STRUCTURAL REFORMS, MACROECONOMIC CONDITIONS AND SECURITIES MARKET PERFORMANCE IN KENYA

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DECLARATION AND RECOMMENDATION

This thesis report is my original work and has not been submitted for the award of a degree or diploma in this or any other university.

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DEDICATION

This thesis is lovingly dedicated to my cherished parents, David Cheruiyot Koskei and Caroline Chelangat Koskei, whose prayers, support, inspiration, and encouragement have been invaluable throughout my academic journey. I extend my deepest gratitude to my dear wife, CPA Dr. Penina Chepkorir, PhD for her unwavering love and support, and to my children, Jesse Kipyator Kemboi and Elora Chepkoech Kemboi, who are my greatest source of joy. I also cherish the love and encouragement from my brothers, Harrington Patrick, Nathan David, and Aaron David. Additionally, I dedicate this work to my in-laws, Robert Kibet Langat and Grace Linner Langat, friends, and fellow age-set members of Kaplelach, as well as the entire Kipang'wanek clan. Your collective support has been instrumental in this achievement.

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ABSTRACT

Securities market performance has shown a persistent decline across key indicators such as share price volatility, market capitalization, liquidity, turnover as well as number of listed firms. The Kenyan securities market therefore remains relatively small in depth and size. However, the literature offers conflicting views on the effectiveness of market reforms in reversing or mitigating this trend. Some studies suggest that such reforms contribute positively to market strengthening, whereas others underscore potential adverse effects resulting from these changes. This study evaluated the influence of structural reforms on securities market performance in Kenya. Specifically, the study established the influence of technology adoption reforms, tax reforms, investor protection reforms, foreign investor participation reforms and governance reforms. It also evaluated the moderating role of macroeconomic conditions on the relationship between structural reforms and securities market performance in Kenya. The study was guided by diffusion innovation theory, tax-planning theory, new economic geography theory, agency theory, and stakeholder theory. The study adopted a positivist research paradigm and explanatory research design. The study targeted a population of 154 firms and 333 respondents, comprising stockbrokers, investment banks, fund managers, listed firms, investment advisors, and REIT and trustee's managers. Multi-stage sampling was used to select the unit of analysis, while purposive sampling was employed to determine the sample size. To collect primary data, the study used a structured questionnaire that was validated through expert opinion and tested for reliability using Cronbach's alpha and factor analysis. A pilot test was conducted on 33 individuals from 5 firms not included in the main study to avoid bias. Descriptive statistics were used to summarize the findings, while inferential statistics, including multiple regression equations and structural equation modelling, were fitted to test the hypothesized relationships at a 5% significance level. Data analysis was done using SPSS and AMOS version 23. Given a response rate of 71.47%, the study established that structural reforms, technology adoption reforms, tax reforms, investor protection reforms, foreign investor participation reforms and governance reforms had a statistically significant and positive influence on securities market performance in Kenya. Technology adoption reforms had a statistically significant positive influence on securities market performance ($\beta = 0.650$, $t = 10.65$, $p < 0.05$), while tax reforms ($\beta = 0.248$, $t = -5.767$, $p < 0.05$), investor protection reforms ($\beta = 0.317$, $t = -6.096$, $p < 0.05$), foreign investor participation reforms ($\beta = -0.334$, $t = -9.824$, $p < 0.05$), and governance reforms ($\beta = 0.449$, $t = 5.409$, $p < 0.05$) also exert statistically significant influence. The hypothesized relationships were tested at a 95% confidence level. The study concludes that the above structural reforms influence the level of securities market performance. It is also concluded that macroeconomic conditions do not significantly have a moderating role on the relationship between structural reforms and the securities market performance in Kenya, with only one variable, that is, technology adoption reforms, showing a significant positive result. The study recommends that the Capital Markets Authority, together with other regulators, adopt a clear policy framework to relax restrictions on ownership concentration in securities market firms. This should be done while maintaining safeguards to ensure market integrity and fair competition while attracting substantial investment, deepen market activity, and encourage the listing of new firms, thereby enhancing the stability, efficiency, and inclusiveness of the securities market.

TABLE OF CONTENTS

DECLARATION AND RECOMMENDATION ..... **ii**
COPYRIGHT ..... **iii**
DEDICATION ..... **iv**
ACKNOWLEDGEMENT ..... **v**
ABSTRACT ..... **vi**
TABLE OF CONTENTS ..... **vii**
LIST OF TABLES ..... **xi**
LIST OF FIGURES ..... **xiv**
LIST OF ACRONYMS AND ABBREVIATIONS ..... **xvi**
OPERATIONAL DEFINITION OF TERMS ..... **xvii**
CHAPTER ONE **1**
INTRODUCTION **1**
1.1 Background of the Study 1
1.2 Statement of the Problem 15
1.3 General Objectives of the Study 16
1.4 Research Hypotheses 17
1.5 Significance of the Study 17
1.6 Scope of the Study 18
1.7 Limitations of the Study 19
1.8 Assumptions of the Study 20
CHAPTER TWO **21**
LITERATURE REVIEW **21**
2.1 Introduction 21
2.2 Theoretical Framework 21
2.2.1 Diffusion Innovation Theory 21
2.2.2 Tax Planning Theory 23
2.2.3 Agency Theory 25
2.2.4 New Economic Geography Theory 26
2.2.5 Stakeholder Theory 28
2.3 Literature Review 29
2.3.1 Technology Adoption Reforms and Securities Market Performance 29
2.3.2 Tax Reforms and Securities Market Performance 36

2.3.3 Investor Protection Reforms and Securities Market Performance 42
2.3.4 Foreign Investor Participation Reforms and Securities Market Performance47
2.3.5 Governance Reforms and Securities Market Performance.....52
2.3.6 Macro-Economic Conditions and Securities Market Performance 56
2.3.7 Securities Market Performance.....60
2.3.8 Capital Market Regulations 62
2.4 Conceptual Framework 64
CHAPTER THREE.....68
RESEARCH METHODOLOGY 68
3.1 Introduction.....68
3.2 Research Philosophy.....68
3.3 The Study Area 68
3.4 Research Design 69
3.5 Target Population.....69
3.6 Sample and Sampling Procedure 70
3.7 Research Instruments.....72
3.7.1 Validity of Research Instrument.....73
3.7.2 Reliability of the Research Instrument 74
3.9 Data Analysis and Presentation 75
3.9.1 Factor Analysis 76
3.9.2 Data Diagnostics Test 77
3.9.3 Structural Equation Modelling 78
3.10 Ethical Considerations 82
CHAPTER FOUR 84
RESULTS AND DISCUSSION.....84
4.1 Introduction 84
4.2 Response Rate 84
4.3 Descriptive Statistics Results 86
4.3.1 Technology Adoption Reforms.....86
4.3.2 Tax Reforms.....89
4.3.3 Investor Protection Reforms 93
4.3.4 Foreign Investor Participation Reforms 96
4.3.5 Governance Reforms.....99
4.3.6 Macro Economic Conditions.....102

4.3.7 Securities Market Performance 105
4.4 Diagnostic Tests Results 108
4.4.1 Linearity Test 109
4.4.2 Normality Test Results for Dependent Variable 110
4.4.3 Heteroscedasticity Test Results 112
4.4.4 Multicollinearity Test Results 113
4.4.5 Common Method Bias Test Results 115
4.6 Factor Analysis Results 118
4.6.1 Exploratory Factor Analysis Results 118
4.6.2 Confirmatory Factor Analysis Results 131
4.6.3 Structural Equation Modelling and Hypotheses Testing 137
4.7 Moderated Multiple Regression Analysis 163
4.7.1 Moderated Regression for Influence of Technology Adoption Reforms on Securities Market Performance 163
4.7.2 Moderated Regression for Influence of Tax Reforms on Securities Market Performance 166
4.7.3 Moderated Regression for Influence of Investor Protection Reforms on Securities Market Performance 167
4.7.4 Moderated Regression for Influence of Foreign Investor Participation Reforms on Securities Market Performance 169
4.7.5 Moderated Regression for Influence of Governance Reforms on Securities Market Performance 171
4.8 Revised Conceptual Framework for Future Research 173
4.9 Hypotheses Testing: Summary of the Findings 176
CHAPTER FIVE 177
CONCLUSION AND RECOMMENDATION 177
5.1 Introduction 177
5.2 Summary of Findings 177
5.3 Conclusions 182
5.4 Recommendations 186
5.5 Suggestion for Further Research 188
REFERENCE 190
APPENDICES 211
Appendix I: Informed Consent Form 211

Appendix II: Questionnaire.....213
Appendix III : Communalities Retained for Measurements.....222
Appendix IV: Graduate School Authorization Letter.....223
Appendix V: Institutional Ethics Review Committee Authorization Letter.....224
Appendix VI: NACOSTI Research Permit.....226
Appendix VII: Linearity Test (Box Plot).....227
Appendix VIII: Securities Market Participants.....230

LIST OF TABLES

Table 3.1:Target Population 70
Table 3.2: Sample Size Distribution for Unit of Observation 71
Table 3.3:Sampling Matrix 72
Table 3.4: Reliability Test Results....74
Table 3.5: Hypothesis Testing 81
Table 4.1: Distribution of Respondents by Gender, Work Experience, and Level of Education....85
Table 4.2: Descriptive Results for Technology Adoption Reforms 86
Table 4.3: Descriptive Results for Tax Reforms 90
Table 4.4: Descriptive Results for Investor Protection Reforms 94
Table 4.5: Descriptive Results for Foreign Investor Participation Reforms....98
Table 4.6: Descriptive Results for Governance Reforms 100
Table 4.7: Descriptive Results for Macro Economic Conditions 103
Table 4.8: Descriptive Results for Securities Market Performance....105
Table 4.9: Tests of Normality for Dependent Variable 111
Table 4.10: Test of Heteroscedasticity (Homogeneity) of Variances....113
Table 4.11: Multicollinearity Test Results 114
Table 4.12: Regression Weights for Test of Common Method Bias....115
Table 4.14: Total Variance Explained for Technology Adoption Reforms 119
Table 4.15: Component Matrix for Technology Adoption Reforms....120
Table 4.16: KMO and Bartlett's Test for Tax Reforms 121
Table 4.17: Total Variance Explained for Tax Reforms 121
Table 4.18: Component Matrix for Tax Reforms....122
Table 4.19: KMO and Bartlett's Test for Investor Protection Reforms....122
Table 4.20: Total Variance Explained for Investor Protection Reforms 123
Table 4.21: Component Matrix for Investor Protection Reforms....123
Table 4.22: KMO and Bartlett's Test for Foreign Investor Participation Reforms....124
Table 4.23: Total Variance Explained for Foreign Investor Participation Reforms....125
Table 4.24: Component Matrix for Foreign Investor Participation Reforms 125
Table 4.27: Component Matrix for Governance Reforms....127
Table 4.28: KMO and Bartlett's Test for Macro-Economic Conditions....128
Table 4.29: Total Variance Explained for Macro-Economic Conditions....128

Table 4.30: Component Matrix for Macro-Economic Conditions 129
Table 4.31: KMO and Bartlett's Test for Securities Market Performance.....130
Table 4.32: Total Variance Explained for Securities Market Performance.....130
Table 4.33: Component Matrix for Securities Market Performance 131
Table 4.34: Regression Weights for the Measurement Model 132
Table 4.35: Model Fit Statistics for Measurement Model.....1325
Table 4.36: Convergent Validity of the Measurement Model.....135
Table 4.37: Discriminant Validity Results of the Measurement Model.....136
Table 4.38: Summary of Discriminant ValidityResults.....137
Table 4.39: Standardized Regression Weights and Critical Values (C.V) for Technology Adoption Reforms and Securities Market Performance 137
Table 4.40: Moderating Standardized Regression Weights and C.V for Technology Adoption Reforms and Securities Market Performance 140
Table 4.41: Standardized Regression Weights and Critical Values (C.V) for Tax Reforms and Securities Market Performance 142
Table 4.42: Moderating Standardized Regression Weights and C.V for Tax Reforms and Securities Market Performance 144
Table 4.43: Standardized Regression Weights and Critical Values (C.V) for Investor Protection Reforms and Securities Market Performance 146
Table 4.44: Moderating Standardized Regression Weights and C.V for Investor Protection Reforms and Securities Market Performance 148
Table 4.45: Standardized Regression Weights and Critical Values (C.V) for Foreign Investor Participation Reforms and Securities Market Performance.....150
Table 4.46: Moderating Standardized Regression Weights and C.V for Foreign Investor Participation Reforms and Securities Market Performance.....152
Table 4.47: Standardized Regression Weights and Critical Values (C.V) for Governance Reforms and Securities Market Performance 154
Table 4.48: Moderating Standardized Regression Weights and C.V for Governance Reforms and Securities Market Performance 156
Table 4.49: Standardized Regression Weights and Critical Values (C.V) for Predictor Variables and Securities Market Performance 158
Table 4.50: Moderating Standardized Regression Weights and Critical Values (C.V) for Predictor Variables and Securities Market Performance.....161

Table 4.51: Model Summary for MMR with Technology Adoption Reforms as the Predictor 164
Table 4.52: Coefficients for MMR with Technology Adoption Reforms as the Predictor 165
Table 4.53: Model Summary for MMR with Tax Reforms as the Predictor 166
Table 4.54: Coefficients for MMR with Tax Reforms as the Predictor 166
Table 4.55: Model Summary for MMR with Investor Protection Reforms as the Predictor 168
Table 4.55: Coefficients for MMR with Investor Protection Reforms as the Predictor .169
Table 4.56: Coefficients for MMR with Foreign Investor Participation Reforms as the Predictor 170
Table 4.57: Coefficients for MMR with Foreign Investor Participation Reforms as the Predictor 171
Table 4.58: Coefficients for MMR with Governance Reforms as the Predictor 172
Table 4.59: Coefficients for MMR with Governance Reforms as the Predictor 173
Table 4.60: Summary of hypotheses Testing.....176

LIST OF FIGURES

Figure 2.1: Conceptual Framework of the Research 65
Figure 4.1: Histogram of Securities Market Performance.....111
Figure 4.2: Scatter Plot for Heteroscedasticity Test 113
Figure 4.3: Path coefficient for Regression Weights for Test of Common Method Bias.....117
Figure 4.4: Path Coefficient for 1st Order Confirmatory Model, Regression Weights for the Measurement Model 133
Figure 4.5: Path Coefficient for Standardized Regression Weights and Critical Values (C.V) for Technology Adoption Reforms and Securities Market Performance 138
Figure 4.6: Path coefficient for Moderating Standardized Regression Weights and C.V for Technology Adoption Reforms and Securities Market Performance 141
Figure 4.7: Path coefficient for Standardized Regression Weights and Critical Values (C.V) for Tax Reforms and Securities Market Performance 143
Figure 4.8:Path coefficient of Moderating Standardized Regression Weights and C.V for Tax Reforms and Securities Market Performance 145
Figure 4.9: Path coefficient for Standardized Regression Weights and Critical Values (C.V) for Investor Protection Reforms and Securities Market Performance 146
Figure 4.10: Path Coefficient for Moderating Standardized Regression Weights and C.V for Investor Protection Reforms and Securities Market Performance..149
Figure 4.11: Path Coefficient for Influence of Foreign Investor Participation Reforms on Securities Market Performance 150
Figure 4.12: Path coefficient for Influence of Foreign Investor Participation Reforms on Securities Market Performance 153
Figure 4.13: Path coefficient for Influence of Governance Reforms on Securities Market Performance.....155
Figure 4.14: Path Coefficient for the Moderating role of Macroeconomic Conditions on the Influence of Governance Reforms on Securities Market Performance 157

Figure 4.15: Path Coefficient for Joint Influence of Predictor Variables on Securities Market Performance 159
Figure 4.16: Path Coefficient for Moderating role of Macroeconomic Conditions on the Joint Influence of Predictor Variables on Securities Market Performance 162
Figure 4.17: Revised Conceptual Framework 174

LIST OF ACRONYMS AND ABBREVIATIONS

AI	Artificial Intelligence
ANOVA	Analysis of Variance
ARDL	Auto-Distributed Lag
ASI	Accumulative Swing Index
ATS	Automated Trading System
CGT	Capital Gain Tax
CLRM	Classical Linear Regression Model
CMA	Capital Market Authority
CMSA	Capital Market and Securities Authority
EGARCH	Exponential General Auto-Regressive Conditional Heteroscedastic
FDI	Foreign Direct Investment
FSCS	Financial Service Compensation scheme
GARCH	General Auto-Regressive Conditional Heteroscedastic
GDP	Gross Domestic Product
GMM	Generalized Method of Moments
GOK	Government of Kenya
ICT	Information Communication Technology
KSE	Karachi Stock Exchange
LUERC	Laikipia University Ethics Review Committee
NACOSTI	National Commission for Science, Technology & Innovation
NSE	Nairobi Securities Exchange
OLS	Ordinary Least Square
REIT	Real Estate Investment Trust
SAP	Structural Adjustment Program
SPSS	Statistical Package for the Social Science
VAR	Vector Auto Regression Model
VAT	Value-added Tax
VECM	Vector Error Correction
VIF	Variance Inflation Factor
WFE	World Federation of Exchange

OPERATIONAL DEFINITION OF TERMS

Capital Market Regulations: These are the rules and regulations that govern securities listing and trading activities within the securities market. They encompass all regulations overseeing the operations of licensed firms and the scope of activities these firms undertake.

Foreign Investor Participation Reforms: These reforms aim to reduce bottlenecks and establish legislation in the securities market to stimulate foreign investment and increase levels of foreign direct investment. They include reviewing foreign securities holding limits, providing tax incentives, revising rules and regulations, redefining investor classifications, updating investment policies, and standardizing regulations to encourage greater foreign investor participation .

Governance Reforms: This process involves transforming a private firm into a shareholder-focused organization, shifting it from a not-for-profit status to a profit-driven entity owned by stakeholders. The primary goal is to maximize market capitalization and enhance shareholder value. Key reforms include changes to ownership structure and composition, managing conflicts of interest, strengthening audit committees, ensuring board independence, and restructuring management of trading institutions.

Investor Protection Reforms: These reforms focus on protecting investors' interests and include reviewing investor protection policies, establishing compensation schemes, implementing grievance redress mechanisms, conducting awareness programs, improving corporate disclosure, and strengthening fraud prevention and handling.

Macro-Economic Conditions: These refer to the overall state and performance of an economy, encompassing factors that influence its health and stability. This study focuses on exchange rate, inflation rate, and interest rate, as these have been shown to significantly impact securities market performance.

Securities Market: The securities market is a financial marketplace where securities such as stocks, bonds, and other financial instruments are issued, bought, and sold, facilitating capital raising and investment. In this study, the securities market will be measured by key indicators that reflect its activity and performance. These include share price volatility, market capitalization, market liquidity, and stock market turnover.

Securities Market Performance: It refers to the emergence of the securities market and the market participants' perceptions of its effectiveness on the new information uptake. Market performance was assessed through metrics such as share price volatility, market capitalization, market liquidity, and stock market turnover.

Structural Reforms: These reforms refer to the liberalization of the securities market through the removal of trade barriers and other obstacles, aiming to enhance investment in securities and ultimately increase market returns. Such reforms typically include technology adoption, tax policy adjustments, investor protection measures, facilitation of foreign investor participation, and governance improvements.

Tax Planning: In this study, tax planning is measured by assessing the extent to which investors or firms implement strategies to legally minimize their tax liabilities. This is evaluated using specific indicators such as capital gains tax rates, revisions in dividend withholding tax, and stamp duty policies.

Tax Reforms : These reforms involve adjusting the number and amount of taxes payable by firms or enterprises to encourage greater participation in the securities market. This includes reducing corporate tax rates, lowering dividend withholding taxes, exempting stamp duties, and reviewing capital gains tax policies.

Technology Adoption Reforms: These reforms relate to the integration of computer technology into securities trading operations. They encompass the introduction of depository clearance systems, real-time transaction settlements, enhanced technology infrastructure, automated trading platforms, and the implementation of Central Depository System (CDS) accounts.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Securities markets have evolved into sophisticated engines of capital formation, where instruments like green bonds and digital assets now complement traditional equities and debt securities. These markets operate through a dual-channel system: the primary market for new capital issuance and the secondary market driving price discovery and liquidity (Arif et al., 2022). While public firms dominate market access, private enterprises increasingly leverage alternative pathways such as direct listings and private investment platforms to bypass traditional barriers (NSE, 2023; World Bank, 2022). Contemporary empirical research confirms securities markets as critical accelerators of sustainable development. Robust markets correlate with 5.2 per cent higher GDP growth in emerging economies by enhancing capital allocation efficiency (Demirgüç-Kunt et al., 2022). This growth nexus operates through three modern channels.

In addition, Apio (2014) investigated the connection between securities market performance and economic growth in Ghana; the study found that the variables had a significant positive relationship. Similarly, Olweny *et al.* (2012) observed a positive link between securities market performance and economic growth in Kenya. Rioja and Valev (2014) also concluded that countries with well-developed securities markets tend to have more advanced financial institutions, including bank and non-bank entities. This suggests that the development of securities markets is linked to overall financial market progress. Notably, Ezeoha, Ebele and Ndi (2009) contend that securities markets are fundamental drivers of economic growth across both emerging and developed economies. This role is exercised through three principal mechanisms: efficient capital allocation via price discovery (Bekaert and Harvey, 2017), enhanced corporate governance through liquidity (Chen et al., 2021), and diversification of systemic risk through securitization (World Bank, 2023). Contemporary studies affirm these channels but stress that growth effects are conditional typically materializing when market capitalization exceeds 35 per cent of GDP and when supported by robust institutional frameworks and digital infrastructure (Kartal,2024).The literature also distinguishes between regional effects: in emerging markets, securities development promotes savings formalization and capital deepening (Feyen et al., 2021), whereas in advanced economies, equity markets are instrumental in financing innovation (Hsu et al., 2022). Recent financial innovations, such as ESG-

linked instruments and AI-driven trading systems, have expanded market functionality, though their effectiveness is dependent on modern regulatory oversight and technological adoption (Demirgüç-Kunt et al., 2022).

Governments have invested heavily in regulations to protect investors and ensure capital market efficiency. The Capital Market Authority (CMA) has sought to create a structured, fair, and efficient market environment by implementing regulatory frameworks (Mwaniki, 2018). To improve securities market performance, the regulator has employed structural reforms to boost market efficiency. Globally, the regulator has employed these reforms to enhance the performance of securities markets. As noted by Oke and Adeusi (2012), structural reforms are strategic modifications that have a direct impact on financial market operations, aiming to promote the growth of financial institutions and the economy. Additionally, Ekong and Udonwa, (2015) further emphasized that the reforms, whether internal or external, involve a dire all-inclusive modification and reorganization of the present regulations, procedures, and programs. The findings indicated that securities market reforms have a positive effect on economic growth. Based on these results, the study recommended that the government take a more objective approach when evaluating enacted laws and reform agendas. Specifically, the government should prioritize reforms that promote economic growth instead of letting political considerations control the reform process. Focusing on growth-oriented policies, the government can create a more conducive environment for sustained economic development.

Globally, developing countries have put in place a framework to implement various structural reforms to improve the performance of the securities market. For instance, the Tokyo Stock Exchange restructured its cash equity market. Investors found the previous market segments unclear and inconvenient, as they did not offer sufficient incentives for listed firms to sustainably increase their corporate value (Austen, 2022).In their study, Ishida and Yokoyama (2023) outlined three market segments designed to enhance the market's appeal to investors, both domestic and international. To improve the performance of its domestic securities markets, China introduced various structural reforms. These reforms included financial and technical measures that made the markets more liquid and offered more investment choices. Key reforms included the creation of the Financial Stability and Development Committee and the 2019 liberalization of interest rates. The results lead to enhanced corporate governance, reduced market

misconduct, and a shift from reliance on retail investors to a greater presence of institutional investors (Austen, 2022).

In India, several reforms were undertaken. The introduction of free pricing of securities was intended to protect investor interests and promote capital market improvement. In 1996, stricter rules on public issues prevented fraudulent firms from trading in the securities market. They also introduced derivatives trading and pushed for the exchange's demutualization. Additionally, the securities market allowed foreign investors to invest in various investment vehicles. These reforms modernized the Indian securities market's trading and infrastructure, reduced transaction costs, significantly improved market efficiency, and significantly reduced operational risks (James, Vijay& Shruti, 2015). Chellaswamy, Natchimuthu and Faniband (2021) found that the implementation of securities market reforms in the Indian stock market had a positive impact on economic performance, market participation, and returns realized in the post-reform regime. Deepak and Shollarpur (2015) conducted similar research to determine the impact of securities market reforms on capital markets' development through financial intermediaries. The results showed that the reforms had resulted in a fair, transparent, and strong regulatory structure. In addition, the research reported improved infrastructure that facilitated further growth of the Indian manufacturing sector.

Jamaica implemented reforms to revitalize the domestic capital market. Excessive government regulation had repressed financial markets, necessitating the reforms (Das & McFarlane, 2022). The country eliminated and discontinued consumer credit restrictions. The country also undertook tax reforms that replaced the complicated tax structure of indirect taxes with one general consumption tax. Following the liberalisation, the Jamaican financial sector expanded and deepened rapidly in the early to mid-1990s. Commercial bank and nonbank financial intermediaries' operations expanded significantly, and new large financial conglomerates emerged. These conglomerates aggressively pursued more innovative financial activities, as well as the acquisition and operation of numerous real-world projects. Some argue that the rapid expansion of lending to the private sector was unsustainable due to improper risk assessment, insufficient collateral, and the primary allocation of loans for consumer-orientated activities (King, Osler & Rime, 2013).

The origins of Malaysia's securities market date back to the colonial era, but the Kuala Lumpur Stock Exchange, in its current form, emerged in 1973. In the 1980s and 1990s,

the exchange's infrastructure underwent significant modernization. In the late 1990s, Malaysia launched Mesdaq, an over-the-counter market focused on high-growth technology companies to enhance market attractiveness and draw more investors. Among Southeast Asian nations, Malaysia led the way in developing a derivatives market, and several major privatizations resulted in a fivefold increase in the equity market within five years (Ang & Mckibbin, 2005). Despite the reforms, there are many firms, for instance, the banks, which were yet to experience the benefits. Limited capital formation impeded the progress of the capital markets. (Randhawa, 2011). This seems to suggest that although the structural reforms were meant to improve the growth of securities markets; in some economies like Malaysia, the capital markets still experienced a reduction in capital formation. Similar findings were observed in the United States of America, whereby Randhawa*ibid*, (2021) established that although micro-market reforms enhanced innovation, the reforms negatively influenced market participation and market performance. In Africa, financial sector reforms have been at the core of structural adjustment programs.

Many African countries began by opening their economies to foreign investors, liberalizing interest and exchange rates, removing credit caps, privatizing and restructuring banks, and developing capital markets(Logan et al., 2024; Khumalo & Kapingura, 2014). As observed by Allen, Otchere and Senbet (2011), widespread financial sector reforms in Africa included policies aimed at fostering the development of financial markets, with a particular focus on Sub-Saharan Africa. The Structural Adjustment Programme introduced financial sector reforms in Nigeria. The reforms included liberalizing foreign exchange and interest rates to encourage saving among the locals and increase inflows from foreigners. They also privatized and commercialized public enterprises to stimulate growth in private-sector investment. The goal of all the reforms was to foster the growth of the capital market (Okoroafor & Yelwa, 2016). Okoroafor, Adeniji and Emmanuel (2018) found that securities market reforms significantly increased market participation by investors and led to capital formation in Nigeria. In their findings, Ebong (2006) indicated that reforms aimed at financial and systemic crises, as well as adjustments in Nigeria's financial markets, had a positive impact on stock market participation. Oke and Adeusi (2012) also noted that securities market reforms positively affected economic growth. This implies that the

implementation of structural reforms in the financial markets is likely to enhance the overall economic performance.

Following financial reforms in 1991, Tanzania saw the creation of the Capital Market and Securities Authority (CMSA). The Dar es Salaam Stock Exchange was set up, and many national companies listed their shares, which led to an increase in stock market capitalization. Abbas, Pei and Rui (2016) noted that the liberalization of the financial sector reduced state control and granted national corporations' autonomy in their investment activities. In 2013 and 2014, the securities market implemented an efficient trading system, followed by the adoption of an alternative trading system to boost foreign equity investment. The Dares Salaam Stock Exchange (2019) developed a governing framework in 2015, enabling trading via mobile devices. Despite these improvements, Abbas, Pei and Rui (2016) found in their research that Tanzania's securities market's development, as measured by market capitalization and total value traded, did not impact economic growth or the securities market performance. This could be due to the market's slow information uptake. This suggests that the structural reforms may not have yielded the expected outcomes.

Okeahalam and Afful (2006) observe that the development of securities exchanges in Sub-Saharan African countries has not led to an improvement in real investment, despite the expected development of securities markets following financial market reforms. The research attributes this issue to imprudent economic and financial policies, which fail to create an environment conducive to the securities market's ability to function and foster economic growth.

On the other hand, Bekaert and Harvey (2000) link this outcome to the absence of financial liberalisation; Kapaya (2020) reveals that although many countries in Africa have undergone reforms, there was a need to empirically investigate the degree to which these reforms have influenced securities market performance. Kagochi, Nasser and Kedebe (2013) note that the securities markets of Sub-Saharan Africa still experience low liquidity, inadequate market outreach resulting in poor savings among the general population, little market information, problems such as immature trading and settlement systems, and inadequate oversight of securities market firms. Ngugi, Murinde and Green (2008) analyzed the reactions of emerging securities markets in Africa to market reforms. The research reveals that markets with robust ICT infrastructure, a functioning regulatory system, and relaxed liberalisation, which allow global investor participation,

demonstrate greater efficiency and reduce both price and market volatility. However, in some markets, it was too early to understand the influence of structural reforms on securities market performance.

The Nairobi Securities Exchange traces its origins to 1920, when it was established informally by the British as a market limited to European settlers in Kenya. It remained an exclusive and unregulated platform until 1954, when it was formally constituted as a recognized stock exchange, laying the foundation for its subsequent institutional and regulatory development. In 1963, the company permitted citizens of African origin to participate and engage in the securities market. For an extended period, the market operated via telephone, with weekly meetings taking place at the hotel. Due to concerns about Kenya's future as an independent country, securities market activities dropped during the time of independence (Kosgei *et al*., 2014). In Kenya, the securities market and the regulator, the Capital Market Authority, initiated steps that aimed at supporting long-term market growth as part of its strategic plan (2014-2023). The goal of these reforms was to promote the listing of more firms on the Exchange, increase retail investor participation, and attract foreign investors to the market (CMA, 2016).

Nyasha and Odhiambo (2014) reported that the Kenyan government designed and implemented a series of policy reforms to foster sustainable economic development and enhance the efficiency of the financial system. In particular, the structural reforms undertaken were to enhance the role of private investors, investor protection, automation and institutional governance reforms, and general securities market developments (NSE, 2010). Omuchesi and Bosire (2014) also pointed out that the securities market automation reforms had a significant relationship with market size, but had negative effects on market liquidity and price volatility. Structural reforms in the securities market involve regulatory and institutional changes that promote market efficiency, economic stability, and environmental sustainability. According to Gani, Rahbi and Ahmed (2021), these reforms reshape legal and economic frameworks to enhance investor returns and improve public finance management. By directing capital to under-resourced sectors and integrating financial markets, such reforms can boost economic growth provided that strong regulations are in place to maintain stability. Okoroafor and Oluseyi (2018) concluded that, in the end, structural reforms enhanced capital formation, increased the volume and value of transactions, and improved the overall market capitalization and market return.

The Kenyan government, in collaboration with the CMA and the NSE, implemented a series of structural reforms aimed at enhancing the performance of the securities market and its role in economic growth. Beginning in the mid-1990s, reforms included doubling the foreign investment limit in local firms, introducing tax exemptions for listed securities, and making trading and international credit costs tax-deductible. Further efforts involved reducing high commission rates in 2002, segmenting the market to accommodate diverse firms, and transitioning to electronic trading in 2006. More recently, the NSE modernized its infrastructure by upgrading trading systems in 2023, launching a hybrid fixed income market in 2024, and joining the Hedera blockchain network the same year (CMA, 2006; NSE, 2023; NSE, 2024; Government of Kenya, 1996; Okioga, 2013).

In 2006, the securities market became fully automated. Omuchesi, Bosire and Muiri (2014) faulted the manual systems as a deterrent to the flow of information that resulted in the observed securities market inefficiency. Initially, manual systems had an enormous influence on the efficiency of the securities market. It would take roughly two weeks between an actual sale and trade approvals. The increase in technological use lowered registration times, made securities and stock transfers quicker, increased market liquidity, and improved overall securities trading activities (Onyuma,2012). In their study, Omuchesi, Bosire and Muiru (2014) reported that market automation did not lead to greater efficiency in the securities market in Kenya.

Okumu (2013) found that automating Kenya’s securities market through information technology did not significantly impact trading volumes. To stimulate market activity and attract listings, the CMA introduced extensive tax reforms. Historically, Kenya's post-independence tax regime marked by high taxes aimed at revenue generation and limiting profit repatriation had deterred foreign investment and listings (Kemboi,2016). In response, reforms were introduced to reduce corporate tax rates for newly listed firms, depending on the proportion of shares offered to the public. For instance, companies listing 20 per cent to 30, or 40 of their shares qualified for reduced corporate tax rates of 27 per cent, 25, and 20, respectively, for five years (CMA, 2006). Additional measures included cutting withholding tax on dividends to 9.8 per cent for foreigners and gradually lowering the domestic rate from 10per cent to 5 by 1997. The government also removed stamp duty and VAT on listed securities transfers in 1995 and extended these exemptions to employee investment schemes. Furthermore, listed firms that disclosed

their financials were exempted from past tax liabilities, provided they paid future taxes. The capital gains tax, originally introduced in 1975, was suspended in 1985.

The Capital Markets Authority licensed exchanges remained tax-exempt despite the reintroduction of the withholding tax at 5 per cent in 2015. Kenyan tax authorities noted that tax incentives for listed companies led to windfall profits for shareholders (Tirimba, Muturi & Sifunjo, 2016). The intention behind these tax reforms was to draw more firms into the securities market. (Bhalla, Kaur and Sharma,2022) asserts that the general direction for tax reforms is mainly to broaden the tax base, reduce the tax burden, and lower the differentiation rate. Taxation rates are uniform, encouraging people to work, save, and invest, as well as improving overall tax compliance. The increase in insider trading incidents led to the adoption of investor protection measures. The Kenyan government enacted regulations against insider trading, outlined in Section 32A of the Capital Markets Act, Chapter 485A. This section specifies that it is unlawful for anyone to trade in securities or disclose unpublished price-sensitive information, whether requested or not, unless necessary for regular business operations or specified regulations. It also prohibits counselling or encouraging others to trade on such non-public information. The regulations were put in place to protect investors from dealing with traders who had an informational advantage over them. Since then, the CMA has continuously made improvements to the regulations to ensure efficiency in the securities market (CMA, 2010).

Furthermore, the Fraud Investigation Unit was established to safeguard investor interests, with financial institutions mandated to adhere to stringent reporting requirements. Enhanced regulatory measures, including routine inspections and market surveillance, were implemented to ensure compliance. Non-compliant financial institutions faced sanctions, including suspension from securities market trading, as a deterrent against regulatory violations (CMA, 2010*)*. The purpose of the move was to foster excellent corporate governance. Risk-based Supervision model was also adopted to ensure that all high-risk investment was put under sharp focus (CMA, 2010). Reforms were also introduced to encourage foreign investor participation in the securities market. These reforms were necessary because of the declining inflow of foreign investors (Gitari & Mohamed, 2021). In 1995, the government relaxed the capital controls to permit foreign investors to hold at least 20 per cent of the shares in the domestic markets (Gachigo,

2017). The move enabled Kenya's securities market to integrate with the global market, the benefits of which were tremendous (Hermes & Lensink ,2013).

Moreover, Ahmed (2016) observed that financial integration facilitated by foreign investor participation and the introduction of innovative investment vehicles contributed to the deepening of financial markets. This development enhanced market liquidity and amplified trading activity within the securities market. Athukorala and Tien (2012) agree that opening the securities markets to foreign investors increases the inflow of foreign capital to the local market, leading to economic development in the country. However, in countries like Russia, Mexico and Brazil, this liberalization has had devastating effects on their economies including currency devaluation and other financial crises (Miles, 2002).Most recently, in 2024, global index providers such as Morgan Stanley Capital International and Financial Times Stock Exchange reinstated Kenya into their respective frontier market indices. This decision reflected improvements in foreign exchange liquidity and a reduction in capital controls, making it easier for international investors to repatriate dividends and capital gains. Collectively, these reforms have not only expanded market depth and efficiency but also significantly improved Kenya's attractiveness to foreign investors (NSE, 2002–2024; MSCI & FTSE, 2024).

Governance reforms were later introduced in 2006 and this was occasioned by the observed collapse of brokerage that had influenced negatively on the investor securities market activities. Capital market authority introduced a fraud investigation unit, tightened the reporting obligation for the financial intermediaries and introduced minimum capital requirements for the firms to secure the welfare of investors. The Capital market authority wanted a situation where trading rights were handled separately from ownership (CMA, 2010). Hasan, Ahsan and Rahaman (2013) note that there is a need for the securities market to improve its governance and to represent all the stakeholders of firms in the ownership and management of firms. There was a need to initiate these governance reforms hence a demutualization committee was formed to champion these reforms (NSE,2014). Governance reforms involve ownership structure and the management of entities while having the stakeholders' interests protected. Shah and Hussain (2012) assert that the ownership structure can be viewed from two perspectives, from the composition meaning the distribution of ownership among various types of investors like individual investors, foreign investors, institutional investors and the government or the ownership concentration in terms of total shareholding.

Kariuki, Onyuma and Okumu (2015) admit that little is known as to whether the securities market reforms have attained the desired objective in Kenya. Kapaya (2020) reveals that although many countries in Africa have undergone structural reforms, there is a need to empirically determine the scope of these reforms that have brought about a change in the securities market performance. As a result, the researcher conducted this study to investigate structural reforms, macroeconomic conditions, and securities market performance in Kenya. Olweny, Namusonge, and Onyango (2012) demonstrated a robust positive correlation between the growth of the securities market and overall economic development in Kenya. Their findings suggest that as the securities market expands, it stimulates broader economic activity, reflecting the pivotal role that financial markets play in channeling capital for productive investment. Similarly, Umar and Shittu (2020) uncovered a favourable relationship between stock market performance and economic growth in Nigeria, highlighting how improvements in stock market efficiency and liquidity contribute to the economic landscape. Zhang and Chen, (2024) found a strong correlation between stock market indices and macroeconomic indicators such as inflation, interest rates, exchange rates, and GDP growth across 18 countries in the post-pandemic period (January 2023–June 2024), suggesting that the performance of securities markets closely mirrors broader economic trends.

In their research on BRICS nations, Osaseri and Osamwonyi (2019) confirmed a significant positive relationship between securities market development indices such as market capitalizations and turnover ratio and economic growth. This multi-regional evidence collectively reinforces the idea that the development of securities markets not only enhances capital mobilization but also acts as a catalyst for growth across various sectors of the economy. These findings imply that advancing the infrastructure and regulatory frameworks of securities markets can have a profound impact on national economic progress.

In Kenya, the market size has been on an upward trajectory, particularly between 2001 and 2006 (Nyasha & Odhiambo, 2014). However, even though the stock market capitalization has improved to 50 per cent, it remains low compared to many high-income countries (World Bank, 2012). In addition, the total value traded in Kenya's securities market has been low and constant at 2 per cent for the ten years between 1900 and 2000, with a slight increase of (6%) in 2006, and thereafter, the trading volumes decreased to 2 per centby the year 2009 (Nyasha & Odhiambo, 2014). Aduda, Masila

and Osongo (2012) point out that overall investor participation in the securities market in Kenya is low. Wendo (2015) found that although there was a period of strong retail investor engagement in the securities market, enthusiasm started to wane over time. The capital market authority reported a decrease in retail investor participation from 27 per centin 2008 to 14 per cent in 2010.

Oxford Business Group's 2015 study revealed that only 4 per cent of individual investors across all categories participated in the market. More recent data on securities market performance reveal that although the bond market segment recorded an increase in market activity in the year 2018/19, the Capital Market Authority reported a decrease in the market performance for all equities market composite comparative indicators for the financial year 2018/19 and the 2017/18 financial year. Equity turnover decreased by 25.97 per cent, while share volumes declined by 27.05per cent. Market capitalization also recorded a decrease of 11.54 per cent, with the NSE 20 Share Index recording a drop of 18.53 per cent compared to the previous year. Between 2006 and 2010, NSE experienced steady growth, largely driven by economic expansion and increased investor participation (World Bank, 2010; CMA, 2010). However, from 2011 to 2015, market capitalization saw fluctuations due to global economic uncertainties and domestic factors, including political instability and interest rate volatility (IMF, 2015; CMA, 2015). The period from 2016 to 2020 was marked by challenges such as political tensions surrounding elections and a global economic slowdown, which led to periods of market stagnation (Oxford Business Group, 2019).

In 2021, the NSE reached an all-time high market capitalization of KES 2.84 trillion (CEIC Data, 2021). This growth was short-lived, as the market experienced a downturn in 2022 and 2023, with capitalization dropping to KES 1.4 trillion by the end of 2023, primarily due to foreign investor outflows and broader macroeconomic challenges (The East African, 2024). A rebound followed in 2024, with market capitalization rising to KES 1.9 trillion, supported by improved investor confidence and economic. As of April 2025, the NSE's market capitalization stands at approximately KES 1.97 trillion (NSE, 2025). A review of Kenya’s securities market alongside South Africa’s and Egypt’s regional markets showed that, despite ongoing developments, Kenya’s capital market is still relatively small in terms of depth and size when assessed using indicators such as the All-Share Index, market capitalization, and the number of listed companies (CMA, 2019). Furthermore, Gitari and Mohamed (2021) noted that the capital market was

performing below par with limited market activities coupled with sluggish financial institution growth.

Macroeconomic conditions, including interest rates, inflation, and exchange rates, significantly influence securities market performance by shaping investor behavior, corporate profitability, and capital flows. Higher interest rates, often implemented by central banks to combat inflation, tend to depress stock prices by increasing corporate borrowing costs while making fixed-income investments more attractive (Iddrisu,2020). Inflation's impact is more nuanced - moderate inflation may support equities as firms pass costs to consumers, but persistently high inflation erodes real returns and triggers monetary tightening that hurts both stocks and bonds (Ngure, Kariuki & Mburugu, 2022). Exchange rate fluctuations create sector-specific effects, with a depreciating domestic currency benefiting export-oriented firms while hurting import-dependent industries and potentially triggering foreign investor outflows (Karugu, Memba & Muturi, 2018). These factors interact with broader economic conditions, as strong GDP growth typically boosts corporate earnings and market sentiment, while recessionary environments lead to risk aversion and capital flight (Mlambo & Biekpe, 2021). In emerging markets like Kenya, these relationships are particularly pronounced due to greater macroeconomic volatility and reliance on foreign investment, making securities markets more sensitive to shifts in fundamental economic indicators. The 2022 experience of the Nairobi Securities Exchange, where tightening monetary policy and currency depreciation contributed to significant market declines, exemplifies these dynamics in practice (Ochieng, 2022). In this study macroeconomic conditions were moderating variable.

Capital market regulation significantly influences securities market performance, particularly through reforms that enhance market efficiency and investor protections. For instance, the automation of trading systems at the NSE led to higher short- and long-term returns by improving efficiency, though it also caused temporary volatility during implementation (Owade, 2023). Similarly, Kenya’s financial regulations between 2012 and 2021 accounted for over 40 per cent of capital market development, demonstrating that stronger regulatory frameworks foster deeper and more resilient markets (Ochieng,2022). However, the effects of specific reforms can vary. While the dematerialization of securities improved liquidity and efficiency, the NSE’s demutualization had mixed results, highlighting the importance of well-designed policies

(Owino,2021). These findings collectively emphasize that targeted regulatory interventions and technological upgrades are crucial drivers of improved market performance, though their implementation must be carefully managed to balance efficiency gains with potential short-term disruptions.

Capital market regulations play a vital role in shaping the performance and development of securities markets. In Kenya, regulatory interventions by the CMA have been instrumental in enhancing transparency, investor confidence, and market integrity (CMA, 2006). By enforcing disclosure requirements and combating insider trading, these regulations help create a level playing field for all investors (Gani, Rahbi& Ahmed, 2021). Reforms such as the automation of trading systems in 2006 and the adoption of blockchain technologies in 2024 have modernized market infrastructure and improved operational efficiency (Okioga, 2013; NSE, 2023; NSE, 2024). Additionally, tax incentives such as reduced corporate tax rates for newly listed firms and exemptions on capital gains, VAT, and stamp duty have encouraged firms to list on the Nairobi Securities Exchange, expanding capital formation (CMA, 2006; Government of Kenya, 1996). Lower withholding taxes for both local and foreign investors have further boosted participation (Kemboi, 2016). These regulatory efforts not only support market growth but also contribute to economic stability by directing resources to productive sectors and fostering investor trust in the financial system (Okumu, 2013).

Kenya has undertaken a series of comprehensive securities market reforms aimed at modernizing its capital markets framework, strengthening investor protection mechanisms, and enhancing the attractiveness of the market to both domestic and international investors. The Capital Markets (Public Offers, Listings and Disclosures) Regulations of 2023 superseded the previous regulatory regime, introducing stringent corporate governance requirements, including the reduction of independent directors' tenure, and incorporating contemporary financial instruments such as electronic Initial Public Offerings, Special Purpose Acquisition Companies, and green bonds (Bowmans, 2023). The deployment of electronic IPOs on the Nairobi Securities Exchange has been instrumental in streamlining the listing process, increasing market accessibility, and lowering transaction costs, although challenges related to technological adoption among certain investor groups persist (Observer, 2024).

Furthermore, the regulatory framework for Alternative Investment Funds has been strengthened, mandating approval by the CMA and enforcing enhanced governance and

transparency standards to protect investor interests. To improve market transparency and investor communication, listed entities are now required to publish forward-looking corporate event calendars, thereby fostering greater predictability in corporate actions (Kenyan Wallstreet, 2024). Additionally, the CMA has initiated the development of a multi-asset surveillance system designed to enhance market oversight capabilities by detecting irregular trading activities and promoting market integrity (Financial Services Volunteer Corps, 2024). Collectively, these reforms underscore Kenya's strategic commitment to fostering a more efficient, transparent, and investor-centric securities market.

Further, performance of securities markets in emerging economies such as Kenya is increasingly recognized as being influenced by a combination of institutional, structural, and macroeconomic factors. Structural reforms including liberalization of capital markets, enhancement of regulatory frameworks, privatization of state-owned enterprises, and improvements in corporate governance form the bedrock for efficient financial systems (Popoola, *et.al*,2017). These reforms are designed to increase market depth, enhance transparency, reduce transaction costs, and foster investor confidence. For instance, Kenya's implementation of trading automation through the Nairobi Securities Exchange (NSE), coupled with the establishment of investment vehicles such as Real Estate Investment Trusts, exemplifies how structural innovations can modernize financial markets (Ngugi & Afande, 2015).

However, the extent to which these reforms yield positive market outcomes is contingent upon the broader macroeconomic environment. Macroeconomic indicators such as GDP growth, inflation, interest rates, and exchange rate stability play a significant role in shaping investor expectations and firm valuations (Hou and Cheng,2017). A stable macroeconomic environment not only supports the efficient operation of market reforms but also provides predictability for investment decisions. In the Kenyan context, the post-2003 era of macroeconomic stabilization marked by consistent GDP growth and monetary reforms coincided with a period of expanded securities market activity, suggesting a strong correlation between reform efficacy and macroeconomic conditions (Soumaré, Kanga, Tyson & Raga, 2021).

Moreover, the interaction between structural reforms and macroeconomic stability is synergistic rather than independent. Reforms enacted in volatile economic contexts such as during periods of high inflation or political uncertainty tend to underperform or even

exacerbate market vulnerabilities. Kenya's experience during the 2007–2008 political crisis illustrates this dynamic, where despite ongoing regulatory reforms, market volatility surged, and investor withdrawals increased. Therefore, the nexus between structural reforms and macroeconomic conditions must be understood as mutually reinforcing, where the success of one depends on the stability and coherence of the other (Levine, 2005). This integrated perspective is essential in explaining securities market performance in Kenya and similar developing economies.

To assess the influence of market reforms on financial market dynamics, it is essential to systematically evaluate key performance indicators, including equity turnover, share price volatility, market liquidity, and overall market capitalization (Ngugi & Njiru, 2018; Were et al., 2020). This study employs rigorous econometric and statistical methods to analyze the reforms' impact on the efficiency, stability, and resilience of Kenya's securities markets, offering data-driven insights for regulators and investors (Ahmed, 2016; CMA, 2021). However, despite policy interventions aimed at broadening market participation and enhancing liquidity, persistent inefficiencies suggest either implementation gaps or structural impediments (NSE, 2019; World Bank, 2022). Prior research highlights the need to empirically determine whether these reforms have significantly improved securities market performance (Muthama et al., 2020). The findings indicate that the cumulative effect of these reforms remains inconclusive, reinforcing concerns about their long-term efficacy (Ochieng & Aduda, 2021).

1.2 Statement of the Problem

Securities markets serve as a critical engine for economic growth, enabling capital mobilization and efficient financial intermediation. In Kenya, the securities market has experienced notable fluctuations in performance throughout the 2000-2024 period, marked by alternating phases of expansion and contraction. Recognizing the need for improvement, the Capital Markets Authority has prioritized the development of a comprehensive regulatory framework designed to foster transparent, equitable, and well-functioning markets. Through targeted policy interventions and institutional strengthening, the authority has sought to enhance market integrity, boost investor confidence, and promote sustainable market development. Kenya's securities market supports economic growth by raising capital, attracting foreign investment, and financing public projects. Since 2000, it has mobilized over KES 400 billion, with foreign investors contributing up to 55 per cent of trades. The market contributes 6 –8 per cent of

GDP and aids SME financing through platforms like Growth Enterprise Market Segment. To enhance the performance and its contribution to overall economic development, the market regulator initiated structural reforms focused on mobilizing savings and investment. Some of the reforms undertaken in the securities markets were technology adoption reforms, tax reforms, investor protection reforms, foreign investor participation reforms, and governance reforms. The reforms were expected to have a positive impact on securities market performance. However, indicators such as share price volatility, market capitalization, market liquidity, securities market turnover, and the number of listed companies indicate that the securities market in Kenya remains relatively small in terms of depth and size. Major equity indicators including equity turnover, traded volumes, market capitalization, and the NSE Share Index have recorded a decline in market performance.

Studies in the literature yield varied conclusions, with some suggesting that the securities market reforms positively influence securities market performance, while others indicate that they have a negative influence. This research area is still largely unexplored. There exists scant literature on the influence of these reforms on securities market performance. The literature also indicates that numerous securities markets in Africa have experienced reforms. It was essential to conduct an empirical assessment to determine the extent to which these reforms have altered the performance of securities markets in Kenya. It is important to note that many past studies have only considered the effect of a single reform on securities market performance rather than evaluating the impact of several reforms concurrently.

