FINANCIAL DECISIONS AND PROFITABILITY OF LARGE-SCALE RETAIL SUPERMARKETS IN KENYA

MULEMBA MUSYOKA

A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE IN THE SCHOOL OF BUSINESS AND ECONOMICS IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR AWARD OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (FINANCE) OF KAIMOSI FRIENDS UNIVERSITY

2022

DECLARATION

This thesis is my original work and has not been presented for a degree at any other university.

Signature: _____ Date:_____

DGS/MBA/G/0023/2020

This thesis has been submitted for examination with our approval as University Supervisors

Signature: _____ Date:_____

Dr. Atieno Margaret, Ph.D

Kaimosi Friends University, Kenya

Signature: _____ Date:_____

Dr. Denis Ouma, Ph.D

Kaimosi Friends University, Kenya

.

DEDICATION

This thesis is dedicated to my devoted mum, Mrs. Agnes Musyoka, for her prayers and encouragement; to Irene Nyaigedia Onkware, who helped me during the process and; to my brother Kamau Musyoka for supporting me throughout my studies leading to this milestone.

ACKNOWLEDGEMENT

Tremendous gratitude is directed to God for life, guidance and for keeping me safe while I conducted this study. To my supervisors, Dr. Atieno Margaret and Dr. Ouma Denis, I appreciate your assistance, guidance, encouragement, and expertise that have significantly boosted my research abilities. I also thank Kaimosi Friends University for the scholarship to undertake a master's degree.

ABSTRACT

Financial decisions ensure that supermarket managers invest in viable projects, stipulate optimum capital structure and adequately compensate shareholders. Poor financial performance has plagued large-scale retailers for the past 20 years, forcing some of their outlets to close. This study aimed to assess the effect of financial decisions on the profitability of large-scale retail supermarkets in Kenya. The specific objectives of the study were: to establish the effects of capital structure decisions on the profitability of large-scale retail supermarkets in Kenya; to evaluate the effects of investment decisions on the profitability of large-scale retail stores in Kenya, and; to examine the effects of dividend decisions on the profitability of large-scale retail stores in Kenya. The portfolio, pecking order, and agency theories gave the study direction. The study was founded on positivism where the cross-sectional research design was used. All the large-scale retail supermarkets were used in the study. Data was collected from audited financial statements. Panel Data was analyzed using descriptive and inferential statistics. Descriptive statistics comprised mean minimum, maximum, and standard deviation. Inferential statistics consisted of correlation analysis and random effects model. In order to guarantee that the assumptions of linear regression were not violated, the study performed a number of diagnostic tests. The study's diagnostic findings demonstrated that the assumptions of linear regression were upheld, making them appropriate for analysis. The results established that capital structure decisions negatively and statistically significantly affect profitability. This is supported by a regression coefficient of -0.6837 and a P-value of 0.000. A positive and statistically significant effect exists between investment decisions and profitability. This is backed up by a regression coefficient of 0.3930 and a p-value of 0.008. Finally, it was observed that dividend decisions positively and significantly affect profitability. The finding was based on a regression coefficient of 0.4180 and a p-value of 0.016. The study concluded that financial decisions significantly affect the profitability of large-scale retail supermarkets in Kenya. The study suggested that management should balance debt and equity funding for firms. It also recommends implementing viable investment decisions based on customer preferences, expert directions, market forces, and business elements. Finally, the management needs to formulate ideal dividend policies that compensate shareholders properly while ploughing back enough profits for future investments.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

CSD	Capital Structure Decisions
DD	Dividend Decisions
DER	Debt Equity Ratio
DPR	Dividend Payout Ratio
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ID	Investment Decisions
JSE	Johannesburg Stock Exchange
KIPPRA	Kenya Institute of Public Policy Research and Analysis
KNBS	Kenya National Bureau of Statistics
NACOSTI	National Commission for Science, Technology, and Innovation
NPM	Net Profit Margin
NSE	Nairobi Stock Exchange
ROA	Return on Asset
ROE	Return on Equity
ROI	Return on Investment
SPSS	Statistical Package for the Social Sciences
WCM	Working Capital Management

OPERATIONAL DEFINITION OF TERMS

Capital Structure Decisions	This relates to acquiring optimum finance to cater to the firm's financial needs and ensure that fixed and working capital are appropriately managed (Muthoni, 2019).
Dividend Decisions	This determines how much and frequently cash can be paid out of an organization's profits as income for its owners and the amount to be retained to support the organization's growth (Kanakriyah, 2020).
Financial Decisions	This is the function of accumulating financial resources investing them in viable projects, and distributing the earned profits to the shareholders (Njenga & Jagongo, 2019).
Investment Decisions	This relates to the determination of the total amount of assets to be held in the firm, the composition of these assets, and the business risk complexions of the firm as perceived by its investors (Mweresa & Muturi, 2018).
Large-Scale Supermarket	Refers to a self-service retail store with an annual turnover of more than 0.5 billion and having five or more branches in major cities and towns (Gains Report, 2015).
Optimum Capital Structure	This is the best mix of debt and equity financing that optimizes a company's market value while lowering its cost of capital (Ruri, 2017).

Profitability	This is a result or achievement influenced by the company's operational activities in a certain period (Hirsch, Lanter, & Finger, 2020).
Retained Earnings	This is part of the company's earnings held and saved to reinvest in the future (Lokwang, Gichure, & Otaki, 2018).

CHAPTER 1

INTRODUCTION

1.1. Background of the Study

Financial decisions explore sources of funds, application of those funds into investment ventures, working capital management, and dividend payout policies of an organization. These are critical and beneficial decisions for the company's financial stability. These financial decisions have an impact on the financial performance of every firm. The three most important financial decisions are capital structure, investment, and dividend decisions. Capital structure decisions determine the capital structure mix of the firm, investment decisions deal with a long firm investment, and dividend policy determines how much to pay out from earnings to the firm's owners (Al-Slehat, 2020).

Supermarkets are self-service retail establishments that sell a variety of foods, drinks, and household goods. It's one of the shaky Kenyan industries that employ many Kenyans. Recently, supermarkets have been experiencing poor financial performance due to low profitability, insufficient liquidity, and inadequate capital resulting in the closure of several branches of giant supermarkets. Financial decisions made by managers are one of the reasons that have contributed to these dismal results (Mwangi & Muturi, 2018).

Poor financial planning, limited access to finances, inadequate capital, unanticipated growth and expansion, low strategic and financial estimates, and excessive investment in a fixed asset are the most common causes of supermarket industry failure. Many of these obstacles can be solved with the help of

supermarket-created and implemented financial strategies. Financial decisions are evaluated using three approaches: capital structure decisions, investment decisions, and dividend decisions (KIPPRA, 2020).

1.1.1. Global Perspective Financial Decisions and Profitability

In Jordan, a report indicated that a firm's improved profitability is determined by administrative decisions made within the organization and demonstrated by managers' ability to run a corporation and maximize shareholder wealth. These decisions are designed to maximize earnings and minimize costs in the economy's public and private sectors. The report also observed that too little or too much debt reduces firms' profitability. It suggested that firms can improve their performance by adopting a more sophisticated financial strategy (Al-Slehat, 2020).

In India, it was determined that managers make financing decisions to get funds from shareholders or debt. After receiving the funds, the management will invest them in the company. Capital structure, dividend, and investment decisions are interrelated since they define how much funds should be contributed to financing the investment. Shareholders expect returns on their investments in the future. As a result, managers should make financial decisions that will maximize the shareholders' wealth (Matiin, Ratnawat, & Riyand, 2018).

In Turkey, a report implied that though the Turkish retail industry was one of the most profitable sectors for investors, it was also majorly affected by the international and domestic economic-financial crisis. Excessive investment in liquidity, online shopping, and poor financial decisions made by managers were some of the factors affecting the industry's performance. Managers are required to

manage working capital in order to achieve good performance (Demirgunes, 2016).

1.1.2. Financial Decisions and Profitability Regionally

In Nigeria, it was discovered that any company's survival hinges on its ability to make sound financial judgements. Investment, funding, and dividend decisions are interconnected and affect the organization's performance. Improved financial performance is determined by the manager's ability to allocate funds and mix financial components of the company appropriately. Financing decisions relate to the arrangement of capital from various sources to meet long-term investments for the company. Therefore, companies should employ more long-term debts since short-term debts negatively affect profitability (Idewele & Odion, 2017).

In Tanzania, it was found that supermarkets were experiencing problems of insolvency and poor performance due to liquidity management problems. Financial decisions made by managers of the supermarkets concerning working capital were blamed for the poor economic performance of retail stores in Arusha. Managers of supermarkets should develop proper working capital management practices to achieve the intended financial performance (Mtani & Masanja, 2018).

In South Africa, it was discovered that the firm's financial performance is a result of achievement influenced by the company's operational activities over time. The application of quality management is demonstrated by good financial performance. As a result, financial performance is critical in determining whether a goal has been met. Mistakes in managing supermarkets can result in fatal business failure. To improve the supermarkets so that it is more advanced and

developed, the most appropriate way is to improve the retail store's financial performance (Mukaddam & Sibindi, 2020).

1.1.3. Financial Decisions and Profitability in Kenya

Supermarkets in Kenya contribute significantly to the economic development of the nation. As the economy grows, it becomes increasingly important to create new business prospects. Despite the significant roles that grocery stores play in society, some of them have challenges. Due to poor performance, some of the oldest supermarket, including Nakumatt, Choppies, and Shopright, closed their doors. Uchumi was placed under statutory supervision. As a result, the management of supermarkets must thoroughly comprehend effective financial decisions and supermarket performance in order to achieve increased financial profitability (Munyalo, 2020).

A firm's profitability is the primary determinant of dividend payout decisions. Dividends paid out to shareholders are determined by the company's net income. There is a conflict between managers and shareholders due to dividend decisions on the retention ratio. This is because shareholders want a low retention ratio, with managers thinking a high retention ratio increases retail stores' performance. Supermarkets are experiencing poor financial performance that can be improved by a high retention ratio to enhance the supermarkets' financial structure (Lokwang, Gichure, & Oteki, 2018).

Financial decisions must aim to identify the optimal set of capital structure, investment, and dividend decisions to maximize the company's financial performance and thus increase profitability. Management should formulate

policies to guide large-scale retail stores in determining the debt-equity ratio or capital structure financing their investments. A balanced optimal capital structure helps determine the financial success of large-scale retail supermarkets in Kenya. When making financing decisions, which comprise of debt-equity ratio, all operational and financial issues are considered to maximize investment returns (Cheruyot & Wahome, 2019).

Due to poor performance, Uchumi supermarkets, one of the oldest retail establishments in Kenya, is still under statutory administration. High operating costs and problems with cash flow have been blamed for this. The managers of these supermarkets need to be aware of how financial decisions affect their companies' profitability. The researcher utilized net profit margin as a metric for assessing supermarkets' financial performance (Matayo & Muturi, 2018).

