

**EFFECT OF TAX INCENTIVES ON FINANCIAL  
PERFORMANCE OF EXPORT PROCESSING ZONE FIRMS IN  
KENYA**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL  
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF  
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION,  
SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

**NOVEMBER, 2016**

## DECLARATION

This research project is my original work and has not been submitted anywhere for examination in any other university or institute of higher learning.

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This research project has been submitted for examination with my approval as the university supervisor.

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## ACKNOWLEDGEMENT

It has been a great time studying at the University of Nairobi; it has also been a challenging affair all the same. I give my sincere gratitude to the Almighty God for granting me the opportunity to study at this great environment, I also thank Him for the good health and abilities he gave me throughout the program more so for the patience and perseverance during the research writing period, it was the climax of the program and I thank God I emerge triumphant at the end. I would like to thank my supervisor Mwalimu Essajee for sacrificing his busy schedule to guide and supervise me throughout the entire research project, my thanks also goes to my moderator Dr Lishenga, both of you made my research a success.

My heart felt appreciation goes to my family for their endless support during my masters degree program, dad thanks you for always being concern for my wellbeing here in school, I will not forget all the calls you made every day to check my progress , more so during my research project stage .Mum, I cannot easily forget all the motherly love you showered me during my entire period of study, not forgetting all the supplies from home you sent me including my favorite flavored milk ‘mursik’, I will leave to remember that. To my siblings, thank you for understanding my busy schedule in school because during this period I missed major holidays and denied you an opportunity to bond as a family.

I will single out my cousin Officer Hillary Rop of Administration Police, you were my guardian here in the city and I will forever be thankful , you touched my live a special way, may the almighty God bless you and your family abundantly.

To all my MBA colleagues I thank you all for the support you gave during the program, I cannot forget all the worthy time we spend together preparing for cats and exams and more so for the moral support you showered me during that trying moments of research project, I am honestly grateful and may God you bless you all a lot. I salute you all.

## **DEDICATION**

I dedicate this research to my loving parents Mr. and Mrs. Rotich for unwavering support both financially and morally during this study.

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## **LIST OF ABBREVIATIONS**

<b>AGOA</b>	African Growth and Opportunity Act
<b>EBTIDA</b>	Earnings before Tax, Interest, Depreciation and Amortization
<b>EPZA</b>	Export Processing Zone Authority
<b>EPZs</b>	Export Processing Zones
<b>FDI</b>	Foreign Direct Investment
<b>FTZs</b>	Free Trade Zones
<b>GDP</b>	Gross Domestic Product
<b>I.B.D</b>	Industrial Building Deduction
<b>LD</b>	Investment Deduction
<b>K.R.A</b>	Kenya Revenue Authority
<b>N.E.M.A</b>	National Environmental Management Authority
<b>ROA</b>	Return on Assets
<b>SPSS</b>	Statistical Package for Social Science
<b>UN</b>	United Nations
<b>USA</b>	United States of America
<b>WTO</b>	World Trade Organization

## **ABSTRACT**

This study had an objective of establishing the effect of tax incentives on financial performance of export processing zone firms in Kenya. The control variables for this study included the size of the firm as measured by the natural logarithms of the total assets of the firm and the efficiency of asset utilization. This research embraced quantitative descriptive research design. The population of this study comprised all the firms registered and licensed by Export Processing Zone Authority as at 2016. The sample of the study was 70 firms which enjoyed tax incentives for the period under study. Secondary data was collected from KRA and EPZA authority which was then analyzed using multiple regression analysis to establish the relationship between tax incentives and financial performance of EPZ firms in Kenya. This study established that there is a weak positive relationship between tax incentives and financial performance of EPZ firms in Kenya. It also revealed that that was a significant relationship between the efficiency of asset utilization and financial performance, as for the size of the firm, the study found a negative relationship with the financial performance and therefore recommended the firms to dispose off idle assets as it seemed to be incurring some cost to maintain them. The study therefore recommended

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Active promotion of countries as investment hubs has been and continues to be governments focus aimed to attract scarce private capital, new and advanced technology as well as better administrative abilities so as to accomplish their improvement objectives. They have progressively embraced measures to encourage the passage of foreign direct investments (FDI) and taxation options have proved to be one of the most effective means of solving the problem especially as a means of growing and establishment of domestic industries. Incentives focused at numerous sorts of exercises, for example, trade advancement, work/aptitudes preparing, and residential esteem included area. Different measures are being embraced to advance export intensity by governments in these nations (United Nation, 2000).

According to Aggarwal (2005), trade advancement is an imperative strategy for financial development in creating nations. As an arrangement method for accomplishing this objective, the idea of fare preparing zones (EPZs) has gained visible importance as of late, organized commerce zones (FTZs) ordinarily cover motivating forces for establishing manufacturing sectors for production of products for exports. .Most countries export processing zone administrations advance the export of products that are fabricated, gathered or prepared.

Taxation has been an important tool in the hands of government to achieve some of its fiscal and economic goals. Governments come up with laws and bills tailored towards attraction of investments and growth of industries with major objective being growth and development of the economy. This comes in form of attractive incentives to

individuals as well as corporate entities. Tax has therefore been an important tool employed to develop and sustain industries. This is rationalized towards development of certain industries and as means of accumulating more wealth (Basu and Srinivasan, 2002).

Tax incentives are widespread around the globe and are always advancing. They are measures that accommodate a more encouraging duty treatment of specific exercises or segments contrasted with what is conceded to general industry, it comes in form of an offer to pay less tax. According to Institute of Economic Affairs (2012), tax incentive is an arrangement that concedes any individual or action great conditions that move away from the ordinary arrangements of the excise enactments.

It is normally given to people who do something that the government is trying to encourage. A step that impacts the person in a constructive way, for that individual or action or any measure that accommodates a more good expense treatment of specific exercises or segments contrasted with what is accessible to the general business. It is an strategy means to enhance and expand flow of investments from abroad through lower taxation rates and to energize private division investment in monetary and social projects where government assumes a key part (Waris et al, 2008).

### **1.1.1 Tax Incentives**

Tax incentives are monetary measures that are utilized to draw in home or oversee investments to certain financial exercises or specific regions in a nation. Tax incentives may take different structures. In the case of Kenya the pertinent tax incentives include, exemption from paying tax for a some few years after start up, allowances for investments related expenses, tax credits, accelerated devaluation

policies, unique zones, subsidized investments, tax exemptions, decreased rates of taxation and indirect tax incentives (Easson and Zolit, 2003).

In developed nations, tax incentives frequently assume different forms including, credits for investors of assets, high rates of depreciation, and exciting treatments for all expenditures incurred in research and developments... In created nations, tax incentives frequently appear as venture duty credits, quickened devaluation, and positive expense treatment for uses on innovative work.

