic factors (mean 4.27, Standard deviation 1.04) and time factors(mean 4.37, Standard deviation 0.59) gave a single sided probability that the two variances are equal thus the two factors are equally significant (ftest 0.00869, difference between means =0.1 and a t-value of difference of -0.374).

In conclusion therefore, all factors are equally significant in influencing NSE dealers and brokers' choice of investment.

5.3 Recommendations

The government plays a vital role in the operations of the capital market. It does so through formulation and implementation of monetary and fiscal policies, taxation policies, provision of adequate market structures, and timely release and continuous flow of information. From the findings, it was clear that some of these factors significantly affected investments in the Stock market. Hence, the government should foster investment growth through incorporation of rationality whilst playing part in the market: it should rationalize both corporate and personal taxes to encourage investments, provide adequate market support structures in boosting the general economy and individual investors, and facilitate timely flow of important information to enable individual investors; intermediaries and companies make informed decisions. Any business activity thrives well in an atmosphere of peace. Therefore, political instability and violence play a major role in the development and performance of a capital market. This was possibly why it was indicated one of the most important political factors that stock intermediaries regarded prior to making investments decisions. Thus, relevant authorities should put in place measures to ensure that political turmoil is consistently contained and transitions done amicably.

Companies whose shares are traded in the stock exchange should establish a workable linkage system with stock intermediaries where information is deliberately disseminated to avoid unnecessary speculations, which may put both the companies and investors at stake.

Finally, since stock brokers and registered dealers/investment banks are market professionals who act on behalf of an investor in a stock exchange, they should consistently engage their interests in establishing truism beyond only superficial trends, which are directly obtained from the quoted companies themselves. They need to apply their intelligence and expand their investigative mechanisms to an extent that investors' values are not put into stake.

5.4 Limitations of the Study

While reading the findings of this study, some limitations have to be taken into account. Firstly, the research findings might change if the research is conducted at another time or period. This is because the researcher felt that the respondents might have preference on other factors depending on the season or period.

Secondly, some of the information sought was regarded as highly sensitive and internal, thus inhibiting free disclosure, but not to an extent of invalidating the research's findings.

Thirdly, there were bureaucratic procedures set out by the firms, which had to be complied before questionnaires were completed and returned. Some of the procedures were too tedious that facilitated a less-than-census analysis.

Lastly, some of the stockbrokers and investment banks that were contacted looked suspicious on the motive of the study and were not very keen in providing the required information.

5.5 Suggested Areas for Further Research

This study only focused on the major factors that stock intermediaries (stockbrokers and registered dealers/investment banks) considered when making investment decisions in the quoted companies' securities in the Nairobi Stock Exchange market. These factors may be interrelated such that one causes or is caused by another. Thus, setting out the interrelationship between the factors could be one of the significant areas for further research.

Also, only stockbrokers and registered dealers/investment banks were considered as informants. Thus, they only gave views concerning their own operations and perceptions. Other players such as the government (Regulator), NSE (Facilitator) and marginal advisors were left out. Since their dimensions are also of great contribution to a deeper understanding of the whole market system, need is there for conducting analyses on variables which they value when investing, advising and regulating investment operations.

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APPENDIX 1

LETTER TO THE RESPONDENTS

Dear sir/Madam,

RE: RESEARCH QUESTIONNAIRE

I am a student at Egerton University currently undertaking a research on ***analysis of the of the factors that influence investment choice at the NSE-A case study of stock NSE brokers and dealers in*** fulfillment of the requirements of MBA course.

I am hereby requesting for your assistance by filling the attached questionnaire .The information provided will be used solely for the academic purpose of this study and at no instance whatsoever will the respondent's name or company be named in the report.
All information will be treated with utmost confidence.

Yours faithfully,

JAMES GICHANA DIXON

STUDENT

APPENDIX 2

QUESTIONNAIRE

Part 1: General Information

1. Company Name...(Optional).

2. Type of Company Investment Bank/Dealer [ ] stock broker [ ]

3. Company registration date________________________________

Part II: Factor Rating

How could you rate the following factors in terms of significance when making a decision to invest in stock at the Nairobi stock Exchange?

Please use the key below when answering this Question above by ticking appropriate box

5. Most significant 4. Significant 3. Fairly Significant 2.Less significant
1. Not significant

	5	4	3	2	1
A) Economic factors					
i) Risk	( )	( )	( )	( )	( )
ii) Return	( )	( )	( )	( )	( )

iii) Profitability	( )	( )	( )	( )	( )
iv) Dividend	( )	( )	( )	( )	( )
v) Liquidity	( )	( )	( )	( )	( )
vi) Interest rate	( )	( )	( )	( )	( )

B) **Company related factors**

i) Industry	( )	( )	( )	( )	( )
ii) Staff and management	( )	( )	( )	( )	( )
iii) Ownership and control	( )	( )	( )	( )	( )
iv) Technology	( )	( )	( )	( )	( )
v) Competition	( )	( )	( )	( )	( )
vi) Innovation	( )	( )	( )	( )	( )
vii) Stage of growth	( )	( )	( )	( )	( )

C) Government policy and social factors

i) Monetary policy	( )	( )	( )	( )	( )
ii) Inflation	( )	( )	( )	( )	( )
iii) Taxation	( )	( )	( )	( )	( )
iv) Insecurity	( )	( )	( )	( )	( )
v) Infrastructure	( )	( )	( )	( )	( )
v) Governance and corruption	( )	( )	( )	( )	( )

D) **Political factors**

i) Political violence	( )	( )	( )	( )	( )
ii) Expropriation	( )	( )	( )	( )	( )
iii) Breach of contract	( )	( )	( )	( )	( )
iv) Official corruption	( )	( )	( )	( )	( )

v) Unpredictable change of government	( )	( )	( )	( )	( )
v) Currency convertibility	( )	( )	( )	( )	( )
E) **Time factors**	( )	( )	( )	( )	( )

F) **Any other factor not listed (please specify)**

……………………	( )	( )	( )	( )	( )
……………………	( )	( )	( )	( )	( )
……………………	( )	( )	( )	( )	( )
……………………	( )	( )	( )	( )	( )

Thank you for your co-operation.

APPENDIX III

LIST OF NSE REGISTERED STOCK BROKERS

1. Ashbhu Securities Ltd
2. Crossfields securities Ltd
3. Discount Securities Ltd
4. Faida Securities Ltd
5. Francis Thuo and Partners Ltd
6. Ngenye Kariuki and Company Ltd
7. Nyaga Stockbrokers Ltd
8. Reliable securities
9. Solid investment securities Ltd
10. Sterling securities ltd

APPENDIX IV

LIST OF NSE REGISTERED DEALERS/INVESTMENT BANKS

1. Dyer and Blair Investment Bank Ltd
2. Francis Drummond and Company Ltd
3. First Africa East Africa Ltd
4. Kestrel Capital (EA) Ltd
5. CBA Capital Ltd
6. CFC Financial Services Ltd
7. Suntra Investment Bank ltd
8. Standard Investment Bank Ltd
9. Apex Africa Investment Bank Ltd
10. African Alliance Kenya Ltd
11. Barclays Financial Services Ltd