



## VIABLE INVESTMENT DECISIONS - THE SOLUTION TO THE AILING LARGE-SCALE RETAIL SUPERMARKETS IN KENYA

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### Abstract:

Proper investment decisions ensure that supermarket managers invest in viable projects, stipulate optimum capital structure and adequately compensate shareholders. The aim of the study was to evaluate the effect of investment decisions on the profitability of large-scale retail supermarkets in Kenya. The study was guided by portfolio, pecking order, and agency theories. The study was anchored on positivism philosophy. A cross-sectional research design was adopted. The target population was nine large-scale retail supermarkets in Kenya. A positive and statistically significant was found to exist between investment decisions and profitability. This is backed up by a regression coefficient of 0.3930 and a p-value of 0.008, a regression coefficient of 0.4180 and a p-value of 0.016. The study concluded that financial decisions significantly affect the profitability of large-scale retail supermarkets in Kenya. The study recommended implementing viable investment decisions based on customer preferences, expert directions, market forces, and business elements.

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## 1. Introduction

Financial decisions explore sources of funds, application of those funds into investment ventures, working capital management, and dividend payout policies of an organization. These are critical and beneficial decisions for the company's financial stability. These financial decisions have an impact on the financial performance of every firm. The three most important financial decisions are capital structure, investment, and dividend decisions.

Poor financial planning, limited access to finances, inadequate capital, unanticipated growth and expansion, low strategic and financial estimates, and excessive investment in a fixed asset are the most common causes of supermarket industry failure. Many of these obstacles can be solved with the help of supermarket-created and implemented financial strategies. Financial decisions are evaluated using three approaches: capital structure decisions, investment decisions, and dividend decisions (KIPPRA, 2020).

In Turkey, a report implied that though the Turkish retail industry was one of the most profitable sectors for investors, it was also majorly affected by the international and domestic economic-financial crisis. Excessive investment in liquidity, online shopping, and poor financial decisions made by managers were some of the factors affecting the industry's performance. Managers are required to manage working capital in order to achieve good performance (Demirgunes, 2016).

In Nigeria, it was discovered that any company's survival hinges on its ability to make sound financial judgements. Investment, funding, and dividend decisions are interconnected and affect the organization's performance. Improved financial performance is determined by the manager's ability to allocate funds and mix financial components of the company appropriately. Financing decisions relate to the arrangement of capital from various sources to meet long-term investments for the company. Therefore, companies should employ more long-term debts since short-term debts negatively affect profitability (Idewe & Odion, 2017).

Investment decisions determine whether investors' wealth increases or decreases and liquidity decisions determine the foregone benefits associated with the specific amount held in the current assets, such as work in progress (Winfred & Wapukhulu, 2018).

A firm's profitability is the primary determinant of dividend payout decisions. Dividends paid out to shareholders are determined by the company's net income. There is a conflict between managers and shareholders due to dividend decisions on the retention ratio. This is because shareholders want a low retention ratio, with managers thinking a high retention ratio increases retail stores' performance. Supermarkets are experiencing poor financial performance that can be improved by a high retention ratio to enhance the supermarkets' financial structure (Lokwang, Gichure, & Oteki, 2018).

### **1.1. Statement of the Problem**

Financial decisions play a crucial role in the financial management of large-scale retail supermarkets in Kenya by ensuring that managers invest in viable projects, stipulate optimum capital structure and adequately compensate shareholders. Despite implementing vast financial decisions in the retail industry, many supermarkets are still experiencing poor financial performance. Uchumi supermarket, Tuskys supermarkets, Choppies supermarkets, and Shoprite supermarkets have been making heavy losses leading to the closure of some of their branches. Uchumi has closed 35(95%) branches, Tuskys 61(95.3%) branches, and Choppies 13(87%). The closure of these branches has led to the loss of employment and a decline in the overall economic performance of the industry by 5.7% (Kenya Retail Report, 2021). According to an external audit report in 2020 Nakumatt owed creditors Ksh.38 billion yet the company gave over Ksh. 1 billion as interest-free soft loans to its directors (KIPPRA, 2020). Previous researchers have focused on firms listed on the stock exchange, and studies on supermarkets have focused on the effects of financial distress and working capital on financial performance and others have evaluated individual components of financial decisions and not the combined effect of financial decisions. Therefore, this study sought to assess the effects of financial decisions on the profitability of large-scale supermarkets in Kenya.

