EFFECT OF PRIVATE EQUITY FUNDING ON EARNINGS PER SHARE AMONG FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE

BERNARD OCHIENG OUYA

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DECLARATION

This project is my original work that hasn't been submitted for any award to any other Institution or University.

Signature…………………………………Date 29/11/2022…………………………………..

Bernard Ochieng Ouya

D63/12532/2018

This project hasn't been submitted for any presentation without my authorization as University Supervisor.

Signature…………………………………….Date 30/11/2022…………………………………...

Dr. Duncan Elly Ochieng' (PhD, CIFA, CPA)

Senior Lecturer, Department of Finance and Accounting

Faculty of Business and Management Sciences

University of Nairobi

DEDICATION

Great dedication to my beloved late father, Daniel Jomo Ouya for giving me the best gift that anyone could ever give a person, you believed in me. To my mother, Grace Ouya who not only, made me to believe that anything is possible but also always gives me a reason to believe. You both have deepened and strengthened the eminent foundation towards the execution of this study

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This achievement as well as reaching this academic apex is the work of the Almighty God. As I reflect the long hours of hard work, job demands and personal deadlines kept to be abreast and motivated. I am grateful to almighty God for this unparalleled love, good health, grace, mercies and unwavering peace of mind which ease my progressive steps towards accomplishment. It is worthy praising the Lord for this successful milestone since the onset of academic progress.

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Lastly, this world-class university transformed me and I am highly grateful.

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LIST OF ACRONYMS AND ABBREVIATIONS

Abbreviation or acronym	Description
BVCA	British Private Equity and Venture Capital Association
CMA	Capital Markets Authority
DER	Debt Equity Ratio
EPS	Earnings Per Share
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPO	Initial Public Offer
MFD	Maximizing Finance for Development
MIGA	Multilateral Investment Guarantee Agency
NPV	Net Present Value
NSE	Nairobi Stock Exchange
PBV	Price Book Value
PCM	Private Capital Mobilization
PE	Private Equity
ROA	Return on Assets
S&P 500	Standard & Poor's 500 Index
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Science
USA	United States of America
VC	Venture Capital

ABSTRACT

The analysts always concentrate on financial statements for benchmarking, brainstorming and predicting the future trends. Nonetheless, investors look keenly at the asset values and their earning. Hence, their decision making is pegged on expected returns. EPS is the lynchpin upon which investors make vital decisions as it intelligibly discloses the return on investment on each share invested. The active investors change decision periodically on buying or selling shares with objective of optimizing the returns. Private equity is a fundamental tenet of firm financing as it represents an alternative source of funding to businesses. Moreover, the private funding has played significant part in business growth through not only cash infusion but also diverse knowledge infusion. Subsequently, the firms are beneficial to the owners whenever they maximize the opportunities, engage the efficient optimization of resources and reap greatest return. Therefore, this study explored the effect of private equity funding on the earnings per share of quoted companies in Kenya. Besides that, a descriptive survey was employed as the research design in the study to articulate the causal connection. Subsequently this study sampled 35 listed companies that received private equity funding from year 2017 to 2021. Consequently, the data was sourced from private equity funder's websites and journals involving companies that have used PE between the years 2017 to 2021. Secondary data collected was then assessed using descriptive statistics, correlation as well as regression analyses, which sets up the connection between the private funding and earnings per share. The analysis was henceforth done by applying SPSS. In that case, it elucidated that earnings per share over study's timeframe registered a lowest value of 0.015 and a greatest value of 0.089. Furthermore, the average of 0.0482 was recorded hence implying average earnings per share for the period was 4.84%. Correspondingly, standard deviation of 0.02304 empirically portrayed minimal variability. Moreover, the private equity posted a lowest figure of 0.203 and the maximum was pegged at 1.146. From the findings, a strong positive correlation of 92.3% of private equity funding and earnings per share. Correlation coefficient value of 0.852 showed that private equity explained 85.2% changes in earnings per share. This also meant that the 14.8% of changes in earnings per share was related to factors not in this experimentation. The significance value obtained from the table 0.000<p (0.05), implied that the model was statistically significant. It wrapped up by advocating for use of primary data for analysis and increasing the scope of investigation in further and future similar research.

CHAPTER ONE: INTRODUCTION

1.1 Background of Study

The financial strength and going concern of the company is well portrayed through the effectiveness in the past, current and future (Marangu & Jagongo, 2014). The analysts always concentrate on financial statements for benchmarking, brainstorming and predicting the future trends. Nonetheless, investors look keenly at the asset values and their earning. Hence, their decision making is pegged on expected returns. The active investors change decision periodically on buying or selling shares with objective of optimizing the returns. Additionally, private equity (PE) is the cornerstone for business aiming enhancing the earnings Rahmawati (2012). It is made of funds and investors that invest directly within private entities, and therefore capital is not listed within the public securities exchange. The intermediaries always give a different form of investment means to enhance the proper banking system (Applebaum and Batt, 2012). Choi (2012) agreed with this sentiment when he stated, “Private equity provides a proper additional capital at lower prices that are commanded elsewhere in the emerging markets."

Agency theory (Jensen & Meckling, 1976) is anchoring on this study. It advocates for the distinction amid the management and control to enhance the independence and eliminate undue influence. The theory is critical for holistic prosperity, building confidence among investors and enhancing accountability. In addition, resource dependency theory, Pfeffer and Salancik (1978) pinpoint the supremacy of interrelation between the firm and external environment to enhance productivity, performance and value for the owners. Pecking Order Theory (Myers &Majluf, 1984) articulates for hierarchical procedures in financing firms. The theory is critical in ensuring stepwise process while sourcing finances.

The emerging threat of dormancy in Sub-Saharan Africa due to a terrain series, new-fangled and covariate shocks underscores the urgency for African policy-makers to execute policies that hasten structural transformation through productivity-enhancing growth and creating more and better jobs. Alternative capital and financing such as private equity are pertinent for the public sector to stimulate growth for productivity-enhancing transformation process. Home to over 1 billion people, Sub-Saharan Africa, is a continent of varied human wealth in addition to natural assets envisaging the promise to yield all-inclusive prosperity and extirpate poverty. The last three years have seen stagflation in economic development, with economic activity at a paltry 2% in the year 2020, at 4% in 2021, and expected to stall at 3.6% in 2022 (World Bank Africa Report, April 2022). The government of Kenya must also utilize alternative funding sources such as private equity to complete the Big 4 Agenda and achieve the 2030 vision development goal. Tumising (2012) explains that the Government of Kenya must be in play to develop a framework geared toward providing a favorable investing environment by creating proper infrastructure that stirs innovation and investment. The accelerating interests of Private Equity within the financial ecosystem offer a perfect chance for the government and business people to ensure sufficient and efficient alternative capital.

1.1.1 Private Equity

Private equity is a fundamental tenet of firm financing. It represent an alternative asset investment (Venugopal & Reddy, 2016). The investors are motivated to invest in projects with positive NPV by hedging, venture capital and distress funding. Endless, the growth and real estate capital enhances the capability of the firm. According (Panigrahi, Zainuddin Azizan, 2015) investors strive to obtain the financial skills and knowhow mandate for evaluation, monitoring and predicting the fate of investment. Wilson (2012) notes that PE investment is a source of equity not quoted within a stock exchange and is made of investors and PE funds that invest in private firms or engage in buy-outs from other public firms.

The substantial achievement from the private equity include the enhancement of investment exploitation potential. Additionally, it has geared the avenues cash infusion, growth and enhance working capital. Muthoni, Jagongo, (2019) pinpointed the pivotal part of private equity in enhancing effective financing. Gultekin (2010) opines that P.E. is "an investment vehicle which invests anyplace from earlier-stage of firms hoping that they could run the firms better." According to Investopedia (2022), P.E. is alternative private financing different from public markets where the investors invest directly in entities further from the public.

The parameters for PE have taken many forms that are fundamental which include the distressed funding. Additionally, leveraged buy-out has also taken central part in determination of PE. In addition, fund-of-funds as well as the venture capital PE is a crucial alternative funding source for entrepreneurs and companies away from the public market

PE like hedge funds, forms a constitutive support system of bank financing globally (Oladele, 2013). The PE investment primarily originates from institutional investors and accredited investors (Tiwari & Kumar, 2015). Because these entities commit lots of funds for a considerable period, like over five years, that is used to turn around distressed companies, enable the sale of a company, or issue new shares to the public via an initial public offer. This study will operationalize predictor variable using private equity fund while the intervening variables will be ROA, Debt Equity Ratio and Price to Book Value.

1.1.2 Earnings Per Share

Earnings per share (EPS) constitute the proportion of the entities' profits, net of taxes, and preferred stock dividends allocated to each share of the ordinary shares (Denies & Prabandaru, 2012). According to IAS 33 promulgated by IASB, basic EPS is computed by value derived from the division of net income against aggregate outstanding common share in specified period. Basely P.20 (2006) advances that a weighted average is typically used since the unprecedented number of shares keeps oscillating.

