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INFLATION RATE AND FINANCIAL PERFORMANCE OF INVESTMENT FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

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ABSTRACT

Financial performance is a critical indicator of organizations' overall profitability and health. Return on equity (ROE) is a crucial metric that reflects a firm's operational efficiency and attractiveness to investors and is commonly used to assess performance across industries. Recent trends in Nairobi Securities Exchange (NSE)-listed investment firms show a concerning decline in ROE, dropping from 10.3% in 2019 to 4.2% in 2022, before a slight recovery to 7.2% in 2023. If unaddressed, the declining ROE may discourage investment, reduce market liquidity, increase borrowing costs, and slow economic development. The study aimed to assess the effect of inflation rate on the financial performance of NSE-listed investment firms. The Quantity Theory of Money, guided the research. A descriptive research design was employed to analyze secondary data collected from reliable sources, including the Central Bank of Kenya (CBK), NSE reports, company websites, and Capital Markets Authority (CMA) handbooks. The target population consisted of five NSE-listed investment firms: Olympia Capital Holdings Ltd, Centum Investments Co Ltd, Trans-Century Ltd, Kurwitu Ventures, and Home Afrika Ltd. Given the small number of firms, the study adopted a census approach, analyzing all five companies. Data was processed using Microsoft Excel to compute descriptive statistics, including frequencies, percentages, and measures of central tendency, providing insights into financial trends and macroeconomic influences. The findings indicated that inflation rate had a statistically significant relationship with financial performance, with the model explaining approximately 74.8% of the variation in ROE. The study concluded that inflation rate played a key role in influencing firm performance. The study recommended that investment firms should incorporate macroeconomic indicators into decision making, while policymakers were encouraged to maintain economic stability. The findings benefit investment firms by improving risk management strategies and operational efficiency. Policymakers and regulatory bodies gain insights into external economic factors affecting investment firms, enabling them to formulate policies that foster financial stability. Additionally, academics find value in this study as it expands the body of knowledge on macroeconomic influences on financial performance in emerging markets such as Kenya.

Key Words: Inflation Rate, Financial Performance, Investment Firms, Nairobi Securities Exchange

Introduction

Financial performance is the measurement of a firm's ability to utilize the resources of its core business to produce revenue (Endri & Fathony 2020). This concept includes several measures, which include profitability, return on assets (ROA), return on equity (ROE), net income and operating cash flow. To investment firms, financial performance is crucial as it determines their capacity to acquire and retain customers, get funding, and be viable in the future (Smith *et al*., 2021). Good financial performance indicates that an investment firm is effective in generating positive returns for its clients, can earn enough income to meet its expenses, pay its shareholders, and invest in further expansion.

The relative importance of financial performance, bearing in mind the reasoning of ROE, is not restricted to the firm level but is also pertinent at the national level. Well performing investment firms have a positive impact on financial markets and assist in capital formation and economic growth (Awaysheh *et al*., 2020). The firms encourage local and international investors hence promoting a good investment climate. This, in return, enhances employment opportunities, economic balance, and high rate of expansion. To the policymakers, tracking the financial performance of the investment firms means they get a handle on how well its economic policies and regulatory requirements are doing, thus promoting sustainable growth, and leveraged management (Asravor & Fonu, 2021).

Additionally, financial performance is one of the most critical factors that define an investment firm's competitiveness. Companies that outperform their counterparts are in a stronger place to lure talented personnel and secure better conditions with partners and suppliers. In an industry where reputation and trust are key, strong financial performance can serve to bolster the investment firms standing with both current and future clients (Feng *et al*., 2021). It helps firms cope with economic risks and market fluctuations and acts as a cushion against adverse financial events. In this way, firms can diagnose their performance in terms of various financial indicators, allocate capital effectively, and design plans for enhancing returns.

The companies that invest on the securities listed on the Nairobi securities exchange in Kenya operate in a macroeconomic environment, which has a direct impact on the company's performance. Some of these variables include; the inflation rate, interest rate, exchange rate, and money supply (Smith *et al*., 2021). Inflation rate is defined as the percentage change in the price level of a basket of goods and services as indicated by the change over a given time interval, usually the annual rate. It is normally measured by the consumer price index (CPI), which records the changes in price of a basket of goods and services (Feng *et al*., 2021). Inflation affects the purchasing power of money, which translates to a rise in the prices of raw materials, wages, and other expenses. Hence, Inflation rate plays a vital role in affecting the financial performance of investment firms.