## **2. Literature Review**

### **2.1 Portfolio Theory**

Markowitz (1952) developed the expected rate of return and unexpected risk measure for the portfolio of assets. Under the acceptable set of assumptions, Markowitz demonstrated that the variation of the rate of return was a relevant measure of portfolio risk. Markowitz has observed that portfolio theory provides a framework to generate the optimal portfolio for its investor. Markowitz's argued that the construction of an asset portfolio is based on maximizing return with a given level of risk. The owner of wealth chooses if the most negligible variance of the return rate does not differ from the income rates. When the rates of return are different, there is a need to diversify the portfolio to reduce the variance of the return rate.

Several fundamental qualitative changes arise in a portfolio behavior of an investor when trading opportunities on the market. The most basic differences are that the investor substantially modifies his concept of an optimal portfolio that now consists of a whole region in the portfolio space. The broader economic significance of trading costs must be sought in their impact on the market as a whole (Magill & Constantinides, 1976).

The characteristics of a portfolio whose performance is summarized by the mean and the Gini coefficient are similar to those of the regular mean-standard deviation model. The portfolio theory can be applied in various investments, financial, and real economic sectors. A portfolio gives a specific structure for the investment distribution by units that provide certain profitability. Classical portfolio theory is based on the efficient

set theorem, which does not clarify all the problems in the structural choice that are important in real life. It is reasonable to follow the aggregate parameters of the total expected income and risk in portfolio choice (Sukharev, 2020).

This theory was relevant in this research since large-scale retail stores have started investing in different investments, such as wholesale businesses and hotel services. Therefore, a detailed understanding of portfolio theory was required to examine investment in Kenya's large-scale retail supermarkets to establish the ideal portfolio of investment that could result in greater profitability and improved financial performance.

## **2.2. Pecking Order Theory**

The pecking order theory was developed by (Myers, 1984). Myers argued that firms prefer internal funding to external funding. If the company needs external capital, debt is preferred above outside equity, which is only used as a last resort. As a result of the knowledge asymmetry, the enterprises do not have the optimum debt-to-equity ratio. Firms take a conservative approach to dividends and rely on debt financing to increase the firm's value. One implication of the pecking order theory is that profitable firms always prefer internal funding to take up new debt or equity.

Businesses prioritize their internal capital sources while growing their asset base, revenue, liquidity, and profitability and utilizing fewer external financing sources. Profitable firms are observed to be less leveraged than non-profitable businesses. This hypothesis is based on the assumption that debt issuance sends a market signal that the company is confident in its capacity to service debt regularly. In contrast, equity issuance is a market signal that the company is potentially overvalued. Pecking order theory also predicts that firms favor short-term over long-term debt (Fama & French, 2002).

Large companies tend to amass loans to maintain and keep up with dividend payments, but small companies behave in an appositive way. Equity analysts project large companies to experience at least adverse selection challenges due to better coverage. Issuing debt is preferred over issuing equity as long as the company has the capacity to service debt (Zender & Lemmon, 2010).

The option of using internal and external financing is preferred, and a limited amount of external financing through issuing equity is used for reinvestment and fundraising reasons. Pecking order theory predicts that high-growth companies have a debt ratio since they will opt for more debt than equity. This implies that debt capital is preferred to issuing new equity capital in the case of external funding. A firm's choice of capital structure impacts its profitability greatly (Effiong, Inyang, Akum, Asuquo, & Onyeogaziri, 2018).

This theory was relevant to the study since large-scale retail stores in Kenya tend to bring profits from their branches in various parts of the country; hence, a high amount of retained earnings is used in funding daily activities and venturing into new investments. Therefore, a detailed understanding of the pecking order theory was required to investigate whether large-scale retail supermarkets' choice of financing affects the profitability of the supermarket.