To the degree conceivable, during periods before WTO world, developed nations likewise implemented tax administration's policies that support trade activities with an aim of affording the local companies an upper hand in the worldwide commercial center while developing nations have extraordinary center ranges, for example, to empower residential enterprises that support development along specific regions of financial consideration and to draw in investments from abroad. (Tuomi, 2012).

In most cases, the strategies of preference are tax holidays, provincial investment incentives, reinvestment incentives and special enterprise zones which are geographically constrained regions in which qualified firms can find and along these lines advantage from exception of shifting extent of assessments or potentially regulatory prerequisites. Zones are regularly focused at exporters and found near a port. In a few nations, be that as it may, qualifying organizations can be proclaimed "zones" regardless of their area, for example, EPZ in Kenya (Institute of economic affairs, 2015).

### **1.1.2 Financial Performance**

A firm can be measured how it performs financially by assessing how well it utilizes its assets to generate sales or revenues from its vital businesses. This entails measuring in monetary terms the outcomes of a firm's policies and operations. According to Combs, Crook, & Shook, (2005), dimensions of financial performance are: profitability, growth, and market worth. Profitability measures a firm's past ability to generate returns (Glick. 2005).

Growth portrays a company's past capacity to build its size. Increase in firm size results to company's total profit and money generation. Large size makes it possible for a firm to enjoy economies of scale, to control the market and improved future earnings in terms of profits. Market value depicts external appraisal of the firm and organization's desires for future performance. It has a connection with historical performance in terms of profits; likewise, it includes any anticipation of the changes in the market and competitive (Santos and Brito, 2012).

### **1.1.3 Tax Incentives and Financial Performance**

Governments all over the world use tax incentives to enhance economic activities and investments by firms, they use these form of incentives to channel some special economic activities towards some important sectors of the economy where they are either not felt or not existing at all (Kaplan, 2001). In Kenya companies including those operating at EPZ benefit from major tax incentives especially capital allowances such as IBD, ID and W&T allowances by claiming deductions from their corporate tax liability, this enables such companies to report higher profit after tax leading to higher financial performance.

Firms that are eligible for tax incentives pay less tax and hence post higher ROA and return on equity which is derived from profit from tax (Ohaka and Agundu, 2012). Tax incentives also make investments more attractive and in turn enhance profitability of a firm. Tax incentive generate employment and encourage self-employed to incorporate into limited companies, this leads to improved financial performance of firms because limited companies perform better given the fact they can assess external sources of capital as compared to sole-traders (Philips, 2011). Incentives lowers the cost of the firm especially where the government offer subsidies and other forms of incentives to firms such as low interest rates, grants, lowering the cost of labor, and improving transportation networks to make transportation cost low, with reduce costs, the net profit posted by firms will be high and hence leads to high financial performance.

#### **1.1.4 Export Processing Zone Firms**

Majority of governments in the world use trade programs or policies to enhance modern exchange of goods and services across borders, to do so they set up industrial estates by fencing such an area to facilitate the manufacture of goods meant for export by specialized firms; that fenced region set aside by governments is referred to Export Processing Zone. Firms are offered free trade conditions and a liberal regulatory environment (World Bank, 1992:7). Other such instruments incorporate import tax drawback game plans, brief admissions and export subsidies

The primary functions of EPZ are to provide foreign exchange earnings by promoting non-traditional export, provide jobs to alleviate unemployment or under-employment problems in the host country; assist in income creation attract foreign direct investment (FDI) to the host country (Adala, 2008).

Export Processing Zones (EPZs) program was established in Kenya in 1990, with the enactment of the Export Processing Zones Act (CAP 517 of the laws of Kenya). It was established as part of the Export Development Program (EDP) being undertaken by the Government to transform the economy from import substitution to a path of export led growth. The program, managed by the EPZ Authority (EPZA), promotes export oriented industrial investment within designated zones. EPZ investors are provided with fiscal incentives together with simplified operating procedures and good infrastructure. In addition, the EPZ Authority gives facilitation and after care services to new and existing investors who are also assured lower operational costs, faster set up and smoother operations. Appropriate infrastructures have been installed and standards have been put in place (Kariuki, 2015).

EPZs are intended to further incorporate Kenya into the worldwide inventory network and draw in export oriented investments in the zones, therefore fulfilling its objectives which are economical in nature, this include; occupation creation, broadening and extension of export opportunities, enhancing productive capacity of investments, creativity and innovation exchange and formation of in backwards linkages between the zones and the household economy. The program has contributed fundamentally to accomplishing these targets with more than 40 zones set up, near 40,000 employees absorbed, and commitment of 10.7 % of national exports. More than 70% of EPZ yield is sent out to the USA under AGOA (Waithera, 2008).

By 2015 EPZ zone had 57 operating zones. The companies situated in the zone are included in the process of manufacture of a variety of items for exports for example of clothing for export, pharmaceuticals, darts board, services, chemicals for farming, edible products and products used in the energy sector for example electrical products among different processes and activities. There are a number of licensed EPZ firms



that serve different economic functions and activities ranging from manufacturing, services, operations and commercial service. By the year 2015 there were 114 licensed companies; majority already operating while some few being established. In addition, the zone houses various running incubators with an objective of drawing in and supporting small scale exporters within the nation to become international exporters.

## **1.2 Research Problem**

Importation of goods has been and continues to be a problem faced by many countries in developing countries. Search for effective initiative aimed at resolving the problem lead to formation and adoption of EPZs to promote exports and diversification (Baissac, 2011). With increased globalised economy characterized by stiff competition, there is thus a need for competitive tax system, a strategy aimed at establishment of industries so as to establish trading advantage.

According to the Singa (2007), there is an increase in the number of countries using EPZs in sub-Saharan Africa. Despite this growth in EPZ activity, EPZs still make up a moderately little percentage of the population in majority of the nations. This extension of EPZs has now happened in the face of expanding global trade and stiff beneficial competition. The economic competition has seen developed countries dominate the domestic firms, a situation that calls for government intervention to encourage performance of local firms.

Studies have been conducted on tax incentive on export processing zones both locally and internationally but none has focused on financial performance of EPZs in Kenyan setting. Uwaume and Ordu (2014) carried out a study to establish the impact of tax incentives on economic development in Nigeria. The study found that sufficient tax incentive enhances industrial growth and economy. Chukwumerije and Akinyomi

(2011) studied the impact of the tax incentives on the overall performance of registered small scale industries in Rivers State, Nigeria. They concluded that there was significant positive relationship between tax incentives and profitability, staff strength and the growth and development of small scale industries.

Gumo (2013) conducted a study on the effect of tax incentives on foreign direct investments in Kenya but did not focus on financial performance. His study established that investments deductions and mining operation deductions incentives policy has a positive effect on FDI while industrial allowance has a negative influence. Murage (2012) undertook a study on effects of tax incentives on the investment of export processing zones firms in Kenya. The findings were that investments by EPZ firms increase with increase in sales, profit as well as tax incentives. However the influence of tax incentives on investments by EPZ firms is insignificant. Mutunga (2006) studied the response of trade unions to challenges posed by conditions of work at the EPZs in Kenya.

