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An Analysis of the Long-Run Performance IPOs and Effects in the Kenyan Stock Market

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Abstract

The pricing behavior of Initial Public Offers (IPOs) has been one of the great mysteries of modern corporate finance. An entity that desires to initiate an IPO in Kenya has to first obtain the authorization from Capital Markets Authority (CMA) before it can carry out an IPO. Before CMA considers an IPO proposal from any entity, the entity must first comply with the legal requirements. The study investigated the long-run performance Initial Public Offerings (IPOs) and effects in the Kenyan stock market. The study used descriptive survey research design. The target population for the study was 64 listed companies. A total of six companies which made IPOs between 2007-2014 where considered from the population. Data used was purely secondary data from the NSE website and individual company website. Collected data was analyzed using Mean Adjustment Buy Hold Returns (MABHR) and Cumulative Abnormal Returns (CAR) and test of significance at 95% confidence level. The finding indicated that using MABHR methodology IPOs over performed the market by 0.17%. Co-Operative Bank Ltd, BRITAM and Home Afrika over performed the market by 0.20% 0.40% and 1.12% respectively for the long run months of trading. Access Kenya Group, Kenya RE and Safaricom underperformed the market in 60 months of trading by -0.13%, -0.14%, and -0.44% respectively. Using CAR methodology IPOs underperformed the market by 0.49%. Access Kenya and Co-Operative Bank Ltd over performed the market by 0.61% and 1.04% respectively for the 60 months of trading. Kenya Re, Safaricom, BRITAM and Home Afrika underperformed the market in 60 months of trading by -0.33%, -1.41%, -1.09 and -1.76% respectively. The MABHR t-test results show that there was a significant difference between the short run and long run of Co-operative and Home Africa and insignificant MABHR t-test between the short run and the long run of Access Kenya, Safaricom, Britam and

Kenya Re. Further, CAR t-test results show that there was a significant difference between the short run and long run of Access Kenya, Kenya Re and Britam and insignificant CAR t-test results between the short run and the long run of Co-operative Bank, Safaricom and Home Afrika. The study recommended for the implementation of policies by the NSE management so as to have a consistent performance.

Keywords: *Initial Public Offers, Long-run, Short-run, Performance and Kenya Stock Market*

1.0 Introduction

1.1 Background of the Study

Initial Public Offerings (IPOs) is one of captivating and studied proceeding in the world of finance, and the pricing behavior of IPOs has been one of the great mysteries of modern corporate finance (Rajagopalan, 2013). Braun and Larrain (2007) assert that characteristically, IPOs are the chief focus, more so if they are listed alone, they can rouse the whole market. They further add that IPOs cannot be disregarded in emerging markets. An IPO is the first sale of an entity's (mostly a private firm or company) stocks to general public or other investors who are not the primary entity owners and letting the stocks trade in public market (Brigham & Ehrhardt, 2005). The primary reason why many companies consider a public equity issue is in order to seek additional funds for growth and expansion purposes. In most cases if external sources are not used, the ability of the firm to grow will be constrained.

Most studies have examined returns on socks and operating performance immediately an entity goes public. Several studies have indicated that entities or firms which carry out an IPO report less profits as compared to those entities or firms are ye to go public (Al-Barrak, 2005). One of the typical and practical methods to measure success of any IPO which eschew a goal of a huge first day leap in stock price is viewed as more invaluable metric since it always takes into account an entities' longer-term competitiveness as well as ensuring that the existing and new shareholders are compensated on a fairly basis (Loita Capital Partners International, 2013).

The relationship between IPO performance and stock prices performance was examined by Banu (2002). It was established that after a long-term regression equations it was concluded that in long-run big firms that has low ownership retention offer low returns. Agarwal, Chunlin and Ghon (2003) did a study on the Hong Kong stock market for IPO`s within 1993-1997. They stated that demand of investors for IPO`s is certainly linked to the initial returns of these companies. They further established that there is a solid link concerning investor demand for IPO`s and long-run post-issue performance of IPOs.

Nairobi Stock of Exchange (NSE) is a sole exchange that presently exists in Kenya with 64 listed companies in 2016. It is also among the most vibrant in Africa and the leading in Eastern Africa. However, N.S.E is relatively a small market as compared to other exchanges in United States and United Kingdom that have more than 5000 and 2000 companies listed respectively. NSE was initially registered as a private company in the year 1991 by shares with the floor - based open outcry system in place, it was later replaced by the central depository system that was commissioned in 2004.

