
FINANCING & INVESTMENT DECISIONS AMID COVID-19 LOCKDOWN:
INTERVIEWS CONDUCTED FROM VARIOUS BUSINESSES IN NAIROBI

Reflections from Financial Management and Control

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1. INTRODUCTION

A mid the COVID-19 pandemic that has entered the fourth month since the first case was reported in March 2020, it has indeed brought unprecedented environment in the business arena. Actually, not only to businesses that are referred to as artificial persons, but also to the biological persons that are feeling the heat of the pandemic. In Kenya, most of the sectors of economy have been closed down as a result of the measures put in place by the government. This has led to loss of jobs, termination of contracts between businesses as well as low or cut payments to employees and suppliers. The Government has asked companies and business institutions to allow staff to work from home with the exception of some of the critical businesses making operations difficult. This has forced some of the organizations to rely on the digital platforms such as the Zoom, Google meet and Microsoft teams as their interaction platform with their clients thus ensuring their businesses continue even under the pandemic circumstances.

The consequences have been felt globally with decline on global remittances, risks of accelerating mobile money with cyber-risks and digital fraud, risk of unhealthy diets, and even unintended consequences of health care for chronic people suffering from other diseases apart from COVID-19 and such like (World Economic Forum, 2020). With the expectation of the President Uhuru Kenyatta to open the economy and remove the lock down of counties, businesses analysts and chartists are struggling with the tussle between the bulls and bears. The bad news is that they are in favour of the bears in the near term.

Looking at Europe, Asia and America, various governments have injected capital in to their economy while Kenya was not left out in this strategy. President, Uhuru Kenyatta announced some fiscal measures as well as monetary measures to help the economy recover from the downtrends of the pandemic. However, Kenya is still facing far more serious economic issues and with rising cases of COVID-19 pandemic, solemn thinking must be done by organisations as well as business leaders. On one hand, businesses are being required to invest in health and safety measures and on the other hand, businesses are wondering where the finances for those investment will be sourced from. The purpose of this article was to examine the various investment decisions as well as financing decisions businesses/or organizations are using in the midst of this COVID-19 Pandemic. The contribution of this paper is for institutions such like universities and schools to be aware of the eventualities and use the findings to learn from other organisations on what they have been able to achieve to maintain their sustainability. Other organisations a can use the results of this article to startegise on how to remain afloat; and individuals can also draw lessons from the artificial persons and be able to strategically plan for the days ahead.

The paper was structured in five sections: Section 1 carried the introduction. Section 2 gave a brief literature review. Sections 3 explained the methodology; section 4 showed the findings and discussion while section 5 provided the conclusion and recommendation.

2. BRIEF LITERATURE REVIEW

Financing decision as well as investment decisions normally are guided by various theories such as agency theory, capital structure theories and concept of time value of money amongst others. According to Lough (1919, p. 500; cited in Drake and Fabozzi, 2010),

“A man who keeps all his property in the form of cash and government bonds has comparatively little to worry or think about; but on the other hand, he is not using his resources productively. As the same man proceeds with the development of some business enterprise, he puts more and more of his capital into the various forms of tangible and intangible assets which are required for the up building of the business. Presently, if he is not careful, he may find himself short of cash and unable to meet his obligations, although he may be earning good profits. The same tendency is present everywhere. The executives who are managing the financial affairs of a company cannot assist in making the business profitable merely by piling up unnecessary cash resources. They must be prepared to venture out into the main current of business affairs along with their associates. And as they venture farther and farther, the danger increases that their financial craft may be swept out of their control. It requires constant watchfulness and sound knowledge to steer a middle course between excessive caution on the one side and rashness in financial management on the other”.

3. METHODOLOGY

The students were supposed to identify a Finance Manager/Auditor/business owner/Board member to conduct a half hour to one-hour interview. They were to design their own interview guide (interview questions) in such a way that the interviewees could provide insight into the key course concepts of financing and investments decisions. The result of the questions and answer, company and position of the interviewee were to be written up into a (3-4) page report. Thirteen (13) articles were selected that met these requirements and thematic analysis used for exploration. According to Braun and Clarke (2006; cited in Nowell, Norris, White, and Moules, 2017) argue that thematic analysis is a qualitative research method that can be widely used across a range of epistemologies and research questions. It is a method for identifying, analyzing, organizing, describing, and reporting themes found within a data set.