### 2.3. Agency Theory

This theory was developed by (Jensen & Meckling, 1976). It describes the relationship between the principal and the agent. It emphasizes the contractual problem between the principal and the agent. Generally, the enterprise owner is the principal, and employed executives are the agents that control the use of resources in the organization. Agency theory helps to understand problems of enterprises such as poor financial performance, uncertain payment of dividends, and poor decision-making by either shareholders or managers. These problems create conflicts between shareholders and the management of the company.

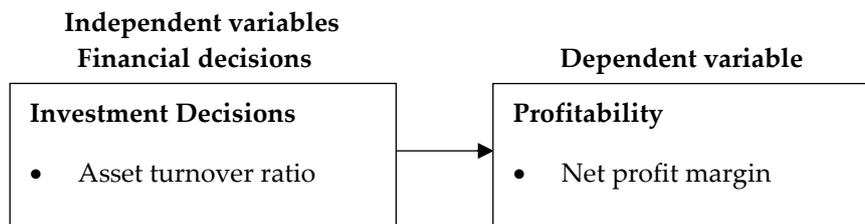
Fama and Jansen (1983) extended agency theory by arguing that despite the problems arising from the separation of ownership and management, an increase in efficiencies exceeds agency costs. These efficiencies are caused by specialization at all levels and efficient risk-taking. Agency theory is primarily applied when the problems of the enterprise are investigated. The approach helps to understand firms' conflicts, such as asymmetric information, uncertain outcomes, the question of usability of incentives, and the identification of risk in decision-making.

Due to conflicts of interest between shareholders and managers, the separation of ownership and control can result in agency costs resulting from a need to align interests through monitoring. This agency cost could also be avoided if a managing owner leads the firm; in this case, the management and ownership are unified (Jensen M., 1986). Firms can overcome agency conflicts through shareholder monitoring via concentrated ownership. The difficulty with dispersed ownership is that the incentives to monitor management are weak (Agarwal, Rohit, & Pushpendra, 2014).

The firm owners bring in money in form of shares to increase their wealth. However, since they may lack the necessary skills and qualifications to run the company, they hire managers in the name of agents who they believe will act and manage the business on their behalf with the common goal of maximizing wealth. Usually, managers do not honor the owner's interest (Shrogren, Wehmeyer, & Palmer, 2017). Agency theory looks into the situation that might arise when the principal and the manager have varying desires for investment. The parties may have varying risk appetites and levels of tolerance, making the parties make decisions that are not at par with the firm's primary objective (Yusuf, Yousaf, & Saeed, 2018).

This theory was relevant to the study since managers of supermarkets are agents for the shareholders of the supermarkets and are obligated to represent their best interests. Agency conflicts may arise when a manager's financial decisions conflict with the owners. Agency conflicts may occur if managers decide to award themselves huge salaries and allowances, invest in high-risk projects, and have a high earning retention level in the company. Therefore, management must ensure that the firms' financial decisions align with shareholders' expectations.

## 2.4. Conceptual Framework



**Figure 2.1:** Conceptual Framework  
(Source: Researcher's Conceptualization, 2022)

## 2.5 Empirical Literature Review

Osoro, Ogoro, Andrew, and Nyarige (2017) assessed the effect of investment decision techniques on the financial performance of medium enterprises in Kenya. A case of Kisii town. The study adopted a descriptive research design, and questionnaires collected data. The target population was 859 managers of medium enterprises and a sample of 86 respondents, which was 10% of the target population. Data were analyzed using SPSS, where descriptive and inferential statistics were obtained. The study results indicated that investment decisions had a negative and significant relationship with the financial performance of medium enterprises.

Nyang'au and Muturi (2018) examined the effects of investment decisions on the financial performance of retail investors in Kisii Town. The study targeted 2250 employees of retail investors. The study employed a convenient sampling method to sample 225 respondents. The research adopted a descriptive research design and stratified simple random sampling techniques. Questionnaires were used to collect primary data administered through the drop-and-pick method. The data collected was analyzed with the help of SPSS to obtain inferential and descriptive statistics. The study results indicated that investment decisions have positive and significant effects on the financial performance of retail investors.

