FISCAL POLICY CHANGES AND FINANCIAL PERFORMANCE OF TEA FACTORIES IN MOUNT KENYA REGION, KENYA

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OCTOBER 2025

DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged

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I do hereby confirm that I have examined the master's dissertation of

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And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed

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FISCAL POLICY CHANGES AND FINANCIAL PERFORMANCE OF TEA FACTORIES IN MOUNT KENYA REGION, KENYA

ABSTRACT

This study aimed to assess the impact of fiscal policy changes on the financial performance of tea factories in the Mt. Kenya Region in Kenya. Despite the significant role of tea factories in the economic development of the country, their financial performance has always been determined by external pressure, including government tax reforms. To achieve the study's main purpose, the researcher adopted specific objectives on fiscal policy changes, namely: taxation policy, social health insurance fund contribution, and national social security fund contribution policy regulations, and their impact on the financial performance of tea factories. This study was anchored on key theoretical foundations, particularly the institutional theory, public choice theory, and the Extended Life-Cycle Theory. The study adopted a descriptive research design as the approach to guide the research. Further, the target population included all 37 tea factories in the Mt. Kenya region, with primary data collected from 185 purposively selected participants, consisting of 5 finance and operations officers from each factory. Therefore, the study adopted a census due to the small size of the population. The researcher collected quantitative data from the participants using a closed structured questionnaire. The collected data was sorted, cleaned, and coded for data analysis using the STATA computer programming software. The study employed both descriptive and inferential statistics in analysing the data to draw insights into the study variables. The study findings showed that taxation policy changes and national social security fund policy had a positive and significant effect on financial performance of tea factories. However, the study findings showed a contrary picture on the social health insurance fund policy by indicating despite it had a positive effect, the effect was not significant in predicting the financial performance of tea factories. Despite these key findings, the study recommends further research focusing only on social health insurance funds to provide a wider scope of the findings to affirm the insignificant findings. Further, the study recommends similar studies be done with a longitudinal approach to incorporate the time effect on the relationship between the fiscal policy changes and financial performance of tea factories in Mt. Kenya.

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DEDICATION

I hereby dedicate this thesis to my family for the emotional and moral support they have accorded to me during my academic journey.

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ACRONYMS AND ABBREVIATIONS

ARDL	Autoregressive Distributed Lag
GDP	Gross Domestic Product
GMM	Generalized Method of Moments
LCH	Life-Cycle Hypothesis
MAXQDA	MAX Qualitative Data Analysis
MFI	Micro-Finance Institutions
NACOSTI	National Council for Science, Technology, and Innovation
NSE	Nairobi Securities Exchange
NSSF	National Social Security Fund
PRISMA	Preferred Reporting Items for Systematic Reviews and Meta-Analysis
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
SHA	Social Health Authority
SHIB	Social Health Insurance Benefit
SHIF	Social Health Insurance Fund
SHSE	Shanghai Stock Exchange
SSA	Sub-Saharan Africa
VIF	Variance Inflation Factor
WDI	World Development Indicator

OPERATIONAL DEFINITION OF TERMS

Financial Performance:	Effectiveness of a company in generating profits by utilizing its resources and managing its financial obligations over time (Mwaungulu & Stan, 2025).
Fiscal Policy Changes:	A clear, measurable way to identify and categorize modifications in government fiscal policies (Gootjes & De Haan, 2022).
National Social Security Fund:	Mandatory payment made by registered employers and employees to the National Social Security Fund (Yan *et al*., 2024)
Social Health Insurance Fund:	Mandatory payment made by enrolled individuals, employers, or government entities to the Social Health Insurance Fund (Yan *et al*., 2024).
Taxation Policy:	Any government regulation, law, or regulation that alters the rate, structure, or administration of taxes as publicly announced and implemented within a fiscal year (Gootjes & De Haan, 2022).

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The financial performance of tea factories has remained under scrutiny across the world due to fluctuations in economic conditions, changes in consumer preferences, and policy shifts. Although the sector plays a critical role in global agriculture and exports, many factories face shrinking profits, increasing operational costs, and reduced export revenues (Pandey & Pandey, 2021). The International Tea Committee (2022) reports a decline in global tea prices by 15% over the past five years. In addition, profit margins in various tea-producing countries have shrunk significantly, raising concerns about sustainability in the middle of volatile fiscal environments (Langford, 2025). Yahn (2016) point out that the challenge is compounded by constant changes in fiscal policies like tax reforms, import/export tariffs, and subsidy changes, which affect the cost structure and competitiveness of tea factories. It is against this backdrop that this study examines the impact of fiscal policy changes on the financial performance of tea factories in the Mt. Kenya region in Kenya.