The profitability ratios show how effectively the business is operating as a whole. The ratios employed provide a general picture of net earnings relative to debt, assets, shareholders' equity, and sales during a certain period. The examination of a company's management, expansion, and success in turning investments into profits is combined with profitability ratios. Since they show the company's capacity for interest and loan repayment, profitability ratios are intriguing to lenders. Investors' specific interests in profitability are shared by shareholders. The firm's profitability level reveals how quickly and how much they anticipate receiving a return on their investments (Mwangi & Muturi, 2018).

1.2. Statement of the Problem

For decades, supermarkets have been a growing industry in Kenya. The industry is one of the most significant contributors to Kenya's GDP, with an 8% contribution rate and it is the 3rd largest contributor to private-sector employment (KNBS, 2021). Financial decisions play a crucial role in the financial management of large-scale retail supermarkets in Kenya by ensuring that managers invest in viable projects, stipulate optimum capital structure and adequately compensate shareholders. Despite implementing vast financial decisions in the retail industry, many supermarkets are still experiencing poor financial performance. Uchumi supermarkets, Tuskys supermarkets, Choppies supermarkets, and Shoprite supermarkets have been making heavy losses leading to the closure of some of their branches. Uchumi has closed 3 5(95%) branches, Tuskys 61(95.3%) branches, and Choppies 13(87%). The closure of these branches has led to the loss of employment and a decline in the overall economic performance of the industry by 5.7% (Kenya Retail Report, 2021). According to an external audit report in 2020 Nakumatt owed creditors Ksh.38 billion yet the company gave over Ksh. 1 billion as interest-free soft loans to its directors (KIPPRA, 2020). Previous researchers have focused on firms listed on the stock exchange, studies on supermarkets have focused on the effects of financial distress and working capital on financial performance and others have evaluated individual components of financial decisions and not the combined effect of financial decisions. Therefore, this study sought to assess the effects of financial decisions on the profitability of large-scale supermarkets in Kenya.

1.3.Objectives of the Study

1.3.1. General Objective

To assess the effects of financial decisions on the profitability of large-scale retail supermarkets in Kenya.

1.3.2. Specific Objectives

i. To establish the effect of capital structure decisions on the profitability of large-scale retail supermarkets in Kenya.

ii. To determine the effect of investment decisions on the profitability of large-scale retail supermarkets in Kenya.

iii. To examine the effect of dividend decisions on the profitability of large-scale retail supermarkets in Kenya.

1.4. Research Hypothesis

H_{01}: Capital structure decisions have no significant effect on the profitability of large-scale retail supermarkets in Kenya.

H_{02}: Investment decisions have no significant effect on the profitability of large-scale retail supermarkets in Kenya.

H_{03}: Dividend decisions have no significant effect on the profitability of large-scale retail supermarkets in Kenya.

1.5. Significance of the Study

The study's findings may assist the government in creating a robust enabling environment for businesses in Kenya. They may also help the government make effective health policies encouraging investors to invest in retail stores. The study's

outcome may guide the government in making informed decisions that will assist in formulating favourable legal requirements to operate a retail store in Kenya.

The outcome of the study can help managers to be able to evaluate the performance of each financial decision while taking into account particular company variables to establish an ideal investment that will maximize and enhance shareholder wealth, hence increasing the financial performance of the company. It can also shed insight into supermarkets' many financing options and investment opportunities.

The study contributed to the body of knowledge by emphasizing the influence of financial decisions and profitability of large-scale retail supermarkets in Kenya. It also generated research gaps as macroeconomic variables continue to negatively and positively affect the performance of large-scale retail supermarkets in Kenya. The research is of high benefit to students who will be researching in areas of finance and accounting.

1.6. Scope of the Study

The scope was confined to Kenya's large-scale retail supermarkets' financial decisions and profitability. It covered operations of supermarkets from January 2017 to December 2021 since more than five large-scale supermarkets closed their branches in Kenya during this period. Supermarkets with a 0.5 billion yearly turnover and five or more locations in large cities and towns were utilized. Previous reports and studies (Euromonitor International, 2014), (Gains Report, 2015), and (Matayo & Muturi, 2018) have established that a supermarket with an annual turnover of 0.5 billion and five or more outlets in major towns and cities is

classified as a large-scale supermarket. The target and accessible population for this study were taken from nine large-scale supermarkets (Kenya Retail Report, 2021).

1.7 Limitations of the Study

The study aimed to assess the effects of financial decisions on the profitability of large-scale retail stores in Kenya. The study's primary limitation was unbalanced panel data, where two firms were dropped to achieve a balanced panel. Therefore, the researcher analysed data from 7 firms which was 77% of the target population.

CHAPTER 2

LITERATURE REVIEW

2.1. Introduction

This section offers the theoretical framework used in the study and analyzes earlier research on financial decisions and profitability of large-scale supermarkets in Kenya. It also includes a conceptual framework, theoretical and empirical review and literature summary.

2.2. Theoretical Literature Review

A review of significant theories regarding financial decisions is presented in this section.

Portfolio Theory, pecking order theory, and agency theory are the theories examined in the research.

2.2.1. Portfolio Theory

Markowitzs, (1952) developed the asset portfolio's expected return rate and unexpected risk measure. Markowitz showed the volatility of the rate of return to be a useful indicator of portfolio risk under an acceptable set of assumptions. According to Markowitz, portfolio theory offers a framework for creating an investor's ideal portfolio. As per Markowitz, building an asset portfolio is focused on maximizing the return at a specific degree of risk. The wealth owner decides if there is even the slightest difference between the return and income rates. Diversifying the portfolio is necessary to lower the return rate variance when the return rates are diverse (Tobin, 1955).

When trading market opportunities, an investor's portfolio behaviour undergoes a number of fundamental qualitative changes. The investor significantly changes his idea of an optimal portfolio, which now encompasses an entire region in the asset allocation space. This is one of the most important alterations. It is necessary to look for the trade costs that have a more comprehensive economic influence on the market. (Magill & Constantinides, 1976).

The characteristics of a portfolio with performance that can be modelled by the mean and the Gini index are similar to those of the conventional mean-standard variance model (Shalit & Yitzhaki, 1984). Different investment and financial sectors can benefit from applying the portfolio theory. A portfolio provides a specified structure for the distribution of assets among units with a specific profitability level. (Sergeevich, 2019). The efficient set theorem on which traditional portfolio theory is built does not fully address all significant structural choice issues in real life. Following the overall limits of the total projected income and risk while choosing a portfolio is fair (Sukharev, 2020).

This theory was relevant in this research since large-scale retail stores have started investing in different investments, such as wholesale businesses and hotel services. Therefore, a detailed understanding of portfolio theory was required to examine investment in Kenya's large-scale retail supermarkets to establish the ideal portfolio of investment that could result in greater profitability and improved financial performance.

2.2.2. Pecking Order Theory

The pecking order theory was developed by (Myers, 1984). Myers argued that firms prefer internal funding to external funding. If the company needs external capital, debt is preferred above outside equity, which is only used as a last resort. As a result of the knowledge asymmetry, the enterprises do not have the optimum debt-to-equity ratio. Firms take a conservative approach to dividends and rely on debt financing to increase the firm's value. One implication of the pecking order theory is that profitable firms always prefer internal funding to take up new debt or equity.

Businesses prioritize their internal capital sources while growing their asset base, revenue, liquidity, and profitability and utilizing fewer external financing sources. Profitable firms are observed to be less leveraged than non-profitable businesses. This hypothesis is based on the assumption that debt issuance sends a market signal that the company is confident in its capacity to service debt regularly. In contrast, equity issuance is a market signal that the company is potentially overvalued. Pecking order theory also predicts that firms favour short-term over long-term debt (Fama & French, 2002).

Large companies tend to amass loans to maintain and keep up with dividend payments, but small companies behave in an appositive way. Equity analysts project large companies to experience at least adverse selection challenges due to better coverage. Issuing debt is preferred over issuing equity as long as the company has the capacity to service debt (Zender & Lemmon, 2010).

The option of using internal and external financing is preferred, and a limited amount of external financing through issuing equity is used for reinvestment and fundraising reasons. Pecking order theory predicts that high-growth companies have a debt ratio since they will opt for more debt than equity. This implies that debt capital is preferred to issuing new equity capital in the case of external funding. A firm's choice of capital structure impacts its profitability greatly (Effiong, Inyang, Akum, Asuquo, & Onyeogaziri, 2018).

This theory was relevant to the study since large-scale retail stores in Kenya tend to bring profits from their branches in various parts of the country; hence, a high amount of retained earnings is used in funding daily activities and venturing into new investments. Therefore, a detailed understanding of the pecking order theory was required to investigate whether large-scale retail supermarkets' choice of financing affects the profitability of the supermarket

2.2.3. Agency Theory

Jensen & Meckling (1976) were the proponents of the theory. It explains the connection between the principal and their agents. It emphasizes the contractual problem between the principal and agent. Generally, the enterprise owner is the principal, and employed executives are the agents that control the use of resources in the organization. Agency theory helps to understand problems of enterprises such as poor financial performance, uncertain payment of dividends, and poor decision-making by either shareholders or managers. These problems create disagreements between the company's management and shareholders.

Fama and Jansen (1983) expanded agency theory by contending that efficiency gains outweigh agency costs despite issues brought on by the division of ownership and management. These efficiencies are caused by specialization at all levels and efficient risk-taking. Agency theory is primarily applied when the problems of the enterprise are investigated. The method aids in comprehending conflicts that arise in businesses, such as those caused by asymmetric information, unclear outcomes, whether incentives can be used effectively, and recognizing risk in judgment calls.

Given there could be conflicting interests around control, which necessitates monitoring to align interests, the separation of ownership and management can result in agency costs. If a managing owner leads the company, the administration and ownership would be combined, and this agency expense might be avoided (Jensen, 1986). Through concentrated ownership and shareholder oversight, businesses can resolve agency disputes. Dispersed ownership presents a challenge because the incentives to oversee management are weak (Agarwal, Rohit, & Pushpendra, 2014).

The firm owners buy shares to increase their wealth. Despite this, they choose directors with the designation of agents who they assume will make decisions and manage the firm on their behalf with the shared goal of maximizing wealth since they might not possess the necessary abilities and credentials to govern the business. Managers often disregard the owner's interests (Shrogren, Wehmeyer, & Palmer, 2017). Agency theory examines what might happen when the owner and manager have different investing goals. The parties may have different levels of

risk aversion and interests, which could cause them to make choices that are at odds with the company's primary goal (Yusuf, Yousaf, & Saeed, 2018).

This theory was crucial to the research since supermarket managers have to prioritize shareholders' economic well-being as agents for the supermarkets' stockholders. Agency conflicts may arise when a manager's financial decisions conflict with the owners. Agency conflicts may occur if managers decide to award themselves huge salaries and allowances, invest in high-risk projects, and have a high earning retention level in the company. Therefore, management must ensure that the firms' financial decisions align with shareholders' expectations.