EPS is the fulcrum bolstering critical management decision-making on capital budgeting, dividend payout, and management performance, to mention a few. EPS is not only easy to calculate but also simple to interpret, especially in the case of basic EPS. Gitman (2009) argues that EPS reveals monetary value acquired in a time, which is the outstanding shares of common shares. It is worthwhile elucidating that EPS is critical in measuring efficient success and provides an efficient tool applied in coming up with the performance of a project by helping in revealing comparative value given to owners over what they invested (Ulzanah & Murtaqi, 2015). Additionally, EPS is a salient performance measure regarding ongoing investments and growth strategies (Graham et al., 2005). EPS also helps in tracking the past financial performance of an entity.

The operationalization of EPS is the financial instrument that portray how the profit generated is distributed among the shareholders. The ratio is grounded in the net income versus the shares. According to Rosikah, Prananingrum, Muthalib, Aziz and Rohansyah (2018), an increment in the growth of EPS shows an advancement on the investor's interest on the firm's shares. While a company's EPS states the need measure of a company's earnings, many types are being used; investors should know which EPS numbers represent for better decision making on the fair representation of a company's profits. Even though different types of EPS represent varied numbers depending on the earnings used in computation, the private equity funding is anticipated to cause a coherent unidirectional impact on any type of EPS. For this research, reported EPS will be used for analysis whereby a net income after tax is divided by average capital.

1.1.3 Private Equity and Earnings Per Share

Capital Injection to business, whether at the initial stage or in the ongoing stages of a firm, influences the financial performance (Karanja, 2017). Private equity remains a source of capital that comes in form of venture capital to new in addition to young businesses. More so, it incorporates buy-outs to already existing firms. According to Ongore (2011), evaluating PE fund profitability remains a demanding task. Many pieces of research on private equity performance have narrowed down to performance at the private equity firm level and applied various performance measures.

Gakure and Karanja (2012) measured the performance of the P.E. backed companies using earnings per share during the years 1987 and 2000, and the results indicated that there were higher earnings per share in these companies. Durham (2004) analyzed cash flow data of prominent private equity investors within the United States of America. He established that 85 percent of the companies' holding was in the form of buy-out funds, concluding that private equity fund investments significantly affect the companies' EPS. Subsequently, Olweny and Chiluwe (2012), assessment of the ROA of investments in private equity pinpointed multiple predicaments causing delays in development.

First, the available information about the PE sector with the description of 'private' is minimal as compared to the information in the public markets. Secondly, financial reporting for some private companies tends to be inconsistent and unclear, especially on the gross and net returns. According to I.M.F. economic report (2015), PE-backed entities typically outperform other entities as such funds are seen to observe a lot of discipline with a lot of investment research done before the injection of such funds. PE investors also dictate management changes that would work towards profitability and assure favorable returns on their invested capital. Private equity has been appreciated by several entities in Kenya, both private and public. It has been seen to positively affect the growth of such companies, with many of them growing from SME's to international companies.

Private equity fund

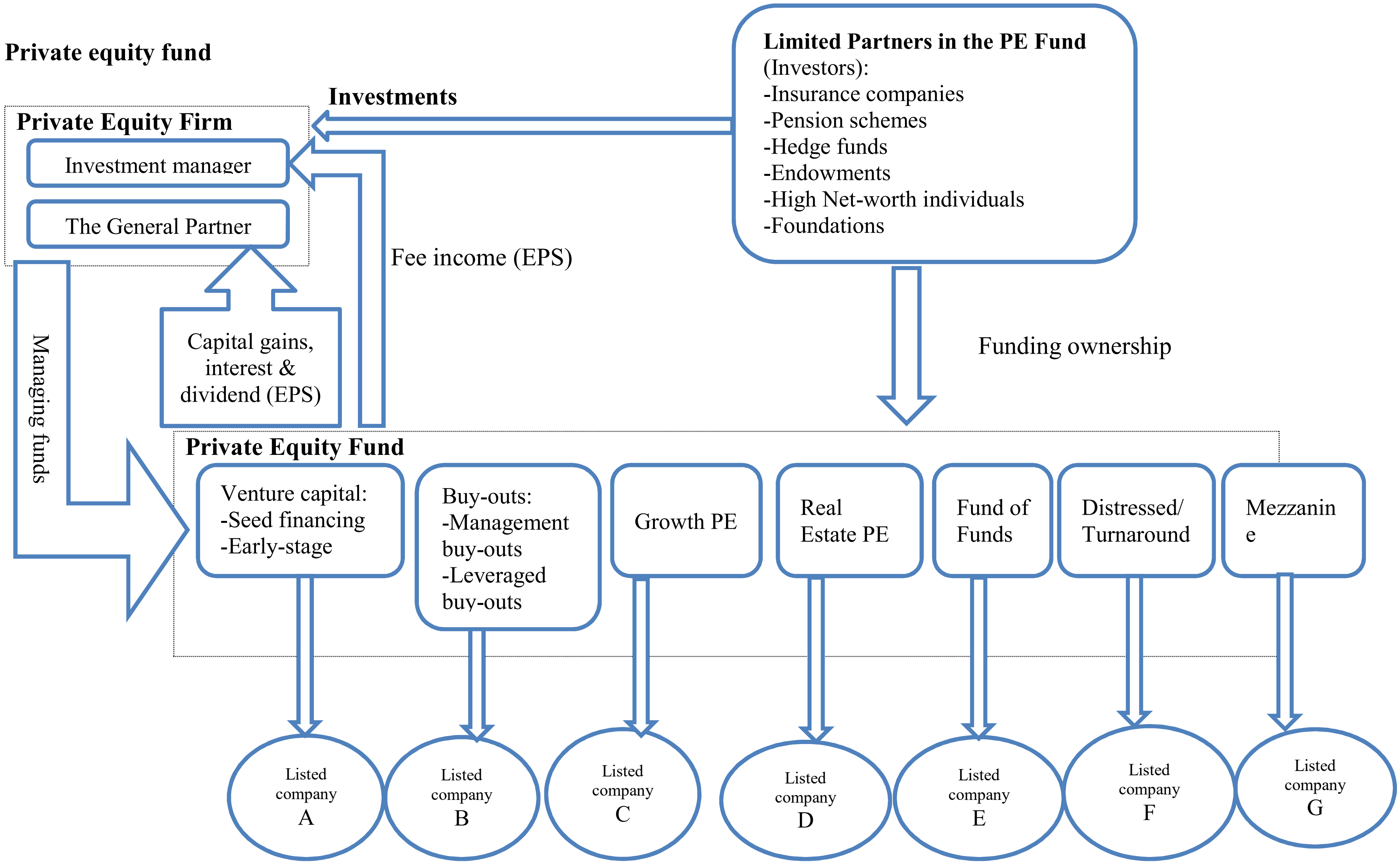

Figure 1.1 Structure of private equity fund

Source (Author, 2022)

1.1.4. Companies Listed at the Nairobi Securities Exchange (NSE)

It is the principal stock market in Kenya involved the trade of financial instruments. With 63 listed firms, NSE a market for securities regulated by Capital Markets Authority (CMA). In the year 2001, CMA restructured the NSE into various segments such as the Alternative Investments Market, the Main Investments Market, the Fixed Income Securities Market, and the Futures and Options Market (Odundo, 2009). Capital markets development has remained Kenya's strategic development goal since the mid-1980s. The government of Kenya has seen various reforms within the last three decades which affect the country's development aspirations, like the modernization of the NSE, including digitization of the trading and diversification of listed securities. The NSE is a securities exchange in developing markets since it is the largest in East Africa (Ayako et al., 2015).

The NSE (2015) explains that Kenya's capital market has continually grown. NSE signed six clearing members as the exchange prepared to introduce the derivative market. Clearing members include Cooperative Bank of Kenya, Absa Bank, NCBA, and CFC, Stanbic bank. Other commercial banks are expected to develop clearing members that execute the role of setting up deals, strengthening the NSE's ability to engage in derivative trading. Derivative mechanisms also focus on the currency futures and stock indices which focus on growing liquidity in the market to raise the product offer. The NSE's market for derivatives, which received authorization from CMA permits exchange-traded results created within underlying financial instruments, including currencies. International Accounting Standards 33 on Earnings per share (IFRS Foundation, 2022) details the computation and determination of EPS for firms whose ordinary shares are traded publicly. Private entities that are not publicly traded but have elected current EPS can also apply the standard.

NSE is a supreme platform offering good avenues for interaction of the investors, firms, sellers and buyers among others. It promotes robust and rigorous trade of future contracts, clearing and settling of equities. Furthermore, it is a tenet of exchange of debt derivatives for businesses. The evolution of NSE has seen an immense and enhance economic efficiency, prudent immense and development. There are wide-array of sector building NSE which include; banking, agricultural, telecommunication, manufacturing, insurance, investment and service sector among others (Muthoni, Jagongo & Muniu, 2019).

The Changes in net income has translated to deviation in the EPS. Moreover, some firms have recorded significant increase in EPS such as Safaricom PLC. Nonetheless, other companies have been struggling to meet their needs. For instance, the increment of loss in Kenya Airways to more than 69% in 2013-2014 caused drastic drop in EPS. Mumias Sugar had dividend distributed per share of 0.40 in 2010 and fall significantly to 0.00 in 2014 (NSE, 2021).