1.3 General Objectives of the Study

The general objective of the study is to explore the influence of structural reforms, Macroeconomic Conditions and Securities Market performance.

1.3.1 Specific Objectives

i. To assess the influence of technology adoption reforms on securities market performance in Kenya.

ii. To determine the influence of tax reforms on securities market performance in Kenya.

iii. To establish the influence of investor protection reforms on securities market performance in Kenya.

iv. To examine the influence of foreign investor participation reforms on securities market performance in Kenya.

v. To analyze the influence of governance reforms on securities market performance in Kenya.

vi. To evaluate the moderating role of macroeconomic conditions on the relationship between structural reforms and securities market performance in Kenya.

1.4 Research Hypotheses

H_{01}:Technology adoption reforms have no statistically significant influence on securities market performance in Kenya.

H_{02}:Tax reforms have no statistically significant influence on securities market performance in Kenya.

H_{03}:Investor protection reforms have no statistically significant influence on securities market performance in Kenya.

H_{04}:Foreign investor participation reforms have no statistically significant influence on securities market performance in Kenya.

H_{05}:Governance reforms do not have a statistically significant influence on securities market performance in Kenya.

H_{06}: There is no statistically significant moderating role of macro economic conditions on the relationship between structural reforms and the securities market performance in Kenya.

1.5 Significance of the Study

The significance of this research lies in its contributions to theory, policy, and practice. The results enrich the theoretical framework and empirical literature concerning the influence of structural reforms, macroeconomic conditions on securities market performance in Kenya. This study significantly advances theoretical testing in the dynamic field of securities market performance, addressing the expectations of diverse stakeholder groups who monitor the market to guide their investment decisions. By examining the interactions between various constructs, the study has broadened the

scope of understanding and contributed new insights into how these factors collectively influence market performance. The results enable policymaker that is the Government of Kenya's new Integrated Capital Markets Development and Regulatory Enhancement Policy aims to boost securities market performance by offering tax incentives to attract investment, enforcing secure digital trading systems, mandating real-time financial disclosures for transparency, and launching a nationwide financial literacy campaign to increase public participation

The Capital Markets Authority could use the findings to design targeted programs that enhance market efficiency and address barriers created by structural reforms. These programs may include regulatory sandboxes for innovation, streamlined compliance procedures, stakeholder training on new disclosure standards, and support mechanisms for smaller firms adapting to digital and governance requirements. To the listed firms these findings will enable them to adopt real-time digital disclosures of financial and Environmental, Social, and Governance data, comply with stronger governance and audit standards, and undergo regular cyber security checks aimed at boosting transparency, investor trust, and alignment with global market practices.

This study makes significant contributions to both academic research and policy discussions on structural reforms and their impact on Kenya's securities market. First, it stimulates academic inquiry by laying a foundation for future empirical and theoretical studies, particularly on the relationship between market reforms and efficiency in emerging economies. Second, it identifies key research gaps such as regulatory effectiveness, corporate governance, and technological adoption, providing a roadmap for scholars. Third, it enriches the body of knowledge by generating new empirical evidence and creating a secondary data source for future comparative and policy analyses. Finally, the study bridges theory and practice by offering actionable policy recommendations to improve market transparency, efficiency, and inclusivity in Kenya and similar markets. These insights advance both scholarly discourse and real-world market development strategies

1.6 Scope of the Study

This study focused on structural reforms in the securities market, specifically examining five key areas: technological adoption reforms, tax reforms, investor protection reforms, foreign investor participation reforms, and governance reforms. The research was

confined to the Kenyan securities market and targeted key market participants, including stockbrokers, investment banks, fund managers, listed firms, investment advisors, authorized Real Estate Investment Trust (REIT) managers, and trustees. Data collection was limited to qualitative primary data obtained through structured questionnaires. The research was delimited to the views and experiences of market players operating within Kenya, thereby excluding insights from informal investors or international markets. Primary data was collected using a structured questionnaire from the drawn sample size.

The study findings were enhanced by picking a representative sample from stockbrokers, investment banks, fund managers, listed firms, investment advisors, and REIT managers and trustees. The use of questionnaires in data collection delimited the research to qualitative data. The inadequacy of prior studies in this particular area limited this research, as there were few studies on structural reforms and their influence on the performance of the securities market in Kenya**.** These variables, technology adoption reforms, tax reforms, investor protection reforms, foreign investor participation reforms, and governance reforms, were the focus of the study, as they were identified by the CMA as priority areas in its 2014–2023 Strategic Plan. Data was collected between June 2024 and October 2024.Finally, the study examined the influence of macroeconomic conditions on the securities market performance in Kenya.

1.7 Limitations of the Study

According to Mugenda and Mugenda (2003), limitations are process-related factors that could affect the outcomes of a study but are beyond the researcher's control and not addressed within the scope of the research. Nonetheless, the study faced challenges due to a response rate, with some participants either not responding or refraining from returning the questionnaire due to a lack of familiarity with the topic or fear of negative consequences. This limitation impacted the reduction in response rate, which may have affected the study's results. To overcome the limitation of inadequate knowledge, the study developed the questionnaire using simple language that all respondents, regardless of their level of education, experience, or profession, could easily understand and ensured it was free from any ambiguity.

The responses provided through the questionnaires were influenced by the respondents' current state of mind, which may have shifted over time during the data collection period. This posed a potential risk of subjective responses, which could affect the

reliability of the data. To mitigate this limitation, the research questions were carefully structured and framed to build respondent confidence and encourage honest and consistent responses, thereby improving the response rate. Additionally, the potential for systematic response bias, specifically Common Method Bias (CMB), was assessed. Where detected, CMB was statistically treated to minimize its influence, as illustrated in Figure 4.3. In Kenya, there is limited research on the influence of structural reforms on securities market performance. The study addressed this limitation by referencing empirical studies from developed countries.

1.8 Assumptions of the Study

This study was guided by several key assumptions that informed the design, data collection, analysis, and interpretation processes. These assumptions also shaped the development of the research hypothesis, methodology, and the conclusions drawn (Kato, 2019). First, it was assumed that all selected participants would respond willingly and provide honest, accurate, and reliable feedback. It was also assumed that respondents possessed sufficient knowledge of structural reforms and the performance of the securities market to offer informed responses. Additionally, the study assumed that the selected sample of stockbrokers, investment banks, fund managers, listed firms, investment advisors, REIT managers, and trustees constituted a valid representation of the broader population of market participants. This assumption was critical in enabling the generalization of findings to the wider Kenyan securities market. Finally, the study assumed that adherence to rigorous ethical standards would protect participants' rights, privacy, and confidentiality, thereby encouraging open and trustworthy participation.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter provides a comprehensive review of the theoretical foundations that inform the study, followed by an empirical synthesis of existing literature pertinent to the variables under investigation. It further identifies key gaps in the current body of knowledge, thereby justifying the present research. The chapter concludes with the development of a conceptual framework that delineates the study variables and the hypothesized relationships subjected to empirical analysis.

2.2 Theoretical Framework

The theoretical literature framework introduces the theory and justifies the research problem's existence (Munday,2008). The theoretical literature framework explains the researcher's analytical approach to the research (Grant & Osanloo,2014). This study examined theories related to structural reforms, macroeconomic conditions, as well as their influence on securities market performance. This research focused on the specific theories to predict, describe, and explain the problem under study. The study was anchored on five theories included diffusion innovation theory, tax planning theory, Agency theory, New Economic Geography Theory, and Stakeholder theory.

2.2.1 Diffusion Innovation Theory

The Diffusion of Innovations Theory, originally introduced by Everett Rogers in 1962 and refined in later editions, provides a foundational framework for understanding how new products, technologies, or ideas spread across a population over time (Rogers, Singhal & Quinlan,2014). The theory outlines the mechanisms and sequential stages awareness, interest, evaluation, trial, and adoption through which innovations gain acceptance among different segments of a social system. It emphasizes that technology functions as a vehicle for transmitting innovation within a social structure. Key components of the theory include the innovation itself, the communication channels through which information is disseminated, the social system within which the diffusion occurs, and the categorization of individuals into adopters and non-adopters based on their responsiveness to innovation. (Rogers, Singhal & Quinlan,2014)

The Diffusion of Innovations (DOI) theory highlights the significance of time in the adoption process, as members of a social system progress through stages of awareness,

evaluation, and eventual acceptance of new ideas, behaviors, or technologies (Willet, 2020; Rogers, Singhal & Quinlan,2014). Over time, individuals within a social system are more likely to adopt an innovation as exposure and social influence increase, leading to a gradual shift from traditional practices to new behaviors (Willet, 2020). Adoption occurs when an individual perceives the innovation as offering a meaningful advantage over existing alternatives, whether in terms of efficiency, compatibility, or relative benefit (Rogers, Singhal & Quinlan,2014). Crucially, the likelihood of adoption depends not only on the innovation itself but also on how potential adopters perceive its novelty, usefulness, and applicability to their needs (Willet, 2020).

One of the limitations of this theory is that it does not consider the participatory approach in adoption. Technology adoption reforms require many stakeholders in the process for its success and also individual resources in the process of adoption, for example, time resources required and the cost incurred by individuals. The theory has been used as a benchmark in various disciplines, including commercial sector research, Religion, Governance and policy development, as well as Information systems and security. (Sulaiman, Jaafar& Mohezar, 2007; Arvidsson, 2014, & Stuart, 2010). To address this limitation, the theory can be enhanced by incorporating participatory and stakeholder engagement models, allowing it to account for individual and collective involvement, resource constraints, and diverse interests critical for successful technology adoption.

Technology adoption reforms are expected to enhance the securities market performance in Kenya if the reforms are implemented well. Ezirim, Adebajo, Elike and Muoghalu (2009) discovered that the adoption of technology-driven reforms played a significant role in fostering growth within the securities market. This growth was attributed to the increased availability of critical information to investors, coupled with a general enhancement in trading patterns. Bhunia (2011) established the availability of efficient information communication technology infrastructure and a well-digitized market increased the number of securities brokers and investors while access to information communication technology significantly contributed to the improvement of trading volumes. Diffusion of Innovations theory underscores key barriers to adoption, including resistance to change, limited awareness, and perceived incompatibility with existing practices (Rogers, Singhal & Quinlan,2014). In technology-driven policy reforms, the Diffusion innovation theory provides a framework for policymakers to diagnose and mitigate systemic resistance. For instance, stakeholder concerns such as job displacement

or loss of autonomy can hinder adoption; targeted interventions like re-skilling initiatives or inclusive governance structures may alleviate these barriers (Willet, 2020).The Diffusion of Innovations framework demonstrates that effective implementation requires addressing both cognitive barriers, such as awareness gaps, and structural obstacles, including resource limitations (Damschroder et al., 2009). This dual approach enables policymakers to develop more comprehensive strategies for innovation adoption.

Diffusion of Innovations theory (Rogers, Singhal & Quinlan,2014) explains technology adoption through innovation attributes, communication channels, and social systems. In emerging markets, policy interventions addressing compatibility and complexity can accelerate adoption (Damschroder et al., 2009). This study applies DOI theory to Kenya's securities market, examining how policy reforms influence adoption rates, market transparency, and participant engagement (Damschroder et al., 2009). The framework provides both theoretical rigor and practical insights for regulators, particularly in developing economies.

2.2.2 Tax Planning Theory

Hoffman developed this theory in 1961. The theory explains how firms can implement tax planning and still protect the interest of shareholders on wealth maximization. The theory notes that because the tax system is sophisticated there exist loopholes and ambiguities that arise from unclear intentions of the legislators that firms can exploit to avoid paying taxes. The theory suggests that firms can reduce their overall tax liability through tax planning and legal tax avoidance measures. Tax planning theory represents a rational economic behavior within capitalist systems, where individuals and corporations strategically optimize their financial decisions to minimize tax burdens while complying with legal frameworks (Penno,2023). This practice fundamentally aligns with core capitalist principles, particularly the pursuit of profit maximization and efficient resource allocation. Under capitalist theory, tax planning can be viewed as a market response to fiscal policies, where taxpayers act as rational economic agents seeking to preserve capital for productive reinvestment (Friedman, 1984). The legal minimization of tax liabilities through careful timing, income shifting, and entity selection not only enhances individual wealth but also contributes to broader capital formation a key driver of economic growth in market economies (Smith, 1776/1976). However, this practice also reflects the inherent tension in capitalist systems between private wealth accumulation

and public revenue needs, highlighting the ongoing negotiation between market freedom and regulatory frameworks (Piketty, 2014). When conducted within legal boundaries, strategic tax planning serves as both a wealth preservation tool and a mechanism for capital allocation, ultimately supporting the dynamic efficiency characteristic of mature capitalist economies.

The limitation of the theory is resource constraints; implementing sophisticated tax planning strategies often requires specialized knowledge, time, and resources. Small businesses, individuals, and families with limited financial means or access to professional advice may face challenges in optimizing their tax outcomes. Despite these limitations, effective tax planning remains an essential component of overall financial management. Through understanding the challenges and employing prudent strategies, taxpayers can navigate the complexities of the tax system while optimizing their financial well-being within legal and ethical boundaries. (Penn,2023).

Oyeyemi and Babatunde (2016) concluded that tax planning has a favourable impact on the financial performance of manufacturing firms in Nigeria. The theory underlying their findings posits a positive relationship between tax planning activities and corporate performance. It operates on the assumption that the benefits derived from tax planning outweigh the associated tax costs. Tax reforms that were initiated in the securities market were aimed at reducing the overall tax burden on market participants. Tax planning theory provides insights into the effectiveness of different tax policies and strategies. For example, it highlights how changes in tax rates or deductions may impact taxpayer behaviour, such as shifting income to lower-tax jurisdictions or altering investment decisions. Tax reforms draw on these insights to design policies. These strategies are designed to achieve specific objectives, such as fostering economic growth, reducing inequality, or closing loopholes. Through aligning tax reforms with principles of tax planning theory, policymakers can increase the likelihood of achieving their desired outcomes. In conclusion, tax planning theory provides a framework for understanding the principles and objectives of tax optimization, while tax reforms seek to implement changes to the tax system that align with these principles and objectives. In considering the linkage between tax planning theory and tax reforms, taxpayers can develop effective strategies to manage their tax liabilities in a changing regulatory environment. The theory applies to the tax reform variable.

2.2.3 Agency Theory

Michael Jensen, along with William Meckling, is credited with pioneering agency theory in their influential 1976 paper titled "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure." Jensen continued to contribute extensively to the field, focusing on topics such as executive compensation and corporate governance. The theory also reports that agency costs, which can take many forms, are on the rise in today's firms for a variety of reasons, including ownership and control separation, diversification, and investor concentration on wealth maximization. Managerial roles seem to differ from those of the shareholders. Managers may focus on empire-building aims, excessive consumption, making investment decisions that may not be optimal and mismanagement of finances (Jensen & Meckling, 1976). The economic model of humankind is the foundational premise of agency theory. According to this model, everyone will want to maximize his or her utility. To reduce losses to their utility, the owners implement mechanisms to reduce the losses that would occur (Yosoff & Alhaji, 2012).

An agent is employed in the principal-agent relationship to optimize the principal's utility (Ross, 1973). However, since agents are inherently self-serving, agency theory predicts that they are likely to behave opportunistically. While agency theory provides valuable insights into understanding and mitigating conflicts of interest between principals and agents within organizations, it does have some limitations. Agency theory often assumes that individuals act rationally to maximize their utility or wealth. However, human behaviour is influenced by various cognitive biases and emotions, which may lead to deviations from rational decision-making. To overcome this limitation, organizations can incorporate behavioral economics principles into their governance and incentive systems, such as nudges and choice architecture, to encourage more rational decision-making by both principals and agents (Beshears & Kosowsky, 2020).

Investor protection reforms typically involve the enactment or enforcement of laws and regulations to establish clear rights and obligations for market participants. Agency theory remains foundational in informing the design of these legal and regulatory frameworks, highlighting the importance of effective enforcement mechanisms, deterrents against misconduct, and accessible dispute resolution systems (Hill,2024). Strengthening the legal and regulatory environment through such reforms aims to mitigate agency-related risks and bolster investor confidence (World Bank, 2021).

Agency theory underscores persistent challenges in principal-agent relationships, such as information asymmetry and conflicting incentives, which investor protection reforms seek to address through enhanced transparency, accountability, and governance standards (Kien, Pham& Nguyen, 2019). When aligned with agency theory, these reforms can significantly contribute to restoring and maintaining trust in capital markets (Botez, 2018).

Contemporary applications of agency theory (Akbar, 2024) continue to shape corporate governance frameworks designed to align managerial and shareholder interests. Recent investor protection reforms emphasize enhanced governance standards, including board gender diversities-linked executive compensation (Yordudom & Suttipun,2020), and digital shareholder engagement tools (Zheng & Kouwenberg,2023). These measures address persistent agency problems in modern capital markets, where algorithmic decision-making has introduced new forms of information asymmetry. Empirical studies confirm that strong governance alignment correlates with superior market performance, particularly in emerging markets, while governance failures continue to enable value-destructive managerial opportunism. The theory remains vital for analyzing securities market performance, especially when examining how digital transformation and sustainability pressures are reshaping principal-agent dynamics. This framework robustly supports investigating the relationship between investor protection reforms (independent variable) and securities market performance (dependent variable) in today's evolving regulatory landscape (Bianchi et al., 2023).

2.2.4 New Economic Geography Theory

Krugman advanced this theory in 1991. It explains that business location is influenced by demand for products and large markets, which help executives reduce the cost of transportation. The theory further pointed out that locational advantage encourages global investor participation in the domestic market. The theory emphasizes that transportation costs play a key role in influencing international trade and that consolidation of interrelated economic activities could help achieve cost savings, which ultimately leads to economic development (Krugman,1991).

The New Economic Geography theory has indeed played a pivotal role in integrating economic and geographical perspectives, offering valuable insights into the spatial organization of economic activities (Krugman, 2018). By acknowledging the

significance of geographical factors alongside market forces and policy interventions, this theory provides a comprehensive framework for analyzing regional and urban development dynamics (Fujita & Thisse, 2018). Its interdisciplinary approach has facilitated a deeper understanding of the complex interactions shaping economic geography, contributing to more informed policymaking, and fostering a more holistic approach to researching the relationship between space and economic outcomes (Glaeser,2020). New Economic Geography has made significant contributions to our understanding of spatial economics, but like any theory, it also has its limitations (Rodríguez-Pose, 2022)

New Economic theory models often overlook the role of social and political factors in shaping economic geography. Factors such as income inequality, social networks, political institutions, and government policies can significantly influence spatial patterns of economic activity but are often neglected in the theory, incorporating insights from other disciplines, such as sociology, political science, and environmental studies, can enrich the understanding. The theory suggests that countries benefit more when they trade with each other. The theory suggests that a country's location influences investment patterns, particularly foreign investor participation. Krugman (2011) further demonstrates how the model explains the determinants of international and inter-regional trade.

Given the global nature of foreign direct investment flows, effective foreign investor participation reforms often require coordination and cooperation among countries to create an attractive investment environment (Azémar & Giroud,2023). New Economic Geography theory highlights the importance of policy complementarities and coordination in promoting regional competitiveness and economic integration (Fujita & Thisse, 2018). Reforms that align regulatory frameworks, streamline administrative procedures, and foster international cooperation can enhance the attractiveness of regions for foreign investors and promote mutually beneficial outcomes consistent with the predictions of the new economic geography theory (OECD, 2021).

Finally, the New Economic Geography theory provides insights into the spatial dynamics of economic activities (Krugman, 2018), while foreign investor participation reforms aim to shape the distribution and impact of foreign investment across regions (Alfaro, 2023). Considering the linkages between new economic geography and foreign investors' participation in reforms, policymakers can design more effective strategies to harness the

potential benefits of foreign investment for regional development and economic growth (Rodríguez-Pose, 2022). The theory anchored the variable of foreign investor participation reforms."

2.2.5 Stakeholder Theory

Stakeholder theory argues that firms should account for the interests of all parties affected by their actions employees, customers, suppliers, communities, and investors. While Edward Freeman's foundational work in 1984 (Strategic Management: A Stakeholder Approach) established the core tenets (Freeman, 1984), more recent scholarship has both refined and expanded the theory. Freeman, Dmytriyev and Phillips (2021) integrated stakeholder and resource-based views to emphasize normativity and sustainable value creation, while Barney and Harrison (2020) highlighted contemporary tensions and opportunities at the intersection of stakeholder theory and strategic management. These developments demonstrate the continued relevance and evolution of stakeholder theory in both ethical and strategic contexts(Barney & Harrison, 2020; Freeman et al., 2021). He contends that businesses should give precedence to the concerns of all parties impacted by their actions, encompassing employees, customers, suppliers, communities, and society at large. Freeman's ideas have significantly impacted corporate governance, ethics, and corporate social responsibility practices, initiating conversations about the broader societal responsibilities of corporations. Essentially, Freeman's contributions have profoundly shaped the comprehension and application of stakeholder theory in business, (Freedman,2014).

According to Freeman (2014), the success of an organization can be evaluated through the lens of stakeholders. With a well-defined governance structure, organizational success can be achieved while simultaneously fulfilling stakeholder interests (Freeman et al., 2020). However, a key limitation of stakeholder theory is the challenge businesses face in managing diverse and sometimes conflicting stakeholder interests (Harrison et al., 2019). Stakeholders often possess varying priorities, preferences, and levels of influence, making it difficult for companies to satisfy all parties simultaneously (Bridoux & Stoelhorst, 2022). This frequently leads to decision-making dilemmas and trade-offs, potentially causing dissatisfaction among certain groups (Mayer,2021). These challenges can be mitigated through stakeholder mapping and analysis, which helps organizations systematically identify and prioritize key stakeholders based on their influence, legitimacy, and urgency (Miles, 2017; Nielsen & Thomsen, 2018).

Governance reforms often involve changes to regulatory frameworks and institutional structures to promote responsible corporate behavior and protect the interests of stakeholders (Gillan et al., 2021). Stakeholder theory provides a normative foundation for these reforms by emphasizing the moral and ethical obligations of organizations to consider the interests of stakeholders (Freeman et al., 2020). Reforms may include legislative changes, regulatory enforcement mechanisms, and the establishment of oversight bodies to ensure compliance with stakeholder-oriented governance principles (OECD, 2021). Stakeholder theory informs governance reforms by highlighting the importance of considering the interests of all stakeholders in organizational decision-making processes (Harrison et al., 2019). Embracing stakeholder-oriented governance practices, reforms seek to enhance accountability, transparency, and long-term value creation, ultimately contributing to more sustainable and inclusive forms of governance (Mayer, 2021). This research adopted stakeholder theory to anchor the research variable on governance reforms (Bridoux & Stoelhorst, 2022).

2.3 Literature Review

This sub-section reviews the existing literature on various types of reforms, including technological adoption reforms, tax reforms, investor protection reforms, foreign participation investor reforms, and governance reforms. It also examines the moderating role of macroeconomic conditions on these structural reforms and their influence on securities market performance in Kenya.

2.3.1 Technology Adoption Reforms and Securities Market Performance

Technology reforms have enhanced securities markets globally by improving efficiency, transparency, and access, as seen through digital trading and automated settlements (World Bank, 2020; IOSCO, 2021). In Kenya, the Nairobi Securities Exchange adopted such technologies starting in 2006, improving participation and performance (Mohammed, 2020). However, most studies use descriptive designs and secondary data, lacking experimental or qualitative approaches. This reveals a methodological and design gap in capturing behavioral and institutional impacts of technology adoption.

Gardner, Lee, Cresson, and Alford (2017) conducted a comprehensive cross-country analysis to examine the relationship between the growth of information technology (IT) and the capitalization of stock markets in 81 countries. Their study spanned from 1998 to 2014 and utilized panel data techniques, incorporating country-fixed effects to account

for country-specific heterogeneity. Employing time series analysis, they identified a positive correlation between the expansion of information and communication technology (ICT) and increases in stock market capitalization, suggesting that technological advancement plays a significant role in driving securities market growth at the global level. The study primarily relied on secondary data drawn from international datasets and focused on aggregated macroeconomic indicators across a wide geographic scope.

While the study by Gardner et al. offers valuable insights into the global patterns and potential macro-level causal links between ICT development and stock market performance, it leaves important contextual and methodological gaps. Notably, the exclusive use of secondary data limits the depth of analysis regarding firm-level or policy-driven reforms in specific national contexts. Moreover, the study did not account for localized institutional, regulatory, or structural factors that may influence the efficacy of technology adoption in capital market performance. The present study addresses these limitations by employing primary data to investigate the influence of technology adoption reforms on securities market performance within the Kenyan context. This localized approach allows for a more nuanced understanding of how specific reform initiatives and adoption mechanisms influence market outcomes, filling a critical gap in empirical literature that often overlooks emerging economies' internal dynamics and reform-driven technological transformations.

Wong and Govindaraju (2012) examined the influence of technological advancements on securities market performance in Malaysia, focusing on the broader implications of information and communication technology (ICT) for market development. Drawing primarily from secondary data and existing literature, their study established a significant positive relationship between ICT adoption and overall market performance. However, their research employed a descriptive research design, which limited the exploration of causal relationships and the dynamic experiences of market participants. Similarly, Igwilo and Sibindi (2021) analyzed the effect of ICT adoption on the development of securities markets across 11 African countries between 2008 and 2017. Using panel data and the ARDL bounds testing approach, they assessed causality between an ICT adoption index and a securities market development index, while incorporating the financial freedom index as a control. Their findings revealed a positive and statistically significant impact of ICT on securities market development. Despite the use of more

robust econometric techniques, their study was also based entirely on secondary macroeconomic data, which may overlook micro-level institutional and stakeholder dynamics within specific countries.

In contrast to both studies, the current research adopts an explanatory research design and utilizes primary data gathered directly from securities market participants in Kenya. This methodological departure enables a deeper understanding of how technology adoption reforms are experienced and perceived at the institutional and operational levels, offering richer insights into the actual mechanisms through which ICT influences market performance. By focusing on a single emerging market and incorporating stakeholder perspectives, this study addresses a key gap in the literature namely, the limited use of primary, context-specific data to explore the real-world effects of ICT reforms on capital market performance in developing economies.

Arezki, Dequiedt, Fan and Rosotto (2021) investigated the impact of technology adoption on securities returns, specifically focusing on firms within the telecommunications industry in the post-liberalisation era. Utilizing cross-country panel regression analysis, their study revealed that technology adoption significantly influenced stock market returns, with effects that extended beyond the telecommunications sector. Moreover, their findings highlighted how liberalisation through technological advancement facilitated increased foreign investor participation in securities markets. However, the scope of their study was limited to a sector-specific analysis, concentrating on the telecommunications industry, thereby restricting the generalizability of their findings across the broader securities market. Similarly, Siggel and Agarwal (2009) conducted a trend analysis to assess the relationship between ICT reforms and stock market performance in India. Drawing on secondary data, their study found that the adoption of ICT reforms had a substantial and positive effect on the performance of the Indian stock market. While valuable in demonstrating long-term national trends, their approach remained macroeconomic in focus and did not incorporate direct insights from market participants or consider reform-specific perceptions at the institutional level.

In contrast to these prior studies, the current research broadens the analytical lens by examining the overall performance of the securities market in Kenya, rather than focusing on a specific sector or relying solely on secondary datasets. The study draws on primary data collected from key stakeholders and market participants, thereby capturing

the lived experiences and perceptions surrounding technology adoption reforms. Additionally, this research integrates both descriptive and inferential statistical methods, enabling a more nuanced and empirically grounded assessment of how such reforms influence market dynamics. This approach addresses a notable gap in the literature, which often overlooks context-specific, micro-level analysis of ICT reform impacts in emerging capital markets.

Omuchesi, Bosire and Muiru (2014) investigated the impact of information and communication technology (ICT) adoption on the efficiency of the securities market, specifically its ability to process and respond to new information. Utilizing secondary data including financial indicators such as market returns, the NSE-20 Share Index, and monthly closing prices from 2002 to 2012 the researchers applied a longitudinal design to assess market efficiency before and after the implementation of ICT systems. Their analysis, which incorporated both descriptive and inferential statistics, revealed that the adoption of automated trading systems did not significantly enhance market efficiency. These findings suggested that the technological reforms implemented during the period under review failed to deliver the expected improvements in information processing and operational performance within the securities market. While the study provided important insights into the relationship between ICT and market efficiency, its scope was limited to a single performance dimension and was based solely on secondary time-series data. Additionally, the exclusive focus on efficiency metrics may have overlooked broader aspects of market performance, such as investor confidence, accessibility, transparency, and regulatory effectiveness.

The present study builds upon and extends this line of inquiry by shifting from a narrow efficiency-based assessment to a broader evaluation of overall securities market performance in Kenya. It further distinguishes itself by relying on primary data collected from market participants, enabling a more grounded understanding of the lived realities and institutional impacts of technology adoption reforms. Moreover, the study employs both regression and structural equation modelling (SEM) to conduct a more robust and multidimensional analysis. In doing so, this research addresses critical methodological and thematic gaps in previous literature, particularly the need for context-specific, reform-oriented, and stakeholder-informed evaluations of ICT's role in shaping emerging capital markets.

Stephen et al. (2013) employed a case study research design to investigate the impact of technology on market efficiency at the Nairobi Securities Exchange. The study used secondary data sourced from the Capital Markets Authority (CMA) libraries, NSE annual reports, and published financial statements, covering the period from 2003 to 2011. For analysis, the study applied quantitative methods, including trend analysis and descriptive statistics, to examine the relationship between automation and market indicators such as volume and volatility. The results showed that automation positively influenced both market volume and market volatility, suggesting improved efficiency. The findings indicated that automation had a positive effect on market volume and market volatility. The study also recommended conducting similar research using primary data to further explore this effect.

Onyuma (2020) evaluated the impact of market automation through technology on adaptive efficiency in the securities market. Employing a longitudinal research design, the study utilised secondary data, specifically share prices, to construct an All-Share Index spanning the period from 1994 to 2019. Non-parametric statistical tests were applied to assess differences in market efficiency before and after automation. The findings indicated that market automation enhanced efficiency, as reflected in the increased randomness of market returns post-automation. Additionally, the study observed that automation affected the price discovery and delivery process and was associated with increased market volatility following technological changes. While Onyuma's study provides valuable insights into the temporal effects of technological automation on market efficiency, its scope remains limited in several ways. First, the study's reliance on secondary time-series data restricts the analysis to observable market trends, without capturing the detailed perspectives of market participants regarding the design, implementation, and impact of automation reforms. Second, the study focuses primarily on efficiency and volatility, leaving out broader indicators of market performance such as transparency, investor confidence, or regulatory adaptation.

The current research addresses these limitations by leveraging primary data collected directly from securities market dealers using structured questionnaires. It explores not just automation, but a broader conceptualization of technology adoption reforms, encompassing a range of ICT initiatives and their perceived impact on the overall performance of the securities market in Kenya. Unlike previous studies, this research employs both descriptive and inferential statistical techniques, including regression

analysis and Structural Equation Modelling (SEM), to rigorously test hypothesized relationships between technological reforms and key market performance dimensions. In doing so, it contributes new empirical evidence and practical insights into how technology-driven reforms shape market outcomes in a developing economy context a gap largely unaddressed in prior literature.

Okumu (2013) investigated the effects of ICT reforms, particularly automation on trading volumes at the NSE. Using secondary data, the study compared trading activity before (2002–2006) and after (2008–2012) automation. Descriptive statistics and t-tests were applied to assess whether automation influenced trade volumes. The findings indicated no significant overall change, though some firms did experience variations, possibly due to other unexamined factors such as internal organizational issues or macroeconomic conditions. The study was limited in scope by its exclusive focus on trade volumes and its reliance on secondary data, which did not reflect the broader operational or institutional effects of automation on market performance. The current study addresses these limitations by utilizing primary data collected from a wide range of market participants, including listed companies, stockbrokers, fund managers, investment advisors, REIT managers, and trustees. It evaluates the influence of technology adoption reforms on the overall performance of the securities market in Kenya. Furthermore, it employs regression analysis and Structural Equation Modelling (SEM) to analyze perceptions and experiences of those directly affected by ICT reforms. This approach captures a more comprehensive view of the post-reform environment and provides deeper insight into the effectiveness and impact of technological changes in the Kenyan capital market a gap not adequately addressed in earlier studies.

Njoki,(2019) investigated the impact of the Automated Trading System (ATS) on the efficiency of the Nairobi Securities Market, employing a descriptive survey design. The study aimed to determine how ICT-driven reforms, particularly through automation, influenced market performance. Primary data were collected via surveys from a wide range of market participants, including representatives from listed firms, stockbrokers, investment banks, fund managers, investment advisors, REIT managers, and trustees. The analysis, using both descriptive and inferential statistics, revealed that ATS implementation contributed to a modest improvement in market efficiency and an increase in the number of market participants. While Njoki's study successfully highlighted the perceived benefits of automation and captured stakeholder perspectives,

its design limited the depth of analysis by focusing primarily on descriptive outcomes without testing the structural relationships between technology reforms and broader market performance indicators. The current study builds on this foundation by incorporating advanced statistical tools, specifically regression analysis and Structural Equation Modelling (SEM), to explore the causal pathways between technology adoption reforms and overall securities market performance in Kenya. This approach not only provides deeper empirical validation but also fills a key gap in existing literature by offering a more detailed, data-driven assessment of how ICT reforms affect capital market functioning beyond efficiency alone.

Aker and Mbiti (2010) conducted a study on the economic impact of technology usage in sub-Saharan Africa. Their research focused on how the adoption of technology, particularly mobile phones, influenced various economic outcomes in the region. They examined how technology has transformed communication, market efficiency, and overall economic development in sub-Saharan Africa, highlighting both the benefits and challenges associated with its usage ICT adoption positively correlates with the development of securities markets as it enables the participants in the market to be updated with the performance of domestic firms, which lowers the investment risk brought about by market dynamics. It was also established that the economic fundamentals of a country like the overall household consumption and investment activities positively impacted by ICT adoption resulting in greater development of the securities markets. This research used secondary data and survey design while this research used primary data and an explanatory research design was employed to determine the influence of the dependent variable on the independent variable.

A recent study by Barngetuny (2024) investigated the impact of high-frequency trading (HFT) strategies on Kenya’s securities market, offering critical insights into the country's ICT-driven financial reforms. The study employed a mixed-methods approach, combining quantitative data on trading volumes, bid ask spreads, and price movements with qualitative assessments from regulatory reviews and expert interviews. Findings revealed that while HFT enhances liquidity in developed markets, its benefits in Kenya remain limited due to low trading volumes, restricted market participation, and underdeveloped infrastructure (Barngetuny, 2024). Moreover, the study noted that key infrastructure components essential for effective HFT such as low-latency data feeds, co-location services, and real-time market surveillance systems are currently lacking.

Current study sought the perception of market perception on the reforms that were initiated whether it had impacted on securities market performance.

The studies reviewed indicate varying and sometimes contradictory findings concerning the impact of ICT reforms on securities market performance. While some research highlights positive effects, showing significant improvements in market efficiency and performance, others suggest minimal or no influence, pointing to the possibility of other influencing factors. This inconsistency underscores the complexity of the link between ICT reforms and market outcomes, necessitating further study to reconcile these divergent results. Some research indicates that ICT reforms have positively affected securities market performance, while other studies present conflicting evidence, suggesting that automation does not improve performance in the securities markets. Additionally, many studies conducted in Kenya have examined the effects of ICT reforms on firms listed on the securities market. The data collected was secondary, and many studies had adopted a longitudinal approach by using data over a period. The current research obtained the views of listed firms and other market participants, such as stockbrokers, investment banks, fund managers, investment advisors, REITs, and trustees. Consequently, the study utilized primary data collected through a questionnaire.

2.3.2 Tax Reforms and Securities Market Performance

Tax reforms have significantly impacted the Nairobi Securities Exchange (NSE) by influencing investor behavior, corporate performance, and market dynamics. While measures such as the reintroduction of capital gains tax initially reduced market liquidity, dividend and corporate tax incentives have promoted investment and firm competitiveness. However, existing studies largely rely on descriptive designs and secondary data, highlighting a methodological gap in establishing causality. Additionally, a geographical gap exists, as most research focuses on Nairobi-based firms, neglecting broader regional dynamics within Kenya's capital markets.

Overesch and Pflitsch (2020) investigated the cross-border influence of the tax reforms of 2017 in the Securities market in European countries. As a research design, the research used an event research design whereby the event on the declaration of the tax reforms and its effects was evaluated. Data on stock prices was obtained, regression analysis was used, and the country-fixed effects were included in the model. Market capitalization, sales growth and profitability were used as control variables. The research

established that the US securities market responded positively to the tax reform announcement of lower taxation on US profits. Further, the European countries that were active in the United States also reported higher returns on their securities market investments. Moreover, the European firms that faced stiff competition from US firms earned significantly lower returns. The current research used primary data and established the influence of tax reforms in the domestic market in Kenya unlike in the research reviewed whereby an event research design was used to establish the cross-border effects.

Bhalla, Kaur and Sharma, (2022) examined the tax reforms in the income tax office checking how the tax changes have affected the revenues, the implications in equity and whether the reforms were successfully implemented. The research reported that different taxes responded differently to the tax reforms. For instance, income tax reported significant improvement but there were still members of the population who were hard to reach; Domestic trade taxes on the other hand experienced a decline in productivity making it difficult for India to achieve a locative efficiency. The findings showed that even after the reforms the tax ratio was yet to reach the ratio before the implementation of the changes in the taxation policies and system. The research concludes that, improving a tax system was challenging and that forms should be well designed and implemented and that the tax reform process should be a continuous one and not driven by crisis if at all the tax system is expected to meet the policy objectives. The research used secondary data and the research investigated the successes and the failures of the tax reforms and the effect on the tax productivity and equity implications. The current research employed primary data and it focused mainly on the tax reforms and their influence on the securities market performance.

Pokharel (2018) conducted an empirical analysis of taxation on economic growth in five SAARC countries between 1990-2012. This research revealed various types of taxes applicable and this was measured against the overall GDP of the countries. Regression analysis and Secondary data were used to establish the effect of taxation on the GDP of the countries under research. The research findings showed an increase in taxation rates negatively influenced the general economic growth as measured by GDP per capita income. It shows that any reforms that increase the tax burden may negatively influence the performance of an economy. The research examined the influence of tax reforms on

the securities market, utilizing primary data and incorporating diverse methodological approaches to assess the effect of these reforms.

Salaudeen and Atoyebi (2018) sought to determine the influence of corporate tax reforms on the tax burden of firms listed on Nigeria's securities market. Data was gathered from 86 selected firms to assess the effects of reforms on taxation policy both before and after their implementation. The research utilized canonical correlation analysis. These tax reforms were introduced to establish an equitable tax system and improve tax management in Nigeria. The findings indicated that the tax reforms increased the tax burden on firms in certain sectors, while other sectors remained unaffected. The research ultimately demonstrated that tax reforms had a minimal impact on the tax burden of firms listed on the securities market, indicating that these reforms exerted less effect on the securities market performance. This study specifically focused on analyzing the direct influence of tax reforms on securities market performance in Kenya, utilizing primary data collected for the study.

Kamasa, Nortey, Boateng and Bonuedi (2022) conducted an extensive study into the impact of tax reforms on revenue generation in Ghana, spanning the period from 1980 to 2018. Utilizing secondary data, the research applied a time series analysis to evaluate the effects of various tax reforms implemented during this timeframe. An index was developed to quantify the success of these reforms, and the ordinary least squares (OLS) method was employed to model the data, providing insights into the behaviour and trends in revenue generation as influenced by the tax policy changes. This methodological approach allowed for a rigorous assessment of the long-term implications of tax reforms on the economic landscape of Ghana. The research concluded that tax-related reforms had a significant positive effect on revenue generation in Ghana. The research recommended that tax reforms, when well designed and implemented, could be a useful tool in boosting revenue generation. From the research, we can deduce that with proper design and good implementation, achieved the desired objectives. However, the current research checked whether the tax reforms adopted impacted positively on the securities market performance in Kenya and primary data was collected to assist in analysis.

Eyo (2016) conducted a comprehensive study to investigate the impact of Nigerian fiscal policy on the performance of the securities market. The primary objective was to examine the effects of key fiscal variables government revenue, expenditure, and

borrowing on overall market capitalization within the securities market. The study relied on secondary data sourced from the Central Bank of Nigeria's statistical bulletin. The findings revealed that both government revenue and expenditure positively influenced market capitalization, indicating that fiscal inflows and outflows significantly bolstered the securities market's growth. However, the research also concluded that government borrowing did not have a discernible impact on the performance of the securities market, suggesting that borrowing activities were not a determining factor in market capitalization in the securities market. The research focused on tax reforms and their effect on securities market performance in Kenya as opposed to the overall fiscal policy. Primary data was used whereby the views of the market players were evaluated.

Lawal, Somoye, Babajide and Nwanji (2017) analyzed the combined effects of fiscal and monetary policy interactions on stock market behavior in Nigeria, particularly focusing on volatility. Using monthly data and applying ARDL and EGARCH models, the study found a significant relationship between policy shifts and stock market returns. The findings indicated that fluctuations in interest rates, money supply, government spending, and taxation significantly influenced market volatility and performance. The authors emphasized the need for policymakers to account for the joint impact of fiscal and monetary policies when designing market-related interventions. In contrast, the current study focuses exclusively on tax reforms a component of fiscal policy and their influence on securities market performance in Kenya. Unlike Lawal et al., (2017) who relied on secondary data and econometric models, this research uses primary data from market participants to assess real-world experiences and perceptions, offering a context-specific understanding of how tax policy shapes capital market behavior.

A study by Wambua (2018) analyzed the effects of the reintroduction of the capital gains tax on the performance of the Nairobi Securities Exchange. Their research found that the reintroduction of CGT initially caused a drop in trading volumes, market liquidity, and investor confidence due to increased transaction costs. However, the market gradually adjusted as investors adapted to the new tax structure. Similarly, research by Njorogi (2023), Maina and Njoroge (2021) explored how the reintroduction of CGT impacted stock market activity in Kenya. They found that while CGT led to reduced short-term trading, long-term investors were less affected, and over time, the market adjusted to the changes, though CGT remained a factor in influencing the decision-making of active traders.

While Mutinia (2020) provides important insights into the relationship between financial performance and corporate taxes using secondary data and a cross-sectional design, the study is limited in its ability to capture dynamic or causal relationships over time. It also does not account for qualitative factors such as management decisions, tax planning behavior, or the influence of regulatory changes on firm-level taxation. Additionally, by relying solely on historical financial statements, the study may overlook recent shifts in tax policy or firm strategies post-2018. The current research addresses these gaps by employing primary data collection methods to gain deeper insight into how corporate behavior and financial performance influence tax obligations within a more current and interactive regulatory environment.

In their study, Onkware, (2022) used a quantitative research design to explore the impact of dividend taxation on investor preferences at the NSE. They relied on secondary data collected from the financial statements of listed firms, as well as stock prices, trading volumes, and dividend payments, covering the period from 2012 to 2016. The study focused on firms that regularly paid dividends, with stock prices and market capitalization serving as dependent variables, and dividend taxation rates as the primary independent variable. The researchers applied regression and correlation analysis to examine the relationship between dividend tax rates and market performance. Their findings showed that lower dividend tax rates positively influenced investor demand for dividend-paying stocks, particularly among domestic and foreign investors. This increased demand improved liquidity, boosted stock prices and contributed to higher market capitalization for firms benefiting from favorable dividend tax treatment.

Oeta, Kiai and Muchiri (2019) investigated the impact of tax evasion on the financial performance of nine industrial firms listed on the Nairobi Securities Exchange. Using panel data and multiple linear regression, the study found no statistically significant relationship between tax planning strategies and firm performance, although positive but insignificant correlations were noted with capital intensity, research and development expenditure, and firm size. Leverage showed a slight negative effect, also statistically insignificant. While the study provides insight into the intersection of tax behavior and firm performance, its focus on tax evasion offers limited understanding of how formal tax policy tools such as incentives affect broader market dynamics. The current study addresses this gap by shifting attention to the role of tax incentives in influencing

securities market performance, thereby contributing a new perspective to tax-related research in Kenya's capital markets.

The Tax Laws (Amendment) Bill, 2024 introduces several reforms that indirectly affect Kenya's securities market. Notably, it imposes a minimum top-up tax on multinationals with effective tax rates below 15 per cent, aligning Kenya with global BEPS (Base Erosion and Profit Shifting) frameworks, which may reduce net profits for cross-listed firms and impact dividend distributions (Tax Laws Amendment Bill, 2024). Additionally, the introduction of Advance Pricing Agreements (APAs) aims to enhance compliance transparency for companies with cross-border related-party transactions, many of which are listed or have foreign shareholding (van, Weigand& Kerckhaert,2024). Changes to withholding tax rules, particularly the 5 per cent tax on payments to non-resident suppliers by public entities, may raise operational costs for listed companies engaging offshore services. Furthermore, while the Bill repeals the Digital Services Tax, it replaces it with either a 30per cent tax on deemed profit or a 6 per cent turnover tax for non-resident digital firms, potentially affecting foreign tech companies operating in Kenya's digital financial space**.** Although there are no direct capital gains tax amendments, the cumulative compliance pressures may influence investor sentiment and corporate structuring.

The reviewed literature presents mixed findings on the influence of tax reforms on securities market performance. Many existing studies have largely relied on secondary data to examine this relationship, often focusing on contexts outside Kenya (Rao, 2000; Lawal, Somoye, Babajide & Nwanji, 2017; World Bank, 2019). These studies typically analyzed historical financial records and macroeconomic indicators to assess the broader impact of tax policy changes on market dynamics. However, there has been limited empirical research that specifically investigates the direct effects of tax reforms on the securities market in Kenya, particularly using firsthand accounts from market participants. The current study addresses this gap by employing primary data collected through structured questionnaires targeting a wide range of market stakeholders, including investors, stockbrokers, fund managers, investment advisors, and trustees (Njoki,2019; Ali, Fjeldstad & Sjursen, 2014). This approach allowed the study to gather in-depth insights into how tax reforms are perceived and experienced on the ground, offering a more context-specific and practical understanding of the reforms' influence on securities market performance. Unlike previous studies that were primarily descriptive or

econometric and based on archival data (Rao, 2000; OECD, 2020), this research provides a direct, evidence-based contribution to the literature by focusing on Kenya's capital market and capturing the views of those directly affected by policy shifts.

2.3.3 Investor Protection Reforms and Securities Market Performance

Hill, (2024)using comparative legal analysis across multiple countries, demonstrated that stronger investor protection laws are positively associated with securities market development. Their research employed empirical cross-country regression analysis to assess how legal origins and enforcement influence investor participation. Robust legal protections increase investor confidence by ensuring access to reliable financial information and managerial accountability, which encourages investment and facilitates capital formation. Conversely, weak protection discourages investment and undermines equity market growth. Rombouts (2017), through a qualitative analysis, further argued that investor trust is often conditional on whether financial firms align investor interests with their own. Following the financial crisis, investor confidence declined sharply as many investors faced unexpected risks especially those who had borrowed to invest highlighting the need for stronger regulatory safeguards AFC, 2016). Together, these studies emphasize the importance of legal enforcement in maintaining market stability and investor engagement.

Gianneti and Koskinen (2004) aimed to explore the protection of investors and the demand for equity. According to the research, investor protection has a positive effect on market participation. If the level of investor protection decreases, wealthy investors are incentivized to become controlling shareholders and receive a higher price for their shares, as they can earn additional profits by taking advantage of outside shareholders. Furthermore, the research revealed that portfolio investors in countries with low investor protection preferred to invest in foreign equity. Ultimately, this will deter domestic investors from engaging in the securities market. This means that with investor protection reforms, it is expected that investor participation in the securities market would be enhanced. The current study will focus on market participants to get insights and first-hand information by collecting qualitative data with a more robust analytical approach.

Hill, (2024) conducted a comprehensive literature-based analysis to explore how investor protection and corporate governance affect financial market outcomes across countries.

By reviewing empirical and theoretical studies, they highlighted substantial cross-country differences in securities market depth, ownership structures, firm financing, and dividend policies variations largely attributed to the strength of investor protection mechanisms for both shareholders and creditors. The study synthesized findings related to key market performance indicators such as trading volume, volatility, and investor confidence, concluding that enhanced legal protections significantly bolster market stability and participation. While the original study employed secondary sources and comparative analysis, the current research builds on this foundation by focusing specifically on Kenya. It utilizes primary data and empirical techniques to evaluate the direct influence of investor protection reforms on the performance of the Nairobi Securities Exchange, thereby providing localized, data-driven insights for financial policymakers and stakeholders.

A study by Jardak and Matoussi (2020) provided a comparison between the financial market regulations protecting minorities in the US and France. The research primarily concentrated on the disclosure rules related to ownership structure. The study identifies two possible disclosure policies that countries could follow: The European strategy, whose disclosure requirement focuses on ownership concentration, and the American strategy, which focuses on the investor's identity. According to the research, the disclosure of insider dealings did not influence the American financial market. However, in the French context, insider dealings significantly influenced the financial market, while ownership concentration was less of a concern. The research concludes that insider trading disclosure was more informative when compared to disclosure regulations on crossing investor thresholds. The research focused on a country-specific analysis, specifically investigating how investor protection reforms have influenced securities market performance in Kenya. By examining Kenya's unique context, the study sought to understand the direct effects of these reforms on market outcomes. This approach provided a detailed insight into how enhancements in investor protection can shape investor confidence, market liquidity, and overall market efficiency in the Kenyan securities market. Comparing these findings to previous comparative studies could further contextualize the results, highlighting both common trends and specific distinctions within the Kenyan setting.

Solaiman *et. al*., (2019) compared the investor protection reforms adopted in the primary exchanges of Australia and Bangladesh. The research reported that the regulations in

Bangladesh were weaker compared to the regulations in Australia. The research faults the weakness on a lack of regulatory authority to oversee the proper enforcement of the regulation, inexperienced and poor training among the regulators, the inability of the regulatory authority to seek compensation on behalf of shareholders and poor regulation on the lawyers and auditors who prepare defective IPOs for the public. The research suggests that for the investor protection regulation to be successful in achieving the desired goals, investors should be educated so that they too can protect themselves from the greed of the issuers of securities. This research was a comparative study however, the current research was country-specific and sought to examine the influence that investor protection reforms have had on the securities market performance in Kenya.

Milos and Milos (2019) found a positive link between investor protection reforms and securities market development in EU countries, relying mainly on secondary literature. However, a research gap exists as their findings may not apply to other regions with different regulatory contexts. A methodological gap also exists since the study did not use primary data, limiting practical insights. The current research addresses these gaps by collecting and analyzing primary data.

Mokua (2017) examined the impact of investor protection mechanisms on the performance of Kenya's stock market, particularly the Nairobi Securities Exchange (NSE). The study found that reforms such as stricter corporate governance standards and tighter regulation of market intermediaries enhanced investor confidence by reducing fraud and financial misconduct. The CMA played a key role by improving oversight and enforcing compliance, which promoted transparency and accountability. As a result, investor trust increased, attracting more local and foreign investment, boosting trading activity, and improving overall market performance. Moreover, the study pointed out that reducing instances of financial misconduct contributed to long-term market stability. When companies and intermediaries operate within a framework of fairness and accountability, the risk of sudden market disruptions caused by fraud or financial scandals decreases.