2.3. Conceptual Framework

This section conceptualizes the components of financial decisions, including capital structure decisions, investment decisions, dividend decisions, and profitability. The broad structure of the study and its theoretical underpinnings are presented in the conceptual framework (Ravitch & Riggan, 2017). Figure 2.1 represents the conceptual framework used for this study.

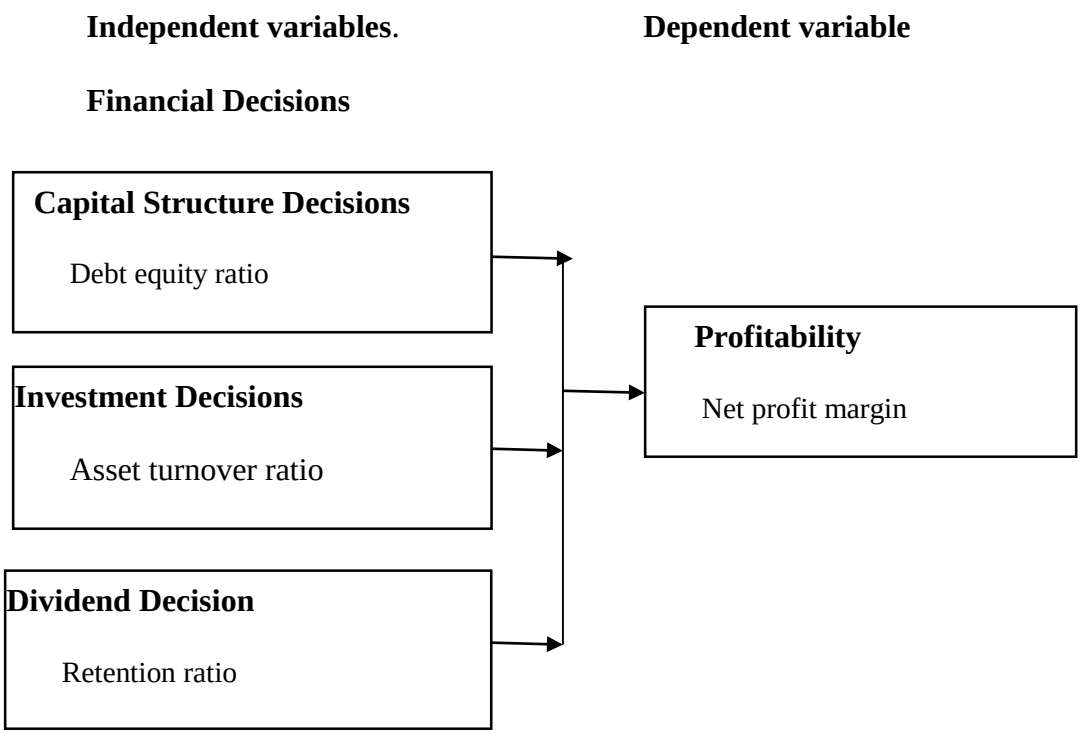

Figure 2.1: Conceptual Framework: **Source** (Researcher's Conceptualization 2022)

2.3.1. Capital Structure Decisions

Capital structure decisions refer to the composition of a relative proportion of various sources of finance for a firm. The sources majorly include shareholder funds and borrowing from outside agencies. Therefore, level of borrowing, capital structure, operating leverage, and financial leverage are measures of financing decisions. The debt will operationalize capital structure decisions to equity ratio. The debt-to-equity ratio is the most used measure of financing decisions (Ardillah, 2019).

The debt-to-equity ratio measures financial leverage or the extent financial firms finance their activities with their own money. The more financial leverage a company has means higher interest payments and a higher risk for corporate

creditors and investors; as a result, high corporate Leverage makes financial institutions more vulnerable to shocks and may impair their ability to repay. Capital structure decisions involve the appropriate selection of debt-equity mix to achieve optimal capital structure. A firm must adopt a proper combination of capital and equity for higher profitability (Mukaddam & Sibindi, 2020).

2.3.2. Investment Decisions

Investment decisions are a capital budgeting process designed as a firm decides how to invest its funds in long-term investments anticipating higher returns in the future. Investment decisions relate to the determination of the total amount of assets to be held in the firm, the composition of these assets, and investors perceive the business risk complexions of the firm. The asset turnover ratio will measure investment decisions. The asset turnover ratio is the most used measure of investment decisions since it shows the extent to which assets are converted into returns (Hussain, Hassan, Hassan, Rafiq, & Abdullah, 2020).

Matiin, Ratnawat, and Riyand (2018) describe investment decisions in terms of capital expansion, renewal, and replacement decisions. Investment decisions are anticipated by the appropriate rate of returns in the future portfolio. They argued that the major elements of capital budgeting decisions are the measurement of the worth of the proposed project and the analysis of the risk and uncertainty of the proposed project. They further indicated that investment is measured by the rate at which assets are converted into revenue by the company.

2.3.3. Dividend Decisions

The dividend is part of net earnings distributed to the company's shareholders. The amount of premium to be paid to shareholders depends on the company's dividend policy. The dividend policy determines the number of net earnings retained for reinvestment and the portion to be distributed to shareholders. This study will measure dividend decisions by retention ratio. The retention ratio is the best measure of dividend decisions since it shows the amount retained by the company for reinvestment (Triani & Tarmidi, 2019).

Dividend policy usually involves a tradeoff between the interest of shareholders and those of the company. This is because retained earnings, from which dividends are paid, are the most important internal source of funding. Firms with high retention ratios have a high rate of growth since funds for investing in new projects are available. (Kanakriyah, 2020).

2.3.4. Profitability.

Profitability refers to the capability and potentiality to earn and generate a return from the firm's day-to-day activities or a company. It is clear how well management can create a profit using all available resources. Profitability is deemed as the capacity of any identifiable firm to generate returns. Therefore, profitability is a vital measure of efficiency; the profitability level ought not to be taken as the final indicator of efficiency. This research will measure profitability with net profit margin. (Hirsch, Lanter, & Finger, 2020).

Setiyowati and Irianto, (2021) describe profitability as the company's ability to generate revenue within a certain period. The operational activities of a firm and its finances are integrally connected to earning and increasing the company's profitability. Net profit margin is the preferred measure of profitability since it shows the amount of profit or returns the company can extract from its total sales and revenues.

2.4. Empirical Literature Review

This section focuses on establishing the existing empirical studies on components of financial decisions and their relationship with financial performance. The key sub-sections of financial decisions include financing, investment, and dividend decisions.

2.4.1. Capital Structure Decisions and Profitability of Large-Scale Retail Supermarkets

Mtani and Masanja (2018) investigated how working capital management impacted the success of the grocery businesses in Tanzania's Arusha city. A relational research methodology and questionnaires gathered data for the study. Descriptive and regression statistics were used to analyze the collected data. The relationship between working capital and financial performance was assessed using the t-test, ANOVA, correlation, and regression techniques. The study's conclusions demonstrated that working capital management had a significant impact on how financially successful supermarkets in Arusha were.

Cheruyot and Wahome (2019) investigated the influence of the debt-equity ratio on financial distress management in supermarkets in Nakuru town, Kenya. The study adopted a descriptive research design, and the target population was 182 management and finance officers, where 80 respondents were sampled using Nassuma(2000) formula. Questionnaires were used to collect data, and the data collected were analyzed using SPSS version 24. The study established that the debt-equity ratio significantly influences financial distress management.

Mukaddam and Sibindi (2020) explored the connection between the retail industry's financial performance and capital structure in South Africa. Data was gathered over a ten-year period, from 2010 to 2019, and focused on 18 South African wholesale and retail enterprises listed on the Johannesburg Securities Exchange. The study's data analysis included panel data econometric techniques. The study found a connection between the capital structure of South African retail firms and their financial success.

Wairimu (2020) assessed the impact of capital structure on firms' performance in the case of Naivas Supermarket in Nairobi County. 10 Naivas Supermarket outlets served as the study's target demographic. It used a case study research design. The study made use of secondary data from the outlets' audited financial reports. With the aid of SPSS, the data was processed in order to produce both inferential and descriptive statistics. The study's findings proved that supermarket profitability was significantly and favourably impacted by capital structure.

2.4.2. Investment Decisions and Profitability of Large-Scale Retail Supermarkets

Osoro, Ogoro, Andrew, and Nyarige (2017), evaluated how investment decision-making methods affected the financial success of Kenya's medium-sized businesses. A case of Kisii town. A descriptive research approach was employed and questionnaires were used to collect the data for the study. The target group, 859 managers of medium-sized enterprises, made up 10% of the sample, which consisted of 86 replies. The study's conclusion demonstrated a negative and significant correlation between Medium Enterprise financial performance and investment choices.

Nyang'au and Muturi (2018) examined the effects of investment decisions on the financial performance of retail investors in Kisii Town. 2250 retail investor personnel were the target of the study. To sample 225 respondents, the study used a simple sampling technique. The study utilized simple random sampling procedures with stratification and a descriptive research methodology. Primary data was gathered through questionnaires that were distributed using the drop-and-pick approach. SPSS was used to produce both inferential and descriptive statistics. According to the study's findings, investing choices have a favourable and significant impact on retail investors' financial performance.

Chizema (2018) studied the determinants of investment decisions of South African retail firms' Foreign Direct Investment(FDI) in Africa. The study used a mixed-methods approach. Top retail executives were the intended audience, and companies were picked because they have investments in multiple nations. The

selected South African retailers made up the sample population. Semi-structured interviews that were sent via mail were used to gather the data. Using a statistical analysis, the collected data were examined. The study's findings demonstrated that strategic growth variables, market saturation, and market size in the host countries all had a significant effect on investment decisions.

Michelon, Codesso, Santos, and Lunkes (2019) a study was conducted to examine capital budgeting choices made by grocery chains in Santa, Brazil. Using questionnaires, 19 large supermarkets in Santa Catarina—a sample of 451 retail supermarkets in the state—provided the study's primary data. The data that was evaluated and gathered were presented in tables. The study's findings showed that decisions made concerning the capital budget significantly affected the effectiveness of Santa Caterina, Brazil's retail supermarkets.

2.4.3. Dividend decisions and Profitability of Large-Scale Retail Supermarkets

Keya (2016) examined how dividend decisions affected the financial results of Kenya's listed banking institutions. 15 financial companies on the NSE formed the target population, and descriptive research was employed to conduct the study. The research, which also employed secondary data, includes audited financial records for all of the companies that traded actively between 2011 and 2015. The study demonstrated that dividend decisions have a significant effect on how successful and profitable publicly traded financial businesses are.

Lokwang, Gichure, and Oteki (2018) conducted a study on the effects of retained profits on the performance of supermarkets in Trans Nzoia County, Kenya. They employed an explanatory research design, and the target population included 210 supermarket attendants comprising 4 supermarkets in Kitale town. Analysis of data was done using SPSS to obtain a successful collection of data through questionnaires. Findings revealed that retained profits had a significant effect on the performance of supermarkets in Trans Nzoia county.

