EFFECT OF ECONOMIC REOPENING ANNOUNCEMENT ON NAIROBI SECURITY EXCHANGE MARKET PERFORMANCE

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DECLARATION

I declare that this research project is my original work and has never been submitted to any other

institute for any academic purpose.

Sign: ……………………………………… **Date:** 13 Nov 2021 ………………………………………

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D63/12523/2018

This research project has been submitted for presentation purposes with my approval as

University of Nairobi supervisor.

Sign: ……………………………………… **Date:** 13 NOV 2021 ………………………………………

Professor Cyrus Iraya

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DEDICATION

I dedicate this research project to my family who have supported me all through my academic journey and encouraged me to persue all my dreams.

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ABBREVIATIONS

NSE   **Nairobi Securities Exchange**

PAYE   **Pay As You Earn**

SIR   **Susceptible, Infected and Recovered**

VAT   **Value Added Tax**

WHO   **World Health Organization**

ABSTRACT

Since the strike of Covid-19 around the global economies, many stock markets were found to be adversely affected with some of the markets going into a full closure. Different governments were seen to adopt different measures in the attempt to address the spread of the pandemic in their states. Among the common approaches were the market closures that were associated with lockdowns whether the full restriction of movement or closures of most non-essential sectors in the economy. The objective of the current study was to establish the effect of the announcement of economic reopening on the share performance of stocks listed in the NSE. In addressing the research objectives, a number of theories informed the researcher including efficient market hypothesis and the greater fool theory selected for their relevance in the establishment of indications of stock market performances. The research adopted a quantitative research design obtaining secondary data from the 63 listed firms in the NSE. The study employed an event study focusing on a single day of announcement of the first phase of the economic reopening that was made on 5th July 2020 with an estimation window period of 21 days before the announcement and a post-event period of 21 days after the announcement. The research findings were presented using statistical aids of tables. The research findings indicated that the general model of the study employed explained 16.52% of the factors influencing stock performance in NSE even though the model was established not to be statistically significant at the 95% confidence level. The study indicated some differences in the actual returns in the NSE market and the predicted returns on the same market. With 13 points indicating a positive abnormal return that shows location above the regression line was an indication of good economic performance than the targeted results. The t value confirmed the existence of some influence of the announcement on the performance of NSE even though statistically insignificant. The study recommended that policymakers should consider a cautioned economic reopening to allow full economic recovery based on the results indicated herein.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Security markets serve as a mirror of the general performance of a given economy indicating the aggregate performance of all the firms listed in the market. As no investors would be interested in poor-performing economies or stocks, it is important that factors that can determine the performance of NSE be established to facilitate the taking of appropriate measures. As a reflection of what is happening in the economy, NSE is affected by happenings like Covid-19 whose effects have cut across all sectors. Erdem (2020) established that there was a negative performance in stock markets triggered by Covid-19 but Mazur, Dang, and Vega (2021) noted that different industries responded differently. This means that results by Erdem (2020) cannot be relied upon unless the same composition is in NSE as it is in those countries he studied. Anh and Gan (2020) established that lockdowns imposed in Vietnam helped in easing the negative effect that had been brought about by the pandemic. This means country responses (including lockdowns, cessation of movements, and reopening) were also factors in the relationship between Covid-19 and market performances, makes it necessary that NSE be studied as countries responded differently and so they were affected differently. The study focused on the announcement of economic reopening after the first closure. It would therefore complement the few that have been done like Orenge (2020) and Syahri and Robiyanto (2020).

In this study, some theories were considered to determine the impact of economic reopening on NSE performance. These theories would be the efficient market hypothesis and the greater fool theory. The two would be considered as they help predict how stock prices would have responded to the news on economy reopening. The efficient market hypothesis would help in noting whether

the stocks were responsive to the information while the greater fool theory would help in determining if there are expectations of greater fools in the market by investors which would then determine their decision making. According to greater fool theory, an investor would purchase a stock even above its fair price, with the expectation that there would be another greater fool who will purchase from them (Liu, Wang, Lee, & Groves, n.d). This act would lead to irrational purchasing behavior. The study would also help in finding if there are irrational behaviors in the NSE which dictate prices against intrinsic values and general expectations. If the market is efficient, it is expected that the return in the NSE would increase on reopening and would be different from the pre-opening return. If there are greater fools in the market, it is expected the returns would be positive as there were expectations of greater fools, but negative after some time when the greatest of all fools invested.

NSE returns have been found to be affected by different factors. Among them is the level of risk as established by Magut and Bogonko (2017) and behavioral finance as studied by Mangeni and Mike (2018). Others are announcements like, like capital gains tax and interest rate capping as established by Karinga (2015) and Sammy (2017) respectively. This shows that movements in stock prices, and therefore return in the market is a function of many factors. There is therefore a need to explore as many factors as possible. The latest probable factor is the covid-19 pandemic. An investigation into the possible effects on NSE by covid-19 has been done. According to Ceicdata.com (n.d), as a percentage of GDP, NSE capitalization reduced from 26.1% in 2019 to 23.6% in 2020. There, however, has been less focus on the effect of government interventions on the performance of the NSE market. This has made it necessary for this research to be conducted as there needs to be a good evaluation of decisions made to advise those to be made in the future.

The study would focus on the announcement of economic reopening to determine how such an announcement affected NSE performance.

1.1.1 Economic Reopening Announcement

Covid-19 has been defined as an illness that is caused by the severe coronavirus classified under the acute respiratory syndrome known as coronavirus 2 (Simonetti et al., 2020). The pandemic was first reported in Wuhan China before spreading to other nations around the globe. The disease is characterized by the quick spread based on human conduct and interaction with contaminated services. The disease was reported to be having differing levels of risk to the patients based on the immunity system and other underlying conditions within the patients (Wang, He & Wu, 2020). By the 11th day of March 2020, the virus had spread in over 113 nations around the globe and which lead it to be declared a worldwide pandemic by the World Health Organization (WHO) (Khanna, Cicinelli, Gilbert, Honavar & Murthy, 2020). Like many other countries, and as deemed appropriate, Kenya closed the economy to contain the spread of the pandemic. Other measures to cushion the economy like reduction of the VAT rate, a downward revision of PAYE rates, suspension of listing with credit bureaus, and the revision of monthly PAYE tax relief.

Phased reopening following the covid-19 economy closure started on July 7th 2020 according to Mersie and Mohammed (2020). Key to it was the cessation of movement into and out of some towns like Nairobi and Mombasa, followed by allowing of airlines, church attendance and later school reopening. The reopening followed a gloomy economic outlook occasioned by Covid-19 like reduction in economic growth rate to 1.4% from 5.4% in 2019, increase in public debt to 72% of GDP from 61% in 2019, and an increase in the risk of debt distress in the country as noted by AfDB (2020). As a reflection of the economic outlook, NSE is expected to have responded by decreased overall market capitalization before economic reopening. According to Anyanzwa

(2020), firms in NSE had experienced stock price decline by up to 20.7% with the tourism, transport, agricultural and manufacturing industries experiencing notable declines. These effects together with calls from the public and advice from non-governmental organizations advised on economic reopening. Evaluating the reopening, Odhiambo (2020) noted that the move was one to save livelihoods which was a better focus though he noted medics were opposed to the move. It is important to determine if such positive intentions translated to better performance in NSE, hence the focus of this study.