1.2 Research Problem

The private funding has played significant part in business growth through cash infusion. The firms are beneficial to the owners whenever they maximize the opportunities, engage the efficient optimization of resources and reap greatest return Muthoni, Jagongo, & Muniu, (2019). The carefully examination of opportunities and robust investment has geared the value creation. However, the current global predicaments have exposed the private funding and the net income to uncertainties. The persistent impact of the Covid-19 pandemic and ensuing war from Russia's invasion of Ukraine have posed significant challenges to Africa, aggravating the concerted efforts for a sustained recovery (African

Development Bank, 2022). According to (World Bank in Africa, 2022), on the economic overview of Sub-Saharan Africa, central banks are encountering a quid pro quo between harboring a frail economy with the risk of worsening inflationary prospects and fighting high costs precipitating a recession. The destruction of values is a recipe for hostile takeover, falling stock prices and inability to repay dues.

The firms quoted at NSE have registered substantial growth, gained good reputation and promote the exploitation of opportunities. Besides generating avenues for growth, it top-up the working capital (NSE, 2021). Jalaja (2010) postulated that the trends and market economic landscapes have led to stiff competition among firms. On the other side, investors analyze potential capability of the firm. An informed decision can be arrived after fundamental and technical computation have been expedited. Apart from a record spurring growth among the firms, numerous firms have gone through financial turmoil. Kenya Airways and Mumias Sugar Companies are good example to instantiate the predicaments. Both have relied on government for numerous years for bailout. In a nutshell, the rampant losses erode the investors' confidence hence causing a sharp drop in the average individual holdings spanning from 27% to 13% in 2014 (CMA, 2021).

Globally, Zhu and Wang (2013) concluded that financial constraints were problematic to the business's capital structure. It enhanced the uncertainty in China hence affecting the decision making. Statistics reveal a nonchalant scaling of private equity investment in Sub-Saharan Africa (SSA) with the global context. Case in point, between the years 2000 to 2005, SSA has only been able to raise USD 2 billion and only a nominal cumulative growth of USD 4 billion within the period 2006 to 2008. Accordingly, SSA has recorded below four per cent of USD 159 billion raised for all the emerging private equity investments globally between the years 2006 and 2008(EMPEA, 2012). Rosikah, Prananingrum, Muthalib, Aziz and Rohansyah (2018) In Indonesia exemplified that ROA promoted the business value substantial while ROI influenced firm value though insignificantly. However, EPS verse firm value were inversely connected.

Regionally, Choi (2011) attributes the lack of knowledge to the lackluster growth of the PE as well as venture capital markets in SSA. The study exemplified the multiple bottleneck lead to an inability to be able to unlock alternative sources of capital for SMEs. Moreover, Bougatef and Chichi (2010) explored the noteworthiness of market timing facet on debt as well equity. The study accentuated that businesses contemplate on issuing equity whenever their market values are immensely greater than the book value. Moreover, they also consider the market performance to make exhaustive deliberation in Tunisia. Oladele (2013) posit that value increment is replicated on the generation of greater income. Jalaja, Vijayalakshmi and Manoharan (2013) posit that companies need greater return for their operation to be effective and efficient. Further, Lukayu and Mukanzi (2015) pinpoint that the articulation of shareholders' value is the master plan for the business. The contemporary regional financial landscape, competition for investors and offering sufficient returns to shareholders has kept the business afloat.

Locally, substantial studies have attempted to explore diverse elements of private equity and its effect on value creation, financial performance, governance, etc. Kung'u (2013) focused on investment strategies, entry modes, and implementing private equity funds. In comparison, Babarinde (2012) focused on establishing risks on return trade-offs in the PE firms within Kenya. Kamau (2012) examined correlation between investment strategies and the performance of PE funding in Kenya. On the other hand, Ongore and Kusa (2013) postulated that private equity finance portrays many investment perspectives within any aspect, leading them to be illiquid and long-term investments.

Notwithstanding the many studies, conceptual, contextual, empirical and methodological gaps are still the major concern due to varying concepts, contexts and methods. These have resulted in puzzling, high debate and inconsistent findings. In addition, little scholarly work on the correlation between private equity funding and earnings per share of listed entities in Kenya. Earnings per share are distinctive because it is a quotient of analyzing profits, which is the numero uno cardinal rule on any business or investment creation. Other studies are more general and are yet to paint the picture of specificity of the effect of PE funding on earnings of an entity analyzed per share invested. This study, therefore, solves the long-standing problem and cross-examination of the impact of private equity funding on earnings per share of listed entities at the NSE. This research attempts to bridge this knowledge gap and offer better perspectives and understanding in this field. Among other things, this study will amplify and answer the question on; what is effect of private equity on the earning per share of firms listed at NSE?

1.3 Research Objective

1.3.1 General Objective

This study explored the effect of private equity funding on the earnings per share of quoted companies in Kenya.

1.3.2 Specific Objectives

i. To examine the current status of private equity funding of listed companies in Kenya

ii. To assess the effect of the private equity funding on earnings per share of the listed companies in NSE for decision-making by all private equity players.

1.4 Significance of the study

The study seek to broaden, heighten and intensify knowledge on the connection between PE investment and the performance of firms, the growth of SMEs in Kenya, and value creation which was empirically established. Other scholars who did the research used the findings to make sure that there was a comprehension of the issues highlighted and applied them in referencing the works or as a base to any other studies (Silici & Locke, 2013).

Additionally, the government of Kenya tapped into the insights around the role played by the informal and the formal private equity funding source to ensure that it created an enabling environment for private equity investors and the target companies ‘operations. The governments' policy-making and legislation around private equity investments was therefore favorable and forward-looking at the backdrop of this comprehension. The study contribute significantly to the attainment of the Kenya vision 2030 (which consider the aspect of strengthening the small private firms to be the core industries in the future through alternative funding) as well as the attainment of the Big 4 Agenda.

This research was not only coherent but also underpinned World Bank's commitment to private capital mobilization (PCM) as well as optimizing finance for development (MFD) strategy in the current context of Covid-19 (World Bank, 2021). This study helps answer pertinent questions on developing PCM products and improving product positioning with new investor clubs and partners (including IFC and MIGA).

The study also shed light on the influence of private equity funding on earnings per share of shareholders and investors. Therefore private investors uses the study to evaluate the need to offer such financing- that is, if the resulting impact of the study is be positive (Babarinde, 2012). Businesses unaware of such private equity funding gains the knowledge and henceforth consider private equity financing to grow their businesses. Individuals with financial capability considered coming up with private equity funds to finance companies in Kenya with a target of making good returns. On the other side, creating employment resulting in better performance and development of the economy (Blomstrom, 2014).

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter weigh-up the selected theoretical appraisal to boost the study. Consequently, empirical literature narrows it down to studies relevant to this study. The empirical review section also focuses on the outcome of various researchers expounding on the relationship between private equity funding and earnings per share. At the same time, the conceptual model reveals the relationship between the variables.

2.2 Theoretical Review

The study was hinged on three selected theories which aid in understanding the research. The study will be informed by the agency supposition, resource dependency theory, and finally, the pecking order theory. The theories are contemplated based on their suppositions to pinpoint the connection with the prevailing study. The analysis goes further to pin down criticism boosted by the theory. Finally, it illustrates major milestone available through maximization of the theory. In a nutshell, it securitizes all aspects building the theory as well as those problematic areas.

2.2.1 Agency Theory

Jensen and Meckling (1976) reported employment of any staff in running organizations and also the scattering of ownership of shares of publicly-traded firms that enhance executives that act as agents who own agendas instead of managing firms in the interest of its principals (shareholders). Corporate managers utilize free cash flow from firms' operations to seek egocentric interests and, thereby not increasing the net worth for the entities' shareholders (Applebaum and Batt, 2012).

Nonetheless, the theory has some setbacks. The theory emphasize the separation of controlling the resources and managing the company. The separation at times increases bureaucracy on authorization and approval. In this case, the principal beneficiary is the majority that interests overlook. The researchers attribute the outcomes to private equity, which contracts the model by introducing close monitoring of managing through action and overall conflict to create more vital business entities for the entire world. The realized undistributed cash flows get associated with a company's decision for privatization, plus premiums provided to a variety of stockholders that are significant with the cash flows. PE and leveraged buy-outs "assist in improving various governance by reducing the number of agency conflicts that were present before firms become" (Zirugat, 2009).

The theory has weighty matters and its relevance cannot be underestimated. Private equity funding addresses this issue in two folds. Firstly, the investors monitor the entity closely by getting some representation on the company's board of management. Secondly, it helps resolve the dispute arising over the respective priorities between the principal (shareholders) and the agents (company management), leading to improved operations and better returns for investors. Consequently, loading the acquired company with debt cause difficulties in spending decisions that are financed by retained earnings. However, managers are expected to borrow from the credit markets to reduce cash flow amounts. A study by Lehn and Poulsen, (1989) noted verifiable evidence supporting Jensen's free cash flow hypothesis.

2.2.2 Resource Based Theory

The theory embeds (Pfeffer and Salancik, 1978) to posit the graveness of the association between the firms and external surrounding. The theory advocates for mutual and responsible co-existence to increase the interdependence. The external surrounding is the source of human capital, raw material and critical resources to the business whereas the business provide employment and source of income for the external environment. The theory calls for rational and symbiotic association.