This stability encouraged long-term investment strategies, as investors perceived the NSE to be a more secure and predictable environment for investment. Mokua (2017) demonstrates that investor protection reforms, particularly those focused on corporate governance and the regulation of market intermediaries, have had a profound impact on the performance of the Nairobi Securities Exchange. Reducing risks and building

investor trust, these reforms have enhanced market participation, improved liquidity, and promoted a more stable and sustainable stock market environment in Kenya.Mwaniki (2018) carried out a thorough examination of how legal prohibitions on insider trading affect the Nairobi Securities Exchange. The research sought to understand how these regulations influence market behavior, particularly focusing on two key aspects: abnormal returns and stock price movements. Abnormal returns refer to the gains or losses on securities that exceed what would be expected based on overall market performance or the stock's historical trends.

Analyzing these returns, the study aimed to determine whether the enforcement of insider trading laws led to significant changes in the financial performance of stocks beyond what typical market fluctuations would suggest. Stock price movements, on the other hand, pertain to the fluctuations in stock prices over time. The study explored how these legal prohibitions might impact the volatility or stability of stock prices in the Nairobi securities exchange. The study in Kenya examined the effectiveness of legal measures against insider trading in reducing unfair advantages and contributing to a more transparent and equitable trading environment. The research used secondary data from 39 firms between 1998 and 2010, analyzing stock price movements before and after the enforcement of these regulations. The findings provide valuable insights into how regulatory frameworks affect market dynamics, particularly in emerging markets like Kenya, and shed light on the effectiveness of insider trading prohibitions in fostering a fairer and more efficient investment environment.

However, after the regulation, market volatility decreased, indicating that investors responded positively to the reform. The research concluded that the regulation reduced market volatility and abnormal market returns, resulting in greater efficiency in the securities market. This study used primary data and a regression model as analysis tools to investigate the influence of investor protection reforms on overall securities market performance. The reviewed literature predominantly relies on quantitative secondary data to examine the impact of investor protection reforms on the growth of securities markets. In contrast, this current research adopts a qualitative primary data approach, aiming to explore the influence of structural reforms on securities market performance specifically within the Kenyan context. This distinction is significant because it allows for a deeper understanding of the differences and complexities involved in how these reforms affect market dynamics in Kenya.

Muriuki's (2014) study investigated the impact of investor protection reforms on market liquidity at the Nairobi Securities Exchange (NSE), addressing a critical aspect of stock market functionality. The research focuses on several key reforms aimed at enhancing investor protection, including the establishment of a robust legal framework, the implementation of improved corporate governance standards, and the adoption of automated trading systems. The study emphasizes that a solid legal framework is essential for safeguarding investors' rights, thereby instilling confidence and encouraging greater market participation. Additionally, enhanced corporate governance standards foster transparency, accountability, and ethical conduct among listed companies, further increasing investor trust and creating a more active trading environment. The adoption of automated trading systems is highlighted as a significant factor in enhancing market liquidity, as these systems improve the speed and efficiency of trading processes, allowing for quicker execution of trades and reducing transaction costs.

The study findings indicate a substantial increase in market liquidity following the implementation of these reforms, demonstrating that the combination of a strong legal framework, robust corporate governance, and automation has made the NSE a more attractive destination for both local and international investors. This increased participation, particularly from foreign investors, not only brings additional capital and expertise into the market but also enhances overall depth and diversity, leading to more stable and resilient trading conditions. Ultimately, the study provides compelling evidence that investor protection reforms play a vital role in significantly enhancing market liquidity at the NSE, reflecting a higher level of investor confidence essential for the long-term sustainability and growth of the securities market in Kenya.

Moreover, the fact that many of the reviewed studies took place in different countries makes it challenging to generalize their findings to the Kenyan context. Each country's regulatory framework, market characteristics, and economic conditions can significantly influence the effectiveness of investor protection measures. Therefore, tailoring research specifically to Kenya is crucial to generating relevant insights and recommendations. Additionally, the existing studies have produced mixed results regarding the influence of structural reforms on securities market performance in Kenya. This inconsistency underscores the need for further study. Utilizing qualitative primary data, this research aims to fill gaps in the literature and provide a more cohesive understanding of how structural reforms shape the securities market in Kenya. Ultimately, the findings could

inform policymakers and stakeholders aiming to enhance the performance and integrity of the Kenyan securities market.

2.3.4 Foreign Investor Participation Reforms and Securities Market Performance

Foreign investor participation reforms aim to enhance capital inflows by increasing the share of securities traded by foreign investors, typically measured as a percentage of total market turnover (CMA, 2018). Rajapakse (2018) explored the causal link between foreign direct investment (FDI) and the securities market in Sri Lanka using co-integration and Vector Auto-Regression (VAR) techniques. Drawing on secondary data from 1994 to 2017, the study established both short- and long-term relationships, revealing that a well-developed securities market attracts higher levels of foreign investment. These findings underscore the importance of deepening capital markets to promote international investor confidence. However, Rajapakse's study was context-specific to Sri Lanka and relied entirely on historical secondary data. In contrast, the current study focuses on Kenya, applying primary data collection to assess the impact of recent foreign investor reforms such as ownership cap adjustments and market infrastructure enhancements on securities market performance and stability, thereby validating and extending earlier international findings in a local context.

Arcabic, Globan and Raguz (2013) investigated the long-term relationship between foreign direct investment (FDI) and the development of the securities market in Croatia. Their findings indicated a significant long-term relationship between FDI and market development. Utilizing a Vector Auto regression (VAR) model to analyze short-term dynamics, the study observed a positive association between the variables. While their research was conducted in a developed country context, a similar study was carried out in Kenya. In another study, Adam and Tweneboah (2009) conducted a study that combined secondary and primary data to explore the role of stock market development in attracting foreign direct investment (FDI). They employed a descriptive research design to provide a comprehensive overview of the relationship between stock market development and FDI. Secondary data, which included existing economic and financial information, was used to understand broader trends and establish a baseline for the analysis. To complement this, primary data was collected directly from market players, such as investors and financial professionals, to gain firsthand insights into the impact of foreign investor participation reforms.

This primary data was subjected to regression analysis to quantify the effects of these reforms on the performance of Kenya's securities market. The study aimed to measure how specific reforms designed to enhance foreign investor participation influenced market dynamics and overall performance, offering valuable insights into the effectiveness of such policies. Abubakar and Danladi (2018) investigated the impact of foreign direct investment (FDI) on the development of the Nigerian securities market. They utilized annual secondary data spanning from 1981 to 2016 for their analysis. The study found that while FDI had a positive influence on the development of Nigeria's securities market, this effect was statistically insignificant. In contrast, the research revealed that the exchange rate and gross domestic savings had strong and significant effects on market development. In this study focusing on Kenya, the approach diverged by using primary data to examine how reforms aimed at increasing foreign investor participation influence the securities market's performance. This research involved collecting data directly from market participants to understand how specific reforms influence market dynamics and performance, providing a more tailored analysis of the Kenyan situation.

The effect of foreign direct investment (FDI) on the performance of the Nigerian Stock Exchange was examined by Omodero and Ekwe (2017) using secondary data analyzed through multiple regression and least squares estimation techniques. The study assessed the relationship between FDI inflows and key stock market indicators over several years. Contrary to common assumptions, the results revealed a negative relationship between FDI and market performance, suggesting that foreign investment did not necessarily enhance the Nigerian securities market. These findings challenge the presumed uniform benefits of foreign investor participation and highlight the need to understand local structural and institutional contexts. Unlike this study, which relied on macro-level data and focused on Nigeria, the current research draws on primary data to evaluate the outcomes of recent foreign investor reforms on market performance in Kenya, thereby addressing the contextual differences and contributing localized insights to the broader discourse.

The impact of foreign capital on the performance of the Nigerian Securities Market was investigated by Omorokunwa (2018) using the Vector Error Correction Model (VECM. The study aimed to determine whether a causal relationship exists between foreign capital inflows and stock market performance, utilizing the Granger causality test.

Secondary data spanning from 1986 to 2016 were analyzed. The findings revealed that the influence of foreign capital inflows on various facets of the stock market was mixed. Specifically, the research highlighted that the effects of such inflows typically emerge over an extended period. Consequently, the study recommends that policy measures should be proactive, focusing on leveraging foreign capital to support technological advancements, improve administrative processes, and foster the long-term development of the market. The research centered on foreign investor reforms and their relationship with the performance of the securities market in Nigeria. However, the study did not assess the role of regulatory quality in moderating the impact of foreign capital, nor did it explore the sector-specific effects of such inflows. Additionally, the use of data up to 2016 limits the relevance of the findings in light of recent global financial developments, while the absence of comparative analysis with other emerging markets restricts the broader applicability of the conclusions.

According to the NSE (2018), foreign investor participation in the securities market in Kenya increased from 44.19 per centin the year 2013 to 48.421per cent in the year 2014. By the year 2015, the proportion of foreign investor participation stood at 58 per cent, in 2016, it grew to 64 per cent and in 2018, the foreign investor participation rate stood at 75per cent. In April 2024, foreign investors made up 60.31 per cent of activity on the Nairobi Securities Exchange (NSE), up from 59.04 per cent in the fourth quarter of 2023. That month, they bought a net total of Sh820 million in NSE stocks. Oirere (2020) explains that the increase in foreign investor participation can be attributed to the structural reforms that came with regulations, good commercial practices and improved reporting and quotation requirements, which have boosted the confidence of foreign investors and attracted them to the domestic markets. He further notes that foreign investors are attracted by the need to diversify their investments to take advantage of the high returns attainable in emerging markets.

In the Kenyan context, Owino (2021) sought to establish the effect of structural reforms on the microstructure performance of the Nairobi Securities Market. The study targeted all 63 companies listed on the exchange, providing comprehensive insights into how regulatory and institutional reforms influence market dynamics. Secondary panel data on share prices, market index, annual gross domestic product values and number of CDS accounts opened for the period 2004-2017. The study examined key metrics such as market capitalization, market turnover, standard deviation, and abnormal returns to

evaluate the impact of various reforms on the microstructure performance of the securities market. An explanatory research design was employed to investigate these relationships, with multiple regression analysis used to quantify the effects of reforms on market performance. The findings revealed that foreign investor participation did not have a significant impact on the microstructure performance of the securities exchange.

This suggests that, contrary to some expectations, the presence of foreign investors did not substantially influence the underlying operational characteristics of the market, such as liquidity, volatility, or overall market efficiency. While the analysis covered a broad range of market reforms including foreign investor participation, demutualization, and dematerialization of securities and further extended to tax reforms, investor protection reforms, technology adoption, and governance reforms, several gaps in the existing literature remain evident. First, most prior studies have tended to examine these reforms in isolation, thereby failing to capture the synergistic or overlapping effects of multiple concurrent reforms on securities market performance. Secondly, much of the available literature relies predominantly on secondary data and archival sources, which, while useful, do not fully reflect the real-time perceptions and experiences of active market participants. There is therefore a limited understanding of how these reforms are interpreted and experienced by key stakeholders such as investors, regulators, brokers, and listed firms.

To address these gaps, the current study adopted a comprehensive approach by evaluating both the individual and collective effects of selected reforms, and by incorporating primary data drawn from direct engagement with market actors. This approach offers a more grounded and contextualized perspective on reform outcomes within Kenya's securities market. (Owino,2021). Ochenge, Ngugi and Muriu (2020) established the links between aggregate foreign equity inflows and aggregate liquidity of the securities market, the research was looking at the securities market in Kenya. Data obtained from foreign transactional trading, Secondary data was used and was collected in the period 2011-2018. The research employed vector auto regression in analyzing data. The results showed a causal link between foreign equity inflow on liquidity of the market. The research concluded that foreign investor participation enhanced liquidity in the securities markets. The research supported the move by the market regulator to encourage foreign investor participation by allowing foreign investors to purchase up to 100 per centof any securities traded in the securities market.

The research utilized primary data, which involved gathering insights directly from market participants, including representatives from listed firms. This approach provided a firsthand perspective on the impact of various reforms and allowed for a more comprehensive analysis of their effects on the securities market performance. Osoro, Simiyu and Omagwa (2020) investigated the impact of foreign capital inflows on stock market capitalization at the Nairobi Securities Market. The study employed a causal research design and utilized time series analysis, analyzing secondary data from 2008 to 2018 obtained from listed firms. Data presentation included inferential statistics and correlation analysis, with the Autoregressive Distributed Lag (ARDL) model used for data analysis. The findings revealed that different types of foreign capital inflows had varying effects on market performance. The research specifically identified that foreign direct investment and foreign equity capital hurt securities market capitalization. Although foreign capital inflows were found to have significant positive effects on market capitalization in the short term, the overall effect over the longer term was negative.

This implies that while initial foreign investments may boost market capitalization temporarily, their long-term influence tends to diminish or become detrimental to market capitalization. This study finding highlights the complexity of foreign capital's impact on market dynamics, suggesting that the benefits of foreign investment may not be sustained over extended periods. The study recommends enhancing government policies on foreign investment to focus more on productive foreign inflows, which could potentially mitigate the adverse long-term effects on market capitalization. Makeni (2018) investigated the impact of foreign direct investment on stock market returns at the Nairobi Securities Exchange. Using a descriptive research design, the study analyzed secondary data from the Nairobi Securities Exchange, the International Monetary Fund, and the Central Bank of Kenya. The data covered the NSE 20 share index, foreign direct investment, inflation, money supply, and GDP from 2002 to 2017.

Correlation and regression analyses were conducted to explore causal relationships among these variables. The findings indicated thatforeign direct investment had a positive but statistically insignificant effect on stock market returns. In contrast, the current research utilized primary data to examine the influence of foreign investor participation reforms on securities market performance. Studies reviewed have reported mixed findings as to the influence of foreign investor participation reforms on the

Securities market performance. While some studies report positive effects of the reforms on market performance, some studies find a negative influence of foreign investor participation reforms on the securities market performance. In addition, all the studies reviewed have used secondary data in analyzing the relationship between the variables. This research used primary data where the opinions of the market players regarding the influence that structural reforms have on securities market performance in Kenya were established.

Kiptoo's (2020) study, examined the relationship between foreign portfolio investment (FPI) and market performance at the Nairobi Securities Exchange. Using a quantitative research design, the study collected secondary data from sources such as the Central Bank of Kenya and the Capital Markets Authority over a significant period to analyze trends and impacts. Key metrics analyzed included FPI inflows, trading volumes, and stock price movements. The research employed regression analysis to quantify the relationship between FPI and market performance indicators, effectively isolating the effects of foreign investment from other influencing factors. The findings revealed that FPI positively influenced market liquidity, as evidenced by increased trading volumes and reduced bid-ask spreads, which facilitated easier trade execution. Additionally, the study found that FPI improved price discovery, leading to more accurate stock valuations and reduced-price volatility.

The study also emphasized the critical role of regulatory reforms, such as easing foreign ownership restrictions and enhancing market transparency, in attracting foreign portfolio investors to the NSE. Overall, the study underscores the significant contributions of FPI to enhancing market liquidity and performance, highlighting the importance of a supportive regulatory environment for the continued growth of Kenya's securities market. This study used primary data and explanatory research design and analyzed data to establish the influence of foreign investor participation reforms and securities market performance.

2.3.5 Governance Reforms and Securities Market Performance

Hasan, Ahsan, and Rahaman (2013) used a qualitative case study approach to examine how public and institutional pressure prompted the Capital Markets Authority to improve governance standards for transparency and fairness. Murungi (2017), using a descriptive design and document analysis, explored how demutualization changing exchange

ownership from private to public enhanced flexibility and competitiveness. While both relied on secondary data, the current study uses a mixed-methods approach with primary data to assess how governance reforms, particularly ownership and management changes, impact Kenya's securities market performance.

The governance reforms at the Nairobi Securities Exchange were based on the assumption that demutualization would improve market performance by making it more competitive and thereby attracting more investors (NSE, 2014). The primary motivation for demutualization in stock markets is to enhance governance and operational efficiency, which, in turn, aims to increase capital formation. By transitioning from a mutual organization to a for-profit entity, the reforms were designed to better align the interests of the exchange with those of its stakeholders, leading to more effective market operations and improved overall performance. Governance is improved as the management has greater independence and becomes more efficient. As a result, decision-making becomes faster and therefore organizations adapt easily to changes in the competitive environment leading to better performance (WFE 2005, 2006).

The relationship between corporate governance reforms and firm value has been explored through cross-country analyses. One such study examined the effects of investor protection reforms aimed at safeguarding minority shareholders, using secondary data from 65 countries between 2005 and 2018 (Burunciuc & Gonenc, 2020). Firm value was measured using Tobin's Q, and the impact of reforms was analyzed through multiple regression techniques. The results revealed that countries implementing such reforms experienced significantly higher firm values compared to those that did not. Additionally, the study found that the positive relationship between investor protection and firm value was moderated by the level of competitive advantage, and that civil law countries reported higher firm values due to rule-based reform strategies and more liberal debt enforcement mechanisms. However, the study's global scope meant it lacked nation-specific insights, and certain countries were excluded from the regressions due to data limitations. This highlights the need for more focused, country-level analyses that can account for unique institutional and regulatory contexts.

The effects of demutualization on stock market performance have been examined predominantly in the context of developed economies. For instance, one study using secondary data from the World Federation of Exchanges applied the Wilcoxon signed-rank test to compare market performance five years before and after demutualization,

reporting significant improvements in performance (Zulfiqar, 2014). Similarly, another investigation found that while demutualization led to improved market liquidity, it also resulted in diminished financial reporting quality due to reduced regulatory oversight (Huang et al., 2020). Both studies relied on secondary data and focused primarily on mature financial markets with well-established institutional frameworks. However, limited attention has been given to how demutualization affects stock market performance in developing economies, where institutional, regulatory, and market structures differ significantly. This study addresses this gap by focusing on Kenya, a developing market, and employs primary data to assess the impact of demutualization on securities market performance within a context characterized by emerging regulatory frameworks and evolving market institutions.

Ihsan, Nadeem, Afeef and Haider (2018) used correlation analysis and secondary data to examine the performance of the Karachi KSE 100 Index before and after demutualization. The study found an increase in trading volumes, negligible stock return gains, and a decline in market capitalization indicating mixed effects of demutualization. Similarly, Serifsoy (2008) employed panel data from 28 stock exchanges to assess the impact of ownership structures on operational efficiency. The results showed that demutualized exchanges had greater technical efficiency than mutual ones, but no consistent improvement in productivity for listed firms. While these studies focused on structural ownership changes, the current research in Kenya expands the scope to include managerial governance reforms and uses primary data to capture stakeholders' views on their influence on securities market performance.

The effects of demutualization on securities exchange performance have also been explored in terms of financial outcomes and market liquidity. One study examined 11 stock exchanges that underwent demutualization between 1996 and 2008, analyzing the impact on financial performance and shareholder value (Azzam, 2010). The findings indicated that demutualization positively influenced overall market liquidity, enhancing the ease with which assets could be traded without significantly affecting their prices. Moreover, the transition from a mutual (privately owned) to a demutualized (publicly traded) structure was associated with increased exchange value and benefits to shareholders. The study employed primary data and a range of analytical methods to assess these outcomes. While these findings underscore the financial advantages of demutualization, the study's focus on a limited number of exchanges and its broad

temporal scope highlight the need for more recent and context-specific investigations, particularly within developing economies.

Owino (2021) sought to establish the effect that structural reforms have on the microstructure performance in the securities market. The Research targeted all the 63 companies listed in the securities exchange. Secondary panel data on share prices, market index, annual gross domestic product values and number of CDS accounts opened for the period 2004-2017.Explanatory research design and multiple regression analysis were performed in analyzing the effects of the reforms on the microstructure performance. The research reported that demutualization at the securities exchange positively influenced the stock market performance. The observed increase in market liquidity and efficiency was linked to the effects of ownership concentration and composition on microstructure performance at the securities exchange. Specifically, ownership concentration was associated with improved microstructure performance, while ownership composition was related to a decline in performance. The reviewed research concentrated on just two governance aspects: ownership concentration and ownership composition.

In contrast, the current research examines a broader range of corporate governance factors, including management structure, to analyze the influence of governance reforms on securities market performance in Kenya. The consequences of demutualization on the NSE's non-financial performance, investor confidence in the NSE, and financial performance were all researched by Kinyuah and Murungi (2017). The research applied a descriptive research approach and aimed to determine the effects both before and after demutualization. The findings showed an important link between demutualization and listing, earnings, market capitalization, and financial performance. Further, the research established that demutualization enhanced the non-financial aspect of the securities exchange. Generally, demutualization did not improve the efficiency of management at the securities exchange. This suggests that mere changes to the ownership structure may not result in overall managerial efficiency. This research analyzed both the ownership and management structure as constructs in analyzing the effects on the Securities market performance in Kenya.

Similarly, Nzuki (2021) conducted an empirical study to assess the impact of corporate governance practices on the performance of firms listed on the Nairobi Securities Exchange (NSE). Using a quantitative research design, the study employed stratified

sampling to ensure sectoral representation and obtained data from annual reports, NSE databases, and the Capital Markets Authority. The findings provided valuable insights into how governance structures influence firm performance within Kenya's securities market. Corporate governance was measured using indicators such as board independence, ownership concentration, disclosure quality, and shareholder rights, while market performance was assessed through stock price movements, trading volumes, and market capitalization. Through multiple regression analysis, the study found a significant positive relationship between governance quality and securities market performance. Specifically, firms with stronger governance frameworks such as independent boards and robust disclosure practices tended to perform better on the NSE. These findings highlight the role of corporate governance in fostering investor trust and enhancing market efficiency, reinforcing the importance of ongoing governance reforms in capital market development.

Ali (2012) examined the impact of demutualization on the performance of investment firms and financial institutions listed on the Nairobi Securities Exchange using a descriptive research design and event study methodology. Regression analysis and inferential statistics were employed to assess relationships among variables. The findings revealed that demutualization led to improved return on equity but was associated with a decline in the market price-to-book value ratio, indicating varying effects across different performance indicators. While the study focused on ownership-related outcomes, it highlighted the need for broader research on governance reforms. Addressing this gap, the current study expands the scope by including both ownership and managerial structures and utilizes primary data to capture stakeholders' perspectives on how governance reforms influence securities market performance in Kenya.

2.3.6 Macro-Economic Conditions and Securities Market Performance

Macroeconomic factors such as interest rates, inflation, and monetary policy play a critical role in shaping securities market performance. Reilly (1997) highlighted that restrictive monetary policies raise interest rates, limiting investment, while inflation creates disparities between real and nominal returns, negatively affecting investor behavior. Recent empirical studies (Kumar, Jain, & Singh,2021); Marisetty, 2025) using secondary data and econometric techniques confirm the adverse impact of inflation and interest rates on stock market performance. However, these studies primarily utilize

secondary data, lacking insights from market participants' real-time experiences. This methodological gap justifies the present study's use of primary data to better understand how macroeconomic reforms influence securities market dynamics in Kenya.

Garthika and Rajapakse (2018) examined the impact of macroeconomic variables on the performance of the securities market in Sri Lanka. They collected secondary data quarterly from 2004 to 2016, measuring market performance using the All-Share Index and market capitalization. The study employed the Vector Error Correction Model(VECM), Johansen co-integration test, and Ranger causality tests used for data analysis, revealing a positive relationship between macroeconomic factors and stock market performance. Additionally, Fang and Miller (2002) examined how daily currency depreciation affected market returns in the Korean securities market. Fang and Miller (2002) found that currency depreciation significantly impacts securities market performance. A decline in the exchange rate negatively affected the stock market, while increased volatility in exchange rate depreciation was associated with higher market returns and greater volatility.

Rakhal (2018) conducted a comprehensive literature analysis on the effects of macroeconomic variables money supply, exchange rates, and remittances on securities market performance. The study found that increased money supply and remittances positively impact market performance by enhancing liquidity and investment capacity. Conversely, higher interest rates and volatile exchange rates negatively affect stock market performance by raising borrowing costs and increasing investment risks. Rakhal also noted inconsistencies in existing research findings, highlighting the complex and context-dependent nature of these relationships and emphasizing the need for further empirical studies to better understand how macroeconomic factors influence securities markets.

Khalid (2017) investigated the short- and long-term effects of exchange rates and interest rates on stock market capitalization in Pakistan using a panel dataset from 1990 to 2017. The study applied econometric methods including the Error Correction Model, Johansen cointegration, and variance decomposition analysis. Results revealed a significant negative impact of interest rates on market capitalization, with a 1per cent rise in interest rates leading to a 0.25 per cent decline in market capitalization, likely due to higher borrowing costs reducing investment and liquidity. Conversely, a 1per centincrease in exchange rates was associated with a 2.58 per centincrease in market capitalization,

suggesting that currency appreciation boosts investor confidence and foreign investment. Findings highlight the vital influence of these macroeconomic variables on securities market performance, offering useful insights for policymakers and investors.

Dilawer, Aziz and Sadder-Ud-Din (2022) explored the relationship between microeconomic factors and securities market returns, considering all factors influencing the securities market and collecting secondary data, Time series analysis to establish a trend was used, data was collected for the years 1960 to 2020. The results of Khalid's (2017) study revealed a long-term relationship between macroeconomic conditions and securities market returns. Specifically, the research found that interest rates, exchange rates, inflation, and unemployment had significant and negative effects on securities market returns over time. However, inflation showed a negative but insignificant relationship with securities market returns. Additionally, the study identified that only GDP as a variable that affects securities market performance.

Setiawanta, Utomo, Ghozali and Jumanto (2020) examined how exchange rates influence the relationship between financial performance and firm value among 50 Indonesian public companies over four years. Using Eviews econometric software, the study found that exchange rate fluctuations significantly affect this relationship by impacting investors' interests, particularly through effects on firms' profitability and capital structures, as changes in exchange rates alter import and export costs. The research also incorporated microeconomic conditions as moderating variables, offering a more detailed understanding of how firm-specific factors interact with exchange rate dynamics to shape market behavior. By using primary data, the study provided nuanced insights into the combined effects of macroeconomic and microeconomic factors on firm performance and market valuation, highlighting the complexity of investment decision-making in fluctuating economic environments.

Ejikeme(2017) explored the relationship between macroeconomic factors and the performance of Nigeria's capital market, considering variables such as interest rates, inflation rates, GDP, and exchange rates. The study used secondary data spanning from 1986 to 2009. The findings showed that increasing inflation negatively affected capital market performance, having a significant impact on the All-Share Index but a minimal effect on market capitalization. Real gross domestic product was found to have positive effects on the performance of the securities market. The foreign exchange rate shows no significant relationship with the securities market performance. This research considered

the inflation rate, exchange rate and interest rates as microeconomic factors. In addition, Giannarakis, Grigoris and Sarannidis (2014) looked at how the DJS and DJW 5000 indexes were affected by several macroeconomic factors. The results of the research demonstrated that FOREX volatility had a detrimental effect on returns on the securities market. In a similar vein, the analysis demonstrated that variations in crude oil returns harmed securities market returns.

Bala Sani and Hassan (2018) examined the relationship between exchange rates and Nigerian stock market performance using panel data from 1985 to 2015. The study employed Granger Causality tests and the Autoregressive Distributed Lag model for data analysis. The findings revealed a positive and significant association between the stock market performance and exchange rates with economic growth in Nigeria. Additionally, the analysis identified a one-way causal relationship, indicating that the stock market influences exchange rates but not vice versa. The research also discovered that money supplies significantly and negatively affected the stock market. The research recommends the need for effective implementation of the monetary policy and harmonization with fiscal policies to ensure that the exchange rate is stable as it affects the whole system including the stock market.

Kamande (2015) investigated the relationship between market returns and macroeconomic factors at the Nairobi securities exchange, focusing on four variables: oil prices, government spending, inflation, and foreign exchange rates. The research found a long-term correlation between stock market returns and these macroeconomic factors. Specifically, the study identified a unidirectional relationship between the exchange rate and stock market returns, as well as between stock market returns and inflation rates. Additionally, the research highlighted that stock volatility was significantly influenced by shocks to the macroeconomic variables examined. Notably, the exchange rate was found to have a significant impact on the volatility of stock returns in the securities market. Many of the reviewed studies have focused on the influence of macroeconomic factors on securities market performance, with a broad international scope. The literature shows that researchers have explored various macroeconomic indicators, including real interest rates, GDP, foreign exchange rates, inflation rates, unemployment, Treasury bills, and money supply, among others.

These studies have produced mixed results regarding the impact of these variables on different aspects of securities market performance. Some studies have found positive

effects, while others have reported negative effects. The variations in results across past studies often depend on the specific macroeconomic factors analyzed and the context in which the research was conducted.

2.3.7 Securities Market Performance

Securities market performance is measured using various indicators, with different studies adopting diverse approaches. Nyasha and Odhiambo (2014) proposed that key metrics such as stock turnover ratio, market capitalization, and total value of stocks traded effectively explain the performance of Kenya's securities market. Similarly, Ihsan, Hameed, and Ibrahim (2018) assessed the impact of demutualization on the Karachi Securities Market using indicators like the KSE 100 Index, trading volume, market capitalization, and traded value. Market capitalization can also be expressed as the ratio of the total value of listed ordinary shares to GDP, serving as a measure of market size. High trading activity, reflected in fluctuations in share prices and new market issues, often signals increased investment interest (Nyasha & Odhiambo, 2014). Gardner et al. (2017) further supported the use of market capitalization as a performance indicator by demonstrating its close association with ICT expansion, highlighting its relevance in measuring securities market performance.

However, there exists a research gap as existing studies vary widely in the choice of indicators and are context-specific, lacking a universally accepted framework for measuring securities market performance across different economies. There is also limited integration of macroeconomic or institutional variables that may influence market performance. Methodologically, most studies rely on descriptive analysis or limited econometric techniques, lacking robust multivariate or longitudinal approaches that could uncover causal relationships and dynamic interactions over time.

Owino (2021) while seeking to establish the effect that structural reforms. To assess microstructure performance at the Nairobi Securities Market, the research employed market capitalization and market turnover as primary indicators. Market capitalization, which denotes the total value of all listed companies' shares on the exchange, serves as a gauge of the market's overall size and value. A higher market capitalization suggests a larger and more valuable market. Market turnover, on the other hand, measures the total volume of shares traded over a specific period, indicating the market's liquidity and the ease with which assets can be bought or sold. By analyzing these indicators, the research

aimed to evaluate the efficiency and activity of the securities market, providing insights into both its financial scale and trading dynamics. Market liquidity is also used as an indicator of market performance. Little trading activity implies low levels of liquidity in the market.

Huang et al. (2020) examined the impact of transitioning from mutually owned to demutualized operating structures on securities market performance, using market liquidity and transparency as key performance indicators. Similarly, Ochenge, Ngugi and Muriu (2020) focused on market liquidity to analyze the effect of aggregate foreign equity inflows on the Nairobi Securities Exchange's performance. Otuke (2006) highlighted market turnover as a critical performance measure, assessing it through daily share inflows and outflows to capture market activity fluctuations. Arezki et al. (2021) studied the influence of technology adoption on securities market performance within the telecommunications industry post-liberalization, using stock returns as a primary indicator to reflect investor gains or losses and market responsiveness to technological changes. Additionally, Stephen et al. (2013) evaluated the efficiency of the Nairobi Securities Market by employing market volume and volatility as measures of performance. Collectively, these studies demonstrate the diverse indicators used to capture various dimensions of securities market performance, ranging from liquidity and turnover to stock returns and market volatility.

Okumu (2013) reviewed the literature on stock volume before and after the automation of the Nairobi Securities Exchange (NSE), using stock volume as a measure of stock market performance. In addition to stock volume, stock price volatility is another important indicator of securities market performance. Mwaniki (2018) examined the effects of insider trading prohibitions on the Nairobi Securities Exchange, using stock return volatility as a measure of market performance. Onyuma (2020) explored the impact of market automation on adaptive efficiency at the securities exchange. The study employed a longitudinal research design and analyzed secondary data on share prices and market indices from 1994 to 2019. Non-parametric tests were used to assess market efficiency both before and after the implementation of automation. Theresearch's findings revealed that market automation resulted in improved market efficiency since the market returns became more random post-automation. The research also found that automation positively impacted the price delivery process and that higher volatility was observed after automation.

The NSE 20 Index is a key benchmark used to measure overall securities market performance by aggregating total market returns, allowing comparison of individual portfolio returns to the market average (CMA, 2022). To examine the impact of structural reforms on Kenya's securities market, the study used primary data and evaluated market performance through indicators such as market capitalization, liquidity, share price volatility, and market turnover. Market capitalization reflects the total value of outstanding shares and signals market size and investor confidence. Market liquidity measures how easily securities can be traded without price disruption, indicating market health. Share price volatility gauges' price fluctuations, with moderate volatility showing activity but excessive levels indicating instability. Market turnover captures trading volume, representing investor engagement and market efficiency. These indicators collectively provide a comprehensive assessment of how reforms have influenced market dynamics and performance in Kenya.

Between 2006 and 2025, Kenya's securities market experienced significant growth in market capitalization, particularly up to 2014, supported by economic expansion and investor confidence. However, performance was disrupted by global financial shocks, political instability, and foreign capital outflows. While share price volatility declined over time, indicating improved stability, market liquidity and turnover remained consistently low due to structural inefficiencies and a narrow investor base. Although the market hit a record capitalization of KES 2.84 trillion in 2021, it declined sharply to KES 1.4 trillion in 2023 before partially recovering to KES 1.97 trillion in 2025. The market's long-term development depends on addressing these structural challenges and enhancing financial inclusivity. (CMA,2021). This approach underscores the importance of using comprehensive metrics to evaluate market performance and inform investment strategies in the evolving landscape of the Kenyan securities market.

2.3.8 Capital Market Regulations

Capital market regulations are widely recognized as essential instruments for promoting market efficiency, transparency, investor protection, and financial system stability. Empirical research across global markets underscores the role of sound regulatory frameworks in enhancing market performance and fostering investor confidence. Bekaert, Harvey and Lundblad (2007) found that regulatory liberalization and improved investor protection significantly contributed to equity market growth and liquidity in 30

emerging economies. In a related study, Aitken and Comerton-Forde (2005) demonstrated that enhanced market surveillance and strict enforcement mechanisms effectively curtailed insider trading within the Australian Securities Exchange. These findings reinforce the argument that effective regulation particularly when supported by strong institutional enforcement can positively influence trading behavior, mitigate systemic risks, and support the long-term integrity of capital markets (IOSCO, 2021; La Porta et al., 2006).

However, there exists a research gap as many existing studies focus on developed or more advanced emerging markets, with limited empirical evidence from lower-tier developing markets, especially in the African context. There is also a gap in exploring the differential impact of specific regulatory components, such as enforcement strength versus rule formulation, on market performance. Methodologically, most studies rely on cross-country regression models or aggregate indices, with limited use of longitudinal, case-specific, or mixed-methods approaches that would allow for a deeper understanding of causal links between regulation and market outcomes. Additionally, few studies triangulate regulatory data with market behavior and institutional quality metrics, leading to a gap in comprehensive analysis.

Within the Kenyan context, the Capital Markets Authority (CMA) has implemented a series of reforms aimed at aligning the Nairobi Securities Exchange (NSE) with international regulatory standards. These initiatives have included the introduction of corporate governance codes, enhanced disclosure requirements, and the transition to risk-based supervision frameworks (Okumu, 2013; Sang, 2019). The demutualization of the NSE in 2014 and the deployment of automated trading platforms and real-time surveillance systems have further enhanced operational efficiency and transparency. Mohammed (2020) observed that these regulatory reforms led to increased investor participation and a reduction in transaction turnaround times. Nonetheless, the empirical outcomes remain mixed. While Wagacha (2011) reported improvements in regulatory oversight and market efficiency, Okumu (2013) argued that such technological advancements alone were insufficient to boost trading volumes, implying the need for integrated institutional and market development strategies to achieve meaningful impact.

Despite these regulatory advancements, a significant methodological gap is evident across both global and local empirical studies. Much of the existing literature relies heavily on descriptive and correlational research designs, typically utilizing secondary

data from market reports, regulatory disclosures, or financial statistics (Bekaert et al., 2007; Mohammed, 2020). While these studies offer valuable descriptive insights, they often lack the analytical depth required to establish causal inferences between specific regulatory interventions and market performance outcomes. Few studies have adopted advanced empirical methodologies such as longitudinal panel data analysis, event studies, or quasi-experimental designs like the difference-in-differences approach. Such robust methods are critical for capturing lagged effects and isolating the true impact of regulatory reforms (Kiyota et al., 2021). The absence of these approaches limits the reliability and applicability of findings in shaping evidence-based regulatory policies.

In addition to methodological constraints, a clear geographical and contextual gap exists within the current body of literature. Globally, capital market regulation studies are predominantly focused on mature financial markets in North America, Europe, and parts of Asia, with limited empirical coverage of sub-Saharan African contexts outside of South Africa. In Kenya, research has primarily concentrated on the NSE and national-level reforms, often neglecting the differentiated regulatory effects across regional markets, county-level investment initiatives, and informal financial systems and chamas (Ouma, 2017; Sang, 2019). Moreover, there is a notable lack of comparative studies between Kenya and other African markets, such as Nigeria, Ghana, and Rwanda, which limits cross-learning and benchmarking opportunities. Addressing these gaps is crucial for generating more inclusive, contextually relevant, and policy-oriented insights that can inform the effective design and implementation of capital market regulations in emerging economies.

2.4 Conceptual Framework

A model that distinctly illustrates the relationship between variables is called a conceptual framework (Mugenda & Mugenda, 2003). This research's conceptual approach emphasizes the connection between the independent and dependent variables. Structural reforms were independent variables and it was measured using technology adoption reforms, tax reforms, investor protection reforms, foreign investor participation reforms and governance reforms while the dependent variable was securities market performance in Kenya. The macroeconomic conditions were the moderating variable. The conceptual framework (Figure 2.1) was significant as it addresses five key influences: Conceptual, empirical, and contextual literature guided the development of the operational indicators

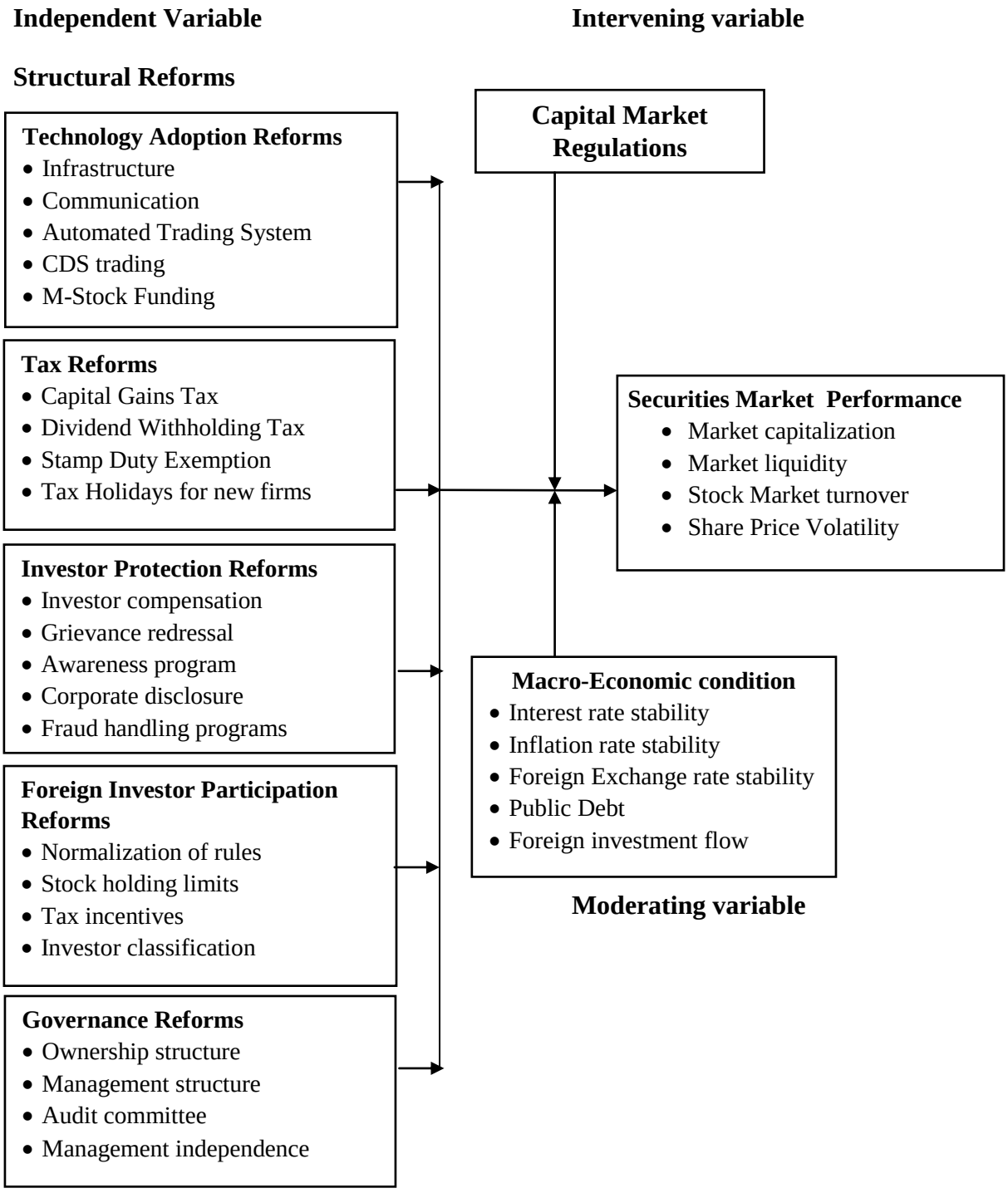

Figure 2.1: Conceptual Framework of the Research

Source: Own Conceptualization from Literature (2025)

Technology adoption reforms have made it possible for communication, automatic trading, the central depository system, M-stocking online trading, and mobile trading to be put in place. These changes have sped up the investment process, made it safer to invest in securities, and cut down on fraud and risk exposures. This led to more market confidence in securities trading and thereby improved market turnover traded values;

therefore, technology adoption reforms positively influenced securities market performance. Tax reforms, which have led to changes in capital gains tax, reviews in dividend withholding tax, and stamp duty exemption, have attracted more market participants, and cross-border investment in the securities market has generally improved. Investors' confidence was improved because of certainty in the existing tax regime, and this reform influenced securities market performance positively.

The implementation of investor protection reforms, including measures such as investor compensation, grievance redressal, awareness programs, corporate disclosure, and fraud handling programs, has attracted more investors to the securities market, boosted investor confidence, and generally improved market performance. This reform has also positively influenced the performance of investors in the securities market, ultimately leading to an improvement in market turnover. Foreign investor protection reforms have led to the normalization of rules, stock holding limits, tax incentives, and investor classification; this has attracted foreign investors in the local securities market, and it is also expected to attract more foreigners in the securities market, both individual and cooperative. In this research, these are the sub-variables that were measured, and they positively influence securities market performance in Kenya.

Governance reforms have led to ownership structure, management structure, audit committee, and management independence. With this reform, investors have been attracted to invest in the securities market, and therefore this has led to improved performance of the securities market in the long run. It has also influenced market confidence positively. The research variable securities market performance was measured in terms of share price volatility, market capitalization, market liquidity, and stock market turnover. The research considered macroeconomic condition constructs, interest rate, inflation rate and exchange rate in determining the moderating role of macroeconomic conditions on the influence between structural reforms and the securities market performance in Kenya.

The researcher suspected that intervening capital market regulations might have an impact on the relationship between the studied variables. Since these regulations were outside the researcher's control, there was no intention to manipulate them. The moderating factor was observed to affect the two primary variables by either strengthening or weakening the influence of endogenous factors. The study anticipated that structural reforms would influence Kenya's securities market performance,

potentially altering various aspects of market operations and efficiency. Previous research suggested that regulatory changes, such as automation and dematerialization, had historically impacted liquidity, volatility, and investor participation (Owino, 2021).

The researcher hypothesized that similar mechanisms could apply to newer reforms, though the exact nature of their effects required further empirical validation. These expectations were based on documented cases where policy interventions had reshaped market dynamics, either enhancing stability or introducing short-term disruptions before long-term benefits materialized (Akwimbi, Ochieng & Lishenga,2024)). These reforms could include changes in regulations, trading mechanisms, or market governance, all of which can affect how well the securities market functions and performs. In addition to the direct influence of structural reforms, the research considered a moderating variable, which influences the relationship between the independent variable structural reforms and the dependent variable, securities market performance. This moderator can either amplify or diminish the effect of the reforms on market performance. Essentially, the moderator plays a critical role in shaping how strongly and in what direction structural reforms affect the securities market's performance.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology employed to achieve the research objectives. It covers several key areas, including the research design, the target population, the method of sampling, the method of data collection and procedure, the method of data analysis and finally the ethical consideration. Additionally, it addresses the validity and reliability of the research instruments.

3.2 Research Philosophy

This study employed a positivist research philosophy, which emphasizes empirical observation and measurable evidence to examine objective realities (Cooper & Schindler, 2014). The approach enabled hypothesis testing through deductive reasoning, where theoretical propositions were systematically evaluated using both quantitative and qualitative data (Yin, 2009). By focusing on verifiable facts and statistical analysis, the methodology ensured an objective investigation of the research problem as an independent phenomenon. The positivist framework proved particularly valuable for developing testable hypotheses and employing structured analytical techniques to derive reliable conclusions.

3.3 The Study Area

The study was conducted within Kenya securities market, the Nairobi Securities Exchange (NSE), which serves as Kenya’s principal securities market and a central hub for capital market activities in the region. Located in Nairobi, the capital city of Kenya, the NSE plays a critical role in mobilizing long-term capital for both public and private sector entities. The market has undergone significant reforms aimed at enhancing transparency, efficiency, and investor confidence, making it an ideal setting for examining the effects of structural reforms on securities market performance. Nairobi itself is a major economic and financial center in East Africa, offering a dynamic environment characterized by active investor participation, diverse market players, and ongoing policy evolution. The choice of this study area was based on its strategic importance in Kenya's financial system and its relevance to the research objective.

3.4 Research Design

A research design serves as a strategic framework that directs data collection, analysis, and interpretation to address research objectives and hypotheses (Omona, 2013). Classifications include explanatory, correlational, experimental, descriptive, and diagnostic designs, each selected based on disciplinary needs (Robson, 2002). Descriptive designs, for instance, detail characteristics or phenomena without probing causality, making them ideal for exploratory contexts (Vomberg & Klarmann, 2021; Punch, 2013). However, their inability to establish causal relationships often necessitates complementary designs like explanatory research design in under-researched areas.

This study employed an explanatory research design to systematically investigate the causal relationships among variables and to model behavioral patterns within the observed social context (Creswell, 2014). This design was instrumental in moving beyond descriptive accounts, enabling a rigorous analysis of how independent variables exert influence on dependent variables. Through formulating and empirically testing specific hypotheses, the study sought to uncover underlying causal mechanisms and generate predictive insights. The explanatory approach was particularly well-suited for advancing theoretical development while ensuring methodological robustness in the analysis of complex variable interdependencies.

This design was suitable as it allowed the study of multiple variables' effects without manipulation, ideal for areas with limited prior research. Following Owino (2021), it effectively examined the influence of five reforms: technology adoption reform, tax reforms, investor protection reforms, foreign investor participation reforms, governance reforms, and securities market performance. Its structured approach enabled hypothesis testing through targeted data collection.

3.5 Target Population

A population is the aggregate of all the components that share a common set of features (Oladipo, Ikamari, Kiplang'at & Barasa, 2015). According to (Ordho,2003) the target population is a collection of elements with one characteristic from which a representative sample is collected. The research’s unit of observation was the stockbrokers, investment banks, fund managers, listed firms, investment advisors, REITS and trustee managers at the securities market, and the research targeted managers in these firms who were the units of analysis, to obtain their perspective on structural reforms and securities market

performance in Kenya. According to CMA(2022), there are a total of 154 institutions among them, stockbrokers, Investment Banks, Fund managers, Listed Firms Managers, Investment Advisors, REITS, and trustee managers. The managers of these firms provided the necessary information since they interact with the securities market and the variables under consideration affect them daily, therefore it was ideal to get their views and input. The research unit of observation included 154 institutional managers participating in the securities market in Kenya. Table 3.1 shows the target population for the unit of observation.

Table 3.1:Target Population

Category	Target Population
Stock Brokers	15
Investment Banks	16
Fund Managers	34
Listed Firms Managers	60
Investment Advisors	18
REIT &Trustees managers	13
Total	**154**

Source: NSE (2025)

3.6 Sample and Sampling Procedure

A sample is a subset drawn from a larger population for observation (Oso,2013), based on a sampling frame listing all eligible units (Orodho, 2003). This study used probability sampling, starting with a comprehensive frame to enhance representativeness and generalizability. The sample size was determined through multistage sampling, an efficient method involving multiple randomization steps, especially useful when a full population list is not feasible. The study employed multistage sampling, starting with the identification of 154 firms in the securities market. In the first stage, clusters such as stockbrokers, investment banks, fund managers, and other market participants were randomly selected. The second stage involved sampling senior employees within these clusters, and finally, specific individuals such as CEOs, finance managers, and investment officers were randomly chosen for participation.

The sample size was determined using Yamane's (1967) formula, which is suitable for known populations and helps minimize selection bias while ensuring representativeness

$$\mathbf{n= \frac{N}{1+N(e)2}}$$

Where: **n**= required sample size

e= 0.05 Margin of error for 95% confidence level,

N=Target Population.

By substituting these values into the equation, the sample arrived at as follows.

$$\mathbf{n= \frac{154}{1+154(0.05)2}= 111}$$

The sample size for the unit of observation was allocated according to the size of strata using stratified proportionate sampling. That is

$$\boldsymbol{nh = \left(\frac{n}{N}\right) Nh\ .}$$

Where.

n is the strata sample size for units of observation

N is the target population for units of observation

N_h is the optimum sample size.

Table 3.2 shows the sample size distribution for a unit of observation.

Table 3.2: Sample Size Distribution for Unit of Observation

	Strata Population	**Sample Size**
Stockbrokers	15	10
Investment Banks	16	12
Fund Managers	34	24
Listed Firms Managers	60	43
Investment Advisors	18	13
REIT &Trustees managers	13	9
Total	**154**	**111**

Source: Field Survey (2025)

Further, purposive sampling was employed to select three knowledgeable respondents from each of the 111 entities targeted in the study. These individuals were chosen based on their roles and familiarity with securities market operations, ensuring they could provide relevant and informed responses. The sample size was proportionately allocated across different categories of respondents, as outlined in Table 3.3.The research targeted 333 senior staff chief executive officers, finance managers, and investment officers across firms participating in the securities market. These respondents were selected due to their strategic roles, expertise, and direct involvement in decision-making processes related to financial performance, investment strategies, and regulatory compliance. Their insights were therefore essential for addressing the study objectives (Mugenda & Mugenda, 2003). Table 3.3 presents the sample distribution by unit of analysis.

