International Research Journal Of Economics and Finance

Vol 4, Issue 3, pp 279-296, Sep 17, 2022, © International Research Journal Publishers, ISSN 2710-2742 (online) www.irjp.org

EFFECT OF PRODUCT QUALITY INVESTMENT DECISIONS ON FINANCIAL PERFORMANCE OF LARGE MANUFACTURING FIRMS IN NAIROBI METROPOLITAN REGION, KENYA

1*Agnes W. Waweru & [2]Dr. Peter Kariuki

[1*]Scholar, Jomo Kenyatta University of Agriculture and Technology (JKUAT), Kenya

[2] Lecturer, School of Business and Economics, University of Embu, Kenya.

Accepted, September 16, 2022

ABSTRACT

Investment decisions are among the three most essential decisions a corporation makes daily, along with financing and operational decisions. Large manufacturing enterprises in Kenya are currently experiencing challenging times, posing a significant threat to their profitability. The overall goal of this research was to see how product quality investment decisions affected the financial performance of major manufacturing enterprises in Kenya's Nairobi Metropolitan Region. This study used an explanatory research design and a descriptive survey design. The study focused on all 126 significant industrial companies in the Nairobi Metropolitan Region (Nairobi County, Kiambu County, Muranga County, Kajiado County and Machakos County). The finance manager/director in each firm formed the unit of analysis. A questionnaire was used to collect data. The mean and standard deviation were used as descriptive statistics. Simple regression analyses was utilized as inferential statistics. Tables were used to present the findings. Product quality investment decisions, had statistically significant effects on manufacturing business financial performance in Kenya, according to the study. The study indicates that investment decisions are critical in allocating funds to various investment opportunities within the organization to achieve the best potential return. As a result, this research suggests that management should conduct a market study and be clear on the company's goals. It's equally critical that management has properly studied the demand and financing methods. In the second place, the director must analyze whether the resources adapt to the optimal size desired for the company. Firm managers should give their employees ways to be more innovative and make new investments, such as investments in product quality improvement. This will help their businesses be more profitable and financially successful.

Keywords: *Product Quality Investment Decisions, Financial Performance*

INTRODUCTION

The performance of manufacturing firms in reference to investment decisions has in recent days become the center of research and has a stake in most economies across the world

(Muturi, 2018). Manufacturing firms play a major central role in regard to entrepreneur skills, innovation and employment (Mugo, Kahuthia & Kinyua, 2019). In Deswanto and Siregar's (2018) book, they say that the good financial performance of any company not only increases the value of that company but also helps the whole industry grow, which in turn helps the economy be better off. Manufacturing companies have grown in importance in corporate finance literature because, as intermediates, they assist businesses not only transfer risk but also receive the capital they need to conduct their businesses (Banafa, Muturi & Ngugi, 2015).

Investing is all about making money, say Psacharopoulos and Patrinos (2018). If the prospect returns on all obtainable investment portfolios were precisely known, an investor would choose the capital that offers the highest return over the required time frame. But in reality, the world is unpredictable. Investors have to think about risk when they make decisions. Every company has goals to reach, like making a new product, seeking a new market, or beginning a new line of business (Tunji, Benjamin, Bintu & Flomo, 2020).

Economic growth and development around the world are heavily influenced by the manufacturing sector (Haraguchi, Cheng & Smeets, 2017). These sales aren't counted as a part of manufacturing's GDP because they aren't directly related to the production of goods and services. Instead, the total gross output of the manufacturing industry includes these sales (Yong et al., 2020). Manufacturing contributes £ 6.7 trillion to the world economy, according to the latest recent figures (Suleiman, 2019). In 2019, the manufacturing sector hired 15.4 million people, which is about 10.8% of all U.S. jobs (Alkaraan, 2020). Large manufacturing industries in the United States made $15.1 trillion in GDP last year, which is about 25% of the country's total GDP.

Manufacturing accounts for 10 percent of the UK's GDP and 45 percent of its exports, and employs 3.7 million people directly (Merozwa, 2019). Japan, Germany, and the United States have a lot of things in common. The UK has increasingly specialized in higher-technology manufacturing industries such as aerospace and pharmaceuticals. This compares with emerging economies including Brazil, Russia, India and China which have specialized to a greater extent in lower technology industries such as textiles (Lin, Zhong, Su & Chen, 2020).