In the global context, tea factories in nations like India, Sri Lanka, and China show diverse financial landscapes affected by both macroeconomics and fiscal policies (Lanerolle & Rathnayake, 2025; Wu, Zhao & Fils-Aime, 2021). Despite India being the leading producer, the tea sector has experienced pressure that can be attributed to the increased excise duties and import tariffs aimed at safeguarding domestic producers, but which have unintentionally raised operational costs (Pradhani, Ratnawati & Brahmayanti, 2024). In the same breadth, Sri Lanka's tea industry faced major fiscal adjustments like increased Value Added Tax (VAT) and import tariffs, which caused a 12% decline in export earnings between 2018 and 2020 (Sri Lanka Tea Board, 2021). The cross-country analysis suggests that fiscal policies play a role in determining the financial results of tea factories. In 2019, as part of broader stimulus efforts, the Chinese government implemented significant VAT reductions, social security contribution cuts, and targeted corporate tax incentives, especially benefiting small, high-tech, and

strategically encouraged industries. While many firms saw relief, the introduction of an Environmental Protection Tax in 2018 added new costs for some industrial producers, resulting in mixed outcomes overall (National Bureau of Statistics of China, 2020).

These mixed observations underscore that fiscal policy changes may create opportunities or impose extra financial burdens, given the specific policy measures and how factories adapt. The global experience illuminates that fiscal policy shifts are a critical element in determining the financial resilience and competitiveness of tea factories, especially during fluctuations in global tea prices and changing consumer demand (Hannan, 2024).

Tea-producing countries in Africa, such as Uganda, Malawi, and Tanzania, have exhibited a mixed bag of financial performance outcomes driven by fiscal policy environments. For instance, in Uganda, government-imposed excise taxes and export levies have resulted in higher operational costs, shrinking profit margins (Uganda Tea Association, 2020). In 2018 tax reforms increased export levies by 5%, which, coupled with rising fuel costs, led to a 7% decline in export revenues for Ugandan tea factories. Similarly, East African Tea Trade Association (2024) demonstrated that Tanzania's fiscal policies, which comprise increased import tariffs on machinery and fertilizers, have also influenced production costs, reducing profitability margins. In Malawi, recent tax hikes on agricultural inputs have increased production costs by 10% affecting profitability (International Institute for Environment and Development, 2025).

Kenya is among the world's leading tea exporters that has faced notable financial performance linked to fiscal policy adjustments. The Kenyan government's move to raise excise duties on imported fertilizers and machinery with an aim of protecting local industries has inadvertently increased production costs by 8% (61). These fiscal shifts have led to the shrinking of profit margins, particularly for smallholder-based factories that work on thin margins. Although the government of Kenya has made efforts to promote export growth

through tax incentives, the general financial performance of Kenyan tea factories has exhibited features of strain, with some reporting reduced profitability and increased debt levels (Kenya Tea Board, 2025). Within the Kenyan context, the Mt. Kenya region is the critical hub of tea production, heavily influenced by national fiscal policies (KNBS, 2024). A report by KNBS indicates that the combined fiscal shifts have led to a 10% rise in the cost of production, reducing margins, which in turn influences factory sustainability.

In Kenya, the financial performance of tea processing firms has been subjected to both local economic conditions and the fiscal reforms. The Kenya Institute for Policy Research and Analysis (2023) predicted that continued tax increases could lead to a decrease in foreign exchange earnings by up to 20%, attributable to the drop in agricultural products like tea and coffee. This will further jeopardize the financial stability of tea producing firms in the country, particularly in the Mount Kenya region. Therefore, comprehension of the relationship between fiscal policies and the financial performance of tea processing factories in Mount Kenya is crucial in enhancing policy frameworks and strengthening economic development.

1.1.1 Fiscal Policy Changes

Fiscal policy changes are broadly described as a fundamental adjustment in government revenue and expenditure strategies aimed at influencing macroeconomic stability, growth and social welfare. Researchers Chugunov, Pasichnyi, Koroviy, Kaneva and Nikitishin (2021) like note that fiscal policy comprises of deliberate modifications in taxation, government spending, and borrowing to manage economic fluctuations and promote equitable development. They further contend that the modifications often arise from the need to respond to economic shocks, address fiscal deficits, or achieve specific policy objectives. In support of these claims, Stantcheva (2021) observed that the focus has shifted to comprehending on how such changes affect revenue generation, resource allocation, and fiscal sustainability putting emphasis on the significance of well-designed fiscal instruments in enhancing macroeconomic stability.

In regards with corporate taxation, scholars have identified various indicators to measure fiscal policy shifts. For example, Cheng, Jia and Meng (2022) indicate that effective tax rate (ETR) and statutory tax rate are commonly employed to examine changes in corporate tax policies. They contend that a rise in the corporate tax rate or a broadening of the tax base signifies a more aggressive fiscal policy aimed at strengthening revenue mobilization. Contrary, Gootjes and De Haan (2022) indicate that decrease in corporate taxes may be indicative of policies intended to stimulate investment. According to Nguyen and Luong (2021), introduction or reform of specific levies like the housing levy fund, designed to finance affordable housing, serves as an additional measurable indicator of fiscal policy changes.