Table 3.3:Sampling Matrix

Category	**Sample size**
Stock Brokers	30
Investment Banks	36
Fund Managers	72
Listed Firms managers	129
Investment Advisors	39
REIT &Trustees managers	27
Total	**333**

Source: Field survey (2025)

3.7 Research Instruments

Data collection instruments are essential tools and procedures used to gather and measure variables relevant to a study (Mugenda & Mugenda, 2003). This research utilized questionnaires as the primary method of data collection due to their practicality, cost-effectiveness, and ability to reach a large number of respondents efficiently (Bryman, 2016). Questionnaires allow for the systematic collection of standardized data and facilitate easy coding and analysis of responses. The study employed primary data, which refers to original information collected firsthand for a specific research purpose (Saunders, Lewis, & Thornhill, 2019). By designing questions aligned with the research objectives, the questionnaire enabled the collection of data necessary for hypothesis testing and further statistical analysis.

The questionnaire was structured into two main sections: Part A focused on response rate and demographic information, while Part B contained questions addressing the core issues of the study. It comprised both closed- and open-ended questions. The closed-ended questions were designed to gather specific, uniform responses, thereby supporting structured data collection and simplifying analysis. In contrast, the open-ended questions allowed respondents to freely express their views on critical aspects of the research. A Likert scale was employed to measure attitudes and perceptions, as it is widely regarded as an effective tool for capturing the intensity of respondents' opinions and is easy to administer and interpret (Joshi, Kale, Chandel & Pal, 2015).

3.7.1 Validity of Research Instrument

This study addressed three key forms of validity: sampling, content, and construct validity. Sampling validity was assessed using the Kaiser-Meyer-Olkin (KMO) measure to evaluate the adequacy of correlations among questionnaire items (Zamith & Lewis, 2015). Content validity was established through expert review to ensure the instrument adequately represented the relevant concepts (Almanasreh, Moles& Chen, 2019). Construct validity, referring to how accurately an instrument measures the intended theoretical construct, was examined using exploratory factor analysis (Mugenda & Mugenda, 2003).

Pilot testing was conducted to ensure that the questionnaire aligned with the study objectives and produced relevant responses. It served to assess the reliability and validity of the research instrument (Maiyaki & Mokhtar, 2011; Rojon & Saunders, 2012) and helped identify design issues. In line with Koopman (2015), 10 per cent of the target population was selected for the pilot study. The pilot group should not be allowed to participate in the main research since they may introduce biased outcomes and replications.(Kothari& Garg, 2014).The questionnaire was piloted by administering it to 33 individuals selected from the 5 firms that were not sampled for the main study,and these firms were excluded from participating in the main research to avoid biased outcomes.

Appendix IX presents the firms that were excluded from the main sample and were therefore used for the pilot study. The purpose of the pilot study was to assess the clarity, relevance, and reliability of the questionnaire items (Rojon & Saunders, 2012). Feedback from pilot respondents informed revisions to improve question structure, eliminate

ambiguities, and ensure the appropriateness of the Likert-scale measures. This process enhanced the validity and reliability of the data collection instrument before its administration in the main study (Maiyaki & Mokhtar, 2011; Koopman, 2015).

3.7.2 Reliability of the Research Instrument

Reliability refers to the consistency of a measurement and its freedom from random error (Hammarfelt & De Rijcke, 2015). It aims to minimize bias by ensuring consistent outcomes across repeated measurements of an abstract concept. Strategies such as researcher training, objective evaluation, and appropriate rating scales enhance reliability. A high level of reliability suggests that independent researchers using the same methods would obtain similar results (Saunders, Kitzinger & Kitzinger, 2015).

The Cronbach's alpha coefficient was used to evaluate the internal consistency of the data collection instrument, as it is a widely accepted measure of reliability for multiple-item constructs (Saunders et al., 2015). An alpha value of 0.7 or higher was considered acceptable for indicating good reliability (Easterby-Smith, Thorpe& Jackson, 2012). All variables returned alpha values above this threshold, confirming the instrument's internal consistency. For any construct with values below 0.7, poorly correlated items were removed through item factor analysis. Reliability results are summarized in Table 3.4.

Table 3.4: Reliability Test Results

Latent Constructs	Cronbach Alpha Coefficient
Technology Adoption Reforms	0.823
Tax Reforms	0.751
Investor Protection Reforms	0.923
Foreign Investor Protection reforms	0.937
Governance Reforms	0.756
Macro-Economic Conditions	0.805
Securities Market Performance	0.886

Source: Field Survey (2025**)**

3.8 Data Collection Procedure

Data collection is the methodical process of gathering and analysing information on key variables to answer research questions, test hypotheses, and assess results. It is an

essential part of any research endeavour (Kabir,2016). Before commencing data collection, the researcher secured ethical clearance from Laikipia University to ensure adherence to institutional guidelines. Additionally, a research permit was obtained from the National Commission for Science, Technology and Innovation (NACOSTI), in line with national requirements for conducting academic research in Kenya. The researcher administered the research instrument directly to respondents to ensure accurate and consistent data collection. Research assistants were trained in advance to familiarize themselves with the tool and support the process effectively. After obtaining the necessary permissions, data collection proceeded in an organized manner, with respondents encouraged to seek clarification where needed, and all queries addressed promptly to ensure quality responses.

Primary data was collected from managers of stockbrokers, investment banks, listed firms, investment advisors, Real Estate Investment Trusts (REITs), and trustee managers operating within the Kenyan securities market. Data on securities market performance encompassed indicators such as share price volatility, market capitalization, market liquidity, and stock market turnover. Structured questionnaires were selected due to their clarity, objectivity, and suitability for statistical analysis, thereby ensuring the reliability and validity of the data collected (Lewis, 2015; Brace, 2018; Mugenda & Mugenda, 2003). The 333 questionnaires were administered physically through in-person visits to the respondents' offices, ensuring uniformity in the data collection process and allowing for timely clarification of any questions raised during completion 238 questionnaires were filled correctly and return to the researcher.

3.9 Data Analysis and Presentation

Data analysis involves systematically organizing and synthesizing data to produce results that the researcher must then interpret (Della, 2024). The method of data analysis follows the four key processes outlined by Sekaran (2006). First, prepare the data for analysis by editing for exactness, consistency, and completeness. Primary data was analyzed using SPSS AMOS version 26,and descriptive statistics, including percentages, frequencies, and Likert means, were used to describe the data comprehensively. Confirmatory factor analysis (CFA) and structural equation modelling (SEM)were conducted using SPSS analysis of moments. The results were presented through charts, tables, and discussions. Both descriptive and inferential statistics were employed for data analysis.

To explore predictive interactions, inferential statistics, including regression and correlation analysis, were employed. Additionally, factor analysis was conducted to evaluate the reliability and validity of the data by examining how the constructs were loaded. Furthermore, inferential statistics that include chi-square, regression analysis and the correlation coefficient wereused to investigate the link between the variables. Regression analysis was performed at a (95%) confidence level of (5%) significance to test hypotheses and ascertain the causal relationship between the predictor and the dependent variables.

3.9.1 Factor Analysis

Factor analysis is a multivariate statistical technique used to identify underlying factors that explain the patterns of correlations among observed variables (Niranjan,2004). It reduces complex data into a smaller set of latent variables, simplifying interpretation and revealing shared dimensions within the data. This method is widely applied to enhance assessment tools and establish construct validity (Tavakol & Wetzel, 2020). According to Chawla and Sodhi (2011), variables used in factor analysis can be identified through exploratory research methods such as literature review, expert interviews, focus groups, and case studies. In this study, exploratory factor analysis (EFA) was used to determine the consistency and independence of constructs, while principal component analysis (PCA) was employed to extract the maximum variance from the dataset. Additionally, confirmatory factor analysis (CFA) and the Analysis of Moment Structures (AMOS) were applied to test hypothesized relationships between observed and latent variables. According to Ndung'u (2022), factor analysis is appropriate for samples exceeding 200 respondents. This study employed exploratory factor analysis using principal components analysis to identify constructs and assess the contribution of each scale item. Only factor loadings above 0.5 were retained, following the threshold recommended by Hair et al. (2011).

According to Nicholas and Muiruri (2023), factor loadings above 0.3 are considered significant. The Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test of Sphericity were applied to assess sampling adequacy. Principal Component Analysis (PCA) was used to identify underlying factors, with eigenvalues of 0.5 or higher retained. Items with loadings ≥ 0.5 were maintained, and components with eigenvalues greater than 1 were extracted.

3.9.2 Data Diagnostics Test

Diagnostic tests were performed to check that the Classical Linear Regression Model (CLRM) postulates are not violated and to pick relevant models for research if the CLRM postulates are broken (Saunders et.al.,2015). Thus, before executing a regression model, pre-estimation and post-estimation tests wereperformed. Multicollinearity, normality, linearity, heteroscedasticity and common bias method (CMB) are some of the tests that were performed.

3.9.2.1 Multicollinearity Test

Multicollinearity occurs when independent variables are interrelated, either positively or negatively. This can undermine research by making it difficult to assess the unique impact of each independent variable in a multiple-regression analysis, thereby compromising the reliability of statistical inferences. A multicollinearity problem occurs when an equation contains a linear relationship between two or more predictor variables (Gujarat & Porter, 2009). A multicollinearity test was conducted to determine whether independent variables were highly correlated. The variance inflation factor (VIF) was used to assess this, with values above 10 indicating problematic multicollinearity (Newbert, 2008). In such cases, redundant variables were removed.Additionally, the distributed lag technique was considered for structuring coefficient values and reducing dimensionality by transforming correlated predictors into uncorrelated variables (Daoud, 2017).

3.9.2.2 Normality Test

The purpose of the normality test is to assess whether the data is normally distributed and well-modelled. This involves analyzing the distribution graph to see if it deviates significantly from a bell-shaped normal distribution, thereby evaluating how closely the data approximates a Gaussian distribution (Templeton, 2011). Since the Shapiro-Wilk test has the highest power of any test for normality, it was employed to determine normality. The null hypothesis was tested at a significance level of 0.05; t was rejected if the p-value was less than 0.05 and retained if the p-value was greater than 0.05 (Kothari and Garg, 2014). Given that a multiple regression model was employed for the research, which requires normality, the dependent variable should be normally distributed.

3.9.2.3 Linearity Test

Linearity refers to a straight-line relationship between predictor and criterion variables (Kinuu et al., 2015). A significance level below 0.05 or an oval-shaped scatterplot suggests linearity. To detect multivariate outliers that could violate this assumption, the Mahalanobis distance metric was applied. Outliers identified were excluded and their removal was confirmed using box plots, enhancing data integrity and adherence to parametric assumptions (Kothari & Garg, 2014).

3.9.2.4 Heteroscedasticity Test

Heteroscedasticity arises when extreme values or outliers affect the variance of residuals in a regression model (Gujarati, 2003). These outliers are identified by examining large residuals in an Ordinary Least Squares (OLS) regression. Meeting the assumption of homoscedasticity is crucial, as it influences the accuracy of correlation coefficients (Field, 2005). In this study, outliers were detected by analyzing the difference between predicted and actual values, and further confirmed through plots of standardized residuals against expected values (Cousineau & Chartier, 2010). Heteroscedasticity was initially assessed using visual scatter plots, followed by Levene's test to determine the equality of variances across groups (Levene, 1961). A significance level below 0.05 indicates unequal variances, invalidating parametric tests like the t-test or F-test. If the p-value exceeds 0.05, it confirms homogeneity of variances. Compared to Bartlett's test, Levene's test is less sensitive but more robust when the data are not normally distributed. Likewise, it can be concluded that there is no statistical difference between the variances if Levine's test has a significance level higher than 0.05.

3.9.3 Structural Equation Modelling

Structural Equation Modeling (SEM) is a statistical technique used to test hypotheses about relationships between observed and latent variables (Bali, 2016). It integrates factor analysis, regression, and path diagrams to assess both measurement and structural models. SEM is a theory-testing tool commonly applied to examine how variables are structured and interrelated. It assumes linear and unidirectional relationships between indicators and latent constructs (Ndug'u,2022) and uses path diagrams to illustrate directional associations among variables.

3.9.4 Regression Analysis

The study estimated model parameters using Ordinary Least Squares (OLS) and Moderated Multiple Regression (MMR), with OLS serving as the baseline before incorporating interaction terms. This comparison aimed to examine how macroeconomic conditions moderate the relationship between predictor and dependent variables. OLS was selected for its robustness and favorable statistical properties, making it a widely used method in regression analysis (Gujarati, 2003). Both OLS and MMR were used to validate the results of the structural equation model. The regression analysis model was run in four steps.

In the first step, each independent variable was regressed against the dependent variable without including a moderator. The regression model was fitted as follows.

$Y = \beta_{0+} \beta_i X_i$…….....……**Eq.1**

Where,

Y= Dependent variable

β_0 = Regression constant or Y intercept

β_i= Coefficients of independent variables to be estimated

X_i= Independent variables

ε = Stochastic error term assumed to be normally distributed

In the second step, the dependent variable was regressed on each independent variable with a moderator included. Incorporating the core influence of both the independent and moderator variables is crucial for ensuring the completeness of the regression equations and enhancing the interpretability of the results. The fitted regression model is as follows.

$Y = \beta_0 + \beta_i X_i + \beta_i X_{i*} Z$…… ….....……**Eq.2**

Where;

Y= Dependent variable

β_0 = Regression constant or Y intercept

β_2 =Coefficient of the interaction term between independent variables and moderator

X*Z = interaction term between independent variables and moderator

B_i= Coefficients of independent variables to be estimated

$\mathbf{X_i}$= Independent variables

Z = Moderating variable

ε = Stochastic error term assumed to be normally distributed

In the third step, the dependent variable was regressed on all independent variables without including a moderator. The regression model was fitted as follows:

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$…….....…… **Eq.3**

Where;

Y= Securities Market Performance

$\boldsymbol{\beta_0}$ = Regression constant or Y intercept

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$= Coefficients of independent variables to be estimated

$\mathbf{X_1}$=Technology Adoption Reforms.

$\mathbf{X_2}$=Tax Reforms

$\mathbf{X_3}$=Investor Protection Reforms.

$\mathbf{X_4}$=Foreign Investor Participation Reforms

$\mathbf{X_5}$=Governance Reforms

ε = Stochastic error term assumed to be normally distributed

In the fourth step, the dependent variable was regressed on each of the independent variables with a moderator introduced. The objective here is to establish the role of moderators on the variable under consideration. The regression model wasfitted as follows.

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_{6*}Z + \beta_7X_{1*}Z + \beta_8X_{2*}Z + \beta_9X_{3*}Z + \beta_{10}X_{4*}Z + \beta_{11}X_{5*}Z + \varepsilon$…….....…. **Eq.4**

Where;

Z= Moderator (Macroeconomic Conditions)

$X_{1*}Z$, $X_{2*}Z$, $X_{3*}Z$, $X_{4*}Z$, $X_{5*}Z$ = interaction term between independent variables and moderator variable

β1, β2, β3= Coefficient to be estimated.

β4, β5, β6, β7, β8, β9, β10, β11 =Effect of X1Z, X2Z and X3Z respectively

3.9.5 Hypotheses Testing

Table 3.4 below shows the statistical techniques that were used to analyze each hypothesis in this study. The choice of these techniques was informed by the study's objectives and the need to ensure accurate and reliable inference, particularly in assessing the influence between structural reforms and securities market performance.

Table 3.5: Hypothesis Testing

Null Hypothesis	Decision Criterion	Measurement Hypothesis
H_{01}: Technology adoption reforms have no statistically significant influence on the securities market performance in Kenya.	Reject the null hypothesis if $p<0.05$	Descriptive analysis, MMR, OLS, SEM, Chi-Square
H_{02}: Tax reforms have no statistically significant influence on the securities market performance in Kenya.	Reject the null hypothesis if $p<0.05$	Descriptive analysis, MMR, OLS, SEM, Chi-Square
H_{03}: Investor protection reforms have no statistically significant influence on the securities market performance in Kenya.	Reject the null hypothesis if $p<0.05$	Descriptive analysis, MMR, OLS, SEM, Chi-Square
H_{04}: Foreign investor participation reforms have no statistically significant influence on the securities market performance in Kenya.	Reject the null hypothesis if $p<0.05$	Descriptive analysis, MMR, OLS, SEM, Chi-Square
H_{05}: Governance reforms have no statistically significant influence on the securities market performance in Kenya.	Reject the null hypothesis if $p<0.05$	Descriptive analysis, MMR, OLS, SEM, Chi-Square
H_{06}: Macroeconomic conditions have no statistically significant moderating role on the influence between structural reforms and the securities market performance in Kenya.	Reject the null hypothesis if $p<0.05$	Descriptive analysis, MMR, OLS, SEM, Chi-Square

Source: Field Survey (2025)

3.10 Ethical Considerations

Yin (2009) emphasized the importance of balancing the pursuit of knowledge with the rights of research participants and the interests of society at large. Ethical trade-offs must be weighed, particularly between the potential benefits of research findings and possible harms, such as loss of privacy, respect, or autonomy. Ombok and Aila, (2015) further noted that social research must be conducted with caution to avoid causing physical, psychological, or emotional harm, including damage to self-esteem or exposure to legal risks.

The researcher obtained all the necessary approvals and permits before data collection. First, approval was granted by the Laikipia University Graduate School, which issued an introductory letter. This was followed by obtaining ethical clearance from the Laikipia University Ethics Review Committee (LUERC). Based on the LUERC clearance, a research permit was then obtained from the National Commission for Science, Technology, and Innovation (NACOSTI). In addition, permission to conduct the study was formally sought and granted by the management of the participating firms before the commencement of data collection.

Waweru, Onyuma and Murumba (2021) emphasized that key ethical considerations in research include informed consent, confidentiality, objectivity, and honesty in data handling and storage. In this study, participants were asked to provide informed consent either by signing a consent form or giving verbal consent before participating. The researcher adhered to all ethical guidelines, including undergoing an ethics review process, to ensure fairness, transparency, and impartiality. The principle of informed consent requires that participants are fully informed about the purpose, procedures, and expectations of the research and that their participation is entirely voluntary. Participants were assured that they could withdraw from the study at any point without coercion, incentive, or deception. Furthermore, the research ensured that no harm or risk was posed to any participant and that all consent was obtained ethically and appropriately.

Confidentiality requires that information collected during research be treated privately and not publicly disclosed (Kaiser, 2012). Given the sensitivity of the data, identifying participants or their organizations posed an ethical concern. As noted by Duncan, Elliot, and Salazar-González (2011), confidentiality involves refraining from disclosing respondents' names, cultural or ethnic backgrounds, or any other sensitive personal information. To uphold this, questionnaires were designed and administered in a way

that avoided collecting identifiable or sensitive data. Regarding objectivity and honesty, all data were obtained from reliable sources and reported accurately, without manipulation or distortion (Waweru, Onyuma & Murumba, 2021). Participants were encouraged to provide necessary information voluntarily, and where respondents declined to participate, replacements were drawn from the same target group. Additionally, the researcher acknowledged all referenced sources appropriately and maintained high standards of objectivity throughout the data analysis and discussion phases.

Finally, in this research, artificial intelligence tools, specifically language-based models, Grammarly Premium, Quilbot, were used strictly for purposes such as grammar correction, language polishing, and formatting of text during the writing and editing phase of the thesis. These tools were not used to generate original data, fabricate results, or replace human judgment in analysis or interpretation. All analytical work, including statistical computation, was conducted by the researcher using standard procedures and software. Where AI assistance was used, human oversight ensured accuracy, contextual relevance, and ethical responsibility. The use of AI was limited to supporting communication clarity and did not compromise data integrity, originality, or the confidentiality of participant information.

CHAPTER FOUR
RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings and discussion, beginning with demographic results, including respondents' education levels and work experience. It then provides descriptive statistics such as mode, mean. The chapter also includes results from factor analysis, structural equation modeling, and hypothesis testing. The analysis combines descriptive and inferential statistics to summarize data characteristics, test hypotheses, and identify trends. Findings are illustrated through tables and graphs.

4.2 Response Rate

Out of the 333 questionnaires distributed, 238 were completed and returned, resulting in a response rate of 71.47 per cent. According to Mugenda and Mugenda (2003), a response rate of 50 per cent is considered adequate, 60 per cent is good, and 70 per cent and above is excellent. As a result, this study's response rate qualifies as excellent, strengthening the robustness and reliability of the subsequent analysis and inferences.

The study minimized response rate bias by using stratified sampling to ensure balanced representation, issuing follow-up reminders to encourage participation, assuring respondents of confidentiality, and allowing sufficient time for data collection. These measures enhanced response quality and representativeness. The research examined the distribution of respondents to assess the balance or imbalance of responses regarding demographic characteristics.The results are presented in Table 4.1.

Table 4.1: Distribution of Respondents by Gender, Work Experience, and Level of Education

Variable	Frequency	Percent (%)
Distribution of respondents by Gender		
Male	150	63.0
Female	88	37.0
Total	**238**	**100**
Distribution of respondents by Working experience		
1 to 4 years	52	21.8
5 to 7 years	108	45.4
More than 7 years	78	32.8
Total	**238**	**100**
Distribution of respondents by level of Education		
Certificate/Diploma	48	20.2
First Degree	120	50.4
Postgraduate	70	29.4
Total	**238**	**100**

Source: Field Survey (2025)

As indicated in Table 4.1, the results show that 63 percent of the respondents were male while 37 percent were female. It can be implied that the responses were not fairly balanced across gender distribution. The gender imbalance, with more male than female respondents, likely reflects the prevailing gender distribution in Kenya's securities market, where men occupy a majority of senior roles due to structural and occupational trends (Nganga & Mberia, 2019). Also, as highlighted in Table 4.1, the results show that 45.4 per cent of the respondents had worked for a period of 5-7 years, 32.8 per cent had worked for more than 7 years, and 21.8 per cent had worked for 1-4 years, respectively. The findings suggest that respondents had sufficient work experience and a balanced distribution across educational levels, with most holding at least a bachelor's degree. This indicates that participants were well-equipped, both technically and academically, to provide informed and credible responses to the research questions.

4.3 Descriptive Statistics Results

This section presents the descriptive results, where percentages and mean values were employed to analyse the measurement statements of the variables under study. The variables included technology adoption reforms, tax reforms, investor protection reforms, foreign investor participation reforms, Governance reforms and securities market performance.

4.3.1 Technology Adoption Reforms

About the first objective respondents indicated their level of acceptance on measurement items relating to technology adoption reforms. Statements were analysed using percentage and mean values. Table 4.2 presents the respondent's responses to the statement on technology adoption reforms.

Table 4.2: Descriptive Results for Technology Adoption Reforms

Statements	**SD%**	**D%**	**N%**	**A%**	**SA%**	**Mean**
N=238	**1**	**2**	**3**	**4**	**5**	
TAR1-There is an established information technology infrastructure in the securities market in Kenya.	1.3	6.3	11.3	37.4	43.7	4.15
TAR2-There is an established real-time communication channel in the Nairobi stock market in Kenya.	1.3	9.7	25.6	41.2	22.3	3.73
The number of online trading activities has continuously improved in the securities market in Kenya.	3.8	1.3	15.5	37	42.4	4.13
The TAR4-Trading process is only done by investors with CDS account	3.8	8.4	26.9	34.9	26.1	3.71
TAR5-Sale and transfer of shares proceeds are received immediately after completion of the transaction	1.7	10.9	12.2	34.5	40.8	4.01
TAR6-Share balance and statement can be accessed online without visiting the securities market in Kenya.	1.3	1.7	8.8	63.4	24.8	4.08

TAR7-Number of traders has improved since the introduction of online trading.	-	2.9	5.9	29.8	61.4	4.49
TAR8-The returns the company has been getting from the stock market have increased since the introduction of online trading.	-	1.7	8.8	59.2	30.3	4.18
TAR9-The daily transaction has significantly improved since the introduction of online trading	21.4	2.1	10.9	46.6	18.9	3.39
TAR10-The number of shares traded is cumulatively increasing every month following the introduction of m-share trading.	0.8	2.5	13.9	38.2	44.5	4.23
TAR11-The market regulator communication on matters of regulation is received in real-time	-	6.3	12.2	26.1	55.5	4.30
TAR12-Thetransaction cost has significantly reduced due to elimination of paper work and a lot of procedures	3.4	16.8	19.3	27.7	32.8	3.69
TAR13-Issues related to shares fraud have been eliminated.	-	-	8.8	61.3	29.8	4.21
TAR14-Days taken by an investor to buy company shares have significantly reduced.	-	10.1	13	33.6	43.3	4.10
TAR15-Investor complaints are easily addressed within 24 hours due to improved communication channels.	29.4	9.7	19.3	25.6	16	2.89
Average Mean Score	**4.54**	**6.02**	**14.16**	**39.76**	**35.50**	**3.95**

Source: Field Survey (2025)

According to Table 4.2, 81.1 per cent of respondents agreed that there is an established information technology infrastructure in Kenya's securities market (mean = 4.15). This finding is consistent with Stephen et al. (2013), who examined the impact of technology on market efficiency at the Nairobi Securities Exchange. Their analysis of secondary data revealed a normally distributed relationship, showing that markets with established

ICT infrastructure outperformed those using manual systems. While Stephen et al. focused on overall ICT adoption in the securities market, the present finding still aligns with their conclusions. Additionally, 63.5 per cent of respondents agreed that there is a well-established real-time communication channel in the Nairobi Securities Market (mean = 3.73). This finding aligns with Omuchesi, Bosire and Muiru (2014), who investigated the influence of ICT adoption on the market's ability to integrate new information. Their study found a positive correlation between ICT adoption and securities market performance, supporting the conclusion that the market maintains a robust communication platform for continuous engagement with participants.

Furthermore, 79.4 per cent of respondents indicated that online trading activities have consistently increased in Kenya's securities market (mean = 4.13). This result is consistent with Njoki (2019), who used a descriptive survey to examine the impact of automated trading systems on market efficiency. Njoki's study found that ICT-driven reforms, particularly the adoption of automated systems, led to increased participation and modest improvements in overall performance. The present findings reinforce those of earlier studies, indicating broad agreement among respondents on the role of ICT in enhancing market operations.

Similarly, the majority of respondents 61 percent concur that only investors with CDS accounts conduct the trading process (mean = 3.71), and 75.3 percent agree that the sale and transfer of share proceeds occur immediately after transaction completion (mean = 4.01). 88.2 percent of respondents agreed that they can access share balances and statements online without visiting the securities market in Kenya (mean = 4.08), and 91.8 percent agreed that the number of traders has increased since the introduction of online trading (mean = 4.49). These results indicate that the majority of investors have confidence in the system implemented by market regulators to improve service delivery and ensure the safety of investments.

The findings indicate strong respondent agreement on the positive impact of technological reforms within Kenya's securities market. Specifically, 89.5per centagreed that company returns have increased following the introduction of online trading (mean = 4.18), while 65.5 per cent acknowledged a significant improvement in daily transactions (mean = 3.39). Furthermore, 82.7 per cent of respondents reported a cumulative monthly increase in the volume of shares traded due to the implementation of m-share trading (mean = 4.23). Notably, 81.6 per cent agreed that they receive real-time

regulatory communication from market authorities (mean = 4.30). These outcomes are consistent with the findings of Arezki et al. (2021), who observed that technology adoption, particularly in liberalized markets, attracts investor participation and enhances transparency. The results underscore the role of digital infrastructure in improving market performance through increased trading activity, enhanced company returns, and strengthened communication with regulators.

A majority of respondents 60.5 per cent agreed that transaction costs have significantly decreased following the elimination of paperwork and cumbersome procedures (mean = 3.69). Additionally, 76.9 per cent concurred that the time required for investors to purchase company shares has been significantly reduced (mean = 4.10). Most respondents 91.1per cent also reported that issues related to shares and securities fraud have largely been eliminated (mean = 4.21). However, only 41.6 per cent agreed that investor complaints are addressed within 24 hours, indicating relatively lower satisfaction in this area despite improved communication channels (mean = 2.89). On average, the responses reflected agreement with statements concerning technology adoption reforms (mean = 3.95).

These findings align with those of Attafuah, Amoako, Yamoah and Boateng (2024), who examined the impact of automated trading systems on key market indicators including stock market capitalization, liquidity, efficiency, returns, and volatility on the Ghana Stock Exchange. Drawing on secondary data from the GSE and the Bank of Ghana covering the period 2000 to 2020, their analysis revealed that automation significantly improved securities market performance, especially in terms of trading volume. The present findings corroborate this evidence, suggesting that technology adoption reforms have contributed to positive transformations in market operations, consistent with trends observed in similar markets.

4.3.2 Tax Reforms

Regarding the second objective, respondents indicated their level of agreement with various statements measuring the influence of tax reforms on the performance of the securities market. These responses were analyzed using both percentage distributions and mean values. As presented in Table 4.3, the results reflect the general level of agreement among respondents concerning the perceived impact of tax reforms, providing insight into their acceptance of the implemented measures.

Table 4.3: Descriptive Results for Tax Reforms

Statements N=238	SD% 1	D% 2	N% 3	A% 4	SA% 5	Mean
TR1-Reduction in taxation on shares has attracted investors.	25.6	6.3	17.2	31.9	18.9	3.12
TR2-Earnings for investors have improved due to reduced tax burden	5.5	27.7	18.1	32.4	16.4	3.26
TR3-The number of investors trading in the stock market has continuously increased after the reduction of taxes in the securities market in Kenya	1.7	27.3	13.4	38.2	19.3	3.46
TR4-Number of listed firms that are competitors has continuously increased.	3.4	10.5	18.1	30.3	37.8	3.88
TR5-The performance of the securities market in Kenya has continuously improved due to lower taxes.	5.0	7.1	14.3	37.0	36.6	3.92
TR6-Reduction in taxation has attracted more sectoral companies' participation in the market.	2.5	5.5	20.6	60.1	11.3	3.72
TR7-Raising funds in stock market have become easier due to the availability of funds to be invested because of increased market investors.	3.4	5.5	14.7	39.9	36.6	4.00
TR8-The predictability of tax has brought stability tothe securities market in Kenya.	5.5	17.6	45.4	22.3	9.2	3.12
TR9-The reduction in tax has attracted both individual and retail investors.	3.8	7.6	13.0	58.0	17.6	3.78
TR10-The current organization has no issue complying with the tax requirements.	6.3	7.6	23.9	29.8	32.4	3.74
TR11-The amount of tax charged on stock and securities is reasonable.	3.8	9.2	16.0	36.1	34.9	3.89
TR12-The local and foreign investors can now trade easily in the securities market.	22.7	9.7	11.3	41.2	15.1	3.16
TR13-The income of the company has continuously increased due to decreases and taxation for companies investing securities market in Kenya.	23.9	9.2	26.5	30.7	9.7	2.92

TR14-Reduction of taxation has attracted institutional investors.	22.3	22.3	8.0	36.6	10.9	2.91
TR15-Reduction in taxation has improved market liquidity.	21.8	7.6	16.0	33.2	21.4	3.24
TR16-The number of venture capitalists participating in the securities market in Kenya has increased due introduction of tax holidays.	26.5	17.6	25.2	18.1	12.6	2.72
TR17-Due to a reduction in taxes, companies have enhanced full disclosure.	23.5	8.8	15.1	39.9	12.6	3.09
Average Mean Score	**12.10**	**12.80**	**18.63**	**36.22**	**20.78**	**3.40**

Source: Field Survey (2025)

As shown in Table 4.3, 50.8 percent of respondents agreed that the reduction in taxation on shares has attracted investors, with a (mean=3.12), while 25.6 percent disagreed. Additionally, 48.8 percent of respondents agreed that the reduced tax burden has improved investor earnings, with a (mean=3.26), while 33.2 percent disagreed with this statement. According to 57.5 percent of respondents, the number of investors trading in the securities market has continuously increased following the reduction of taxes in the securities market in Kenya, with a (mean of 3.46). This finding aligns with the results of Overesch and Pflitsch (2021), who conducted a study examining the effects of tax reforms on securities markets across European countries. Their research concluded that these reforms played a significant role in fostering market expansion and development.

This study's findings are consistent with previous research, as the majority of respondents agree with these conclusions. However, this study took place in Kenya, whereas the previous study took place in a developed country. It can be concluded from the findings that the securities market is influenced by the tax regime either positively when taxes are reduced or negatively when they increase.The majority of respondents 68.1 percent agreed that the number of listed competing firms has continuously increased, with a (mean =3.88). Additionally, 73.6 percent of respondents agreed that the performance of the securities market in Kenya has continuously improved due to lower taxes, with a (mean=3.92). Notably, for 71.4 percent of the respondents, the reduction in taxation has attracted more sectoral companies' participation in the market (mean=3.72) while 76.5 percent also agreed that raising funds in the stock market has become easier

due to the availability of funds to be invested because of increased market investors (mean=4.00). A fair majority of respondents 45.4 percent had a neutral opinion on whether the predictability of tax has brought stability to the securities market in Kenya, with a (mean=3.12).

Moreover, 31.5 percent of respondents agreed with this statement. The above findings support the research by Lawal, Somoye, Babajide and Nwanji (2017), which examined the impact of interactions between fiscal and monetary policies on stock market behaviour and volatility in the Nigerian Stock Market. Their study identified fiscal policy, particularly taxation, as a key variable and found that reductions in taxation positively affected securities market performance and investor participation. This research aligns with previous findings, suggesting that reductions in taxation attract both corporate and individual investors to the securities market. It implies that taxation can either negatively or positively influence market performance, as observed in the findings.

Also, 75.5 percent agreed that the tax reduction has attracted both individual and retail investors (mean=3.78) while 62.2 percent agreed that the current organization has no issue complying with the tax requirements (mean=3.74). According to 71 percent of the respondents, the amount of tax charged on stock and securities is reasonable (mean=3.89) while 56.3 percent agreed that local and foreign investors can now trade easily in the securities market (mean=3.16). A fair majority 40.4 percent agreed that the income of the company has continuously increased due to decreases and taxation for companies investing securities market in Kenya mean=2.92) while 33.1 percent disagreed with this premise.

There was agreement among (47.5 per cent of the respondents that the reduction of taxation has attracted institutional investors (mean=2.91) this agrees with the findings of Kamasa, Nortey, Boateng and Bonuedi (2022) investigated the influence of tax reforms on the generation of revenue in Ghana. The study found that when reforms are implemented well it has a positive influence on market performance and participation. Additionally, 44.6 percent of respondents disagreed with the statement in question.

Most respondents 54.6 percent agreed that a reduction in taxation has improved market liquidity, with a (mean =3.24), whereas 29.4 percent disagreed. The findings indicate that reductions in taxation within the securities market have a positive impact by attracting investors to trade. This increased trading activity contributes to improved market

liquidity and capitalization. By fostering a more favourable tax environment, the government could stimulate investor participation, ultimately leading to a more robust and liquid market. Similarly, a significant portion 44.1 percent disagreed that the number of venture capitalists participating in the Kenyan securities market has increased due to the introduction of tax holidays, with a (mean= 2.72). In contrast, 30.7 percent of respondents agreed with this statement. The findings reveal that 52.5 percent of respondents believe that lowering taxes has improved the extent of full disclosure by companies, as indicated by a (mean=3.09).

Conversely, 32.8 percent of respondents did not support this view. Overall, respondents showed a general agreement with statements regarding tax reforms, with an average (mean=3.40). In conclusion, to enhance securities market performance, it is observed that lower taxation rates encourage investor participation in the market. The results are consistent with the findings of Otwani, Simiyu and Makokha (2017), who examined the effects of corporate income tax on the financial performance of companies listed on the Nairobi Securities Exchange in Kenya. While their study focused specifically on corporate tax and targeted only listed firms, this study considered all types of taxes affecting securities market participants and included a broader range of market participants.

4.3.3 Investor Protection Reforms

The respondents indicated their level of acceptance of measurement items relating to investor protection reforms. Statements were analysed using percentage and mean values. As shown in Table 4.4the results are shown below.

Table 4.4: Descriptive Results for Investor Protection Reforms

Statements	**SD%**	**D%**	**N%**	**A%**	**SA%**	**Mean**
N=238	**1**	**2**	**3**	**4**	**5**	
IPR1-There is an investor protection policy in the securities market.	1.7	17.2	19.7	48.7	12.6	3.53
IPR2-Investors get their compensation claims on time when investors lose money because of fraud in the market.	2.9	2.9	22.7	60.1	11.3	3.73
IPR3-There is a good channel for investor grievances redressal.	0.8	7.6	14.7	35.3	41.6	4.09
IPR4-There is an investor awareness program as required by the securities market regulation.	0.8	7.6	15.1	42.0	34.5	4.01
IPR5-Investors are protected against hostile takeovers.	1.7	7.6	22.3	55.5	13.0	3.70
IPR6-There is a procedure for monitoring agents to protect principals.	21.0	7.6	23.9	39.1	8.4	3.06
IPR7-The organization complies with the requirements on corporate disclosures.	21.8	2.1	21.0	33.2	21.8	3.31
IPR8-The available channels can address agency problems when they arise.	21.8	2.5	9.7	47.5	18.5	3.38
IPR9-The payment of investor returns is done on time and any anomaly is corrected swiftly.	2.5	5.0	29.8	46.2	16.4	3.68
IPR10-The investor money is invested in projects with substantial returns.	1.7	21.8	15.1	45.4	16.0	3.52
IPR11-The interests of investors are safeguarded and protected as required by law.	21.8	19.3	14.7	34.5	9.7	2.90
Average Mean Score	**7.04**	**8.50**	**18.9**	**44.30**	**18.52**	**3.53**

Source: Field Survey (2025)

According to Table 4.4, 61.3 per cent of respondents agreed that there is an investor protection policy in the securities market, with a mean score of 3.53. Additionally, 71.4 per cent agreed that investors receive compensation claims promptly when losses arise

from fraud, with a mean of 3.73. These findings suggest that the securities market has improved investor protection, enhanced investor confidence, and encouraged broader market participation. This aligns with the findings of La Porta, Silanes, Shleifer and Vishny (2000), who emphasized that investor protection is a critical factor for securities market development.

However, other scholars offer contrasting views. Laeven and Perotti (2010) caution that the presence of investor protection policies does not always guarantee effective enforcement, especially in countries where regulatory bodies are weak or subject to political influence. Black and Khanna (2007) similarly argue that while laws may exist on paper, actual investor experiences often differ due to selective or inconsistent enforcement. Aggarwal et al. (2005) further stress that legal reforms must be accompanied by institutional improvements such as judicial transparency and enforcement efficiency to truly impact investor behavior. These studies suggest that despite positive perceptions, structural gaps in enforcement and institutional capacity may still hinder the full realization of investor protection in practice.

There was agreement among 76.9 percent of the respondents that there is a good channel of investor grievances redressal (mean=4.09) while 76.5 percent agreed that there is an investor awareness program as required by the securities market regulation (mean=4.01) The above is in agreement with the results of Mwaniki (2018) assessed the effect of legal restrictions on insider trading at the Nairobi Securities Exchange by examining how these regulations influence abnormal returns and stock price movements. The study found that enhanced investor protection has positively impacted both market volatility and investor participation. This study looks at general investor protection and how it has enhanced securities market performance, based on the respondents' level of agreement, it can be concluded that investor protection has been enhanced in the securities market.

According to 68.5 percent of the respondents, investors are protected against hostile takeovers (mean=3.70). A significant proportion of respondents 47.5 percent agreed that there is a procedure for monitoring agents to protect principals, with a (mean=3.06), while 28.6 percent disagreed with this statement. Also, 55 percent of the respondents, the organization complies with the requirements on corporate disclosures (mean=3.31) whereas 66 percent agreed that there are available channels that can address agency problems when they arise (mean=3.38). This finding aligns with the research by Giannetti and Koskinen (2004), who investigated investor protection and its impact on

the demand for equity. Their study concluded that stronger investor protection positively affects investor participation in the market. If investor protection levels decline, wealthy investors may be incentivized to become controlling shareholders and secure better prices for their shares, as they can potentially exploit outside shareholders for additional gains. While this study finds a positive link between the variables, previous research had primarily focused on the equities market rather than the broader securities market.

Sixty-six per cent of the respondents agreed on the timely payment of investor returns and the swift correction of any anomalies (mean = 3.68). respondents 61.4 per cent concurred that they invest investor money in projects that yield substantial returns (mean = 3.52), aligning with Milos and Milos' (2019) research on the relationship between investor protection regulations and the development of capital markets in emerging European Union countries. The researchers analyzed existing literature to come up with their findings. The research highlighted a significant positive correlation between investor protection reforms and the overall development of the securities market. It was achieved by directly collecting primary data from market participants, which provided fresh insights and perspectives. Notably, the results are different from those of earlier studies that may have relied mostly on secondary data or had mixed results. This suggests that getting stakeholders directly involved in collecting primary data is a better way to understand how these reforms affect market growth and stability.

Additionally, 44.2 per cent of respondents agreed that investors' interests are safeguarded and protected as required by law, with a (mean = 2.90), while 40.3 per cent disagreed with this statement. This means that the market participants should be sensitised on how they also protect themselves against the exploitation from shrewd market players. On average, respondents showed agreement with statements related to investor protection reforms, reflected in a (mean=3.53). It can therefore be concluded that enhanced investor protection leads to improved securities market performance. Additionally, investors should be informed about the protection strategies implemented to further boost their confidence and participation.

4.3.4 Foreign Investor Participation Reforms

The respondents expressed their level of agreement on various measurement items related to the influence of foreign investor participation reforms on securities market performance. The respondents ‘level of agreement is tabulated in Table 4.5. Statements were analysed using percentage and mean values.

Table 4.5: Descriptive Results for Foreign Investor Participation Reforms

Statements N=238	SD% 1	D% 2	N% 3	A% 4	SA% 5	Mean
FIPR1-There is a policy in place in our company protecting foreign investors	2.5	9.2	13.0	57.6	17.6	3.78
FIPR2-The changes in regulations have allowed the foreign investor to participate in the market.	20.2	3.8	8.8	41.2	26.1	3.49
FIPR3-The company has attracted foreign investors buying your shares and securities in the recent past	20.2	5.5	18.5	37.0	18.9	3.28
FIPR4-Foreign investors extensively participate in the decision-making of the firms in that they have invested resources.	22.7	8.8	19.3	34.5	14.7	3.09
FIPR5-Foreign investors participate in the company decision making during the annual general meeting as minority shareholders	22.7	14.7	18.9	33.2	10.5	2.94
FIPR6-Foreign investors trade online without necessarily having to travel physically	20.2	8.4	19.7	37.4	14.3	3.17
FIPR7-Foreign investors get access to full disclosures as required by the Securities market regulations.	3.4	10.5	16.8	52.1	17.2	3.69
FIPR8-Foreign investors have easy access to the stock market without any limiting barriers.	3.4	2.5	33.6	45.0	15.5	3.66
FIPR9-The taxation rate has attracted foreign investor to investor in the Nairobi securities market.	0.8	24.8	16.8	40.3	17.2	3.48
FIPR10-Foreign investor gets their returns inform of dividends or rebates on time.	4.2	0.8	15.5	43.3	36.1	4.06
FIPR11-Foreign investors are free to transfer and buy new shares without any challenges.	2.5	5.0	13.9	60.5	18.1	3.86
FIPR12-Foreign investors are allowed to buy local company shares and other securities.	22.3	2.1	27.7	31.5	16.4	3.17
FIPR13-Foreign capital inflow has increased due to the participation of foreign investors.	1.7	5.5	17.2	61.8	13.9	3.80
Average Mean Score	**9.54**	**7.81**	**18.43**	**44.26**	**18.19**	**3.49**

Source: Field Survey (2025)

As presented in Table 4.5, a significant majority of respondents 75.2 percent affirmed that their company has a policy designed to safeguard foreign investors, reflected by a (mean=3.78). Additionally, 67.3 per cent of respondents agreed that changes in regulations have facilitated foreign investors' participation in the market, with a (mean = 3.49). According to 55.9 percent of respondents, the company has attracted foreign investors who have been purchasing shares and securities recently, with a (mean =3.28).

In contrast, 25.7 per cent of respondents disagreed with this statement. These results support the findings of Makeni (2018), which investigated the influence of foreign direct investment on securities market returns at the Nairobi Securities Market, the research concluded that the increase in foreign direct investment positively influenced the securities market. The minority of respondents who disagreed with the positive impact of regulatory changes on foreign investment may indicate concerns or skepticism about the effectiveness of these regulations, suggesting that further investigation is needed to understand their perspectives and address any underlying issues that may hinder foreign investor confidence.

A fair majority of respondents 49.2 percent. Foreign investors extensively participate in the decision-making of the firms in which they have invested resources(mean=3.09). The results imply that the interest of foreign investors is taken into consideration in the securities market. Likewise, 31.5 per cent disagreed with this statement. There was agreement among 43.7 per cent of the respondents that foreign investors participate in the company decision-making during annual general meetings as minority shareholders (mean=2.94) with 37.4 per cent of the respondents disagreeing with this statement. The majority of the respondents 51.7 per cent agreed that foreign investors trade online without necessarily having to travel physically (mean=3.17) while 28.6 per cent disagreed. On average the results indicate that the market conditions and communication channels are favourable to the foreign investors. Also, 69.3 per cent of the respondents agree that foreign investors have access to full disclosures as mandated by securities market regulations, with a (mean=3.69). Additionally, 60.5 per cent agreed that foreign investors can access the securities market without significant barriers, with a (mean=3.66).

These findings align with the research conducted by Arcabic, Globan and Raguz (2013), which demonstrated a long-term relationship between foreign direct investment and the development of the securities market in Croatia. Furthermore, 57.5 per cent of

respondents agreed that the taxation rate has attracted foreign investors to the Nairobi Securities Market, with a (mean=3.48). A notable 79.4 per cent agreed that foreign investors receive their returns in the form of dividends or rebates on time, with a (mean=4.06). The findings indicate that respondents generally viewed foreign investor participation positively. A majority 78.6 per centagreed that foreign investors can freely transfer and purchase new shares (mean = 3.86), and 75.7 per cent believed that their participation has increased foreign capital inflows (mean = 3.80). While 47.9 per centagreed that foreigners can buy shares in local companies (mean = 3.17), a notable 24.4 per cent disagreed. Overall, with an average mean of 3.49 across related items, respondents recognized foreign investors as playing a key role in enhancing securities market performance. These views align with Ochenge, Ngugi and Muriu (2020), who found that foreign equity inflows positively influence market liquidity and performance.

4.3.5 Governance Reforms

The respondents indicated their level of agreement on various measurement items related to the Influence of governance reforms on securities market performance. Statements were analysed using percentage and mean values. The results are detailed in Table 4.6.

Table 4.6: Descriptive Results for Governance Reforms

Statements	SD%	D%	N%	A%	SA%	Mean
N=238	1	2	3	4	5	
GR1-Governance of the firm and decision-making have improved due to governance reforms	0.8	2.5	15.5	60.5	20.6	3.97
GR2-Financial viability of the company has improved substantially due to good governance put in place	1.7	3.8	13.9	64.7	16.0	3.89
GR3-The firm successfully issued initial public offering and attracted many investors.	0.8	7.6	19.3	55.0	17.2	3.80
GR4-The firm has a conflict-of-interest policy and register that those charged with governance register their interest.	2.5	5.9	19.7	53.8	18.1	3.78
GR5-The firm has engaged monitoring agents to safeguard the interest of shareholders.	1.7	3.4	16.4	60.9	17.6	3.89
GR6-The firm comply with regulation requiring that external auditor's carryout review of the books of accounts at the end of the year.	1.7	5.0	14.7	62.2	16.4	3.86
GR7-Minority shareholders are protected and they receive timely communication.	0.8	3.8	14.7	65.1	15.5	3.90
GR8-All the class of shareholders participate in decision making personally or through proxies.	3.8	8.0	22.3	55.0	10.9	3.61
GR9-The capital base of the company has improved due to governance	3.4	3.4	14.3	36.6	42.4	4.11
GR10-The firms have been competitive in the market due to governance	1.7	3.8	10.9	38.7	45.0	4.21
GR11-There has been improved efficiency brought about by swift decision-making.	2.2	0.8	17.1	38.7	41.2	4.20
GR12-There has been improved performance and return on investment due to the change of ownership.	6.7	2.1	12.6	31.9	46.6	4.23
Average Mean Score	**2.31**	**3.93**	**15.95**	**51.92**	**26.62**	**3.95**

Source: Field Survey (2025**)**

As presented in Table 4.6, the majority of the respondents 81.1 per cent agreed that governance of the firm and decision-making have improved due to governance reforms

(mean=3.97)This is consistent with Zulfigar's (2014) research, which evaluated whether demutualization led to improved market performance in the securities market and found a positive influence of demutualization on market performance. While 80.7 per cent of respondents agreed that the financial viability of the company has improved substantially due to the good governance measures implemented (mean = 3.89), This finding supports Burunciuc and Gonenc's (2020) assertion that corporate governance reforms protect minority shareholders and enhance firm value, which in turn leads to increased market participation. In conclusion, the positive perception of improved financial viability due to good governance aligns with Burunciuc and Gonenc's findings, highlighting the importance of corporate governance reforms in boosting firm value and market participation.

Respondents indicated that 72.2 per cent agreed that the firm successfully issued an initial public offering and attracted numerous investors, with a (mean of 3.80). Additionally, 71.9 per cent of respondents agreed that the company maintains a conflict-of-interest policy and a register for individuals charged with governance to declare their interests, with a (mean=3.78). Given the majority agreement, it can be concluded that good governance practices, such as transparent conflict of interest policies, play a crucial role in attracting investors to participate in firms. This, in turn, positively influences overall securities market performance by fostering trust, reducing risk, and enhancing the investment environment.

There was agreement among 78.6 per cent of the respondents that the company has engaged monitoring agents to safeguard the interest of shareholders (mean=3.89). Whereas another 78.6 per cent agreed that the firm complies with regulations requiring that external auditors review the books of accounts at the end of the year (mean=3.86).This is consistent with Huang, Rykaczewski and Vulcheva (2020) assessed the relationship between changes in operating structure from mutually owned to demutualized and the performance of securities exchanges. investigating this relationship provides insights into how the structural organization of securities exchanges can influence their effectiveness and competitiveness in the broader financial landscape. Their findings contribute to the ongoing discourse on the benefits and challenges associated with demutualization, shedding light on its implications for market participants and policymakers alike

Market performance was assessed through market liquidity and the transparency of firms listed on the exchanges. The research revealed that firms with improved ownership composition exhibited increased market liquidity. 80.6 per cent of the respondents, agreed that minority shareholders are protected and they receive timely communication (mean=3.90). While 65.9 per cent agreed that all the classes of shareholders participate in decision-making personally or through proxies (mean=3.61). A significant 79 per cent of respondents agreed that the capital base of the firms has improved due to governance practices, with a (mean=4.11). Additionally, 83.7 per cent of respondents concurred that the company's competitiveness in the market has increased as a result of governance improvements, reflected by a higher (mean =4.21). In conclusion, these results suggest that firms participating in the market have significantly enhanced their governance structures. This strengthening of governance has boosted investor confidence, resulting in improved market performance, characterized by increased liquidity and competitiveness within the securities market.

Moreover, 79.9 per cent of the respondents agreed that there has been improved efficiency brought about by swift decision-making (mean=4.20) while 78.5 per cent were in agreement that there has been improved performance and return on investment due to change of ownership (mean=4.23). On average the respondents agreed with statements relating to governance reforms (mean=3.95). It can be concluded that investors tend to prefer investing in public firms, as these companies are subject to stricter regulatory oversight. The governance of these firms has been strengthened, particularly through democratic election processes that ensure accountability and transparency. As a result, the majority of respondents agree that securities market performance has remained positive and liquid, primarily due to the sustained investor confidence generated by these enhanced governance practices.