Statement of the Problem

The financial performance of investment firms is a key pointer to the country's financial health and investor confidence (Naomi, 2023). High financial performance, which is measured by ROE, demonstrate the effectiveness or otherwise of these firms including their financial returns which make them attractive to both domestic and international investors. Nonetheless, data obtained from the NSE shows that the trend in several investment firms' ROE has been on the decline, reflecting challenges in financial performance and investor confidence (Tadesse, 2020). Specifically, ROE figures from the recent years highlight this fluctuating trend. In 2015 the average ROE stood at 2.4%, rising slightly to 3% in 2016, before dipping to 2.8% in 2017 and further declining to 2.4% in 2019, which then decreased to 1.0% in 2020, maintaining the same value in 2021 before slightly recovering to 2.6% in 2023 (NSE, 2020; NSE, 2023).

Academics such as Naomi (2023) have observed that the decreasing trend in ROE shows inefficiency and a difficult operating environment for investment firms in the NSE. While there has been a slight improvement in 2023, the long-term downward trajectory suggests that strategic changes and operational tenacity are required to enhance financial outcomes and investor confidence. The decline is viewed as a negative occurrence as such a decline could discourage investors and in the process lead to the flow of lesser capital into the economy. If this problem is not solved, it can lead to a decline in the market liquidity therefore increasing borrowing costs and therefore slow economic development. There has been limited empirical evidence analyzing how specific macroeconomic variables affect the financial performance of investment firms. Most existing work, generalizes across the financial sector, overlooking the investment firm subsector that plays a critical role in the economy. This gap limits ability of policy makers and investors to make decisions in response to macroeconomic conditions. Thus, from the mentioned fluctuating statistical results and the limited empirical studies, this study sought to address the conceptual, contextual, and methodological gaps that exist in this topical area and establish the real effect of firm specific characteristics on financial performance of investments firms listed at the NSE, Kenya.

General Objective

i. To determine the effect of the inflation rate on the financial performance of investment firms listed at the Nairobi Securities Exchange in Kenya

Theoretical Review

The Quantity Theory of Money

The quantity theory of money (QTM) most notable adherent was Irving Fisher in 1911. The theory suggested that inflation is a straight function of the money supply (Machaj, 2023). In QTM, it is argued that inflation is defined as a rise in the general price level (P) that results from a situation in which the money supply grows more rapidly than real output (Q). It is one of the oldest and most widely embraced theories in economics, linking money supply with inflation. The theory underscores the importance of controlling the money supply to maintain price stability. If the central bank prints more money, without a corresponding increase in goods and services, it will lead to inflation.

The theory is built on the assumption that the velocity of money is constant in the short run, and the economy is at or close to full employment with little change in output in response to changes in the money supply (Pinter, 2022). A second core assumption is that the correlation between money supply and price scales is direct and fixed; that is, a rise in money supply directly and proportionally increases inflation. The theory may be extended to the explanation of the impact of fluctuations in the money supply on inflation rate and thus, on the financial performance of firms listed at the NSE by the investment firms. A rise in the money supply may foster rising inflation that dissolves the real value of the returns and impacts investors' confidence and investment performance negatively (Moosa *et al*., 2024). In particular, if the inflation rate increase due to excessive money supply, the returns the investment firms receive may have lost some purchasing power and, consequently, reduced profitability and ROE for these firms.

Despite its historic relevance, the quantity theory of money has been frequently criticized for its assumptions of constant velocity and full employment. Modern economists contend that the velocity of money is not stable and can change in response to changes in monetary policy, technological change, and consumer behavior. Furthermore, the theory does not explain how the inflationary process can be affected by other factors, such as supply shocks, exchange rate, and economic structure problems besides monetary phenomena (Moosa *et al*., 2024). In

addition, QTM may not reflect well enough today's complex global economy of open economies like Kenya, where external factors like global commodity prices and exchange rate fluctuations jointly affect inflation. Despite this, the theory gives a base on which we can look at how firms on NSE perform when inflation is driven by money supply.