None of the studies have focused on the effect of tax incentives on financial performance of EPZ firms there this research seeks to fill the research gap by answering the following research question: What is the effect of tax incentives on financial performance of Export Processing Firms?

### **1.3 Research Objective**

The objective of this study is to identify the effect of tax incentives on financial performance of export processing zone firms.

#### **1.4 Value of the Study**

The study will be of enormous importance to the government. It will enable the government to know the extent to which tax incentives influence the performance of firms. It will also enable government to know the extent firms have been responding to the available tax incentives. Government, through this research could evaluate the profitability of the tax incentives, that is whether the revenue forfeited by way of tax incentives are justifiable or not. On the other hand, it will enable government to know whether tax incentives can actually help to redirect investment pattern of individuals and corporate bodies towards the development of manufacturing firms.

This study will also enable government to compare the effects of the different tax incentives in order to identify those that are more profitable to the economy. This study will go a long way to sensitize companies and individuals on the existing tax incentive available to the manufacturing firms and their possible effects. It will also enable individuals and companies to make qualitative investment and tax decisions. The study will also be instrumental for researchers and academicians who will want to get information relating to tax incentives and performance of firms. It will also be of great use for researchers and students who will want to review the literature on tax incentives and also on financial performance

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section introduces a survey of the related writing on the subject under study exhibited by different scientists, researchers, experts and writers. It includes research areas, theoretical approaches and summary of literature review. It also captures and outlines some of the gaps distinguished and in addition the notable historic and current condition of research in the field.

#### **2.2 Theoretical Review**

This section discusses and articulates the relevant theories and concepts on how tax incentives affect financial performance of firms in EPZ. The theories help build a case to justify the study. These theories include Tobin's Theory, New Growth Theory and Cluster Approach.

##### **2.2.1 Tobin's Q Theory**

The Q theory was advanced by Tobin in 1969. It argues that output growth is driven by the incessant collection of physical, human or information capital. The rate of real investment determines the rate of capital accumulation. The approach concentrates on the proportion of a company's securities exchange value to the substitution cost of its capital. Increase in the return to capital will raise the market value of existing capital signaling the profitability of additional investment. Additional investment will drive down the marginal product of capital, reducing the asset price of capital goods until equilibrium is restored a practice that will encourage extensive investment (Tobin, 1969).

The hypothesis advocates for measuring financial performance of a firm by concentrating on the proportion of the market value of a company's assets. The

market estimation of a firm is arrived at by the market estimation of its remarkable stock and obligation to the substitution cost of the company's assets. At the point when a firm is worth more than its value in view of what it would cost to reconstruct it, then overabundance profits are being earned and consequently the firm is gainful (Tobin, 1969)

### **2.2.2 New Growth Theory**

The New Growth theory argues that institutions play an essential part in the advancement procedure of the society. It is based on the fact that since developing nations do not have efficient institutions, governments ought to play a significant role of supporting emerging institutions geared towards private sector industrialization and EPZ is such government policy scheme for industrial development, a business arrangement that operates under low cost of doing business made possible by factors such as efficient infrastructure and tax incentives. It is thus a strategic means to supporting of exports more so from less developed countries (Romer, 1990)

The theory stresses that the other external effects such as learning and human capital development, transfer of technology and benefit of demonstration effects factors that accelerate industrialization. This is possible through accumulation and acquisition of knowledge. The Theory concentrates on expanding returns connected with new learning or innovation. This brings about economic progress through new inventions and innovative ideas; a concept that holds that source of economic growth is ideas.

The theory implies, that continuous increment in expectations for everyday comforts for quite a long time to stop by consistently enhancing our insight into how to deliver increasingly and better products and services with ever littler measures of physical assets (Grossman and Helpman, 1994)

Oliver (1991) argues that adoption of new technological ideas and knowledge brings about firm profitability through investment of viable projects. Investment in viable projects has a progressive effect on firm value. The impact of technology and knowledge cause the firm to make rational investments that are cost sensitive. (Edvinsson and Malone, 1997) opines that the origin of monetary value is formation of scholarly capital which incorporates human capital and basic capital wrapped up in clients, processes, databases, brands, and frameworks which assumes a vital part in establishing sustainable competitive advantage. Capital utilized productivity, human capital proficiency and basic capital effectiveness promotes high financial performance of the firm.

### **2.2.3 Cluster Approach Theory**

Advanced by Michael Porter in the year 1990, the cluster approach is based on the idea of competitive advantage and has been used as improvement criteria by different national governments and local authorities and neighborhood powers all around the world. He built up this theory with the contention that the associations in the aggressive precious stone (diamonds) are more serious and in this manner more viable when firms work in nearness (Porter, 1996; Porter, 1998a; 1998b). It argues that EPZ are mechanical bunches that are amassed in certain geographic locale; these businesses share normal factors such as infrastructure, pool of skilled human capital, training and technology transfer, information and technical support

This approach includes constraining the government's ability to impose in intriguing ways and after that examining the subsequent ramifications for tax competition. One such angle is deficiency in a government's data about the organizations that it is endeavoring to assess. For instance, firms may contrast in interregional versatility, yet

such contrasts might be troublesome for the government to watch. For this situation, the legislature can't tax a firm in a way that straightforwardly relies on upon its unobservable parts of firm conduct that may serve as signs of these qualities, for example, the company's business venture choices (Murage, 2012).

## **2.3 Determinants of Financial Performance**

The assessment of financial performance of any business venture is very important. It is quantification of efficiency and effectiveness (Neely, 1994).

### **2.3.1 Size of the Firm**

The type of relationship enjoyed by a firm inside and outside its operating environment is significantly influenced by its size (Dahmash, 2015). Big firms enjoy economies of scale, financial economies of scale in the form of better interest rates and because they buy in large scale and better discount rates. Because of large production, fixed costs are apportioned across large units meaning as they produce more the unit cost per unit declines thus lowering the production cost. This translates into lower price of products making the firm to be competitive in price. Large companies are capable of attracting and retaining superior management team, with experience in assessing consumer's needs and therefore developing products that serve consumers needs. With such team with superior marketing skills the company is able to register high sales. Large firms have vast resources and are able to invest in capital intensive projects with high returns and less competition (Dogan, 2013). The size of the firm is measured by measured using, the level of sales turnover, number of employees, the value of the business, and the value of capital employed and market share of the business measured as a percentage.

### **2.3.2 Liquidity and Asset Utilization**

The criticalness of liquidity to an organization performance may prompt conclusion that it decides the financial level of the firm (Sanghani, 2013). Zygmunt (2013) Contended that liquidity is critical in an organization performance and it influences its productivity. Liquidity alludes to the speed and conviction at which an asset can be changed over back to money at the time the holder wants (Begg and Rudiger, 2011). Quick ratio is used to measure the company's capacity to pay its present obligations while current proportion is utilized to quantify the firm's liquidity. Higher ratios means the firm's liquidity is high. Liquid companies has a low financial cost because of low borrowing, have low risks level and high sales and hence high financial performance (Zygmunt, 2013).