Beetsma (2022) note that social health insurance funds like the Social Health Insurance Fund (SHIF) are subject to fiscal policy changes that affect their sustainability and accessibility. Many scholars (for example Halac & Yared, 2022) have employed indicators like premium rates, coverage expansion, and the proportion of healthcare costs financed through contributions. Dorn et al. (2021) notes that policy reforms that increase premiums or widen the coverage are usually aimed at improving the financial viability of the fund, while reforms that introduce subsidies or integrate private insurers aim to enhance access to healthcare services. According to Dinh, Oanh and Ha (2025), the performance of the social health insurance policies is measured using metrics like revenue collection rates, claims processing efficiency, and ratio of health expenditures financed through the fund.

The National Social Security Fund Policy reflects significant fiscal policy adjustments with measurable indicators including contribution rates, coverage expansion, and benefit payout ratios being critical to the evaluation (Mbuthia & Ragui, 2023). Variations in contribution rates, either increases to enhance sustainability of the fund or decreases to ease compliance burdens, serve as a measurable indicator of fiscal policy shifts aimed at balancing the fund's financial health with social objectives (Behrendt, Nguyen & Rani, 2019). In

addition, policy reforms that aimed at expansion of coverage to informal sector workers or enhancement of benefit schemes are indicative of efforts to promote social inclusion and fiscal sustainability simultaneously (Matai & Onsiro, 2024).

It is in this background, the current study adopts taxation, the Social Health Insurance Fund, and the National Social Security Fund in measuring fiscal policy because they directly influence disposable income, operational costs, and overall economic stability. Taxation affects factories' net earnings and investment capacity, while the housing levy and social insurance contributions alter wage costs and employer expenses, thereby impacting firms' profitability. These fiscal measures also reflect government priorities and economic strategies, which can either stimulate or constrain financial sector growth. Studying their effects provides insights into how fiscal policy shapes the financial environment, influencing tea firms' profitability within Kenya's evolving economy.

1.1.2 Financial Performance

Financial performance is a crucial concept in both academic and business practice, reflecting the overall health and profitability of an organization. Various scholars have defined financial performance, focusing on different dimensions and metrics to assess it effectively. Generally, financial performance encapsulates how effectively a firm utilizes its assets from operations to generate revenue and manage costs (Fatihudin, 2020). As defined by Knight and Bertoneche (2021), financial measures serve as a dashboard for monitoring and enhancing firm performance, reflecting both current profitability and operational efficiency. This definition underscores the importance of financial performance as not merely a retrospective indicator but also a predictive tool for future earnings potential.

Various indicators are used to measure financial performance, with traditional metrics including return on assets (ROA), return on equity (ROE), and net profit margins (Singh, 2024). Ogata, Mahasneh, Alananbeh and Fujii (2022) elucidate that although these traditional

financial measures are widely utilized, they also come with limitations that can render them less relevant in today's competitive environment. Consequently, Mwaungulu and Stan (2025) indicate that firms are increasingly adopting a broader suite of performance metrics that encompass both financial measures and non-financial indicators to provide a holistic view of performance.

Al-Naimi (2025) discusses the vital role of marketing metrics, which often blend financial performance assessment with operational aspects like customer engagement and brand equity. These metrics can ultimately inform strategic decisions, yielding financial benefits. This framework illustrates that financial performance cannot be judged in isolation; marketing and operational performance must align with financial outcomes to better gauge overall effectiveness. Another critical evolution in performance measurement has been the recognition of Environmental, Social, and Governance (ESG) metrics. A study led by Shen (2024) suggests that companies engaging significantly in ESG practices might experience varied impacts on their financial performance based on how these activities are measured and reported. For instance, firms with high financial leverage can encounter negative profitability effects while also becoming vulnerable to market fluctuations (Alghafes, Karim, Aliani, Qureishi, and Alkayed (2024). This relationship indicates that financial performance should encompass risk management and sustainability efforts. Nemati, Mohammadi, Bayat and Mirzaei (2024) introduce a discussion on the financial implications of performance measurement in the context of fraud detection, showing an intersection of financial performance analysis with risk management. They outline the ongoing need for research into the comparative performance of different financial metrics, highlighting the complexity of evaluation methods within performance measurement avenues.

Net profit margin captures the firm's ability to manage costs and pricing strategies in response to fiscal measures such as taxes, levies, and social insurance contributions, which

directly influence profitability. It is in this background, this study adopts net profit margin as a measure of financial performance in studying the impact of fiscal policy on tea processing factories is justified because it provides a clear indicator of a firm's efficiency in converting sales into actual profit, reflecting operational effectiveness amidst changing fiscal conditions. Similarly, as a relative measure, it allows for comparability across firms of different sizes and sectors, making it a reliable indicator of financial health and resilience under varying fiscal policies.

1.1.3 Mount Kenya Tea Processing Factories

Kenya is a globally renowned country because of its vibrancy in the growing and production of tea, which is critical to the country's economy. Tea growing in Kenya can be traced back to the early 20th century, when it was introduced by the British colonists, and has since grown into a significant commercial crop in the country and across the globe (Tea Board of Kenya, 2025b). The first tea factory in Kenya, Ragati Tea Factory, was established in Nyeri County in 1957. The sector is characterized by a blend of smallholder farms and large estates, with the latter playing a prominent role in production and processing (Kenya Association of Manufacturers, 2023). The country serves both the domestic and export markets of the product.