QTM is especially applicable to this research since it offers a theoretical line of thought on how money supply changes may be able to impact the inflationary rates and thereby have an impact on the financial performance of listed investment companies at the NSE. According to the theory, money supply and the price level have a direct and proportional relationship meaning that the higher the money supply is, the higher will be the general price level. This inflationary pressure neutralizes the real income of returns on investment as such, decreases profitability and ROE of investment firms (Pinter, 2022). Considering the susceptibility to inflation shocks in Kenya and the fact that it has a developing financial market, the theory stresses the importance of an effective monetary policy and risk management measures to protect returns and investor confidence in a volatile macroeconomic environment among investment companies

Empirical Review

Inflation Rate and Financial Performance

Knio *et al*. (2023) aimed to determine the correlation of the performance of the financial market in Saudi Arabia with certain macroeconomic variables such as interest rate, inflation and the balance of trade. They used positivism research approach, correlative study design, secondary information dating between 2006 and 2021 and the regression analysis to analyze the relationship between these variables and market performance. The study determined that balance of trade had a significant impact on Saudi stock exchange, and interest rate and inflation had an insignificant influence. The study is useful to the market decision-makers and entrepreneurs who want to understand market behavior, and run risks related to the market. However, its limitations are potential unreported variables, poor generalizability beyond the Saudi context, and use of three indicators of macroeconomics only, incapable of analyzing the intricate financial market dynamics.

Sukana *et al*. (2022) analyzed how inflation rates impacted the returns on equity (ROE) of the commercial banks in Nigeria between 1999 and 2018. Given the critical role that commercial banks play in socioeconomic development of Nigeria, the objective of this study was to understand how inflation affects the profitability of the commercial banks. The authors found out that ROE is inversely proportional to inflations; as inflations increase so do the operational costs thereby reducing profits. The paper highlighted that inflation causes confusion on pricing system and resource distribution that forces banks to obtain additional capitals to support their operation. The study focused on using statistical analysis of data provided by the Central Bank of Nigeria to gauge this relationship. The findings highlighted the importance of sound monetary policies that could stabilize inflation and safeguard the bank profitability. One of the limitations is that the paper discussed only the role of inflation without relating it to other macroeconomic factors impacting ROE.

Babu (2019) examined the impact of inflation rate on stock market returns at the Nairobi Securities Exchange (NSE) in Kenya. Using a quantitative research design, the study examines time series data from 2005 to 2015 and determines whether there is any correlation between inflation and stock returns. The study found that inflation had got a statistically large negative relationship with the returns of the market, i.e., increase in inflation bring down the investors' purchasing power and affect the stock prices. However, the study only accounts for market

return and did not consider other determinants like the firm specific that are of great influence. In addition, study findings are limited to the NSE, and may not generalize to different markets or contexts.

Njeru (2017) considered how momentum in the market, such as inflation, influences the fund managers' return at the Kenyan NSE. The quantitative study was conducted by analyzing past market performance and inflation through historical data between 2010 and 2016. Results showed that fund manager returns are negatively influenced by inflation since high inflation erodes the values of assets and reduces market returns. Despite this, Njeru's study had a higher scope over fund manager performance than investment firms' financial performance. Furthermore, market momentum is just one of the many determinants, and the study itself only contributes directly to economic performance and inflation in a limited manner

Sifuna (2018) examined how inflation rate affects stock returns of commercial and service firms listed at NSE through their capital structure. The study followed a quantitative approach using financial data on firms listed on the NSE between 2012 and 2017. The results indicated that a firm's stock returns are inflation sensitive to its capital structure, especially in inflationary periods. The study revealed that the inflation rate produced a positive statistically significant effect on the financial performance of NSE firms, while other factors, such as market conditions and firm size, had a negative statistically insignificant impact. Nevertheless, Sifuna's work focused on capital structure, and gaps exist in understanding the direct relation between these firms and the rate of inflation and their financial performance.

Conceptual Framework

A conceptual framework is defined as a diagrammatical representation of how different variables of a given study interact with each other. The key independent variable that guided this study was inflation rate. The dependent variable will be the financial performance of NSE firms, as shown in Figure 2.1

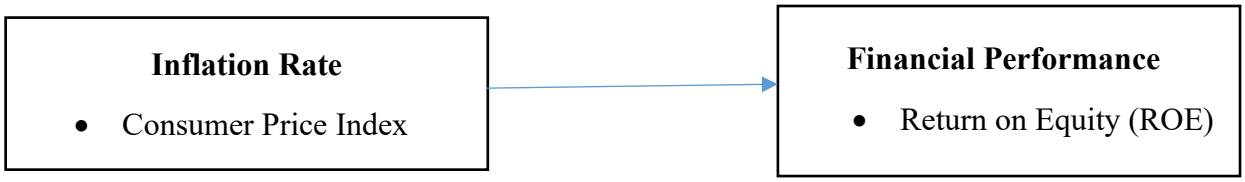

Figure 1: **Conceptual Framework**

RESEARCH METHODOLOGY

Research Design

The research design used in this study was descriptive. This was appropriate for this study as it allowed observations on the impacts of macroeconomic variables, that is, the inflation rate, interest rate, exchange rate and money supply on the financial performance of investment firms listed at Nairobi Securities Exchange.