4. THE FINDINGS AND DISCUSSIONS

The articles the students forwarded for grading were scrutinized to check for the various investment decisions as well as financing decisions businesses/or organizations were using in the midst of this COVID-19 Pandemic. Table 4:1 show the descriptive data for the interviews conducted showing interviewees' position, their business form and sector:

Table 4-1: Descriptive Data

SRN	Business Form	Sector	Position of the Interviewee	Key Responsibility
1	Private Company	Financial Institutions	Internal Auditor	Review business processes. Evaluate the efficacy of risk management procedures. Protect the Company against fraud and theft.
2	Private Company	Tourism & Hotel	Financial Manager/ Finance Director	In charge of budget forecasts, liquidity matters and external environment.
3	Private Company	Transport	Chairman	In charge of Matatu business on oversight and supervisory areas.
4	Public Company	Construction	Finance Director	Monitoring long-term or short-term financial as well as investment decisions.
5	Public Company	Financial services	Financial Director/Economist	Oversight and supervision on business trends and advising.
6	Private company	Marketing services	Financial Officer	All financial decisions.
7	Sole Proprietorship	Wholesaler Services	Owner	Any decision that needs to be made.
8	Public Company	Financial Services	Financial Manager	Oversee financial decision, investment decision and dividend decisions.
9	2 SME	Importer and Distributor	Owner	Decisions with importation and local trading.
10	Public Company	Flower Services Parastatal	CEO Finance Manager	Overall decisions Finance decisions

The results in Table 4-2, interviews covered all the kinds of business forms with the majority of interviews being derived from private companies 4(40%) and public companies 4(40%), followed by a sole proprietor 1(10%) and small medium enterprise 1(10%). The companies/firms were represented by various sectors whose positions were responded by the majority being Financial manager/Director 6(60%), followed by 2(20%) owners and 1(10%) chairman and 1 (10%) denoting a Chief Executive Officer. The data implied that these individuals interviewed were those who chaired management meetings, prepared weekly, monthly and quarterly reports as well as presented the financial statements. There seems to be credibility of the information given as well as knowledgeable interviewees who understood the impact of COVID-19 pandemic on the economy and to specific business.

In terms of the capital budgeting decisions made especially with the current state of the economy as a result Covid-19 pandemic, Table 4-2 showed the results:

Table 4-2: Capital Budgeting Decisions

SRN	Various projects undertaken	Number of Organisations
1	Health and Safety measures	All companies engaged on this one
2	Information and Technology	3
3	Replacements and Expansion	2
4	Infrastructure and real estate	1
5	Money Market	3
6	Media,	1
7	Manufacturing,	1
8	Farming	1
	Total	13

The findings in Table 4-2, showed the various capital budgeting/investment decisions undertaken by the business/companies. The health and safety measures cut across all the businesses which made it a universal investment. These included the need to allocate some capital towards ensuring compliance with the mitigation measures on COVID-19 pandemic such like the purchase of facial masks, installation of handwashing sections, and hand sanitizers. This was a “compulsory” investment by the government directive of social distancing and personal protective equipment.

Further, the transport sector had some Matatu SACCO open a benevolent fund that provided monetary compensation to any employee of that SACCO who lost a loved one in the COVID-19 pandemic season. The information and technological arm included the investment in the digital platform such as online banking, MPESA, and working platforms. However, companies that had been producing smart cards to track their business cards had slightly declined in investing further. One interviewee said that: “With the public afraid to go to hospitals, their tracking system was becoming irrelevant and companies were opting out of this premium service further reducing their revenue”. Media arm of business has also gone through a total revenue loss. “Clients were no longer willing to invest in advertisements for their products since the sales were all time low and advertising would have little impact on purchases”. The manufacturing sector had to raise their revenues but some customers had to cut down on their purchase orders. The

real estate was also suffering with many tenants' offices remaining closed. But they came up with a special package to give their customers and decrease their bad debts in the face of tenants default in paying lease payments. The only sector that seemed to be doing better with the bottom line figures was farming, while the rest of the sectors were being negatively impacted by the pandemic.