With people having different opinions on whether it was wise to open up the economy, it is important that research is conducted to weigh the conditions before and after the reopening and assess if there was any significant change in the economy. This was the focus of the study and considered Nairobi Securities Exchange performance which is a good indicator of the overall performance of the economy, as it has firms operating in all economies. The reopening analysis would involve the determination of performance before and after the announcement of the reopening, and determining if there is a significant difference in the two performances.

1.1.2 Market Performance

The term performance has been coined to mean the ability of a firm or any kind of an organization to meet its objectives as pointed out in the study of Payer-Langthaler and Hiebl (2013). The objectives of different businesses are different and that gives the meaning of performance to be a very diverse aspect. Nairobi security market has been considered as it is the only stock market in Kenya in which public companies' stocks are listed and traded. In this case, the performance of the NSE market was considered as the total activeness of the security market and the total value traded in the market as advised by Orenge (2020).

NSE performance has been an area of key interest over the years. Researchers have focused on the level of performance in the past as an indicator of how good is the operation of a business that is listed in the market (Waithaka, 2014). The performance of the market has been an indicator of how good are businesses performing in the market and hence the aggregate economy. However, evidence shows that the performance of the NSE market as a whole has not been optimal. According to Kituku (2014), the performance of the NSE market was perceived to be on a decline ever since the political distress of 2008. Karinga (2015) noted that the performance of the NSE was positive following the announcement of capital gains tax, but negative following the announcement of interest rate capping according to Willy (2017). This shows that the market responds to announcements, even before their actual implementation. As per Orenge (2020) the NSE market was found to have extremely low performance. This evidence is an indication that the firms listed in the market were performing poorly at the individual firm level hence translating to the general market (Yousuf & Nilsson, 2013). It is on this basis that research on performance is deemed crucial, and especially at this covid-19 time when companies across industries have been affected. By looking at the effect of the economy reopening, it would help in understanding whether the market is responsive to such actions and if such actions really contributed to better economic performance.

Many researchers had identified a number of factors that are influencing the performance of the NSE stock market. Political instability as pointed by Kituku (2014), corporate governance as per Mwangi (2013), risk management according to Omondi and Muturi (2013), liquidity and management as per Odalo and Achoki (2016) and Covid-19 as established by Orenge (2020) were among the major factors that were found to influence the performance of NSE. Less has been done on the effect on NSE performance by some government actions and especially during covid-19.

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The focus would be the impact on the announcement of the reopening which would entail a comparison of NSE performance before and after the announcement. This study would help in determining if such decisions made the intended impact which can advise future decisions. Daily stock returns, daily trading volumes and daily market capitalizations would be used to indicate NSE performance in this study.

1.1.3 Economic Reopening Announcement

The outbreak of the Covid-19 has drawn a lot of attention from all diversities of the economy. Studies existing at the firm's levels have indicated that the influence of the pandemic on stock markets differs from one industry to the other. In general, the aggregate impact on the stock markets indicates a negative correlation between covid-19 and performance (Ruiz Estrada, Koutronas & Lee, 2020). Existing researches indicated that Covid-19 was having a negative relationship with the performance of security markets around the globe in the short term. However, policies made to control the pandemic vary from one nation to the next and so does the strength of the relationship between the Covid-19 and the performance of the stock markets (Broadstock, Chan, Cheng & Wang, 2021). As a result, an understanding of each nation's trend in regard to the two variables were need to be assessed. In Kenya, a focus was made on the effect of the economic reopening announcement, which is expected to rouse economic performance, following the economic closure.

As it was a government decision, it is expected that the reopening was well advised and had a positive effect on the economy. It is also expected that due to this action, NSE stocks responded immediately to the news, in accordance with the efficient market hypothesis. This is however an assumption and statistical evidence needs to be availed to confirm the same. If a negative effect is found, then it would facilitate future decisions with regard to similar occurrences. There has been

little focus on the effect of remedial measures and this study would seek to bridge the gap. It would complement researches like that by Orenge (2020) that focused on the effect of the covid-19 pandemic on stock performance, to enrich the field and facilitate proper decision making.

1.1.4 Nairobi Securities Exchange

Nairobi security exchange is the stock market for Kenya that was incorporated in the year 1954 (NSE, 2020). The main objective was to create capital and allocate the available capital to those in need, for investment purposes. Investors both individual and institutional had the opportunity to invest their extra capital and that is utilized by the listed firms for a return, mostly in the form of dividends (Orenge, 2020). With the current status of 63 listed firms, the market has been considered huge enough to draw the attention of investors from both local and international markets (NSE, 2021). It is therefore important to understand the movement in stock prices, and any significant factors that can sway the same to facilitate the creation of a sound trading environment.

The market has been considered an ideal area of study for the current research based on the publication requirements regarding the listed firms which allow the secondary data on the traded shares and the prices on a daily basis. Covid-19 data and government actions to tame it as well as economy cushioning decisions are also publicly made and hence can easily be compared with the stock market performance. All the 63 firms that are listed in the security market were studied in the current study. Were most of the firms over the season in the study have been found to record negative performance over the Covid-19 season, the study sought to establish the extent to which the low performance could have been reverted by economy reopening following covid-19 closure.

1.2 Research Problem

As an investment avenue NSE performance should be more positive than negative. It is however understood that as an efficient market, according to the efficient market hypothesis, it is bound to respond to all information available, making it possible for it to have negative returns if the information released is negative. Different industries in NSE were expected to be affected by the Covid-19 pandemic in different ways. They were also expected to have been affected differently by the several decisions made like reopening of the economy following a closure. It is therefore necessary as determination of the impact covid-19 had on the market, a determination of the effect of responses like reopening be determined to offer more comprehensive information. Such studies would benefit investors, company management and also advise government decision-makers to facilitate future decision-making.

Stock markets not only enable the meeting of lenders' and borrowers' expectations but also are indicative of economic activities in an economy (Erdem, 2020). Their poor performance would therefore signal deteriorating economic conditions and vice versa. It is therefore very crucial that measures, advised by researchers are devised to make markets more prepared and cushion themselves against possible market crushes. With a market capitalization of Kes. 2.7 trillion, as of May 7, 2021, according to NSE (2021), NSE is a huge market and there is a need to prevent erosion of such market capitalization. This study would therefore seek to investigate market return on NSE with an emphasis on how economic reopening affected it. Kuckertz, Brändle, Gaudig, Hinderer Reyes, Prochotta and Berger (2020) observed that startups, which later feed into securities markets were at risk in times of Covid-19. This means that not only are the returns affected, but also future positions of the markets. Without proper research, NSE would be very exposed.