Target Population

This study focused on five investment firms listed on the Nairobi Securities Exchange (NSE): Olympia Capital Holdings Ltd, Centum Investments Co Ltd, Trans-Century Ltd, Kurwitu

Ventures, and Home Afrika Ltd for the study period 2015 to 2024. Given the small number of listed investment firms in this category, the study adopted a census approach by including all five firms in the analysis.

Data Collection Instruments

Data for this study was sourced from reliable as well as relevant secondary sources such as company's websites, Central Bank of Kenya (CBK) indexes, Nairobi Securities Exchange (NSE) handbooks and reports from Capital Markets Authority (CMA) using a secondary data collection sheet.The data was collected over a period of three weeks to ensure thorough and enough data was collected focusing on the study period of 2015-2024.

Data Processing and Analysis

Quantitative data was used to address relevant research objectives. Descriptive statistics was used in quantitative data analysis to summarize and describe the major features of the dataset (Hossan et al., 2023). Regression analysis was used in this study to analyze the relationship between macroeconomic variables and the financial performance of the investment firms. Moreover, the correlation analysis assessed the strength and direction of the association between ROE and the selected macroeconomic variables. For these analyses, statistical tools like SPSS and Microsoft Excel were utilized to ensure accuracy and reliability of the results interpretation.

Analytical Model

The panel data analysis preferred econometrically since it reflected changes in the firm and the variable overtime. The main model for statistical analysis was:

$$Y_{it}=\alpha+\beta_1 X_{1it}+\varepsilon_{it}$$ **……...Equation 3.1**

RESEARCH FINDINGS AND DISCUSSIONS

This chapter entails a detailed descriptive statistics, trend analysis for the macroeconomic results variables and diagnostic test results on the collected data.

Descriptive Statistics

Descriptive statistics was conducted to summarize and understand the basic characteristics of the data collected regarding the financial performance and macroeconomic variables. The results are as shown in Table 1

Table 1: Descriptive Statistics Test Results

Variable	Min	Max	Mean	Std. dev.
ROE	-0.06	0.1	0.0235	0.04182
Inflation Rate	0.01	0.08	0.0582	0.01899
Valid N (listwise) 50				

Table 1 indicates that the ROE ranges from a minimum of -6% to a maximum of 10%, with a mean value of 2.35% and a standard deviation of 4.182. The negative minimum value (-6%) suggests that some investment firms experienced losses, indicating poor financial performance during the study period. On the other hand, the maximum ROE of 10% demonstrate that certain firms performed well and generated positive returns on equity. The average ROE of 2.35% reflects generally low profitability across the investment firms listed at the Nairobi Securities

Exchange (NSE), pointing toward an industry struggling to deliver consistent value to shareholders. The standard deviation of 4.182 reveals a wide variation in ROE among the firms, meaning that performance was not uniform; some firms significantly outperformed others, while others were deeply underperforming.

The inflation rate as seen in Table 1 shows a minimum value of 1%, a maximum of 8%, a mean of 5.82%, and a standard deviation of 1.899. The 1% minimum implies that in at least one of the study periods, inflation was relatively low, possibly signaling price stability, which is usually conducive to business growth. Conversely, the maximum inflation rate of 8% indicates periods of increased cost of living and reduced purchasing power, which could erode investment returns and hurt firm performance. The mean inflation rate of 5.82% suggests that inflation remained moderately high during most periods, potentially contributing to economic uncertainty and cost pressures for investment firms. The standard deviation of 1.899 indicates a fair degree of variability in inflation, meaning inflation rate were not consistent across the observed periods. Such fluctuations can introduce unpredictability in input costs, interest rate, and investor behavior, affecting financial planning and performance.

Trend Analysis

A trend analysis of the macroeconomic variables was performed to identify actionable patterns based on the available data.