There exist 2 indices that are used in the measurement of the performance at NSE. NSE 20 share index is a yardstick that is used to track the best performing 20 companies in Kenya that are listed on the NSE. Although it is widely watched and cited because it is comprised of select 20 large companies, it cannot gauge fluctuations in smaller companies. The Nairobi Securities Exchange

all share index (NASI) that is usually used to measure Market Capitalization other than the movements in the price of few selected counters. NSE has experienced considerable growth with more companies listing oversubscribed Initial Public Offerings. NSE is, therefore, the best performing top ranked equity market in Africa (Bruce, 2014). The NSE has also modernized its operation to include automation of trading, diversification of listed securities, and dematerialization of stocks) and the development of regulatory and supervisory frameworks (Ayako, Kungu & Githui, 2015).

Firms listed on NSE are classified into different sectors such as; Agricultural, Banking, insurance, investment and investment services, allied and Construction, Commercial and service, Energy and Petroleum, Automobiles and Accessories, Manufacturing, Telecommunication and Technology and Real Estate Sector (NSE, 2016). As at December 2016, NSE had 65 listed companies in the different sectors. Financial firms at the NSE comprise of commercial banks and insurance firms, which provide financial intermediation functions while the Non-financial firms are those companies that are not involved in the provision of financial intermediary services. Financial services companies are excluded since they are the companies that provide leverage and other debt services to the non-financial firms. The NSE is at the time one of the most promising and attractive markets in Africa by which the bulwark of investors wants to invest and benefit more especially due to the high growth as well as the more promising Kenyan economic outlook (Muiruri, 2014).

1.2 Statement of the Problem

It has been observed that the moment a company is listed on the securities exchange, there follows the first day underpricing followed by long-term period of underperformance in terms of pricing. Consequently, there has been a considerable curiosity from stakeholders, investors, and academics to comprehend the assessments of why companies go public and the performance in short and long-run of newly issued stocks. According to Rock and Ritter (1986), underpricing is important since it is used to persuade uninformed investors to take part in IPO offering while faced with an adverse selection from informed investors. This often leads to first-day price not reflecting a fair value of the IPO.

Mostly, the studies done so far determined a long-run underperformance. IPOs at NSE presented noteworthy excess returns in the three years following the offer, with highest returns on the first year and a decrease in second and third year, then estimated the market drive thereafter. The research analyzed effects of IPOs on long-run performance in the first five years of trading to establish whether the study results are similar to those done on the long-run performance of IPOs both locally and internationally. The monthly long-run studies for five years have not been conducted in Kenya's NSE hence formed the research gap for the study

1.3 Objective of the study

The aim of the study was to determine long-run performance IPOs and effects in the Kenyan stock market.

1.4 Research Hypothesis

H_0: Long run performance IPOs does not influence the Kenyan stock market

2.0 Literature Review

2.1 Theoretical Review

The theories that informed the study are efficient market hypothesis and prospect theory