4.3.6 Macro Economic Conditions

The respondents indicated their level of agreement on measurement items relating to macro-economic conditions. Statements were analysed using percentage and mean values. Table 4.7 presents the results.

Table 4.7: Descriptive Results for Macro Economic Conditions

Statements N=238	S D% 1	D% 2	N% 3	A% 4	SA% 5	Mean
MCC1-The rate of inflation has been stable making the exchange rate constant and therefore has a positive effect on securities market performance.	4.2	5.5	30.7	29.4	30.3	3.76
MCC2-The change in exchange rate has direct impact on securities market performance.	8.8	11.3	29.0	26.9	23.9	3.45
MCC3-The interest rate stability is important factor in regards to exchange rates and therefore influences securities market performance.	5.0	13.0	26.5	27.3	28.2	3.60
MCC4-The government/public debts have a direct influence on the exchange rate prevailing in the market and therefore affects the securities market performance.	8.8	9.7	28.2	35.7	17.6	3.43
MCC5-Both local and foreign investors have been attracted to invest in securities market due to favourable exchange rate.	3.8	7.1	28.2	37.4	23.5	3.69
MCC6-The cost of obtaining funds in the market has been stable due to stability in exchange rate and has positively influence securities market performance.	7.1	16.8	26.5	32.4	17.2	3.35
MCC7-The market forces have been determining the exchange rate in the market.	4.6	9.2	29.4	36.1	20.6	3.58
MCC8-The number of securities market participants has a relationship with the rate at which they exchange one currency to another.	6.3	20.2	30.7	26.5	16.4	3.58
Average Mean Score	**6.07**	**11.6**	**21.3**	**31.4**	**22.2**	**3.55**

Source: Field Survey (2025**)**

As shown in Table 4.7, the majority of respondents 59.7 percent agreed that stable inflation rates have led to a constant exchange rate, which positively affects securities market performance, with a (mean =3.76). This finding is consistent with Kamande's (2015) research, which explored the relationship between market returns and macroeconomic factors, including inflation. Kamande's study identified a long-term correlation between stock market returns and various macroeconomic variables.

Additionally, 50.8 per cent of respondents noted that changes in the exchange rate directly impact securities market performance, with a (mean=3.45). There was agreement among most respondents 55.5 percent that interest rate stability is an important factor with exchange rates and therefore has an influence on securities market performance (mean=3.60). This finding aligns with Rakhal's (2015) analysis, which reviewed the literature on the effects of money supply, exchange rates, and remittances on stock market performance. The research demonstrated that money supply and remittances had a positive impact on securities market performance, while interest rates and exchange rates negatively influenced the stock market. The research also highlighted a lack of consensus regarding the effects of each macroeconomic variable under study, as some literature reviewed showed results both consistent with and contrary to the reported findings.

A fair majority of respondents 53.3 percent agreed that government/public debts have a direct influence on the exchange rate prevailing in the market and therefore affect the securities market performance (mean=3.43). There was agreement among 60.9 per cent of the respondents that both local and foreign investors have been attracted to invest in the securities market due to favourable exchange rates (mean=3.69). A sizeable majority 49.6 per cent agreed that the cost of obtaining funds in the market has been stable due to stability in the exchange rate and has positively influenced securities market performance (mean=3.35) with 29.4 per cent holding a neutral opinion. The majority of respondents 56.7 percent agreed that market forces are the primary determinants of the exchange rate (mean=3.58). Additionally, a sizable majority 42.9 percent concurred that the number of participants in the securities market is related to the rate at which currencies are exchanged (mean=3.26). The results agree with Ejikeme (2017) investigated the relationship between macroeconomic factors and the performance of Nigeria’s capital market. The study considered variables such as interest rates, inflation rates, GDP, and exchange rates, using secondary data from 1986 to 2009. The findings indicated that an increasing inflation rate hurt capital market performance, significantly affecting the All-Share Index but having an insignificant effect on market capitalization. The findings agree with the results of this study.

However, 30.7 per cent showed neutrality while 20.2 per cent disagreed with this statement. On average the respondents agreed with statements relating to macro-economic conditions (mean=3.55).The results support Dilawer, Aziz and Sadar-Ud-Din

(2022), who explored the relationship between macroeconomic factors and securities market returns, considering various influences on the securities market and collecting secondary data. The study revealed a long-term relationship between macroeconomic conditions and securities market returns, with interest rates and exchange rates significantly affecting market performance. In conclusion, stability in macroeconomic conditions has a positive influence on securities market performance. Based on the respondents' views, they believe that market performance is associated with stability in exchange rates, interest rates, and inflation rates.

4.3.7 Securities Market Performance

The respondents provided their level of agreement on various measurement items related to securities market performance. Statements were analysed using percentage and mean values. The results are detailed in Table 4.8.

Table 4.8: Descriptive Results for Securities Market Performance

Statements	**SD%**	**D%**	**N%**	**A%**	**SA%**	**Mean**
N=238	**1**	**2**	**3**	**4**	**5**	
SMPMC1-The volume of shares sold has increased.	0.8	2.5	15.5	60.5	20.6	3.97
The sale of shares and the uptake have significantly improved.	1.7	3.8	13.9	64.7	16	3.89
SMPMC3-The value of the company shares has also increased in the market.	0.8	7.6	19.3	55.0	17.2	3.80
SMPMC4-The profitability of the company has improved.	2.5	5.9	19.7	53.8	18.1	3.78
SMPMC5-There is the existence of information asymmetry in the company.	1.7	3.4	16.4	60.9	17.6	3.89
SMPMC6-The trading in the market can be done swiftly with a reasonable price.	1.7	5	14.7	62.2	16.4	3.86
SMPML1-The breadth of the market has increased and it is steady	0.8	3.8	14.7	65.1	15.5	3.90
SMPML2-Market stability has been resilient over time.	3.8	8	22.3	55.0	10.9	3.61
SMPML3-Market forces do not take much time to reach equilibrium level	3.4	3.4	14.3	36.6	42.4	4.11

SMPML4-The market depth has improved due to presence of many traders.	1.7	3.8	10.9	38.7	45	4.21
SMPML5-Investors have significantly improved since savers have been attracted by market liquidity.	2	0.8	17.3	38.7	41.2	4.20
SMPML6-The number of transactions has significantly improved in the market over the period.	1.3	2.1	18	31.9	46.6	4.23
SMPML7-Altering of portfolio in the market can be done at a cheaper price.	4.2	4.2	18.1	42	31.5	4.00
SMPSPV1-The return-on-investment behaviour patterns have improved.	4	2.9	9.9	42.9	40.3	4.20
SMPSPV2-The supply of funds in the market by investors have continuously improved.	5	5	16.4	37.8	35.7	4.04
SMPSPV3-The buoyance of the market has continuously been stable.	1.7	6.7	20.6	35.7	35.3	3.96
SMPSPV4-Investor confidence in the market has improved due to improved returns.	5	10.1	22.3	31.5	31.1	3.73
SMPSPV5-Market patterns have become predictable overtime.	1.7	0.8	19.3	45.4	32.8	4.06
SMPSMT1-The company shares sold have significantly increased cumulatively over time.	0.8	2.9	19.3	46.6	30.3	4.02
SMPSMT2-The number of shares bought has significantly increased over the years.	-	0.8	16.0	44.1	39.1	4.21
SMPSMT3-Trading on your company shares is continuously increasing because it is easily converted to cash.	3.2	6.7	17.4	34.9	37.8	4.03
SMPSMT4-The organization has not experienced any stock tanking in the last five years	3.5	1.7	12.8	46.6	34.9	4.14
SMPSMT5-The number of shares bought and sold per day has increased.	5.2	6.3	9.1	64.3	15.1	3.88
Average Mean Score	**2.56**	**4.26**	**16.44**	**47.6**	**29.1**	**3.98**

Source: Field Survey (2025**)**

As shown in Table 4.8, a significant majority of respondents 81.1 per cent agreed that the volume of shares sold has increased (mean=3.98), and 80.7 per cent agreed that both the sale of shares and their uptake have significantly improved (mean=3.89). These findings align with Okumu (2013), who reviewed the literature on securities volume before and after automation at the Nairobi Securities market, using stock volume as a measure of market performance, the research found that securities market automation has enhanced the volumes of securities traded at the market. Additionally, stock price volatility was identified as another indicator of securities market performance.

Respondents 72.2 per cent agreed that the value of the company shares has also increased in the market (mean=3.80). However, 71.9 per cent agreed that the profitability of the company has improved (mean=3.78). According to the findings, 78.5 per cent agreed that there is the existence of information asymmetry in the company (mean=3.89) while 78.6 percent were in agreement that trading in the market can be done swiftly with a reasonable price (mean=3.86).

The majority of the respondents, 80.6 per cent agreed that the breadth of the market has increased and it is steady (mean=3.90) with 65.9 per cent agreeing that market stability has been resilient over time (mean=3.61), and 79 per cent being in agreement that the market forces do not take much time to reach equilibrium level (mean=4.11). In summary, the findings reveal that respondents recognize information asymmetry within the company while expressing a positive view of market dynamics. A majority believe that trading is efficient and stable, with an increase in market breadth and resilience over time. Overall, the market is perceived to function effectively and reach equilibrium levels quickly, highlighting the need to address information asymmetry to bolster market confidence. From the above findings, it can be concluded that some investors have access to sensitive information about the firm's securities, which is against regulatory requirements. Furthermore, the results indicate that the market has regained stability after reforms and price stability has also been achieved. The results align with the findings of Okumu (2013), who identified a positive relationship between price stability and reforms in the securities market.

The results reveal that 83.7 per cent of respondents agreed that market depth has improved due to the increased presence of traders (mean=4.21). Additionally, 79.9 per cent agreed that investor participation has significantly improved as market liquidity has attracted more savers (mean=4.21). Furthermore, 78.5 per cent of respondents agreed

that the number of transactions in the market has significantly increased over time (mean=4.23), while 73.5 per cent agreed that portfolio adjustments can now be made at a lower cost (mean=4.00). The results support the findings of Laibon, Korir and Simiyu (1992), who researched index measures of total returns aggregated for the market as a whole. Simiyu's work established that these index measures serve as benchmarks for evaluating the performance of investment portfolios. The underlying assumption is that a randomly selected portfolio from the securities market should yield returns comparable to the aggregate market return.

Most respondents 83.2 per cent agreed that the return-on-investment behaviour patterns have improved (mean=4.20). Additionally, 73.5 per cent agreed that the supply of funds in the market by investors has continuously increased (mean=4.04). Based on the findings, 71 per cent of respondents agreed that the market's buoyancy has remained stable, with a (mean=3.96). Furthermore, 62.6 per cent of respondents believed that investor confidence has improved due to enhanced returns, reflected by a (mean=3.73). A substantial majority, 78.2 per cent, agreed that market patterns have become more predictable over time, with a (mean=4.06). Additionally, 76.9 per cent concurred that the cumulative increase in company shares sold has been significant, indicated by a (mean =4.02).

Moreover, 83.2 per cent of respondents reported a notable increase in the number of shares bought over the years, supported by a (mean=4.21). Similarly, 72.7 per cent agreed that trading in company shares has increased due to their liquidity, with a (mean =4.03). The majority of respondents, 81.5 per cent, noted that their organization has not faced a significant decline in stock value over the past five years, as reflected by a high (mean=4.14). Additionally, 79.4 per cent agreed that daily trading volume has increased, with a (mean=3.88). In conclusion, respondents showed general agreement with statements about securities market performance, averaging a (mean=3.98). These results suggest a positive perception of market stability, investor confidence, and trading activity, highlighting the overall strength and reliability of the securities market.

4.4 Diagnostic Tests Results

A diagnostic test in research refers to an evaluation process used to assess the validity, reliability, or suitability of a model, method, or data. These tests are employed to identify any underlying issues or assumptions that may affect the quality and accuracy of the

research outcomes (Lasser,2008). The purpose of such tests is to ensure that the assumptions underlying the research methodology hold, thereby improving the robustness of the results. By applying diagnostic tests, researchers can detect and address potential flaws early, making their analysis more reliable and the conclusions drawn more credible. (Lasser,2008). The diagnostic tests that was performed included Linearity, Normality, Multicollinearity, Heteroscedasticity, and the common bias method.

4.4.1 Linearity Test

Based on the results from the box plots, outliers were identified and treated accordingly as shown in (appendix viii). The box plot displays the distribution of Mahalanobis distances derived from the multivariate dataset. Mahalanobis distance is a statistical measure that identifies how far each observation is from the multivariate mean, considering the covariance among variables (Kothari & Garg, 2014). It is commonly used to detect multivariate outliers that may violate assumptions of normality and linearity in regression analysis (Tabachnick & Fidell, 2019). In the figure, the red dashed vertical line represents the chi-square critical value at the 0.001 significance level for two degrees of freedom, corresponding to the number of independent variables analyzed. Observations exceeding this threshold are flagged as multivariate outliers. Their presence suggests potential distortion in the dataset, which could compromise the validity of parametric tests. As such, these outliers were removed from further analysis. The box plot offers a clear visual representation of this decision-making process, reinforcing the importance of data screening in multivariate research (Hair et al., 2019). The researcher sought to ensure that each step of the process met all necessary statistical assumptions.

To handle missing data, the procedure employed replacement methods to maintain consistency and completeness in data entry and to reduce the impact of outliers. Instead of removing outliers from the dataset, the researcher adjusted their values to better represent the overall data. This approach aimed to preserve the integrity of the analysis while mitigating the influence of extreme values Ndung'u, (2022). Box plots were used to assess the distributional characteristics of the key study variables. As shown in the plots (Appendix viii), the variables exhibited approximately symmetric distributions with no significant outliers or extreme values. The median lines were centrally positioned

within the interquartile range, and the whiskers extended evenly on both sides, suggesting normality in the data.

According to Das and Mishra (2021), the symmetry in the box plots suggests a near-normal distribution, supporting the assumption of linearity for regression analysis. Outliers were replaced with mean values to minimize skewness, ensuring that the linear relationship between variables was maintained. Thus, visual inspection and data normalization confirmed the linearity assumption.

4.4.2 Normality Test Results for Dependent Variable

Normality tests were performed using both graphical and non-graphical methods. The graphical approach included a normal probability plot and a histogram. while the non-graphical method involved the Kolmogorov-Smirnov and Shapiro-Wilk tests. The dependent variable normality was tested. The histogram illustrates the distribution of standardised residuals from a regression analysis, with the dependent variable being Securities Market Performance. The distribution shows a generally symmetrical bell-shaped curve, indicating that the residuals are approximately normally distributed around zero, which is a key assumption in regression analysis. The mean of the residuals is virtually zero (mean = -1.65, E-15), and the standard deviation is 0.989, which is very close to the expected value of 1 for standardized residuals. With a sample size of 238, the analysis benefits from a sufficient number of observations, enhancing the reliability of the results. Visually, the residuals closely follow the superimposed normal distribution curve, although there are slight deviations, particularly a minor skewness towards the left side, where residuals slightly extend further in the negative direction.

This skewness is not severe and may not significantly affect the analysis. However, further tests like the Shapiro-Wilk test could be employed to statistically confirm the normality assumption. Overall, the residuals are nearly normally distributed, supporting the validity of the regression model's assumptions and ensuring reliable hypothesis testing and confidence intervals. Minor deviations may not pose a substantial issue, but adjustments such as data transformation could be considered if perfect normality is required.

The results in Figure 4.1show that the histogram was bell-shaped. This implies that the normality test was ascertained for the securities market performance.

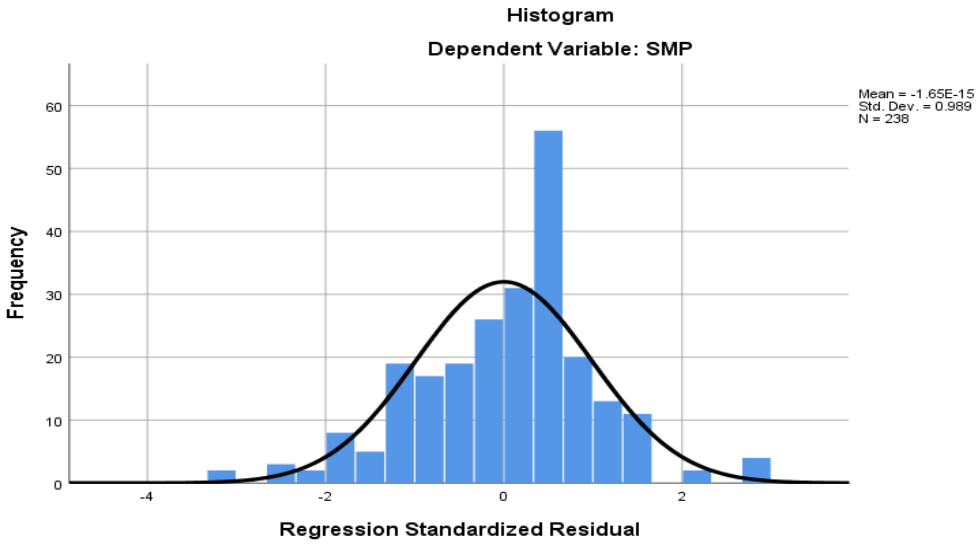

Figure 4.1: Histogram of Securities Market Performance

Source: Field Survey (2025)

Additionally, the normality of the data was assessed using the Kolmogorov-Smirnov and Shapiro-Wilk tests. The probability values for both the Kolmogorov-Smirnov (P=0.322) and Shapiro-Wilk (P=0.203) tests exceeded 0.05. According to Ndung'u (2022), the Kolmogorov-Smirnov and Shapiro-Wilk tests reject the normality hypothesis when the corresponding probability value is less than or equal to the 0.05 threshold, indicating that the assumption of normality for the securities market performance data was satisfied. Normality tests are vital for validating assumptions underlying many statistical methods, improving the accuracy and interpretability of results, and ensuring the robustness of models and analyses. They help in making informed decisions about which statistical techniques to use and how to interpret the outcomes effectively. Table 4.11 presents the results.

Table 4.9: Tests of Normality for Dependent Variable

	Kolmgorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
SMP	.163	238	.322	.913	238	.203

a. Lilliefors Significance Correction

Source: Field Survey (2025)

4.4.3 Heteroscedasticity Test Results

The results indicate that the scatter plots had no standard flow. This was an indication of the absence of heteroscedasticity. The concept of heteroscedasticity pertains to the condition where the variance of the dependent variable varies across different levels or groups defined by the predictor variables (Ndungu, 2022). (Gakuna, Juma, Ayiemba and Mwonya,2019) emphasizes the importance of testing for heteroscedasticity, as its presence can significantly influence the accuracy of the R coefficient, potentially leading to misleading interpretations of the data.

The scatter plot shows the relationship between the standardized predicted values and the standardized residuals for the dependent variable, securities market performance. The random distribution of points with no discernible pattern indicates that the assumption of homoscedasticity is likely satisfied, meaning the residuals exhibit constant variance across all levels of the predicted values (Gakuna, Juma, Ayiemba & Mwonya,2019). Additionally, the lack of a clear linear or curvilinear pattern suggests that the assumption of linearity holds, indicating that the linear regression model adequately captures the relationship between the independent and dependent variables. However, a few points on the far right of the plot appear as potential outliers, as they deviate considerably from the rest of the data. These outliers may warrant further investigation, as they could disproportionately influence the model's results. Overall, the scatter plot supports the validity of the linear regression model, though attention should be given to the outliers to ensure they do not unduly affect the analysis. The outcomes of this scrutiny are depicted in Figure 4.2.

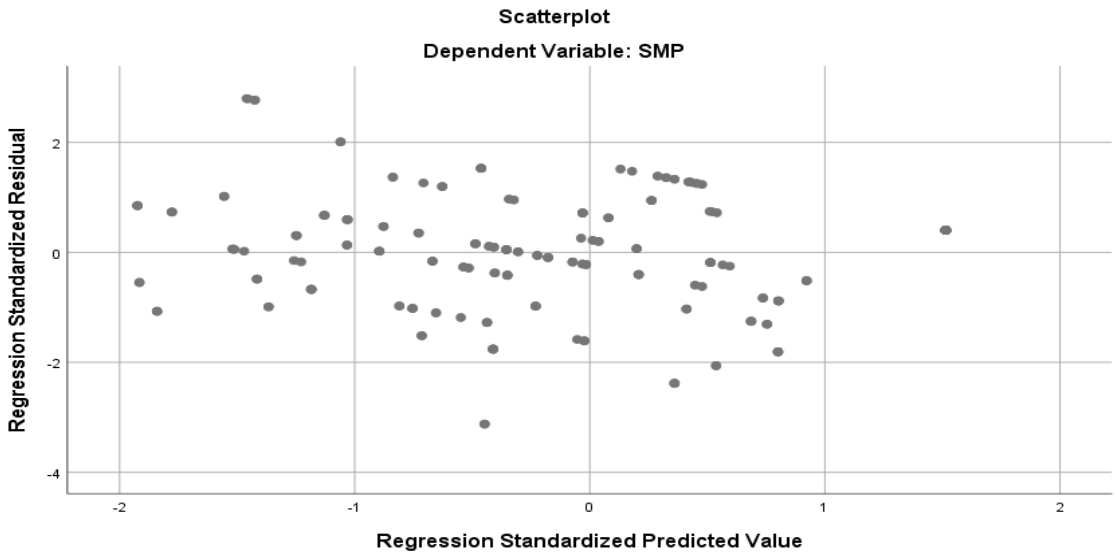

Figure 4.2: Scatter Plot for Heteroscedasticity Test

Source: Field Survey (2025)

Furthermore, the significance level for Levene's test was greater than 0.05 (p=0.626), indicating that the assumption of equal variances was satisfied. This suggests that the variance of the dependent variable is consistent across groups. Consequently, since Levene's test produced a significance level above 0.05, there is no statistically significant difference between the variances. The results imply that the variance in securities market performance depends on the groups defined by the predictor variables. To maintain the accuracy of the R-coefficient, heteroscedasticity was statistically addressed in this research, as its presence could have undermined the reliability of the results. Table 4.12 provides the detailed results.

Table 4.10: Test of Heteroscedasticity(Homogeneity) of Variances

		Levine Statistic	df1	df2	Sig.
SMP	Based on the Mean	.238	1	236	.626

Source: Field Survey (2025)

4.4.4 Multicollinearity Test Results

To assess the presence of multicollinearity among the independent variables, the Variance Inflation Factor (VIF) was employed as a diagnostic tool. VIF values provide insight into the degree of correlation between the predictor variables by indicating how

much the variance of a regression coefficient is inflated due to the linear relationship with other predictors. In this analysis, VIF values were found to be less than 10, which suggests that multicollinearity is not a concern. This aligns with Newbert's (2008) threshold, where VIF values exceeding 10 are considered indicative of problematic multicollinearity. Such issues can distort the estimation of regression coefficients, leading to unreliable statistical inferences. The detailed results of this multicollinearity test are presented in Table 4.11.

Table 4.11: Multicollinearity Test Results

		Collinearity Statistics	
Model	**Label**	**Tolerance**	**Variable Inflation Factor**
	TAR	.789	1.268
	TR	.224	4.466
	IPR	.135	7.398
	FIPR	.179	5.584
	GR	.891	1.123

TAR-Technology Adoption Reforms-Tax reforms, PR-Investor Protection reforms, FIPR-Foreign Investor Participation Reforms-Governance Reforms.

Source: Field Survey (2025)

Table 4.11The collinearity statistics for the model's variables provide a clear understanding of the relationships between the predictors. Technology adoption reform has a tolerance of 0.789 and a VIF of 1.268, indicating minimal correlation with other variables, and thus, a low risk of multicollinearity. Governance reforms similarly show a very low level of multicollinearity, with a tolerance of 0.891 and a VIF of 1.123, making it a reliable predictor. On the other hand, tax reforms present a tolerance of 0.224 and a VIF of 4.466, suggesting moderate multicollinearity, though not at a concerning level. Investor protection reforms and foreign investor participation exhibit more notable multicollinearity, with tolerance values of 0.135 and 0.179, and VIFs of 7.398 and 5.584, respectively. While these values do not exceed the critical VIF threshold of 10, they are closer to the threshold and indicate stronger correlations with other variables. Overall,

the model does experience some multicollinearity, particularly with IPR and FIPR, but it remains within acceptable limits.

4.4.5 Common Method Bias Test Results

External influences can sometimes introduce bias into data testing. Respondents may experience fatigue when completing lengthy data collection instruments, which can lead to skewed responses. This fatigue might cause respondents to indiscriminately tick responses without thoroughly considering the questions, potentially inflating responses and compromising the validity of the results (Steenkamp, De-Jong & Baumgartner, 2010).

Common Method Bias (CMB) is particularly prevalent in survey studies that utilize extensive data collection instruments, as was the case in the current research. Table 4.12 and Figure 4.4 display the relevant results.

Table 4.12: Regression Weights for Test of Common Method Bias

Constructs			Estimate	S.E.	C.R.	P	Label
TAR10	<---	CMB	.326	.045	7.240	***	c
TAR12	<---	CMB	.326	.045	7.240	***	C
TAR14	<---	CMB	.326	.045	7.240	***	C
TR2	<---	CMB	.326	.045	7.240	***	C
TR17	<---	CMB	.326	.045	7.240	***	C
IPR6	<---	CMB	.326	.045	7.240	***	C
IPR7	<---	CMB	.326	.045	7.240	***	C
IPR10	<---	CMB	.326	.045	7.240	***	C
FIPR3	<---	CMB	.326	.045	7.240	***	C
FIPR6	<---	CMB	.326	.045	7.240	***	C
FIPR9	<---	CMB	.326	.045	7.240	***	C
FIPR12	<---	CMB	.326	.045	7.240	***	C
GR3	<---	CMB	.326	.045	7.240	***	C
GR7	<---	CMB	.326	.045	7.240	***	C
MCC1	<---	CMB	.326	.045	7.240	***	C
MCC2	<---	CMB	.326	.045	7.240	***	C
ML5	<---	CMB	.326	.045	7.240	***	C
SPV5	<---	CMB	.326	.045	7.240	***	C
SMT1	<---	CMB	.326	.045	7.240	***	C
SMT2	<---	CMB	.326	.045	7.240	***	C

Source: Field Survey (2025)

The standardized estimate of 0.326 indicates that each observed variable (e.g., TAR10, TR2, IPR6) has a positive relationship with the common method bias factor (CMB). This means that 32.6percent of the variance in each of these items is attributed to the common method bias. The standard error for each estimate is 0.045. This small value suggests that the estimates are precise, and the relationship between the variables and the CMB factor is measured with little error.

The critical ratio, which is the estimate divided by the standard error, is 7.240 for all items. A C.R. value greater than 1.96 in absolute terms typically indicates statistical significance at the 0.05 level, suggesting that the relationship between each item and the CMB factor is significant. The p-value is indicated, which typically means it is less than .001.

This further confirms that the relationships between the observed variables and the CMB factor are highly statistically significant. (Steenkamp, De-Jong & Baumgartner, 2010).

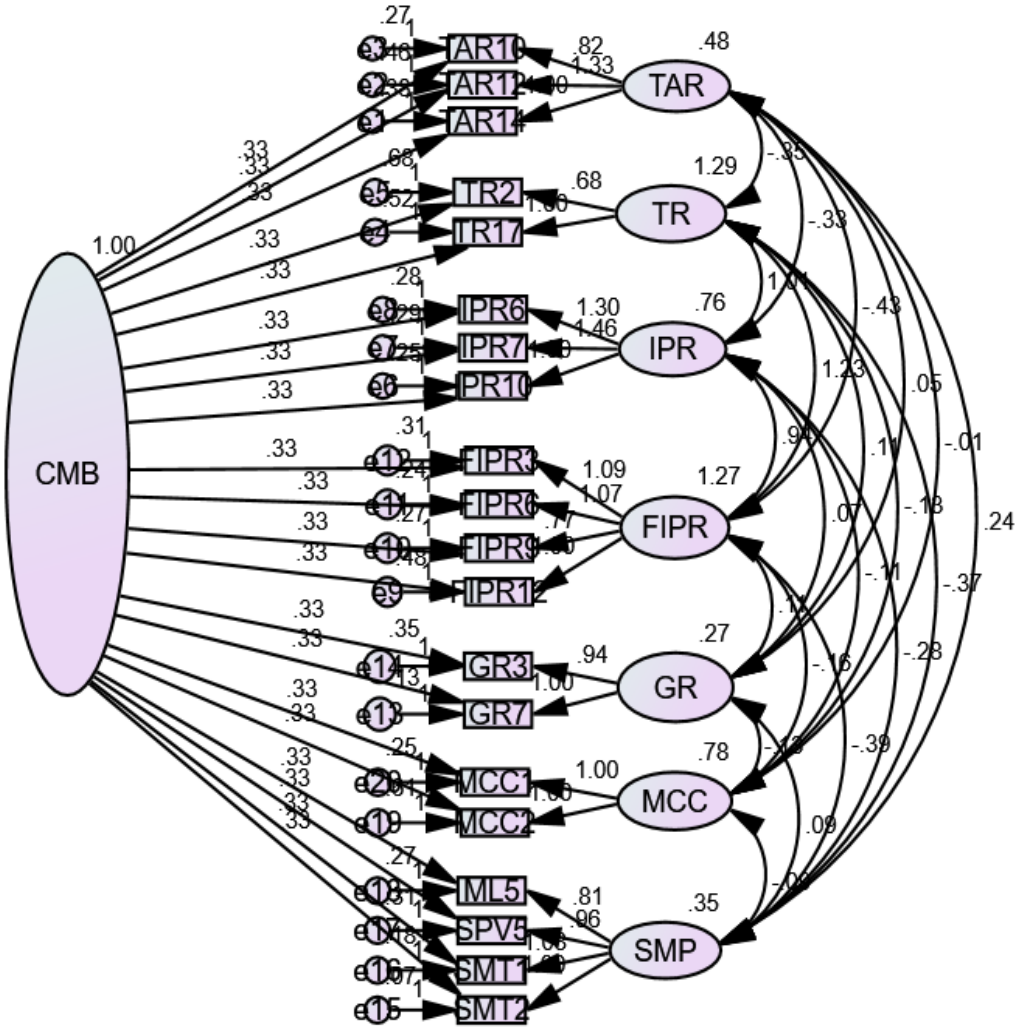

Figure 4.3: Path coefficient for Regression Weights for Test of Common Method Bias

Source: Field Survey (2025)

Table 4.12 and Figure 4.3 presents the CMB results. Podsakoff, Mackenzie and Lee (2003) assert that CMB should not be more than 0.2 or 20 percent. The CMB in the current research was 0.333 = 10.89per cent this was obtained by finding the square root of the initial value 0.333.This means that CMB was 10.89per cent is less than 20 per cent, implying that the responses did not exhibit any form of bias. It can be implied that the responses were balanced with zero disparities in opinions among the respondents at a 95 per cent significance level (P<0.05).

4.6 Factor Analysis Results

The technique is particularly useful in data reduction, where the goal is to distil a large dataset into a few essential factors that capture the most critical patterns of variability. By employing factor analysis to simplify a matrix of correlations, the researcher can better understand the relationships among items on a scale and identify the underlying components that these items may share. Factor analysis is a widely utilized and extensively supported process for creating and improving assessment tools to provide proof that it measures construct validity (Tavakol & Wetzel, 2020).

4.6.1 Exploratory Factor Analysis Results

Exploratory Factor Analysis (EFA) was used to identify underlying factors among observed variables and reduce the large number of questionnaire items into meaningful components. Principal Component Analysis (PCA), factor loadings, and communalities supported the process, ensuring that items with shared variance effectively measured their respective constructs (Niranjan,2004).Exploratory Factor Analysis was conducted to retain measurement items that effectively contributed to explaining variance among variables. Communalities were used to determine item suitability, with a threshold set at 0.5. Items with communalities below this value were removed, as they did not integrate well with others (Passat, 2010). Appendix III presents the communalities for all retained items.

4.6.1.1 Sample Adequacy Results for Technology Adoption Reforms

Factor analysis was employed to streamline items measuring technology adoption reforms. To assess the data's suitability, two key diagnostics were applied: The Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test of Sphericity. The KMO index, which evaluates sampling adequacy, returned a value of 0.719, exceeding the commonly accepted threshold of 0.5, indicating the data was well-suited for factor analysis (Kaiser, 1974; Field, 2018). A KMO value closer to 1 signifies stronger adequacy, and the result in this study affirms the appropriateness of applying factor analysis to the dataset. Additionally, Bartlett's Test of Sphericity yielded a Chi-square value of 271.829 with a probability of 0.000, which is statistically significant ($P < 0.05$). This indicates that the correlation matrix is not an identity matrix and supports the suitability of the data for factor analysis. This showed that factor analysis was suitable for the data. Consequently,

the research proceeded with conducting factor analysis. The outcome of the test is detailed in Table 4.13.

Table 4.13: Technology Adoption Reforms KMO and Bartlett's Test

KMO Measure of Sampling Adequacy.		.719
Bartlett's Test of Sphericity	Approx. Chi-Square	271.829
	df	3
	Sig.	.000

Source: Field Survey (2025)

4.6.1.2 Total Variance Explained for Technology Adoption Reforms

The principal component analysis extraction method was used to evaluate the factor loadings, with the analysis constrained to a single extracted factor. This factor explained 74.874 per cent of the variance in the latent construct or variable, demonstrating its substantial influence. The sums of squared loadings for other potential factors ranged from 2.246 to 0.333, indicating varying degrees of contribution to explaining the variance. Despite these contributions, the primary focus remained on the single factor due to its dominant explanatory power. The comprehensive results of this analysis are detailed in Table 4.14.

Table 4.14: Total Variance Explained for Technology Adoption Reforms

	Initial Eigen values			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.246	74.874	74.874	2.246	74.874	74.874
2	.421	14.022	88.896			
3	.333	11.104	100.000			

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

The component matrix for factor loadings related to technology adoption reforms was extracted, with factor loadings ranging from 0.846 to 0.880. Three measurement items exceeded the 0.7 threshold. According to Ndung'u (2022) and Byrne (2011), regular factor loadings must be greater than 0.7. This criterion was met in the current research,

and therefore, the items were retained for Structural Equation Modelling analysis. The tabulated findings are shown in Table 4.15.

Table 4.15: Component Matrix for Technology Adoption Reforms

	Component 1
TAR10-The number of shares traded is cumulatively increasing every month following the introduction of m-share trading.	.846
TAR12-The transaction cost has significantly reduced due to the elimination of paperwork and a lot of procedures	.880
TAR14-Days taken by an investor to buy company shares have significantly reduced	.870

Extraction Method: Principal Component Analysis.

a. 1 Components extracted.

Source: Field Survey (2025)

4.6.1.3 Sample Adequacy Results for Tax Reforms

Factor analysis was conducted to refine the items related to tax reforms, the second variable in the study. To evaluate the data's suitability for factor analysis, the Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test of Sphericity were employed. The KMO index, which ranges from 0 to 1, assesses the adequacy of the sample, with values of 0.5 or higher indicating acceptability, and values closer to 1 being more desirable (Byrne, 2011). In this study, the KMO value was 0.500, meeting the minimum threshold and confirming that factor analysis was appropriate. Furthermore, Bartlett's Test of Sphericity yielded a chi-square value of 108.999 with a p-value of 0.000, indicating statistical significance at the 95% confidence level ($p < 0.05$). This result confirms that the correlations among variables were sufficiently large to justify the use of factor analysis. Detailed results are presented in Table 4.16.

Table 4.16: KMO and Bartlett's Test for Tax Reforms

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.500
Bartlett's Test of Sphericity	Approx. Chi-Square	108.999
	df	1
	Sig.	.000

Source: Field Survey (2025)

4.6.1.4 Total Variance Explained for Tax Reforms

Principal component analysis was employed to evaluate the factor loadings, with the fixed number of factors set to one Byrne, (2011). The extracted component accounted for 80.435 per cent of the variance in the latent construct or variable. The sums of squared loadings for other factors ranged from 1.609 to 0.391. The significance of these factors in explaining the variance was carefully considered. Table 4.17 provides the detailed results.

Table 4.17: Total Variance Explained for Tax Reforms

	Initial Eigen values			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.609	80.435	80.435	1.609	80.435	80.435
2	0.391	19.565	100.000			

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

The component matrix for tax reforms revealed that two measurement items had factor loadings exceeding the 0.7 threshold. These items were therefore retained for Structural Equation Modelling (SEM) analysis. The detailed results are presented in Table 4.18.

Table 4.18: Component Matrix for Tax Reforms

	Component
TR2-Earnings for investors have improved due to reduced tax burden	.897
TR17-Due to a reduction in taxes, companies have enhanced full disclosure.	.897

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Source: Field Survey (2025)

4.6.1.5 Sample Adequacy Results for Investor Protection Reforms

Factor analysis was performed to simplify the items related to investor protection reforms as the third variable. To ensure the appropriateness of factor analysis, two tests were conducted: Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity. The KMO index, which ranges from 0 to 1, should ideally be above 0.5, with values closer to 1 indicating better suitability(Byrne 2011). Bartlett's Test of Sphericity should also show significance at the 95% confidence level. The research revealed a KMO value of 0.757, which exceeds the acceptable threshold of 0.5, indicating that the data was adequate and met the criteria required. Additionally, Bartlett's Test of Sphericity yielded a chi-square value of 577.441 with a probability value of 0.000, which is statistically significant ($P<0.05$). These results confirmed the appropriateness of proceeding with factor analysis. The findings are detailed in Table 4.19.

Table 4.19: KMO and Bartlett's Test for Investor Protection Reforms

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.757
Bartlett's Test of Sphericity	Approx. Chi-Square	577.441
	df	3
	Sig.	.000

Source: Field Survey (2025)

4.6.1.6 Total Variance Explained for Investor Protection Reforms

The principal component analysis (PCA) extraction method was employed to assess the factor loadings, with the number of factors to be extracted fixed at one, Ndung'u (2022). This extracted component accounted for 87.635 per cent of the variance in the construct. Other factors' extraction sums of squared loadings ranged from 2.629 to 0.144. The contribution of these factors in explaining the variance was also taken into account. The results are detailed in Table 4.20.

Table 4.20: Total Variance Explained for Investor Protection Reforms

	Initial Eigen values			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.629	87.635	87.635	2.629	87.635	87.635
2	.227	7.581	95.215			
3	.144	4.785	100.000			

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

The component matrix factor loadings for investor protection reforms were extracted. The factor loadings ranged from 0.920 to 0.946. Three (3) measurement items met the 0.7 threshold and were thus retained for SEM analysis. Table 4.21 presents the results.

Table 4.21: Component Matrix for Investor Protection Reforms

	Component
IPR6-There is a procedure for monitoring agents to protect principals.	.943
IPR7-The organization complies with the requirements on corporate disclosures.	.946
IPR10-The investor money is invested in projects with substantial returns.	.920

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Source: Field Survey (2025)

4.6.1.7 Sample Adequacy Results for Foreign Investor Participation Reforms

Factor analysis was conducted to reduce items for foreign investor participation reforms as the fourth variable. To determine the appropriateness of factor analysis for the data, the Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test of Sphericity were employed. The KMO index, which ranges from 0 to 1 with values above 0.5 is considered acceptable (Saunders,2009). The KMO was found to be 0.827.This value indicates that factor analysis is suitable for the data further processing. Additionally, Bartlett's Test of Sphericity yielded a chi-square value of 886.319 with a probability value of 0.000, which is statistically significant ($P<0.05$). This further confirms the appropriateness of proceeding with the analysis of the research(Ndung'u,2022). This implied that factor analysis was appropriate. The research, therefore proceeded on with factor analysis. Table 4.22 presents the results.

Table 4.22: KMO and Bartlett's Test for Foreign Investor Participation Reforms

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.827
Bartlett's Test of Sphericity	Approx. Chi-Square	886.319
	df	6
	Sig.	.000

Source: Field Survey (2025)

4.6.1.8 Total Variance Explained for Foreign Investor Participation Reforms

The Principal Component Analysis extraction method was utilised to assess the factor loadings, with the number of factors to be extracted fixed at one(Ndung'u,2022). This extracted component explained 84.799 per cent of the variance in the construct. The sums of squared loadings for other factors ranged from 3.392 to 0.110. The contribution of these factors to explaining the variance was carefully evaluated. The results are detailed in Table 4.23.

Table 4.23: Total Variance Explained for Foreign Investor Participation Reforms

	Initial Eigen values			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.392	84.799	84.799	3.392	84.799	84.799
2	.272	6.796	91.595			
3	.226	5.652	97.247			
4	.110	2.753	100.000			

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

The component matrix factor loadings of foreign investor participation reforms were extracted. The factor loadings ranged from 0.906 to 0.948. Four measurement items exceeded the 0.7 threshold and were therefore retained for Structural Equation Modelling analysis. The detailed results are provided in Table 4.24.

Table 4.24: Component Matrix for Foreign Investor Participation Reforms

	Component
FIPR3-The company has attracted foreign investors buying your shares and securities in the recent past	.919
FIPR6-Foreign investors trade online without necessarily having to travel physically	.948
FIPR9-The taxation rate has attracted foreign investors to invest in the Nairobi securities exchange market.	.906
FIPR12-Foreign investors are allowed to buy local company shares and other securities.	.909

Extraction Method:

Principal Component Analysis.

a. 1 components extracted.

Source: Field Survey (2025)

4.6.1.9 Sample Adequacy Results for Governance Reforms

Factor analysis was conducted to reduce items for governance reforms as the fifth variable. It was important to test if the data was suitable for conducting factor analysis. To ensure the suitability of factor analysis, the study employed two tests: Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity. The KMO index, which ranges from 0 to 1, indicates that values of 0.5 and above are considered acceptable, with values closer to 1 being preferable(Saunders, 2009).The research found a KMO value of 0.5, suggesting that factor analysis was suitable for this study. Additionally, Bartlett's Test of Sphericity yielded a chi-square value of 111.830 with a probability value of 0.000, which is statistically significant ($P<0.05$). This indicates that factor analysis was appropriate for the data. The research, therefore proceeded on with factor analysis. Table 4.25 presents the results.

Table 4.25: KMO and Bartlett's Test for Governance Reforms

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.500
Bartlett's Test of Sphericity	Approx. Chi-Square	111.830
	df	1
	Sig.	**.000**

Source: Field Survey (2025)

4.6.1.10 Total Variance Explained for Governance Reforms

The principal component analysis extraction method was employed to assess the factor loadings, with the number of factors to be extracted set to one (Saunders et.al,2015). The extracted component accounted for 80.742 per cent of the variance in the construct. The sums of squared loadings for other factors ranged from 1.615 to 0.385. This indicates that the factor accounted for a substantial portion of the variance, and the contribution of these factors to explaining the variance was thoroughly considered. Table 4.26 shows the results of the total variance explained for the governance reforms.

Table 4.26: Total Variance Explained for Governance Reforms

	Initial Eigen values			Extraction Sums of Squared Loadings		
Component	Total	% Variance	of Cumulative %	Total	% Variance	of Cumulative %
1	1.615	80.742	80.742	1.615	80.742	80.742
2	.385	19.258	100.000			

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

The component matrix factor loadings for governance reforms were extracted, revealing that two measurement items met the 0.7 threshold. These items were retained for Structural Equation Modelling analysis. The detailed results are presented in Table 4.27.

Table 4.27: Component Matrix for Governance Reforms

	Component
GR3-The firm successfully issued an initial public offering and attracted many investors.	.899
GR7-Minority shareholders are protected and they receive timely communication.	.899

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Source: Field Survey (2025)

4.6.1.11 Sample Adequacy Results for Macro-Economic Conditions

Factor analysis was conducted to reduce items for macroeconomic conditions as the sixth variable. It was important to test if the data was suitable for conducting factor analysis. In doing so, two tests, namely Kaiser Meyer Olkin (KMO) and Bartlett's Test of Sphericity, were employed. KMO index ranges from 0 to 1, with values of 0.5 and above being acceptable Kaiser, 1974). The closer the KMO is to 1, the better. Bartlett's test should also be significant at a 95% confidence level. The study found a KMO value of 0.500, thus indicating the suitability of factor analysis in this research. Additionally,

Bartlett's Test of Sphericity chi-square value of 145.876 had a probability value (0.000) and a statistically significant value (P<0.05). This implied that factor analysis was appropriate. The study, therefore, proceeded with factor analysis. Table 4.28 presents the results.

Table 4.28: KMO and Bartlett's Test for Macro-Economic Conditions

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.500
Bartlett's Test of Sphericity	Approx. Chi-Square	145.876
	Df	1
	Sig.	.000

Source: Field Survey (2025)

4.6.1.12 Total Variance Explained for Macro-Economic Conditions

The Principal Component Analysis (PCA) extraction method was used to evaluate the factor loadings. The fixed number of factors to be extracted was set to 1 (one), Yong and Pearce (2013). The extracted component accounted for 83.976 per cent of the variance in the construct. Other factors extraction sums of squared loadings ranged from 1.680 to 0.320. Additionally, the contribution of these factors in explaining the variance was significantly considered. Table 4.29 presents the results.

Table 4.29: Total Variance Explained for Macro-Economic Conditions

	Initial Eigen values			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.680	83.976	83.976	1.680	83.976	83.976
2	.320	16.024	100.000			

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

The component matrix factor loadings for macroeconomic conditions were extracted. Two (2) measurement items met the 0.7 threshold and were thus retained for structural equation modelling analysis. Table 4.30 presents the results.

Table 4.30: Component Matrix for Macro-Economic Conditions

	Component
MCC1- The stability of the inflation rate has contributed to a constant exchange rate, which in turn has positively impacted the performance of the securities market.	.916
MCC2- The fluctuations in the exchange rate have a direct effect on the performance of the securities market.	.916

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Source: Field Survey (2025)

4.6.1.13 Sample Adequacy Results for Securities Market Performance

In the research, factor analysis was utilized to condense the items related to securities market performance, which was identified as the seventh variable (Dependent). To determine the appropriateness of conducting factor analysis, the suitability of the data was first assessed using two key tests: The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity. The KMO index, which ranges from 0 to 1, evaluates the sampling adequacy for factor analysis, with values of 0.5 or higher considered acceptable(Kaizer,1974).

The closer the KMO value is to 1, the more suitable the data is for factor analysis. In this case, the research recorded a KMO value of 0.757, indicating a favourable condition for performing factor analysis, as it exceeds the minimum threshold of 0.5. Bartlett's Test of Sphericity assesses whether the correlation matrix is significantly different from the identity matrix, which would indicate that variables are correlated and suitable for factor analysis. A significant result at the (95%) confidence level is required for this test. The research found a chi-square value of 601.175 with a probability of 0.000, indicating statistical significance. This result confirms that the correlation matrix is appropriate for factor analysis. Consequently, based on these tests, factor analysis was deemed appropriate for the research, and the analysis proceeded accordingly. The detailed results of the factor analysis are presented in Table 4.31.

Table 4.31: KMO and Bartlett's Test for Securities Market Performance

KMO of Sampling Adequacy.		.757
Bartlett's Test of Sphericity	Approx. Chi-Square	601.175
	df	6
	Sig.	.000

Source: Field Survey (2025)

4.6.1.14 Total Variance Explained for Securities Market Performance

The Principal Component Analysis (PCA) extraction method was employed to evaluate the factor loadings, with the number of factors to be extracted fixed at one, following the guidance of Yong and Pearce (2013). This method is designed to identify the dominant component that accounts for the majority of variance within the construct. The analysis indicated that the extracted component explained 75.142 per cent of the total variance, demonstrating a strong representation of the construct by a single factor. The sums of squared loadings for the remaining components ranged from 3.006 to 0.145, illustrating the distribution of variance across other, less influential components. These results emphasize the prominence of the primary factor in representing the underlying structure. Detailed findings of the PCA are summarized in Table 4.32.

Table 4.32: Total Variance Explained for Securities Market Performance

				Extraction Sums of Squared		
		Initial Eigen values		**Loadings**		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.006	75.142	75.142	3.006	75.142	75.142
2	.478	11.948	87.089			
3	.372	9.290	96.379			
4	.145	3.621	100.000			

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

The component matrix factor loadings for securities market performance were analysed, with loadings ranging from 0.827 to 0.931. Measurement items with factor loadings exceeding the threshold of 0.7 were deemed significant. Consequently, four (4) measurement items met this criterion and were retained for further structural equation modelling analysis. The detailed results of the factor loadings are presented in Table 4.33.

Table 4.33: Component Matrix for Securities Market Performance

	Component
ML5-Investors have significantly improved since savers have been attracted by market liquidity.	.827
SPV5-Market patterns have become predictable over time.	.844
SMT1-The company shares sold have significantly increased cumulatively over time.	.862
SMT2-The number of shares bought has significantly increased over the years.	.931

Extraction Method:

Principal Component Analysis.

a. 1 components extracted.

Source: Field Survey (2025)

4.6.2 Confirmatory Factor Analysis Results

Confirmatory Factor Analysis (CFA) was conducted using Analysis of Moment Structures to assess the validity of measurement items in representing their underlying latent constructs. A factor loading threshold of 0.5 (Hooper et al., 2010) was applied, and all 20 retained items met this criterion, with statistically significant loadings ($p < 0.05$), indicating strong alignment with their respective constructs. This confirms that the measurement items reliably reflect the theoretical framework and are suitable for use in subsequent Structural Equation Modeling (Yong & Pearce, 2013). Detailed CFA results are provided in Table 4.34, with the measurement model illustrated in Figure 4.5.

Table 4.34: Regression Weights for the Measurement Model

S/N	Measurement Item		Latent Construct	Estimate	P-value
1	TAR14	<---	TAR	.768	***
2	TAR12	<---	TAR	.808	***
3	TAR10	<---	TAR	.791	***
4	TR17	<---	TR	.851	***
5	TR2	<---	TR	.716	***
6	IPR10	<---	IPR	.876	***
7	IPR7	<---	IPR	.925	***
8	IPR6	<---	IPR	.911	***
9	FIPR12	<---	FIPR	.860	***
10	FIPR9	<---	FIPR	.867	***
11	FIPR6	<---	FIPR	.933	***
12	FIPR3	<---	FIPR	.915	***
13	GR7	<---	GR	.852	***
14	GR3	<---	GR	.722	***
15	SMT2	<---	SMP	.931	***
16	SMT1	<---	SMP	.857	***
17	SPV5	<---	SMP	.750	***
18	ML5	<---	SMP	.743	***
19	MCC2	<---	MCC	.773	***
20	MCC1	<---	MCC	.880	***

P^{***} indicates a significant level at 0.05

Source: Field Survey (2025)

The confirmatory factor analysis results indicated that all measurement items had strong and statistically significant loadings on their respective latent constructs. Constructs such as technology adoption reforms, investor protection reforms, tax reforms, governance reforms, foreign investor participation, securities market performance, and macroeconomic conditions were well represented by their indicators. These findings confirm that the measurement model is well-specified and meets established thresholds

for factor loading significance (Hooper et al., 2010; Yong & Pearce, 2013), supporting the reliability and validity of the constructs for further structural analysis.