The setback of theory is defined through overreliance on external resources that increases the business uncertainties. The periodic negotiations and bargain with the external environment may hold the business hostage. In addition, it is costly and involve great wastage of time that could be used in productivity and value generation to the shareholders. Therefore, it increases the risk to the business. Muthoni, Jagongo and Muthoni (2019) the tactical and strategic accomplishment can be impeded by the high reliance on non-cooperative external environment.

The relevance of theory is bold and clear since it alludes the graveness of power derived from the control of resources. Moreover, the business addresses power of protection gained form symbiotic association. According to Kipkirui (2020) it is facet and fundamental gear towards competitiveness and business sustainability. The presence of immense resources promote survival since the access supremacy and accessibility to resources are intertwined. The organizational strategies are aligned to the external environment demands.

2.2.3 Pecking Order Model

Embedded by Donaldson (1961) and then accentuated by Myers, and Majluf (1984), the theory adduces that firms adheres to hierarchical blueprints when contemplating funding sources with priority for retained earnings, then debt. The supposition advocates for the optimization of equity finance as the remaining option whenever all other avenues have been maximized therefore serving as the last resort. Pecking order theory stems from asymmetrical information where company's executives access greater knowhow and valid information touching on firms' financial health, risks, prospects as well as capabilities than external players like investors. Furthermore, it specify the cost of financing procedures as well as valuable direction in raising money for new projects.

The theory's weakness is well-portrayed on non-exhaustive procedure rank that exclude other mechanism of funding businesses. It does not conclusively address the risk and reward for financing business. The theory stipulated specific procedures hence cannot factor in innovation and inventions relating to funding of the business. Accordingly, creditors and investors demand higher returns (which translates into a high cost of capital). This is explained through the demand for the compensation to cater for the risk they are taking when dealing with the company executives. Debt financing depicts confidence which is a profitable investment while issuing of equity signals a pessimistic view concerning the board of management if they feel the share price is overvalued. Issuing more shares tends to contribute to lowering share prices. Technically, Barry, Bierlen, and Sotomayor (2000) focused on the applicability of the partial pecking order theory for companies.

This conjecture is epicenter for elaboration of hierarchical procedures to examine the PE funding types, either equity or debt, on the pecking order of their specific entities. Additionally, this theory is congruent with the research area as it stands as the unparalleled cardinal rule in evaluating the most appropriate and cost-effective financing sourcing for the projects for PE firms and investors. The choice of equity or debt directly impacts the computation of EPS. Many studies posit that higher equity funding reduces the EPS due to an increase in ordinary shares. It is valid and meaningful in addressing, verifying and guiding the business cost of finance Muthoni, Jagongo & Muniu (2019). The direction provided is substantial for enabling the business to reap maximum returns.

2.3 Determinants of Earnings Per Share of Listed Entities

EPS is a blueprint on how much fund a company makes for single share. Greater EPS is an indicator of more fund paid to own a company's share. The investor contemplate on the EPS for several firms before making concrete decision on which entity to invest in. The business continue to grow and this is illustrated by EPS. It is crucial instrument for corporate valuation. Moreover, it assists in comparing the performance and choosing the best investment alternative. EPS has several enablers, nonetheless, this study look at Private equity funds, ROA, DER and PBV.

2.3.1 Return on Assets

The ratio provides the degree by which investments put in place give expected returns towards the profit, and investments are similar to the firm's assets that have already been invested. Using assets affects earnings and influences the earnings per share of listed firms. According to Mrangu and Jagongo (2014), ROA is paramount in distinction between competing firms and comparison of their financial muscles. It provides in-depth information regarding the connection between income and assets employed. It is crucial metrics defining the entities performance and sustainability grounded on generation of earnings. However, the information is historical and non-predictive.

2.3.2 Debt Equity Ratio.

This ratio of debt measures the proportion of liabilities under the corporate financing. Its mathematics is therefore anchored on the percentage of liabilities as contrasted to equity. The debt equity ratio is applied to show the value of an entities' debt utilized to execute its performance that is associated with the equity value. DER also influences the earnings per share of a company. According to Ulzanah and Murtaqi (2011), DER is cornerstone for business investment. It expounds on the firm's financial power and represents the portion of debt against the equity. The financial capabilities put the business in specific position especially in a competitive environment. This fundamental in signifying the degree of risk and mechanisms for financing.

2.3.3 Price to Book Value.

The price to book value is vital for sound judgment on whether to buy or sell. Moreover, it is fundamental for comparative scrutiny market value, trends and holistic picture of anticipated returns for investment. Subsequently, it represents investment valuation proportion often applied by an investor in comparing the value of any firm's stock that is within its book value. The price-to-book value ratio reveals any exact value of the firm that is anchored on earnings per share. Ulzanah and Murtaqi (2015) related PBV to proper valuation of stock while Denies & Prabandaru (2012) several aspect must be scrutinized to conclusively state the overvaluation or undervaluation. The conclusive outcome is arrived at after comparative analysis of various financial reports.

2.4 Empirical Review

Different empirical reviews exist evaluating the impact of PE on the performance of firms. These reviews date back to the 1980s, when equity investment was widely discussed, leading to significant strides and advancements in equity investment. This empirical literature encompasses both local and global studies.

2.4.1 Global Studies

Rosikah, Prananingrum, Muthalib, Azoz and Ronahsyah (2018) assessed the effects of assets return, equity return and earning per share on value of the enterprise. The study targeted 114 companies registered on Indonesia Stock Exchange between 2006 and 2010. Moreover, through utilization of purposive sampling approach, an aggregate of 32 entities were considered for the interrogation. Further, primary data were gathered and examined by multi-regression analysis to determine the effects of independent factors on value of the company by Tobin's Q. The study establish the following findings. Foremost the assets return had positive and significant influence on the value of the enterprise. Moreover, it established that equity return had positive but not significant influence on the value of the company. Furthermore, the study uncovered that earning per share had negative and insignificant influence on value of the firm. This study was conducted in Indonesia therefore there is need for local study.

Zhu and Wang (2013) examine constraints of equity financing. It also addressed the corporate capital system in China. The main aim of the interrogation was to establish how uncertainties in equity financing resulted by regulations of equity financing in upcoming capital markets influence the firm's capital structure verdict. The study uncovered that value of firm could decline due to uncertainty of equity financing. In addition, the uncertainty was associated with future cash flow and policies of financing. The current study aimed at establishing the impacts of private equity on earning per share.

Kaplan and Schoar (2005) revealed there were superior returns for PE. Kaplan et al. (1998) narrowed it down to 31 buy-outs from the 1980s, which faced distress in funding. They noted that any worth of the company beyond despair, which is higher before pulling out, examining leveraged buy-outs influenced severely through unexpected challenges. The application of debt within leveraged buy-out transactions ensured an increase in interest tax reductions, which are valuable to the investment companies. Based on assumptions, Kaplan (1989) established that the decreased tax from high-interest drops influences about 4 % to 40 % of a company’s net worth.

Jensen (2007) also conjectured that PE influencers caused funded (or acquired) entities to encounter operational adjustments and augmentation. McKinsey and company (2005) had proven this is true in their report that disclosed deals finished by 11 leading PE companies pointed out that companies' performance (measured by their earnings) was the primary driver of raised value. The study was expedited in the international context hence local study is expound on the knowledge.

Kortum and Lerner (2000) noted that any growth in venture capital investments in any entity is related to efficient rates. Therefore this is applied to entities that may require rights in conducting the ownership. The development and progressive understanding signify efficient and effectiveness. The injection of venture capital is cardinal for business stability and its going concern. Hellmann and Puri (2000) established that venture capital support is significantly linked to remarked shortening duration to develop a product in the market. Because of the skills and competence PE investors take into the board-rooms.

Much research also reveals and underpins the effect of leverage, an outstanding characteristic of PE investments, through innovation. These studies demonstrate the limpid correlation between leverage and less advanced magnitude of research and development, as posited by (Hall 1992), who surveyed over 1,200 manufacturing firms. The argument also corresponds with the (Ames 2002) school of thought that PE drives significant economic development by promoting innovation.

2.4.2 Regional Studies

Bougatef and Chichi (2010) examined the materiality of market timing on debts and equity. The study examine French and Tunisian enterprise by panel. The study indicated that enterprises gravitate to offer equity whenever their market valuation is greater than their value of book and afterwards productivity of market is enhanced. Moreover, the companies become underleveraged in the short run and this influence of timing of equity market on structure of capital can run for more than 8 years. On contrary, this study examined the influence of equity on structure of capital, whereas the current study aimed at assessing the effects of private equity on earning per share.

Olweny & Mwenje et al. (2010) analyzed the effect of the buy-outs on sectors' financial operations in all the countries and established higher buy-out activity is linked to faster growth as well as employment. Jensen (1989) determined that high levels of social capital within P.E. transactions could force firms to make a response abruptly and more forcefully to the negative shock of firms.

2.4.3 Local Studies

Amenya (2015) studied the capital structure verse the organizational profitability.

Contextually, the inquiry was delved into firms listed at NSE. It established a negative link between higher leverage and the corporate profitability of firms. The research ascertained that higher total debts led to less return on equity and thus a reduction in the shareholder's wealth. The decline in return on equity implies that there is a need to inject more capital rather than borrowing more funds. Consequently, injecting more money in the form of PE leads to a positive effect on performance compared to borrowings.