Several studies have been conducted on stock markets and how they have been affected by the government's response to the pandemic. A study by Chang, Feng and Zheng (2021) focused on the impact of government responses to the pandemic and how they impacted stock performance. It was established that government responses had a positive impact on stock performance except for the health sector where it was insignificant. In a different study, Aharon and Siev (2021) studied government interventions and established that there was a generally negative response by markets, with lockdowns having the highest negative impact. In Vietnam, Anh and Gan (2020) found that lockdown imposed after the pandemic helped in reviving the stock market performance that had been affected negatively by the pandemic. This shows that the government's response to the pandemic would also account for the effect. As different countries responded differently, this study would be very important to determine the situation in Kenya. Such customized research would facilitate better local knowledge. These studies suggest that the effect of government response depended on the nature of the response and therefore there is a need for each response to be focused on independently. This will enable customized research that would help exploit knowledge on the subject matter.

Regionally, a study by Jelilov, Iorember, Usman and Yua (2020) in Nigeria found that Covid-19 increased uncertainty leading to some distortion of a positive relationship between inflation and market returns. Mati (2011) established that economic reopening had an insignificant effect on active covid-19 cases. This is an indicator that the impact on stock performance was also insignificant. Takyi and Bentum-Ennin (2020) focused on 13 countries and in them, they found that their markets had been negatively and significantly affected by Covid-19. They also found that within the study period, there was no chance that there was a positive impact. El-Khishin (2020) noted that in Egypt, forces of demand and supply in the financial markets had been distorted

and this was just adding into already fragile economic conditions with trade wars, political instability in the Middle East and general slowing economies. All these studies focus on the effect of covid-19 and government response measures but do not specifically look at the effect of economy reopening. This leaves a gap that needs to be exploited to advance knowledge and facilitate good and informed decision-making.

Locally, Orenge (2020) found that there was a significant negative effect of Covid-19 on the returns of the shares listed with the NSE, It is however noted that the pandemic is not yet over, and also that the study was for 43 days only. Syahri and Robiyanto (2020) noted that Covid-19 caused confusion on investors in deciding on investments between currencies, gold and securities. On the general economy, Kemboi (2020) established that social welfare, production losses and economic contraction were key consequences of covid-19. There is less research on government interventions and this necessitated this research. This study, therefore seeks to answer the question; what was the effect economy reopening announcement following covid-19 closure on the performance of stocks in the Nairobi Securities Exchange market in Kenya?

1.3 Research Objectives

1.3.1 General Objective

The main research objective for the study was to determine the effect of economic reopening announcement on the share performance of stocks listed in the NSE.

1.3.2 Specific Objectives

In order to achieve the general research objectives, the following specific objectives were considered.

i. To determine if economic reopening announcement had a significant impact on NSE stock prices

ii. To determine if economic reopening announcement had a significant impact on the daily volume of NSE traded shares

iii. To determine if economic reopening announcement had a significant impact on NSE index capitalization.

1.4 **Value of the Study**

The findings of this study shall benefit different stakeholders in different ways. The study is beneficial in three dimensions are in practice, in policy and in theory. In practice, understanding the influence of economic reopening following Covid-19 closure would facilitate better practice on the part of NSE players. These include stockbrokers, stock traders, investment bags and even the trading floor itself. A better practice is deemed very necessary to maintain the sanity of the market as it deals directly with a network of investments, and which generally portray economic conditions in the country. By understanding whether there was a significant impact on stock performance, future actions would be guided and investors and other parties would take early measures to cushion their interests. Actions can include buying, selling, stopping trading of some shares and offering trading-related consultancy.

The policymakers need to understand how some acts can influence share prices. They can then make better policies to prevent adverse effects and maintain the value of investments. They can also offer advice to other related parties whose decisions and policies can affect the performance of stocks in the NSE. These would include economic closure and reopening decisions, fiscal and monetary policies, trading policies and also policies guiding the various market players.

In theory, future scholars, lecturers and researchers were informed on the existing body of knowledge. Covid-19 being in our midst and with no idea on when the pandemic shall disappear, many more studies are expected to get more understanding of the pandemic and how it related to other variables in Kenya. Beneficiaries in form of theory would include students, lecturers, academicians and future researchers who are interested in a body of knowledge about a subject. Covid-19 control measures would also continually be made and they would need to be well advised, hence the need for this study. This study finding also forms part of the body of knowledge that future studies shall refer to and allow more understanding of the NSE performance in crisis times.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this section, a literature review was conducted in the attempt to create the research gap based on what has so far been established by the scholars who have so far considered the field of study. Covid-19 has been a new phenomenon since late 2019 but is attracting a lot of interest in the research industry. This section reviews scholarly evidence in connection with both the economic reopening during Covid-19 and the performance of security markets. The section specifically focused on theoretical review, determinants of performance in the security markets, an empirical review, a summary of the literature review and a conceptual framework for the study.

2.2 Theoretical Literature Review

A number of theories have been advanced in connection with the economies reopening in the pandemic and the performance of the security markets. In this section, the existing literature was reviewed considering how they support the current variables in the study. The researcher found a number of theories relevant in the current study including efficient market theory and Greater fool theory which aided in achieving the research objectives.

2.2.1 Efficient Market Theory

Fama (1965) advanced the prominent efficient market theory that has been applicable in different fields. The theory articulated that there was a general expectation that the operation of a free market will determine the prices of items in the market. From Rossi and Gunardi (2018) it was found that the share prices in the market are greatly influenced by the forces of the market of demand and supply of the shares. According to the efficient market theory, the prices of shares will increase if the supply of shares is low or the demand is high and vice versa. However, the efficient market theory brings the concept of equilibrium that will use the demand for shares and the supply by the

firms issuing the shares should strike a balance on which the price is set. According to Malkiel (2003), the share prices have been determined by the forces of the security market. The concept has been found to be relevant in most of the markets as the prices of shares are seen to adhere to the rule.

The theory has been found to be helpful in diverse economic applications. Assuming that there is fair and equal distribution of information to the market participants, then the people who participate in the market won't be having an idea of the expected future operations in the market and relied upon the current information to make their decision on which stock to purchase and which stock are they going to dispose of narrowing down to the forces of demand and supply. The theory has been found more rationale not only in the operation of the stock market but even in the goods and services trade where the demand and supply of products define their prices to be used in the market. In general, the two forces have been found to be relevant and are expected to continue being relevant in the future based on their rationale.

The application of the efficient market has been found to be having some weaknesses as pointed in the study of Malkiel (2003) which pointed out that the effective market was failing in some of the assumptions that were made in the theory. For instance, the universality of information that had been given weight in the theory may fail as equality of distribution of information has not been easy to achieve. Again the call for and justification of government involvement in trade shows that the theory might have failed. However, despite the weaknesses, the theory was found to be relevant in most of the markets as not always the market condition will fail. The theory is found to be quite relevant in the current study based on its support of the dependent variable as it explains the determination of the share prices that to a great extent defines the stock market performance.

2.2.2 The Greater Fool Theory

The theory of greater fools has been found to be one of the interesting theories in the explanation of the performance of the stock markets in extraordinary events like in the case of the Covid-19 pandemic (Richards, 2015). The theory stated that in the case where stocks may be overvalued and the expectation that people are aware of the overvaluation, no one would be expected to purchase the stock. However, according to the theory, such stocks will also get buyers who purchase them with the expectation that they will get greater fools than them and to whom they will sell the shares even at higher prices than themselves purchased (Liu, Wang, Lee, & Groves, n.d). This statement indicates that even in worse conditions in the markets, the notion of expected performance may be violated by the law of the greater fool theory.