Mamaro (2021) researched the relationship between financial performance and dividend payout of retail firms in South Africa. The study was based on a quantitative research design and used the panel technique to analyze collected data. The research used secondary data, compiling annual financial reports from 170 retail supermarkets. The study results indicated that financial performance is positively related to the dividend payout of retail firms in South Africa.

Chenchehene and Mensah (2017) investigated the effects of dividend policy on shareholders' wealth in the retail industry in the UK. The study was guided by a descriptive research design and a population of 25 retail firms in the UK. The study utilized criterion-based sampling; hence all 25 firms were selected. The study relied on secondary data sourced from financial statements. Analysis was done through panel data techniques that entailed ordinary Least Square. The findings of the research revealed that shareholder wealth is positively affected by dividend decisions.

2.5. Critique and Research Gap

Table 2. 1 Critique and Research Gap

Author (Year)	Target population(Area) & Sampling	Data Collection Instruments	Variables	Data Analysis	Research Gap
Cheruyot and Wahome (2019)	182 management and finance officers of supermarkets in Nakuru town, where 80 respondents were sampled using the Nassiuma (2000) formula.	Structured questionnaires were used to collect primary data.	Debt-equity ratio and financial distress management.	Descriptive and inferential statistical analysis was done with the help of SPSS.	Primary data does not give all relevant information; therefore, secondary and primary data are needed. The study was carried out in Nakuru county and would be more objective if done countrywide. Financial distress management was the dependent variable in the study, thus it was necessary to evaluate the impact of financial decisions and financial performance.
Mukaddam and Sibindi, (2020)	Eighteen (18) South African wholesale and retail firms are listed on Johannesburg Security Exchange.	Secondary data was collected from audited reports.	Capital structure and financial performance.	Panel data econometric techniques used in data analysis.	The study was done in South Africa hence the need for a similar study in Kenya.
Mtani and Masanja, (2018)	Ten (10) supermarkets in Arusha city.	Primary was collected by the use of questionnaires.	Working capital management financial performance.	Correlation and regression techniques were used to analyze descriptive and inferential statistics.	Rather than focusing at all areas of financial decisions, the study focused on working capital management. The study carried out in Tanzania hence needs to study financial decisions and financial performance of large-scale retail supermarkets in Kenya

Wairimu, (2020)	10 branches of Naivas supermarkets in Nairobi county	Document analysis was used to collect secondary data	Capital structure and financial performance.	SPSS was used to analyze collected data.	Since Naivas served as the case study for the study, a similar investigation is required in every supermarket in Kenya.
Osoro, Ogoro, Andrew, and Nyarige, (2017)	The study targeted 859 managers of medium enterprises in Kisii town. The study applied 10% of the population to sample 86 managers.	Questionnaires were used to collect primary data.	Investment decision techniques and financial performance.	Descriptive and inferential statistics were analyzed by use of SPSS.	Research focused on investment decision techniques hence the need for a study on investment decisions. The study covered Kisii town and may not represent the whole country. The study focused on Medium Enterprises hence the need for one in supermarkets in Kenya.
Chizema, (2018)	Retail firms in south Africa that had an investment in more than one country	Primary data was collected in the form of semi-structured interviews	Investment decisions, and foreign direct investment.	The statistical package analyzed descriptive and inferential statistics.	The research covered retail firms in south Africa and may not be fully representative of the whole of Africa.
Michelon, Codesso, Santos, and Lunkes, (2019)	The study targeted 459 supermarket companies in Santa Caterina, Brazil.	Primary data were collected by the use of questionnaires.	Capital budgeting decision and financial performance	Collected data analyzed by use of SPSS.	Research conducted in Santa Caterina Brazil hence necessity of this study.
Nyang'au and Muturi, (2018)	The study targeted 2250 employees of retail investors in Kisii Town.	The study used primary data, which was collected through questionnaires.	Investment decisions and financial performance	The collected data was analyzed with the help of SPSS.	Research carried out in Kisii Town; hence needs to be carried out in the whole country for objective conclusions.
Lokwang, Gichure, and Oteki, (2018)	Two hundred and ten (210) supermarket attendants of 4	Primary data was collected	Financial performance	Descriptive and inferential statistics	Focused on retained profits hence the need for a study on dividend decisions as a whole.

	supermarkets in Kitale town.	by questionnaires.	and retained profits.	were analyzed with the help of SPSS	The study carried out in Trans Nzoia county hence needs to be carried out in the whole country for objective conclusions.
Keya, (2016)	Fifteen (15) financial institutions are listed on Nairobi Stock Exchange.	Secondary data was collected from audited financial reports.	Dividend decisions, and financial performance.	Data were analyzed by use of SPSS.	A similar study on large-scale retail supermarkets in Kenya was required because the study was conducted in financial institutions that are listed on the NSE.
Mamaro, (2021)	The study targeted 192 retail supermarkets in South Africa.	Secondary data was collected from financial reports.	Dividend decisions and financial performance.	Data were analyzed by use of panel data analysis.	Because the study was conducted outside of Kenya, a comparable study in Kenya is necessary.
Chenchehene and Mensah, (2017).	25 retail companies in the UK.	Secondary data was collected with the help of document analysis.	Dividend policy and shareholder wealth	Collected data were analyzed by use of SPSS.	The study was carried out in the UK hence the need for a similar study in Kenya.

CHAPTER 3

RESEARCH METHODOLOGY

3.1. Introduction

The study's research techniques are elucidated in this section. It enumerates the design, philosophy, target population, sampling procedure, data collection techniques, data processing, analyzing, and presentation with the guiding ethical considerations.

3.2 Research Philosophy

The research was guided by positivism philosophy. Positivism, the philosophy of natural science, advocates using observed social reality to generate generalizations that approximate laws. Researchers who use quantitative techniques and methodologies, such as counting and quantifying, are known as positivists. Positivism enables statistical methods to test hypotheses to evaluate research techniques (Sekaran & Bougie, 2015). Positivism philosophy was appropriate for the study because, based on the objectives, the current state of financial performance in large-scale retail supermarkets and financial decisions can improve the financial performance of retail stores.

3.3. Research Design

A cross-sectional research design was used in the study. The design was applicable to the study given that it provided a detailed and highly accurate picture of the profitability of large-scale retail stores. It is additionally helpful in locating new data that contracts past data since the study covered supermarkets' operations for five years, from 2017 to 2021 (Cooper & Schindler, 2017). This study's research

design entailed collecting and analyzing large-scale retail supermarkets' financial reports for 2017 to 2021.

3.4. Target Population

All of Kenya's large-scale retail supermarkets made up the study's target population. It included Naivas supermarket, Quickmatt supermarket, Chandarana food plus supermarket, Carrefour supermarket, Cleanshelf supermarket, Khetias supermarket, Society stores, Mathai supermarket, and Eastmatt supermarket. The population is shown in Table 3.1.

Table 3.1: Target Population.

	SUPERMARKET
1.	Naivas supermarket
2.	Quickmatt supermarket
3.	Chandarana Foodplus Supermarket
4.	Carrefour Supermarket
5.	Cleanshelf Supermarket
6.	Khetias Supermarket
7.	Society Stores Supermarket
8.	Mathai Supermarket
9.	Eastmatt Supermarket

Source: (Kenya Retail Report, 2022)

3.5. Sampling Techniques

The census-sampling technique was used for this research. Thus, every large-scale retail supermarket was used to establish the effect of financial decisions on the profitability of large-scale retail outlets. The technique was preferred in this study since it provides more accurate and exact information as no unit is left out hence objective results. Census is a collection of information on all units in the population. Census ensures accurate information is collected from the entire population (Pandey & Pandey, 2015). Therefore, this study focused on all nine (9) selected large-scale retail supermarkets in Kenya.

3.6. Data Collection Instruments

Secondary data collection sheet (Appendix II) was used to obtain data from audited financial statements from January 2017 to December 2021.

3.7. Data Collection Procedure

Secondary data was obtained from the audited financial reports of Kenya's selected large-scale retail supermarkets and recorded in the data collection sheet for further analysis. The study used financial reports from January 2017 to December 2021. The secondary data collected included; sales, total expenses in each year, total fixed assets, long-term debts, net income, the dividend paid out, and total retained earnings.

3.8. Data Processing, Analysis, and Presentation

Before exporting to STATA, the obtained data was edited and cleaned in Microsoft Excel. The research applied inferential as well as descriptive statistics in analysing the panel data. Inferential statistics included panel linear regression, correlation analysis, and the Hausman test for a fixed and random effect, while descriptive statistics included mean, minimum value, maximum value, and standard deviation

To establish the tenets of the regression model, the following diagnostic tests were conducted: variance inflation factor to test for multi-collinearity, Breusch-pagan for Heteroscedasticity, Shapiro Wilk for normality, Wooldridge test to test for autocorrelation and Levin-Lin Chu test to test for stationarity. The diagnostic tests conducted established that linear regression model assumptions were not violated. The study employed panel data regression analysis model. The random effect model was determined to be suitable for the research by the Hausman specification

test. Figures, graphs, and tables were used to present the results. The effects of financial decisions and the profitability of retail outlets were modeled using the following regressions equation.

$$NPM_{it} = \beta_0 + \beta_1 CSD_{it} + \beta_2 ID_{it} + \beta_3 DD_{it} + \varepsilon_{it} \quad \text{.....(3.1)}$$

NPM_{it} – Represents net profit margin.

β_0 – Constant

β_1, β_2, β_3 – Regression coefficients.

CSD –Represents Capital Structure Decisions.

ID – Represents Investment Decisions.

DD – Represents Dividend Decisions

i – Denotes the observations (large-scale supermarkets)

t – Represents the time dimensions from 2017 to 2021

ε_{it} – The error term

3.9. Ethical Consideration

The required data was collected after receiving authorization from Kaimosi Friends University and a research permit from National Commission for Science Technology and Innovation (NACOSTI). Information gathered in this research was strictly for academics and was regarded with the highest discretion because it was sensitive information.

3.10. Measurement of Variables

This study revolves around the financial decisions and profitability of large-scale retail stores. The independent variable is financial decisions, and the dependent variable is the profitability of large-scale retail stores in Kenya. Table 3.3 presents the measurement of the variables.

Table 3. 2: Measurement of Variables

Category	Variable	Operationalization	Measurement
Dependent Variable	Profitability	Net Profit Margin	$\frac{Net\ Profit}{Revenue}$
Independent Variable	Capital Structure Decisions.	Debt to Equity Ratio	$\frac{Total\ Debt}{Total\ Equity}$
Independent Variable	Investment Decisions	Asset Turnover Ratio	$\frac{Total\ Investment}{Total\ Assets}$
Independent Variable	Dividend Decisions	Retention Ratio	$\frac{Retained\ Earning}{Net\ Income}$

Source: (Researcher 2022.)

CHAPTER 4

DATA ANALYSIS, RESULTS, AND DISCUSSIONS

4.1. Introduction

The section contains findings and a discussion of the study results. It involves examining secondary data gathered per the chapter three study design. Data analysis included estimation of the regression models, discussion of results in reference to the empirical literature, diagnostic tests to establish the suitability for statistical analysis, and descriptive statistics for statistical analysis.