Mwenje and Olweny (2016) investigated the influence of private equity on generation of value amidst companies registered at NSE, Kenya. The study employed casual research model, where by assets return and equity return were engaged as value generation proxies. In addition three independent variables were operational, financial and strategic segments which were examined carefully. The findings from the study showed that modification of finances in structure of capital had less influence on value generation metrics. However, strategic indicators and operational had significant causal relationship with value generation. Accounting metrics were engaged to evaluate the value creation. The current study examined the influence of private equity on earning per share.

Kaumbuthu (2011) researched the effect of capital structure on the ROE of the companies in the NSE under the industrial sector for the period 2004 to 2008. The debt-equity ratio was considered to signify the capital structure, while return on equity demonstrated a negative effect on performance. From the analysis, the study discerned that debt-equity ratio and Return on Equity affect capital structure. The research nevertheless narrowed down to one sector and only concentrated on the aspect of financing options.

Mwirigi (2014) conducted a study on PE's effect in emerging markets. The study researched books, articles, data, and information on the PE industry and its activities in Kenya. It concluded that the PE had contributed significantly to the growth of firms in emerging markets, though not without challenges posed by poor legal and institutional settings.

In an earlier study, Kiprop (2013) analyzed the correlation between the structure of capital and the value of entities quoted in NSE. He analyzed quantitative data to unravel the correlation between the two variables. Based on the analysis, a conclusion was made which shows a substantial positive link amid capital structure and the value of the firms. This empirical review is substantial in this study since P.E. funding affects the structure of capital of the target firm and its value.

2.5 Conceptual Framework

The conceptual model is fundamental representation which attempts to replicate an association in a flowchart. This study maximize private equity as the predictor variable. In addition, EPS represents the predicted variable. Furthermore, ROA, DER and Price to Book Value are intervening variable explicating this study. It is imperative pinpointing that all variables are pivotal for exhaustive and rigorous results.

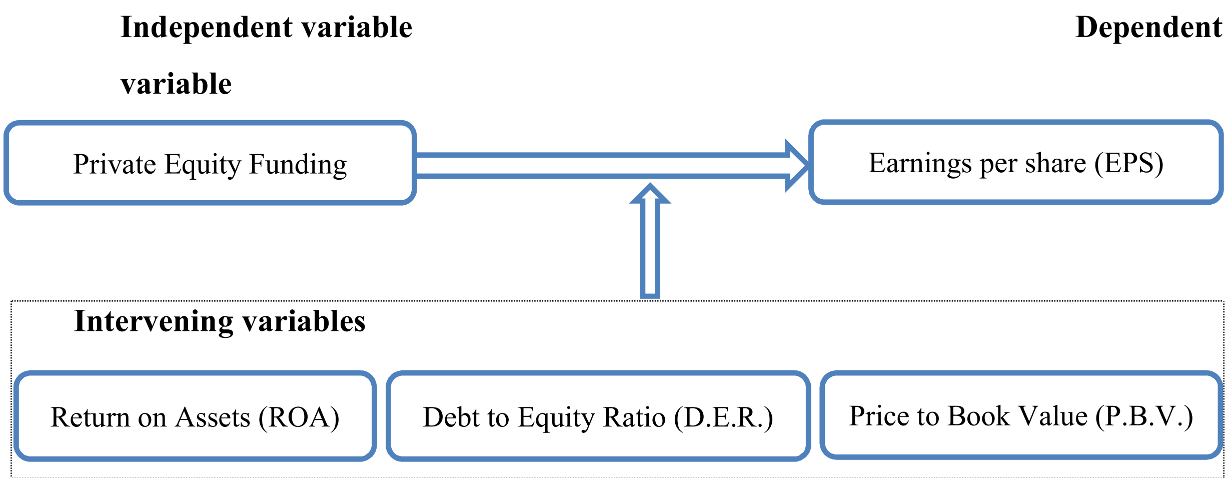

Figure 2.1 Conceptual framework

Source (Author, 2022)

2.6 Summary of Literature Review, Critique and Research Gaps

The empirical is the facet of this study. The international studies have delved substantially into private equity, share prices as well as returns. However, the outcome is not sufficient for generalization of Kenyan context due to geo-political and economic distinction. Regionally, there are minimal studies that have attempted to scrutinize EPS and private funding. Moreover, the findings are both puzzling though incomplete hence a further inquiry is of great essence. Nevertheless, EPS is crucial in the business financial muscle yet minimal assessment have invested time and resources for conclusive exploitation.

The chapter has presented the theoretical background and fundamental concepts of the study. The theories covered better explain the relationship between companies and fund managers and the order in which companies structure their capital for business financing. The literature reviewed in this paper shows that private equity fund significantly influences earnings per share. Various researchers and scholars have conducted research studies to establish that relationship. Globally, there is extensive research work on the effect of private equity funding on companies' earnings measured by EPS.

However, local studies do not indicate any study conducted to establish any correlation between P.E. fund and earnings per share. The only research available by Mwirigi (2014) focuses on the general role played by P.E. in emerging markets. His study, however, did not address the existing research gap on how Private Equity impacts Earnings per share of listed firms the current study sought to bridge

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter deliberate on the research design that conform to the research complication being addressed by the study. Additionally, it chose the pertinent population, sampling methods, data collection techniques and procedures. Furthermore, it explained the data analysis techniques.

3.2 Research Design

A research design is an outline intended to collect, measure and analyze data. Mugenda and Mugenda (2009) explained that a research design demonstrates how research is conducted. Research design entails an outline assessment carried out to acquire information on the research questions. Mainly, it outlined the whole program or scheme of the study. Bogdan & DeVault, (2015) argued that a research design aims to accomplish the research objectives. A descriptive survey was employed as the research design in the study. Rijbarova (2005) posits that a descriptive study measures series of variables that exist naturally and is directed toward determining whether there is a relationship between them.

3.3 Population

The research population entails a set of all individuals of interest within a study (Palinkas et al., 2015). The study population includes data from all the 63 listed companies that received private equity funding from 2017 to 2021 (5 years).

3.4 Sample

According to Mugo (2011), a sample is a representative subset of the population under study from which conclusion is drawn about the population. A minimum of 30% of the population is representative (Borg and Gall, 2003). Therefore for the purpose of this study a sample of 35 listed companies that received private equity funding from year 2017 to 2021 were selected and represented 55.5% of the population under study. The data was sourced from private equity funds websites and journals involving companies that have used PE between the years 2017 to 2021. Earnings per share (EPS) data was obtained from the published financial statements of the sampled companies as posted by NSE. A sample covering 5 years was prioritized considered for this study because there is little information on private equity investments in Kenya.

3.5 Data Collection

Secondary data was applied in this study. The timeframe of research for dataset was five years stemming from 2017 to 2021. The secondary data was obtained from the financial reports and websites of the PE firms. The published and audited reports are critical for this study because they are more credible for immense understanding. The data to be generated was related to ROA, DER, PBV and PE injection.

3.6 Data Analysis

After data collection, data cleaning was done to ensure data completeness. Data was then assessed using descriptive statistics, correlation as well as regression analysis, which sets up the connection between the private fund and earnings per share. The analysis was henceforth done through application of the SPSS. The dependent variable used in the study was Earnings per share. In contrast, the independent variable was the private equity funding with ROA, PBV and debt-equity ratio as control variables.

3.6.1 Diagnostic Tests

This study used conglomerate tests to achieve the objective of the research. The study used correlation analysis to explain the relationship among the study variables. P value was applied in determining the significance of the correlation between private equity and earnings per share.

Table 3.1 Operationalization of the study variable

Type of variable	**Variable**	**Source**	**Measurement**
Dependent	Earnings Per Share	Audited financial statements	Natural log of the value of Net income excluding taxes and preferred stock dividend/total number of ordinary shares outstanding
Independent	Private Equity Funding	Business journals, listed companies' websites and audited financial statements of the listed firms.	Natural log of value of private equity funding injected in the listed firm. (Ln Private equity funding)
Intervening /Control variable	Return on Assets (ROA)	Firm's financial statements	Natural log of value of net income/value of total assets
Intervening /Control variable	Debt to Equity Ratio (DER)	Firm's financial statements	Natural log of value of debt/ value of equity
Intervening /Control variable	Price to Book Value (PBV)	Firm's financial statements and NSE	Natural log of value of market /stock price per share/book value per share

3.6.2 Analytical Model

The study used a linear regression model to examine whether the independent variable (Private equity fund injection) has any significant effect on earnings per share.