The theory was evident in operation during the 2000 and 2007 financial crisis that some of the stock markets were found to still be trading at overvalued prices and still found themselves trading fairly well in the market despite the market conditions. According to Hayes (2021), the theory assumes that shares will still trade in the market at the greater fool assumption that assumes that trades in the stock market will ignore the existing information about the market condition and shares will continue trading as normal. The shareholder will be speculating the greater returns than they would get if they get a greater fool and sell to them the shares in the future realizing profits.

The theory however has been found to be a great violation of the natural laws of trade in the market. With the notion from Richards (2015) that the market may run out of fools and in which case will lead to great losses by whoever will be holding the shares at that time as no more people will be willing to purchase the shares which are overvalued. The greater risk was found on the corrective measures to give the correct valuation that led to the depreciation of the prices of the shares. The theory becomes relevant in the current study based on its notion of giving an idea of the valuation

of shares during extraordinary times like the covid-19 and the related adjustments made during economic reopening which determines the performance of the security markets.

2.3 Determinants of Security Market Performance

There are other factors that have been found to be affecting the stock performance other than the covid-19 related economic reopening and that have not been eliminated during the pandemic period. This implies that as covid-19 affected the performance of the stock markets negatively and economic reopening could be reviving economies, these factors may still be found to exist and contribute to the performance recovery that was recorded during such recovery sessions. Among the factors that were reviewed in the current study included market activity, Dividend payment and market investors.

2.3.1 Market Activity

Market activity is the consideration of how active the stock market was in respect of the transactions taking place in the market. Normally, the expectation has been that there will be a direct relationship between the security performance and the activeness of the market. The reality has been that an active market seems to attract more investors to the market and improve the trust they have in the shares traded in the market which in return improves the demand of the securities being traded. According to the laws of demand, the increased demand of the security markets will result in a price shoot and hence boosting the general market performance (Gul & Javed (2009). On the contrary, when the transaction taking place in the market goes down, many investors will shy off the market lowering the demand for shares in the market and hence diminishing the performance of the stock market.

According to the findings established in Orenge (2020), investors make their decisions on investment based on the market activity in lieu of the confidence levels. A positive correlation was established between the number of shares traded and the performance of the security markets. During the market reopening, most firms seemed to initiate recovery policies to assist them to regain their momentum. However, the causative relationship wasn't clear on if the performance of the stock market could also lead to the reduction of the market activity. In the current study, the market activity was measured using the number of securities traded in the stock market per day over the period considered in the study.

2.3.2 Dividend Payment

Dividends payment has over the years been a policy of different firms that are listed in the security markets and diversity of such policies of dividends payment has been recorded. The general expectation is that investors will hold the shares for the returns that they get from the dividends paid rather than as a store of value. As per the study of Marekia (2015), the investors were found to welcome the dividends announcements positively leave alone the payment. There was found to be a positive correlation between the performance of the security markets and the payments of dividends. The firms that seem to be consistently paying dividends annually and at good rates were found to be preferred by the investors increasing the demand for such shares and hence the prices of the shares.

Some of the firms have been found to highly value the returns given to the shareholder by way of paying dividends as there was a trend of attracting more investors for the shares. While some firms might have stayed for quite some time without payment of dividends and still found some investors purchasing their shares. However, it was established that the prices might have experienced undervaluation due to the low demand for such shares from the investor's side. The dividends

payment was found a critical determinant of the performance of the NSE market and in the current study, the variable was measured using the dividend payout ratio in the previous financial year preceding the period under consideration.

2.3.3 Market Capitalization

Market capitalization has been considered one of the key indicators of security market performance. The while some of the market conditions may affect the price of shares traded or even the number of shares traded, a market capitalization approach was considered a more inclusive consideration of the performance of firms as the value is considered rather than the share price (Alawneh, 2018). During the pandemic season, the firms were found to be having declining prices as well as a declining trade volume. However, in the countries that were found to be taking planned economic reopening; the stock market may take a recovery based on the increased supply and demand after the corrective measures. However, this has not been the case for all the countries that have done market reopening based on the fact that some economies faced more problems from their reopening. Also, the confidence of the traders was adversely affected by the uncertainty of the pandemic.

As per the observation of the study by Pavone (2019), it was found that there has been a positive relationship between market capitalization and the profits of firms. While the two factors may be interrelated, understanding how the economic reopening should be structured so as to achieve a recovery shift. With the NSE being unexceptional in the market conditions and the level of recovery in the market seeming to be slow based on lesser investors getting back to investment mood after the prolonged closure during the covid-19 pandemic. However, as full reopening has never been achieved with night curfews remaining and from time to time closures in some regions,

understanding the trade on the firm's capitalization will aid the policymakers to be more cautious of such effects.

2.4 Empirical Review

Since the time that Covid-19 was declared a worldwide pandemic, a number of studies have been conducted from the global, regional and even the local markets. A few studies have been conducted on the impact of Covid-19 on the stock markets but little has been done on the effect of economic reopening. In the US context, a study conducted using a textual analysis on the perception of tweet users within the state on the reopening of the economies and the effects they may have on the stock markets, established that economic reopening was the best alternative for the states (Samuel et al., 2020). According to their study, it was established that economic reopening was giving a second chance for the economy to become active again but the caution of the Covid-19 protocol and full vaccination of members was a concern for the hopeful population. Even though the positive relationship was clear for this study, the future approach seemed to be highly conditioned and a study observing the trend based on the past trend was necessary.

A study by Janiak, Machado and Turén (2021) used a SIR model to establish the effects of the economic reopening after the Covid-19 pandemic in China. The study found that there was a great decline in the supply of labor in the Covid-19 aftermath which waws straining the performance of the stock markets. Even though the security markets might be experiencing improvement in their performance, getting back to their pre-Covid-19 perfo5rmance level was far from being achieved. Again, the pandemic was established to be still in the midst of the markets affecting the full capacity operations implying lower performance in some of the stock industries. More investigation requires to be done however to establish the existing conditions in the developing nations that may be lacking state-of-the-art health facilities to control the Covid-19 spread.

In Vietnam, Anh and Gan (2020) established that even though the pandemic was having a negative impact of the Covid-19 on the performance of the security markets, the study found that lockdown imposed after the pandemic helped in reviving the stock market performance that had been affected negatively by the pandemic. From these results, it may be clear that how the governments reacted towards the pandemic and the cooperation by the citizens towards the measures had a great impact on the effect of the pandemic and the performance of the security markets. This indicates that every nation should be taken independently and analyzed as the government responded differently to the pandemic calling for the current study in Kenya.

Jelilov, Iorember, Usman and Yua (2020) in Nigeria found that Covid-19 increased uncertainty leading to some distortion of a positive relationship between inflation and market returns. The study found that there was a disturbance of the processes that took place in the security markets caused by both the tension brought about by the pandemic as well as the government policies that might have interrupted normal trade in the security markets. The economic reopening has been found to be carried out by different nations differently calling for studies to understand the diversity in the reaction of the stock markets in response to the economic reopening. The diversity of the policies adopted by the government and the different levels of the seriousness of the citizens should be addressed in the current study.