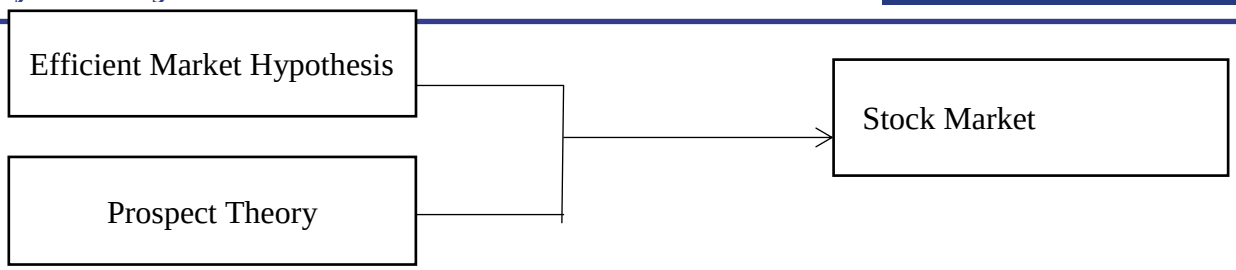

Figure1: Theoretical Framework

2.2 Empirical Review

Several studies have empirically investigated the impact of long run performance of IPOs in Kenyan stock market. Njoroge (2004) analyzed the initial and long-run performance of IPOs for companies listed on the Nairobi Securities Exchange during the period 1984-2001. From a sample of 14 IPOs, all the IPOs recorded an overall negative cumulative growth of -68.46%.Wachira (2012) in his study to evaluate the short-run performance of the IPOs at the NSE found out that 75% of the eight companies in his study had their relative value above those of related companies within the same sector, thirty days after issuing an IPO. The study considered eight Kenyan companies that had issued their IPOs between 2005 and 2011. Market to book ratios and market capitalization measures were used to come up with conclusive evidence, a deviation from most of the studies on IPO performance. The findings concluded that IPOs produced noteworthy initial excess returns, an indicator that within the short-run; the company will attract funding for further growth and instill confidence to the current and prospective investors.

A study by Loughran and Ritter (2002) which looked at 3,025 new issues from 1990 -1998 in the U.S also found that on average, an IPO gained by 14.1% on its first trading day leading to $27 billion being left on the table by issuing companies. They defined money being left on the table as "the day one price gain which is multiplied by a number of stocks that were sold. If stocks were sold at opening day's closing price in the market other than the offer price, the offering proceeds would have been higher by an amount equal to the amount left on table". They were puzzled by the fact that issuers rarely complain about leaving money on the table since it was equivalent to selling a company's stock at a fraction of its value (Loughran, 2002).

Cheluget (2008) found the first-day gains to be 40.28%. The study looked at IPOs that took place between 1984 and 2008. Later, Swanya (2014) analyzed IPOs that took place between 2006 and September 2014 and found that the average first-day gains of the IPOs was 67.67%.The difference in their findings can be attributed to the use of samples of different sizes and with different variable characteristics resultant from the study of IPOs issued during those periods.

Shikuku (2011) examined determinants of IPO pricing in Kenya. They examined the extent to which investor sentiment, post-IPO ownership retention, size of the firm, firm's age and board prestige affect IPO pricing of listed firms at NSE. Secondary data was used and analyzed by multiple regression analysis and presented using descriptive statistics. Average under-pricing of 49.44 percent was observed for the period under study and all the variables tested were found not to significantly influence IPO offer price at 5 percent level of significance. The study concluded that public information disclosed in the prospectus was insignificantly mirrored in IPO offer prices and that rational theory cannot explain the effect of investor sentiment in IPO market in Kenya given that investor sentiment and board prestige were negatively related to IPO offer price. Further

research is needed on the role of regulatory authorities, especially as regards disclosure requirements; in protecting potential investors as 9 the publicly available information provided in the prospectus may not reflect all pertinent facts to inform sound investment decisions.

Kiluku (2013) carried a study to establish a correlation between the offer price and post-offer price of listed State-Owned Enterprises at the NSE. The results revealed there exist a strong relationship between the offer price and first post-offer price. In addition, the results showed that IPO share price is positively correlated with first-day price at (0.974) with a significance level of 0.0110. This shows that lower IPO share prices have a lower post listing market prices and degrees of underpricing and vice versa. A significant level 0.0110 showed that first-day price of a share price significantly affect the performance of a share. (0.9485) shows that 94.85% is explained by the model with a lower standard error of estimate of 3.869. The significance value of 0.0110 is less than 0.05 and therefore shows that IPO share price affects post listing market price.

Kanja (2013) conducted a study to determine effect of IPOs on shares returns of firms listed on the NSE. The results indicate that initial public offer affect stock returns of companies listed on the NSE and that the median return is less than (equal weighted) average return signifying that distribution of initial returns is skewed to right, as expected. Over the entire sample, the equal-weighted average initial return exceeds the value weighted average by a factor of 1.75, which suggests that IPO offer is a vital determinant of initial return. Odongo (2012) carried out a study to determine the relationship between IPO mispricing and long-run performance of companies listed on NSE. The study was based on a population of 58 companies listed on NSE and a sample of twelve companies listed in 1996 to 2012 was considered