4.2. Descriptive Statistics

Descriptive results for the profitability of large-scale retail supermarkets in Kenya are illustrated in Table 4.1. In addition, it provides the descriptive statistics of capital structure, investment, and dividend decisions of large-scale retail supermarkets in Kenya. Descriptive statistics were conducted to understand the distribution of variables used.

Table 4. 1: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
NPM	35	.3051329	.1726504	0.0140285	.7370295
CSD	35	.4683523	.2926167	0	1.060481
ID	35	.4452401	.3102882	.0067056	1.045381
DD	35	.1738707	.1227624	0	.4712699

Source: (Study data, 2022).

The descriptive statistics results are in Table 4.1. Show that in total, there were 35 observations which were from 7 large-scale retail supermarkets over a period of five years (panel data). The mean for profitability measured using net profit margin was 0.3051329 with a minimum of 0.0140285 and a maximum of 0.7370295. The maximum and minimum values of net profit margin over the study period were

positive. The positive values indicated that all the large-scale retail supermarkets under the study made a profit within the study period. The mean of 0.3051329 for net profit margin, which was higher than the standard deviation value of 0.1726504, indicated that profitability varied during the study period. This meant that some large-scale retail supermarkets were making high net profits while others were making very low net profits.

Capital structure decisions measured using the debt-equity ratio had a mean of 0.4683523 with the lowest value of 0, a maximum value of 1.060481, and a standard deviation of 0.2926167, implying that debt-to-equity ratio varied during the study period. The lowest value of 0 showed that there was a large-scale retail supermarket operating with zero debts, therefore, financing their operations using equity capital. The maximum value of 1.060481 for debt to equity ratio implies that this firm was operating on more debts than equity. These results posited that the debt-to-equity ratio of large-scale retail supermarkets varies from one supermarket to another.

Investment decisions measured by asset turnover ratio had a mean of 0.4452401 with a minimum value of 0.0067056 and the highest value of 1.045381. The standard deviation for investment decisions was 0.3102882, indicating that investment decisions varied during the research period. The positive minimum and maximum values indicated that the firms were able to turn over their assets into sales. The lowest value of 0.0067056 indicated that this company made low investments concerning its total assets. The highest value of 1.045381 indicated high asset turnover, implying that this firm had higher sales than its total assets.

These results depicted that different supermarket investment decisions vary from one supermarket to another.

Lastly, the mean value of dividend decisions measured by the retention ratio was 0.1738707 with a minimum of 0 and maximum value of 0.4712699. The standard deviation of the retention ratio was 0.1227624, which implied that the retention ratio significantly varied around the study period. The minimum value of 0 showed that this firm distributed all its net profit to the shareholders at that particular time. The highest value of 0.4712699 implied that this firm had a high retention ratio implying high retained earnings. These results implied that different large-scale retail supermarkets' dividend decisions vary significantly from one firm to another.

4.3. Inferential Statistics

The inferential statistics included correlation analysis, the Hausman test for fixed and random effects, and panel data regression analysis.

4.3.1 Correlation Analysis

The study conducted correlation analysis for the various variables to examine the nature of the statistical association between each pair. Table 4.2 shows the correlation matrix of capital structure, investment, and dividend decisions.

Table 4. 2: Correlation Analysis

Variable	NPM	CSD	ID	DD
NPM	1.0000			
CSD	-0.5896*	1.0000		
	0.0002			
ID	0.3778*	0.8854*	1.0000	
	0.0253	0.0000		
DD	0.3870*	0.1986	-0.1892	1.0000
	0.0239	0.2527	0.2763	

Source: Study data ***represents a 5% significant level.**

The correlation results are in Table 4.2. established capital structure decisions were negatively and significantly related to profitability. This is supported by an r of -0.5896 and a P-value of 0.0002. This meant that a higher debt-equity ratio resulted in reduced profitability of retail stores. These results agree with Mukaddam & Sibindi (2020) that capital structure decisions had a negative and significant association among retail firms in South Africa. These findings also corroborate with Cheruyot & Wahome (2019) that the debt-equity ratio significantly influences financial distress management.

The study also established that investment decisions had a positive and significant relationship with profitability ($r= 0.3778$, $P=0.0253<0.05$). This implied that higher asset turnover results in improved profitability of supermarkets. These results agree with, Osoro, Ogoro, Andrew, & Nyarige's (2017) study on the influence of investment decision techniques on the financial performance of medium enterprises in Kisii County.

Finally, the correlation results also established that dividend decisions had a positive and significant association with profitability ($r=0.3870$, $p=0.0239<0.05$). This meant that a high retention ratio resulted in increased profitability. These results agree with Lokwang, Gichure, & Oteki (2018), who indicated that dividend decisions had a positive and significant relationship among supermarkets in Trans-Nzoia County in Kenya.

4.3.2. Diagnostic Test Results

Pre-estimation and post-estimation tests were performed before running a regression model to ensure that the assumptions of the linear regression model were not violated.

4.3.2.1. Test for Normality

Normality is an attribute of a random variable that is distributed using the normal distribution. A normality test is used to establish whether a data set is well-modeled by a normal distribution and to calculate the likelihood that a random variable underlying the data set is normally distributed (Shapiro & Wilk, 1965). The study conducted a normality test to establish whether variables were normally distributed. If data is normally distributed, parametric tests are run since they require normality of data. To test for normality, the study adopted the Shapiro wilk test. The null hypothesis under this test was that the variable is normally distributed at a 5% significance level. If the W-values are approximately 1, probability values are greater than 0.05 significance level, and Z-values less than the Z-critical value of 1.96, we fail to reject the null hypothesis and conclude that data is normally distributed. The normality test results are presented in Table 4.3.

Table 4. 3 : Shapiro-Wilk for Normality

Variable	Obs	W	V	Z	Prob>Z
NPM	35	0.96365	1.298	0.544	0.29329
CSD	35	0.94251	2.052	1.500	0.06676
ID	35	0.94528	1.953	1.397	0.08116
DD	35	0.95749	1.517	0.870	0.19211

Source Data (2022)

Results in Table 4.3. shows that all W-values are approximately 1, the Probability values are greater than 0.05, and Z-values less than the Z-critical value of 1.96.

Therefore, the study failed to reject the null hypothesis that variables of profitability, capital structure decisions, investment decisions, and dividend decisions were normally distributed at a 5% level of significance.

4.3.2.2. Residual Normality

A residual normality test is conducted to ensure that residuals are normally distributed. If the residuals are not normally distributed, there may be a problem with model fit, stability, and reliability (Green, 2012). The study employed the Shapiro-wilk test to test for the normality of residuals. The null hypothesis was that the residuals were normally distributed at a 5% significance level. If the W-values were approximate to 1, Z-values should be less than the Z-critical value of 1.96, and P-values greater than the predetermined significance level, we fail to reject the null hypothesis and conclude that residuals are normally distributed. The results of the residual normality test are presented in Table 4.4.

Table 4. 4: Shapiro- wilk Test for Residuals

Variable	Obs	W	V	Z	Prob>z
Residuals	35	0.97000	1.071	0.143	0.44311

Source: Study Data (2022)

Table 4.4. shows the results of the Shapiro wilk test for residuals showed a W-value of approximately 1, a probability value of 0.44311 is greater than 0.05, and a Z-score value of 0.143, which was less than the Z-critical value of 1.96. At the 5% significance level, the study failed to reject the null hypothesis and concluded that the residuals were normally distributed.

4.3.2.3. Multicollinearity Test Results

Multicollinearity is the existence of high and strong correlations between two or more independent variables in linear regression. Willian, (2015) observed that multicollinearity causes the standard error and confidence intervals to expand, resulting in unstable coefficient estimates for individual predictions. This study employed Variance Inflation Factor (VIF) to asses multicollinearity. If VIF values are more than 10 is an indication of the presence of multicollinearity. Table 4.5 presents the multicollinearity results of the study.

Table 4. 5: Multicollinearity Test Results

Variable	VIF	$\frac{1}{VIF}$
CSD	4.65	0.215095
ID	4.63	0.215913
DD	1.04	0.959718
Mean VIF	3.44	

Source Data (2022)

Table 4.5 above shows the variance inflation factor results, which were found to have values less than 10, indicating that there was no multicollinearity. Thus, the model was judged suitable for further analysis.

4.3.2.4 Stationarity Test

Stationarity means that the statistical characteristics of generating time series data do not change over time. Panel data contained both time series and cross-sectional data; thus, the study conducted a stationarity test on the assumptions of stationary time series data variables. Non-stationary time series data produces erroneous and unreliable regression model that leads to wrong regression findings (Sekaran & Bougie, 2015). The study employed the Levin Lin Chu test to test for stationarity of the variables. This test's null hypothesis is that all panels had a unit root. If the

P-values are less than 0.05, we will reject the null hypothesis and conclude that the panel is stationary. Table 4.6. presents stationarity results of the study.

Table 4. 6: Stationarity Test Results

Variable	Period	Panel	T statistic	P-value
CSD	5	7	-8.1400	0.0000
ID	5	7	-2.8183	0.0024
DD	5	7	-7.2655	0.0000
NPM	5	7	-3.9812	0.0000
ADF regressions: 1 lag				
LR variance: Bartlett kernel, 5.00 lags average (chosen by LLC)				

Source Data (2022).

The tabulated t-statistic of the study is −2.028. The p-values in Table 4.6 were less than 0.05, and all of the t-statistic values for the variables were less than the critical value of -2.028. This meant that at a 5% level of significance, the null hypothesis that the variables were not stationary was rejected, indicating that profitability (NPM), Capital Structure Decisions (CSD), Investment Decisions (DD), and Dividend Decisions (DD) were all stationary. Thus their use for analysis would yield valid and reliable results.

4.3.2.5. Heteroscedasticity Test

Heteroscedasticity is a systematic change in the spread of the residuals over the range of measured values. Heteroscedasticity is a problem because ordinary least squares (OLS) regression assumes that all residuals are drawn from a population that has a constant variance that is homoscedasticity. Heteroscedasticity tends to produce p-values that are smaller than they should be. This is because heteroscedasticity raises the variance of coefficient estimates, but the OLS does not detect this increase. This problem can lead you to conclude that a model term is statistically significant when insignificant (Pandey & Pandey, 2015). The study,

therefore, tested for the panel level of heteroscedasticity using the Breuch-Pagan test. The null hypothesis under this test is that the error terms have a constant variance, homoscedastic. If the p-value exceeds 0.05, the study fails to reject the null hypothesis and concludes that the data is homoscedastic. The study heteroscedasticity results are presented in Table 4.7.

Table 4. 7: Heteroscedasticity Test Results

Breusch-Pagan/Cook Weisberg Test for Heteroscedasticity		
H_0: Constant Variance		
Variable: Fitted Values		
Chi2(1)	=	0.68
Prob>Chi2	=	0.4096

Source: Study Data (2022).