Ozili (2020) who studied the same environment but focused on the industrial-based approach established a negative relationship between the pandemic and the performance of the security market. The study focused on the oil industry and established that during the period, the prices for oil declined to some extent and which lowed the returns made in the industry. The cost of holding oil became a major concern for most of the suppliers who had cargos in transit forcing them to dispose of the commodity at a very low price and at the same time lack market due to low activity

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in the market. This impact resulted in to decline in the performance of the security markets within the oil industry. However, the study was found to only focus on one industry whose impact may be lesser in the general performance of the stock market as a whole calling for a more comprehensive study like the current one focusing on the entire stock market.

In the study, Upoalkpajor and Upoalkpajor (2020) established that in the Ghana context, the existence of the pandemic in the midst of the citizens had brought about great confusion with the major focus of the people becoming their health and getting the very basic needs with the study establishing that most of the people were only thinking of how to get their daily meal and be safe to the extent that they were not even concerned with the secondary basic needs like education. This implies the lower performance of all other sectors that did not involve healthcare and supply of foods leading to a declining performance in the security markets.

The study of Karinga (2015) focused on the effects of the announcement of capital gain tax in Kenyan stock market performance. According to the study, it was established that the shareholders expected to get their returns from the dividends received from the profits. The study established that the general expectation of the stakeholder was that there would be a reaction by the shareholders towards any positive or negative information provided in the market. The study results indicated that apart from the capital gain announcement that was established to be having a positive impact on the performance of the security markets, other minor factors like the announcement for dividends were found to be affecting the performance of the security markets. Evidence indicated that the announcement alone was having a significant impact leave alone the gain as in the 2014 announcement that never came to pass. A similar finding on the case of announcement for interest rates capping found a negative impact on the share prices (Sammy, 2017).

Orenge (2020) sought to establish the effects of the pandemic in the NSE in the same context as the current study using a quantitative research approach. The study found that there was a significant negative effect of Covid-19 on the returns of the shares listed with the NSE which was attributable to the lockdowns and low trade levels making firms lower their profitability and hence security performance. The study established that the trade volume and the days to dividend issuance both had a significant influence on the performance of the securities traded in the NSE with trade volume having a positive relationship and the number of days to dividend issuance having a negative impact. The study however pointed out more studies needed to be conducted on the same issue as the pandemic was far from coming to an end to bring more light on the Covid-19 pandemic and any other pandemics that may strike in the future.

Syahri and Robiyanto (2020) noted that Covid-19 caused confusion on investors in deciding on investments between currencies, gold and securities. Covid-19, therefore, affected investment decisions, volatilities in stocks and the general economic conditions according to these previous researches. However, as the intensity of the effects of the pandemic has varied from one nation to the other a better understanding of the relationship between the Covid-19 pandemic, economic reopening and the performance of the stock markets need to be established clearly. It is hence important to determine the direction of the effect and magnitude in the NSE to help it become better prepared and positioned in case of future occurrences.

2.5 Summary of Literature Review

A number of researches have so far been done from the global, regional and local markets in the attempt to understand the effects of the Covid-19 and the performance of the security markets. However, little insight has been established in regard to the effect of economic reopening on the stock market performance. From the global perspective, the studies by Samuel et al. (2020) in the

US established an anticipated positive impact on the stock performance associated with the planned economic reopening. The study for Janiak, Machado and Turén (2021) established that there were some challenges that were far from being realized in the restoration of the stock performance in the post-Covid-19 reopening associated with scaled-down labour forces as well as the covid-19 protocol that affected the full capacity operation of the economies even though there was positivity in performance. Anh and Gan (2020) echoed the same results but indicated that lockdowns imposed in Vietnam seem to be curing the decline in the performance of the security markets. From the regional focus Jelilov, Iorember, Usman and Yua (2020) affirmed the findings in the global studies of a negative relationship with Ozili (2020) and Upoalkpajor and Upoalkpajor (2020) embracing an industrial approach that found that the pandemic influenced a few industries positively but in most industries, a negative impact was established.

In the crowning of the problem in the NSE Orenge (2020) found that there was a negative relationship between the pandemic and the performance of the NSE. With the studies so far conducted indicating that the impact of the policies and market conditions were different from one country to the other as well as the severity of the pandemic, more studies have been called to establish how the two variables are related in different countries. However, little focus has been given worldwide on the effects of such expectations by stakeholders on the reopening of economies. According to Karinga (2015) a positive relationship existed between the capital gain tax announcement and the performance of the NSE. On the other hand, Sammy (2017) focused on the effects of the announcement of interest rates capping on the performance of commercial banks establishing a negative impact caused by such announcements. It is in lieu of this discrepancy that the current study sought the condition of the announcement of economic reopening on NSE performance, to help determine the effect of announcements on NSE.

2.6 Conceptual Framework

The conceptual framework is a diagrammatic representation of the relationship that exists between the independent variable and control variables as they influence the performance of the Nairobi security market. The conceptual framework has been represented in Figure 2.1 below.

```
┌─────────────────────────────┐                  ┌──────────────────────────────┐
│   Independent Variable      │                  │     Depended Variable        │
│ Economic Reopening          │                  │ NSE Performance              │
│ Announcement                │ ───────────────▶ │ 1.    Change in Share Prices │
│ 1.    Days Before and After │                  │ 2.    Trade Volume           │
│       the Economic Reopening│                  │ 3.    Market Capitalization  │
│       Announcement          │                  │                              │
└─────────────────────────────┘                  └──────────────────────────────┘
```
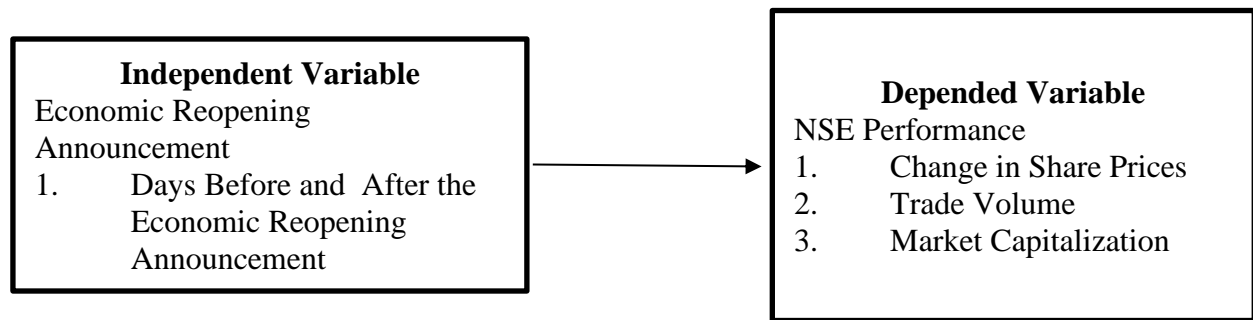
Fig 2.1: Conceptual Framework

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, an elaboration was done on the methodology to be adopted in ensuring that the research objectives are met, and in the most appropriate means possible. In this chapter, a disclosure is made on the design adopted in the research, the population of the research and any sampling which was done. According to Goddard and Melville (2004), a research methodology explains the process by which a researcher undertakes in finding a solution to the research questions, and steps necessary for attaining such an objective. Also disclosed are the data collection methods used and an elaboration of how the data was analyzed. Diagnostic tests and the tests for significance used were also discussed to facilitate an understanding by the user of the process followed in answering the research questions and meeting the objectives of the study.