Chizema (2018) studied the determinants of investing decisions of south African retail firms Foreign Direct Investment (FDI) in Africa. The study adopted a mixed-method research design. The target population was top managers of retail firms, and the firms were chosen based on having investments in more than one country. The sample population is constituted of selected retailers in South Africa. Data was collected through semi-structured interviews, which were delivered through the mail. Collected data were analyzed through the use of a statistical package. The study outcome indicated that investment decisions were determined by market saturation, market size in host countries, and strategic growth reasons.

Michelon, Codesso, Santos, and Lunkes (2019) researched to analyze capital budgeting decisions in supermarket companies in Santa, Brazil. The study used questionnaires to collect primary data from 19 large-scale supermarkets in Santa Catarina, a sample of 451 retail supermarkets in Santa Caterina. The collected data was analyzed using SPSS and presented using tables. The study showed that capital

budgeting decisions had a positive and significant effect on the performance of retail supermarkets in Santa Caterina, Brazil.

### 3. Research Methodology

#### 3.1 Research Philosophy

This study was guided by positivism philosophy. Positivism relates to the philosophical stance of the natural scientist and entails working with an observable social reality to produce law-like generalizations. Positivists are researchers whose quantitative tools and methods entail quantifying and counting. Positivism enables the application of statistical techniques in testing hypotheses to evaluate research techniques (Sekaran & Bougie, 2015). Positivism philosophy was appropriate for the study because, based on the objectives, the current state of financial performance in large-scale retail supermarkets and financial decisions can improve the financial performance of retail stores.

#### 3.2. Research Design

The study adopted a cross-sectional research design. The study took a cross-section of large-scale retail supermarkets in Kenya. The Cross-sectional research design was appropriate for the study because it provided a detailed and highly accurate picture of the financial performance of large-scale retail supermarkets in Kenya. It was also helpful in locating new data that contracts past data since the study covered supermarkets' operations for five years, from 2017 to 2021 (Cooper & Schindler, 2017). This study's research design entailed collecting and analyzing large-scale retail supermarkets' financial reports for 2017 to 2021.

#### 3.3. Target Population

The study's target population comprised all the large-scale retail supermarkets in Kenya. The target population included Naivas supermarket, Quickmatt supermarket, Chandarana food plus supermarket, Carrefour supermarket, Cleanshelf supermarket, Khetias supermarket, Society stores, Mathai supermarket, and Eastmatt supermarket. The target population is reflected in Table 1.

**Table 1:** Target Population

Supermarket
1. Naivas supermarket
2. Quickmatt supermarket
3. Chandarana Foodplus Supermarket
4. Carrefour Supermarket
5. Cleanshelf Supermarket
6. Khetias Supermarket
7. Society Stores Supermarket
8. Mathai Supermarket
9. Eastmatt Supermarket

**Source:** Kenya Retail Report, 2022.

### 3.4. Sampling Techniques

This study employed the census-sampling technique. Thus, all the large-scale retail supermarkets were used to assess the effect of financial decisions on the profitability of large-scale retail supermarkets in Kenya. The Census method was preferred in this study since it provides more accurate and exact information as no unit is left out hence objective results. Census is a collection of information on all units in the population. Census ensures accurate information is collected from the entire population (Pandey & Pandey, 2015). Therefore, this study focused on all nine (9) selected large-scale retail supermarkets in Kenya.

### 3.5. Data Collection Instruments

Secondary data collection sheet was used to obtain data from audited financial statements from January 2017 to December 2021.

### 3.6. Data Collection Procedure

Secondary data was obtained from the audited financial reports of Kenya's selected large-scale retail supermarkets and recorded in the data collection sheet for further analysis. The study used financial reports from January 2017 to December 2021. The secondary data collected included; sales, total expenses in each year, total fixed assets, long-term debts, net income, the dividend paid out, and total retained earnings.