Table 4.7 shows the Breusch-Pagan test results for heteroscedasticity. The P-value is 0.4096, which is greater than 0.05. This means that at a 5% significance level, we fail to reject the null hypothesis and conclude that the panel was homoscedastic.

4.3.2.6. Test for Autocorrelation

The autocorrelation problem arises when error terms in regression models correlate over time or are dependent on each other. It describes the level of correlation between the values of the same variables across several data observations. The value of the standard error of the parameter estimates is impacted when the disturbance term exhibits serial correlation. Predictions based on ordinary least square estimates are inefficient because they have a higher variance than predictions based on estimates from other econometric techniques (Cooper & Schindler, 2017). The study used the Wooldridge test to assess the autocorrelation of the panel data. The null test hypothesis is that there is no serial correlation in the panel data. If the P-value of the Wooldridge test is greater than the significance

level of 5%, then we fail to reject the null hypothesis and conclude that there is no serial correlation in panel data. Autocorrelation test results are presented in Table 4.8.

Table 4. 8: Wooldridge test for Autocorrelation

Wooldridge test for Autocorrelation **H_{01}: No serial correction.**
F (1, 6) = 0.96 **Prob>F** = 0.3655

Source: Study Data.

Table 4.8. above presents Wooldridge test results for autocorrelation. The p-value is greater than 0.05 or 5%. This meant that at a 5% significance level, the study failed to reject the null hypothesis and concluded that there was no autocorrelation between residuals in the model.

4.4. Fixed and Random Effects

Fixed and random effects were conducted to determine the most appropriate regression model for the study. Hausman test was used to choose between fixed and random effect models.

4.4.1 Fixed Effects

A fixed effects model considers all possible relationships between the unobserved and observed variables. Fixed effects models partially or completely eliminate the effects of time-invariant effects on time-invariant variables. Therefore, fixed effects vary from one observation to another. Table 4.9 presents the fixed effect model of the study.

Table 4. 9: Fixed Effects Results

NPM	Coef.	Std. Err.	T	P>|t|
CSD	-.7322211	.1736395	-4.22	0.000
ID	.4072674	.1653943	2.46	0.021
DD	.4614325	.1815832	2.54	0.018
_cons	.386509	.0747235	5.17	0.000
R-sq:				
within = 0.5044			F(3,25) = 8.48	
between = 0.6066			Prob > F = 0.0005	
overall = 0.5213			corr(u_i, Xb) = -0.2392	

Source: Study Data (2022).

4.4.2 Random Effects Models

The unobserved variables are presumed to be statistically independent or, more strongly, uncorrelated with all the observable variables in a random effects model. The random effect model is preferred over the fixed effect model due to the possibility of large standard errors with the fixed effects model and its ability to estimate effects for time-invariant variables**.** Table 4.10 presents the random effects model of the study.

Table 4. 10: Random Effects Model

NPM	Coef.	Std. Err.	Z	P>|z|
CSD	-.6873909	.1561511	-4.40	0.000
ID	.3930138	.1471249	2.67	0.008
DD	.4180922	.1736735	2.41	0.016
_cons	.3793945	.0580041	6.54	0.000
R-sq:			corr(u_i, X) = 0 (assumed)	
within = 0.5041			Wald chi2(3) = 33.05	
between = 0.6025			Prob > F = 0.0000	
overall = 0.5215				

Source: Study Data (2022)

4.4.3 Hausman Test for fixed and Random effect.

Hausman specification test is conducted to identify the appropriate model between fixed and random effects. The Hausman test is based on the null hypothesis that the random effect model is appropriate. If the P-value of the Hausman test is greater than 0.05, we fail to reject the null hypothesis and conclude that the random

effect model is appropriate. The study conducted the Hausman test to identify the most appropriate model for the research. The Hausman test results are presented in Table 4.11

Table 4. 11: Hausman Test Results for Random and Fixed Effects

	(b) Fixed	(B) Random	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
CSD	-.7322211	-.6873909	-.0448302	.075944
ID	.4072674	.3930138	.0142535	.0755615
DD	.4614325	.4180922	.0433403	0530089

b = consistent under Ho and Ha
B = inconsistent under Ha, efficient under Ho
chi2(3) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 1.24
Prob>chi2 = 0.7445

Source: Study Data (2022).

Table 4.11 presents the Hausman test for fixed and random effects results. The Hausman test results show a P-value of 0.7445, indicating that the chi2 was statistically insignificant at a 5% significance level. As a result, the study failed to reject the null hypothesis and concluded that the random effect model was preferred to the fixed effect model. Therefore, the study used a random effect model to extract a regression regression equition presented below

$$NPM_{it} = 0.3793 - 0.6873CSD_{it} + 0.3930ID_{it} + 0.4180DD_{it} \ldots\ldots\ldots (4.1)$$

From the regression model (4.1), the constant 0.3793 shows that if the financial decisions, which are capital structure decisions, investment decisions, and dividend decisions are not implemented, the profitability of large-scale retail supermarkets measured on net profit margin would be 0.3793.

4.5. Discussions of Findings

The results of the study were discussed in line with the study objectives.

4.5.1. Financial Decisions and Profitability of Large-Scale Supermarkets

The general objective of the study was to assess the effects of financial decisions on the profitability of large-scale retail supermarkets. The random effects results in Table 4.10 established that the overall model was statistically significant. This is supported by the reported Prob > chi2 of 0.0000, which is less than a 0.05 level of significance. These findings also established that financial decisions are good predictors of the profitability of large-scale retail supermarkets in Kenya. This is supported by the overall R-squared of 0.5215. This meant that capital structure, investment, and dividend decisions explain 52.15% of the variation in the profitability of large-scale retail supermarkets in Kenya. In comparison, other factors not considered in this study contribute 47.85% of the profitability.

4.5.2. Capital Structure Decisions and Profitability of Large-Scale Retail Stores

The first specific objective of the study was to establish the influence of capital structure decisions on the profitability of large-scale retail supermarkets in Kenya. The null hypothesis of this objective was that capital structure decisions had no significant influence on the profitability of large-scale retail supermarkets in Kenya. Table 4.13 shows that capital structure decisions have a negative and significant effect on the profitability of retail stores in Kenya. This is supported by regression coefficients of −0.6873 with P-values of 0.000<0.05 and Z-statistics -4.40 smaller than the Z-critical of -1.96, implying that capital structure decisions have a negative and significant effect on profitability, thus rejecting the null hypothesis.

These results meant that a unit increase in the debt-equity ratio would lead to a subsequent decrease in the profitability of retail stores by 0.6873 units. This implied that increased debt capital in the capital structure would lead to decreased profitability of large-scale retail stores due to debt covenants such as interest paid to debt holders. The results agree with Cheruyot & Wahome (2019) that the debt-equity ratio significantly influenced the financial distress management of retail outlets in Nakuru County. The findings are also consistent with Mukaddam & Sibindi (2020) study, which established capital structure had a negative and significant relationship with the financial performance of retail stores in South Africa.

4.5.3. Investment Decisions and Profitability of Large-Scale Retail Supermarket

The second specific objective of the study was to determine the effect of investment decisions on the profitability of large-scale retail stores in Kenya. The null hypothesis of the objective was that investment decisions had no significant effect on the profitability of large-scale retail supermarkets in Kenya. The hypothesis was tested using a p-value. The rejection criteria were that if the p-value exceeds 0.05, we fail to reject the null hypothesis. The findings in table 4.12 established that investment decisions had a positive and significant relationship with profitability. This is supported by regression coefficients of 0.3930 with p-values of $0.008<0.05$ and z-statistics of 2.67 greater than z critical of 1.96; therefore, the null hypothesis was rejected, and adopted the alternative hypothesis

that investment decisions had a significant influence on the profitability of large-scale retail stores in Kenya.

These results implied that a unit increase in the asset turnover ratio measured for investment decisions would lead to a subsequent increase in the profitability of large-scale retail stores by 0.379 units. These results meant that investment decisions effectively predicted the profitability of large-scale retail stores in Kenya. These results are consistent with Nyang'au & Muturi (2018), which indicated that investment decisions had a positive and significant effect on the financial performance of retail investors in Kisii Town. These findings also corroborate Michelon, Codesso, Santos, & Lunkes's (2019) study that established capital budgeting decisions had a positive and significant influence on the financial performance of retail supermarkets in Santa Caterina, Brazil.

4.5.4. Dividend Decisions and Profitability of Large-Scale Retail Stores in Kenya

The third objective of the study was to examine the effect of dividend decisions on the profitability of large-scale retail supermarkets in Kenya. The null hypothesis was that dividend decisions have no significant effect on the profitability of large-scale retail stores in Kenya. Results in Table 4.12 show P-values of 0.016, less than a 0.05 significance level. This was backed up by a calculated z-statistics of 2.41, which is greater than the critical z-statistic of 1.96. Therefore, the study rejected the null hypothesis and concluded that dividend decisions significantly affect the profitability of large-scale retail stores in Kenya.

These results implied that a unitary increase in retention ratio would lead to the subsequent increase in profitability of large-scale retail stores in Kenya by 0.4180. This means that increased retained earnings would lead to increased profitability of retail stores. The findings corroborate Lokwang, Gichure, & Oteki (2018) study that indicated that retained earnings have a positive and significant effect on the financial performance of supermarkets in Trans-Nzoia. These results also agree with Mamaro's (2021) study findings, which revealed that financial performance was positively and significantly associated with the dividend decisions of retail firms in South Africa. Table 4.14 shows the summary of the hypothesis test of the study.

Table 4. 12: Summary of Hypothesis Tests

	Study Hypothesis	**Reject H_{01}/Fail to Reject H_{01}**
H_{01}	Capital structure decisions have no significant effect on the profitability of large-scale retail supermarkets.	Reject H_{01}
H_{02}	Investment decisions have no significant effect on the profitability of large-scale retail stores.	Reject H_{01}
H_{03}	Dividend decisions have no significant effect on the profitability of large-scale retail supermarkets.	Reject H_{01}

4.6. Theoretical Relevance

The study was guided by three theories which were portfolio theory, pecking order theory and agency theory. The study results extended the theoretical discourse on the portfolio, pecking order and agency theories by empirically illustrating the extend of association among financial decisions and profitability of large-scale retail supermarkets. Financial decisions were found to be good predictors of profitability therefore managers should act inaccordance with agency theory to safegauard the intrests of the principal. The decisions made by the managers of the

supermarkets should be in line with the interests of the shareholders to avoid agency problems.

Capital structure decisions were found to have a negative association with profitability. This results are in lines with the pecking order theory which states that firms prefers internal funding than external funding since external funding reduces profitability. This result explain why (Myers, 1984) argued that firms prefer internal funding to external funding since external funding has negative implications to financial performance.

A positive association was found to exists between investment decisions and profitability. These results are in line with portfolio theory which argues that diversification of risk through investing in different assets increases profitability. Dividend decisions affects profitability positively indicating that increased retained earnings results in increased profitability. This results are consistent with pecking order theory which argues that internal funding is preferred to external financing. Retained earnings are good sources of capital since they are readily available.