2.3 Conceptual Framework

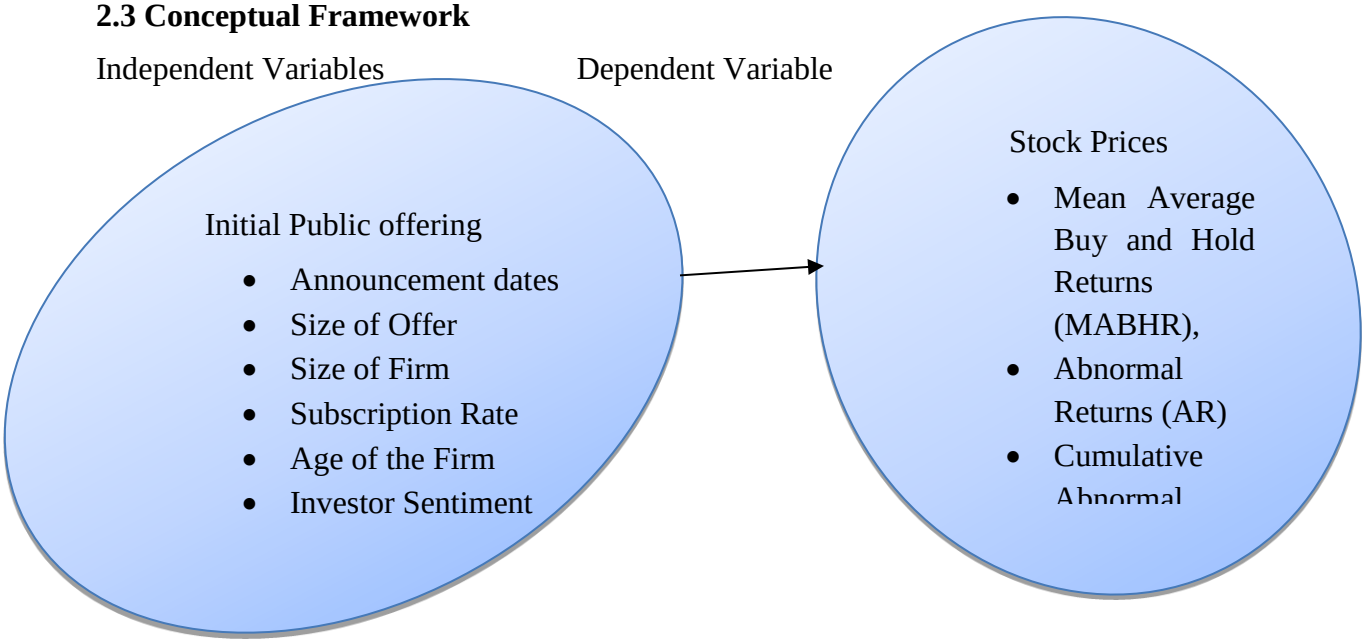

Figure 2: Conceptual Framework

3.0 Research Methodology

The study adopted descriptive research design. The study target population was all the 64 listed companies in the Nairobi stock exchange as per the year 2016. A sample of 6 listed companies

were selected using non-probability purposive sampling technique. Secondary data was used in this study, NSE 20 Share Index data were obtained from NSE website, Historical market share price were obtain from individual company website for the period of 60 months after IPOs between 2007 to 2016. Mean Average Purchase as well as Hold Returns (MABHR), Abnormal Returns (AR) as well as Cumulative Irregular Revenues (CAR) was used to calculate the performance of the stocks. T-statistic for CAR was computed to the test for its significance.

$$\mathbf{MABHR_{it}} = \sum_{t}^{8} = 2\left(\left\{In\ \frac{Pit}{Pit-1} - In\ \frac{Mit}{Mit-1}\right\}\right.$$

MABHR$_{it}$ is the markets adjusted buy and hold return for a firm *i*over *t*months.

In is the Natural logarithm**.**

P$_{it}$is the concluding price of firm i stock in month t

P$_{it-}$ is the opening price of firm i stock in month t

M$_{t}$is the closing value of the NSE 20 share index in month t

M$_{t-1}$is the opening value of the NSE 20 share index in month t

The market model used was AR and CAR, the anomalous reoccurrence is the alteration between the real yield and the projected yield.

Step 1

Monthly benchmark-adjusted earnings were calculated as monthly raw revenues on an IPO stock less the standard revenues. Following Ritter (1991), the benchmark-adjusted revenues for stock "i" in happening month "t" was defined as;

ARit =Rit - Rbt

Where Rit is the yield for stock "i" in event month "t" and Rbt is the souk yield in the event month "t".