### 3.7. Data Processing, Analysis, and Presentation

The data collected was processed and cleaned using Microsoft excel before exporting to STATA. Panel data were analyzed using descriptive and inferential statistics. Descriptive statistics comprised mean, minimum value, maximum value, and standard deviation, and inferential statistics included panel linear regression, correlation analysis, and the Hausman test for a fixed and random effect.

To establish the effectiveness of the regression model, diagnostic tests including: variance inflation factor to test for multi-collinearity, Breusch-Pagan to test for Heteroscedasticity, Shapiro Wilk to test normality, Breusch-Godfrey test to test for autocorrelation and Levin-Lin Chu test to test for stationarity were conducted.

The Hausman specification test was used to establish an appropriate model for the study. Findings were presented in tables, graphs, and figures. The effects of financial decisions and the profitability of retail outlets were modeled using the following regression equation.

$$NPM_{it} = \beta_0 + \beta_1 ID_{it} + \varepsilon_{it} \dots \dots \dots (3.1)$$

$NPM_{it}$  – Represents net profit margin;

$\beta_0$  – Constant;

$\beta_1$  – Regression coefficient;

ID – Represents Investment Decisions;

$i$  – Denotes the observations (large-scale supermarkets);  
 $t$  – Represents the time dimensions from 2017 to 2021;  
 $\varepsilon_{it}$  – The error term.

**Table 2:** Measurement of Variables

Category	Variable	Operationalization	Measurement
Independent Variable	Investment Decisions	Asset Turnover Ratio	$\frac{\text{Total Investment}}{\text{Total Assets}}$
Dependent Variable	Profitability	Net Profit Margin	$\frac{\text{Net Profit}}{\text{Revenue}}$

## 4. Data Analysis, Results, And Discussions

### 4.1. Descriptive Statistics

Table 3 shows the descriptive results for the profitability and financial decisions of large-scale retail supermarkets in Kenya.

**Table 3:** Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
NPM	35	.3051329	.1716504	0.0140285	.7370295
ID	35	.4452401	.2926167	0.0067056	1.045381

The descriptive statistics results in Table 3 show that in total, there were 35 observations which were from 7 large-scale retail supermarkets over a period of five years (panel data). The mean for profitability measured using net profit margin was 0.3051329 with a minimum of 0.0140285 and a maximum of 0.7370295. The maximum and minimum values of the net profit margin over the study period were positive. The positive values indicated that all the large-scale retail supermarkets under the study made a profit within the study period. The mean of 0.3051329 for net profit margin, which was higher than the standard deviation value of 0.1726504, indicated that profitability varied during the study period. This meant that some large-scale retail supermarkets were making high net profits while others were making very low net profits.

Investment decisions measured by asset turnover ratio had a mean of 0.4452401 with a minimum value of 0.0067056 and the highest value of 1.045381. The standard deviation for investment decisions was 0.3102882, indicating that investment decisions varied during the research period. The positive minimum and maximum values indicated that the firms were able to turn over their assets into sales. The lowest value of 0.0067056 indicated that this company made low investments concerning its total assets. The highest value of 1.045381 indicated high asset turnover, implying that this firm had higher sales than its total assets. These results depicted that different supermarket investment decisions vary from one supermarket to another.

#### 4.2. Test for Normality

The study adopted the Shapiro wilk test. The null hypothesis under this test was that the variable is normally distributed at a 5% significance level. If the W-values are approximately 1, probability values are greater than 0.05 significance level, and Z-values less than the Z-critical value of 1.96, we fail to reject the null hypothesis and conclude that data is normally distributed. The normality test results are presented in Table 4.

**Table 4:** Shapiro Wilk Test for Normality

Variable	Obs	W	V	Z	Prob>Z
NPM	35	0.96365	1.298	0.544	0.29329
ID	35	0.94528	1.953	1.397	0.08116

Results in Table 4 show that all W-values are approximately 1, the Probability values are greater than 0.05, and Z-values less than the Z-critical value of 1.96. Therefore, the study failed to reject the null hypothesis that variables of profitability and investment decisions were normally distributed at a 5% level of significance.