This equation was applied:

$Y=\alpha_0+\beta_1X_1 + \varepsilon$

Whereby; Y= Earnings per share (Net income/total number of issued ordinary shares)

A_0=y intercept of the regression (constant variable)

X_1= Private Equity Fund Injected

X_2= ROA (Return on Asset)

X_3= DER (Debt to Equity Ratio)

X_4 = PBV (Price to Book Value)

ε= error term

3.6.3 Inferential Statistics

The Pearson association was comprehensively and intensively quantified to exemplify the strength and direction. Therefore, statistical computation of degree of significance was expedited via T-Test and F-Test to signify the strength and pattern. The computation of $P\leq 0.05$, and $P>0.05$ was expounded in the statistical significance and insignificance subsequently. Furthermore, ANOVA blueprinted the trend regarding the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

It is imperative to epitomize that systematic discussion of the finding is well-captured in this section. Correspondingly, it is a hallmark and keystone for giving meaning to the in-depth results. Accordingly, the fundamental information is realized and acted upon. From the diligent assemblage of data, and quality computation, this study headed to dependable solution that was channeled via systematic and logical apprehension. The study delved into the firms listed at NSE to enhance the tenet of scientific assessment. After exhaustive collection of dataset, it was refined and examined empirically for completeness, reviewed for pertinent knowledge and coded for analysis.

The keystone area prioritized include descriptive, trend computations and inferential statistics. The application of scientific and systematic procedures were cornerstone for conclusive solutions. The experimentation attempted to generate new knowledge and validate the past notions. The application SPSS in data analysis facilitated the punctilious process and decree coalescing the information, findings while heightening the discussion as well as interpretations. Therefore, this mandated the immense viewpoint and strived to connect private equity and EPS. Contextually, the investigation scrutinized firms listed at NSE.

4.2 Descriptive Statistics

The study sets forth the dataset collection and representation. As a result, it eased the description through tabular format to explain the phenomena. It makes significant steps in explaining the traits of phenomena of dataset defined in the examination. In addition, it organized the dataset and presented the data in a useful, meaningful and understanding manner. The descriptive incorporated the averages and standard deviation to depict the pattern and traits.

It's paramount to conclude that descriptive presented a leeway for more thorough analysis. Hence, the building blocks for more scientific and inferential statistics was reinforced by this descriptive analysis. It exemplified the summarized and calculated raw data by giving general viewpoint emanating from average, lowest and highest value. Moreover, it looked keenly to earning per share and private equity gave concrete interpretation by coining the pattern of dataset. As a subsequent, the examination period spanned from 2017 to 2021 hence covering 5years. It elucidated that earnings per share over study's timeframe registered a lowest value of 0.015 and a greatest value of 0.089. Furthermore, the average of 0.0482 hence implying average earnings per share for the period was 4.84%. Correspondingly, standard deviation of 0.02304 empirically portrayed minimal variability. Moreover, the private equity posted a lowest figure of 0.203 and the maximum was pegged at 1.146. In spite of averaging at 0.70253 for private equity, it exhibited the standard deviation of 0.272424 thereby expounding on minimal variability as tabulated in 4.1.

Table 4.1 Descriptive Statistics

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Year	175	2017	2021	2019	
Earnings Per Share	175	.015	.089	.04842	.023041
Private Equity	175	.203	1.146	.70253	.272424
Valid N (listwise)	175				

4.2 Correlation Analysis

This fundamental problem-solving techniques in the study (Saunder & Lewis, 2012). This exhaustive undertaking was salient and pre-eminent in determining exactitude and dependable inferences. It was the master plan for delineating immense information, diagnosing predicaments, articulating gaps bridged by the study and enhancing the comprehension. From these inferences, it was worth contending that correlation expounded massively on magnitude and directional movement. Subsequently, the Pearson was optimized to give thorough and informative pattern.

The generation knowledge was the hallmark of the study. It stemmed from positive to negative and well detailed from -1 to +1. This was obtained by regressing the earnings per share against the private equity funding and stipulating degree of association. As a result, the correlation analysis was comprehensively expedited using the Pearson correlation matrix. It registered that private equity manifested a strong positive and significant correlation towards the earnings per share. This was detailed by (r=0.923, p=0.000)

Table 4.2 Correlations Analysis

		Earnings Per Share	**Private Equity**
Earnings Per Share	Pearson Correlation	1	.923**
	Sig. (2-tailed)		.000
	N	175	175
Private Equity	Pearson Correlation	.923**	1
	Sig. (2-tailed)	.000	
	N	175	175

**. Correlation is significant at the 0.01 level (2-tailed).

4.4 Diagnostic Test

The exactitude of inference is permitted via the empirical diagnostic detections. The test was comprehensively articulated on via normality and autocorrelation. As a consequent, it exemplified the summary and painted bold picture of specific dataset captured in the diligent inquiry. In addition, boosted the discussion of adherence to the well-stipulated rules. In summary, it gave the exhaustive and highly convincing outcome as articulated in table 4.3 by encapsulating the capability to meet the minimum threshold. Kiprop (2013) advocated for relying on diagnostic for successive analysis.

4.4.1 Normality Test

The critical exploration of data depended on notoriety of normality detection. It was appraised mainly to delineate and validate the pattern of dataset. As a result, it dominated the process of arriving at systematic and dependable inferences. The pattern was paramount and it was well-captured on Kolmogorov-Sminorv test and the Shapiro-Wilk test. From the inference, the significance value of the two variables in both tests were less than P (0.05), implying that the data was extensively assembled from uniformly distributed population as tabulated in 4.3.

Table 4.3 Tests of Normality

	Kolmogorov-Smirnov[a]			**Shapiro-Wilk**		
	Statistic	**Df**	**Sig.**	**Statistic**	**df**	**Sig.**
Earnings Per Share	.157	175	.000	.901	175	.000
Private Equity	.144	175	.000	.915	175	.000

a. Lilliefors Significance Correction

4.4.2 Autocorrelation Analysis

The exhaustive assessment adhered to logical sequence to establish and confirm notions, reaffirm the preceding postulations and resolving the prevailing obstructions. As a result, the study undertook autocorrelation computation to elucidate how the data points were dependence on preceding points. In a nutshell, it elaborates the proximity of data series in varying periods. Hence, it pinpoints the presence or absence of randomness in the model hence substantial in identification of apt time with the series and non-linear model. Subsequently, the autocorrelation analysis was expedited by incorporation of Durbin-Watson value. From the findings, the Durbin Value was 0.221 tabulated as 4.4. This figure was under the mandated values of autocorrelation.

Table 4.4 Autocorrelation Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.923[a]	.852	.851	.008880	.221

4.5 Regression Analysis

The regression is fundamental for crushing immense scale values into meaningful information. According to Saunders and Lewis (2012) regression is essential for forecasting and promoting the informative decisions. It is the pointer of logical sequence and paradigm shifts that are sufficient for decision making. It sheds brighter lights on factual propositions and resolves the statistical problems. The researcher conducted regression analysis to review variables and presented the outcome below. This resulted in culminating them into; the model summary, ANOVA test and the regression coefficient.

4.5.1 Model summary

From the comprehension of tabulated data under the model summary, it is evidently and comprehensively profound to encapsulate that the experimentation factor two variables which registered high positive correlation of 94.4%. The inference also explained that the R-Square value blueprinted a coefficient of determination at 0.891. Correspondingly, this portrayed that 89.1% of changes as well as variation of earnings per share was as a consequence of private equity. Further, this implied that 14.8% change in earnings per share was caused by factors not in this examination as delineated in table 4.5.

Table 4.5 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.923[a]	.852	.851	.008880	.221

a. Predictors: (Constant), Private Equity

b. Dependent Variable: EPS

4.5.2 ANOVA Test

The intense examination incorporates wide-array of technique to explain ANOVA in a scientific manuscript. It is paramount for grasping fundamental information on the level of significance and elucidating if the homogeneity was satisfied Saunders and Horvath (2015). Subsequently, the researcher explained the ANOVA test to elaborate the suitability of the model in predicting the future of EPS grounded on private equity. The findings pinpointed that the sum of square regression was 0.079 and mean of sum of square regression was 0.079 also with 1 degree of freedom. Nevertheless, the sum of square residual was 0.014 and mean square residual was 0.000. The outcome further posited that the model replicated an F-Statistics of 998.341 and significance of 0.000 <P (0.05), Implying that the model was statistically significant and was indispensable in predicting the future as stipulated and tabulated under 4.6.

Table 4.6 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.079	1	.079	998.341	.000[b]
	Residual	.014	173	.000		
	Total	.092	174			

a. Dependent Variable: EPS

b. Predictors: (Constant), Private Equity

4.5.3 Regression Coefficient

The regression coefficient reinforced the formulation of a predictive model. From the table below, private equity posted that it was positively and significantly related with the EPS as shown by (r=0.078; p=0.000<0.05). This outcome further posited that a unit change in private equity resulted in a change in an increase in earnings per share by 7.8%.

Table 4.7 Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.006	.002		-3.459	.001
	Private Equity	.078	.002	.923	31.597	.000

With the findings above, the model equation can simply be generated as **$Y= -0.006 + 0.078X_1$**

Whereby

Y = Ln Earnings per Share

X_1 =Ln Private equity funding

4.6 Discussion

The descriptive statistics in this study showed that the research analysis was conducted for a period of 5 years between the years 2017 and 2021. EPS was averaging at 0.4842 with a standard deviation of 0.2304. Private equity, posted a mean average of 0.7025 and standard deviation of 0.2724, hence elucidating key information under the overall viewpoint.