Step 2

The regular benchmark-adjusted yield on a collection of "n" stocks for occurrence month "t" is the similarly weighted calculation average of the benchmark-adjusted yields:

$$AR_t = \frac{1}{n}\sum_{t}^{n} = 1\ AR_t$$

Step 3 A cumulative average abnormal returns (CARs) was calculated. They are understood as constancy payments for the buy as well as hold anomalous revenues. It was calculated by summing up the abnormal returns from the eight selected firms and equally weighing them to get the average.

$$CAR_{it} = \frac{1}{N}\sum_{t}^{N} = 1AR_t$$

Corrado and Zivney (1992) model was used to calculate the t- statistic

$$\text{T-Statistics} = AR_t * \sqrt{\frac{nt}{S\ dt}}$$

4.0 Results and Discussions

4.1 IPOs Period Used

The study used IPOs for the period 2007 to 2014. Since the long run period used in the study was 3 and 5 years, only IPOs after 2007 were used. Monthly market prices were used to compute the IPO returns and monthly market indices were used to compute market returns. Market-adjusted returns were calculated as the return on an IPO minus the return on the NSE 20 share index. The monthly return was measured by comparing the closing price in the last day of trading on which the stock is traded at the closing price in the previous month. The total number of IPOs used was six.

Table 1: IPOs between 2007- 2014

NO.	Company Name	IPO Date	Subscription rate (%)
1	Access Kenya Group	4/6/2007	363%
2	Kenya Reinsurance Corporation	27/8/2007	405%
3	Safaricom	9/6/2008	532%
4	Co-Operative Bank Ltd	22/12/2008	80%
5	BRITAM	8/9/2011	60%
6	Home Afrika15/7/2013	15/7/2013	83%

4.2 Descriptive Statistics

The table 2 presents the summary of descriptive statistics of the share price, turnover volume, NSE-20 Index, actual return computed from the share prices, market return computed from the NSE-20 Index, the expected returns, the abnormal returns, cumulative abnormal return and MABHR for the companies that offered IPOs between the period 2007 and 2014.

Table 2: Summary of Descriptive Statistics

Item	N	Minimum	Maximum	Mean	Std. Dev
Share Price	340	1.1	34.34	10.29394	6.824883
Turnover Volume	340	5250	72816500	4181403	10198309
NSE-20Index	340	2363.99	5490.99	4080.627	736.2868
Actual Return	340	-1	1.4	0.002329	0.176054
Market Return	340	-1	0.4525	-0.00198	0.08841
Expected Return	340	-0.953	0.7807	-0.00081	0.105393
AR	340	-0.3992	0.6972	0.00244	0.132683
CAR	335	-1	1.4243	-0.05228	0.568783
MABHR	340	-0.101	0.1438	0.002393	0.028511

The results indicate that the share price had a mean of 10.29394with a standard deviation of 6.824883. The means of Turnover Volume was 72816500. The standard deviations from the mean of the Turnover Volume were 10198309. The mean NSE-20 Index was 4080.627 with a standard deviation of 736.2868. The mean actual return was 0.002329with the standard deviations of 0.176054. The mean market return was -0.00198with the standard deviations of 0. 08841. The mean expected returns for companies was 0.00244 while the deviations from the mean expected returns were 0.105393. The mean abnormal return was 0.00244. The standard deviations from the mean abnormal returns was 0.132683.The results in table 2 also indicate that the mean cumulative abnormal return was -0.05228,the standard deviation was0.568783while the mean MABHR was 0.002393with a standard deviation 0.028511.

4.3 Trend Analysis of NSE-20 Index

The figure 3 below shows the NSE-20 share index for the period 2007 to 2014.