Asset utilization gauges how proficiently and seriously a firm uses its resources for create deals (Ellis, 1998). The major ratio for measuring the asset utilization ratio is the one that divides total turnover by the total assets of the firm. This proportion of sales to total assets measures the efficiency of the firm in utilizing its assets to generate sales, the higher the ratio, the higher the efficiency meaning the costs are low and hence the profit margins are high (Maryanne and Don, 2006).

## **2.4 Empirical Review**

Several studies have been done both at the global as well as local levels to establish the effects of tax incentives on various performance indicators of firms.

### **2.4.1 Global Studies**

Alhulail (2014) examined the effects of tax incentives on sales of eco-friendly vehicles in Japan. The study used a sample of 10 vehicles in Japan that fall under eco-friendly cars for the period April 2006 to March 2013. The study obtained secondary data and analyzed using regression analysis. The study finds that the tax incentives



have a significant positive effect on sales of ecofriendly vehicles. This study however fails to indicate the population of the study; it only mentions the sample size.

Uwaume and Ordu (2014) carried out a study to establish the impact of tax incentives on economic development in Nigeria from years 2004 to 2014. The population of the study involved 51 respondents from management, tax payers and staff of selected manufacturing firms in the South-South political zones of Nigeria. The study found that sufficient tax incentives enhanced industrial growth and economic development and recommended the government waive certain taxes on corporate bodies to help them mature especially at their early stage, the government should not focus on the revenue that is lost at this point because the benefits will surpass in the long-run what is lost at the initial times.

In 2012, Kohleer, Lareda and Rammer studied the impact and effectiveness of fiscal incentives on research and development (R&D). It was found out that tax incentives have a positive effect on business R&D expenditure. The study reviewed the findings of more than 20 econometric studies on effectiveness of R&D tax incentives covering programs in 12 countries from 1970's to 2000's. It had an implication that subsidies and tax incentives can encourage spending on R&D by companies.

A study by Olabisi (2009) sought to establish the catalyst effect of tax incentives on economic development in Nigeria. The sample of the study involved 12 companies in Lagos selected using purposive sampling method. Formulated hypotheses were tested using chi-square method where it was found that if tax incentives are extended and focused extensively to all deserving companies in Nigeria, it would enhance economic growth.

Through their IMF working paper number WP/09/139, Alexander, and Stefan (2009) sought to answer which incentives are used as tools for tax competition and how effective tax incentives are in attracting investments. They prepared a new data set of tax incentives in over 40 Latin America, Caribbean and African countries. Special econometrics techniques were used to answer the first question which found a strategic interaction in tax holidays, in addition to well know competition over corporate income tax rate. Dynamic panel data econometrics was used to answer the second question where the findings concluded that lower corporate income tax rates and longer tax holidays are effective in attracting FDI.

In its research on tax incentives for investments in MENA and Non-MENA countries, the OECD (2007) established that generous tax incentives cannot compensate for poor business environment. Where in particular, there is a lack of good infrastructure such as transport, unreliable and expensive electricity supply and poor education, economic growth is bound to be very slow and most tax incentives offered will mainly erode the tax base, resulting in low tax revenues rather than increase the flow of investments to a country. Mauritius, Costa Rica, Ireland and Malaysia were examples of nations which were able to attract investments without giving tax breaks and instead focused on ensuring stable financial and political conditions, an accomplished work constrain, great framework, open exchange for exporters, tried and true govern of law, and powerful investments advancement frameworks to draw in speculators. This also has been supported strongly by policy reviews done in countries which have been able to change their investment strategies and spur economic growth, a good example being Botswana.

### **2.4.2 Local Studies**

Onyango (2015) carried out a research to establish the effect of tax incentives on financial performance of five-star hotels in Nairobi County. The population comprised of all the seven 5-star hotels in the city. Census approach was used and primary data collected using questionnaires. Data collected was then analyzed using regression model to establish the relationship between tax incentives and financial performance. The study found that there was strong relationship between ID and IBD incentives and financial performance of the five-Star hotel in Nairobi City County and recommended the government to review policies that guide the provision of ID and IBD.

Githaiga (2013) carried out a research to establish the impact of tax incentives on FDI inflows of firms listed at the NSE. His focus was on the impact of ID, IBD, and wear and tear towards attracting FDI inflows. The population included 60 firms listed at NSE while the sample included 10 firms selected using simple random method. The study adopted secondary data where data relating to FDI and incentives were collected from annual reports and audited financial statements covering a period of 2008-2011. For data analysis, Microsoft excel sheets was used to analyze quantitative data while SPSS was used to analyze qualitative data with an aid of a conceptual model. Correlation analysis carried out on FDI and tax incentives variables showed that tax incentives impacted on FDI inflows of firms listed at NSE. Wear and tear had a strong relationship with FDI.

Gumo (2013) carried out a study on the effect of tax incentives on FDI in Kenya with an aim of determining the effect of tax incentives on investments in Kenya. He adopted a descriptive research design where secondary data was collected from

relevant authorities; EPZA, KRA and KNBS. For data analysis, descriptive statistic, correlation and multiple linear regression models were used. The study established that investment deductions and mining operation deductions incentives policy had a positive effect of FDI while industrial allowance had a negative influence. Gumo concluded with a recommendation to the Kenyan government to evaluate tax incentive policy among other things, introduce evidence base tax incentives that minimize tax evasion and encourage positive FDI.

Murage (2012) conducted a research on the effect of tax incentives on investment of EPZ firms in Kenya. The study sought to establish various types of tax incentives offered to EPZ firms on their business investments as well as their effects on investments. The population of the study included 104 EPZ firms in Kenya. A sample of 65 firms were selected purposively those situated in the Nairobi Metropolitan. Primary and secondary data was collected using questionnaires. Pearson's product moment correlation co-efficient was used. Descriptive statistical techniques were utilized in data analysis while inferential analysis was used to reach conclusions. The findings were that investments by EPZ firms increase with increase in sales, profit as well as tax incentives. However the influence of tax incentives on investments by EPZ firms is insignificant. The study recommended the Kenyan government to consider other incentives other than tax that will enhance sales.