In Africa manufacturing sector has been transformed over time, reflecting changes in national policies, varying domestic demand and the world market dynamics (Gelb, Ramachandran, Meyer, Wadhwa & Navis, 2020). The importance of the manufacturing sector to the national economies of the African countries has varied across different periods since independence, however, in recent years its contribution to the national income and hence its importance has been on the rise (Gelb et al., 2020). Industrial structure, policy, output composition and magnitude have experienced notable changes over time in the Africa region.

In South Africa, the industry contributes for 17.4% of GDP, 9% of employment, and 40% of total exports. The manufacturing sector seems to contribute more to GDP, employment, innovation, and trade when countries attain greater levels of economic growth (Kungu, 2015). While manufactured exports have been increasing, and exports as a percentage of total production have been increasing for most manufacturing sectors and manufacturing in general, this must be seen in the context of a severe and prolonged economic downturn and a substantial drop in manufacturing output.

Kenya's manufacturing industry is made up of large manufacturing corporations, medium-sized manufacturing organizations, as well as small and micro-sized manufacturing enterprises (Achieng, Awino & Kitiabi, 2020). SMEs account for 80 percent of the sector's companies and 20 percent of its GDP, while major manufacturing firms account for 20 percent of the sector's companies and 80 percent of the sector's GDP, according to the sector's organizational structure (KER, 2017). Arising from the makeup of the manufacturing sector in Kenya, for the country to achieve the intended growth and contribution of 15% to GDP by the end of 2022, manufacturing companies have to rethink their investment decisions that are efficient to reduce their costs of production, capable of transforming inputs into quality and appealing products, and develop competitive advantage to effectively manage threats from other manufacturing companies in the region (Ndung'u, Ogutu, Yabs, Muranga & Kinoti, 2020).

The manufacturing scene in Kenya has experienced rapid changes over the last two decades and this has driven manufacturing firms to respond to uncertainty more rapidly (KNBS, 2019). Thus, emerging of world class competitors in domestic and international business require manufacturing firms to revamp their processes to fulfill market needs (Memia, 2018).

Therefore, fundamental goal of manufacturing firm's corporate and functional level strategies is the development of sustainable competitive advantage (Hitt, Hoskisson & Ireland, 2017). The sector is one of the main drivers of the economic pillar that Kenya needs to keep growing its GDP at a rate of 10% every year to become a middle-income country by 2030. Despite the government's attempts to improve macroeconomic conditions and market deregulation, the manufacturing sector's share in GDP has been under the medium-term plan and Vision 2030 projections, according to the Kenya Economic Report 2018 (Njoroge, 2019).

The role of investment decisions is to think about how to make investment decisions based on the discounted cash flow, which is the value of the cash flow minus the amount of money the company has to spend at the beginning (Shantatus, 2015). To evaluate a company's investment decisions, they keep an eye on their cash flow. When people make investments, they think about risk analysis, how to manage a portfolio, and how to pay dividends and make money. These are all part of the "risk management business." These are essential to improving the financial performance of the firms.

Statement of the Problem

Manufacturing firms play a significant role in the economy of most Nations. The Kenya government has an objective of continuously improving the economy with a projected growth of 5.9 % and the plan by the government has been to increase the circulation of money in the economy to support the growth of manufacturing firms (World Bank Kenya Economic Update, 2019. In 2019, manufacturing enterprises employed over 78 percent of the country's workforce and generated over 70 percent of its GDP (GoK, 2019). In addition, the annual value added by the sector in 2019 and 2020 was measured at approximately 818.5 billion KSh (roughly 7.2 billion U.S. dollars) but dropped to 7.2 billion U.S. dollars in 2021(World Bank, 2022).

Manufacturing enterprises in Kenya are currently experiencing challenging times, posing a significant threat to their profitability. High input costs lead to high-cost, typically low-quality raw materials, growing labor expenses, and unreliable and costly energy (Njoroge, 2015). In comparison to regional and global productivity levels, Kenya's manufacturing sector has relatively poor capital productivity. The condition has been even worse for the

large manufacturing firms that are characterized by huge operating costs, turbulent and very competitive environments. Some of the notable large manufacturing firms that have been facing financial distress are Mumias sugar, Sameer Africa, Athi River Mining, East Africa Cables and East Africa Portland Cement. This challenge if not monitored closely creates major problems in the Kenyan manufacturing industry, hence the need for the current study.