3.2 Research Design

Abbott and McKinney (2013) defined a research design as observation modes in a study that allows researchers to conduct their study in a systematic manner. The design controls the set of activities that guide every step in a study, ranging from data collection to its analysis and drawing of conclusions. The study sought to understand if the economy reopening after covid-19 closure affected the performance of stocks in the NSE. The performance of the stocks before and after the economic reopening announcement were studied. Due to the nature of the research objective of this study, an event study was deemed and was selected as the most appropriate for the study. Hayes (2020) noted that an event study is good in showing how stocks react to certain events, of which for this study was announcement of partial economy reopening. A comparison was made on the performance of stocks in the two periods and a determination on whether the performances are statistically different or not. Quantitative data was collected and used in the analysis.

3.3 Population

A study population refers to all members with similar characteristics. In this study, the population was all companies that were listed in the Nairobi Securities Exchange during the period of study. In total, there were 63 listed companies according to African Markets (n.d), and they formed the population. As the number is not high, sampling was not be done and all firms were studied in totality as advised by Mutua (2019). A census survey was therefore used in this study. The population was however stratified based on the industry to facilitate a more accurate analysis.

3.4 Data Collection

Data forms the basis of analysis and answering the study questions. In this study, all data collected was secondary in nature and publicly available. Data collected was for actual reopening announcement dates in the country, daily share prices for stocks of all listed firms in Kenya, and also data on market investors and other indicators of the market activity like market capitalization and the number of shares traded per stock. Data was collected for a period of 43 days before and after the announcement of economic reopening to facilitate the acquisition of adequate data for analysis. The data was obtained from both the Capital Markets Authority and from the Nairobi Securities Exchange websites.

3.6 Diagnostic Tests

Several tests were run on the collected data to ensure that it was valid and reliable for analysis and drawing of conclusions from it. The validity tests to be conducted would be those of normality, autocorrelation, and multicollinearity. By ensuring that the data collected was reliable, the quality of conclusions and recommendations would be improved. It was also expected that the results would be better placed to advise on policy, practice, and contribute to theory.

3.7 Data Analysis

Data analysis involves the transformation of the collected data with the aim of generating information from it. Collected data was first summarized in an excel sheet before being uploaded to the Statistical Package for Social Sciences. In this study, a correlated t-test was used as the main method of analysis which would facilitate understanding of the differences in stock performances before, and after the announcement of partial economy reopening following covid-19 closure. The t-test was run using SPSS version 26 since it is a good statistical package for data analysis. In the analysis, stratification was done based on industry to prevent industry characteristics from swaying the study analysis results. It was established by Kothari and Warner (2007) that, firm characteristics like volatility could impact an event study results, hence necessitating stratification.

The steps followed in the study are as advised by the Market model, outlined by Mackinlav (1997). The first one was the identification of the event, which for this study was the announcement of the first economy reopening following Covid-19 closures which were made on 7th July 2020. The second step was the definition of the event window, which was three days (a day before to a day after the announcement of economic reopening). The estimation window would be 21 days before, an event window for a day before to a day after and 21 days post event window after the announcement.

Figure 3.1 Event Estimation Model

Estimation W.	Event Window	Post-Event W.
↕	↕	↕

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-21 Days		-1 Days		+1 Days		+21 Days
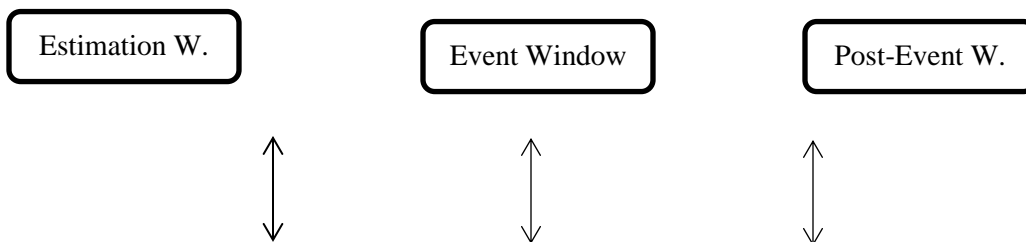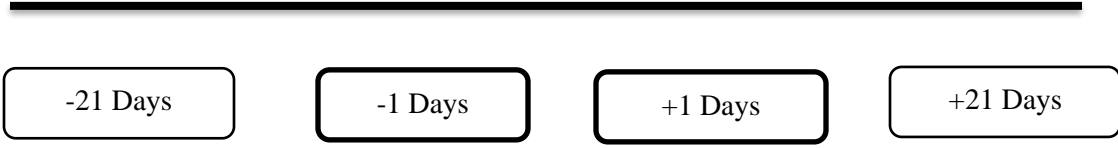
The third step was the selection of sample stocks for analysis, and this study entails all stocks traded in NSE. Based on this, all the companies' stocks in each industry were studied. For the analysis, the market return was represented by the return on NSE 25 share index. Return for industries was the average of the returns of all stocks under the industry. The actual returns were determined using the equation;

$$R = \frac{P_t - P_{t-1}}{P_{t-1}} \times 100$$

Where;

R   - Return of stocks

P_t - Share price at the end of the day

P_{t-1} - Share price at the start of the day

In the fourth step, prediction of returns was done by noting the existing relationship between each industry return and the market return. The prediction was based on the equation;

Rp = a + bRm

Where

Rp = Predicted returns after announcement

a = Constant of the equation linking industry return to return of NSE 25 share index

Rm = Return in the market (NSE 25 share index)

The period before the announcement was used to determine the equation, which was then applied to predict the normal returns after the announcement.

After the determination of predicted returns, abnormal returns were determined by getting the difference between actual and predicted returns. This was determined using the equation;

$$AR = Ra - Rp$$

AR = Abnormal return of an asset

Ra = Actual return of an asset

Rp = Predicted return of an asset

Average abnormal returns and cumulative abnormal returns were then determined. By determining the averages of the abnormal returns and summing up the abnormal returns respectively. The formula used for the average annual return was;

$$AAR = \frac{\Sigma t = n\ AR}{n}$$

Where;

AAR = Average abnormal return

AR = Abnormal return

n = Number of observations

The cumulative abnormal returns on were determined using the formula;

$$CAR = \sum AR$$

The last step was the testing of whether the abnormal returns of the different industries were statistically significant from Zero, using the formula;

$$t = \frac{X - \mu}{\dfrac{S.d}{\sqrt{n}}}$$

Where:

$\overline{X}$ = sample mean

μ = population mean (which is assumed to be zero)

S.d = standard deviation

n = Size of population.

The t-test was used to identify if the abnormal returns were significantly different from zero or not. The t-test was therefore used to help interpret the significance levels in the study. A 95% confidence level was used in the interpretation of the results.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

In this section of the study, a review of the research finding based on the analysis results is indicated briefly with the aid of tables. The section specifically reviews the descriptive statistics findings, the regression model analysis results, the T test results, and the discussion of the research findings in line with the research objective.