The Mount Kenya region stands out as one of Kenya's key tea-growing and processing zones. The region consists of various counties that benefit from the fertile highlands and moderate climate, singling it out as an ideal area for tea cultivation (Tea Board of Kenya, 2022). The region comprises 7 counties, namely Kirinyaga, Murang'a, Kiambu, Meru, Tharaka Nithi, Nyeri, and Embu (Kenya, 2013). These counties significantly contribute to Kenya's overall tea output and foreign exchange earnings, thus enhancing economic growth. Tea processing companies not only create jobs for thousands of young people but also boost ancillary industries like transportation, packaging, and marketing, hence a major contributor to regional and national GDP (KNBS, 2025). Mount Kenya region accounts for a considerable share of

Kenya's agricultural exports, which form a critical part of the nation's GDP (Tea Board of Kenya, 2025a). The sector's contribution goes beyond direct sales, which influences both national income levels and rural development uplifts. Despite this important role in the economy, the sector faces numerous financial challenges, including global price fluctuations, high production costs, difficulties in accessing affordable credit facilities, and infrastructural deficits (Kenya Association of Manufacturers, 2023). These challenges hinder the ability of tea factories to meet increasing domestic demand and the global demand efficiently and sustainably (KNBS, 2025)

1.2 Problem Statement

Tea processing factories play a crucial role in Kenya's economic growth, significantly contributing to the country's GDP and employment. According to the Tea Board of Kenya (2024), the tea sector accounted for approximately 2% of the Agricultural GDP, driven by government subsidies and marketing strategies. Additionally, tea is among the leading contributors of foreign exchange earnings, where it accounts for about 23% of the total foreign exchange earnings in the country (Tea Board of Kenya, 2022). An ideal financial performance for these factories would involve high profit margins, consistent revenue growth, and robust return on investment (ROI) (Wangare, 2024). These indicators demonstrate a healthy operational environment where firms can reinvest in expansion, optimize production processes, and enhance employee welfare, thereby sustaining economic growth (Kenya Association of Manufacturers, 2023).

However, the actual financial performance of tea factories in Kenya, particularly those from the Mt. Kenya region, has illustrated a concerning trend. The financial performance patterns among the tea factories in the region exhibit varying trends from one county the another, despite operating in the same business environment (Gikunju, 2024). For instance, factories from Embu County consistently recorded the highest profit margins in the region,

with figures rising from 0.7681 in 2018 to 0.7221 in 2022 (Tea Board of Kenya, 2025a). On the other hand, factories operating in Nyeri county reported the worst profit margins in a similar period, which dropped from 0.7257 in 2018 to 0.6410 in 2022. Factories in Kirinyaga County reported a slight decrease in their performance, with a marginal decline from 0.7567 in 2018 to 0.7005 in 2022. Additionally, the counties of Kiambu and Meru exhibited an oscillation of profit margins, indicating an unstable financial performance in the region (Tea Board of Kenya, 2025b).

According to Ombati (2021) and Iormbagah, Abiahu, and Ibiam (2023), fiscal policy changes, including adjustments in corporate tax rates and incentives for local production, have a significant impact on financial performance indicators such as investment levels and profitability. For instance, a study done in Ghana by Ketu (2022) identified that tax incentives led to a 20% increase in capital investment among manufacturing firms, subsequently enhancing their financial performance. Additionally, a review of tax compliance effects highlighted that streamlined tax processes could reduce operational burdens and permit companies to allocate resources more efficiently, ultimately improving their bottom lines (Huang, Zhou, Norhayati, Saad and Zhang (2024); Igbinovia and Usman (2024). The reviewed literature adopted different concepts (Joseph, 2024; Tora,2024), contexts (Kiplangat, 2024; Marijani et al., 2025), and methodologies in their studies, resulting in varying findings; hence, the need for the current study to assess the effect of fiscal policy changes on the financial performance of tea processing factories in the Mt. Kenya region.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study was to assess the effect of fiscal policy changes on the financial performance of tea factories in Mt. Kenya Region.

1.3.2 Specific Objectives

i. To evaluate the effect of taxation policy changes on the financial performance of tea factories in the Mt. Kenya Region

ii. To establish the effect of social health insurance fund policy on the financial performance of tea factories in the Mt. Kenya Region

iii. To investigate the effect of national social security fund policy on the financial performance of tea factories in the Mt. Kenya Region

1.4 Research Questions

i. What is the effect of taxation policy changes on the financial performance of tea factories in the Mt. Kenya Region?

ii. What is the effect of the social health insurance fund policy on the financial performance of tea factories in the Mt. Kenya Region?

iii. What is the effect of the national social security fund policy on the financial performance of tea factories in the Mt. Kenya Region?

1.5 Justification of the Study

The justification for this study arose from the practical challenges faced by tea factories in Kenya in navigating the dynamic fiscal environment. Frequent changes in tax laws, government levies, and fiscal policies created uncertainty, affecting strategic planning, investment decisions, and overall financial performance. By examining how these fiscal policy shifts impact corporate profitability and stability, the study aimed to provide empirical evidence that can help managers and policymakers develop more informed and effective strategies. This understanding may lead to the formulation of fiscal policies that support sustainable growth, reduce business uncertainties, and enhance the resilience of enterprises amidst economic fluctuations.