Trend Analysis for Inflation Rate

To determine the trend followed by the inflation rate over the years, a comparison was performed through excel using a line graph. The results of the inflation rate trend over the 10 years are presented in Figure 1

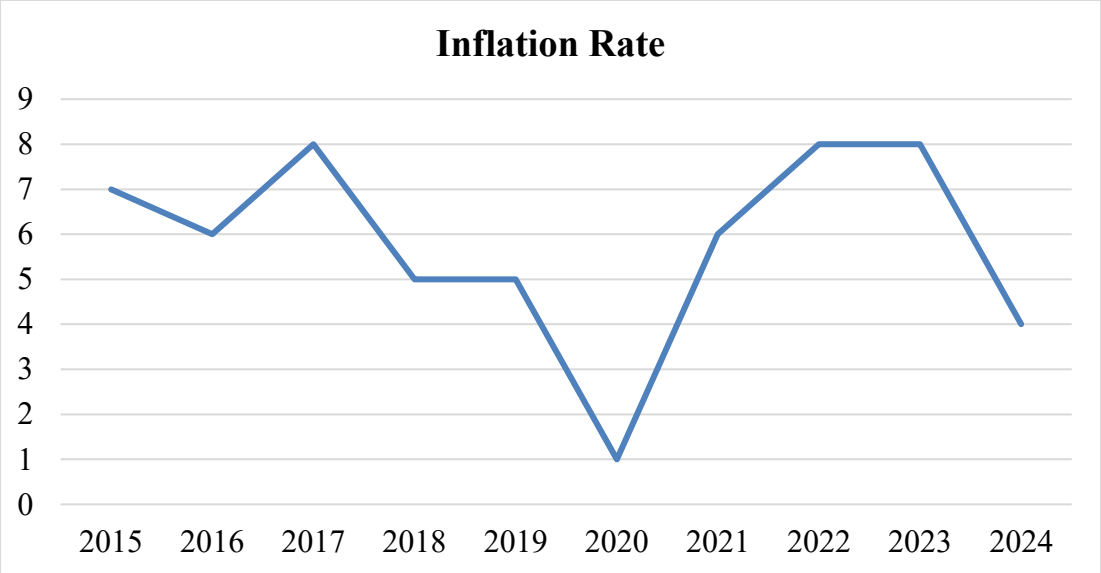

Figure 1: Trend Analysis for Inflation Rate

The inflation rate in Kenya over the last ten years has shown a fluctuating trend, reflecting periods of both economic stability and volatility as shown in Figure 4.1. Between 2015 and 2017, inflation remained relatively high, peaking at 8% in 2017, likely due to external shocks or domestic supply disruptions. It then declined to a low of 1% in 2020, possibly due to reduced economic activity during the COVID-19 pandemic. However, inflation rebounded in 2021 and remained elevated at 8% through 2022 and 2023, likely driven by rising global commodity

prices and currency depreciation. The rate dropped to 4% in 2024, suggesting improving economic conditions or tighter monetary policies. This variability highlights the sensitivity of inflation to both global and domestic economic dynamics.

Trend Analysis for Return on Equity

An analysis was carried out to access the trend of Return on Equity for the last 10 years. The Return on Equity of the five selected firms over the years can be summarized as seen from Figure 2.