Several studies have been conducted in this field. Mwangi (2020), for example, investigated the impact of corporate social responsibility on the financial performance of Kenya's major corporations. Mutua and Atheru (2020) utilized a descriptive research design to investigate the relationship between capital structure and financial performance of companies in Kenya's Manufacturing and Allied Sector listed on the Nairobi Securities Exchange. Ariemba, Evusa, and Muli (2019) evaluated the impact of investment decisions on savings and credit cooperative financial performance while Awino (2018) investigated the organizational structure and performance of big manufacturing businesses in Kenya. Many aspects of investment decisions affecting the financial performance of major firms in Kenya are still understudied, according to the findings of the aforementioned studies. As a result, the purpose of this research was to fill in the gaps mentioned by determining the impact of product quality investment decisions on the financial performance of large manufacturing enterprises in Kenya's Nairobi Metropolitan Region.

Research Objective

To analyze the effect of Product quality investment decisions on the financial performance of large manufacturing firms in the Nairobi Metropolitan region, Kenya.

Research Hypothesis

H_{01} Product quality investment decisions have no statistically significant effect on financial performance of large manufacturing firms in Nairobi Metropolitan region, Kenya.

Theoretical Review

The Accelerator Theory of Investment

The accelerator theory was coined by Clark (1917). The accelerator idea is an economic hypothesis that states that when demand or income rises, investment spending rises as well. The theory also suggests that when there is excess demand, companies can either decrease

demand by raising prices or increase investment to meet the level of demand. The accelerator is a simple model that combines the type of feedback from the current output to investment that Keynes observed occurring as a result of the effect of current output on investors' expectations (Hochstein, 2018).

The accelerator model has predicated on the premise that enterprises' intended capital-output ratio is roughly constant (Kazakova & Kuzminykh, 2017). This implies that the desirable capital stock for any period t is proportional to the level of output in t, Kt* = Yt, where is the desired capital-output ratio (the lower-case Greek letter sigma). There is a straight proportionate relationship between investment capital and production (Parker, 2009).

According to Kumar (2015), when creating output, corporations strive to utilise that stock of capital (machines, inventories, and plants) that allows the firm to operate at its most profitable. The acceleration principle holds that a rise in demand for consumer products leads to a significantly greater increase in demand for producer or capital goods. The accelerator principle of investment states that investment is dependent on output growth, implying that investment will be volatile. Investing will decline simply because production will expand at a slower rate.

According to the hypothesis, a firm's investments increase when demand for its product/service increases or revenue increases due to factors such as more sales or higher pricing. An improvement in product quality leads to high demand of products and increased sales. According to the accelerator idea, as demand rises, businesses may expand output to boost profitability or raise prices to retain demand while generating more income. This also calls for increased human capital investment to meet the production of the high demand. The theory thus underpinned the product quality investment decisions and the human capital investment decisions in the study.

Empirical Review of Studies

Ngumo (2017) investigated the impact of quality management on the financial performance of manufacturing enterprises in the Nairobi Metropolitan region's industrial area. The study used a descriptive research methodology and used questionnaires to obtain primary data, qualitative analysis was done through descriptive statistics like mean and standard deviation.

The findings revealed that there was a non-significant relationship between customer focus, continuous improvement, benchmarking practices, quality management practices and supplier partnerships and profitability. The positive correlation coefficient (r) = 0.159 and coefficient of determination, (r2) =0.025 implied that the independent variables together predicted about 2.5 % of the profitability performance of the manufacturing firms.