#### 4.3 Residual Normality

The study employed the Shapiro-Wilk test to test for the normality of residuals. The null hypothesis was that the residuals were normally distributed at a 5% significance level. If the W-values were approximate to 1, Z-values should be less than the Z-critical value of 1.96, and P-values greater than the predetermined significance level, we fail to reject the null hypothesis and conclude that residuals are normally distributed. The results of the residual normality test are presented in Table 5.

**Table 5:** Shapiro Wilk Test Results for Residuals

Variable	Obs	W	V	Z	Prob>z
Residuals	35	0.97000	1.071	0.143	0.44311

Table 5 shows the results of the Shapiro Wilk test for residuals showed a W-value of approximately 1, a probability value of 0.44311 is greater than 0.05, and a Z-score value of 0.143, which was less than the Z-critical value of 1.96. At the 5% significance level, the study failed to reject the null hypothesis and concluded that the residuals were normally distributed.

#### 4.4 Stationarity Test

The study employed the Levin Lin Chu test to test for the stationarity of the variables. This test's null hypothesis is that all panels had a unit root. If the P-values are less than 0.05, we will reject the null hypothesis and conclude that the panel is stationary. Table 6 presents the stationarity results of the study.

**Table 6: Levin Lin Chu Test for Stationarity**

Variable	Period	Panel	T statistic	P-value
ID	5	7	-2.8183	0.0024
NPM	5	7	-3.9812	0.0000
ADF regressions: 1 lag LR variance: Bartlett kernel, 5.00 lags average (chosen by LLC)				

The tabulated t-statistic of the study is  $-2.028$ . The p-values in Table 6 were less than 0.05, and all of the t-statistic values for the variables were less than the critical value of  $-2.028$ . This meant that at a 5% level of significance, the null hypothesis that the variables were not stationary was rejected, indicating that profitability (NPM) and Investment Decisions (ID) were all stationary. Thus, their use for analysis would yield valid and reliable results.

#### 4.5 Correlation Analysis

The study conducted correlation analysis for the various variables to examine the nature of the statistical association between each pair. Table 7 shows the correlation matrix of capital structure, investment, and dividend decisions.

**Table 4.5: Correlation Analysis Results**

Variable	NPM
ID	0.3778* 0.0253

The correlation results in Table 7 established that investment decisions had a positive and significant relationship with profitability ( $r=0.3778$ ,  $P=0.0253<0.05$ ). This implied that higher asset turnover results in improved profitability of supermarkets. These results agree with Osoro, Ogoro, Andrew, & Nyarige's (2017)'s study on the influence of investment decision techniques on the financial performance of medium enterprises in Kisii County.

#### 4.6 Fixed and Random Effects

Fixed and random effects were conducted to determine the most appropriate regression model for the study. Hausman test was used to choose between fixed and random effect models. Table 8 and 9 present the fixed effect model of the study.

**Table 8: Fixed Effects Results**

NPM	Coef.	Std. Err.	T	P> t
ID	.4072674	.1653943	2.46	0.021
_cons	.386509	.0747235	5.17	0.000
R-sq: within = 0.5044 between = 0.6066 overall = 0.5213				
F(3,25) = 8.48 Prob > F = 0.0005 corr(u_i, Xb) = -0.2392				

**Table 9: Random Effects Model**

NPM	Coef.	Std. Err.	Z	P> z
ID	.3930138	.1471249	2.67	0.008
_cons	.3793945	.0580041	6.54	
R-sq: within = 0.5041 between = 0.6025 overall = 0.5215				
corr(u_i, X) = 0 (assumed) Wald chi2(3) = 33.05 Prob > F = 0.0000				

#### 4.7 Hausman Test for Fixed and Random Effect

Hausman specification test is conducted to identify the appropriate model between fixed and random effects. The Hausman test is based on the null hypothesis that the random effect model is appropriate. If the P-value of the Hausman test is greater than 0.05, we fail to reject the null hypothesis and conclude that the random effect model is appropriate. The study conducted the Hausman test to identify the most appropriate model for the research. The Hausman test results are presented in Table 10.