Mwirigi (2014) posits that private equity is among the sachem pillars of economic prosperity. In fact, the findings nailed substantiality of private equity. It therefore concurred with the prevailing findings. In addition, Rosikah, Prananingrum, Muthalib, Azoz and Ronahsyah (2018) exclaimed that earning per share was paramount in explaining the quality and production to business. This is consistent to the current since it maximized EPS to expound the shareholder's value. Nonetheless, Zhu and Wang (2013) concluded that equity financing is inverse corresponding towards firm's value hence contradicting the prevailing study.

The correlation findings posited that private entity and earnings per share explained a strong positive correlation of 0.923 against the earnings per share. The findings also accentuated that the predictor variable significantly correlated with earnings per share. In concurrence, Kiprop (2013) unravels the essentiality of private equity in speeding up productivity and quality financial performance. The examination went further to portray substantial interconnection between private equity and firm's value.On the other side, Kaumbuthu (2011) calls for incorporation of private equity as well as capital structure to reap exceptional high return.

In the diagnostic analysis, test for normality showed that the data for the two variables exhibited a normally distributed pattern. The autocorrelation was expedited via Durbin

Watson value obtained in the table was 0.221, which proved to adhere to stipulated values as the Durbin Watson supposition. Moreover, model summary elucidated that the variables in this examination premised a strong positive correlation of 92.3%. Correlation coefficient value of 0.852 showed that private equity explained 85.2% changes in earnings per share. This also meant that the 14.8% of changes in earnings per share was related to factors not in this experimentation. The significance value obtained from the table $0.000<p$ (0.05), implied that the model was statistically significant.

Subsequently, Kaplan and Schoar (2005) opines that business unplanned utilization of funds is recipe for financial distress. Bougatef and Chichi (2010) advocated for proper timing and prudent utilization of resources. The examination opined that firms always gravitating towards private equity hence not consistence with Kenyan context that has exhibited minimal paradigm shifts towards private funding. Mwenye and Olweny (2016) instantiated the supremacy of private equity in generation of greater value as well as tenet of productivity. In the regression findings, it was evident that the private equity had a positive and significant relationship to EPS. This was seen in the column B of unstandardized coefficients and the significance column of 0.000. With these findings, the prediction equation was modelled as $\mathbf{Y = -0.006 + 0.078X_1}$.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter takes a cornerstone of the study by airing the inference in a logical and systematic way. In a nutshell, it instantiates the hallmark of the conclusion of this investigation and give chief priority to the summary. As a consequence, it presents the summarized findings of private equity in comparison with the earnings per share. The preceding section handled the major findings outlined in the chapter extensively and in-depth. The proponents for dramatic change in policies and practices are recommended herewith. Additionally, it culminates and denounces the in-depth scrutiny while underscoring setbacks and foregrounding areas that need an elaborated clarification. Importantly, the results generated the significance of private equity in keeping the business abreast and increasing the earnings per share.

5.2 Summary of the key findings

The analysis into pertinent knowledge on descriptive statistics postulated that the earnings per share registered least value of 0.015 whereas the highest value was 8.9. Consequently, the average calculated was 0.4842 embodied correspondingly by the standard deviation of 0.023041. From rigorous analysis and critical scrutiny of standard deviation, it is worthwhile positing that the presence of low variability. Therefore, the dataset obeyed the statistical standards. Additionally, the diagnostic detections were expedited to coin the degree and magnitude of relationship as well as satisfaction of the set standard. It is imperative to pinpoint that the dataset conform sufficiently to the standard by posting the normal distribution pattern as well Durbin Watson between 0-4 (Durbin &Watson, 1971).

Extensively, the investigation was spearheaded to exploit ANOVA logically and comprehensively. Consequently, the calculation unveiled the significance figure of 0.00 therefore stipulating that the assembled data met the standard adequately and sufficiently. According to Vittinghoff E, Glidden DV, Shiboski SC, McCulloch (2017) ANOVA is the epicenter for defining the level of variance. Additionally, it gives in-depth knowhow if the data is spreading away from the average. According to James, Witten, Hastie, Tibshirani (2017) exhaustive outcome is realizable through rigorous adherence to the ANOVA requirement of 0.05 degree of confidence.

Arithmetic computation of wide-spectrum of issues including correlation. This was benchmark for the determination of existing association in the midst of the private equity and the earnings per share. Subsequently, it painted the pictorial overview about the degree and magnitude of the interaction. The outcome relayed a positive interrelation hence boosting the outcome by Kiprop (2013). Consequently, it wraps-up by concurring with Kaumbuthu (2011) and Mwirigi (2014) opinion that private equity contribute significantly towards dynamic and positive dramatic changes that can trigger increment on the earnings per share. From diligent inquiry, it is profound to instantiate that private equity and the EPS are correspondingly and positively interrelated.

Empirically, the regressor variable analyzed was the private equity to delineate new knowledge on the private equity. As per Mwenye and Olweny (2016) private equity is the master plan for turning around business operation and increasing productivity. It avails the scarce and non-substitutable resources, fuel the maximization of human capital and drives the efficiency and effectiveness in the utilization of assets. Therefore, the visionary and futuristic firms can maximize opportunities and reap significantly through the private equity. According to Amenya (2015) investment by the private equity funders is a pointer of a going concern firms that meet greatest excellence standards. In concurrence, the prevailing investigation post R of 0.923 and R-Square of 0.851 hence firmly backing the notion that PE funding influence the EPS. In a nutshell, R-Square of 0.851 opines that private equity contributes to 85.1% changes in EPS when all other enablers remain unchanged. It is worthwhile noting that private equity improves the financial capability of the business, spurs the growth while stirring systematic improvement of assets utilization, fuels exploitation of human capital to the full potential and heightened earnings per share.

5.3 Conclusion

The study pivotal area was examination of effect caused by private equity on the earnings per share. Contextually, the study was keen to determine how the private equity has been the hallmark of the business. The critical influence of private equity on the earnings per share demands for commensurate attention to give extensive and exhaustive information. Mwenye and Olwenye (2016) calls for extensive private equity to all economic sector to jumpstart the growth. From the statistical viewpoint, private equity is the catalyst for economic progress and hallmark of business expansion. Amenya (2015) concludes that the prominence of private equity increase the pool of resources, investment and improve the operations of the firm.

Despite the uniqueness of private equity, it has remain excluded in the investment mainstream's studies. The businesses are shifting from loans and expensive funds to private equity to heighten the productivity. Private equity intent to create distinct value among the companies by hastening the seamless flow. Its essentiality in the innovation and expansion of projects is worth replicating in commercial and entrepreneurial businesses. The findings relay a positive interactions in the midst of earnings per share and private equity. It can be articulated that private equity is keen on the maximization of shareholders value through heightened and supply of pool of funds.

From systematic examination into regression and correlation pertinent knowledge, they registered a positive interrelation joining earnings per share and private equity. It can therefore be noted that private equity is the pointer of uninterrupted business operation since funders make diligent background checks on the state of the business. As a consequence of private equity, the firms can improve their profitability and upgrade the goodwill. This can translate to the greater dividend payment in longevity. The smooth functioning of the business can result from continuous private equity flowing into the business. Hellmann and Puri (2000) posits that expansion and diversification can be intensified through the maximization of private equity. Nevertheless, Bougatef and Chichi (2010) contends that private equity is game changers through its mastery improvement of financial health and increase the achievement of visionary goals. It is multifaceted in generation of immense scale revenue thereby improving the capacity and capability to pay dividends.

Private equity is a wheel-turner and indispensable for quality improvement of resources (Kiprop, 2013). Similarly, the efficient maximization of this private equities improves the seamless and continued performance of the business hence can be observed through increased earnings per share. Therefore, PE should coincide with the organizational goals and key mandate is to maximize the shareholders' value. Subsequently, the scientific and logical analysis portrays that an autonomous figure; that is when there is zero private equity the earnings per share is at negative 0.6%. In addition, the increment of a single unit of private equity is correspondingly replicated by the substantial positive adjustment in the earnings per share by 7.8% whenever all other enabling factors are kept constant. It is imperative to conclude that the influence is significant as postulated by $\beta=0.078$ with $P=0.00<0.05$.

5.4 Policy and Practice Recommendations

Grounded on the outcome, the researcher spearhead the following recommendations;

The firms should maximize private equity funding to heighten their financial stability, expansion, growth and enhance efficient, effective seamless operations. The attraction of private equity funders should emanate from accountability, transparency and prudent maximization of resources. This is a major blueprint of a going concern business.

The smooth functioning and proper productivity of the business is clarion call for private equity funders to inject their resources. Private equity is key for systematic and logical enhancement of financial performance. In this case, the study advocated for continuous improvement and mitigation of risks. The firms should always showcase their innovations and entrepreneurial activities to private funders to reap significantly and immensely from the existing opportunities.

The study advocated for sound governmental policies which fuels the seamless flow of the funds from the private funders. These favorable policies can enhance productivity, diversification and expansion of the business. Through the intensive maximization, it can translate to higher shareholders returns and greater EPS. The firms should engage in continuous transformation and empowerment through private funds as well as showcasing their strategies attract investors. The government of Kenya should create an enabling environment for private equity funders to operate to enhance optimization of finance for development for all stages of businesses; start-ups to mature firms thereby creating jobs, expanding the economy and eradicating poverty.