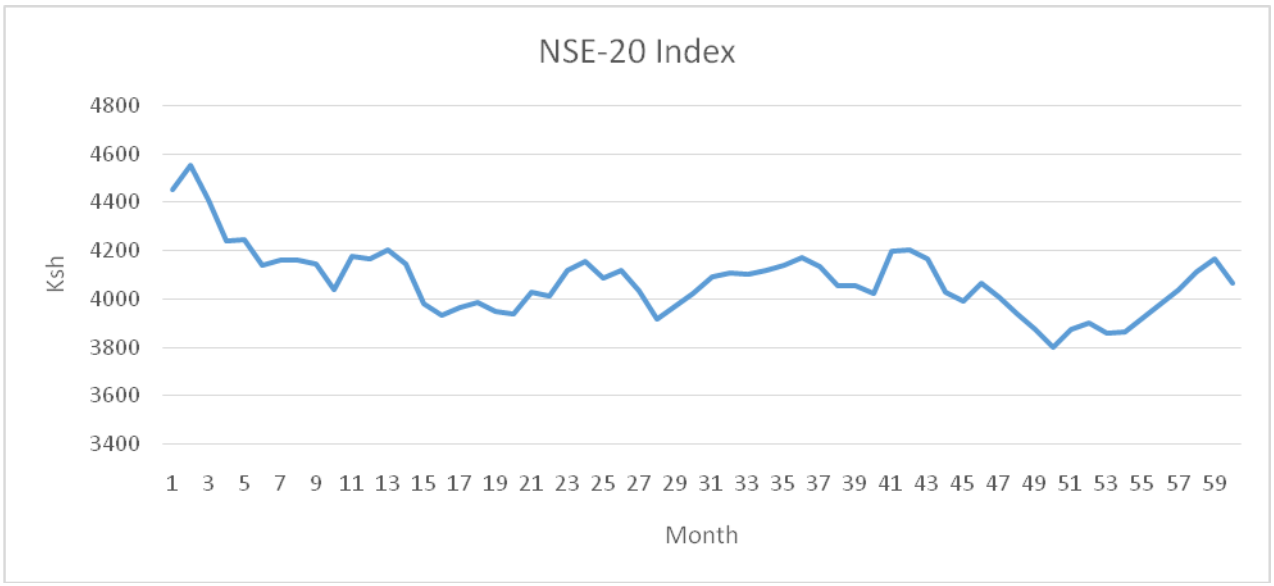

Figure 3: Trend Analysis of NSE-20 Share Index

The trend reveals that the NSE-20 share index had been fluctuating over the study period. The finding is consistent with that of Robert (2014) who also found out that the NSE-Index has been fluctuating for the period after 2007 and this was attributable to the political instability experienced in the country and that it took some time before the stock market activities recovered from the shock of the post-election violence.

4.4 Correlation Analysis

Table 4 presents data and computations for each of the six IPOs Individual Company's correlations. The study noted that all the company's share price was positively correlated with the market Index. When a share movement is positively correlated with the index, the share is likely to over perform the market.

Table 4: Correlation Analysis

Company			Share Price	NSE20-INDX
Access Kenya	Share Price	Pearson Correlation	1.000	.369**
		Sig. (2-tailed)		0.004
	NSE20-INDX	Pearson Correlation	.369**	1.000
		Sig. (2-tailed)	0.004	
Kenya Re	Share Price	Pearson Correlation	1.000	.613**
		Sig. (2-tailed)		0.000
	NSE20-INDX	Pearson Correlation	.613**	1.000
		Sig. (2-tailed)	0.000	
Safaricom	Share-Price	Pearson Correlation	1.000	.731**
		Sig. (2-tailed)		0.000
	NSE20-INDX	Pearson Correlation	.731**	1.000
		Sig. (2-tailed)	0.000	
Co-op Bank	Share Price	Pearson Correlation	1.000	.910**
		Sig. (2-tailed)		0.000
	NSE20-INDX	Pearson Correlation	.910**	1.000
		Sig. (2-tailed)	0.000	
Britam	Share Price	Pearson Correlation	1.000	.717**
		Sig. (2-tailed)		0.000
	NSE20-INDX	Pearson Correlation	.717**	1.000
		Sig. (2-tailed)	0.000	
Home Afrika	Share Price	Pearson Correlation	1.000	.364*
		Sig. (2-tailed)		0.021
	NSE20-INDX	Pearson Correlation	.364*	1.000
		Sig. (2-tailed)	0.021	

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

* Correlation is significant at the 0.05 level (2-tailed).

4.5 Regression Analysis

In order to compute the expected returns and the abnormal returns the regression model of the following form was run:

$AR_{jt} = R_{jt} - E(R_{jt})$

Where: $AR_{jt}$is abnormal return for security j over time t, $R_{jt}$is the return of security j at time t and $E(R_{jt})$ is the expected return of security j at time t.