CHAPTER 5

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This section outlines the summary of the study. It also presents the conclusions and recommendations made and suggestions for further research.

5.2. Summary of Findings

The study sought to assess the effects of financial decisions on the profitability of large-scale retail supermarkets in Kenya. The specific objective was: to establish the effects of capital structure decisions on the profitability of large-scale retail supermarkets, determine the effects of investment decisions on the profitability of large-scale retail stores in Kenya, and; examine the effects of dividend decisions on the profitability of large-scale retail supermarkets in Kenya. The study was guided by portfolio, pecking order, and agency theories. Study data were obtained from the audited financial statements of large-scale retail supermarkets in Kenya.

5.2.1 Financial Decisions and Profitability on Large-Scale Retail Stores in Kenya.

The overall regression results show an R^2 of 0.5215 which implies that financial decisions variables explain 52.15% of variations in the profitability of large-scale retail supermarkets. The other factors not considered in the study explain 47.85% of profitability. The findings of the descriptive analysis showed that the majority of large-scale retail stores were, on average, generating net profit. This is supported by positive maximum and minimum values of 0.7370 and 0.0140, respectively. The net profit also varied across the study period.

5.2.2 Capital Structure Decisions and Profitability of Large-Scale Retail Stores

The study's first objective was to establish the effects of capital structure decisions on the profitability of large-scale retail outlets in Kenya. The descriptive statistics established that the debt-equity ratio among the supermarkets varied across the study period. At some point, a firm was operating on zero debts while others were operating on a high debt-equity ratio. This is backed up by 0 and 1.0605 lowest and maximum values. The correlation results established that capital structure decisions and profitability of large-scale retail stores are negatively and significantly associated. This is validated by an r of -0.5896 and a p-value of 0.0002.

Regression of coefficients findings established that capital structure decisions measured using the debt-equity ratio and profitability of large-scale retail supermarkets are negatively and significantly associated. This is demonstrated by a regression coefficient of -0.6873 and a p-value of 0.000. This means that a unit increase in the debt-equity ratio would lead to a subsequent decrease in the profitability of large-scale retail stores. Therefore, the study adopted the alternative hypothesis that capital structure decisions significantly affect the profitability of large-scale retail supermarkets.

5.2.3. Investment Decisions and Profitability of Large-Scale Supermarkets

The study's second objective was to determine the effect of investment decisions on the profitability of large-scale retail stores in Kenya. The descriptive results established that the asset turnover ratio varied across the study period. This is evidenced by the maximum value of 1.045381 and minimum value of 0.06706.

This meant that asset turnover varied across the study period. The correlation analysis established that investment decisions measured by asset turnover ratio positively and significantly associated with the profitability of large-scale retail stores in Kenya. This is supported by an r of 0.3778 and a p-value of 0.0253.

The regression of coefficients findings shows that investment decisions and profitability are positively and significantly related. This is proven by the regression coefficient of 0.3930 and p-value of 0.008. This implies that a unit increase in the asset turnover ratio will result in a corresponding rise in the profitability of retail stores in Kenya. Therefore, the study adopted the alternative hypothesis that investment decisions significantly affect the profitability of large-scale retail supermarkets in Kenya.

5.2.4 Dividend Decisions and Profitability of Large-Scale Retail Supermarkets

The third objective of the study was to examine the effects of dividend decisions on the profitability of large-scale retail supermarkets in Kenya. The descriptive findings indicated that some firms distributed all their net profits to shareholders while others retained more profits for future investments. The correlation results revealed that dividend decisions had a positive and significant association with the profitability of large-scale retail supermarkets. This is evidenced by an r of 0.3870 and a p-value of 0.0253.

The regression results established that dividend decisions and profitability are positively and significantly related. This was supported by a regression coefficient of 0.4180 and a p-value of 0.016. Thus, a unit increase in the retention ratio would result in a subsequent rise in the profitability of retail supermarkets by 0.4180

units. Therefore, the study adopted the alternative hypothesis that dividend decisions significantly affect the profitability of large-scale retail supermarkets in Kenya.

5.3. Conclusions

Considering the study findings, the study concluded that financial decisions positively and significantly affect the profitability of large-scale retail supermarkets in Kenya. This implies that the profitability of large-scale retail supermarkets majorly depends on the company's financial decisions. The issues of profitability reductions arise due to the implementation of poor financial decisions.

5.3.1 Capital Structure Decisions and Profitability.

Based on inferential statistics, the study found that capital structure decisions negatively correlate to large-scale retail stores' profitability. This is backed up by an r of -0.5896. The regression model found that capital structure decisions negatively and significantly affect the profitability of large-scale retail stores in Kenya. This is validated by a regression coefficient of 0.6873 and a probability value of 0.00. Therefore, the study concluded capital structure decisions negatively and significantly affect the profitability of large-scale retail supermarkets.

5.3.2. Investment Decisions and Profitability.

The correlational results found that investment decisions positively correlated to the profitability of large-scale retail stores in Kenya. This is supported by an r of 0.3773. The regression model results found that investment decisions positively and significantly affect the profitability of large-scale retail stores in Kenya. This

is supported by a regression coefficient of 0.3978 and a p-value of 0.008. Therefore, the study concluded that investment decisions positively and significantly affect the profitability measured using net profit margin.

5.3.3. Dividend Decisions and Profitability.

Finally, the study found that dividend decisions positively and statistically significantly influence the profitability of large-scale retail stores. This is supported by correlational results that established a positive relationship between dividend decisions and profitability. The regression model also established that dividend decisions and profitability are positive and significantly related. Therefore, the study concluded that dividend decisions measured by retention ratio affect profitability positively and significantly.

5.4 Recommendations of the Study.

From the study results, the following recommendations have were made:

5.4.1 Capital Structure Decisions and Profitability.

The study established that capital structure decisions negatively affect profitability. Capital structure decisions were measured using a debt-equity ratio that measures debt control. The study recommends that the management of large-scale scale retail stores balance funding a company using equity capital and debt capital. A higher total debt-to-equity ratio indicates that the firm uses more debt to finance its operations. In contrast, a lower debt-to-equity ratio indicates that the sector is financing a smaller proportion of its activities through debt than through equity.

Higher debt can make a company more vulnerable to business downturns and result in unpredictable earnings due to increasing interest costs. Therefore, Managers in large-scale retail supermarkets should balance equity and debt capital and aim for a debt load compatible with a favorable debt-to-equity ratio to function without worrying about defaulting on loans. They should also develop diversifying strategies and policies to control the debt-equity ratio, thus improving the firm's profitability.

5.4.2 Investment Decisions and Profitability.

The study established that investment decisions influence profitability positively. The study recommends implementing viable investment projects based on customer preferences, expert directions, market forces, and business elements. The management should also implement investments evaluated by investment decision techniques to ensure that the investment will yield the required and expected results. Investment decisions should also involve diversifying risk, understanding the business environment, venturing into new businesses, and investing in product quality improvement and cost reductions.

5.4.3 Dividend Decisions and Profitability.

The study findings established that dividend decisions affect profitability positively. However, different large-scale retail stores have varying dividend policies; hence, retained dividends are difficult to standardize. Management should be keen and exercise caution on the implication of the policies on dividend policy they employ and how it impacts the profitability of the firm. The study recommends that large-scale retail stores formulate dividend policies and decisions

that favor the firm's overall financial performance. Management should develop dividend policies that stimulate profitability and encourage shareholders in their investments. Management should also have a balance between retained profits and dividends paid out to shareholders, thus reducing the agency conflicts that may arise between shareholders and management.

5.5. Area of Further Study

A study can be conducted to investigate the effect of financial decisions on the profitability of medium and small retail supermarkets in Kenya. Another research can be employed to analyse other factors affecting the profitability of large-scale retail supermarkets apart from financial Decisions since financial decisions were established to account only for 52.15% of the profitability of large-scale retail supermarket.

REFERENCES

Agarwal, S., Rohit, G., & Pushpendra, K. V. (2014). A Literature Review of Agency Theory. *Indian Journal of Research,* Vol. 3.

Al-Slehat, A. Z. (2020). Financial Performance as Mediator on Impact of Investment and Financing Decisions on Stock Price and Future Profit: The Case of Jordanian FinanciL Sector. *International Journal of Economics and Financial Issues*, vol. 10 (2) 242-247.

Ardillah, K. (2019). The Impact of Environmental Performance and Financing Decisions on Sustainable Financial Development. *Advances in Economics, Business & Management Research*, vol. 149.

Chenchehene, J., & Mensah, K. (2017). Dividend Policy and its effects on Shareholders Wealth: Evidence from Uk Retail Industry. *International Journal of Liberal Arts and Social Science.,* Vol. 3 No. 2 pp 52-64.

Cheruyot, N. K., & Wahome, A. (2019). Influence of Debt Equity Ratio on Financial Distress Management in supermarkets in Nakuru Town. *International Journal of Recent Research in Social Sciences and Humanities,* Vol.6 Issue2 Pp 77-90.

Chizema, D. (2018). *Determining the Investment Decisions of South African Retail Firms' FDI into Africa.* Potchefstroom Mahikeng Vanderbijlpark: North-West University Repository.

Cooper, D., & Schindler, R. (2017). *Social Sciences Research Methods.* London: Mc Grow Hill Publishers.

Demirgunes, K. (2016). The Effects of Liquidity Decisions on Financial Performance of Retail Industry in Turkey. *International Journal of Economics and Finance,* Vol.8 No. 4.

Effiong, S. A., Inyang, S. W., Akum, A. H., Asuquo, C. O., & Onyeogaziri, U. R. (2018). The implication of pecking order Approach on the Profitability of Quoted Firms in Nigeria. *International Journal of Economic, Development Research and Investment.,* Vol. 9(1).

Euromonitor International. (2014). *Retail Report-Kenya Retrieved from Gmid: Global Market Information Data Base.* Euromonnitor.com.

Fama, E. F., & French, K. R. (2002). Testing Trade-off Pecking Order Predictions about Dividends and Debt. *Review of Financial Studies*, Vol. 15(spring 2002) pp 1-33.

Gains Report, (2015). *The Rise of Supermarkets in Africa; Implications for Agrifood systems and the Rural Poor*. Gains Report.Com.

Green, W. N. (2012). *Econometric Analysis (7th Ed.).* Upper Saddle River: N.J: Prentice Hall.

Hirsch, S., Lanter, D., & Finger, R. (2020). Profitability and Profit Persistence in EU Food Retailing: Difference Between Top Competitors and Fringe Firm. *An International Journal of Agribusiness*, Pp 235-263.

Hussain S., H. A., Hassan, S., Hassan, A. G., Rafiq, M., & Abdullah, D. M. (2020). Impact of Investment Decisions and Interest Rate on Firm's Financial Performance of Fuel and Energy Sector of Pakistan. *International Journal of Advanced Science and Technology*, Vol. 29 pp 1391-1410.

Idewele, I., & Odion, M. B. (2017). Dividend Policy and Financial Performance: a Study of selected deposit money Banks in Nigeria. *African Journal of Business Management*, Vol. 13(7) pp. 239-255.