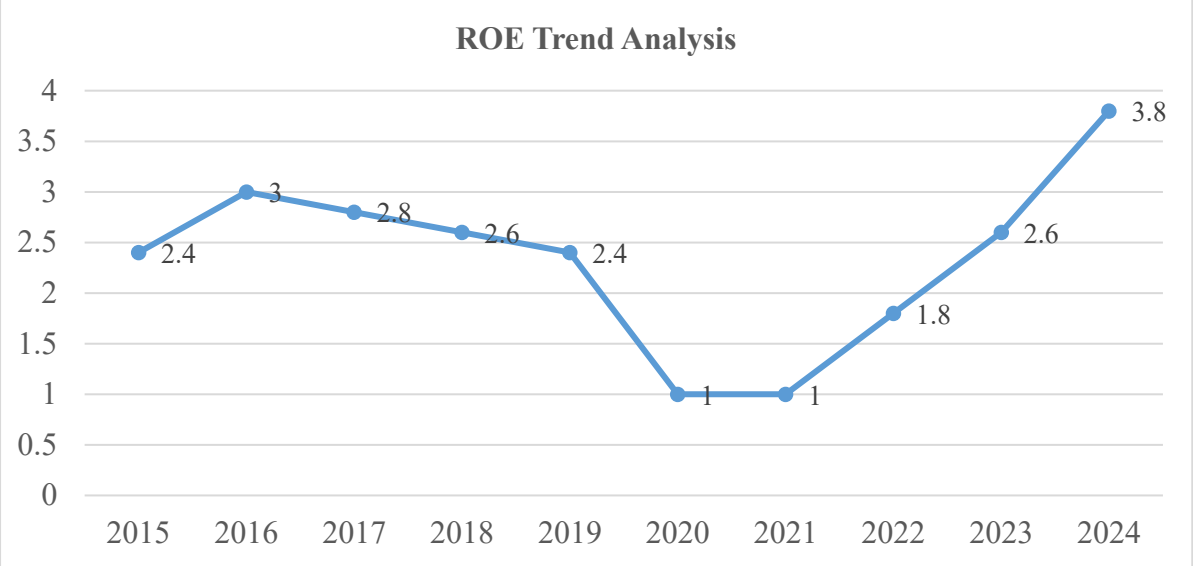

Figure 2: Trend Analysis for ROE

The ten-year trend analysis of the five firms listed on the NSE shows significant fluctuations in return on equity (ROE) performance between 2015 and 2024 as seen from Figure 4.5. In 2015, the average ROE stood at 2.4%, rising slightly to 3% in 2016 before dipping to 2.8% in 2017 and further declining to 2.6% in 2018. By 2019, the figure dropped back to 2.4%, marking a downward trajectory. The most notable decline occurred in 2020 and 2021, when ROE fell sharply to 1%, reflecting possible external shocks or firm-level inefficiencies. However, recovery began in 2022 with an improvement to 1.8%, followed by a stronger rebound in 2023 at 2.6%. By 2024, the firms recorded their highest ROE of 3.8%, signaling renewed profitability and resilience. Overall, the trend suggests a volatile performance with a mid-decade slump but a promising recovery in recent years, indicating improved financial strategies and market conditions.

Linearity Test Results

The linearity test was conducted to check whether the relationship between study variables was linear, that is, whether the change in one variable was associated with a proportional change in the other. To assess linearity, the Pearson's correlation coefficient (r) was calculated in SPSS. Pearson's r ranges from -1 to +1 with +1 implying perfect positive linear relationship, -1 meaning perfect negative linear relationship and 0 for no linear relationship. The findings are shown in table 2

Table 2: Linearity Test Results

	ROE	Inflation Rate
ROE	1	
Sig. (2-tailed)		
N	50	
Inflation_Rate	0.512	1
Sig. (2-tailed)	0.001	
N	50	50

The linearity test results as shown in Table 2 indicate moderate positive relationships between the financial performance (ROE) and the variables under study. The Pearson correlation coefficient between ROE and Inflation Rate is 0.512 with a p-value of 0.001, suggesting a statistically significant moderate positive relationship. These results highlight a positive linear influence on firm financial performance as measured by ROE.

Inferential Statistics Results

Correlation analysis, regression analysis and ANOVA were used to determine the degree of impact of inflation rate the Return on Equity (ROE) in both isolated and collective manners. These applications assess the meaningfulness and strength of any relationships, or lack thereof, based on more than observed pattern assessment but instead on evidence, leading to deeper conclusions.

Correlation Analysis

Correlation analysis was performed between ROE and inflation rate, to determine the degree and direction of a linear relationship. Correlation analysis results is as shown in table 4.3

Table 3: Correlation Matrix

Correlation	ROE	Inflation Rate
ROE	1.0000	
Inflation Rate	-0.682**	1.0000
N	50	50

Significance: **p < 0.01, *p < 0.05

ROE is highly, negatively correlated with inflation rate ($r = -0.682$, $p < 0.01$) since rising prices decreases effective gains and profit generation for firms. Overall, the results indicate that inflation rate significantly and consistently influence investment firms' financial performance in a meaningful way, setting a strong foundation for further regression analysis to asses net effect of each predictor on ROE when other variables are held constant.

Regression Analysis

Regression analysis was performed in this study to assess how the macroeconomic factor, such as inflation rate, influence the financial performance (ROE) of selected firms.