In order to determine the expected returns $E(R_{jt})$, the following market model regression was run:

$$R_{it} = \alpha + \beta Rm_{it} + \epsilon_{it}$$

Where: $R_{jt}$and Rm_t are the returns on stock j and market m respectively at time period t and $\epsilon_{it}$is the error term and therefore once the model was run the expected returns $E(R_{jt})$, was computed as

$E(R)=(\alpha + \beta Rm_{it})$, α and β are parameters estimated using Ordinary Least Square.

The results presented below shows the alpha (α) and beta (β) obtained from the regression model.

Table 5: Alpha and Beta Coefficients for estimating Expected Returns

Model					t	Sig.
		B	Std. Error	Beta		
Access Kenya	(Constant)	0.007	0.02		0.622	0.536
	Market Return	1.688	0.261	0.735	8.249	0
Kenya Re	(Constant)	0.003	0.015		-0.145	0.885
	Market Return	-0.213	0.221	-0.342	-2.775	0.007
Safaricom	(Constant)	0.005	0.013		0.401	0.69
	Market Return	0.243	0.163	0.192	1.487	0.142
Co-op Bank	(Constant)	-0.001	0.015		0.745	0.459
	Market Return	1.603	0.233	0.545	4.953	0
Britam	(Constant)	0.021	0.019		1.251	0.216
	Market Return	1.679	0.26	0.751	8.666	0
Home Afrika	(Constant)	-0.060	0.023		-2.649	0.012
	Market Return	0.893	0.141	0.716	6.33	0

The alpha (α) and beta (β) coefficients thus used to estimate the expected returns equation were - Access Kenya 0.007 and 1.688, Kenya Re0.003 and -0.213, Safaricom0.005, and 0.243, Co-op Bank-0.001 and 1.1603, Britam 0.021 and 1.679, Home Afrika-0.060 and0.893 respectively.

After the expected returns had been computed, abnormal returns were also computed using the equation below;

$AR_{it} = R_{jt} - E(R_{jt})$

Where AR_{it} is the abnormal returns and $R_{jt}$is the actual stock returns and $E(R_{jt})$ is the computed expected stock returns.

4.6 Summary of the Findings

4.6.1 Mean Adjusted Buy and Hold Returns

Table 6 presents a summary of MABHR for each of the IPOs.

Table 6: Summary for MABHR

NO.	Company Name	Short Term 6 months	Long Term 60 months
1	Access Kenya Group	-0.25%	-0.13%
2	Kenya Reinsurance Corporation	0.01%	-0.14%
3	Safaricom	0.61%	-0.44%
4	Co-Operative Bank Ltd	-0.11%	0.20%
5	BRITAM	1.93%	0.40%
6	Home Afrika	1.58%	1.12%
	Mean0.63%		**0.17%**
	STDEV	**0.0093**	**0.0050**

From table 5, it is evident that Kenya Reinsurance, Safaricom, BRITAM and Home Afrika over performed the market by 0.01% 0.61%, 1.93%, and 1.580% respectively for the 6 months of trading. Access Kenya Group, and Co-Operative Bank Ltd underperformed the market in 6 months of trading by -0.25% and -0.11% respectively. However, BRITAM over performance was high at 1.930% in 6 months and Access Kenya Group underperformance was high at -0.25%. Co-Operative Bank Ltd, BRITAM and Home Afrika over performed the market by 0.20% 0.40% and 1.12% respectively for the long-term months of trading. Access Kenya Group, Kenya RE and Safaricom underperformed the market in 60 months of trading by -0.13%, -0.14%, and -0.44% respectively. However, Home Afrika over performance was high at 1.12% in 40 months and Safaricom underperformance was high at -0.44%.

4.6.2: Cumulative Abnormal Returns

Table 6 below presents a summary of CAR for each of the IPOs

Table 6: Summary for CAR

No.	Company	Short Term	Long Term
1	Access Kenya	1.46%	0.61%
2	Kenya Re	-0.11%	-0.33%
3	Safaricom	-0.51%	-1.41%
4	Co-op Bank	1.20%	1.04%
5	Britam	0.10%	-1.09%
6	Home Afrika	-0.33%	-1.76%
	Mean	**0.30%**	**-0.49%**
	SDV	**0.0076**	**0.010**