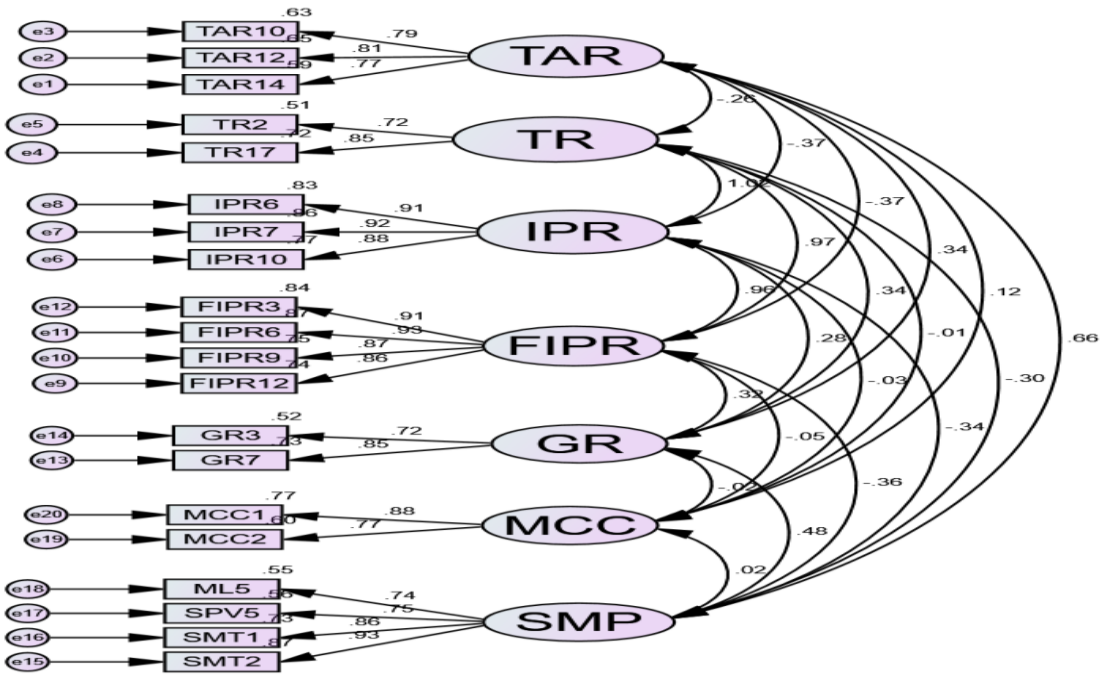

Figure 4.4: Path Coefficient for 1st Order Confirmatory Model, Regression Weights for the Measurement Model

Source: Field Survey (2025)

4.6.2.1 Model Fitness Statistics

Various model fit tests were employed to evaluate the overall fit of the measurement model and the significance of the pathways in the path diagram. These tests included the adjusted Chi-square (CMIN), Goodness of Fit Index (GFI), Comparative Fit Index (CFI), Normed Fit Index (NFI), and Root Mean Square Error (RMSEA). These model fit statistics were used to determine whether the data was compatible with the measurement model, by the recommendations of Ndung'u (2022) and Bayram, et.al (2020). The results of these tests are detailed in Table 4.35.

Table 4.35: Model Fit Statistics for Measurement Model

Model	CMIN	CMIN/DF	P value	GFI	CFI	NFI	RMSEA
Statistic	583.942	3.893	0.000	0.823	0.893	0.863	0.110
Cut-off	P<0.05, CMIN/DF ratio range 1 to 5			≥0.8	≥0.8	≥0.8	≤0.1 acceptable

Source: Field Survey (2025)

The results presented in Table 4.35 indicate that the model fits the data well. In instances where the model fit indices fell short of the recommended thresholds, measurements with high standardised residual covariance were removed to improve the model's fit. Overall, the model fit statistics show a generally acceptable fit, with most indices meeting or exceeding the recommended thresholds (Kenny & Mccoach,2003).

The results show that the minimum discrepancy divided by degrees of freedom (CMIN/DF) ratio is 3.893, which falls within the acceptable range of 1 to 5. Additionally, the model fit indices for the Goodness of Fit Index at 0.823, Comparative Fit Index at 0.893, and Normed Fit Index (NFI) at 0.863 are all above the desired threshold of 0.8. These values collectively reflect a good fit of the model to the data. However, the RMSEA value of 0.110 marginally exceeds the acceptable cut-off of 0.1, Yong and Pearce, 2013).Suggesting that there is room for improvement in the model fit. Overall, while the model demonstrates a good fit on several measures, the Root Mean Square Error of Approximation (RMSEA) suggests that further refinement could improve the model's performance.

4.6.2.2 Construct Validity

Hair *et. al.*, (2019), state that the construct validity of the model can be assessed, encompassing two key forms: convergent validity and discriminate validity. Convergent validity evaluates whether different measures that are supposed to assess the same construct produce similar results, indicating that the items within a construct are highly correlated. Discriminate validity, on the other hand, examines whether measures that are supposed to assess different constructs are indeed distinct from each other, ensuring that the constructs are not too closely related. Both forms of validity are crucial for confirming that the model accurately represents the constructs it is intended to measure.

4.6.2.3 Convergent Validity

Convergent validity assesses how closely measurement items align with a specific latent construct, evaluating how well the indicators collectively represent the construct. This is measured using Average Variance Extracted (AVE). According to Hair et al. (2019), AVE values should exceed 0.5 to confirm convergent validity within the measurement model. The results of the construct validity test, including both convergent and discriminant validity, are detailed in Table 4.36, which shows that the value exceeded 0.5 as recommended by,(Yong and Pearce (2013).

Table 4.36: Convergent Validity of the Measurement Model

Latent Construct	Average Variance Extracts
Technology Adoption Reforms (TAR)	0.622
Tax Reforms (TR)	0.618
Investor Protection Reforms (IPR)	0.817
Foreign Investor Participation Reforms (FIPR)	0.799
Governance Reforms (GR)	0.623
Macro-Economic Conditions (MCC)	0.685
Securities Market Performance (SMP)	0.678

Source: Field Survey (2025)

The Average Variance Extracted values presented in the table support the convergent validity of all latent constructs in the measurement model. Each construct exceeded the recommended AVE threshold of 0.50, indicating that a substantial proportion of the variance in the indicators is explained by the constructs (Fornell & Larcker, 1981). For instance, Technology Adoption Reforms (AVE = 0.622), Tax Reforms (0.618), and Governance Reforms (0.623) all exhibit good convergent validity. Investor Protection Reforms (0.817) and Foreign Investor Participation Reforms (0.799) show particularly strong convergent validity, while Macroeconomic Conditions (0.685) and Securities Market Performance (0.678) also demonstrate solid indicator reliability. These results confirm that the constructs are well-represented by their indicators and are suitable for further structural analysis (Hair et al., 2019).

4.6.2.4 Discriminant Validity

Discriminant validity tests how far the latent variables are discriminating from each other or how the constructs are deviating from each other. Discriminant validity is between the latent variables. Discriminant value was used to test discriminant validity. Discriminant Value is derived by taking the square root of AVE. The rule of thumb is that to ascertain discriminant validity, the discriminant value must be greater than the correlations between the latent constructs (Hair *et.al.*,2010).

Table 4.37: Discriminant Validity Results of the Measurement Model

Constructs	TAR	TR	IPR	FIPR	GR	MCC	SMP
TAR	**0.789**						
TR	-0.257	**0.786**					
IPR	-0.371	0.024	**0.904**				
FIPR	-0.371	0.623	0.452	**0.894**			
GR	0.343	0.338	0.282	0.319	**0.789**		
MCC	0.118	-0.008	-0.033	-0.046	-0.021	**0.828**	
SMP	0.663	-0.301	-0.336	-0.356	0.48	0.017	**0.823**

Source: Field Survey (2025)

Bolded values on the diagonal represent the square root of AVE. Discriminant validity is established when each diagonal value is greater than the off-diagonal correlations in the corresponding row and column (Fornell & Larcker, 1981).As shown in Table 4.37, discriminant validity was demonstrated across all latent constructs, as the correlations between any pair of latent constructs were below the discriminant value, indicating that the constructs are distinct from one another. Additionally, all constructs exhibited strong convergent validity, with their Average variance extracted values significantly exceeding the 0.5 threshold. This indicates that the measurement items for each construct are effectively capturing the intended latent constructs.

Table 4.38: Summary of Discriminant Validity Results

Construct	AVE	Interpretation on convergent validity
Technology Adoption Reform (TAR)	0.789	Good
Tax Reform (TR)	0.786	Good
Investor Protection Reform (IPR)	0.904	Excellent
Foreign Investor Participation Reform (FIPR)	0.894	Strong
Governance Reform (GR)	0.789	Good
Macro-Economic Condition (MCC)	0.828	Strong
Securities Market Performance (SMP)	0.823	Good

Source: Field Survey (2025)

4.6.3 Structural Equation Modelling and Hypotheses Testing

The study then fitted the latent variable structural model and testedthe hypothesis. In examining the contribution of each of the measurement items to the latent construct, regression weights were used. Additionally, the model output value (t-calculated) was compared with the t-critical value of -1.96 or +1.96, to determine whether the structural models were significant at a (95%) confidence level.

4.6.3.1 Influence of Technology Adoption Reforms on Securities Market Performance

The primary aim of the research was to examine how technology adoption reforms influence securities market performance in Kenya. To test this, the study selected measurement items with factor loadings of 0.7 or greater, which were retained for the structural model analysis. Table 4.39 and Figure 4.6present the results.

Table 4.39: Standardized Regression Weights and Critical Values (C.V) for Technology Adoption Reforms and Securities Market Performance

Item		Construct	Estimate	S. E	C.R	P
SMP	<---	TAR	.650	.061	10.65	***
TAR14	<---	TAR	.776			
TAR12	<---	TAR	.811	0.108	7.509	***
TAR10	<---	TAR	.782	0.108	7.241	***

Source: Field Survey (2025)

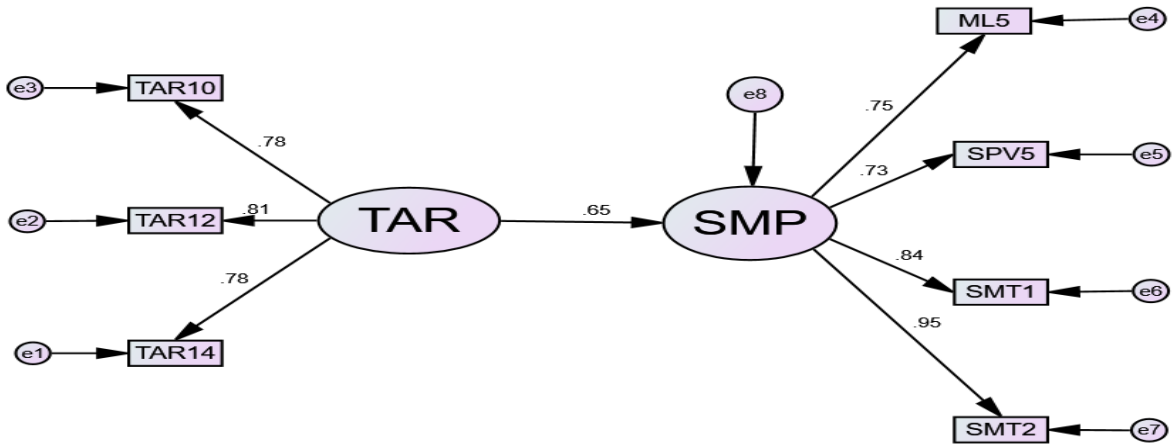

Figure 4.5: Path Coefficient for Standardized Regression Weights and Critical Values (C.V) for Technology Adoption Reforms and Securities Market Performance

Source: Field Survey (2025)

The regression weights, as presented in Table 4.39 and illustrated in Figure 4.5, indicate that an increase in technology adoption reforms by one unit is associated with an increase in TAR10;the number of shares traded is cumulatively increasing every month following the introduction of m-share trading by 0.782 units. This means that the number of shares traded is cumulatively increasing every month following the introduction of m-share trading. Since the calculated t-value of 7.241 was more than 1.96, it implies that there was a positive association between TAR10.The number of shares traded is cumulatively increasing every month following the introduction of m-share trading and technology adoption reforms.

According to TAR12, the transaction cost has significantly reduced due to the elimination of paperwork and a lot of procedures and a unit increase in technology adoption reforms was linked to a 0.811-unit increase in a significant reduction of the transaction cost due to the elimination of paper work and a lot of procedures. Since the t-calculated of 7.509 was greater than 1.96, it means that TAR12, the transaction cost has significantly reduced due to the elimination of paperwork and a lot of procedures and technology adoption reforms have a positive influence. Additionally, the results show that a unit increase in technology adoption reforms was linked to the 0.776-unit increase in TAR14 days taken by an investor to buy company shares have significantly reduced, in that days taken by an investor to buy company shares have significantly reduced. The

results show that the measurement items had regression weights with t-calculated values that were greater than 1.96 and also statistically significant (P<0.05). This implies that the measurement items were perfectly related to technology adoption reforms, ascertaining their convergence validity. According to the findings, there exists a significant association between technology adoption reforms and securities market performance, as seen in Figure 4.5 and Table 4.39.

Technology adoption reforms influence on securities market performance was statistically significant (β = 0.650, calculated t-value = 10.65, P<0.05). At a (95 %) confidence level, the calculated t-value of 8.092 was greater than 1.96. This implies that for every unit increase in technology adoption reforms, there was a 0.650 increase in securities market performance. The results agree with the findings ofOlagundoye, Opeyemi and Tshidzumba (2023) conducted a study on technology adoption reforms and financial market performance in Nigeria and South Africa. The study reveals that, in country-specific analyses, technology adoption has a strong and direct impact on financial market performance in Nigeria, whereas in South Africa, it has a negative and significant impact on financial market performance.

Based on the findings, the regulatory body should consistently monitor technological advancements in the financial market to effectively track the increasing participation driven by the implemented reforms. Continuous oversight will enable the regulator to assess how these technological changes are influencing market dynamics, investor behavior, and overall market performance. By staying proactive in monitoring, the regulator can also ensure that the technology adoption remains aligned with the market's growth objectives and addresses any emerging risks or challenges. Accordingly, the research rejected the null hypothesis (HO_1), concluding that technology adoption reforms have a statistically significant influence on securities market performance in Kenya.

4.6.3.2 Moderating role of Macroeconomic Conditions on the relationship between Technology Adoption Reforms on Securities Market Performance

The research explored how macroeconomic conditions moderate the relationship between technology adoption reforms and securities market performance. The objective was to assess how different macroeconomic conditions might influence or modify the influenceof technology adoption reforms on securities market performance. To measure this moderating influence, an interaction term between technology adoption reforms and

macroeconomic conditions was incorporated into the model. The results of the research on the moderating influence of macroeconomic conditions on the influence of technology adoption reforms on securities market performance are presented in Figure 4.7 and Table 4.40.

Table 4.40: Moderating Standardized Regression Weights and C.V for Technology Adoption Reforms and Securities Market Performance

Item		Construct	Estimate	S. E	C.R	P
SMP	<---	TAR_1	.514	.059	8.711	***
SMP	<---	MCC_1	-.262	.040	-6.550	***
SMP	<---	TAR_X_MCC	.228	.011	20.727	.025
TAR14	<---	TAR_1	.794	-	-	***
TAR12	<---	TAR_1	.822	.080	10.275	***
TAR10	<---	TAR_1	.755	.059	12.797	***
ML5	<---	SMP	.745	-	-	***
SPV5	<---	SMP	.733	.093	7.7882	***
SMT1	<---	SMP	.844	.090	9.378	***
SMT2	<---	SMP	.950	.081	11.728	***
MCC2	<---	MCC_1	.845	-	-	***
MCC1	<---	MCC_1	.804	.049	16.4085	***

Source: Field Survey (2025)

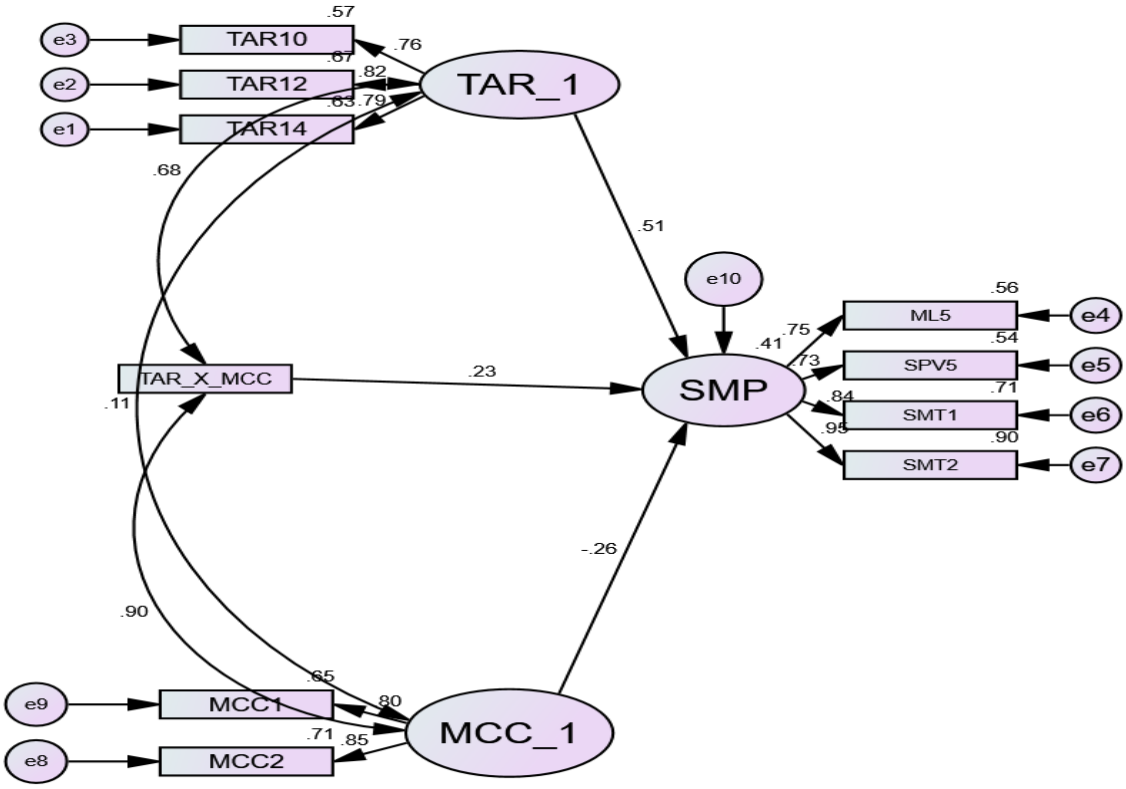

Figure 4.6:Path coefficient for Moderating Standardized Regression Weights and C.V for Technology Adoption Reforms and Securities Market Performance

Source: Field Survey (2025)

The regression results shown in Figure 4.6 and Table 4.40 reveal that the coefficient of the interaction term is 0.228, with a calculated t-value of 2.237. This coefficient is statistically significant ($\beta = 0.228$, calculated t-value = 20.727, $P < 0.05$). Since the calculated t-value exceeds the threshold of 1.96 and is statistically significant, it indicates that macroeconomic conditions significantly moderate the influence of technology adoption reforms on securities market performance. The results agree, with Koech (2021). Who found out that the macroeconomic environment in Kenya is a key determinant of business activities, including the performance of equity and securities markets performance.

It can be observed that macroeconomic conditions serve as a positive moderating factor in the relationship between technology adoption reforms and securities market performance. In other words, favorable macroeconomic conditions, such as stable inflation, interest rates, and exchange rates, enhance the effectiveness of technology adoption reforms, thereby amplifying their influence on market performance. This

suggests that the success of technological reforms in improving the efficiency and competitiveness of securities markets is, to some extent, dependent on the broader economic environment. When macroeconomic conditions are supportive, the reforms are likely to yield more significant improvements in market performance. The research failed to accept HO_{1a}, concluding that macroeconomic conditions have a statistically significant moderating role on the influence of technology adoption reforms on securities market performance in Kenya.

4.6.3.3 Influence of Tax Reforms on Securities Market Performance

The second objective of the research was to evaluate the influence of tax reforms on securities market performance in Kenya. For this purpose, the study employed measurement items with factor loadings of 0.7 or higher, which were retained for the structural model analysis. The results of this analysis are presented in Table 4.41and illustrated in Figure 4.7.

Table 4.41: Standardized Regression Weights and Critical Values (C.V) for Tax Reforms and Securities Market Performance

Item		Construct	Estimate	S. E	C.R	P
SMP	<---	TR_1	-.248	.043	-5.767	.044
TR17	<---	TR_1	1.157	-	-	***
TR2	<---	TR_1	.526	0.160	3.288	.015

Source: Field Survey (2025)

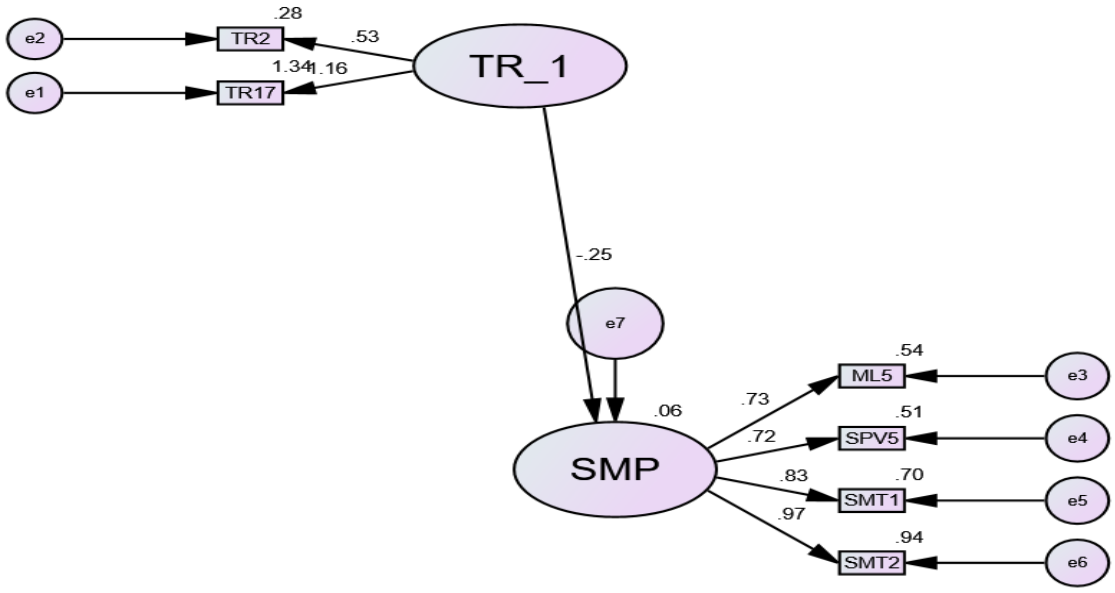

Figure 4.7: Path coefficient for Standardized Regression Weights and Critical Values (C.V) for Tax Reforms and Securities Market Performance

Source: Field Survey (2025)

The regression weights presented in Table 4.41 and illustrated in Figure 4.7 show that a one-unit increase in tax reforms is associated with a 0.527-unit increase in TR2 this means that earnings for investors have improved due to reduced tax burden. Since the calculated t-value of 3.288 was more than 1.96, it implies that there was a positive association between TR2 earnings for investors have improved due to reduced tax burdenand tax reforms. The results show that a unit increase in tax reforms was linked to the 1.157-unit increase in TR17 in that due to a reduction in taxes, companies have enhanced full disclosure.The results show that the measurement items had regression weights with t-calculated values that were greater than 1.96 and also statistically significant (P<0.05). This implies that the measurement items were perfectly related to tax reforms, ascertaining their convergence validity.

Tax reforms were found to have a statistically significant influence on securities market performance, as shown in Figure 4.8 and Table 4.41. The path coefficient (β = -0.248, *t* = -5.767, *p*< 0.05) indicates a negative relationship, suggesting that structural tax reductions such as in withholding, corporate, and dividend taxes may initially lead to lower market performance due to transitional adjustments, despite ultimately encouraging investor participation, trading activity, and liquidity. These findings support Gure and Mutswenje, (2023), who reported that tax reforms can enhance financial

outcomes and promote economic growth. The null hypothesis (HO2) was therefore rejected, confirming that tax reforms significantly influence securities market performance in Kenya.

4.6.3.4 Moderating role of Macroeconomic Conditions on the Influence of Tax Reforms on Securities Market Performance

The research examined the moderating role of macroeconomic conditions on the relationship of tax reforms on securities market performance. An interaction term between tax reforms and macroeconomic conditions was introduced in the model to measure the moderating role. Figure 4.7 and Table 4.42 present the results.

Table 4.42: Moderating Standardized Regression Weights and C.V for Tax Reforms and Securities Market Performance

Item		Construct	Estimate	S. E	C.R	P
SMP	<---	MCC_1	.709	.122	5.811	***
SMP	<---	TR_X_MCC	.480	.029	16.552	.760
SMP	<---	TR_1	-1.039	.175	-5.937	.002
TR17	<---	TR_1	.804	-	-	***
TR2	<---	TR_1	.757	.065	11.646	***
ML5	<---	SMP	.741	-	-	***
SPV5	<---	SMP	.746	.094	7.936	***
SMT1	<---	SMP	.848	.092	9.217	***
SMT2	<---	SMP	.942	083	11.349	***
MC2	<---	MCC_1	.840	-	-	***
MC1	<---	MCC_1	.706	.099	7.131	***

Source: Field Survey (2025)

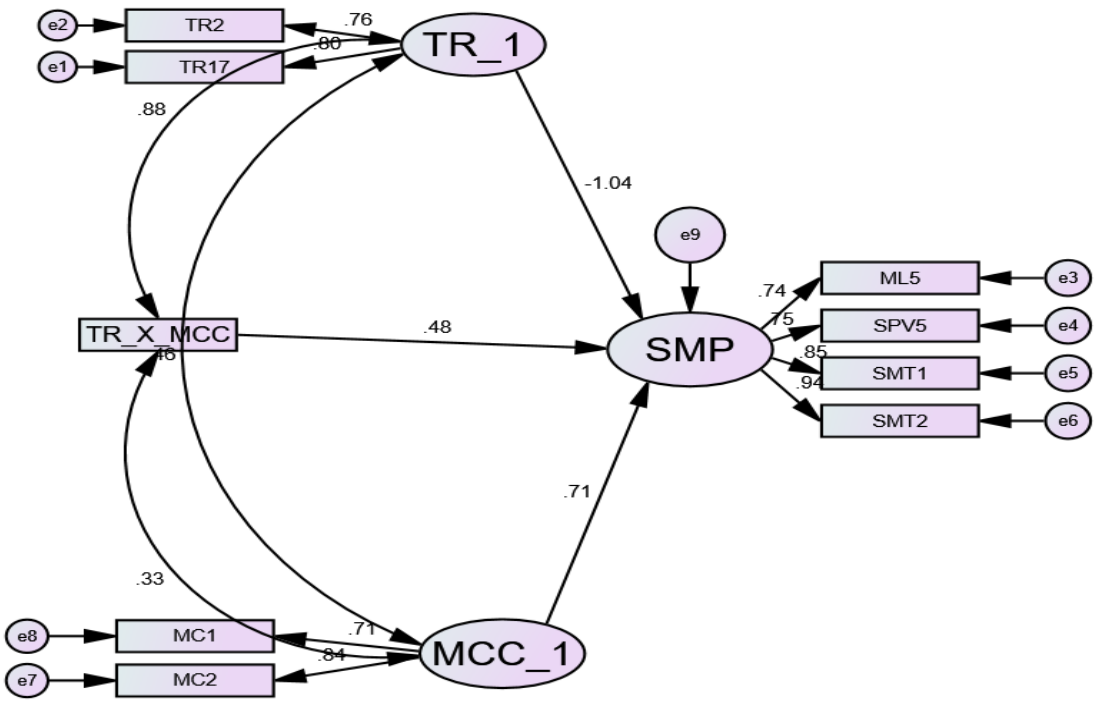

Figure 4.8:Path coefficient of Moderating Standardized Regression Weights and C.V for Tax Reforms and Securities Market Performance

Source: Field Survey (2025)

The regression results in Figure 4.8 and Table 4.42 indicate that the coefficient of the interaction term is 0.480, with a calculated t-value of 16.552. Although the coefficient is positive (β = 0.480), the calculated t-value is higher than1.96,indicating that it is statistically significant. Therefore, the interaction term significantly affects the relationship between tax reforms and securities market performance in Kenya.

This conclusion indicates that macroeconomic conditions have a statistically significant moderating role on the relationship between tax reforms and securities market performance in Kenya. In other words, changes in key macroeconomic variables, such as inflation, interest rates, and exchange rates, significantly alter the impact that tax reforms have on the performance of the securities market. This suggests that, regardless of the broader economic environment, tax reforms influence the securities market in a meaningful way. Policymakers may need to consider other factors beyond macroeconomic conditions when evaluating the effectiveness of tax reforms in enhancing market performance.

The research reject HO_{2a}, which concludes that macroeconomic conditions do have a statistically significant moderating influence on the impact of tax reforms on securities market performance in Kenya.

4.6.3.5 Influence of Investor Protection Reforms on Securities Market Performance

The third objective of the research was to determine the impact of investor protection reforms on securities market performance in Kenya. To test this, the study used measurement items with factor loadings of 0.7 or higher, ensuring their suitability for inclusion in the structural model analysis. The findings from this analysis are detailed in Table 4.43 and depicted in Figure 4.9.

Table 4.43: Standardized Regression Weights and Critical Values (C.V) for Investor Protection Reforms and Securities Market Performance

Item		Construct	Estimate	S. E	C.R	P
SMP	<---	IPR_1	-.317	.052	-6.096	***
IPR10	<---	IPR_1	.858	-	-	***
IPR7	<---	IPR_1	.928	.074	12.541	***
IPR6	<---	IPR_1	.922	.067	13.761	***

Source: Field Survey (2025)

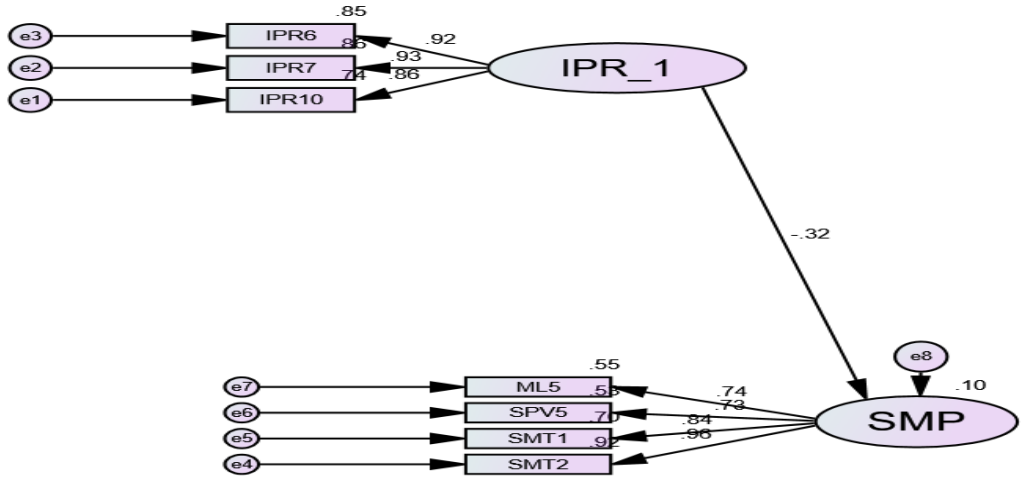

Figure 4.9:Path coefficient for Standardized Regression Weights and Critical Values (C.V) for Investor Protection Reforms and Securities Market Performance

Source: Field Survey (2025)

The regression weights result in Table 4.43,and Figure 4.9shows that a one-unit increase in investor protection reforms is associated with a 0.922-unit increase in IPR6. This means that there is a procedure for monitoring agents to protect principals. Since the calculated t-value of 12.41 was more than 1.96, it implies that there was a positive association between IPR6 and investor protection reforms. The results indicate that a one-unit increase in investor protection reforms is associated with a 0.928-unit increase in IPR7, reflecting the organization's compliance with corporate disclosure requirements. Additionally, a calculated t-value of 13.761, which exceeds the 1.96 threshold, suggests a significant positive association between IPR10 and investor protection reforms, indicating that investor funds are directed towards projects with substantial returns. The results show that the measurement items had regression weights with t-calculated values that were greater than 1.96 and also statistically significant ($P<0.05$). This implies that the measurement items were perfectly related to investor protection reforms, ascertaining their convergence validity.

The results reveal a significant relationship between investor protection reforms and securities market performance. The influence of investor protection reforms on securities market performance was found to be statistically significant ($\beta = -0.317$, calculated t-value = -6.096, $P < 0.05$). This means that there is a meaningful relationship between the implementation of investor protection reforms and the performance of the securities market. Specifically, the negative coefficient ($\beta = -0.317$) suggests that these reforms are associated with a decrease in market performance. At a (95%) confidence level, the calculated t-value of -6.096 exceeds the critical value of -1.96 (in absolute terms). This indicates that the observed effect is statistically significant and not likely due to random chance. The results are consistent with the study of Solaiman (2009) whose findings suggest that ensuring adequate investor protection cannot be achieved through regulatory measures alone. While robust regulations are essential, they may not fully safeguard investors from potential risks and unethical practices. It is equally important to focus on investor education to empower individuals to protect themselves. Educating investors about the risks associated with investing, the tactics used by unscrupulous issuers, and how to conduct thorough due diligence can significantly enhance their ability to make informed decisions and avoid exploitation (Solaiman, 2009).

In practical terms, the strong negative t-value reinforces the reliability of the finding that investor protection reforms have a measurable impact on securities market performance.

In conclusion, enhancing regulations and mechanisms for investor protection leads to increased trading volumes, improved market liquidity, and overall better market performance. By strengthening these regulatory frameworks, investors are more likely to participate actively in the market, which boosts trading activity and liquidity. This, in turn, contributes to a more efficient and robust market, as higher liquidity and trading volumes generally reflect a healthier and more dynamic market environment. Therefore, effective investor protection reforms are crucial for fostering a well-functioning and high-performing securities market. This implies that for every unit increase in investor protection reforms, there was a - 0.317 decrease in securities market performance. As a result, the research failed to accept $HO_{3,}$concluding that investor protection reforms have a statistically significant influence on securities market performance in Kenya.

4.6.3.6 Moderating role of Macroeconomic Conditions on the Influence of Investor Protection Reforms on Securities Market Performance

The research explored how macroeconomic conditions moderate the impact of investor protection reforms on securities market performance. An interaction term between investor protection reforms and macroeconomic conditions was introduced in the model to measure the moderating effect. Figure 4.10 and Table 4.44present the result.

Table 4.44: Moderating Standardized Regression Weights and C.V for Investor Protection Reforms and Securities Market Performance

Item		Construct	Estimate	S. E	C.R	P
SMP	<---	IPR_1	-.501	.069	-7.261	***
SMP	<---	IPR_X_MCC	.026	.101	.258	.796
SMP	<---	MCC_1	.533	.088	6.057	***
IPR10	<---	IPR_1	.871	-	-	***
IPR7	<---	IPR_1	.919	.070	13.129	***
IPR6	<---	IPR_1	.921	.063	14.619	***
ML5	<---	SMP	.745			
SPV5	<---	SMP	.750	.093	8.065	***
SMT1	<---	SMP	.847	.091	9.308	***
SMT2	<---	SMP	.939	.082	11.451	***
MC2	<---	MCC_1	.756	-	-	***
MC1	<---	MCC_1	.784	.134	5.851	***

Source: Field Survey (2025)

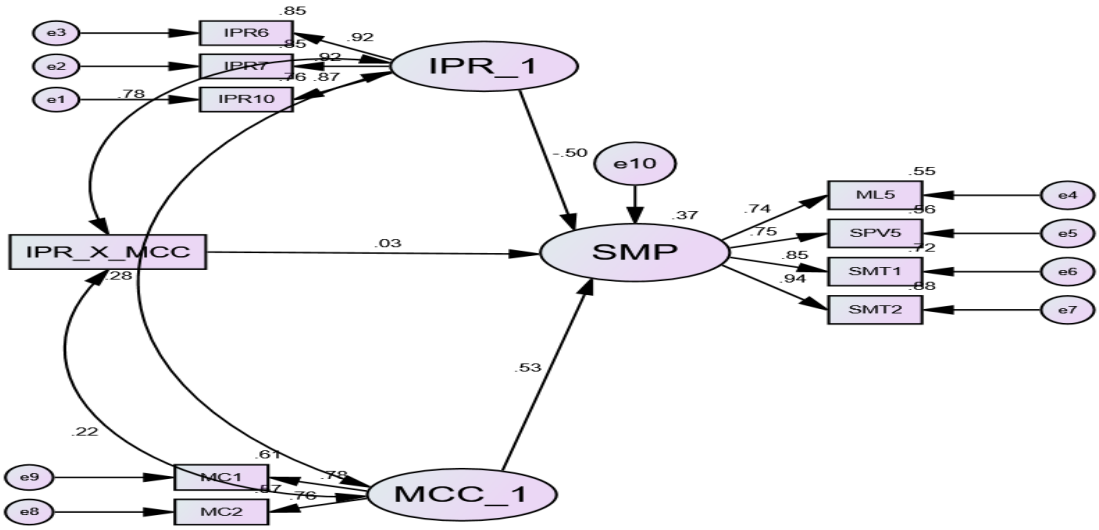

Figure 4.10:Path Coefficient for Moderating Standardized Regression Weights and C.V for Investor Protection Reforms and Securities Market Performance

Source: Field Survey (2025)

The regression results in Figure 4.10 and Table 4.44 show that the path coefficient of the interaction term is 0.026, with a calculated t-value of 0.258, which is statistically insignificant ($\beta = 0.026$, t-value = 0.258, $P > 0.05$). Since the t-value is smaller than 1.96 and does not achieve statistical significance, the research failed to reject the null hypothesis$HO_{3a,}$this conclusion indicates that macroeconomic conditions do not have a statistically significant moderating effect on the relationship between investor protection reforms and securities market performance in Kenya. The results support Chung, (2006) who studied investor protection and the liquidity of cross-listed securities. The results reveal that macroeconomic variables, such as inflation, interest rates, and exchange rates, do not influence how investor protection reforms influence securities market performance. In other words, changes in the broader economic environment do not significantly alter the effectiveness of investor protection measures in improving the performance of the securities market. This suggests that the success of these reforms is independent of macroeconomic conditions and that investor protection efforts should be focused on their direct impact on the market rather than relying on macroeconomic factors to enhance their effectiveness.

4.6.3.7 Influence of Foreign Investor Participation Reforms on Securities Market Performance

The fourth objective of the research was to evaluate the influence of foreign investor participation reforms on securities market performance in Kenya. To test this, the study utilized measurement items with factor loadings of 0.7 or higher, which were retained for the structural model analysis. Table 4.45 and Figure 4.11 present the results.

Table 4.45: Standardized Regression Weights and Critical Values (C.V) for Foreign Investor Participation Reforms and Securities Market Performance

Item		Construct	Estimate	S. E	C.R	P
SMP	<---	FIPR_1	-.334	.034	-9.824	***
FIPR12	<---	FIPR_1	.853	-	-	***
FIPR9	<---	FIPR_1	.859	.045	19.089	***
FIPR6	<---	FIPR_1	.953	.052	18.327	***
FIPR3	<---	FIPR_1	.904	.056	16.143	***

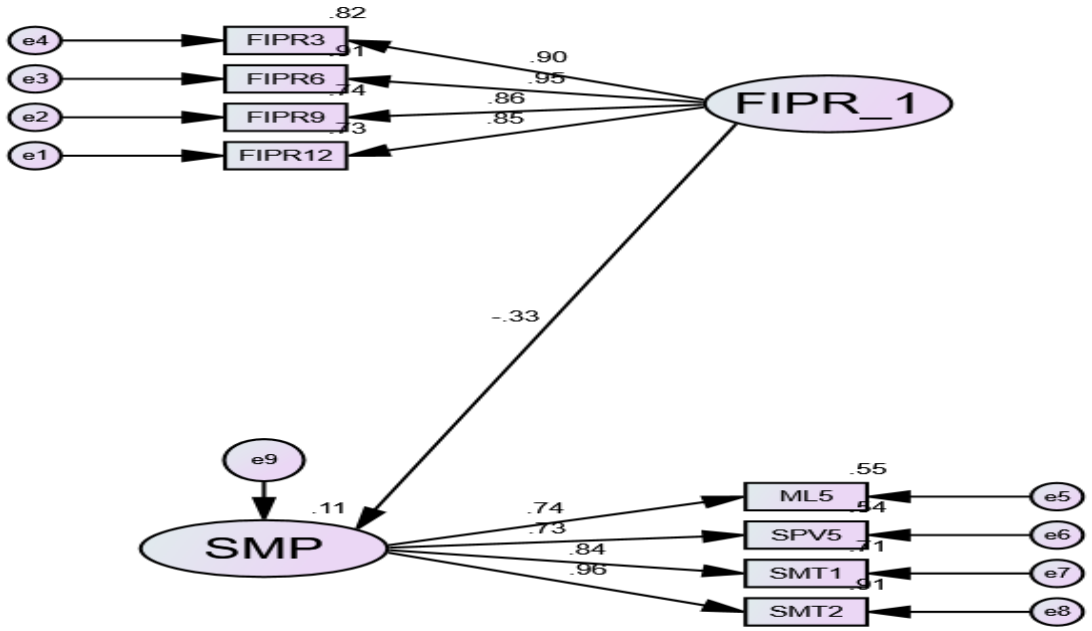

Figure 4.11: Path Coefficient for Influence of Foreign Investor Participation Reforms on Securities Market Performance

Source: Field Survey (2025)

The results in Table 4.45 and Figure 4.11 show that a unit increase in foreign investor participation reforms was related to an increase in FIPR3 of 0.904 units, which was that the (firm has attracted foreign investors buying your shares and securities in the recent past). The analysis shows that the calculated t-value for the FIPR3firm (which has attracted foreign investors buying your shares and securities in the recent past) is 16.143, significantly exceeding the threshold of 1.96. This result confirms a significant relationship between FIPR3 and foreign investor participation reforms. For FIPR6, the results show that a single unit increase in foreign investor participation reforms is associated with a 0.953 (increase in foreign investor trade conducted online, eliminating the need for physical travel). The corresponding t-value for this relationship is 18.327, which also exceeds the 1.96 threshold, indicating a significant association between FIPR6 and foreign investor participation reforms.

Additionally, FIPR9 indicates that each unit increase in foreign investor participation reforms is associated with a 0.859 (increase in the taxation rate), which has effectively attracted foreign investors to the Nairobi securities market. Since the calculated t-value of 19.089was more than 1.96, there is a significant link between FIPR9 and foreign investor participation reforms. For FIPR12, a unit increase in foreign investor participation reforms was linked to 0.853 increases in FIPR12 inwhich (foreign investors are allowed to buy local company shares and other securities. The results show that the measurement items had regression weights with t-calculated values that were greater than 1.96 and also statistically significant ($P<0.05$). This implies that the measurement items were perfectly related to foreign investor participation reforms, ascertaining their convergence validity. The results reveal a significant relationship between foreign investor participation reforms and securities market performance in Kenya. The standard path coefficients for the influence of these reforms on market performance were statistically significant ($\beta = -0.334$, t-value = -9.824, $P < 0.05$). Since the calculated t-value is greater than 1.96, it indicates that the relationship is indeed significant.

However, the negative coefficient suggests that a unit increase in foreign investor participation in reforms is associated with a 0.334 decrease in securities market performance. This unexpected finding may require further investigation to uncover the underlying factors contributing to the negative impact observed. This aligns with the findings of Errunza (2001), who provided clear evidence of the significant benefits of foreign investor participation reforms. The study highlights that, while there are policy

concerns about resource mobilization, market fluctuations, contagion, and volatility, these concerns are largely unfounded. The study concluded that the performance of securities markets is primarily dependent on market liberalization. As a result, the research failed to accept (HO_4),concluding that foreign investor participation reforms have a statistically significant influence on securities market performance in Kenya.

4.6.3.8 Moderating role of Macroeconomic Conditions on the Influence of Foreign Investor Participation Reforms on Securities Market Performance

The research explored the moderating influence of macroeconomic conditions on the influence between foreign investor participation reforms and securities market performance. To assess this influence, an interaction term between foreign investor participation reforms and macroeconomic conditions was introduced into the model. The results of this analysis are presented in Table 4.

Table 4.46: Moderating Standardized Regression Weights and C.V for Foreign Investor Participation Reforms and Securities Market Performance

Item		Construct	Estimate	S. E	C.R	P
SMP	<---	FIPR_X_MCC	-.132	.256	-.515	.607
SMP	<---	FIPR_1	-.231	.097	-1.125	.261
SMP	<---	MCC_1	.081	.088	.920	.594
FIPR12	<---	FIPR_1	.885	-	-	***
FIPR9	<---	FIPR_1	.871	.039	22.33	***
FIPR6	<---	FIPR_1	.927	.045	20.6	***
FIPR3	<---	FIPR_1	.897	.049	18.306	***
ML5	<---	SMP	.739	-	-	***
SPV5	<---	SMP	.733	.094	7.797	***
SMT1	<---	SMP	.841	.092	9.141	***
SMT2	<---	SMP	.956	.084	11.380	***
MCC2	<---	MCC_1	.814	-	-	***
MCC1	<---	MCC_1	.835	.055	15.182	***

Source: Field Survey (2025)

Structural Equation Modeling (SEM) results reveal that while the interaction between foreign investor participation reforms and macroeconomic conditions has a negative estimate (β = -0.132), it is not statistically significant (*p* = 0.607), indicating no meaningful joint effect on securities market performance. However, measurement indicators for the main constructs such as FIPR and SMP are highly significant (*p*< 0.001), confirming their reliability. Notably, SMT2 (estimate = 0.956) is a strong contributor to securities market performance, while MCC1 (estimate = 0.835) effectively reflects macroeconomic conditions. These findings validate the measurement model and confirm that the observed variables are robust representations of their respective latent constructs.

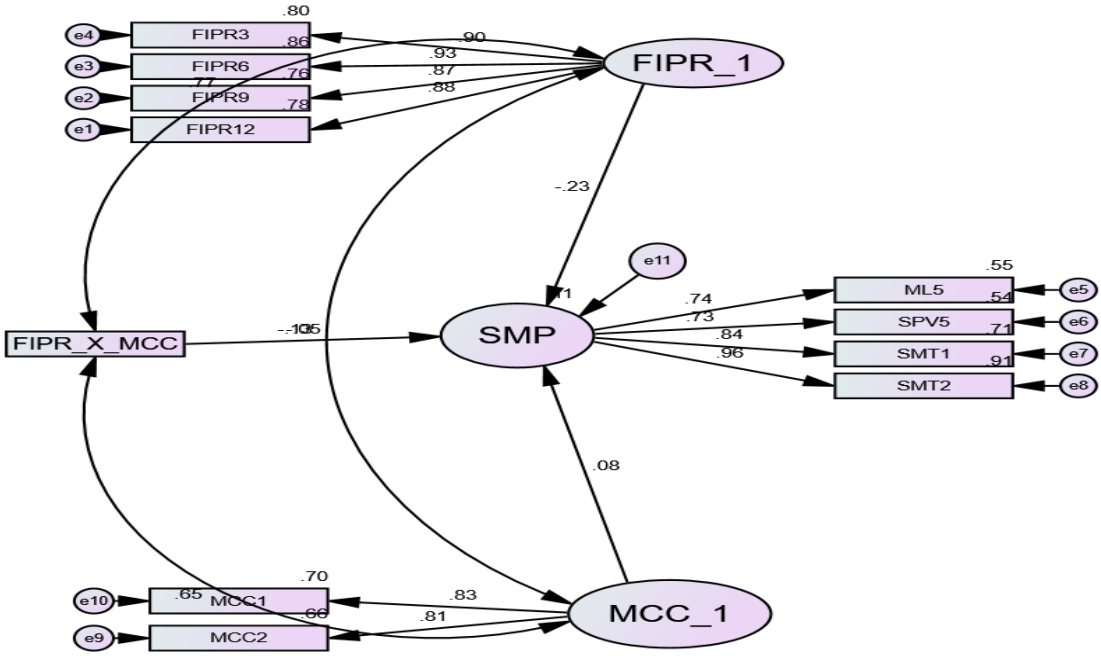

Figure 4.12: Path coefficient for Influence of Foreign Investor Participation Reforms on Securities Market Performance

Source: Field Survey (2025)

The regression results presented in Table 4.46 and Figure 4.12 indicate that the interaction term has a coefficient of -0.132 and a calculated t-value of -0.515, both of which are statistically insignificant (β = -0.132, t-value = -0.515, P > 0.05). Since the calculated t-value for the interaction term is below the 1.96 threshold and is not statistically significant, the study accepted the null hypothesis (HO4a). The findings of Waqas et al., (2015) conducted in Pakistan, China, Sri Lanka, and India on the

relationship between macroeconomic variables and the volatility of foreign investments. Their findings revealed that the macroeconomic stability of the host country plays a significant role in influencing the inflow of foreign investors' participation in reforms. This suggests that further analysis of the moderating influence can be explored through alternative approaches. The conclusion indicates that macroeconomic conditions do not have a statistically significant moderating role on the relationship between foreign investor participation reforms and securities market performance in Kenya.

4.6.3.9 Influence of Governance Reforms on Securities Market Performance in Kenya

The fifth objective of the research was to analyze the influence of governance reforms on securities market performance in Kenya. To evaluate this, the study used measurement items with factor loadings of 0.7 or higher, confirming their appropriateness for inclusion in the structural model analysis. The results of this analysis are detailed in Table 4.47 and illustrated in Figure 4.13.

Table 4.47: Standardized Regression Weights and Critical Values (C.V) for Governance Reforms and Securities Market Performance

Item		Construct	Estimate	S. E	C.R	P
SMP	<---	GR_1	.449	.083	5.409	***
GR7	<---	GR_1	.916	-	-	-
GR3	<---	GR_1	.671	.151	4.44	***

Source: Field Survey (2025)

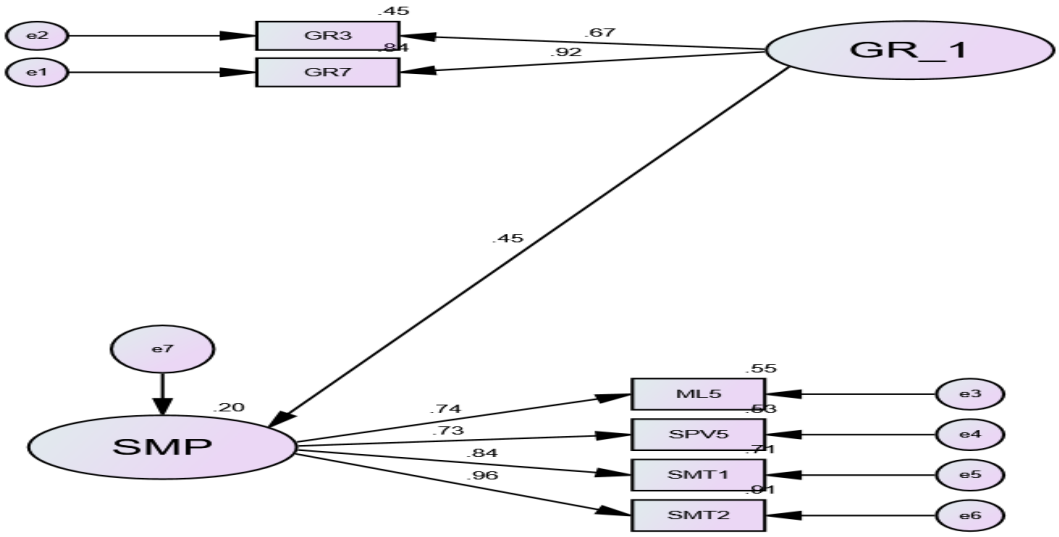

Figure 4.13:Path coefficient for Influence of Governance Reforms on Securities Market Performance

Source: Field Survey (2025)

As shown in Table 4.47 and Figure 4.13indicates that a unit increase in governance reforms was related to an increase in GR3 of 0.904 units, which was that the firms have successfully issued an initial public offering and attracted many investors. Since the calculated t-value of 4.443was more than 1.96, there is a significant relationship between GR3 and governance reforms. GR7 shows that a single unit increase in governance reform was associated with 0.916 increases in GR7 that minority shareholders are protected and receive timely communication. The finding concluded that the measurement items had regression weights with t-calculated values that were greater than 1.96 and also statistically significant (P<0.05). This implies that the measurement items were perfectly related to governance reforms, ascertaining their convergence validity. The findings revealed a significant association between governance reforms and securities market performance in Kenya. The standard path coefficients for the impact of governance reforms on market performance were statistically significant ($\beta = 0.449$, t-value = 5.409, $P < 0.05$).