4.2 Descriptive Statistics

The study aimed at collecting data from 63 firms that were listed in the Nairobi Securities exchange market for a total of 43 days that are connected with the estimation window, event period, and post event period. The data that was collected from individual firms on the share prices and the volume traded in the market was however averaged for all the recorded firms to obtain a market values while market capitalization was obtained directly for the market over the periods. The dates considered for collection of data aggregated to 43, with the dates with a lot of companies lacking published share prices being eliminated from the average for a more inclusive value. In total, 43 data points were obtained for the response rate for the study that indicated 100% response. Based on the recommendation of Mutua (2019), the data was considered sufficient to draw a study conclusion based on the 60% threshold.

4.2.1 Developing Prediction Return

In the development of the prediction returns, the researcher used the estimation period data and the regression tools to develop a regression equation that was used in the determination of the prediction returns expected in the post event period before making a comparison between the actual returns obtained in the second period after announcement. From the coefficient results table 4.1

below that indicated the constant of the model and the variable coefficient of the model, the x-intercept was 0.0031 while the coefficient of the variable 1 was 0.7400 leading to the prediction return equation that was;

Predicted return = 0.0031 + 0.74*NSE 25 Share return

Table 4.1 Regression Coefficient Table

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	0.003077268	0.003302999	0.93165886	0.36384149	-0.003862075	0.010016611	-0.003862075	0.010016611
X Variable 1	0.739951448	0.392036247	1.88745672	0.075331273	-0.083686143	1.56358904	-0.083686143	1.56358904

The prediction equation was therefore used in the determination of the prediction returns that would be in relation to the post event period taking the assumption that the reopening had not taken place in the market or that announcement did not affect the performance of the stock market. The predictions in such a case would be the same as the actual returns that were obtained in the market after the event period. The results on the prediction returns against those of the actual returns in the post event period are indicated in the Table 4.2 below. From the comparison of the actual and prediction return, the abnormal returns were obtained by deducting the prediction return from the actual return. If the announcement of the phase one reopening was not influencing the performance of the NSE market, the results that would be obtained for the days after the event period should be nearing towards zero. However, 13 out of the 21 days observed after the announcement indicated a positive value indicating the actual performance ranked above the regression line of prediction. The aggregate abnormal return cumulated to a positive value of 11.54% with a clear indication that in general, there was some influence brought about by the announcement to the stock performance although the understanding of its significance can be handled through the t-test that follows.

Table 4.2 Abnormal Returns Values Derived

Date	Actual Return	Predicted return	Abnormal return
07/07/2020	0.34%	-1.22%	1.56%
08/07/2020	-1.26%	-0.10%	-1.16%
09/07/2020	-0.60%	-0.73%	0.13%
10/07/2020	-0.97%	0.24%	-1.20%
13/07/2020	1.82%	0.45%	1.37%
14/07/2020	-1.86%	-0.30%	-1.56%
15/07/2020	-0.33%	0.51%	-0.85%
16/07/2020	0.06%	0.35%	-0.30%
17/07/2020	0.26%	0.46%	-0.20%
20/07/2020	0.77%	0.29%	0.47%
21/07/2020	0.08%	-0.49%	0.57%
22/07/2020	1.96%	0.45%	1.51%
23/07/2020	0.54%	1.11%	-0.57%
24/07/2020	2.33%	1.51%	0.82%
27/07/2020	-0.15%	1.84%	-1.99%
28/07/2020	0.19%	-1.07%	1.27%
29/07/2020	1.34%	0.13%	1.21%
30/07/2020	1.17%	-0.38%	1.55%
03/08/2020	2.08%	-1.70%	3.78%
04/08/2020	1.27%	-0.52%	1.79%
05/08/2020	2.99%	-0.35%	3.34%
Total			**11.54%**

4.2.2 Descriptive Statistics for Combined Model

From the descriptive statistics table 4.3 indicated the study results in percentages. The mean statistics indicated 0.5725% for the actual returns as compared to the predicted returns that indicated a value of 0.0232% with standard deviations of 1.24992% and 0.86542% respectively. The skewness results indicated that the prediction data was more skewed on the right with a value of 0.148 positive value against the actual returns that indicated 0.038 implying positive but lowly skewed actual returns.

Table 4.3 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Actual Return	21	-1.86%	2.99%	0.5725%	1.24992%	.038	.501
Predicted return	21	-1.70%	1.84%	0.0232%	0.86542%	.148	.501
Valid N (listwise)	21						

4.3 T-Test results

The T test was conducted to establish the difference between the performance of the stock market between the prediction of the post event values based on the regression-based estimation period and the actual post announcement period. The statistics indicated a value of standard error means of 0.27275% for the actual returns against the expected prediction of 0.18885% as indicated in table 4.4 below. The correlation between the predictions as indicated in table 4.5 indicated the correlation between the prediction and actual returns to be at 0.006 with a significance coefficient of 0.978.

Table 4.4 Paired Sample Statistics Table

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Actual Return	0.5725%	21	1.24992%	0.27275%
	Predicted return	0.0232%	21	0.86542%	0.18885%

Table 4.5 Paired Sample Correlations

		N	Correlation	Sig.
Pair 1	Actual Return & Predicted return	21	.006	.978

From table 4.6 presented below, the t-test results for the relationship between the prediction and the actual returns for the NSE performance indicated a mean score of 0.5493, a t value of 1.661, with a significance level of 0.112.

Table 4.6 Sample T-test Results Table

					Paired Differences				
			Std.	Std. Error	95% Confidence Interval of the Difference				Sig. (2-
		Mean	Deviation	Mean	Lower	Upper	t	df	tailed)
Pair 1	Actual Return - Predicted return	0.54927%	1.51576%	0.33076%	-0.14070%	1.23923%	1.661	20	.112

4.4 Discussion of Research Findings

The economic reopening has been encouraged by multiple players in the economy by stipulating the fact that most of the industries had suffered during the lockdowns that took place in Kenya. The research objective aimed at determining the impact of the announcement of economic reopening on the performance of the NSE market. The performance of the market was measured using the indicators of share prices, trade volumes for each stock and the market capitalization in which in the model all indicators were aggregated to indicate whether the announcement of reopening had any influence on the performance of the stock market. In the attempt to realize this objective, the research collected data for 21 days before the announcement and the indicators were aggregated to provide a regression equation that would be used to predict the performance of the post event period that is compared with the actual returns performance.

From the t value that was obtained of 1.661 with a p-value of 0.112. This serves as a clear indication that there is an influence that was caused by the announcement of the economic reopening on the performance of the NSE market. However, considering the p-value indicated above, it is clear that the impact of the announcement was considered to be statistically insignificant at the 95% confidence level. This was based on the fact that even though there was a difference between the predicted returns and the actual returns, the p value indicated that the value was above the value of 0.05 that was used in the current study to test for significance. Therefore, the NSE market should be advised on the minimal influence that was caused by the economic reopening announcement. These results could be attributed to the fact that a number of other

economic factors that affect investing decisions remained unchanged under restrictions. Again the period of consideration might have been insufficient for investors to get confidence in the market as well as the getting back to investing.