Jensen M. (1986). Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers. *American Economic Review*, Vol. 76(2), 323-329.

Jensen, W., & Meckling, M. (1976). Theory of Firm: Managerial Behaviour, Agency Costs, and Ownership Structure. *Journal of Financial Economics*, pp 305-60.

Kanakriyah, R. (2020). Dividend Policy and Companies' Financial Performance. *Journal of Asian Finance, Economics, and Business*, Vol. 7.

Kenya Retail Report. (2021). *Kenya Retail Report and cytonn weekly reports.* Nairobi: https://cytonn.com.

Keya, E. (2016). *Effects of Dividend Decisions on Financial Performance of Listed Financial Institutions in Kenya.* Nairobi: Repository of the University of Nairobi.

KIPPRA. (2020). *Kenya Economic Growth 2020: Creating an Enabling Environment for Inclusive Growth in Kenya.* Nairobi, Kenya.: Kippra.

KNBS. (2021). *Kenyan Economic Survey.* Nairobi, Kenya: KNBS.

Lokwang, J. N., Gichure, J., & Oteki, B. E. (2018). Effects of Retained Profits on Performance of Supermarkets in Trans Nzoia County, Kenya. *International Journal of Recent Research in Commerce Economics and Management*, Vol.5 Issue2 Pp 65-72.

Magill, M. P., & Constantinides, M. G. (1976). Portfolio Selection with Transaction Cost. *Journal of Economic Theory*, vol. 13, pages 245-263.

Mamaro, L. P. (2021). The Financial Performance and dividend payout of Retail firms in South Africa. *Journal of Finance and Economics.*, Vol. 17. No. 6.

Markowitzs, H. (1952). Portfolio Selection. *The Journal of Finance*, vol.7.

Matayo, W., & Muturi, W. (2018). Effects of Financial Risk on Financial Performance of Large-Scale retail Supermarkets in Nairobi County, Kenya. *International Journal of Social sciences and Information Technology.*, Vol. IV issue X.

Matiin, N., Ratnawat, T., & Riyand, S. (2018). The Influence of Investment Decision, Financing Decisions, Risk of Strategy to efficiency, Financial Performance, Good Corporate Governance as Moderating Variable in Mining Company Coal sub-sector Goes Public Stock Exchange. *Archives of Business Research*, VOL. 6(6) pages 374-383.

Michelon, P. S., Codesso, M. M., Santos, I. L., & Lunkes, R. J. (2019). Study on Capital Budgeting Decisions and Practices Adopted by Supermarkets Companies in the State of Santa Catarina, Brazil. *Latin American Journal of Business and Management*, Vol. 10(2) pp 38-52.

Mtani, B. P., & Masanja, N. M. (2018). Impact of Working Capital Management on Financial Performance of Supermarkets in Arusha - Tanzania. *International Journal of Research and Innovation in Social Sciences*, Vol. 2 issue 12.

Mukaddam, S., & Sibindi, A. B. (2020). Capital Structure and Financial Performance of Retail Firms: Empirical Evidence from South Africa. *Acta Universities Danubius*, VOL.16 NO. 5.

Muthoni, K. G. (2019). *Financing Decisions and Shareholder value creation of Non-Financial Firms Quoted at the Nairobi Securities Exchange, Kenya.* Nairobi.: Repository of Kenyatta University.

Mwangi, J. K., & Muturi , P. W. (2018). Influence of Internal Control Mechanism on Financial Performance of supermarkets in Kenya. *International Journal of Social Sciences and Information Technology*.

Mweresa, S., & Muturi, P. W. (2018). Effects of Investment Decisions on the Financial Performance of Public Sugar Firms in Western Kenya. *International Journal of Social Sciences and Information Technology*, Vol. IV.

Myers, C. S. (1984). The Capital Structure Puzzle. *Journal of Economics Perspectives*, Vol. 15(2) Pp 81-102.

Njenga, R., & Jagongo, A. (2019). Effects of Financial Management decisions on Financial Performance of Selected Non-Deposit Taking Saccos In Kiambu County, Kenya. *International Academic Journal of Economics & Finance*, Vol. 3(3) pp. 204-2017.

Nyang'au, S. M., & Muturi, W. (2018). Effects of Investment Decisions on Financial Performance of Retail Investors in Kisii Town. *International Journal of Academics & Research*, pp 194-203.

Osoro, M., Ogoro, S., Andrew, N., & Nyarige, E. (2017). An Assessment of the Effect of Investing Decision Techniques on Financial Performance of Medium Enterprises in Kenya: the case of Kisii Town. *African Journal of Business Management*, vol.3(2).

Pandey, P. D., & Pandey, M. D. (2015). *Research Methodology: Tools & Techniques.* Romania: Bridge Center.

Ravitch, S. M., & Riggan, M. (2017). Reason & Rigor: How Conceptual framework guide research. *Thousand Oaks : Ca: Sage.*

Ruri, J. K. (2017). *Capital structure and Financial Performance of Small and Medium Enterprises in Embu County, Kenya.* Nairobi.: Repository of Kenyatta University.

Sekaran, U., & Bougie, R. (2015). *Research Methods for Business.* Chennai, India: John Wiley and Sons Ltd.

Setiyowati, S. W., & Irianto, M. F. (2021). Impact of financing decision on Profitability Dimedient Policy. *Journal of Financial Accounting Research*, Vol. 6 No.1.

Shapiro, S. S., & Wilk, M. B. (1965). An Analysis of Variance test for Normality (Complete Samples). *Biometrika*, 52(3-4) PP 591-611.

Shrogren, K. A., Wehmeyer, M. L., & Palmer, S. B. (2017). Casual Agency Theory: in Development of Self-Determination through Life-course. *Journal of finance and economics*, pp. 55-67.

Sukharev, O. S. (2020). Portfolio Theory in Solving the Problem Structural Choice. *Journal of Risk and Financial Management*.

Triani, N., & Tarmidi, D. (2019). Firm value: Impact of Investment Decisions, Funding Decisions, and Dividend Decisions. *International Journal of Academic Research in Accounting, Finance and Management Science,* pp 158-163.

Wairimu, K. K. (2020). *Impact of Capital Structure on Firms Performance: A Case Study of Naivas Supermarket in Nairobi Region.* Nairobi: Repository of Strathmore University.

Willian, R. (2015). Testing post and pre-estimation tests in panel data—*Journal of statistics and data analysis*.

Winfred, N., & Wapukhulu, J. M. (2018). Effects of Financing Decisions on Financial Performance of Listed Companies at NSE, Kenya. *Journal of International Business, Innovation and Strategic Management*.

Yusuf, F., Yousaf, A., & Saeed, A. (2018). Rethinking Agency Theory in Developing Countries. *Journal of Accounting Forum*, Vol. 42(4) Pp 281-292.

Zender, J., & Lemmon, M. (2010). Debt Capacity and Tests of Financial Structure Theories. *Journal of Financial and Quantitative Analysis*, 45(5) 1161-1187.

APPENDICES

Appendix I: Letter of Introduction

Kaimosi Friends University

P.O. Box 385-50309

KAIMOSI, KENYA

Dear Sir/Madam,

RE: Request for Research Data.

I am a Kaimosi Friends University student undertaking a Masters's Degree in Business Administration (Finance option). As part of the requirement of a Masters's Degree award, I am researching *Financial Decisions and Profitability of Large-Scale Retail Supermarkets in Kenya.*

I kindly request that you assist me by answering the data collection sheet provided. This information will be treated with the utmost confidentiality.

Yours faithfully,

Musyoka Mulemba.

DGS/MBA/G/0023/2020

Appendix II: Data Collection Sheet.

Item	2017	2018	2019	2020	2021
Debt Capital					
Equity Capital					
Total assets					
Total Investment					
Net Income					
Retained Earnings					
Revenue					
Net Profit					

Appendix V: List of Large-Scale Retail Supermarkets

Supermarket
1. Naivas Supermarket
2. Quickmatt Supermarket
3. Chandarana Food Plus Supermarket
4. Carrefour Supermarket
5. Clean shelf Supermarket
6. Khetias Supermarket
7. Society Stores Supermarket
8. Mathai Supermarkets
9. Eastmatt Supermarkets

Source (Kenya Retail Report, 2022)**.**

Appendix VI: Study Data

IDENTIFIER	YEAR	CSD	ID	DD	NPM
1	2017	0.426346	0.111246	0.18331	0.22588
1	2018	0.104753	0.089653	0.219446	0.317902
1	2019	0.226834	0.011734	0.47127	0.626797
1	2020	0.100412	0.314688	0	0.73703
1	2021	0.044983	0.02988	0	0.484754
2	2017	0	0.0151	0.291742	0.469722
2	2018	0.622774	0.607674	0.001057	0.049844
2	2019	0.876963	0.761863	0.152024	0.287871
2	2020	0.562117	0.647017	0.128132	0.185452
2	2021	0.498471	0.483371	0.019699	0.241737
3	2017	0.568929	0.553829	0.221225	0.137753
3	2018	0.557758	0.542658	0.391419	0.265904
3	2019	0.562346	0.547246	0.116464	0.222695
3	2020	0.67441	0.65931	0.199489	0.250163
3	2021	0.121806	0.006706	0.107677	0.4567
4	2017	0.603605	0.588505	0.258111	0.221894
4	2018	0.241369	0.226269	0.076388	0.138728
4	2019	0.242036	0.226936	0.068937	0.375932
4	2020	0.407956	0.392856	0.298906	0.469603
4	2021	0.470638	0.455538	0.287921	0.19969
5	2017	0.51036	0.18526	0.000469	0.014029
5	2018	0.313777	0.298677	0.278615	0.345949
5	2019	0.448865	0.433765	0.256082	0.476872
5	2020	0.191944	0.646844	0.250269	0.638456
5	2021	0.404789	0.689689	0.101968	0.287655
6	2017	0.297971	0.282871	0.289254	0.375864
6	2018	0.463693	0.148593	0.029618	0.116918
6	2019	0.264276	0.249176	0.228892	0.229043
6	2020	0.297827	0.182727	0.368071	0.419805
6	2021	0.281865	0.266765	0.227987	0.4706
7	2017	0.931814	0.916714	0.146787	0.177949
7	2018	1.060481	1.045381	0.144125	0.349876
7	2019	0.950782	0.935682	0.198521	0.237188
7	2020	1.008774	0.993674	0.043698	0.113553
7	2021	1.05061	1.03551	0.027902	0.059848

Appendix V: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **549534**

Date of Issue: **22/September/2022**

RESEARCH LICENSE

This is to Certify that Mr.. MULEMBA Musyoka MUSYOKA of Kaimosi Friends University College , has been licensed to conduct research in Kakamega, Kiambu, Kirinyaga, Nairobi on the topic: Financial Decisions and Profitability of large-scale Retail Supermarkets in Kenya. for the period ending : 22/September/2023.

License No: **NACOSTI/P/22/20434**

549534

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.