A study by Wachira (2011) sought to establish effectiveness of tax incentives as an avoidance scheme by Kenya Airways and to modify the financial situation and make investments accordingly. A semi – structured questionnaire involving both open and closed ended questionnaires was used to collect primary data from tax manager and officers from tax department of Kenya Airways. For data analysis, Statistical Package

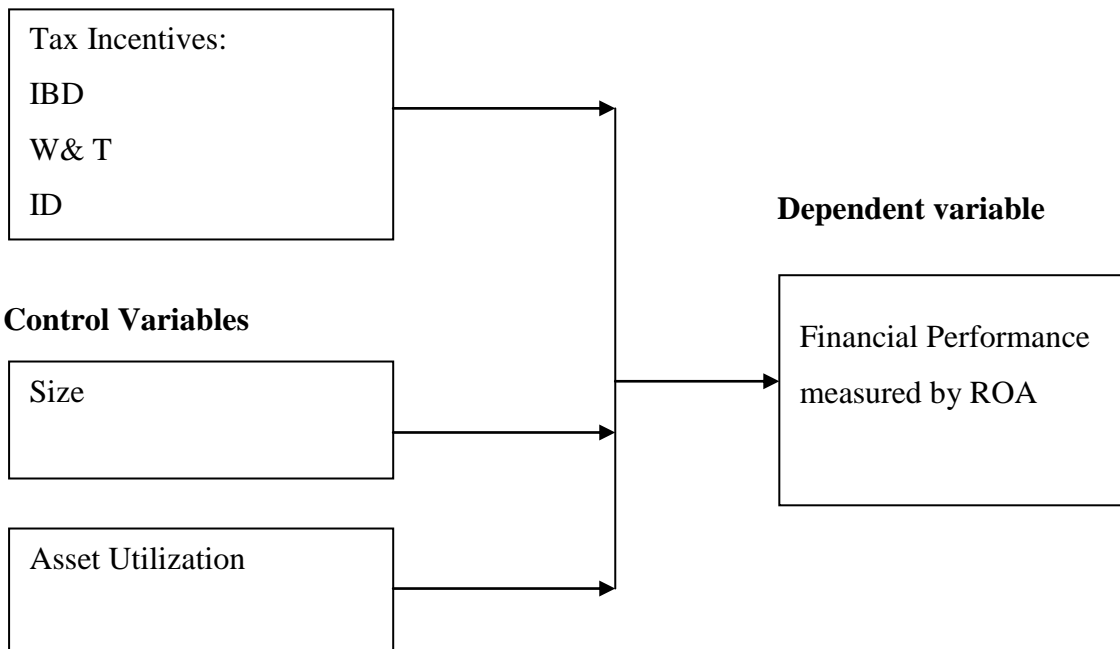
or Social Science was used. The study found out that Kenya Airways took advantage of all available tax deductions both business and personal. The study found the tax incentives to be effective and recommended that tax holidays and investments allowances and tax credits to be provided to employees as a motivational initiative.

## **2.5 Conceptual Framework**

Conceptual framework is a diagrammatical representation of a relationship between variables. The variable that is manipulated to establish the effect it has on another variable is called the independent variable. Dependent variable is a variable that is affected by the independent variable. According to Mugenda and Mugenda (2003), a dependent variable is a function of an independent variable. The dependent variable in this study is the financial performance of EPZ firms while the independent variables are various tax incentives, size, liquidity and asset utilization. The conceptual relationship between variables is shown below.

**Figure 1: Conceptual Framework**

**Independent variables**



**Source: Author (2016)**

**2.6 Summary of Literature Review**

Empirical studies conducted both locally and internationally have showed that tax incentives have different effects on different dependent variables; investment, FDI, performance, R&D expenditure, economic development, sales and performance of firms in different industries. The theories discussed depict a positive correlation between tax incentives and financial performance of firms. Several studies have been done both locally and internationally to determine the effects of tax incentives on various dependant variables. From the empirical review above, international scholars include Alhulail (2014), Mayende (2013) and Kholer (2012) among other scholars. Locally, researchers include Onyango (2015), Githaiga (2013), Gumo (2013) and Njeru (2012) among others but none of them has focused on the effects of tax incentives on financial performance of EPZ firms in Kenya. This research therefore seeks to fill this research gap by answering the research question: What is the effect of tax incentives on financial performance of EPZ firms in Kenya?

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research design and technique that used to operationalize the research. It introduces the research design, the population, sample size and sampling procedure, data collection and data analysis.

#### **3.2 Research Design**

A research design is the outline of study that characterizes the study type. It is a systematic organization of the measures, variables and the apparatuses to be put into effect in the gathering and analysis of the collected data with a specific end goal to achieved by the study in the most professional and successful way. Kothari (2004) concluded that a research design directs the researcher by offering him with guidelines on how to collect, analyze and interpret the data in a coherent manner. The study employed descriptive research design. Cooper and Schindler (2011) define descriptive research design as a design used to describe behavior or characteristic of a population being studied. The design fitted the study which was aimed at determining the relationships between variables that is tax incentives and financial performance of EPZ firms in Kenya.

#### **3.3 Population**

Mugenda and Mugenda (2003) define population as an entire group of individuals, events or objects having common observable characteristics. The target population of this study was all the 114 firms licensed by the Export Processing Zone Authority as at December 2015 containing both active companies as well as those setting up.

### **3.4 Sample Design**

A sample means a subject of the whole population, which is selected and analyzed, and the results obtained are generalized to represent the whole population (Kothari, 2004). In this research, the researcher generated a sample of 70 firms, which comprised all the firms that fell into the category of active firms and those which enjoyed tax incentives within the period of the study.

### **3.5 Data Collection**

The study used secondary data. Reports of the 70 firms for the periods 2009 to 2011 obtained from EPZA and KRA. Data relating to tax incentives claimed by firms in EPZ was obtained from KRA while the data relating to the independent variables were obtained from EPZA. From the financial statements, the information collected included the net income levels for each of the firms to calculate the financial performance (dependent variable), total assets and current assets of the firm to calculate the independent variables. The three year period the year 2009 to 2011 was deemed long enough to address any events which could affect the trends and relationships in a particular year.

### **3.6 Test of Significance**

F-test was used to test the joint significance of all coefficients and t-test for the test significance of individual coefficients. The significance of the regression model was determined at 95% confidence interval and 5% level of significance.



### 3.7 Data Analysis

The analysis was aimed at establishing the effect of tax incentives on financial performance of firms operating at EPZ at over the three-year period. Regression analysis was performed on the data to test any effect of tax incentives (independent variable) on a firm's financial performance (Dependent variable). To identify the determinants of firm performance, the model specified in the equation below was estimated. The variables include tax incentives, size of the firm and asset utilization.

A multivariate regression equation was used as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

Where Y = Financial performance measured by Return on Assets (net income / average total assets)

X<sub>1</sub> = Tax incentives (log of tax incentive claimed per year)

X<sub>2</sub> = Size of the firm (log of total assets)

X<sub>3</sub> = Asset utilization measured by the ratio of sale/ total assets

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSIONS**

#### **4.1 Introduction**

In this chapter the researcher presents the analysis of the data, findings of the study as well as the interpretation of the study. In 4.2 the researcher presents the response, 4.3 presents the validity of data, 4.4 presents' descriptive statistics, and correlation analysis is presented in 4.5 while regression analysis and discussion of research findings with comparison with findings from previous studies are presented in section 4.6 and 4.7.