Gachuhi (2018) conducted a study to establish patterns of adoption of quality improvement practices by manufacturing firms in Nairobi, Kenya. The study also studied the challenges encountered in implementing the quality improvement practices among manufacturing firms. To achieve the objectives of the study a descriptive survey study was undertaken whereby all the quality assurance departments employees in the 700 manufacturers under Kenya Association of Manufactures were the population. The study used stratified random sampling to select 60 employees who formed the sample size. The findings show that the firms have adopted various aspects of quality improvement which cut across the available quality improvement models. The study discovered that businesses adopted QI practices in order to achieve consistency in production and customer service, as well as customer satisfaction and waste reduction, as well as increased production efficiency, defect minimization in the manufacturing process, and quality and service improvement. Poor resources, expense of technology, inadequate training investment, and a lack of accessible case studies to learn from are among the major barriers to QI adoption, according to the report. There was no evidence of a link between company size and patterns of quality improvement practice adoption in the manufacturing industry, according to the study.

Kiveu, Namusonge and Muathe (2019) assessed the effect of innovation on firm competitiveness of large manufacturing firms in the Nairobi Metropolitan region, Kenya. It was the goal of this study to find out how innovation affects the competitiveness of large manufacturing firms in Kenya's capital city, Kenya. Data was taken from a sample of 284 businesses between 2012 and 2014. A method called multiple linear regression was used to look at how innovation affects competitiveness. Findings indicated that 97% of the manufacturing firms were innovating with the majority implementing and investing in incremental innovations. The study indicated that process, marketing and organizational innovations had a positive significant effect on competitiveness and general performance,

while product innovation and quality improvement had positive and non-significant effects. The study recommends the implementation of innovations and quality improvement.

Conceptual Framework

From the conceptual framework model in Figure 1, the independent variable is the quality of products investment decisions and the dependent variable is the financial performance of large manufacturing firms.

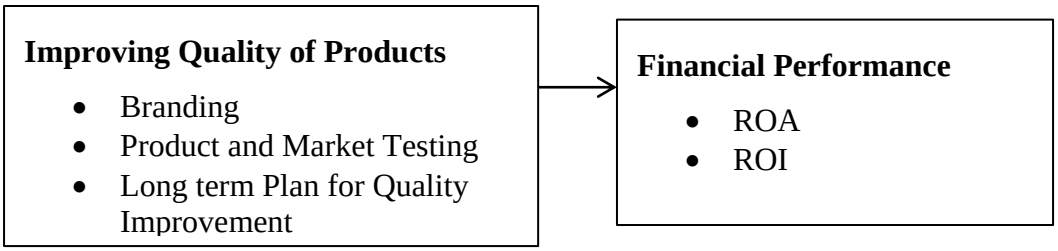

Figure 1: Conceptual Framework

METHODOLOGY

A descriptive research design and an explanatory research design were used in this study. According to Bryman and Bell (2011), the descriptive research design is to describe the state of affairs within the study area at the time of the study. This study was seeking to describe the effect of product quality investment decisions on financial performance of large firms in Nairobi. On the other hand, explanatory research design focuses on explaining the aspects of the study in a detailed manner. This design was suitable for this study because the study sought to explain the real situation in the environment in which large firms in Nairobi Metropolitan region.

This study targeted all the 126 large manufacturing firms in Nairobi Metropolitan region made up of Nairobi County, Kiambu County, Muranga County, Kajiado County and Machakos County. The unit of analysis was finance managers/directors of these firms. The sampling frame of this study comprised of all the large manufacturing firms in the Nairobi Metropolitan region totaling to 126. The study undertook a census of 126 large manufacturing companies. For each of the firm one respondent was targeted. The primary focus was the finance manager/director.

This study used primary data that was collected using structured questionnaires. The choice of the primary data for the study was informed by the variables in the study. Piloting of research instruments was carried out to validate the research instruments and to identify the major problems that might be encountered during the actual research study. The piloting test was undertaken on manufacturing firms in Nakuru County which has a vast range of manufacturing firms and also due to its proximity to the Nairobi Metropolitan region which is the area of the main study.

The data was fed in the statistical package for social science software (SPSS) that aided in the analysis. The study relied on descriptive statistics and inferential analysis. The findings were interpreted using descriptive statistics such as response frequency counts, mean, and standard deviation. The researchers used a simple linear regression model to show the relationship between study variables.

FINDINGS

Response Rate

The researcher distributed 126 questionnaires to the sampled respondents who were the top-level managers of the targeted 126 large manufacturing firms in Nairobi Metropolitan region. Out of the 126 questionnaires administered, 108 questionnaires were duly filled and returned representing a response rate of 85.7%. Kothari (2012), asserts that a response rate of 50 percent is adequate while that of above 70% is very good. This information is in line with Mugenda and Mugenda (2012), who states that a response rate of 50 % is adequate, 60 percent is good and above 70 % is very good. Based on this information the response rate achieved in this study from the correctly returned questionnaires was adequate for the study to proceed.