Contribution to Knowledge: This study filled a significant gap in the existing literature by focusing specifically on the Kenyan context, where fiscal policy effects might differ due to unique economic, political, and institutional factors. While the relationship between fiscal policy and financial performance is studied globally, there is a scarcity of empirical, firm-level evidence focusing on the specific, recent fiscal policy mix (Tax, SHIF, NSSF) within Kenya's tea agricultural sector.

1.6 Significance of the Study

The findings of the study on the impact of fiscal policy changes on the financial performance of tea factories in the Mt. Kenya Region would have diverse implications for various stakeholders. For government agencies and policymakers, the results highlighted the importance of carefully designing fiscal measures, as increases in taxes or levies could negatively affect organizational profitability and investment. This awareness could guide the formulation of balanced fiscal policies that foster economic growth while maintaining fiscal sustainability.

Managers of tea factories could use these findings to anticipate and adapt to policy shifts, optimizing their financial strategies to mitigate adverse effects or leverage incentives introduced through fiscal reforms. Tax practitioners and consultants could leverage on the study’s findings to advise clients on tax planning and compliance strategies that align with evolving fiscal policies, potentially reducing tax burdens and enhancing profitability. For researchers and scholars, the findings would contribute to the broader understanding of fiscal policy’s role in shaping financial performance, providing a foundation for further studies on policy effectiveness and sector-specific responses.

1.7 Scope of the Study

This study was carried out in Kenya with a focus on tea factories operating in the Mount Kenya Region. The study collected primary data from finance and operations officers of the tea

factories from the Mt. Kenya Region. The data was collected using a closed and structured questionnaire, with specific objectives being the effect of taxation policy changes, social health insurance fund policy, and national social security fund policy on the financial performance of tea factories in the Mt. Kenya Region.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focused on discussing the theories that the study employed to underpin its findings, namely, Institutional Theory, Public Choice Theory, and Extended Life-Cycle Theory. The chapter further analysed the empirical studies that have been conducted about the research topic and mainly focused on the specific objectives for a clear and easy understanding of the existing literature. Finally, the chapter presented a conceptual framework and operationalization of variables of the current study.

2.2 Theoretical Literature Review

In this section, the study focused on discussing theories that underpinned the study, namely, institutional theory, public choice theory, and extended Life-Cycle Theory in terms of their discovery, assumptions, advancement over time, applications and criticisms, and relevance in the current study.

2.2.1 Institutional Theory

Institutional theory was discovered in the year 1970 by sociologists John Meyer and Brian Rowan in their seminal work titled Institutionalized Organizations (Meyer & Rowan, 1977). The theory states that organizations are embedded within a complex web of social, cultural, political, and legal institutions, which at many times consist of laws, regulations, norms, standards, and shared beliefs. These features of the organizations exert significant influence on how organizations behave and the way decision-making happens within institutions (Zucker, 1987). Meyer and Rowan (1977) further contend that institutional theory emphasizes that organizations do not run businesses singularly for economic profits, but they are equally driven by the need for legitimacy, acceptance, and approval from external players and society at large. In coming up with this theory, Meyer and Rowan assumed that organizations seek legitimacy within their business environment, which is always more crucial than economic profits for survival and success. The theory also assumes that the environments surrounding the

institutions are relatively stable and resistant to rapid change, which shapes organizational structure over a long period through the dependency path (Kondra & Hinings, 1998). Similarly, Bjorck (2004) notes that institutional fields are determined by shared norms and cultural expectations, leading to convergence in forms and practices (isomorphism).

Since its discovery, Institutional theory has advanced over time to reflect the changes in the environment and reflect reality. For example, Kondra and Hinings (1998) refined institutional theory by demonstrating how organizations that are in the same field tend to resemble each other due to external pressures. Goodman and Jink (2002) also observed that scholars and researchers had put more emphasis on symbolic and cultural dimensions of organizations, recognizing that structures often serve as symbols of legitimacy rather than purely functional artefacts.

Institutional Theory has been applied in diverse fields and contexts. For example, in organizational studies, institutional theory provides insights into how firms conform to the industry rates, legal requirements, and societal expectations (Bjorck, 2004). In the discipline of corporate governance, the institutional theory tries to elucidate the reasons for firms adopting board structures or reporting practices that conform to institutional norms (Kauppi, 2022). Similarly, Peters (2011) investigated institutional theory through the lens of public policy and observed that it explains how the legal frameworks, regulatory agencies, and cultural norms predict compliance and adaptation over time. For instance, institutional theory in the finance sector elucidates how regulations put in place by the regulatory agencies shape the corporate financial practices (Scott, 2005). Despite its wide application in various contexts and disciplines, institutional theory has been widely criticized based on its assumptions. One of the key criticisms arises from Kostova, Roth & Dacin *(*2008), who indicates that the tendency of the theory towards determinism, which suggests that institutions exert an overwhelming effect on firms, hence end up underestimating organizational agency and strategic resistance. Other

critics (for example Meyer & Höllerer, 2014; Suddaby, 2015; Gerring, Ziblatt, Van Gorp and Arévalo, 2011) opine that firms are not merely passive recipients of institutional pressures, but always challenge, re-interpret, and circumvent norms and rules put in place to give directions.