Similarly, the investigation recommended for effective maximization of available opportunities to hasten the productivity, paradigm shift to wide-array of financial mainstreams and elevate their capabilities. The strategic thinking, benchmarking, brainstorming and innovative ways should be the cornerstone of firms to reach greater financial excellence and to remain buoyant in the market. The business should continuously evaluate the risk and innovate the key counteractive strategies, upgrade its momentum and improve its financial stability.

5.5 Limitation of the Study

The study was undertaken using the past data which are historical in nature. The historical information reflect the past pattern and may not be futuristic in nature. The private equity has received insignificant attention in developing nations such as Kenya with scanty information and records. Moreover, the limited information covering the denouncement of private equity is major bottleneck. Additionally, majority of business have not extensively published information hence obtaining all the information was strenuous and cumbersome.

The examination was done with stipulated study period. The information was gathered after striking the balance between time and finances. Hence, the time available for this rigorous, exhaustive and comprehensive examination was minimal to cover all the areas. Majority of the firms did not undertake the voluntary disclosures hence the process demanded a lot of time.

5.6 Suggestions for further research

In the study wrap-up by advocating more extensive study looking at wider scope and greater timeframe that can cover two decades to give different financial issues that have arose periodically. Moreover, this study champion for in-depth, logical, systematic and critical analysis of banking and manufacturing sector.

Moreover, the study back an analysis private equity funding through the use of primary data. As a consequence, both interviews as well as questionnaires can be incorporated to create new knowledge. The interview can generate qualitative new knowledge after empirical and systematic content analysis. The questionnaire can act as a proponent of quantitative inferences.

Because the study looked at effect of private equity funding in general on earnings per share, a further research focusing on the effect of specific private equity strategies on earnings can be considered in the future to shade light on which strategy had the most effect.

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APPENDICES

Appendix I: Data Collection Tool

No.	QUOTED COMPANY	YEAR	EPS	PRIVATE EQUITY
1.	Absa-Bank Kenya	2017	0.0174	0.3820
		2018	0.0163	0.3926
		2019	0.0153	0.4086
		2020	0.0176	0.4323
		2021	0.0167	0.4230
2.	Bamburi-Cement	2017	0.0172	0.4284
		2018	0.0178	0.4335
		2019	0.0201	0.4569
		2020	0.0216	0.4716
		2021	0.0233	0.4889
3.	Britam	2017	0.0313	0.2435
		2018	0.0289	0.2675
		2019	0.0254	0.3023
		2020	0.0247	0.3087
		2021	0.0244	0.5001
4.	Carbacid-Investments	2017	0.0266	0.5219
		2018	0.0219	0.3372
		2019	0.0215	0.3411
		2020	0.0204	0.3519
		2021	0.0211	0.3446
5.	Co-operative Bank of Kenya	2017	0.0234	0.4502
		2018	0.0287	0.3971
		2019	0.0374	0.3103
		2020	0.0400	0.2838
		2021	0.0468	0.2124
6.	Crown Paints Kenya	2017	0.0459	0.2028
		2018	0.0466	0.2179
		2019	0.0469	0.2150
		2020	0.0454	0.2297
		2021	0.0444	0.2403
7.	Deacons(East Africa)	2017	0.0242	0.3142
		2018	0.0262	0.2940
		2019	0.0236	0.3203
		2020	0.0195	0.3612
		2021	0.0190	0.3663
8.	Diamond Trust Bank Kenya	2017	0.0165	0.3907

No.	QUOTED COMPANY	YEAR	EPS	PRIVATE EQUITY
		2018	0.0152	0.4079
		2019	0.0210	0.4665
		2020	0.0189	0.4451
		2021	0.0202	0.4585
9.	Eaagads	2017	0.0256	0.5123
		2018	0.0279	0.5350
		2019	0.0296	0.5523
		2020	0.0302	0.5583
		2021	0.0294	0.5503
10	East African Breweries	2017	0.0296	0.5523
		2018	0.0366	0.6217
		2019	0.0376	0.6316
		2020	0.0347	0.6035
		2021	0.0348	0.6044
11.	East African Cables	2017	0.0167	0.4233
		2018	0.0180	0.4358
		2019	0.0223	0.4787
		2020	0.0240	0.4959
		2021	0.0265	0.5212
12.	East African Portland Cement	2017	0.0279	0.5353
		2018	0.0288	0.5439
		2019	0.0288	0.5443
		2020	0.0294	0.5503
		2021	0.0285	0.5411
12.	Equity Group Holdings	2017	0.0170	0.3865
		2018	0.0152	0.4083
		2019	0.0178	0.4342
		2020	0.0228	0.4844
		2021	0.0232	0.4879
14.	Eveready East Africa	2017	0.0258	0.5145
		2018	0.0282	0.5375
		2019	0.0295	0.5513
		2020	0.0306	0.5619
		2021	0.0301	0.5574
15.	Flame Tree Group Holdings	2017	0.0196	0.3596
		2018	0.0188	0.3676
		2019	0.0195	0.3612
		2020	0.0190	0.3660

No.	QUOTED COMPANY	YEAR	EPS	PRIVATE EQUITY
		2021	0.0160	0.4159
16.	Home Afrika	2017	0.0170	0.4265
		2018	0.0178	0.4335
		2019	0.0174	0.4297
		2020	0.0155	0.4115
		2021	0.0703	0.9587
17.	I&M Holdings	2017	0.0699	0.9555
		2018	0.0705	0.9606
		2019	0.0700	0.9564
		2020	0.0715	0.9715
		2021	0.0731	0.9868
18.	Jubilee Holdings	2017	0.0743	0.9993
		2018	0.0752	1.0083
		2019	0.0763	1.0188
		2020	0.0769	1.0249
		2021	0.0645	0.9007
19.	Kakuzi	2017	0.0664	0.9199
		2018	0.0677	0.9327
		2019	0.0687	0.9427
		2020	0.0680	0.9359
		2021	0.0712	0.9683
20.	Kapchorua Tea Kenya	2017	0.0713	0.9686
		2018	0.0725	0.9814
		2019	0.0736	0.9923
		2020	0.0757	1.0127
		2021	0.0550	0.8057
21.	Kenya Airways	2017	0.0574	0.8297
		2018	0.0605	0.8611
		2019	0.0640	0.8963
		2020	0.0672	0.9283
		2021	0.0701	0.9567
22.	Kenya Orchards	2017	0.0734	0.9900
		2018	0.0769	1.0249
		2019	0.0795	1.0511
		2020	0.0809	1.0652
		2021	0.0597	0.8531
23.	Kenya Re-Insurance Corporation	2017	0.0631	0.8873
		2018	0.0680	0.9356

No.	QUOTED COMPANY	YEAR	EPS	PRIVATE EQUITY
		2019	0.0724	0.9798
		2020	0.0754	1.0095
		2021	0.0772	1.0281
24.	Limuru Tea	2017	0.0802	1.0579
		2018	0.0832	1.0883
		2019	0.0846	1.1023
		2020	0.0860	1.1164
		2021	0.0360	0.6156
25.	Nairobi Securities Exchange	2017	0.0394	0.6495
		2018	0.0459	0.7155
		2019	0.0471	0.7270
		2020	0.0506	0.7619
		2021	0.0526	0.7823
26.	Nation Media Group	2017	0.0561	0.8172
		2018	0.0584	0.8396
		2019	0.0584	0.8403
		2020	0.0576	0.8316
		2021	0.0512	0.7683
27.	National Bank of Kenya	2017	0.0546	0.8015
		2018	0.0610	0.8665
		2019	0.0641	0.8969
		2020	0.0655	0.9107
		2021	0.0678	0.9340
28.	Olympia Capital Holdings	2017	0.0690	0.9462
		2018	0.0699	0.9555
		2019	0.0713	0.9692
		2020	0.0728	0.9843
		2021	0.0720	0.9763
29.	Safaricom	2017	0.0723	0.9788
		2018	0.0758	1.0140
		2019	0.0796	1.0521
		2020	0.0811	1.0671
		2021	0.0819	1.0755
30.	Sasini	2017	0.0851	1.1068
		2018	0.0869	1.1251
		2019	0.0878	1.1340
		2020	0.0890	1.1455
		2021	0.0512	0.7676

No.	QUOTED COMPANY	YEAR	EPS	PRIVATE EQUITY
31.	Standard Chartered Bank Kenya	2017	0.0538	0.7935
		2018	0.0559	0.8150
		2019	0.0578	0.8339
		2020	0.0575	0.8307
		2021	0.0619	0.8751
32.	Standard Group	2017	0.0659	0.9148
		2018	0.0661	0.9174
		2019	0.0646	0.9020
		2020	0.0643	0.8991
		2021	0.0512	0.7676
33.	TPS Eastern Africa	2017	0.0527	0.7827
		2018	0.0557	0.8127
		2019	0.0597	0.8534
		2020	0.0641	0.8972
		2021	0.0657	0.9126
34.	Uchumi Supermarkets	2017	0.0682	0.9385
		2018	0.0700	0.9564
		2019	0.0703	0.9593
		2020	0.0730	0.9865
		2021	0.0629	0.8847
35.	Williamson Tea Kenya	2017	0.0660	0.9158
		2018	0.0680	0.9356
		2019	0.0699	0.9548
		2020	0.0723	0.9791
		2021	0.0741	0.9971