Descriptive Statistics on Product Quality Investment Decisions

The study's goal was to look into the impact of product quality investment decisions on the financial performance of manufacturing companies in Kenya's Nairobi Metropolitan Region. The respondents were asked to rate how much they agreed or disagreed with the following statements about product quality investment decisions. The descriptive data on Product quality investment decisions are shown in Table 1.

Descriptive statistics from table 1 showed that a majority (81%) of the respondents agreed with the statement that their firm has been investing in branding of the business products to attract more customers. The responses had a mean of 3.978 and a SD of 1.143. This implies that most of the respondents were in agreement and that their responses did not vary greatly from the mean. The study results also revealed that a majority (81%) of the respondents were in agreement that their establishment has been over the past 1 year investing in product and market testing of their products. A mean of 3.981 and a standard deviation of 1.155 suggest that the majority of respondents agreed with the statement and that the mean did not vary significantly. Additionally, the results indicated that the majority (73 percent) of respondents agreed that their organizations now have an effective long-term plan for quality improvement. A mean of 3.709 and a standard deviation of 1.127 indicate that the majority of participants agreed with the statement and that responses did not deviate significantly from the mean.

Additionally, the results indicated that the majority (69%) of respondents stated that their organization invests in statistical quality control, which entails developing product specifications and then sampling a limited number of units to verify the requirements. A mean of 3.728 and a standard deviation of 1.172 confirmed this. Additionally, the study's findings indicated that the vast majority (88 percent) of respondents said their organizations spend in evaluating consumer satisfaction and demands, as well as modifying products to meet market needs. A mean of 4.093 and a standard deviation of 0.948 suggested that the statement was agreed upon by the majority of respondents and that the responses did not have large variation from the mean. The results also revealed that most (84%) of the respondents involved in the study were in agreement with the statement that their firms organize quality circles on a regular basis to track the quality of our products and services. This was affirmed by a mean of 3.895 and a SD of 1.028. Finally, the data indicated that the overwhelming majority (83 percent) of respondents agreed that their organization provides after-sales support to improve the quality of our products and services. A mean of 4.065 and a standard deviation of 1.054 indicated that the majority of respondents agreed and that responses did not deviate much from the norm. An overall mean of 3.921 and a Standard deviation of 1.090 indicate that most of the respondents who took part in the study were in agreement with the

product quality investment decisions made by manufacturing firms in the Nairobi Metropolitan region, Kenya.

Table 1: Descriptive Statistics on Product Quality Investment Decisions

Statement	SD	D	N	A	SA	Mean	Std. Dev.
Our firm has been investing in branding of the business products to attract more customers.	7%	5%	7%	44%	37%	3.978	1.143
Our establishment has been over the past 1 years investing in product and market testing of our products.	8%	5%	7%	43%	38%	3.981	1.155
We currently have a long term plan for quality improvement which has proved effective.	7%	10%	11%	51%	22%	3.709	1.127
Our firm invests in statistical quality control of setting a product's specifications and then sampling a small number of units to measure up the specs.	7%	9%	15%	41%	28%	3.728	1.172
Our firm invests in gauging customer satisfaction and customer needs and customizing products as per the market needs.	4%	5%	3%	54%	34%	4.093	0.948
Our firm organizes quality circles on a regular basis to track the quality of our products and services.	7%	4%	5%	61%	23%	3.895	1.028
Our firm conducts after sales service as a means of enhancing the quality of our products and services.	5%	5%	7%	45%	38%	4.065	1.054
Overall						**3.921**	**1.090**

Descriptive Statistics on Financial Performance

The respondents were asked to rate their level of agreement or disagreement with the financial performance statements. The descriptive statistics on financial performance are shown in Table 2.

According to the data in table 2, the vast majority (91 percent) of those who took part in the study agreed with the statement that their firm has been recording improved profit margins in the last five years. A mean of 4.124 and a standard deviation of 0.825 indicate that most of the respondents agreed with the statement and that their responses did not vary largely from the mean. The results also revealed that most (97%) of the respondents were in agreement that their return on assets has been on an upward growth. This was corroborated by a mean of 4.656 and a standard deviation of 0.666.