Institutional theory is relevant in this study, despite its weaknesses. For example, in the context of Kenya, fiscal policy changes force a recognition of the institutional environment. Kenya's institutional field consists of legal frameworks, tax laws, regulatory agencies, and social and cultural beliefs, which determine organizational behaviour. Therefore, applying institutional theory in the study of the impact of fiscal changes on the financial performance enabled the researcher to comprehend the inherent relationships that exist between taxation policies and financial performance of tea factories in the Mt. Kenya region.

2.2.2 Public Choice Theory

Public Choice theory was discovered by James Buchanan and Gordon Tullock in the mid-20th century. The theory was central to their seminal work "*The Calculus of Consent,"* which was published in the year 1965 (Buchanan & Tullock, 1965). Buchanan and Tullock tried to employ economic principles and methods to assess the processes of political decision-making and their effects in organizational governance. To develop the theory, Buchanan and Tullock (1965) assumed that people are rational human beings who come up with decisions that aim at maximizing their preferences, regardless of the context, that is, economic activities or political votes. The authors also assumed that all decisions are influenced by external forces, like the structure of incentives within different organizational settings.

Over the years, the public choice theory has undergone various refinements by integrating both economic and political paradigms, which shows its dynamic application in contemporary fiscal policy studies. For instance, Buchanan and Tollison (1984) illustrate how public choice reasoning enhances the comprehension of fiscal stability struggles, especially in democratic governance systems. This development by Mueller (1993) positioned public choice

theory as a significant force in the discussions in regards of fiscal decentralization and governmental responsiveness to the interests of the people and special interest groups. Public choice theory has found an extensive application in the study of fiscal policy changes because organizations always experience fiscal policy as a set of external regulations influencing how they operate and make investment decisions (Buchanan, 1987; Rowley, 2004). According to Buchanan (1983) and Hechter and Kanazawa (1997), the public choice theory helps in examining how government decisions, shaped by lobbying and political agendas, affect final outputs, which eventually have a substantial impact on private firms' performance. Insights drawn from the Public Choice Theory help scholars and researchers in understanding the mechanisms behind tax policies that would favour sectors over others, affecting capital budget allocation in the economy.

Despite the wide application of public choice theory in the field of economics and finance, it faces heavy criticisms revolving around its assumptions of rationality and uniform self-interest among political players. Some critics (e.g., Wright, 1993; Orchard & Stretton, 1997; Leight, 2010) argue that the public choice theory often overlooks the complexities and altruistic intents that, from time to time, drive political behaviour. They further contend that challenges exist in the deterministic nature of the theory, which has the possibility of leading to overly simplistic conclusions about governance and policy-making dynamics. Additionally, Brennan and Buchanan (1988) argue that the public choice theory, in its inception, assumptions disregard the implications for comprehending systemic issues such as corruption and inefficient governance, where institutional weaknesses may dilute the efficacy of fiscal policies.

Despite the criticisms and weaknesses of public choice theory, it has significantly determined the discussion on fiscal policy decisions by providing a robust analytical framework through which to assess the efficacy of government services, individual incentives, and resource allocation in varying economic contexts. It is in this regard; the public choice

theory will be adopted in this study to underpin the effects of SHIF contributions as key elements of fiscal policy changes in Kenya on the financial performance of tea factories in the Mt. Kenya Region.

2.2.3 Extended Life-Cycle Theory

Extended Life-Cycle Theory (ELCT) was discovered in 1950 by economists Franco Modigliani and Richard Brumberg (Modigliani & Brumberg, 1954). This theory is an adaptation of the Life-Cycle Hypothesis (LCH) concept. The LCH states that people plan their consumption and savings over their lifetimes. According to Modigliani and Brumberg, individuals make savings during their working years to fund consumption in retirement, which is considered a rational act for future income streams. Contrary to LCH, ELCT applies the same concepts specifically to corporate financial behaviour by putting emphasis that even corporations (companies) evolve through various stages, namely: introduction, growth, maturity, and decline (Modigliani, 1975). The Extended Life-Cycle theory states that companies evolve and their financial decisions, including social securities, are often affected by their stage in this life cycle. In building this theory, Modigliani and Brumberg assumed that organizations behave analogously to people, depending on rational economic behaviour as they reflect on internal needs like investment opportunities, and external forces like market competition. In addition to Modigliani and Brumberg's (1954) assumption, other scholars like Kouri (1986) and Pistaferri (2009) have advanced the theory of ELCT by alluding to the importance of growth opportunities, corporate governance structures, and the agency problems that come along as companies transition through their life development stages. For example, Ando Modigliani (1963) allude that organizations in their early stages are often ploughing back the realized profits, while the companies at the maturity stage are more likely to distribute profits back to investors through dividends because of reduced growth prospects.