From table 6, Access Kenya, Co-Operative Bank Ltd and BRITAM over performed the market by 1.46%, 1.20% and 0.10 % respectively for the 6 months of trading. Kenya Re, Safaricom amd Home Afrika underperformed the market in 6 months of trading by -0.11%, -0.51% and -0.33% respectively. However, Access Kenya over performance was high at 1.146% in 6 months and Safaricom underperformance was high at - 0.51%

Access Kenya and Co-Operative Bank Ltd over performed the market by 0.61% and 1.04% respectively for the 60 months of trading. Kenya Re, Safaricom, BRITAMand Home Afrika underperformed the market in 60 months of trading by -0.33%, -1.41%, -1.09 and -1.76% respectively. However, Co-op Bank over performance was high at 1.04% in 60 months and Safaricom underperformance was high at - 1.41%.

4.7: Test of Significance

A t-test was conducted at 95% confidence level to find if there was a significant relation between the short run and long run MABHR and CAR after IPOs announcement. Short run was the analysis of the first six months after the IPOs announcement days while the long run was the sixty months' analysis and 40 months for Home Afrika. Table 7 shows the results from the analysis.

Table 7: Summary Test of Significance

Company		Period	Mean	Std. Dev	Std. Err Mean	t-statistic
Access Kenya	MABHR	Short term	-0.002	0.024	0.010	
		Long term	-0.001	0.030	0.004	t=-0.093 (p= 0.926)
	CAR	Short term	0.235	0.104	0.042	
		Long term	0.566	0.615	0.084	t=-3.508 (p=0.001)
Kenya Re	MABHR	Short term	0.000	0.001	0.000	
		Long term	-0.001	0.024	0.003	t=0.43 (p=0.669)
	CAR	Short term	-0.061	0.066	0.027	t=5.331 (p=0.000)

		Long term	-0.273	0.214	0.029	
Safaricom	MABHR	Short term	0.006	0.004	0.002	
		Long term	-0.004	0.023	0.003	t=1.088 (p=0.281)
	CAR	Short term	-0.385	0.155	0.063	
		Long term	-0.354	0.237	0.033	t=-0.312 (p=0.756)
Co-op Bank	MABHR	Short term	-0.001	0.028	0.012	
		Long term	0.002	0.021	0.003	t=-0.312 (p=0.756)
	CAR	Short term	0.200	0.447	0.200	
		Long term	0.370	0.487	0.066	t=-0.809 (p=0.456)
Britam	MABHR	Short term	0.019	0.027	0.011	
		Long term	0.004	0.023	0.003	t=1.512 (p=0.136)
	CAR	Short term	0.000	0.000	0.000	
		Long term	-0.151	0.361	0.050	t=3.04 (p=0.004)
Home Afrika	MABHR	Short term	0.059	0.056	0.023	
		Long term	0.011	0.044	0.007	t=2.364 (p=0.023)
	CAR	Short term	-0.833	0.408	0.167	
		Long term	-0.618	0.493	0.085	t=-1.154 (p=0.283)

Table 7 shows the MABHR and CAR t-test analysis on the short run and long run. MABHR t-test results show that there was a significant difference between the short run and long run of Co-operative and Home Afrika. There was insignificant MABHR t-test between the short run and the long run of Access Kenya, Safaricom, Britam and Kenya Re. CAR t-test results show that there was a significant difference between the short run and long run of Access Kenya, Kenya Re and Britam. There was insignificant CAR t-test results between the short run and the long run of Co-oparative Bank, Safaricom and Home Afrika.

5.0 Conclusions

The study concludes that the number of shares issued influences the long run performance of in the long run, whereby an increase in the number of shares issued reduce the performance in the long run while a decrease in the number of shares issued increases the performance. The study finally concludes that the percentage subscription affects the performance of shares of a company in the long run. Increased percentage of subscription decreases the performance of shares in the long run while decreased in subscription rate increases the performance of shares in the long run.

6.0 Recommendations

Based on these findings, the study recommends for the implementation of policies by the NSE management so as to have a consistent situation. The firms should also put in place measures to ensure continued performance of their shares in the long run. The study recommends for policies to be enacted regulating the number of shares being issued by firms. The study findings established that that size of a firm affects the performance of shares of that firm the long run. Based on this

finding, this study recommends that firms listed at the NSF need to put in place strategies that will ensure their continued expansion as this is important for ensuring enhanced performance of shares in the long run.

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