Table 4: Regression Analysis

Variable	B	Std. Error	Beta	t	Sig
Constant	1.320	.0.520		2.538	0.015
Inflation rate	0.625	0.110	0.710	5.682	0.000

a. Predictors: (Constant), Inflation Rate,
b. Dependent Variable: ROE

The regression results indicated that inflation rate had a positive and statistically significant effect on the financial performance (ROE) of investment firms listed at the NSE. The coefficient of inflation rate was 0.625 with a p-value of 0.000, implying that a unit increase in inflation leads to a 0.625 increase in ROE, holding other factors constant. This suggests that inflation plays a meaningful role in influencing firm performance, possibly due to firms' ability to adjust prices, benefit from asset revaluation, or invest in inflation-hedged instruments. A Durbin-Watson value of 1.850 is close to 2, indicating no evidence of first order autocorrelation among the residuals. The estimated regression model is expressed as follows:

$$\mathbf{Y= 1.320 + 0.625X_{1it}}$$

These results indicate that inflation plays a critical role in shaping firm performance, consistent with the theoretical expectations outlined in Chapter Two.

CONCLUSIONS, AND RECOMMENDATIONS

Inflation Rate on Financial Performance

The aim of the study was to assess the impact of inflationary trends on profitability and thus financial performance of NSE-listed investment firms. It was revealed that the inflation rate significantly impacted return on equity. This is because the price level of the economy, not just inflation, impacts firm functioning to a great extent. Since inflation is associated with higher costs in operating expenditures, reduced purchasing power, and greater negative real returns on investment, it was determined that increased levels of operating expenditures reduced profitability through inflation. In summary, inflation is a major force impacting the ROE of firms. Furthermore, the regression output shows that inflation had a statistically significant coefficient, implying that inflation does indeed have an impact on ROE. Therefore, the null hypothesis, which sought to determine that the inflation rate does not significantly impact the financial performance of investment firms, was rejected. Thus, the study concludes that inflation emerged as a statistically significant determinant macroeconomic variable impacting daily operations and long-term viability expectations at the NSE.

Conclusions of the Study

The research concludes that the inflation rate is a strong and substantial determinant of financial performance among NSE-listed investment firms. Furthermore, it was revealed that increasing inflation rates negatively impact financial performance since purchasing power declines, operating costs increase, and real returns on investments become lower. This illustrates that investment firms are in an environment where constantly increasing costs outweigh the ability to provide positive returns for extended periods. As a result, the null hypothesis is rejected, and inflation is a significant determinant of financial performance for investment firms. Therefore, this study suggests that inflationary pressures pose significant risks to financial performance and should be noted as a future determinant of financial performance for profitability and shareholder equity. Investment firms should therefore pay attention to inflation forecasts and

trends over time as they relate to budgetary concerns, risk advisory factors, and strategic planning.

Recommendations of the Study

Since inflation rate was found to have a statistically significant relationship with the financial performance of investment firms listed at the Nairobi Securities Exchange, appropriate measures are recommended. Investment companies should enhance their inflation positioning efforts by extending inflationary awareness to assets that maintain value during inflation including real estate holdings and inflation-indexed assets. They should also conduct annual determinations of inflation sensitivity to ascertain cash flow, operating expenses, and revenue sensitivity to price changes. Investment companies should utilize flexible pricing as well as cost-reduction opportunities to minimize the operational effects of inflation. Financial managers should increase reliance upon forecasting tools for inflation assessment rather than financial forecasting to account for expected realities. Policy makers, particularly the Central Bank of Kenya, should maintain stable predictable inflation targeting policies to reduce market uncertainty and support capital market performance. Companies should maintain excess liquidity to support organizations through inflationary times when real purchasing power decreases and real investments decline. Furthermore, organizations should start a continual reassessment of risk management policies relative to exposures based on inflation, hence aiding in the determination of operational and investment opportunities.

Suggested Areas for Further Research

While this study successfully meets its objective, limitations exist that suggest a foundation for future research. This study examined the significance of the relationship between inflation and the financial performance of five selected investment firms listed on the Nairobi Securities Exchange. Since this is a small population, it would be beneficial to assess whether similar results and relationships occur across different firm categories throughout the NSE, as this would avoid generalizing results of a sector that is already small. Furthermore, other econometric models could have been applied to derive a different analysis of this research. For instance, Vector Auto Regression (VAR) models, Generalized Method of Moments (GMM), and Dynamic Panel Data models can apply a different lens through a time-lag approach, either for long-term or short-term causal conclusions. In addition, other variables could be assessed over a wider demographic range to include global macroeconomic variables and geopolitical risk, and how they interact with domestic variables to impact investment firm performance.

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