This indicates that governance reforms have a positive and significant impact on the performance of the securities market in Kenya. The implementation of these reforms enhances transparency, accountability, and regulatory effectiveness, which in turn fosters investor confidence and improves market performance. Similarly, (Duppati, Scrimgeour and Kumar (2019 findings support this, showing that investors in countries with weaker

governance frameworks can leverage country-level governance indicators to develop profitable portfolio strategies. By utilizing these indicators, investors are better positioned to assess risks and identify investment opportunities, allowing them to capitalize on governance-related market inefficiencies. This highlights the importance of governance reforms not only in improving market performance but also in providing valuable information for informed investment decision-making. The calculated t-value of the coefficient of governance reforms was found to be greater than 1.96. This suggests that a unit increase in increases in governance reforms was associated with a 0.449 increase in securities market performance. As a result, the research failed to accept (HO_5**)** concluding governance reforms have a positive statistically significant influence on securities market performance in Kenya.

4.6.3.10 Moderating role of Macroeconomic Conditions on Influence of Governance Reforms on Securities Market Performance

The research investigated the moderating influence of macroeconomic conditions on the relationship between governance reforms and securities market performance. This analysis aimed to assess how macroeconomic conditions might influence or modify the impact of governance reforms on securities market performance. An interaction term between governance reforms and macroeconomic conditions was introduced in the model to measure the moderating effect. Figure 4.14 and Table 4.48 presents the results.

Table 4.48: Moderating Standardized Regression Weights and C.V for Governance Reforms and Securities Market Performance

Item		Construct	Estimate	S. E	C.R	P
SMP	<---	GR_1	.839	.431	1.946	.054
SMP	<---	GR_X_MCC	-.137	.0126	-1.087	.276
SMP	<---	MCC_1	-.329	.317	-.885	.376
GR7	<---	GR_1	.802			
GR3	<---	GR_1	.766	.092	8.326	***
ML5	<---	SMP	.741			
SPV5	<---	SMP	.734	.094	7.808	***
SMT1	<---	SMP	.841	.091	9.241	***
SMT2	<---	SMP	.954	.083	11.35	***
MC2	<---	MCC_1	.875			
MC1	<---	MCC_1	.677	.075	9.027	***

Source: Field Survey (2025)

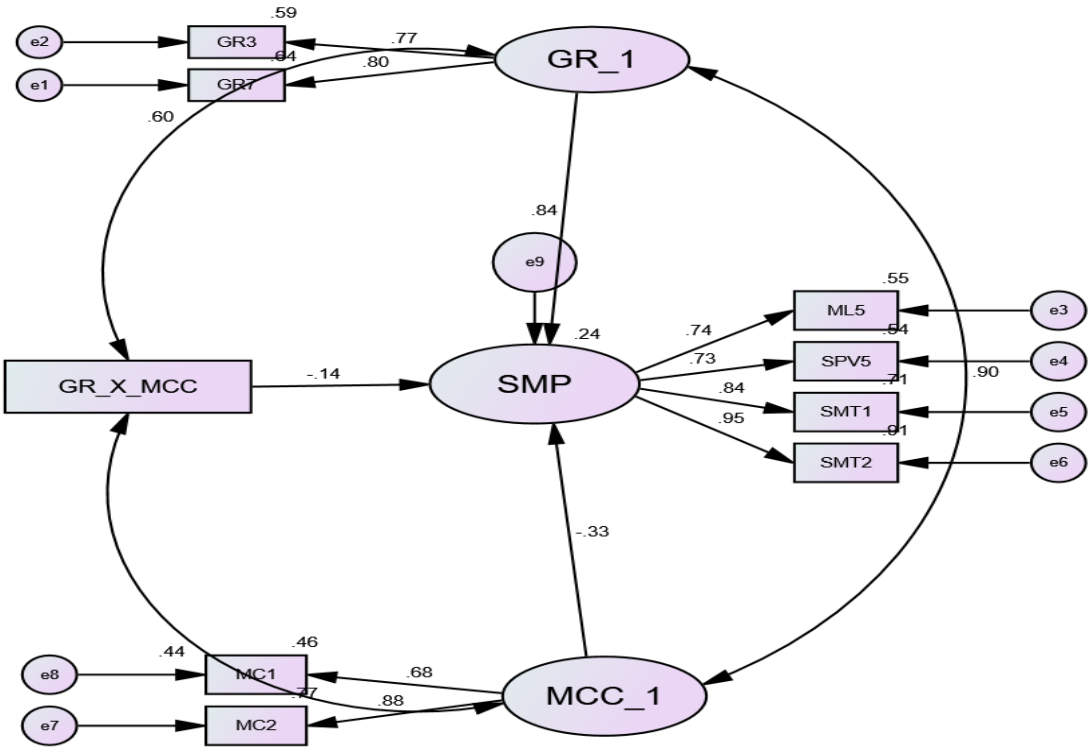

Figure 4.14: Path Coefficient for the Moderating role of Macroeconomic Conditions on the Influence of Governance Reforms on Securities Market Performance

Source: Field Survey (2025)

The regression results presented in Figure 4.14and Table 4.48 indicate that the coefficient of the interaction term is -0.137, with a calculated t-value of -1.087. These results are statistically insignificant (β = -0.137, calculated t-value = -1.087, P > 0.05). Since the calculated t-value of the interaction term is below the 1.96 threshold and lacks statistical significance, it suggests that the moderating role of macroeconomic conditions on the relationship between governance reforms and securities market performance is not statistically significant.

This conclusion indicates that macroeconomic conditions do not have a statistically significant moderating role on the relationship between governance reforms and securities market performance in Kenya. In other words, changes in key macroeconomic variables such as inflation, exchange rate, or interest rates do not significantly influence the effectiveness of governance reforms in improving market performance. This suggests that the positive influence of governance reforms on the securities market performance operates independently of the broader economic environment. As a result, the

effectiveness of these reforms is primarily driven by factors within the governance framework itself, rather than by fluctuations in macroeconomic conditions. The research failed to reject($HO_{5a)}$, and concludes that macroeconomic conditions do not have a statistically significant moderating role on the influence of governance reforms on securities market performance in Kenya.

4.6.3.11 Joint Influence of Predictor Variables on Securities Market Performance

Table 4.49: Standardized Regression Weights and Critical Values (C.V) for Predictor Variables and Securities Market Performance

Item		Construct	Estimate	S. E	C.R	P
SMP	<---	TAR_1	.285	.098	2.91	.012
SMP	<---	TR_1	.549	.544	1.01	.313
SMP	<---	IPR_1	-.390	.644	-.606	.545
SMP	<---	GR_1	.485	.092	5.27	***
SMP	<---	FIPR_1	-.561	.309	-1.82	.069
TAR10	<---	TAR_	.791	-	-	-
TAR12	<---	TAR_	.808	.119	12.14	***
TAR14	<---	TAR_	.768	.097	11.65	***
TR17	<---	TR_	.851	-	-	-
TR2	<---	TR_	.715	.054	13.34	***
IPR10	<---	IPR_	.876	-	-	-
IPR7	<---	IPR_	.925	.065	14.23	***
IPR6	<---	IPR_	.911	.060	15.18	***
FIPR12	<---	FIPR_	.859	-	-	-
FIPR9	<---	FIPR_	.867	.044	15.23	***
FIPR6	<---	FIPR_	.933	.051	18.29	***
FIPR3	<---	FIPR_	.914	.053	17.25	***
ML5	<---	SMP	.743	-	-	
SPV5	<---	SMP	.751	.094	7.99	***
SMT1	<---	SMP	.857	.092	9.32	***
SMT2	<---	SMP	.930	.082	11.34	***
GR7	<---	GR_	.851	-	-	-
GR3	<---	GR_	.722	.106	6.811	***

P*is 0.05**

Source: Field Survey (2025)

The Table 4.49 presents findings from a structural equation modeling analysis assessing the impact of various reforms on securities market performance (SMP). The results indicate that governance reforms (GR) and technology adoption reforms (TAR) have a significant positive influence on SMP, with GR showing the strongest effect ($p< 0.001$) and TAR also being statistically significant ($p = 0.012$). In contrast, tax reforms (TR) and investor protection reforms (IPR) do not exhibit significant effects, while foreign investor participation reforms (FIPR) show a negative but marginally significant influence ($p = 0.069$). The measurement indicators for all constructs demonstrate high factor loadings and strong significance levels, confirming both construct validity and reliability. Overall, the findings suggest that governance and technology reforms are key drivers of market performance, whereas the effects of other reforms remain less conclusive or potentially adverse.

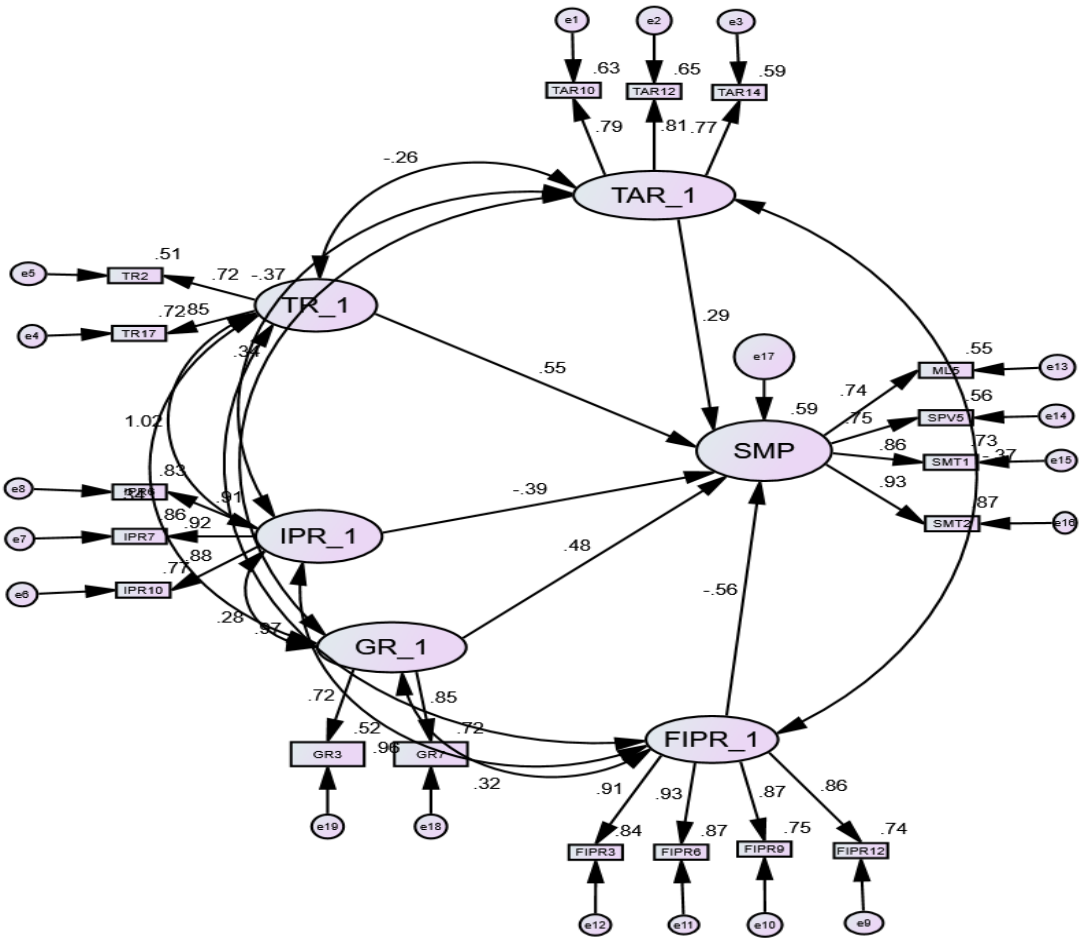

Figure 4.15:Path Coefficient for Joint Influence of Predictor Variables on Securities Market Performance

Source: Field Survey (2025)

The study examined the combined influence of technology adoption reforms, tax reforms, investor protection reforms, foreign investor participation reforms and governance reforms on securities market performance in Kenya. The results of the findings are presented in Table 4.49 and Figure 4.15. From the research findings, other predictor variables namely; tax reforms, investor protection reforms and foreign investor participation reforms have an insignificant joint influence on the securities market performance. This can be seen from the respective beta coefficients whole corresponding calculated t-values are less than 1.96 and their corresponding probability values are insignificant. Hence it can be implied that tax reforms, investor protection reforms, and foreign investor participation reforms have no statistically significant joint influence on securities market performance in Kenya. These results do not support the rejection of $H0_{2,}$ $H0_{3,}$ and $H0_4$.

The results in Table 4.49 and Figure 4.15 indicate that technology adoption reforms had a beta coefficient of 0.285, and its calculated t-value of 2.505 exceeds the 1.96 threshold and is statistically significant ($P < 0.05$). This suggests that technology adoption reforms have a significant combined impact on securities market performance in Kenya. Specifically, a one-unit change in technology adoption reforms results in a 0.285-unit increase in securities market performance in Kenya. These results supported the rejection of $H0_1$ as earlier analysis indicated. Furthermore, the results indicate that governance reforms have a beta coefficient of 0.485, with a calculated t-value of 4.921, which exceeds the 1.96 threshold and is statistically significant ($P < 0.05$). This suggests that governance reforms exert a significant joint influence on securities market performance in Kenya. A unit change in governance reforms leads to a 0.485-unit increase in securities market performance in Kenya. These results supported the rejection of$(H0_5)$,as earlier analysis indicated

4.6.3.12 Moderating role of Macroeconomic Conditions on the Joint Influence of Predictor Variables on Securities Market Performance

The research examined the moderating role of macroeconomic conditions on the joint influence of predictor variables on securities market performance. The results of this analysis are presented in Table 4.49 and Figure 4. 16.

Table 4.50: Moderating Standardized Regression Weights and Critical Values (C.V) for Predictor Variables and Securities Market Performance

Item		Construct	Estimate	S. E	C.R	P
SMP	<---	IPR	-1.784	.682	-1.44	.150
SMP	<---	TR_	1.350	.828	1.24	.215
SMP	<---	TAR	.031	.160	.165	.869
SMP	<---	FIPR	.068	.233	.160	.873
SMP	<---	GR	.434	.127	3.54	***
SMP	<---	MCC	-.114	.034	-1.82	.069
SMP	<---	GR_X_MCC	.015	.043	.349	.727
SMP	<---	FIPR_X_MCC	-.332	.047	-7.14	***
SMP	<---	TR_X_MCC	.391	.048	8.18	***
SMP	<---	IPR_X_MCC	-.101	.044	-2.31	.021
SMP	<---	TAR_X_MCC	.122	.044	2.79	.005
TAR14	<---	TAR	.769	-	-	-
TAR12	<---	TAR	.810	.108	7.50	***
TAR10	<---	TAR	.788	.076	10.37	***
TR2	<---	TR	.712	-	-	-
TR17	<---	TR	.854	.105	8.13	***
IPR6	<---	IPR	.912	-	-	-
IPR7	<---	IPR_	.925	.046	20.11	***
IPR10	<---	IPR	.875	.037	23.65	***
FIPR12	<---	FIPR	.858	-	-	-
FIPR9	<---	FIPR_	.866	.044	18.35	***
FIPR6	<---	FIPR	.936	.051	18.35	***
FIPR3	<---	FIPR	.914	.054	16.93	***
GR7	<---	GR	.856	-	-	-
GR3	<---	GR	.718	.105	6.84	***
ML5	<---	SMP	.779			
SPV5	<---	SMP	.784	.083	9.45	***
SMT1	<---	SMP	.879	.081	10.85	***
SMT2	<---	SMP	.944	.072	13.11	***
MCC2	<---	MCC	.976	-	-	-
MCC1	<---	MCC	.697	.256	2.722	.014

P** is less than 0.05**

Source: Field Survey (2025)

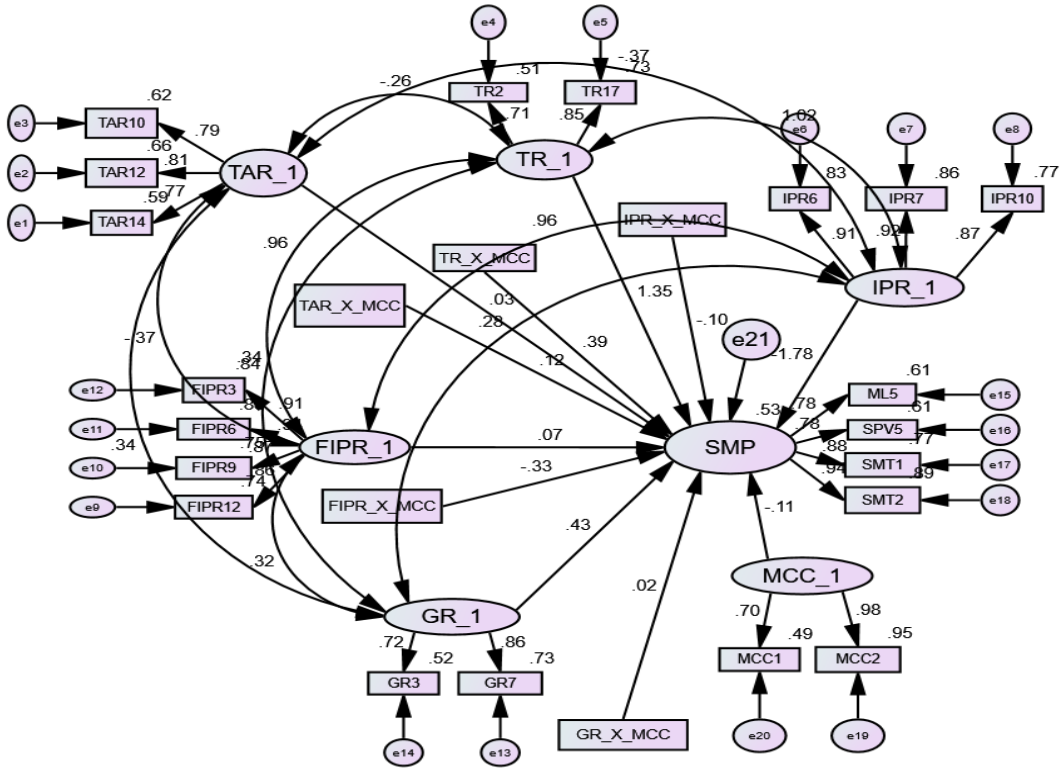

Figure 4.16:Path Coefficient for Moderating role of Macroeconomic Conditions on the Joint Influence of Predictor Variables on Securities Market Performance

Source: Field Survey (2025)

As presented in Table 4.50 and Figure 4.17, the results show that the coefficient of the interaction term for technology adoption reforms is 0.122, with a calculated t-value of 2.788. This t-value exceeds the 1.96 threshold and is significant at the 95% confidence level ($P < 0.05$). This implies that macroeconomic conditions significantly moderate the combined influence of predictor variables on securities market performance in Kenya. The coefficient of the interaction term for tax reforms is 0.391, with a calculated t-value of 8.178. Since this t-value exceeds the 1.96 threshold and is significant at the 95% confidence level ($P < 0.05$), it indicates that macroeconomic conditions have a significant moderating influence on the joint influence of tax reforms and other predictor variables on securities market performance in Kenya

The results indicate that macroeconomic conditions significantly moderate the relationship between some reforms on securities market performance in Kenya. Specifically, the interaction term for investor protection reforms has a coefficient of -

0.101 with a t-value of -2.309, while the interaction for foreign investor participation reforms has a coefficient of -0.332 with a t-value of -7.135. Both exceed the critical threshold of 1.96 and are statistically significant at the 95% confidence level ($p<0.05$), confirming that macroeconomic conditions enhance or weaken the influence of these reforms on market performance. In contrast, the interaction term for governance reforms, with a coefficient of 0.015 and a t-value of 0.349, falls below the significance threshold, indicating that macroeconomic conditions do not significantly moderate the effect of governance reforms. This suggests that governance reforms influence market performance independently of prevailing macroeconomic conditions.

The findings align partially with prior research. Abdirizak (2017) found that inflation had a moderate, negative, and significant effect on the Nairobi Securities Exchange, while interest rates had a weaker but still significant inverse effect. Similarly, Badullahewage and Jayewardenepura (2018) reported that macroeconomic factors significantly influenced Sri Lanka's stock market, with inflation and exchange rates having the strongest effects. However, unlike those studies, the current study shows that macroeconomic conditions play a statistically significant moderating rolea conclusion supported by rejecting the null hypothesis at the 95% confidence level.

4.7 Moderated Multiple Regression Analysis

In the analysis, Ordinary Least Squares (OLS) models were compared with Multiple Moderation Regression (MMR) models to evaluate the impact of including interaction terms. This approach was used to understand how the presence of interaction terms alters the relationships among variables and influences model outcomes, as suggested by Aguinis and Gottfredson (2010). The comparison between OLS and MMR provided additional confirmation of the Structural Equation Modelling (SEM) results by highlighting the role of moderation within the model. By applying both estimation techniques, the study enhanced the robustness of its findings and offered a more comprehensive understanding of how macroeconomic conditions moderate the relationship between reform variables and securities market performance.

4.7.1 Moderated Regression for Influence of Technology Adoption Reforms on Securities Market Performance

The results are presented in Table 4.50, Model 1.The adjusted R-squared value is 0.333, indicating that 33.3per cent of the variation in securities market performance in Kenya

can be explained by technology adoption reforms. In Model 2, which includes the interaction term, the R-squared value remains unchanged. This suggests that macroeconomic conditions do not contribute any additional explanation to the variation in securities market performance beyond what is already accounted for by technology adoption reforms. The results were statistically insignificant (P > 0.05), indicating that the interaction term does not significantly improve the model's explanatory power.

Table 4.51: Model Summary for MMR with Technology Adoption Reforms as the Predictor

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig.F Change
1	.580[a]	.336	.333	.56165	.336	119.337	1	236	.000
2	.580[b]	.336	.330	.56278	.000	.053	1	235	.818

a. Predictors: (Constant), TAR
b. Predictors: (Constant), TAR_X_MCC
c. Dependent Variable: SMP

Source: Field Survey (2025)

As presented in Table 4.51, belowModel 1 demonstrates the connection between technology adoption reforms and securities market performance being positive and statistically significant ($\beta = 0.457$, $P < 0.05$). This result indicates that a one-unit increase in technology adoption reforms is associated with a 0.457-unit increase in securities market performance in Kenya. Consequently, the research rejected the null hypothesis (HO_1), concluding that technology adoption reforms have a statistically significant influence on securities market performance in Kenya. Additionally, Model 2 in Table 4.51 reveals that macroeconomic conditions have a positive and statistically significant moderating role on the influence between technology adoption reforms and securities market performance ($\beta = 0.002$, $P< 0.05$). This suggests that macroeconomic conditions enhance the influence of technology adoption reforms on securities market performance in Kenya. This implies that the influence of technology adoption reforms depends on macroeconomic conditions.

Equally, the influence of macroeconomic conditions on securities market performance in Kenya is reliant upon the presence of technology adoption reforms. This implies that the

influence of macroeconomic conditions on market performance is moderated or shaped by the level of technology adoption reforms in place. The findings of this study are consistent with those of Khan et.al (2024), whose empirical analysis using both linear and dynamic regressions, based on the generalized method of moments, confirms that the interaction between innovation, technology, and strong institutional frameworks significantly accelerates the growth of financial markets.

Moreover, Khan et al., (2024) emphasize important policy implications, recommending that economies implement measures to enhance competitiveness. Such strategies not only attract investment into emerging financial markets but also support their long-term sustainability. Promoting innovation, advancing technology, and reinforcing institutional frameworks enables countries to create environments conducive to investor confidence and sustained market development. Their research underscores that the combination of innovation, technology, and strong institutions significantly improves the efficiency and performance of securities markets. In line with these findings, the current study failed to reject hypothesis (HO1a), concluding that macroeconomic conditions have a statistically significant moderating role on the relationship between technology adoption reforms and securities market performance in Kenya.

The following regression models were fitted;

OLS=Securities Market Performance=2.293+0.457×Technology Adoption Reform

MMR=Securities Market Performance=2.290+0.457×Technology Adoption Reform+0.002× (Technology Adoption Reform× Macroeconomic Conditions)

Table 4.52: Coefficients for MMR with Technology Adoption Reforms as the Predictor

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	2.293	.172		13.343	.000
	TAR	.457	.042	.580	10.924	.000
2	(Constant)	2.290	.172		13.282	.000
	TAR	.465	.054	.589	8.645	.000
	TAR_X_MCC	.002	.009	.016	2.231	.018

a. Dependent Variable: Securities Market Performance

Source: Field Survey (2025)

4.7.2 Moderated Regression for Influence of Tax Reforms on Securities Market Performance

Table 4.53: Model Summary for MMR with Tax Reforms as the Predictor

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig.F Change
1	.232[a]	.054	.050	.67035	.054	13.446	1	236	.000
2	.232[b]	.054	.046	.67177	.000	.001	1	235	.973

a. Predictors: (Constant), TR

b. Predictors: (Constant), TR, TR_X_MCC

c. Dependent Variable: Securities Market Performance

Source: Field Survey (2025)

As shown in Table 4.53, Model 1, indicates that the adjusted R-squared value is 0.050, suggesting that tax reforms explain 5.0 per cent of the variation in securities market performance in Kenya. In Model 2, which includes an interaction term, the adjusted R-squared value remains unchanged. This indicates that macroeconomic conditions do not account for any additional variation in securities market performance beyond what is explained by tax reforms alone. The results were statistically insignificant at ($P < 0.05$), indicating that the interaction term does not significantly enhance the model's explanatory power.

Table 4.54: Coefficients for MMR with Tax Reforms as the Predictor

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.566	.127		35.869	.000
	TR	-.138	.038	-.232	-3.667	.000
2	(Constant)	4.566	.128		35.792	.000
	TR	-.136	.059	-.230	-2.314	.022
	TR_X_MCC	.000	.012	-.003	-.034	.973

a. Dependent Variable: Securities Market Performance

Source: Field Survey (2025)

As shown in Table 4.54, Model 1 indicates that the relationship between tax reforms and securities market performance is negative and statistically significant ($\beta = -0.138$, $P < 0.05$). This implies that a one-unit increase in tax reforms is associated with a 0.138-unit decrease in securities market performance in Kenya. Consequently, the research rejected the null hypothesis (HO_2),concluding that tax reforms have a statistically significant influence on securities market performance in Kenya. The findings indicate that macroeconomic conditions do not significantly moderate the relationship between tax reforms and securities market performance in Kenya, as the interaction effect was statistically insignificant ($\beta = 0.000$, $p > 0.05$). This suggests that tax reform outcomes are independent of macroeconomic influences. These results align with Akkinkuotu (2021), who found that anticipated fiscal and monetary policies negatively affect market performance, with monetary policy expectations causing greater volatility. As a result, the study failed to reject hypothesis (HO2a).

The following regression models were fitted

Ordinary Least Square: Securities Market Performance=4.566−0.138×Tax Reforms

MMR=Securities Market Performance=4.566−0.136×Tax Reform+0.000×
(Tax Reform×Macroeconomic Conditions

4.7.3 Moderated Regression for Influence of Investor Protection Reforms on Securities Market Performance

The results presented in Table 4.55, Model 1, indicate that the adjusted R-squared value is 0.107, suggesting that investor protection reforms account for 10.7per centof the variation in securities market performance in Kenya. In Model 2, which includes an interaction term, the adjusted R-squared value remains unchanged. This indicates that macroeconomic conditions do not contribute additional explanatory power to the variation in securities market performance beyond what is explained by investor protection reforms alone. The results were statistically insignificant ($P > 0.05$), implying that the interaction term does not significantly improve the model's explanatory power.

Table 4.55: Model Summary for MMR with Investor Protection Reforms as the Predictor

				Std. Error		Change Statistics			
Model	R	R Square	Adjusted R Square	of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.333[a]	.111	.107	.64978	.111	29.484	1	236	.000
2	.333[b]	.111	.104	.65116	.000	.004	1	235	.947

a. Predictors: (Constant), IPR

b. Predictors: (Constant), IPR, IPR_X_MCC

c. Dependent Variable: Securities Market Performance

Source: Field Survey (2025)

As indicated in Table 4.55, Model 1 shows that the influence between investor protection reforms and securities market performance is negative and statistically significant ($\beta = -0.195$, $P < 0.05$). This highlights that aunit increase in investor protection reforms is associated with a 0.195-unit decrease in securities market performance in Kenya. Subsequently, the research rejected the null hypothesis (HO_3), concluding that investor protection reforms have a statistically significant influence on securities market performance in Kenya. Model 2 in Table 4.55 reveals that macroeconomic conditions have a positive but statistically insignificant moderating role on the influence between investor protection reforms and securities market performance ($\beta = 0.001$, $P > 0.05$). This implies that the influence of investor protection reforms on securities market performance does not depend on macroeconomic conditions.

Chong and Silanes (2007) explored cross-country differences in legal frameworks and the enforcement of investor protection laws, highlighting their origins, implications, and reform strategies to improve corporate governance. In line with this, the current study found that macroeconomic conditions do not moderate the relationship between investor protection reforms and securities market performance in Kenya. The results indicate that the effect of investor protection reforms operates independently of macroeconomic conditions. Consequently, the study failed to reject hypothesis (HO3a), concluding that macroeconomic conditions have no statistically significant moderating role in this relationship.

The following regression models were fitted;

OLS: Securities Market Performance=4.771+-0.195Investor Protection Reforms

MMR: Securities Market performance4.566+- 0.136 Investor Protection Reforms+0.000 Investor Protection Reforms_X_Macroeconomic Conditions.

Table 4.55: Coefficients for MMR with Investor Protection Reforms as the Predictor

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.771	.126		37.916	.000
	IPR	-.195	.036	-.333	-5.430	.000
2	(Constant)	4.771	.126		37.829	.000
	IPR	-.198	.055	-.338	-3.611	.000
	IPR_X_MCC	.001	.012	.006	.067	.947

a. Dependent Variable: Securities Market Performance

Source: Field Survey (2025)

4.7.4 Moderated Regression for Influence of Foreign Investor Participation Reforms on Securities Market Performance

As shown in Table 4.56, Model 1, indicates that the R-squared value is 0.121, suggesting that foreign investor participation reforms account for 12.1percentof the variation in securities market performance in Kenya. In Model 2, which includes an interaction term, the R-squared value remains unchanged. This indicates that the addition of the interaction term does not provide any further explanation of the variation in securities market performance beyond what is accounted for by foreign investor participation reforms alone.This demonstrates that the macro-economic conditions explain 0.001per cent in the variation of securities market performance in Kenya in addition to variation explained by foreign investor participationreforms. The results were statistically insignificant (P > 0.05).

Table 4.56: Coefficients for MMR with Foreign Investor Participation Reforms as the Predictor

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.353[a]	.125	.121	.64477	.125	33.629	1	236	.000
2	.353[b]	.125	.117	.64614	.000	.001	1	235	.971

a. Predictors: (Constant), FIPR

b. Predictors: (Constant), FIPR, FIPR_X_MCC

c. Dependent Variable: Securities Market Performance

Source: Field Survey (2025)

As presented in Table 4.57, below model 1 shows that the link between foreign investor participation reforms and securities market performance was negative and statistically significant (β = - 0.204, P< 0.05). This indicates that when foreign investor participation reforms increase by one unit, securities market performance in Kenya decreases by - 0.204 units. As a result, the research failed to accept ($HO_{4)}$,concluding that foreign investor participation reforms have a positive statistically significant influence on securities market performance in Kenya.The study found that macroeconomic conditions do not significantly moderate the relationship between foreign investor participation reforms and securities market performance in Kenya (β = 0.000, p> 0.05). This suggests that the effectiveness of these reforms is independent of macroeconomic conditions.

The findings align with Muiruri (2022), who also reported an insignificant effect of foreign portfolio investment on market performance. The lack of a significant moderating role may be due to limited reform depth, with other factors such as regulatory frameworks, market infrastructure, investor sentiment, and global economic influences playing a more substantial role. As a result, hypothesis (HO4a) was not rejected.

OLS=Securities Market Performance4.797+0.204 Foreign Investor Participation Reforms

MMR=Securities Market=4.797+-0.203 Foreign Investor Participation Reforms +0.000 Foreign Investor Participation Reforms_X_Macro-Economic Conditions

Table 4.57: Coefficients for MMR with Foreign Investor Participation Reforms as the Predictor

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.797	.123		39.058	.000
	FIPR	-.204	.035	-.353	-5.799	.000
2	(Constant)	4.797	.123		38.955	.000
	FIPR	-.203	.053	-.351	-3.815	.000
	FIPR_X_MCC	.000	.011	-.003	-.036	.971

a. Dependent Variable: Securities Market Performance

Source: Field Survey (2025)

4.7.5 Moderated Regression for Influence of Governance Reforms on Securities Market Performance

As shown in Table 4.58 model 1, indicates that the adjusted R square was 0.171, suggesting a 17.1per cent variation in securities market performance can be explained by governance reforms. The results in model 2 show that after adding an interaction term, the R square changed to 0.171. This implies that the macroeconomic conditions explain 17.1per cent of the variation of securities market performance in Kenya in addition to the variation explained by governance reforms. The results were statistically insignificant ($P<0.05$).

Table 4.58: Coefficients for MMR with Governance Reforms as the Predictor

				Std. Error		Change Statistics			
Model	R	R Square	Adjusted R Square	of the Estimate	R Square Change	F Change	df1	df2	Sig.F Change
1	.418[a]	.175	.171	.62606	.175	49.990	1	236	.000
2	.422[b]	.178	.171	.62610	.003	.967	1	235	.326

a. Predictors: (Constant), GR

b. Predictors: (Constant), GR, GR_X_MCC

Source: Field Survey,(2025)

As tabulated in Table 4.58, Model 1 shows that the link between governance reforms and securities market per formance is positive and statistically significant ($\beta = 0.491$, $P < 0.05$). This implies that a unit increase in governance reforms is associated with a 0.491-unit increase in securities market performance in Kenya. Accordingly, the research rejected the null hypothesis (HO_5), concluding that governance reforms have a statistically significant influence on securities market performance in Kenya.

Model 2 in Table 4.59 shows that macroeconomic conditions have a positive but statistically insignificant moderating role on the relationship between governance reforms and securities market performance in Kenya ($\beta = 0.009$, $p > 0.05$). This indicates that the effect of governance reforms on market performance is independent of macroeconomic conditions. These findings contrast with those of Ali Imran et al. (2020), who found that strong governance and high institutional quality significantly enhance stock returns by reducing transaction and agency costs. The lack of a moderating role in the Kenyan context may be due to the strength of governance reforms themselves, which may influence market performance regardless of broader economic conditions. Furthermore, characteristics of the Kenyan market such as its size, liquidity, and regulatory structure, along with infrastructure limitations, may diminish the role of macroeconomic variables.

As a result, the study failed to reject hypothesis (HO5a).

OLS: Securities Market Performance = 2.216 + 0.491 Governance Reforms

MMR: Securities Market Performance2.221+456 GR+0.009Governance Reforms_ X_ Macro-Economics Conditions

Table 4.59: Coefficients for MMR with Governance Reforms as the Predictor

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.216	.273		8.106	.000
	GR	.491	.069	.418	7.070	.000
2	(Constant)	2.221	.273		8.122	.000
	GR	.456	.078	.389	5.868	.000
	GR_X_MCC	.009	.009	.065	.983	.326

a. Dependent Variable: Securities Market Performance

Source: Field Survey (2025)

4.8 Revised Conceptual Framework for Future Research

The model showed that all variables had a significant positive effect on securities market performance. However, as noted by Hair et al. (2010) and Field (2013), it is important to assess the relative significance of each predictor. While the conceptual framework hypothesizes these relationships (Creswell & Creswell, 2018), empirical testing often reveals that some predictors contribute more substantially while others may be insignificant (Pallant, 2020). Therefore, an optimal model was necessary to identify the actual contribution path of each variable within the conceptual framework. The researcher ensured that all measurement items used in the structural equation modelling had real-world validation and reliability for their respective latent constructs. The moderated regression model showed that structural reforms technology adoption, tax, investor protection, foreign investor participation, and governance positively influence securities market performance. Stepwise hierarchical regression excluded insignificant variables, leading to the removal of macroeconomic conditions. The revised model (Figure 4.18) highlights only structural reforms as key drivers of securities market performance in Kenya.

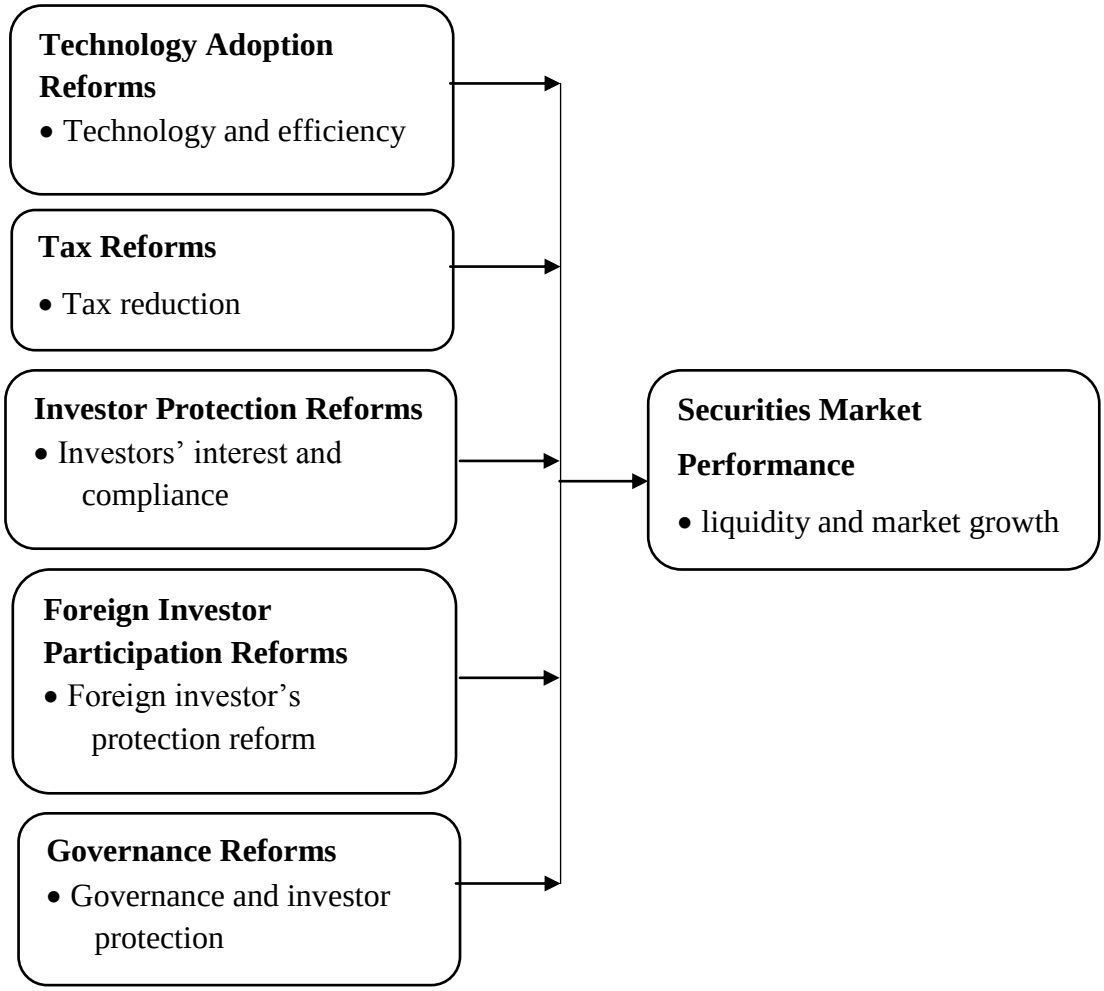

Figure 4.17: Revised Conceptual Framework

Source: Field Survey (2025)

Figure 4.17 presents the indicators retained as valid measures of the latent constructs in the study. These indicators were confirmed through confirmatory factor analysis, where factor loadings demonstrated that they converged meaningfully with their respective constructs. Each construct was then appropriately named based on its underlying measurement indicators. Specifically, technology adoption reform was measured through indicators related to technology and efficiency; tax reform through the effects of tax reduction; investor protection reform through investor interest and compliance; foreign investor participation reform through foreign investor protection; and governance reform through governance in investor protection. Securities market performance was measured using liquidity and market growth indicators. The study concluded that only these structural reform variables, technology adoption, tax, investor protection, foreign

investor participation, and governance reforms, positively influence securities market performance.

To confirm the accuracy of the initial conceptual framework (Figure 2.1), which had been developed through a synthesis of literature, the researcher tested a revised version using actual data. This validation process confirmed the realism and empirical soundness of the framework. The final variables were measured using structured research instrument items aligned with the revised framework, which reflected the true nature of structural reforms' influence on Kenya’s securities market performance.

4.9 Hypotheses Testing: Summary of the Findings

Table 4.60: Summary of hypotheses Testing

Hypothesis	Beta	t-value	p-value	Decision
$H0_1$: Technology adoption reforms have no positive statistically significant influence on securities market performance in Kenya.	0.650	10.65	**P<0.05**	**H01**: Rejected
$H0_{1a}$: Macroeconomic conditions have no positive statistically significant moderating effect on the influence of technology adoption reforms on securities market performance in Kenya.	0.228	20.72	**P<0.05**	H01a: Rejected
$H0_2$: Tax reforms have no positive statistically significant influence on securities market performance in Kenya.	-0.248	-5.767	**P<0.05**	**HO2:** Rejected
$H0_{2a}$: Macroeconomic conditions have no positive statistically significant moderating role on the influence of tax reforms on securities market performance in Kenya.	0.480	16.552	**P>0.05**	**H02a:** Rejected
$H0_3$: Investor protection reforms have no positive statistically significant influence on securities market performance in Kenya.	-0.317	-6.096	**P<0.05**	**H03:** Rejected
H03a: Macroeconomic conditions have no positive statistically significant moderating role on the influence of investor protection reforms on securities market performance in Kenya.	0.026	0.258	**P>0.05**	**HO3a:** Accepted
$H0_4$: Foreign investor participation reforms have no positive statistically significant influence on securities market performance in Kenya.	-0.334	-9.824	**P<0.05**	**HO4:** Rejected
$H0_{4a}$: Macroeconomic conditions have no positive statistically significant moderating role on the influence of foreign investor participation reforms on securities market performance in Kenya.	-0.132	-0.515	**P>0.05**	**H04a:** Accepted
$H0_5$: Governance reforms have no positive statistically significant influence on securities market performance in Kenya.	0.449	5.409	**P<0.05**	**H05:** Rejected
H05a: Macroeconomic conditions have no positive statistically significant moderating role on the influence of governance reforms on securities market performance in Kenya.	-0.137	-1.087	**P>0.05**	**HO5a:** Accepted

Source: Field Survey (2025)

CHAPTER FIVE
CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter summarizes the results concerning the study objectives and hypotheses. Furthermore, it outlines potential avenues for future research. The chapter also addresses the research conclusions and provides recommendations derived from the findings.

5.2 Summary of Findings

The primary aim of the research was to examine the influence of structural reforms and macroeconomic conditions on securities market performance in Kenya. Data were collected from 238 respondents using a structured questionnaire. Both descriptive and inferential statistical methods were employed for the analysis. This section provides a summary of the research findings aligned with the specific objectives of the study. The research aimed to determine the influence of structural reforms and macroeconomic conditions on securities market performance in Kenya. Targeting 154 firms within the securities market, the study sampled 333 respondents from their staff. With a response rate of 70.47 per cent, 238 completed questionnaires were returned for analysis. This response rate was deemed sufficient for drawing inferences and making recommendations based on these research findings.

The pilot research results demonstrated that the research instrument achieved reliability, with all variables showing Cronbach's alpha coefficients exceeding 0.70. Additionally, the instrument met the validity criteria. Demographic analysis revealed that the majority of respondents 45.4 percent had been employed at their respective organizations for less than 5-7 years. About 32.8 per cent had been with their firms for more than 7 years, while 21.8 per cent had been employed for between 1 to 4 years. The demographic data indicated a diverse range of firm characteristics and respondent profiles, suggesting that the main findings of the research would also reflect this diversity.

The first objective of the study was to assess the influence of technology adoption reforms on securities market performance. According majority of the respondents, there has been a continuous improvement in the volume of online trading activities within the securities market in Kenya.The findings reveal widespread consensus among respondents regarding the positive impact of online trading on Kenya's securities market. Most participants confirmed that only investors with CDS accounts can trade, and share

proceeds are received immediately after transaction completion. The majority also agreed that investors can access share balances and statements online, eliminating the need for physical visits. Respondents noted a significant rise in the number of traders and daily transactions following the adoption of online and m-share trading platforms. Additionally, most agreed that company returns from the stock market have improved and that regulatory communication is now received in real-time, enhancing transparency and market efficiency.

The findings further demonstrate that technology adoption reforms have played a critical role in enhancing transaction efficiency within Kenya's securities market. A majority of respondents agreed that transaction costs have significantly decreased, largely due to the elimination of cumbersome paperwork and procedural requirements. This streamlining has also reduced the time taken for investors to acquire shares, enhancing overall market responsiveness. Moreover, a substantial majority acknowledged that investor complaints are now addressed within 24 hours, a development attributed to improved digital communication channels between investors and market operators. On average, respondents agreed with all statements related to technology-driven reforms. These findings imply a direct positive relationship between the adoption of technological reforms and improved market performance suggesting that for every unit increase in technology adoption, there is a corresponding increase in the efficiency and performance of the securities market.

The study rejected the null hypothesis (HO1), confirming that technology adoption reforms have a statistically significant effect on securities market performance in Kenya ($\beta = 0.650$, $t = 10.65$, $p < 0.05$, $R^2 = 0.336$). Additionally, the interaction a revealed that macroeconomic conditions significantly moderate this relationship, leading to the rejection of HO1a ($\beta = 0.228$, $t = 2.237$, $p < 0.05$). This implies that the effectiveness of technology adoption reforms on market performance is influenced by prevailing macroeconomic factors.

The second objective of the study was to evaluate the influence of tax reforms on securities market performance in Kenya. The findings revealed a generally positive perception among respondents regarding the effects of reduced taxation. A majority agreed that lower taxes on shares have attracted more investors, improved investor earnings, and contributed to the growth in the number of active traders. Respondents also

noted that tax reductions have boosted market performance, increased the number of listed companies, and facilitated greater participation from sector-specific firms.

Additionally, lower taxation was perceived to have made capital raising easier, improved fund availability, and attracted both retail and institutional investors, including local and foreign participants. Most respondents viewed the tax environment as reasonable and predictable, with compliance not posing significant challenges. These responses suggest that tax reforms have positively influenced various aspects of Kenya's securities market, including participation, performance, and investor confidence. The inferential analysis shows that tax reforms exert a statistically significant negative influence on the performance of Kenya's securities market. This is supported by the rejection of the null hypothesis HO2 ($\beta = -0.248$, $t = -5.767$, $p < 0.05$, $R^2 = 0.054$), suggesting that increases in tax-related policy changes tend to hinder market performance. These findings may reflect investor sensitivity to tax burdens, which can reduce trading activity, profitability, and overall market appeal.

Importantly, the study also found that macroeconomic conditions significantly moderate this relationship, leading to the rejection of hypothesis HO2a ($\beta = 0.480$, $t = 16.552$, $p < 0.05$). This indicates that the broader economic climate influences the extent to which tax reforms affect the market. In robust or expansionary macroeconomic settings, the negative effects of tax changes may be absorbed or minimized. Conversely, in times of economic slowdown or instability, these effects are likely to be exacerbated, further straining market performance.

The third objective of the study was to examine the influence of investor protection reforms on securities market performance in Kenya. The findings indicate that most respondents acknowledged the existence of investor protection policies, including mechanisms for compensation in cases of fraud. A majority also affirmed the presence of effective grievance redressal channels and investor awareness programs as mandated by market regulations. Additionally, a large proportion of respondents agreed that investors are protected from hostile takeovers and that monitoring procedures are in place to safeguard the interests of principals against agent misconduct, though some respondents expressed disagreement on the adequacy of these mechanisms. Approximately half of the respondents confirmed organizational compliance with corporate disclosure requirements, while a significant majority believed that the existing channels are sufficient to resolve agency-related issues. These results suggest that investor protection

reforms are largely in place and may contribute positively to market integrity and investor confidence in Kenya's securities market.

The third objective of the study was to assess the influence of investor protection reforms on securities market performance in Kenya. Descriptive findings showed broad agreement among respondents that investor returns are paid on time, anomalies are swiftly addressed, and investor funds are directed toward high-return projects. Most participants also agreed that investor interests are protected in line with legal requirements, though a minority expressed disagreement. On average, respondents expressed positive perceptions of investor protection reforms, suggesting that such measures are generally present and functional in the Kenyan securities market. However, inferential statistics revealed a somewhat counterintuitive trend: for each unit increase in securities market performance, there was a corresponding decrease in the measure of investor protection reforms.

Despite this inverse relationship, the null hypothesis (HO3) was rejected ($\beta = -0.317$, $t = -6.096$, $p < 0.05$, $R^2 = 0.111$), indicating that investor protection reforms have a statistically significant influence on market performance. Furthermore, the study found no significant moderating role of macroeconomic conditions on this relationship. The interaction term was statistically insignificant (HO3a: $\beta = 0.026$, $t = 0.258$, $p > 0.05$, $R^2 = 0.00$), leading to the failure to reject the null hypothesis. This implies that macroeconomic conditions do not significantly moderate the effect of investor protection reforms on securities market performance in Kenya.