Additionally, the majority of respondents (87%) stated their return on investment was improving significantly, as indicated by the mean and standard deviation of 4.257 and 0.965, respectively. Additionally, the study's findings found that the vast majority of respondents (97 percent) believed that their total sales have improved significantly. A mean of 4.263 and a standard deviation of 0.617 suggest that the majority of respondents concurred with the statement and that responses did not significantly deviate from the mean.

Finally, the study's findings revealed that the vast majority (96 percent) of respondents agreed that their customer base had grown steadily over the last five years, as seen by the mean of 4.384 and standard deviation of 0.683. The mean of the responses to statements about the financial performance of manufacturing businesses in the Nairobi Metropolitan Region, Kenya, was 4.337, with a standard deviation of 0.751. This means that the majority of the study's participants agreed with the assertions about Nairobi's manufacturing enterprises' financial success and that their replies did not differ significantly from the mean.

Table 2: Descriptive Statistics on Financial Performance

Statement	SD	D	N	A	SA	Mean	Std. Dev.
Our firm has been recording improved profit margin in the last five years.	3%	3%	3%	61%	30%	4.124	0.825
Our return on assets has been on an upward growth.	2%	0%	2%	25%	72%	4.656	0.666
Our return on investment has been growing significantly.	3%	5%	5%	38%	49%	4.257	0.965
Our total sales have been improving significantly.	1%	1%	1%	65%	32%	4.263	0.617
Our customer base has been increasing consistently over the past five years.	1%	1 %	2%	50%	46%	4.384	0.683
Overall						**4.337**	**0.751**

Regression Analysis Results

Regression analysis was used in this study to determine the statistical significance and link between the independent variable and the financial performance of large enterprises in Nairobi Metropolitan Region, Kenya. The regression findings are shown in this section on the effect of product quality investment decisions on financial performance of large firms in the Nairobi Metropolitan region, Kenya. Tables 3, 4 and 5 present the model summary, ANOVA, and regression of coefficient results respectively.

The results in Table 3 show that the coefficient of determination (R squared) is 0.812 and adjusted R squared of 0.800 at 95% significance level. The R squared of 0.812 implies that the product quality investment decision explains 81 percent of the variation in financial performance of large manufacturing firms in Nairobi Metropolitan region, Kenya. The remaining 19 percent of the variation in the dependent variable can be explained by other factors which were not part of the current model.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.901a	0.812	0.800	0.21745

Dependent Variable: Financial Performance
Predictors: (Constant), Quality of Products Investment Decision

In Table 4, ANOVA results are shown. The results show that the model was statistically significant in explaining the influence of product quality investment decisions on the financial performance of large manufacturing firms in Nairobi Metropolitan region, Kenya and it is indicated by a p-value of 0.000<0.05.

Table 4: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.711	1	16.711	146.588	.000[b]
	Residual	12.084	106	0.114		
	Total	61.727	107			

Dependent Variable: Financial Performance
Predictors: (Constant), Quality of Products Investment Decision

The regression model as presented in Table 5 therefore became;

Y =0.311+0.342X

Where:

Y= Financial Performance

X =Product Quality Investment Decisions

As a result of the model coefficients, the financial performance of major manufacturing businesses was found to be positively and significantly linked to product quality investment

decision (β =.342, p=.000<.05). This was supported by a calculated t-statistic of 5.516 that was greater than the critical t-statistic of 1.96 further confirming the significance. The result implies that a unit improvement in product quality investment decision leads to an improvement in the financial performance of large manufacturing firms in the Nairobi Metropolitan region, Kenya by 0.342 units. The null hypothesis was that product quality investment decisions have no statistically significant effect on the financial performance of manufacturing firms in the Nairobi Metropolitan region, Kenya. Results in Table 5 show that the p-value =0.000< 0.05. The null hypothesis was therefore rejected and the alternative hypothesis adopted that product quality investment decisions have statistically significant effect on the financial performance of manufacturing firms in Nairobi Metropolitan region, Kenya. The results are in agreement with the assertions by Gachuhi (2018) that firms adopt QI practices with a view to achieve consistency in production and customer services, customer satisfaction, waste reduction; improved efficiency in production, minimization of defects in production process and quality and service improvement.