Not enough was known about COVID-19 to predict its future course. There was a strong risk that a second spike could overwhelm healthcare systems once lockdowns were lifted. Hence, some form of distancing restrictions could be required for more than a year. In terms of various re-adjustments that organisations/companies had done to prevent pandemic's impact on businesses "stay afloat" and ensure business continuity are shown in Table 4-3:

Tale 4-3: Key Re-organisations Undertaken by Businesses and Institutions

SRN	Sector	Ways used to Source Finance and Increase Revenue	Ways Businesses have used to Cushion themselves
1	Financial Institutions	Interest/non-interest income from deposits/loans.	Reduction/waiver of staff and directors' benefits. Others did shift in the work styles and strengthened capital base.
2	Tourism and Hotel	Savings, trade credits and bank overdraft. Issued a bond facility to maintain the hotel and also received stimulus package from the government.	Negotiate repayments amounts and reduction of staff.
3	Transport	Individually the drivers/staff went to engage in farming and other informal businesses.	Reduction of operational costs – cutting of drivers and matatus on the road.
4	Construction	Increase revenues in cement	Strategy to increase more revenue.
5	Manufacturing	Invested heavily on cleaning agents and channeled more resources into sanitizers, disinfectants, and detergents sanitation that were sold.	Negotiation of loan repayments
6	Real Estates	Issue of bond facility and loan applications.	Re-negotiations on lease payments; Cancelled penalty fees and revised the rent rates downwards.
7	Marketing services	Enjoyed government reduction of interest rates and taxes.	Reduction of employees.
8	Importer and Distributor	Emergency loan; Reduced operational costs, tax incentive.	Rescheduled monthly instalments with no change in the interest charged.
9	Parastatal	Government injection.	Reduction of employees; 50% reduction of staff benefits.
10	Agriculture	Government subsidies; loans.	Reduction of employees.

The results were to show types of capital used to fund the company's existing and proposed projects and what was the best technique of financing those projects. Table 4- 3 showed loans, trade credits and bank overdraft 4(40%) of the respondents were used as a source of finance; 3(30%) of the interviewees benefited from the government injection and government reduction of taxes which acted as an incentive for the businesses; 2(20%) of the respondents increased their revenues in the construction and manufacturing businesses. The same percentage 1(10%) of the real estate and the hotel industry issued bonds. The Nairobi Securities Exchange (NSE) did suspend trading of the shares earlier in the year towards the close of the market as panicky investors made discriminate sales of shares. Most of the shares including blue-chips like Safaricom, BAT Kenya, Equity Group, KCB Group, Jubilee Holdings, and Bamburi Cement dropped by up to the maximum margin of 10 percent (Juma, 2020; cited in Mwaura's paper).

During one of the interview, a financial manager said: "I feel financial managers must always have contingencies in place for unforeseen crises such as the COVID-19 Pandemic, and how having strong relationships and reputability are key to obtaining the lowest costs of capital." One interviewee said: "The main thing that can help SMEs sat afloat would be a partnership of the government and the lending institutions. The financial institutions can agree to increase credit facilities to business at an affordable terms and the government can provide tax incentives stimulus packages to businesses. This will enable them to survive and ensure people employed by them don't lose their jobs and livelihoods.

Most employees have lost jobs and contracts but some businesses have agreed to cut down on benefits and costs by introducing work shifts instead of downsizing. Other businesses have encouraged their employees to work from home and so the need for individual investments and discipline. The pandemic has led many countries to strengthen their mobile money ecosystems and address specific constraints of charges and accessibility. These are good news in the midst of bad news.

CONCLUSION

Based on the findings and discussions, the COVID-19 is a global pandemic that has affected all forms of businesses and individuals. The challenge is for everyone to be able to learn from each other and strategize on how to maintain continuity.

RECOMMENDATIONS

1. The businesses/institutions need to take care of their capital base, operational costs and remain hopeful.
2. Maintain a good relationship and reputation with business partners for assistance in the face of difficulty.
3. Collaboration between financial institution and the government to help give stimulus package to SMEs that contribute to a wider percentage of the economy.

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SOME KEY INTERVIEW GUIDE/QUESTIONS

Q1. Please tell me about yourself and your role in this institution

Q2. What are some of the Capital Budgeting Decisions especially with the current state of the economy as a result Covid-19 pandemic

Qn3. Briefly explain to me how your Company plans to raise capital to support investment

Qn4. What are some financing Decision that have been made to remain profitable?

Qn5. What are some of the measures the Company has undertaken to cushion themselves against loses occasioned by covid-19 pandemic