ELCT has been developed further since its discovery by other scholars. For example, Martini and Spataro (2022) try to explain the differences in dividend policies based on life cycle stages. He further contends that organizations with significant cash flows and stable returns are more likely to adopt successful payout strategies aligned with their life stages. This comprehension has been very vital for investors and financial analysts in making recommendations regarding dividend sustainability based on company life cycle analysis (Martini & Spataro, 2024). Landsberger (1970) further notes that the application of ELCT looks further beyond the dividends concept and incorporates a wider range of financial strategies, such as capital structure and investment decisions. Besomi (1998) in his work noted that as companies progress into maturity, they may reassess their capital mix to optimize returns under stable economic conditions. Moreover, Mayer (1972) and Modigliani (1966) opine that the application of ELCT has implications for risk management, because companies may adopt a more conservative strategy as they age. Therefore, ELCT provides valuable insights into how organizations and institutions align their fiscal policies with their evolving operational capacities.

Extended Lifecycle is not without its weaknesses; critics like Feldstein (1976) and Turner, Baker, and Kellner (2018) argue that the assumption of comparing corporate behaviour to individual life cycle financial behaviour has been oversimplified, and the difficulty of categorizing the variability of firm behaviour into specific stages. In addition, some critics (Cady, Wheeler, Schlechter and Goodman 2019; Mueller, 1972) argue that not all companies will follow predictable progression paths as assumed by the ELCT theory, since firms are dependent on industry dynamics, management decisions, and external pressures that may cause variations in behaviours. Despite its weaknesses, ELCT remains relevant in the field of economics, and it is also significant when studying the behaviours of these companies, especially when responding to external pressure or conditions emanating from regulations and

other macroeconomic factors. For instance, the ELCT relevance is seen when there are changes in fiscal policies in the government, such as social health and social security regulations. It is in this background that this study adopts the ELCT theory to explain the relationship between NSSF contributions and the financial performance of tea factories in the Mt. Kenya Region.

2.3 Empirical Literature Review

This section focused on reviewing existing literature on the topic, subdividing it into specific objectives for clarity and easy comprehension of the analysis.

2.3.1 Taxation Policy Changes and Financial Performance

In Zimbabwe, Ongayi, Muzenda, Satande and Malatji (2021) investigated how taxation policies affect the performance of Small and Medium Enterprises by focusing on mobile money transfer tax, point of sale transfer tax, and bank transfer tax. To achieve its intended purpose, the study employed a descriptive research design and collected data from the SMEs using a questionnaire. The data collected was analysed using a multiple regression model with the assistance of EXCEL and SPSS Software tools. The study findings suggested that the money transfer tax had a significant effect on the financial performance of SMEs in Zimbabwe. Due to the small population, that is, SMEs only, the findings may not be generalizable to other industries; therefore, there is a need for future studies to focus on other sectors, like listed non-financial enterprises, to produce generalizability of the study findings.

A study by Mocanu, Constantin and Răileanu (2021) was conducted in Romania to examine the factors that influence tax avoidance and their impact on the financial performance of companies. The study focused on assessing the determinants of tax avoidance between 2013 and 2017. The study adopted descriptive research design and employed a longitudinal study in achieving its main objective. The study was conducted on 236 privately owned companies and tax defaulters previously, and another 236 companies that have been tax compliant over time. The study made use of SPSS to analyze data, and the results showed that larger companies with

lower financial performance and lower leverage ratios are more inclined towards tax avoidance. The study further reveals that geographical region and industry sector in which the organizations operate are significant in predicting their tax compliance behaviours, which significantly influence their financial performance. Given the findings, there is a need for similar studies to be conducted in developing countries to produce comparable results and to come up with a more generalizability of the study findings.

Liu, Deng, Luo and Tang (2024) conducted a study in China to establish the effect of environmental tax on the financial performance of energy-intensive corporations, with a mediating role of digital transformation. The study's objectives involved evaluating the effect of the environmental protection tax law (EPTL 2016) on energy-intensive corporations' financial performance, together with the digital transformation role in the relationship. To achieve its main purpose, the study adopted a quasi-experimental design and utilized the differences in differences model to evaluate the effect of EPTL2016 on energy-intensive firms' financial performance. The study collected panel data from 173 firms in the sector, comprising state-owned and privately-owned firms. The study findings revealed that environmental tax policy had a positive and significant effect on the financial performance of the energy-intensive firms in China. The study findings further confirmed that the relationship between environmental tax and financial performance is moderated by digital transformation. The results call for future similar studies to adopt different methodologies, as well as in other developing economies, to produce comparable findings that may be generalizable.

A recent study carried out in Nigeria by Tanko (2025) investigated the relationship between corporate tax planning and the financial performance of listed manufacturing companies with a moderating role of real earnings management. The study employed descriptive research design and collected secondary data from the listed manufacturing companies' annual reports. The data was analysed using a panel data analysis with fixed effect

estimation used to interpret the parsimonious model, and the random effect was employed to provide interpretation on the moderated model. The findings indicated that tax planning has a significant effect on financial leverage among the sampled manufacturing firms in Nigeria. The results also showed that tax planning has a positive and negative impact on firm growth. These findings call for further studies on similar topics to adopt different methodologies and contexts to produce comparable findings that may be used for the generalization of the findings.