Table 5: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	0.311	0.101		3.079	0.003
Quality of Products Investment Decision	0.342	0.062	0.332	5.516	0.000
Dependent Variable: Financial Performance					

Conclusions

Thie study concludes that investment decisions regarding quality of products positively and significantly affects the financial performance of the firm. When quality is viewed as a potential company asset, a fundamental change in attitude is needed, because an asset is an attribute that can systematically be increased in value. The adoption of product quality management to large manufacturing firms and organizations aspiring to stay ahead of their competitors in this turbulent business environment is key. Fourthly, the study concludes that human capital investment decision positively and significantly influencing financial performance of a firm. Decision to invest in human capital is one of the most valuable components of any firm and that is why investment in human resources becomes a necessary

step in ensuring that a business prospers in a changing market environment. There is a growing importance of investment in human capital. The future will certainly belong to those companies which pay most attention to effective management of human resources, which, in terms of time factor is an important prerequisite for growth and competitiveness of a company.

Recommendations

This study suggests that the management of these organizations should continue to make the quality of products investment decisions. Firm managers are in charge of determining the ideal company size in the investing field. As a result, this research suggests that management should conduct a market analysis and be clear on the company's goals. It is also critical for management to have thoroughly researched demand. Second, the director must determine whether the company's resources are adaptable to the target scale. If they don't, the corporation will need to specify the types of assets it needs to acquire, sell, or get rid of to achieve effective management.

To improve profitability and financial performance, firm managers should provide avenues for increasing their innovativeness and subsequent new investments, investments in product quality improvement according to the study. This study also suggests that the government should control the financial industry through various monetary and fiscal policies to lower borrowing costs, given that businesses that rely on external borrowing to meet their cash needs are more likely to fail. Kenya's high-interest rate is a hindrance to the manufacturing sector's expected growth, as envisioned by Kenya Vision 2030.

Suggestions for further Research

According to the findings, the quality of products investment decisions in the research explain for 81% of the variance in the financial performance of the businesses that were the focus of the investigation. According to the study, as a consequence, subsequent research ought to be able to identify the additional investment decisions that account for the remaining 19 percent of variance in the financial performance of the large manufacturing businesses.

REFERENCES

Achieng, M. E., Awino, Z. B., & Kitiabi, R. (2020). Advanced Manufacturing Technology, Competitive Advantage And Performance Of Large Manufacturing Companies In Kenya. *DBA Africa Management Review*, *10*(3), 90-114.

Alkaraan, F. (2020). Strategic investment decision-making practices in large manufacturing companies. *Meditari Accountancy Research*, *(28)*,4, 633-653.

Awino, Z. B. (2015). Organizational structure and performance of large manufacturing firms in Kenya: An empirical investigation. *Journal of Business and Economics*, *6*(11), 1883-1891. Organizational structure and performance of large manufacturing firms in Kenya: An empirical investigation. *Journal of Business and Economics*, *6*(11), 1883-1891.

Best, J. W., & Kahn, J. V. (2016). *Research in education*. Pearson Education India.

Bryman, A., & Bell, E. (2011). Ethics in business research. *Business Research Methods*, *7*(5), 23-56.

Cooper, D. R., & Schindler, P. S. (2011). Qualitative research. *Business research methods*, *4*(1), 160-182.

Deswanto, R. B., & Siregar, S. V. (2018). The associations between environmental disclosures with financial performance, environmental performance, and firm value. *Social Responsibility Journal, (14)*, 1: 180-193

Dias, M. F., Silva, A. C., & Nunes, L. J. (2021). Transaction Cost Theory: a Case Study in the Biomass-to-Energy Sector. *Current Sustainable/Renewable Energy Reports*, *8*(1), 57-69.

Disse, S., &Sommer, C. (2020). *Digitalisation and its impact on SME finance in Sub-Saharan Africa: Reviewing the hype and actual developments* (No. 4/2020). Discussion Paper.

Field, A. (2009). *Discovering statistics using SPSS:(and sex and drugs and rock'n'roll)*. Sage.