**Table 10: Hausman Test Results for Random and Fixed Effects**

	(b) Fixed	(B) Random	(b-B) Difference	sqrt (diag(V_b-V_B)) S.E.
ID	.4072674	.3930138	.0142535	.0755615
b = consistent under Ho and Ha B = inconsistent under Ha, efficient under Ho chi2(3) = (b-B)'[(V_b-V_B) ^ (-1)](b-B) = 1.24 Prob > chi2 = 0.7445				

Table 10 presents the Hausman test for fixed and random effects results. The Hausman test results show a P-value of 0.7445, indicating that the chi2 was statistically insignificant at a 5% significance level. As a result, the study failed to reject the null hypothesis and concluded that the random effect model was preferred to the fixed effect model. Therefore, the study used a random effect model to extract a regression equation presented below

$$NPM_{it} = 0.3793 + 0.3930ID_{it} \dots \dots \dots (4.1)$$

From the regression model (4.1), the constant 0.3793 shows that if the financial decisions, which are capital structure decisions, investment decisions, and dividend decisions are not implemented, the profitability of large-scale retail supermarkets measured on net profit margin would be 0.3793.

The null hypothesis was that investment decisions had no significant effect on the profitability of large-scale retail supermarkets in Kenya. The hypothesis was tested using a p-value. The rejection criteria were that if the p-value exceeds 0.05, we fail to reject the null hypothesis. The findings in table 4.12 established that investment decisions had a positive and significant relationship with profitability. This is supported by regression

coefficients of 0.3930 with p-values of  $0.008 < 0.05$  and z-statistics of 2.67 greater than z critical of 1.96; therefore, the null hypothesis was rejected, and adopted the alternative hypothesis that investment decisions had a significant influence on the profitability of large-scale retail stores in Kenya.

These results implied that a unit increase in the asset turnover ratio measured for investment decisions would lead to a subsequent increase in the profitability of large-scale retail stores by 0.379 units. These results meant that investment decisions effectively predicted the profitability of large-scale retail stores in Kenya. These results are consistent with Nyang'au & Muturi (2018), which indicated that investment decisions had a positive and significant effect on the financial performance of retail investors in Kisii Town. These findings also corroborate Michelin, Codesso, Santos, & Lunkes (2019) study that established capital budgeting decisions had a positive and significant influence on the financial performance of retail supermarkets in Santa Caterina, Brazil.

## **5. Summary, Conclusions and Recommendations**

### **5.1 Summary of Findings**

The study's second objective was to determine the effect of investment decisions on the profitability of large-scale retail stores in Kenya. The descriptive results established that the asset turnover ratio varied across the study period. This is evidenced by the maximum value of 1.045381 and minimum value of 0.06706. This made asset turnover varied across the study period. The correlation analysis established that investment decisions measured by asset turnover ratio positively and significantly associated with the profitability of large-scale retail stores in Kenya. This is supported by an r of 0.3778 and a p-value of 0.0253.

The regression of coefficients findings shows that investment decisions and profitability are positively and significantly related. This is proven by the regression coefficient of 0.3930 and p-value of 0.008. This implies that a unit increase in the asset turnover ratio will result in a corresponding rise in the profitability of retail stores in Kenya. Therefore, the study adopted the alternative hypothesis that investment decisions significantly affect the profitability of large-scale retail supermarkets in Kenya.

### **5.2 Conclusions**

The correlational results found that investment decisions positively correlated to the profitability of large-scale retail stores in Kenya. This is supported by an r of 0.3773. The regression model results found that investment decisions positively and significantly affect the profitability of large-scale retail stores in Kenya. This is supported by a regression coefficient of 0.3978 and a p-value of 0.008. Therefore, the study concluded that investment decisions positively and significantly affect the profitability measured using net profit margin.

### 5.3 Recommendations of the Study

The study established that investment decisions influence profitability positively. The study recommends implementing viable investment projects based on customer preferences, expert directions, market forces, and business elements. The management should also implement investments evaluated by investment decision techniques to ensure that the investment will yield the required and expected results. Investment decisions should also involve diversifying risk, understanding the business environment, venturing into new businesses, and investing in product quality improvement and cost reductions.

### Conflict of Interest Statement

The authors declare no conflicts of interest.

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