#### **4.2 Response Rate**

The population of the study comprised of 114 firms operating under EPZ; these are firms licensed by EPZA. The study used a sample of 70 firms which were active during the period of 2009 to 2011. This represented 61.4 % which exceeds 50% response rate considered as a good response rate by Mugenda & Mugenda (2003). This was necessitated by the fact that even though the firms licensed by EPZA exceeds hundred, not all the firms enjoyed tax incentives, some of the firms fell under the category of either dormant or still setting up firms. Data for all the firms were collected from KRA and EPZA.

#### **4.3 Data Validity**

The researcher had an objective of determining the effect of tax incentives on financial performance of EPZ firms in Kenya. The study was carried out at 95% confidence level and the standard error was 0.566 and the significance level below 0.025 for all variables under this study meaning the data was reliable for the purpose of this study.

#### 4.4 Descriptive Statistics

The table below was used to present descriptive statistics and distribution of variables

**Table 4.1: Descriptive Statistics**

	N	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Financial Performance	70	.74649	.981926	.964	3.033	.287	9.876	.566
Tax Incentives	70	11.95065	1.532383	2.348	-7.029	.287	55.377	.566
Size of the Firm	70	19.29924	1.056306	1.116	-1.410	.287	3.155	.566
Asset Utilization	70	1.82071	2.394941	5.736	3.019	.287	9.876	.566
Valid N (listwise)	70							

**Source: Research Finding**

The table above presents the mean, standard deviation, skewness, and kurtosis of the financial performance, tax incentives, size of the firm and assets utilization of firms under study. The mean of the financial performance was 0.746, tax incentives had a mean of 11.951, and size had a mean of 19.30 while asset utilization had a mean of 1.821. Financial performance had a standard deviation of 0.964, tax incentives had 1.5324, and size had 1.056 while asset utilization had a standard deviation of 2.395. For variance, financial performance had 0.964, tax incentives had a variance of 2.348, size had 1.116 and asset utilization had variance of 5.736 respectively. Skewness is the measure of the direction and measure of asymmetry; variables with no skewness are normal in distribution. The variables under study both had negative and positive skewness. Financial performance was positively skewed with 3.033, tax incentives had a skewness of -7.029, and size was negatively skewed by 1.410 while asset

utilization was positively skewed by 3.019. Kurtosis measures the weight of the tail of a distribution; that is the heaviness of the tail where a kurtosis with 0 score represent a normal distribution. In this research all variables had a positive kurtosis. Financial performance had a kurtosis of 9.876, tax incentives had 55.377, and size had 3.155 while asset utilization had 9.876 respectively.

#### 4.5 Correlation Analysis

**Table 4.2: Correlation Analysis**

		<b>Correlations</b>			
		Financial Performance	Tax Incentives	Size of the Firm	Asset Utilization
Financial Performance	Pearson Correlation	1	.297	-.453	0.737
	Sig. (2-tailed)		.013	.000	.000
	N	70	70	70	70
Tax Incentives	Pearson Correlation	.297	1	-.286	.297
	Sig. (2-tailed)	.013		.016	.013
	N	70	70	70	70
Size of the Firm	Pearson Correlation	-.453	-.286	1	-.453
	Sig. (2-tailed)	.000	.016		.000
	N	70	70	70	70
Asset Utilization	Pearson Correlation	0.737	.297	-.453	1
	Sig. (2-tailed)	.000	.013	.000	
	N	70	70	70	70

**Source: Research finding**

Correlation analysis determines the relationship between dependent variable and independent variables of the study. Pearson correlation coefficient denoted by R is used to measure the strength of a linear relationship between two variables. R can take a range of +1 and -1, where the score is zero it implies that there exists no association

between the variables where a score below zero shows that the relationship between the variables is a negative one.

The table above shows a summary of correlation between financial performances which is the dependent variable and tax incentives, size of the firm and asset utilization which represent the independent variables. Tax incentives had a weak positive relationship of .297 with financial performance. Size of the firm had a weak negative linear relationship with financial performance of -0.453 while asset utilization had a strong positive correlation of 0.737 with financial performance. This study also found weak multicollinearity among independent variables. Tax incentives had a weak positive multicollinearity of 0.16 with size while it had a weak positive multicollinearity of 0.013 with asset utilization. Asset utilization and size of the firm had no relationship at all (0).

#### **4.6 Regression Analysis**

This study had an objective of establishing the effect of tax incentives on the financial performance of EPZ firms in Kenya. To determine this effect, regression analysis, regression analysis was used conducted to establish the effect of tax incentives on financial performance of EPZ firms and SPSS was used to analyze the data. Coefficient of determination,  $R^2$  was used as a statistical measure to predict how well the data fit the model.  $R^2$  was used to explain the degree to which dependent variable change, adjusted  $R^2$  was used to measure unbiased estimate of the population. To establish the relationship between variables, simple regression was applied as shown in the table 4.3

**Table 4.3: Regression Analysis**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.793	0.611	0.595	.128954

From the findings in the table above, R was 0.793; this means that there was a positive relationship between the dependent variable and the independent variable of the study.  $R^2$  was found to be 0.611 which means 61.1% of variation of financial performance can be explained by tax incentives, size of the firm and asset utilization while the remaining 38.9% could be explained by other variables not under still study.

#### 4.6.1 Analysis of Variance

**Table 4.4: ANOVA**

#### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	66.528	3	22.176	1.59	0.01
	Residual	512.000	66	.000		
	Total	66.528	69			

**Source: Research findings**

From the analysis of variance above, the sum of square for regression was 66.528; the f statistics value was 1.59 and the degrees of freedom of 3 tested at 95% confidence level and 0.25 significance level. The researcher sought to establish the effect of tax incentives on financial performance of EPZ firms in Kenya. The study was therefore statistically significant as the significance was 0.01 and therefore was below the significance level of 0.25 two –tailed.

#### 4.6.2 Coefficient Model

ANOVA was used in the study to establish the significance of the relationship between the financial performance of the firms operating in EPZ and the dependent variables. Since the significance is 0.000 which is less than 0.05, therefore the regression model is statistically significant at 5% level.

**Table 4.5: Coefficient Model**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.363E-015	.000		.1954	1.000
Tax Incentives	6.656E-017	.000	.000	.32541	1.000
<sup>1</sup> Size of the Firm	-1.641E-016	.000	.000	.1871	1.000
Asset Utilization	.410	.000	1.000	337062807.528	.000

From the table above, regression model became;

$$Y = 2.363 + 6.656X_1 - 1.641X_2 + 0.41 X_3$$

Unstandardized coefficients show how dependent variables vary with independent variables when other variables are held constant. From the model above, a unit increase in X1 will lead to an increase in Y by 6.656units; a unit increase in X2 will lead to a decrease in Y by 1.641 units while a unit increase in X3 will lead to increase in Y by 0.41 units.