Gelb, A., Ramachandran, V., Meyer, C. J., Wadhwa, D., & Navis, K. (2020). Can Sub-Saharan Africa be a manufacturing destination? Labor costs, price levels, and the role of industrial policy. *Journal of Industry, Competition and Trade*, 1-23.

Haraguchi, N., Cheng, C. F. C., & Smeets, E. (2017). The importance of manufacturing in economic development: Has this changed? *World Development*, *93*, 293-315.

Hochstein, A. (2018). The Accelerator Theory in a Keynesian Framework Does Not Work. *International Advances in Economic Research*, *24*(2), 199-200.

Kazakova, O. B., &Kuzminykh, N. A. (2017). The multiplier accelerator theory in the study of municipal-level investment. *R-Economy*, *3*(2), 82-89.

Kiveu, M. N., Namusonge, M., & Muathe, S. (2019). Effect of innovation on firm competitiveness: the case of manufacturing SMEs in Nairobi Metropolitan region, Kenya. *International Journal of Business Innovation and Research*, *18*(3), 307-327.

Kothari, C. R. (2012). Research methodology: An introduction. *Research Methodology: Methods and Techniques*, *9*, 418.

Kumar, J. (2015). Estimation of Investment Function using Accelerator Theory. *International Refereed Research Journal*, *6*(5), 179-184.

Memia, F. K. (2018). *Influence Of Contemporary Supply Chain Practices On Performance Of Large Manufacturing Firms In Kenya* (Doctoral dissertation, JKUAT-COHRED).

Modigliani, F., & Miller, M. H. (1958). The cost of capital, corporation finance and the theory of investment. *The American economic review*, *48*(3), 261-297.

Mugo, A. N., Kahuthia, J., &Kinyua, G. (2019). Effects of infrastructure on growth of small and medium enterprises in Kenya: A case of clothing and textile businesses in Nairobi Central Business District. *International Academic Journal of Human Resource and Business Administration*, *3*(6), 133-149.

Mutua, L. M., & Atheru, G. K. (2020). Capital Structure and Financial Performance of Companies listed under Manufacturing and Allied Sector at Nairobi Securities Exchange in Kenya. *Journal of Finance and Accounting*, *4*(1), 24-38.

Muturi, E. N. (2018). *Effects of Multinationalism on Organizational Performance of Large Manufacturing Firms in Kenya* (Doctoral dissertation, university of nairobi).

Mwangi, D. (2020). *Effect of corporate social responsibility on the financial performance of large manufacturing companies in Kenya* (Doctoral dissertation, UoN).

Ndung'u, C. W., Ogutu, M., Yabs, J., Muranga, N. J., & Kinoti, M. (2020). business environment, corporate image, competitive strategies and performance of large manufacturing firms in Kenya. *African Journal of Business and Management*, *6*(1), 215-233.

Ngumo, I. K. (2017). *Effect of quality management on financial performance of Manufacturing Firms in industrial area, Nairobi Metropolitan region* (Doctoral dissertation, University of Nairobi).

Psacharopoulos, G., & Patrinos, H. A. (2018). Returns to investment in education: a decennial review of the global literature. *Education Economics*, *26*(5), 445-458.

Tunji, S. T., benjamin, R. D., Bintu, A. M., & Flomo, L. J. (2020). Creative accounting and investment decision in listed manufacturing firms in Nigeria. *Journal of Accounting and Taxation*, *12*(1), 39-47.

Wibowo, A. I. L., Putra, A. D., Dewi, M. S., & Radianto, D. O. (2019). Differences In Intrinsic Value With Stock Market Prices Using The Price Earning Ratio (Per) Approach As An Investment Decision Making Indicator (Case Study Of Manufacturing Companies In Indonesia Period 2016-2017). *Aptisi Transactions On Technopreneurship (ATT)*, *1*(1), 82-92.

World Bank, 2022). Kenya Manufacturing Output 1960-2021.

Yong, J. Y., Yusliza, M. Y., Ramayah, T., Chiappetta Jabbour, C. J., Sehnem, S., & Mani, V. (2020). Pathways towards sustainability in manufacturing organizations: Empirical

evidence on the role of green human resource management. *Business Strategy and the Environment*, *29*(1), 212-228.