CHAPTER FIVE SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Under this section of the study, major research findings are reviewed in line with the research objectives and considering the findings established in the previous chapter. The section covers a summary of the research findings, conclusions of the research, and research recommendations as per the value of study, limitations of the study and suggestions for further studies to be conducted in the field of the current study.

5.2 Summary of Findings

The main objective of the research objective was to address the impact of the economic reopening on the performance of the NSE market. For the researcher to achieve the research objective, the Covid-19 reopening impact was ascertained by comparative analysis of the performance of the NSE immediately before the announcement of the partial reopening and the days that followed immediately after announcement. The dependent variable of the study was considered to be the performance of the NSE market as measured through different indicators of the market performance among them being share prices trend, trade volume for different stocks, and the market capitalization. The independent variable was ascertained by considering the three windows of the event comprising of 21 days before announcement, 1 day announcement window which took place on 7th July 2020, and 21 days post announcement window.

Data was obtained from secondary sources that are published in the Marketwatch (n.d) for the different measurement indicators. From the target population that was all the listed firms in the NSE market, such data related to the variables was expected to be collected for 43 days. The response rate indicated that some of the days which obtained low response rate from across all the

industries were omitted to present a more representation data. 21 data points were obtained for normal responses indicating a response rate of 100% that is considered sufficient for drawing a conclusion for the study. Data for the estimation period that was considered for 21 days before the announcement was used to develop a regression equation the indicated y=0.0031 + 0.74*NSE 25 Share return. The regression equation was used in the prediction of return in the post announcement. From the comparison of the prediction and the actual returns, the abnormal returns schedule was obtained.

From the description of the abnormal returns, results indicated that the days after the publication of the information about the reopening of the Covid-19 following the indefinite closure was characterized by mixed reactions of the abnormal returns. With 8 points recording a negative abnormal returns while 13 points recorded a positive abnormal return based on the actual returns and predicted returns identified. Data obtained was found to be slightly skewed in a positive direction with a value of 0.038 for the actual data and 0.148 for the predicted values.

From the regression results, the R^2 value obtained from the research analysis tests indicated a value of 0.1652 with a significance of the general model indicated to be at 0.0753. From the main test of the study that was considered to be the T test, for the actual data against the prediction of the set of data, the mean score of the actual data indicated a value of 0.5725 as compared to the predicted return that indicated a value of 0.0232. Based on this research findings the conclusion for the study are developed. The general model indicated a t-value of 1.661 with as p-value of 0.112.

5.3 Conclusion

Based on the research findings summarized above and guided by the research objectives that were established for the study, a number of conclusions can be drawn for the study. From the response

rate that indicated that 100% of the data was deemed complete, the study can conclude that enough response was obtained to allow the research make a conclusion based on the 60% threshold as indicated by (Mutua, 2019). From the abnormal return prediction that indicated a negative return for 8 days and a positive return for 13 days, the study makes a conclusion that there was a more positive abnormal return values in the study predictions.

Considering the R^2 value of the regression for the study, that indicated the value of 0.1652, the study draws the conclusion that the model considered in the study explains a total of 16.52% of the indicators of performance considered in the current study. This can derive the conclusion that other than the announcement of the reopening for the Kenyan economy, there may be other contributing factors that have influenced the performance of the NSE market. From the significance test that indicated a value of 0.0753 was an indication that the research model adopted in the current study was found to be statistically insignificant at the 95% confidence level.

From the abnormal returns, the results indicated that 13 points were located above the regression line as evident by the positive abnormal returns while 8 points were located below the regression line with a negative abnormal return. Based on the research findings on the T test results that indicated a mean values of 0.5725 for the set of the actual data and 0.0232 for the prediction model. From the t-value of 1.661 we conclude that the announcement influenced the performance of the NSE market even though from the p value the relationship was not statistically significant to the performance of the market.

5.4 Recommendations

The study guided by the research objectives makes a number of recommendations regarding the operations and policies that are made in relation to the containment of the Covid-19 pandemic and

more so in terms of the economic reopening. From the existing evidence that showed a better actual performance of the economic indicators as compared to the prediction model, it was an indication that the NSE market could be having an even higher potential of recovery from the Covid-19 that had seen the closure of most firms as well as the NSE stock market. These results therefore make a recommendation to the national policy makers to consider some more measures that will see more phases of the economic reopening in the future dates to allow full economic recovery. As it is clear about the health of reopening, the necessary measures should be taken to ensure people get immunity from the Covid-19 to allow a full reopening that will take back the operations of the economy to a 24 hour working economy.

As confidence is being restored back on the performance of the Nairobi Security Exchange market as seen through the recovery, the study makes a recommendation to the investors to consider making their investment in the security market. A consideration of targeting the phased markets reopening announcements for investments will be more appropriate based on the fact that the actual results may indicate better performance than predictions made. However, the investors should be cautioned to forecast the time when the market will have fully recovered even before full reopening to avoid taking risk of investments anticipating better returns from such future announcements that may not be accompanied by a responsive market.

5.5 Limitations of the Study

The study that was conducted in Kenya faces a number of limitations based on the scope of coverage, nature of the Covid-19 pandemic, and the nature of NSE stock market operations. The study was conducted in the Kenyan markets and more specifically in the NSE stock market may be considered limited to the context of Kenya and a few other countries that have a similar security market orientation as that of NSE. This implies that the study may not be generalized for most of

the other nations and more so based on the fact that every nation has taken independent measures to respond to the pandemic issues that may cause different reactions from the stock market as well as the difference on the rate of recovery that has been observed. The period also considered might be a limiting factor to the investors to have adjusted their investment decisions to reflect normal market conditions.-

As Covid-19 continues to be an ongoing contemporary issue in the market that has indicated different reactions from countries that were ahead of Kenya on economic reopening, this leads to the limitation that the pandemic remains unpredictable for future operations. Increasing concerns on the level of changing cases of new infections as well as deaths, some countries including Kenya have been seen from time to time to reconsider economic closures as it has been seen previously with regional containment measures and the April 2021 schools closure making it unpredictable on the direction of the move of the pandemic and its containment measures that remains a contingent issues to be addressed.

5.6 Suggestions for Further Research

For the future researches, the study makes a number of recommendations in order to advance the body of knowledge that rotates around the issues of Covid-19. As the pandemic is still within our midst, future researches are recommended to address the other phases of economic reopening that have taken place after the first reopening that was addressed in the current study. Indicating the reaction of the economic performance of the stock markets after every reopening announcement will help consolidate the actual results that may be more inclusive for the entire economy.

From the regression model prediction that indicated that only 16.52% of the factors influencing the performance were explained by the current study, more variables should be included in future

studies. Being in a position to address more factors that have influenced the performance of the security markets during the pandemic recovery may aid in allowing future policy makers to be informed on how to address issues related to the Covid-19 pandemic as well as other calamities that may face some nations in the future with a similar depth of burden.

Further researches need also to be conducted from different contexts. Different nations have addressed the issue of the Covid-19 closures, containments and the reopening from totally different dimensions. An understanding of how each country's stock market has reacted towards the pandemic closures and reopening was important in advancing on the body of knowledge and informing the policy makers on the appropriate moves that should be made on diverse nations.

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