The fourth objective was to assess the influence of foreign investor participation reforms on securities market performance. The majority of respondents affirmed that there are policies in place to protect foreign investors and that recent regulatory changes have facilitated their participation in the market. Additionally, many agreed that the company has successfully attracted foreign investors to purchase shares and securities recently, with only a small number of respondents disagreeing with these statements. Moreover, the substantial majority of respondents agreed that the public is actively involved in determining revenue sources, allocation, and expenditure. A small number of respondents disagreed. Furthermore, there was agreement among respondents that foreign investors participate in the company's decision-making during annual general meetings as minority shareholders. A considerable number of respondents disagreed with

the statement. Conversely, the majority agreed that foreign investors can trade online without needing to travel physically.

The findings indicate broad support among respondents for the effectiveness of foreign investor participation reforms in Kenya's securities market. Most agreed that foreign investors receive full disclosures in line with regulatory requirements and enjoy unrestricted access to the market. About half of the respondents noted that favourable taxation rates have attracted foreign investors. A fair majority also agreed that foreign investors receive returns promptly and can freely transfer and purchase new shares. Additionally, many affirmed that foreign investors are permitted to buy local company shares, although a few disagreed. The general consensus was that foreign capital inflow has increased due to foreign investor participation, reinforcing overall agreement with the role of such reforms in enhancing market engagement.

The study found that the coefficient for foreign investor participation reforms was statistically significant, with a calculated *t*-value of -9.824, which exceeds the critical value of 1.96 at the 95% confidence level. The path coefficient ($\beta = -0.132$, $p < 0.05$, $R^2 = 0.125$) suggests that a unit increase in these reforms is associated with a decrease in securities market performance. Consequently, HO4 was rejected, indicating that foreign investor participation reforms have a statistically significant influence on securities market performance in Kenya. Moreover, the moderating role of macroeconomic conditions in this relationship was tested but found to be statistically insignificant ($\beta = -0.132$, $t = -0.515$, $p > 0.05$, $R^2 = 0.00$). As a result, the study failed to reject HO4a, concluding that macroeconomic conditions do not significantly moderate the relationship between foreign investor participation reforms on securities market performance.

The fifth objective focused on assessing the influence of governance reforms on securities market performance in Kenya. The results revealed that most respondents agreed that governance reforms have improved firm governance and decision-making processes. Many acknowledged that the financial viability of listed companies has strengthened due to better governance practices. A large majority confirmed that firms had successfully issued initial public offerings (IPOs), attracted investors, and implemented conflict-of-interest policies requiring disclosure by those in governance roles. Additionally, respondents agreed that listed companies engage monitoring agents to protect shareholder interests and comply with regulations mandating external audits,

demonstrating a broad consensus on the positive role of governance reforms in enhancing market integrity and investor confidence.

Inferential statistics support these observations: the coefficient for governance reforms was statistically significant, with $\beta = 0.449$, $t = 5.409$, $p < 0.05$, and $R^2 = 0.125$, leading to the rejection of HO5. This confirms that governance reforms have a positive and significant influence on securities market performance in Kenya. However, the analysis also indicated that macroeconomic conditions do not significantly moderate this relationship, suggesting that the effect of governance reforms on market performance operates independently of broader economic factors. As a result, inferential statistics show that the research failed to reject HO_{5a}, (β=-0.135, t=-1.087 p>0.05, R^2=0.003) concluding that macroeconomic conditions have no positive statistically significant moderating role on the relationship between governance reforms and securities market performance in Kenya.

The study found that tax reforms, investor protection reforms, and foreign investor participation reforms do not have a statistically significant joint influence on securities market performance in Kenya. This is evidenced by their beta coefficients, which had t-values below the critical threshold of 1.96 and insignificant p-values. As a result, the study failed to reject null hypotheses H02, H03, and H04, indicating that these individual reforms do not significantly influence market performance when considered jointly. Furthermore, macroeconomic conditions were found to have no statistically significant moderating role on the combined influence of these predictor variables, leading to the conclusion that macroeconomic conditions do not alter the relationship between these reforms and securities market performance at the 95% confidence level.

5.3 Conclusions

The study assessed the impact of technology adoption reforms on securities market performance in Kenya and found a positive and statistically significant relationship. Increased technology adoption was associated with a rise in monthly cumulative share trading, the introduction of m-share trading, and a reduction in transaction costs and paperwork. Respondents also indicated that these reforms shortened the time investors need to trade in listed company shares. Regression analysis revealed that a one-unit increase in technology reforms was linked to increased investor earnings, further supporting the positive influence of digital innovation on market outcomes. Additionally, the findings suggest that tax-related reforms have facilitated greater transparency and

disclosure, enhancing investor confidence. The measurement items used to assess this construct demonstrated strong convergent validity, confirming that the items accurately captured the concept of technology adoption reforms.

Secondly, the study establishes a significant influence between tax reforms and securities market performance. The statistical analysis highlights that modifications in tax reforms have a meaningful influence on market performance, demonstrating that each unit increase in tax reforms corresponds to a change in market performance. Therefore, the research concludes that tax reforms statistically influence securities market performance in Kenya. Since the interaction term was smaller, the research concluded that macroeconomic conditions have no statistically significant moderating role on the relationship between tax reforms and securities market performance in Kenya.

The study found that a one-unit increase in investor protection reforms was significantly associated with enhanced monitoring mechanisms, improved compliance with corporate disclosure regulations, and better management of investor funds, leading to substantial returns. Regression analysis showed that the measurement items had statistically significant t-values, confirming strong convergent validity for the investor protection construct. Interestingly, the results also indicated an inverse relationship, where increases in securities market performance were linked to decreases in investor protection reforms, suggesting a complex or possibly nonlinear interaction. Nonetheless, the study concluded that investor protection reforms have a statistically significant influence on securities market performance in Kenya. However, macroeconomic conditions did not significantly moderate this relationship, indicating that the effect of investor protection reforms on market performance operates independently of broader economic factors.

The study revealed that a one-unit increase in foreign investor participation reforms was associated with the successful attraction of foreign investors, increased online trading activity, and reduced reliance on physical presence. These reforms also correlated with a favourable taxation environment and greater access for foreign investors to purchase local securities. The measurement items for this construct demonstrated strong convergence validity, indicating they reliably represented foreign investor participation reforms. The study concluded that these reforms have a statistically significant effect on securities market performance in Kenya. However, macroeconomic conditions did not significantly moderate this relationship, suggesting that the impact of foreign investor reforms is consistent across different economic environments. Additionally, companies

that effectively launched initial public offerings (IPOs), attracted investors, and upheld minority shareholder protections showed improved governance, supporting a positive correlation between governance reforms and securities market performance.

Consequently, the study concluded that governance reforms have a statistically significant positive influence on securities market performance in Kenya. However, the findings revealed that macroeconomic conditions do not significantly moderate the effects of structural reforms namely, investor protection reforms, and foreign investor participation reforms on market performance. Moreover, these three reforms demonstrated an insignificant joint influence on the securities market, as indicated by beta coefficients with t-values below 1.96 and insignificant p-values. Therefore, the study failed to reject the null hypotheses associated with these predictors at the 95% confidence level. Based on this, the research suggests that the CMA may need to reconsider or strengthen the design and enforcement of structural reform measures, as the current implementation does not appear sufficient to drive significant improvements in securities market performance in Kenya.

In terms of the implications of the findings enrich the existing body of knowledge on structural reforms and securities market performance. Its findings contribute to more theoretical understanding, empirical evidence, and methodological approaches in the field. From a theoretical perspective, these findings significantly contribute to the literature by highlighting the relevance of diffusion innovation theory, which proved useful in the analysis of technology adoption reforms. The results show a significant improvement in market performance following the implementation of the technology adoption reform.

The research highlights that the implementation of structural reforms has minimized communication delays, simplified investor transactions, and supported greater consistency in securities market performance. While prior studies have primarily applied Diffusion of Innovation Theory in the context of innovation adoption, this study establishes a novel theoretical linkage between the theory and securities market performance, particularly in the context of developing markets like Kenya. Additionally, the findings give further relevance to Tax Planning Theory and New Economic Geography Theory. The previous studies suggest that investors can legally minimize tax liabilities through effective planning, while the latter emphasizes the importance of geographic positioning in attracting investment flows. Although these theories have been

applied to guide tax reforms and foreign investor participation, their theoretical application to explain securities market performance remains limited especially within the Kenyan context. This study contributes to bridging that gap by showing how fiscal and investor-friendly policies can significantly enhance market outcomes.

Stakeholder theory and agency theory play a crucial role in shaping securities market performance by emphasizing the need to balance the interests of diverse parties, including shareholders, employees, and the broader community. Firms that embrace stakeholder-inclusive governance tend to promote transparency, build trust, and improve investor confidence, all of which contribute to higher market liquidity, increased trading volumes, and enhanced market capitalization. In prioritizing ethical practices and long-term value creation, such firms reduce operational risks and attract socially responsible investors, leading to more stable securities prices. Furthermore, strong investor relations and risk management frameworks, as supported by stakeholder theory, help firms maintain reputational strength and mitigate market volatility. Overall, firms that implement the principles of stakeholder and agency theory often experience superior securities market performance, reflected in higher returns and greater market resilience.

Secondly, the study makes a significant empirical contribution by establishing a positive relationship between structural reforms and securities market performance in Kenya. It offers a strong foundation for future research, particularly on the role of technology adoption reforms, and encourages exploration of moderating factors that may enhance or constrain their impact. The study addresses a gap in existing literature by investigating the underexplored influence of tax reforms, showing that tax policy adjustments can significantly influence market liquidity, volatility, and capitalization. Moreover, the research underscores the importance of investor protection, foreign investor participation, and governance reforms in reinforcing investor confidence, improving market transparency, and enhancing liquidity. These insights are valuable for policymakers, regulators, and market actors aiming to strengthen securities market performance through targeted reform strategies.

Additionally, the findings make a significant methodological contribution by advancing the approach used to analyze structural reforms, macroeconomic conditions, and securities market performance in the Kenyan context. The study employed a comprehensive data analysis framework, beginning with exploratory factor analysis to identify key indicators, followed by confirmatory factor analysis to validate the

measurement constructs. Subsequently, structural equation modelling was utilized to test the relationships among the latent variables, incorporating path coefficients and regression analysis to examine direct and indirect influence. To further reinforce the robustness of the model, moderated multiple regression was conducted to validate SEM results and assess hypothesis significance. This integrated methodological approach enhances the validity and reliability of the study's findings and provides a replicable framework for future research in similar contexts.

5.4 Recommendations

The study recommends that the capital market authority and the Nairobi Securities Exchange continuously pursue product innovation, leveraging advanced technologies to enhance market efficiency and better cater to the evolving needs of investors. By adopting tools like robo-advisors, blockchain, algorithmic trading, and data analytics, the market can offer a wider array of financial products, making investments more accessible and tailored to various investor profiles. Robo-advisors can democratize access to investment advice, using automation to provide personalized recommendations, thereby making it easier for retail investors to participate. Blockchain technology can transform transaction processes by adding layers of security, transparency, and speed, which are critical for building trust among market participants. Lastly, data analytics allows the market to gain deep insights into trends and investor behavior, empowering both investors and regulators to make informed decisions based on real-time information. Together, these innovations aim to make the securities market more attractive, accessible, and competitive on a global scale and meet the expectations of both domestic and international investors, these advancements are expected to increase market participation, enhance liquidity, and improve the overall resilience and performance of the market, contributing to economic growth and investor confidence.

Secondly, the study recommends that for tax reforms to be effective and far-reaching, it is crucial for various government agencies, not just the tax authority, to actively participate in the implementation process. To ensure more effective and balanced tax reforms, the government should adopt a collaborative approach by actively engaging key stakeholders such as the Ministry of Finance, regulatory authorities, and industry-specific agencies. This inclusive strategy would promote alignment, reduce policy conflicts, and enhance the overall responsiveness of tax reforms to market realities. When multiple agencies support and promote these reforms, businesses and investors

may feel more confident in the stability and fairness of the regulatory environment. This cooperative approach also facilitates the establishment of a more transparent and predictable tax framework, encouraging both domestic and international market players to engage more actively in the local economy. Finally, the study underscores that when multiple government agencies are involved, tax reforms are more likely to gain traction, leading to a more dynamic and competitive market.

Further, the study recommends a coordinated and continuous approach to corporate governance and investor protection to sustain the stability and appeal of Kenya's capital market. While local and foreign investors are participating actively, the market's ongoing growth and sustainability depend on strict adherence to good governance standards and safeguarding investors, especially foreign ones, from potential exploitation by dishonest market players. A collaborative effort between policymakers, the Kenya Association of Stockbrokers and Investment Banks, the capital markets authority, and REIT managers is essential. Together, these stakeholders can develop and enforce policies that create a practical and resilient regulatory framework, ensuring transparent operations and fair treatment of all market participants. This framework should include periodic assessments of governance practices within listed companies and financial institutions to catch and address any emerging risks promptly. Additionally, by involving REIT managers and market players in regulatory development, policymakers can incorporate industry-specific insights that make the legislation more applicable and effective in addressing real-world market issues.

Clear legislation and continuous monitoring will deter unscrupulous activities, protect investors' rights, and enhance confidence in the market. This approach is expected to lead to a more stable, resilient, and competitive capital market in Kenya. Additionally, the study further recommends that market regulations concentrate on three key areas: attracting foreign investors, strengthening governance standards, and refining the demutualization process. Focusing on these areas can help enhance the capital market’s resilience, appeal, and integrity. For instance, enhancing corporate governance practices within companies is crucial for establishing transparency, accountability, and trustworthiness qualities that investors highly value. Well-governed companies are more likely to attract investment, as investors feel assured of ethical management, compliance with regulatory standards, and reduced risk of financial mismanagement. This trust can drive greater investor participation, as investors often gravitate towards markets and

companies with strong governance frameworks. Additionally, attracting foreign investors is essential for bringing in capital, global expertise, and growth. Regulatory frameworks should be designed to make the Kenyan market accessible and appealing to international investors while safeguarding them against potential exploitation.

Lastly, the demutualization process, which involves transitioning from a member-owned to a shareholder-owned structure, also requires attention. This shift can enhance the Nairobi Securities Exchange's operational efficiency, governance, and flexibility, helping it competes with other global exchanges. Streamlining this process can build investor confidence by modernizing the market structure, fostering innovation, and aligning it with international best practices. By focusing on these core areas, market regulations can create a more attractive, secure, and well-governed capital market, fostering long-term growth and investor engagement.

5.5 Suggestion for Further Research

The research's findings suggest several recommendations for future research. First, future studies should explore additional moderating variables to gain a more nuanced understanding of their influence on securities market performance. Factors such as investor sentiment, market liquidity, and macroeconomic variables can provide valuable insights. Additionally, expanding the scope to include other structural reforms, such as regulatory changes, financial technology advancements, and market integration strategies, could reveal their influence on securities market performance. The study recommends longitudinal studies to evaluate the long-term effectiveness and sustainability of reforms over time.

Comparative analyses involving different markets or countries could offer broader perspectives and best practices by contrasting the Kenyan market with others. Sector-specific analysis may uncover differences in how various market segments respond to reforms, allowing for more targeted approaches. Furthermore, understanding investor behavior in response to policy changes could provide deeper insights into market dynamics. Lastly, using more advanced statistical and econometric methods, like machine learning and simulation models, could make research results about how the securities market works and how reforms affect it more reliable and correct. Future research is encouraged to focus on the All-Share Index and newly listed firms across various market segments over a period of up to five years, to better capture a more accurate and dynamic reflection of securities market performance. Leveraging secondary

data in such longitudinal studies would facilitate comparative analysis with current findings and yield more comprehensive insights. Employing advanced econometric techniques, such as the distributed lag model, could further enhance the depth and robustness of the analysis.

Given the current study's finding that macroeconomic conditions did not significantly moderate the relationships between structural reforms and securities market performance, future research should consider alternative moderating variables. Capital market regulatory frameworks could be explored as moderators to assess how regulatory variations shape the influence of governance reforms, tax reforms, investor protection reforms, technology adoption reforms, and foreign investor participation on market outcomes. Additionally, event study methodologies could be used to assess the impact of political events on market performance in Kenya, particularly by leveraging primary data already collected. Such research could uncover important temporal or crisis-related market patterns, enriching the understanding of the political economy of securities markets in developing countries.

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APPENDICES

Appendix I: Informed Consent Form

Research Title: ***Structural Reforms, Macroeconomic Conditions and Securities Market Performance in Kenya.***

Introduction

You are invited to participate in research conducted by **Kipkemoi Cheruiyot.**

From **May 2024 to August 2024.**

Before you decide whether to participate, please read the following information carefully. If you have any questions, feel free to ask.

Purpose of the Research

The purpose of this research is to Investigate Structural Reforms, Macroeconomic Conditions, and Securities Market Performance in Kenya.

Procedures

i. You will be asked to answer a questionnaire and provide honest and correct answers.
ii. The estimated time commitment is approximately 20 minutes.
iii. Your participation is voluntary, and you can withdraw at any time without penalty.

Risks and Benefits

- **Benefits:** This research aims to inform the policy formulation on how to make the securities market more vibrant and therefore improve the investor's returns.
- **Risks:** The benefits outweigh the risks therefore confidentiality will be ensured through the research process.

Data Collection and Storage

- We will collect data through mixed-method research to combine quantitative and qualitative approaches to gather numerical data on prevalence and in-depth insight.
- Your data will be stored securely and confidentially.
- We may use your de-identified data for future research or publication.

Confidentiality

- Your participation will remain confidential.
- Only authorized researchers will have access to your data.

Contact Information

If you have any questions or concerns, please contact:

Email: kcheruiyot37@gmail.com

Phone; 0722968081

Consent

By signing below, you acknowledge that you have read and understood the information provided. Your participation is entirely voluntary, and you can withdraw at any time.

Participant Signature ……. Date ……

Researcher signature :.....Date ……

Appendix II: Questionnaire

Introduction

My name is Kipkemoi Cheruiyot a Doctoral student from Laikipia University in the School of Business and Economics. Iam researching on“ *Structural Reforms, Macroeconomic Conditions and Securities Market Performance in Kenya”.* You have been selected to take part in the research and I shall be grateful if you could take some time to respond to the attached questionnaire. Kindly note that your responses will be treated with utmost confidentiality and will onlybe purely for academic purposes.

Yours faithfully,

Kipkemoi Cheruiyot
MDB35/4207/2019
0722968081

Part A: Background Information

i. Name…..... (Optional)

ii. Name of the County Government……(Optional)

iii. Gender: Male [ ] Female [ ]

iv. Job Title…….

v. Number of years you have worked in this organization

a. Less than 1 year [ ] 1 to 4 years [ ] 5 to 7 years [ ] More than 7 years [ ]

vi. Level of Education

KCSE [ ] Certificate/Diploma [ ] Degree [ ] others (Please specify) …….

Part B: Technology Adoption Reform

The following statements relate to technology adoption reforms by the securities market. Kindly indicate appropriately, the level of agreement with the statements. The rating scale has SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree and SD=Strongly Disagree.

Statements	SA	A	N	D	SD
There is an established information technology infrastructure in the securities market in Kenya.					
2. There is an established real-time communication channel in the Nairobi stock market in Kenya.					
3. The number of online trading activities has continuously improved in the securities market in Kenya.					
4. Trading process is only done by investors with a CDS account					
5. Sale and transfer of shares proceeds are received immediately after completion of the transaction					
6. Share balances and statements can be accessed online without visiting the securities market in Kenya.					
7. The number of traders has improved since the introduction of online trading.					
8. The returns the company has been getting from the stock market have increased since the introduction of online trading.					
9. The daily transaction has significantly improved since the introduction of online trading					
10. The number of shares traded is cumulatively increasing every month following the introduction of m-share trading.					
11. The market regulator's communication on matters of regulation is received in real-time					
12. The transaction cost has significantly reduced due to the elimination of paperwork and a lot of procedures					
13. Issues related to share fraud have been eliminated.					
14. Days taken by an investor to buy company shares have significantly reduced					
15. Investor complaints are easily addressed within 24 hours due to improved channels of communication.					

Part C: Tax Reform

The following statements relate to tax reforms that were initiated by the Nairobi Securities market. Kindly indicate appropriately, the level of agreement with the statements. The rating scale has SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree and SD=Strongly Disagree.

Statements	SA	A	N	D	SD
1. Reduction in taxation on shares has attracted investors.					
2. Earnings for investors has improved due to reduced tax burden					
3. The number of investors trading in the stock market has continuously increased after the reduction of taxes in the securities market in Kenya					
4. The number of listed firms that are competitors has continuously increased.					
5. The performance of the securities market in Kenya has continuously improved due to lower taxes.					
6. Reduction in taxation has attracted more sectoral companies' participation in the market.					
7. Raising funds in the stock market has become easier due to the availability of funds to be invested because of increased market investors.					
8. The predictability of tax has brought stability to the securities market in Kenya.					
9. The tax reduction has attracted both individual and retail investors.					
10. The current organization has no issue complying with the tax requirements.					
11. The amount of tax charged on stock and securities is reasonable.					
12. The local and foreign investors can now trade easily in the securities market.					
13. The income of the company has continuously increased due to decreases and taxation for companies investing securities market in Kenya.					
14. Reduction of taxation has attracted institutional investors.					
15. Reduction in taxation has improved market liquidity.					

16. The number of venture capitalists participating in the securities market in Kenya has increased due introduction of tax holidays.					
17. Due to a reduction in taxes, companies have enhanced full disclosure.					

Part D: Investor Protection Reform

The following statements relate to investor protection reforms that were carried out by the securities market in Kenya Kindly indicate appropriately, the level of agreement with the statements. The rating scale has SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree and SD=Strongly Disagree.

Statements	**SA**	**A**	**N**	**D**	**SD**
1. There is an investor protection policy in the securities market.					
2. Investors get their compensation claims on time when investor loss money because of fraud in the market.					
3. There is a good channel for investor grievances redressal.					
4. There is an investor awareness program as required by the securities market regulation.					
5. Investors are protected against hostile takeovers.					
6. There is a procedure for monitoring agents to protect principals.					
7. The organization complies with the requirements on corporate disclosures.					
8. The available channels can address agency problems when they arise.					
9. The payment of investor returns is done on time and any anomaly is corrected swiftly.					
10. The investor's money is invested in projects with substantial returns.					
11. The interests of investors are safeguarded and protected as required by law.					

Part E: Foreign Investor Participation Reform

The following statements relate to foreign investor participation reforms that were initiated by the Nairobi Securities market. Kindly indicate appropriately, the level of agreement with the statements. The rating scale has SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree and SD=Strongly Disagree.

Statements	SA	A	N	D	SD
1. There is a policy in place in our company protecting foreign investors					
2. The changes in regulations have allowed foreign investors to participate in the market.					
3. The company has attracted foreign investors buying your shares and securities in the recent past					
4. Foreign investors extensively participate in the decision-making of the firms in which they have invested resources.					
5. Foreign investors participate in the company's decision-making during the annual general meeting as minority shareholders					
6. Foreign investors trade online without necessarily having to travel physically					
7. Foreign investors get access to full disclosures as required by the Securities market regulations.					
8. Foreign investors have easy access to the stock market without any limiting barriers.					
9. The taxation rate has attracted foreign investor to investor in the Nairobi Stock exchange market.					
10. Foreign investor gets their returns informed of dividends or rebates on time.					
11. Foreign investors are free to transfer and buy new shares without any challenges.					
12. Foreign investors are allowed to buylocal company shares and other securities.					
13. Foreign capital inflow has increased due to the participation of foreign investors.					

Part F: Governance Reforms

The following statements relate to governance reforms that were initiated by the Securities Exchange in Kenya. Kindly indicate appropriately, the level of agreement with the statements. The rating scale has SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree and SD=Strongly Disagree.

Statements	**SA**	**A**	**N**	**D**	**SD**
1. Governance of the firm and decision-making have improved due to governance reforms					
2. Financial viability of the company has improved substantially due to good governance put in place					
3. The firm successfully issued an initial public offering and attracted many investors.					
4. The company has a conflict-of-interest policy and registers that those charged with governance register their interest.					
5. The company has engaged monitoring agents to safeguard the interests of shareholders.					
6. The company comply with regulations requiring that external auditors review the books of accounts at the end of the year.					
7. Minority shareholders are protected and they receive timely communication.					
8. All the classes of shareholders participate in decision-making personally or through proxies.					
9. The capital base of the company has improved due to governance					
10. The company has been competitive in the market due to strong governance structure					
11. There has been improved efficiency brought about by swift decision-making.					
12. There has been improved performance and return on investment due to a change of ownership.					

Part G: Securities Market Performance.

The following statements relate to market performance initiated in the securities market in Kenya. Kindly indicate appropriately, the level of agreement with the statements. The rating scale has SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree and SD=Strongly Disagree.

Statements	**SA**	**A**	**N**	**D**	**SD**
Market Capitalization					
1. The volume of shares sold has increased.					
2. The sale of shares and the uptake has significantly improved.					
3. The value of the company shares has also increased in the market.					
4. The profitability of the company has improved.					
5. There is an existence of information asymmetry in the company.					
6. The trading in the market can be done swiftly with a reasonable price.					
Market liquidity					
1. The breadth of the market has increased and it is steady					
2. Market stability has been resilient overtime.					
3. Market forces do not take much time to reach an equilibrium level					
4. The market depth has improved due to the presence of many traders.					
5. Investors have significantly improved since savers have been attracted by market liquidity.					
6. The number of transactions has significantly improved in the market over the period.					
7. Altering of portfolios in the market can be done at a cheaper price.					
Share price volatility					
1. The return-on-investment behavior patterns have					

improved.					
2. The supply of funds in the market by investors has continuously improved.					
3. The buoyance of the market has continuously been stable.					
4. Investor confidence in the market has improved due to improved returns.					
5. Market patterns have become predictable over time.					
Securities market Turnover					
1. The company shares sold have significantly increased cumulatively over time.					
2. The number of shares bought has significantly increased over the years.					
3. Trading on your company shares is continuously increasing because it is easily converted to cash.					
4. The organization have not experienced any stock tanking in the last five years.					
5. The number of shares bought and sold per day has increased.					

Part F: Macroeconomic Condition

The following statements relate to moderating variable Exchange rate, Inflation rate and Interest rate. Kindly indicate appropriately, the level of agreement with the statements. The rating scale has SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree and SD=Strongly Disagree.

Statements	SA	A	N	D	SD
1. The rate of inflation has been stable making the exchange rate constant and therefore has a positive influence on securities market performance.					
2. The change in exchange rate has a direct influence on securities market performance.					
3. interest rate stability is an important factor regarding exchange rates and therefore influences securities market performance.					
4. The government/public debts have a direct influence on the exchange rate prevailing in the market and therefore affect the securities market performance.					
5. Both local and foreign investors have been attracted to invest in the securities market due to favourable exchange rates.					
6. The cost of obtaining funds in the market has been stable due to stability in the exchange rate and has positively influenced securities market performance.					
7. The market forces have been determining the exchange rate in the market.					
8. The number of securities market participants is related to the currency exchange rate.					

Thank you for your Participation

Appendix III : Communalities Retained for Measurements

Retained Indicators	Initial	Extraction
TAR14	1.000	.820
TAR12	1.000	.814
TAR10	1.000	.759
TR17	1.000	.800
TR2	1.000	.635
IPR10	1.000	.812
IPR7	1.000	.878
IPR6	1.000	.852
FIPR12	1.000	.804
FIPR9	1.000	.820
FIPR6	1.000	.873
FIPR3	1.000	.854
GR7	1.000	.849
GR3	1.000	.900
MC1	1.000	.950
MCC2	1.000	.997
ML5	1.000	.816
SPV5	1.000	.790
SMT1	1.000	.876
SMT2	1.000	.894

Extraction Method: Principal Component Analysis.

Source: Field Survey (2025)

Appendix IV: Graduate School Authorization Letter

LAIKIPIA UNIVERSITY

P.O. Box 1100-20300,
NYAHURURU,
KENYA

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OFFICE OF DIRECTOR
GRADUATE SCHOOL

REF: MDB35/4207/19

27th May, 2024

TO WHOM IT MAY CONCERN

RE: KIPKEMOI CHERUIYOT – REG. MDB35/4207/19

The above mentioned is a Postgraduate student of Laikipia University undertaking a **Doctor of Philosophy** (Business Administration) degree under the Department of Commerce, School of Business and Economics. His Research Proposal entitled, **STRUCTURAL REFORMS, MACROECONOMIC CONDITIONS, CAPITAL MARKET REGULATIONS AND SECURITIES MARKET PERFORMANCE IN KENYA,** has been Examined and Accepted by the Board of Graduate School and is hereby authorized to conduct his research.

Any assistance accorded to him will be highly appreciated.
Thank you.

Sincerely,

Prof. Wendo Nabea , PhD
DIRECTOR

Appendix V: Institutional Ethics Review Committee Authorization Letter

LAIKIPIA UNIVERSITY
P.O. Box 1100-20300,
NYAHURURU,
KENYA

TEL: +254-(0) 20 2696596;
Cell: +254 713-552761/
lu-ierc@laikipia.ac.ke; www.laikipia.ac.ke

INSTITUTIONAL SCIENTIFIC ETHICS REVIEW COMMITTEE

Ref: LU/APP/093/2024

17th July, 2024

Mr. Kipkemoi Cheruiyot,
P. O. Box 768-20400,
SOTIK

Dear Mr. Kipkemoi Cheruiyot,

Re Structural Reforms, Macroeconomic Conditions, Capital Market Regulations and Securities Market Performance in Kenya.

This is to inform you that Laikipia University Institutional Scientific Ethics Review Committee (LU-ISERC) has reviewed and approved your above research proposal. Your application approval number is **LU/APP/093/2024.** The approval period is **17th July, 2024 – 16th July, 2025.**

This approval is subject to compliance with the following requirements;

i. Only approved documents including (informed consents, study instruments, MTA) will be used;
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by Laikipia University Institutional Scientific Ethics Review Committee;
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to Laikipia University Institutional Scientific Ethics Review Committee within 72 hours of notification;
iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be

reported to Laikipia University Institutional Scientific Ethics Review Committee within 72 hours;

v. Clearance for export of biological specimens must be obtained from relevant institutions;
vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal and
vii. Submission of an executive summary report within 90 days upon completion of the study to Laikipia University Institutional Scientific Ethics Review Committee.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) https://research-portal.nacosti.go.ke and also obtain other clearances needed.

Yours sincerely

Prof. Mbuthia Ngumo PhD

Chairman - Laikipia University Institutional Scientific Ethics Review Committee

Appendix VI: NACOSTI Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **978853**

Date of Issue: **05/June/2024**

RESEARCH LICENSE

This is to Certify that Mr.. KIPKEMOI NA CHERUIYOT of Laikipia University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: STRUCTURAL REFORMS,MACROECONOMIC CONDITIONS,CAPITAL MARKET REGULATIONS AND SECURITIES MARKET PERFOMANCE IN KENYA for the period ending : 05/June/2025.

License No: **NACOSTI/P/24/36528**

978853

Applicant Identification Number

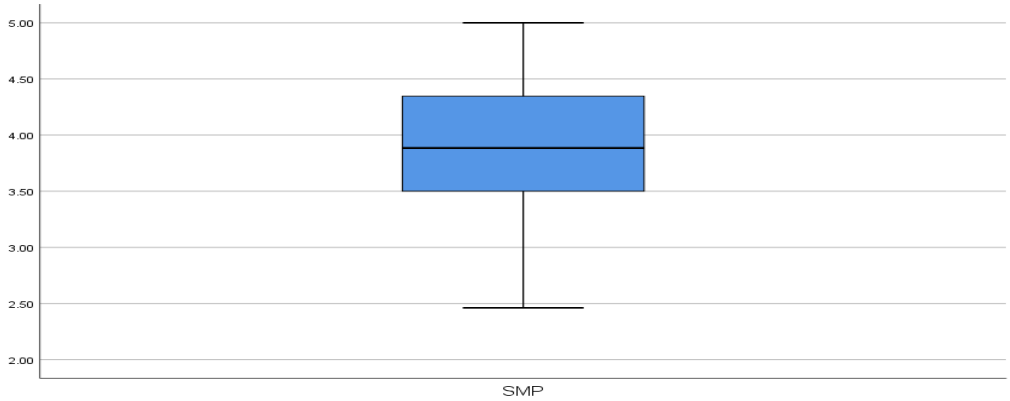
Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

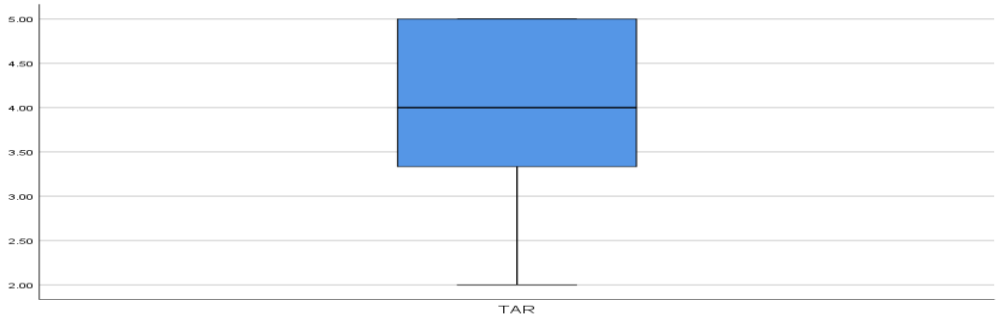
Verification QR Code

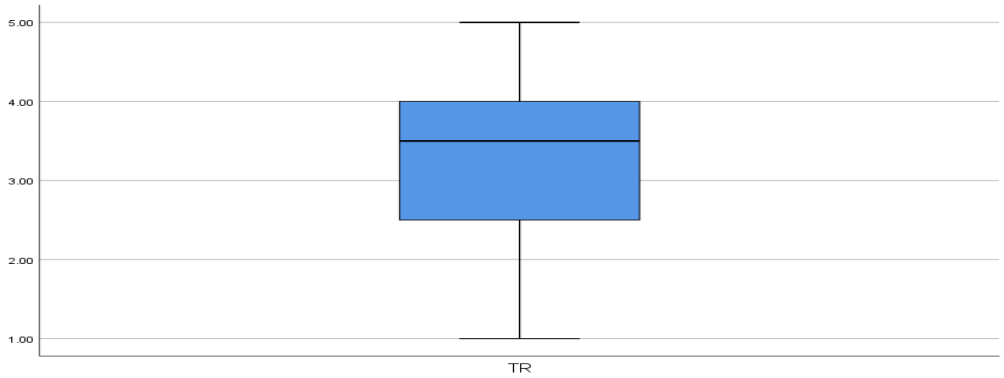
NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

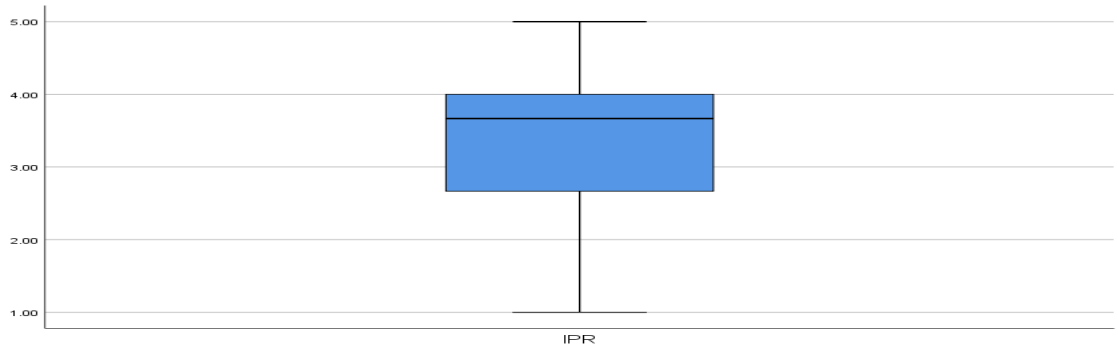
See overleaf for conditions

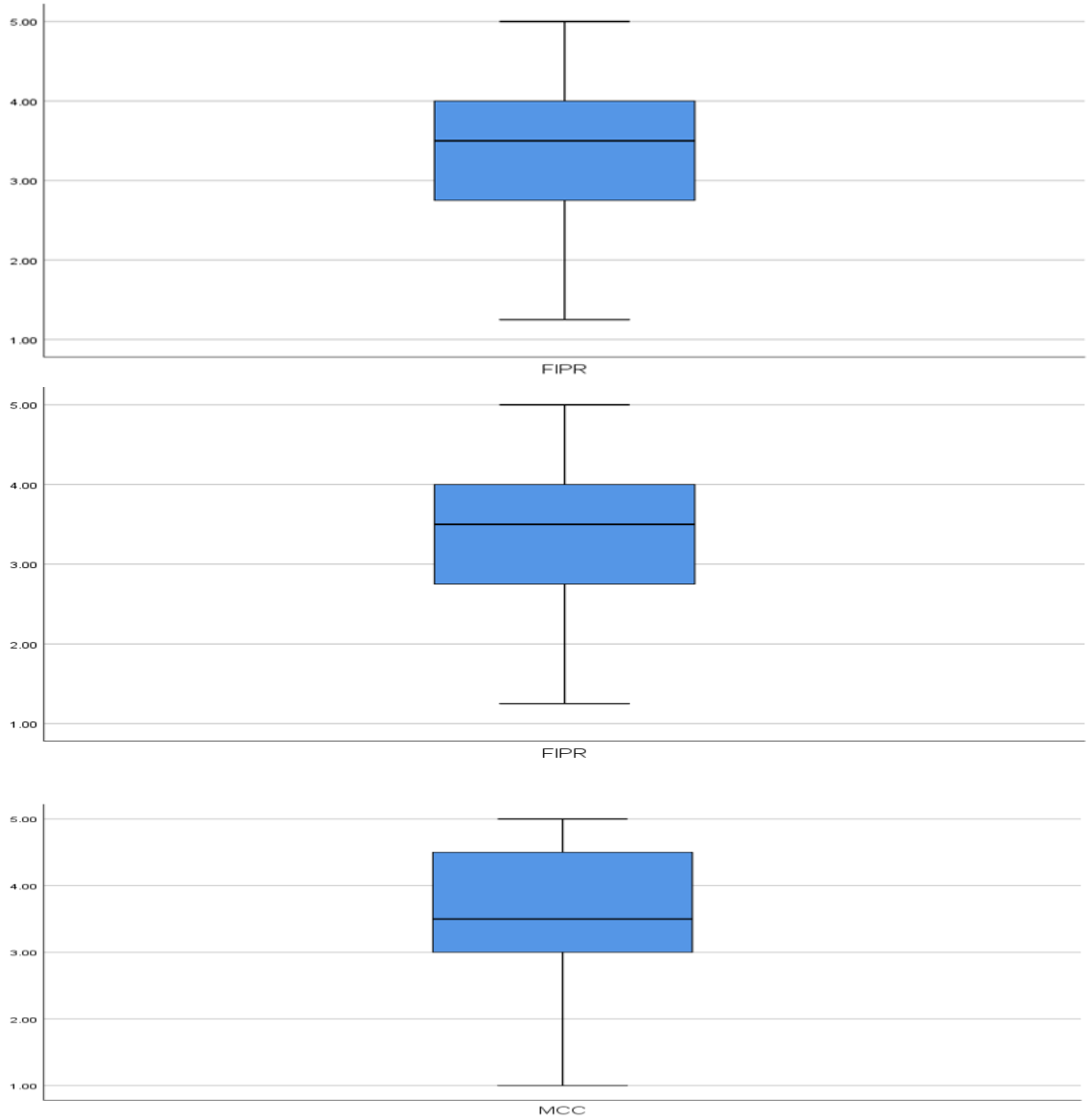
Appendix VII: Linearity Test (Box Plot)



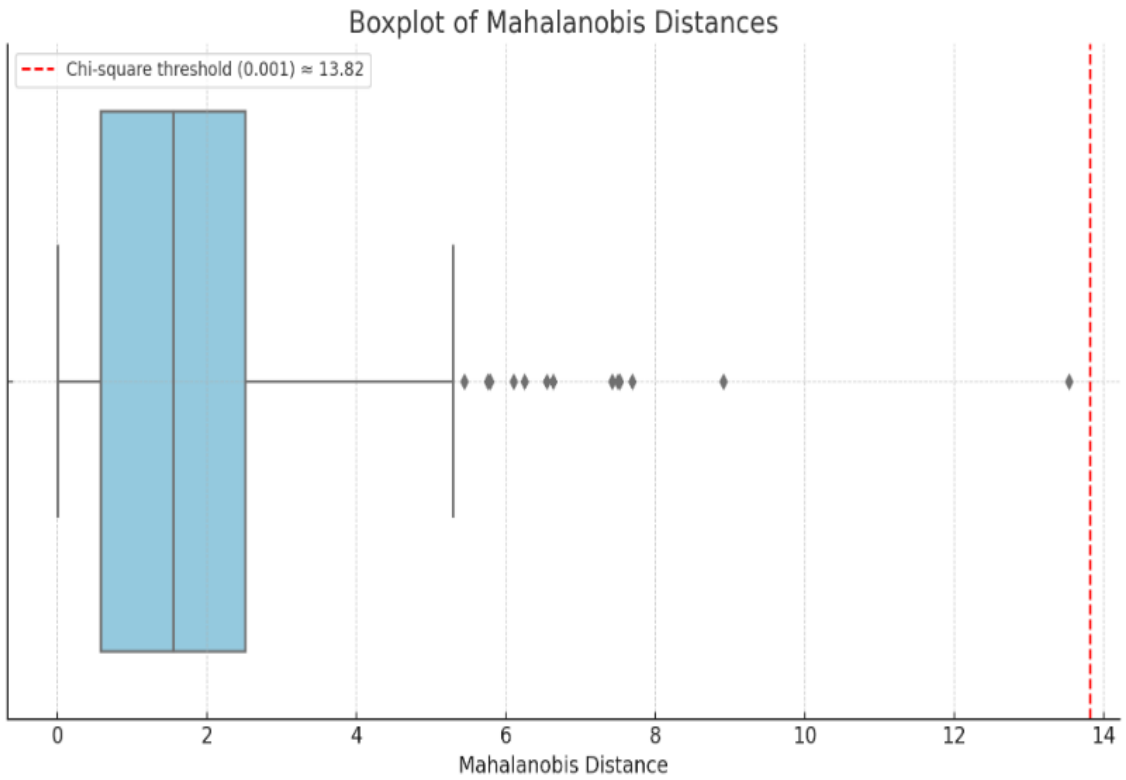








Source: Field Survey (2025)



Source: Field Survey (2025)

Appendix VIII: Securities Market Participants

	Stockbrokers	Sampled Firms
1.	ABC Capital	Sampled
2.	AIB-AXYS Africa Limited	Sampled
3.	Dyer & Blaire Investment	Not Sampled
4.	EFG Hermes Kenya Limited	Sampled
5.	Francis Drummond and Company	Sampled
6.	Genghis Capital Limited	Sampled
7.	Kestrel Capital (East Africa) Limited	Not Sampled
8.	Kingdom Securities Limited	Sampled
9.	Old Mutual Securities Limited	Sampled
10.	SCFM limited	Not Sampled
11.	Securities Africa Kenya Limited	Sampled
12.	SPK Investment Services Limited	Not Sampled
13.	Standard Investment Bank	Sampled
14.	Sterling Capital	Not Sampled
15.	Suntra Investments Limited	Sampled
	Investment Banks.	
1.	ABSA Securities Limited	Sampled
2.	Dyer and Blair Investment Bank	Sampled
3.	Equity Investment Bank Limited	Sampled
4.	Faida Investment Bank Limited	Sampled
5.	Genghis Capital Limited	Not Sampled
6.	KCB Capital Limited	Sampled
7.	NCBA Investment Bank Limited	Sampled
8.	Renaissance Capital (Kenya) Limited	Sampled
9.	SBG Securities Limited	Not Sampled
10.	Standard Investment Bank	Not Sampled
11.	Sterling Capital Limited	Sampled
12.	Dry Associates Limited (Trading	Not Sampled
13.	Salaam Investment Bank Kenya Limited	Sampled
14.	Gulf Cap Investment Bank Limited	Sampled

15.	Pergamon Financial Services Limited	Sampled
16.	Investment Partners Limited	Sampled
17.	Muthangari Drive Westlands	Not Sampled
Fund Managers.		
1	ABSA Asset Management Limited	Sampled
2	African Alliance Kenya Asset Management Limited	Sampled
3	African Diaspora Asset Managers Limited	Sampled
4	ALA Capital Limited	Not Sampled
5	Altree Capital Kenya Limited	Sampled
6	Amana Capital Limited	Not Sampled
7	Apollo Asset Management Company Limited	Sampled
8	Arvocap Asset Managers Limited	Sampled
9	Britam Asset Managers (Kenya) Limited	Not Sampled
10	CFS Asset Management Limited	Sampled
11	CIC Asset Managers Limited	Not Sampled
12	Co-op Trust Investment Services Limited	Sampled
13	CPF Financial Services Limited	Sampled
14	Cytonn Asset Managers Limited	Not Sampled
15	Etica Capital Limited	Sampled
16	FCB Capital Limited	Not Sampled
17	Fusion Investment Management Limited	Sampled
18	GenAfrica Asset Managers Limited	Sampled
19	Globetec Asset Managers Limited	Not Sampled
20	I&M Capital Limited	Sampled
21	ICEA Asset Lion Asset Management Limited	Sampled
22	Jubilee Financial Services Limited	Not Sampled
23	KCB Asset Management Limited (formerly Natbank Trustee and Investment Services Limited)	Sampled
24	Kuza Asset Management Limited	Sampled
25	Lofty-Corban Investments Limited	Not Sampled
26	Madison Investment Managers Limited	Sampled
27	Mayfair Asset Managers Limited	Not Sampled
28	Metropolitan Cannon Asset Managers Limited	Sampled

29	MKM Capital Limited	Not Sampled
30	Myxeno Investment Management Limited	Sampled
31	Nabo Capital Limited	Not Sampled
32	Old Mutual Investment Group	Not Sampled
33	Orient Asset Managers Limited	Sampled
34	Sanlam Investments East Africa Limited	Sampled
35	Spearhead Africa Asset Management Limited	Not Sampled
36	Standard Chartered Investment Services Limited	Sampled
37	Star Capital Management Limited	Not Sampled
38	Virtual Capital International Limited	Sampled
39	Waanzilishi Capital Limited	NotSampled
40	Zimele Asset Management Company Limited	Sampled
Investment Advisors.		
1	Ace Financial Advisory Limited	Sampled
2	AFG Wealth Kenya Limited	Sampled
3	AKN Investments Limited	Sampled
4	Ayesfield (Kenya) Limited	Not Sampled
5	Bora Capital Limited	Sampled
6	Deloitte Financial Advisory Limited	Not Sampled
7	Liaison Financial Services Limited	Not Sampled
8	Lifestyle Management Limited	Sampled
9	Price Water house Coopers Associates	Sampled
10	Private Wealth Capital Limited	Sampled
11	Riscura Solutions (Kenya) Limited	Not Sampled
12	Salus Wealth Management Limited	Sampled
13	Synesis Capital Limited	Sampled
14	The Profin Group Limited	Sampled
15	Vedman Capital Limited	Sampled
16	Virtual Capital International Limited	Not Sampled
17	Waanzilishi Capital Limited	Sampled
18	Waugh McDonald Wealth Management Limited	Sampled
REITS &Trustees Managers		
1	Acorn Development Real Estate Investment Trust	Sampled

2	Acorn Investment Management Limited	Sampled
3	Britam Asset Managers Limited	Sampled
4	CIC Asset Management Limited	Not sampled
5	Co-operative Bank of Kenya Limited	Not sampled
6	Cytonn Asset Managers Limited	Sampled
7	Fahari I-REITLAPTRUST Imara	Sampled
8	Fusion Investment Management Limited	Not sampled
9	H.F Development and Investment Limited	Not sampled
10	Housing Finance Company (Kenya) Limited	Sampled
11	ICEA Lion Asset Management Limited	Not sampled
12	Income Real Estate Investment Trust	Sampled
13	Laptrust Imara I-REIT)	Not sampled
14	Nabo Capital Limited	Sampled
15	Stanlib Kenya Limited	Not sampled
16	Sterling REIT Asset Management Limited	Sampled
Listed Firms.		
1	Eaagads Ltd.	Sampled
2	Kapchorua Tea Kenya Plc.	Sampled
3	Kakuzi Plc	Sampled
4	Limuru Tea Co. Ltd.	Sampled
5	Sasini Plc.	Sampled
6	Williamson Tea Kenya Plc.	Sampled
7	ABSA Bank Kenya Plc.	Not Sampled
8	Stanbic Holdings Ltd.	Sampled
9	M & I. Holdings Plc	Sampled
10	Diamond Trust Bank Kenya Ltd	Sampled
11	HF Group Plc.	Not Sampled
12	KCB Group Plc.	Sampled
13	NCBA Group Plc.	Sampled
14	Standard Chartered Bank Kenya Ltd.	Not Sampled
15	Equity Group Holdings Plc.	Not Sampled
16	The Co-operative Bank of Kenya	Not Sampled
17	Car & General (K) Ltd	Sampled

18	Express Kenya Plc.	Not Sampled
19	Kenya Airways Ltd.	Sampled
20	Nation Media Group Plc.	Sampled
21	Standard Group Plc.	Sampled
22	TPS Eastern Africa (Serena) Ltd.	Not Sampled
23	WPP Scan Group Plc.	Not Sampled
24	Uchumi Supermarket Plc.	Sampled
25	Eveready East Africa Ltd.	Sampled
26	Longhorn Publishers Plc.	Sampled
27	Sameer Africa Plc.	Sampled
28	Nairobi Business Ventures Ltd.	Not Sampled
29	Bamburi Cement Ltd.	Sampled
30	Crown Paints Kenya Plc.	Sampled
31	E.A Cables Ltd.	Sampled
32	E.A Portland Cement Ltd.	Not Sampled
33	Homeboyz Entertainment Plc.	Not Sampled
34	Total Kenya Ltd.	Sampled
35	KenGen Plc.	Sampled
36	Kenya Power & Lighting Plc.	Sampled
37	Umeme Ltd	Sampled
38	Jubilee Holdings Ltd	Sampled
39	Sanlam Kenya Plc.	Not Sampled
40	Kenya Re - Insurance Corporation Ltd.	Sampled
41	Liberty Kenya Holdings	Sampled
42	Britam Holdings Plc.	Not Sampled
43	CIC Insurance Group Ltd.	Sampled
44	Olympia Capital Holdings Ltd.	Sampled
45	Centum Investment Plc.	Sampled
46	Trans - Century Plc.	Sampled
47	Home Afrika Ltd.	Sampled
48	Kurwitu Ventures Ltd	Not Sampled
49	B.O.C Kenya Plc.	Sampled
50	British American Tobacco Kenya Plc.	Sampled

51	Carbacid Investments Plc.	Sampled
52	East African Breweries Ltd.	Sampled
53	Unga Group Ltd.	Sampled
54	Kenya Orchards Ltd.	Sampled
55	Flame Tree Group Holdings	Not Sampled
56	Nairobi Securities Exchange	Sampled
57	Safaricom Plc.	Sampled
58	ILAM Fahari I-REIT	Sampled
59	ABSA New Gold ETF	Not Sampled

Source: NSE (2024)