#### **4.7 Discussion of Research Findings**

From the data analysis, the study found firms in EPZ had a positive relationship with financial performance; though a weak one of 0.297. This implies that as tax incentives awarded to EPZ firms increase, their financial performance also increases with a weak magnitude. These findings are in agreement with the research findings of Onyango (2015) which found a positive relationship between tax incentives and financial performance of five star hotels in Nairobi County. The study further found out from the adjusted  $R^2$  that there was a positive relationship between the financial performance and the independent variables of the study; the tax incentives, size of the firm and asset utilization.

From the correlation analysis, size of the firm was found to have a negative relationship with financial performance of the EPZ firms. This means that the size of the firm negatively affected the financial performance. This could be attributed to the fact that some firms within EPZ had huge amount of assets which formed a huge share of the firm size and such firms made no sales for two consecutive years, with no sales the company makes nil net profits. Interestingly, some of the firms which did not register sales were among the biggest firms in size when ranked in an ascending order. This findings contradicted the findings of Dahmash (2015) who argued that the size of the firm creates a competitive advantage of the firm by enable it enjoy economies of scales by producing in large quantities and thus reducing the average cost of producing a unit of a product.

The study further revealed that asset utilization had a significant positive relation with the financial performance; it had a score of 1.641. This implies that efficiency of the firms in EPZ with regards to utilization of assets was contributing to the firm's



financial performance positively. This revelation agrees with Ellis (1998) who argued that when firms use their assets effectively and efficiently they end generating high sales returns leading to high profitability and hence high profitability. He further argued that efficient assets reducing the cost of production and hence enhancing the profits margins of the firm.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

From the data collected and analyzed, the following summary, conclusions, limitations and suggestions for further research was arrived at by the researcher. The research was pegged on the objective of the research and that was to establish the effect of tax incentives on financial performance of EPZ firms in Kenya.

#### 5.2 Summary of Findings

This study had an objective of establishing the effect of tax incentives on financial performance of EPZ firms in Kenya. To achieve this objective, correlation analysis, regression model and descriptive statistics were used. Secondary data was collected from both KRA and EPZA and analyzed using SPSS.

From the descriptive statistics, it was found that the average tax incentives for each firm was 1,195,056, this had an effect of positively affecting the financial performance of EPZ firms by 0.297. The study further revealed that the financial performance was influenced by 61.1% by independent variables; tax incentives, size and asset utilization according to  $R^2$  results at 5% significance level. These findings agree with the arguments of New Growth Theory which postulates that governments of developing countries should develop favorable working environments for enterprises to facilitate low cost of carrying out businesses, such programs by the government include creating infrastructure in industrial sectors and among the programs suggested by Romer (1990).

Correlation analysis revealed that there was a weak positive relationship between tax incentives and financial performance of 0.287, the study was not statistically significant at 5% level. The study further found a moderate negative relationship between size of the firm and financial performance of -0.453. This weak relationship maybe as a result of EPZ in Kenya not in a position of sharing the accumulated knowledge in terms of management expertise, secondly it is because of lack of a platform where firms in EPZ share the their technologies and transfer ideas that enables them innovate ideas and products that way the they end up spending less for producing competitive products. That way they create competitive advantage in the long run it will enhance financial performance that is according to New Growth Theory by Crossman and Helpman (1994).

Asset utilization related positively with financial performance with a score of 0.41, the study was statistically significant at 5% level having a significant figure of 0.00. This finding agrees with the argument by MaryAnn and Don (2006) about asset utilization and financial performance. In their findings, financial performance and asset utilization was positively related; meaning asset utilization affected the financial performance. Correlation analysis further revealed that there existed both negative and positive multicollinearity between independent variables. These findings further validate the arguments of Tobin's (1969) on the efficiency of assets in enhancing the firm's financial performance. This study also found weak multicollinearity among independent variables. Tax incentives had a weak positive multicollinearity of 0.16 with size while it had a weak positive multicollinearity of 0.013 with asset utilization. Asset utilization and size of the firm had no relationship at all (0).

Regression analysis established the model below.

$$Y = 2.363 + 6.656X_1 - 1.641X_2 + 0.41 X_3.$$

This means that the constant of the model is 2.363 meaning that the financial performance of EPZ firms at zero score of dependent variables; tax incentives, asset utilization and the size of the firm is 2.363 units of shillings. Financial performance increases by 6.656 when tax incentives increases by one unit where financial performance increases by 0.41 when asset utilization increases by one unit of the ratio of sales to total assets. It however means financial performance decreases by 1.641 by a unit increase in the natural log of total assets of a firm.

### **5.3 Conclusions**

The researcher had a major objective of establishing the effect of tax incentives on financial performance of EPZ firms in Kenya. The regression presented in chapter four depicts that while size of the firm negatively affects the financial performance of EPZ firms in Kenya, tax incentives and asset utilization positively affects the financial performance of EPZ firms in Kenya. This implies that firms should capitalize on their efficiencies of their assets to realize high financial performance. Tax incentives are however enjoyed by firms by making an application to the relevant authorities requesting to be granted such incentives. Firms must therefore make applications for all expenditure which qualifies to awarded incentives. That way they are going to boost their financial performance. This study therefore concludes tax incentives have a positive effect on financial performance that is weak in nature.

### **5.4 Recommendations**

The authorities concerned with tax incentives should make it easier for firms within and without EPZ to enjoy tax incentives .In the course of the study, the researcher found that there are a lot of procedures followed by firms in order to be granted such incentives, which takes a lot of time from the time they are applied for by firms. This

study therefore recommends the ministry of finance and KRA to make it easy for firms such that the applied tax incentives can be enjoyed in that particular year and for that matter it will have a strong positive effect on financial performance of EPZ firms as well as other firms outside EPZ.

Firms should also make use of their factories and assets by producing goods and eventually selling them, it makes no meaning for a firm to be big in size and yet the same size negatively affects the financial performance of the firm, alternatively, firms should dispose off idle assets to reduce the size of the firm as measured by log of total assets.

KRA should also have an effective research department, if possible a unit attached to EPZ so that it can always collect relevant data relating to tax incentives and other exemptions granted to EPZ firms. This way it will minimize the limitation of inadequacy of data for decision making by the state relating to incentives, this will also be helpful to future scholars who would want to carry out research on tax incentives.

### **5.5 Limitations of the Study**

The study adopted secondary data obtained from KRA and EPZA. Secondary data involves historical data which may not depict the present research needs of the study. Secondary data may not be accurate especially because it is presented by a firm to third parties with an intension to help them make decisions with respect to the reporting firm. This might negatively affect the findings of the study.

The study used data for the three financial periods as opposed to the anticipation of the researcher of using five year period. This happened because the data for the periods 2014 and 2015 for tax incentives were still under compilation by KRA. For

some years, the firms that enjoyed tax incentives were below the sample of the study. This year's may not be enough to fully address the research objectives of the study. The researcher anticipated obtaining a comprehensive data of tax incentives detailing IBD, ID, and W&T, but KRA provided data of cumulative tax incentives. This limited the researcher's intention to establish the individual effect of tax incentives on financial performance of EPZ firms in Kenya. The authorities cited busy schedule and tedious work involved to get the data as wished by the researcher, it required some time which was limited in this research.

Time was also a limiting factor in this research; the researcher had little time to accomplish the research, being academic in nature it was subject to strict deadlines which had to be met by the researcher. This meant that some other variables which may affect the financial performance of EPZ firms were omitted.

### **5.6 Suggestions for Further Research**

The researcher sought to investigate the effect of tax incentives on financial performance of firms operating in EPZ, the researcher recommends that studies to be carried out on the effect of tax incentives on financial performance on other firms for example firms that are listed in the Nairobi Stock Exchange.

The researcher also recommends other scholars to carry out a research to establish the effect of tax incentives on other dependent variables in the country, for example the researchers may undertake a research to establish the effect tax incentives has on economic growth and economic development.

Research can also be done to determine whether such incentives given by the government of Kenya is economically sustainable given that such incentives run into hundreds of billions every year. The researcher can try to compare the gains the

government achieves from such incentives in terms of enhancing employment, the impact it has on gross domestic product , enhancing export to improve the country's balance of payment. The researcher recommends other scholars to carry out the effects of various incentives in the future once the data is available such as IBD, W&T, ID among other incentives on the financial performance of various sectors in the economy.

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## APPENDICES

### APPENDIX 1: LIST OF EPZ FIRMS

1. ADEC Group Kenya (EPZ) Ltd
2. Africa Apparel EPZ Ltd.
3. All Fruit EPZ Ltd
4. Alpha Logistics EPZ Ltd
5. Ammar EPZ Ltd
6. Alltex EPZ Ltd.,
7. Asante Gifts & Souvenirs EPZ Ltd
8. Ashton Apparel EPZ Ltd
9. Avenue Fresh Produce EPZ Ltd,
10. Avo Health (EPZ) Ltd
11. Balaji EPZ Ltd
12. Barnes EPZ Ltd
13. Belat EPZ Ltd.,
14. Biocorn Products EPZ Ltd.,
15. Blue Sky Films EPZ Ltd.,
16. Botanical Extracts EPZ Ltd.,
17. Brilliant Garments EPZ Ltd
18. Capital Industrial Park EPZ Ltd.,
19. Celebrity Fashions K. EPZ Ltd.
20. Central Africa Trading EPZ Ltd
21. De La Rue Currency and Security Print EPZ Ltd.
22. Earth Oil Kenya Proprietary EPZ Ltd.
23. East Africa Halal Industries (EPZ) Ltd
24. Emrok Tea Factory (EPZ) Ltd
25. Erdemann (EPZ) Ltd.
26. ET Elasto Tech (EPZ) Ltd.
27. Exotic EPZ Ltd
28. Fairoils EPZ Ltd
29. Forest Gate EPZ Ltd
30. Future Garments EPZ Ltd
31. Garsen Holding EPZ Ltd.
32. Ginger Ink Films EPZ Ltd.
33. Global Apparels (K) EPZ Ltd
34. Gokal Beverages (EPZ) Ltd.
35. Gold Crown Foods EPZ Ltd.
36. Growth Point Warehousing EPZ Ltd
37. Hantex Garments EPZ Ltd
38. Halai Brothers (EPZ) Ltd
39. Hardy Technology Park EPZ Ltd
40. Hui Commercial EPZ K. Ltd
41. Imperial Teas (EPZ) Ltd
42. Indu Farm EPZ Ltd.
43. Insta Products EPZ Ltd.
44. Ivey Aqua EPZ Ltd.
45. Ivey Infusions Epz Ltd
46. Jungle Cashshews EPZ Ltd
47. Jungle Macs EPZ Ltd
48. Kapric Apparels EPZ Ltd.
49. Katchy Kollections EPZ Ltd
50. Kencall EPZ Ltd.
51. Kensis EPZ Ltd
52. Kenya Fluorspar EPZ Ltd.
53. Kenya Marine Contractors EPZ Ltd.
54. Kikoy Mall EPZ Ltd.,
55. Kipevu Inland Container EPZ Ltd
56. Kenya Trading EPZ Ltd.
57. Leatherlife EPZ Ltd.
58. Lifesciences Consultants EPZ Ltd.
59. Longyun Garments Kenya EPZ Ltd
60. Lowdan Exporters (EPZ) Ltd
61. Lyncn (EPZ) Enterprises Ltd
62. Mac Nut International EPZ Ltd
63. Manda Bay SEZ EPZ Ltd
64. Mega Garments EPZ Ltd
65. Middle East Texco EPZ Ltd.
66. Mohazo EPZ (K) Ltd
67. Mombasa Apparels EPZ Ltd
68. Mugama Containers EPZ Ltd
69. Mukafa EPZ Ltd

70. New Wide Garments (K) EPZ Ltd
71. Nodor Kenya EPZ Ltd.
72. Olivado EPZ Ltd.
73. Oilfields Logistics Services Africa EPZ Ltd (OLSA)
74. Organic Growers and Packers EPZ Ltd
75. Orion EPZ Ltd.
76. Pure Fry EPZ Ltd
77. PJ Dave EPZ Ltd.
78. Pontact Productions EPZ Ltd.
79. Premium Machinery Distributor EPZ Ltd.
80. Property Vision (EPZ) Ltd
81. Quite Bright Films Lifestyle (EPZ) Ltd
82. Real Beverages EPZ Ltd.
83. Red Dot Distribution EPZ Ltd
84. Redington EPZ Ltd
85. Reltex Tarpaulins Africa EPZ Ltd.
86. Revital Healthcare EPZ Ltd.
87. Ricardo EPZ International Co. Ltd.
88. Royal Garments EPZ Ltd
89. Rupa Cotton Mills EPZ Ltd.
90. Sameer Africa EPZ Ltd
91. Sameer Industrial Park EPZ Ltd
92. Sajan Trading EPZ Ltd.
93. Sandton Park EPZ Ltd.
94. Saw Africa EPZ Ltd
95. SBA Kenya Export Export (EPZ) Ltd
96. Smart Properties EPZ Ltd
97. Solitaire Gems EPZ Ltd.
98. Soko EPZ Ltd
99. Soyana Industrial Park (EPZ) Ltd
100. Suman Shakti EPZ Ltd
101. Supply base (EPZ) Ltd
102. Spartan Relief EPZ Ltd.
103. Tailormade Jeanswear (EPZ) Ltd
104. Talab EPZ Ltd
105. Taurus EPZ Ltd.
106. Techno Relief Services EPZ Ltd.
107. Transfleet EPZ Ltd.
108. United Aryan EPZ Ltd.
109. Unity Beverages (EPZ) Ltd
110. Vermont Flowers EPZ Ltd
111. View Finders EPZ Ltd.
112. Wild Life Works EPZ Ltd.
113. Wondernut International (EPZ) Ltd
114. YKK Kenya EPZ Ltd.

**Source: EPZA (2016)**