In Ghana, Kamasa, Nortey, Boateng and Bonuedi (2025) trained their focus on examining the impact of tax reforms on revenue mobilization capacities among developing countries. The study adopted an autoregressive distributed lag model (ARDL) together with dynamic ordinary squares and fully modified least squares techniques to analyse data on a time series ranging from 1980-2018. The study findings revealed that there existed a co-integration between tax revenue and its predictors. In addition, the study findings confirmed that there was strong empirical evidence that tax-related reforms had a positive and significant effect on tax revenue generation in Ghana. Therefore, similar future studies need to focus on the effect of tax reform on private and listed companies on their performance.

Adopting the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) methodology, Elumilade, Ogundeji, Achumie, Omokhoa and Omowole, (2025) carried out a systematic literature review on the effect of optimizing corporate tax strategies and transfer pricing policies to enhance financial efficiency and compliance. The study reviewed articles published between 2015 and 2024 from multiple databases, including Scopus, Web of Science, and Google Scholar, with keywords such as “corporate tax optimization”, “transfer pricing strategies.” “Financial efficiency in taxation” and “global tax compliance.” The study findings indicate that the role of tax authorities in increasing scrutiny over profit shifting, the impact of digital taxation trends, and emerging global tax reforms are significant

in improving financial efficiency. Therefore, there is a need for similar studies to be done empirically to validate the findings of the systematic literature review or otherwise.

Adopting a panel data approach, Mahmood, Al-Shattarat, Hamed, Al-Shattarat, Benameur, Hassanein, and Tahat (2023) probed the relationship between urbanization, environmental degradation, and corporate performance in China's retail and automotive industry. The study aimed to elucidate the impacts of housing policies and infrastructure development on corporate performance. In so doing, the study utilized data from 23 regions ranging from 2000-2022 and analysed it using panel data analysis by employing random effect models along with pre- and post-estimation tests for the main findings. The study findings indicate that urban housing growth bolsters retail sales; however, it adversely affects the automotive industry. Urban housing policies do not affect conventional sectors. There is a need for similar studies to be conducted in a developing economy to produce comparable results.

Czischke and Van Bortel (2023) explored concepts and policies on affordable housing in England, Italy, Poland, and the Netherlands. The study employed a qualitative research design to achieve its purpose by using desk research and interviews with key informants in each of the four countries. It also used stakeholder workshops to enhance the study findings in the form of focus group discussions (FGD). The study revealed that affordable housing in all four countries was becoming a more distinct field, which was parallel to developments in social housing. The study further illustrates the innovative policies undertaken to develop affordable housing solutions. Following the findings, there is a need for similar studies to be conducted with a focus on how affordable housing affects corporate performance in developing economies.

In Ukraine, Alekseyenko, Tulai, and Petrushenko (2021) probed the effect of affordable housing, specifically focusing on displaced people with priorities for investment and development. The study aimed to substantiate the priorities of investment into affordable

housing, mainly for internally displaced citizens, by enhancing the promotion of their adaptations and social reintegration in the context of administrative-territorial decentralization. To achieve its main purpose, the study adopted economic and statistical techniques in identifying and quantifying the relationships between individual phenomena and processes that reflect the state and sources of funding in the housing segment and a set of criteria that characterize the level of supply on the housing market. The study further adopted Pearson's methods of correlation analysis and pairwise correlation coefficients in establishing the level of the relationship between the volume of housing stock and the population. The study findings indicate that the amount of investment in per capita housing construction significantly affected the volume of housing units in Ukraine. There is a need for similar studies in developing countries to focus on the effect of affordable housing financing on the performance of corporations.

In India, Niendorf, Kreutzer and Karna (2025) investigated the tensions that surround organizational responses to social-business policies, particularly the affordable housing finance government initiative. The study obtained qualitative data from multiple sources through interviews, focused group discussions. The study coded the collected data using MAXQDA (2012) qualitative analysis was conducted through thematic analysis. The findings disclosed that social and business demands are rarely balanced and further revealed that in many cases, there exists an imbalance that usually favours the social mission. The findings further illustrate that a growth limitation has been accepted in many organizations by both the managers and shareholders. There is a need for further studies to adopt various constructs to broaden the findings and produce comparable results, particularly in developing economies.

A unique and highly relevant example is France's long-standing employer payroll tax for affordable housing, known as *la participation des employeurs à l'effort de construction* (PEEC). This levy, introduced in 1953, mandates that firms with 50 or more employees

contribute 0.45% of their payroll toward funding social housing. Administered by Action Logement, the PEEC supports the construction and management of over one million housing units. According to Gold, Champion, and Scally (2021), the PEEC financed over 20,000 housing units in 2020 alone, with plans for an additional 42,000 under development. However, Bozio, Breda, Grenet and Guillouzouic (2025) and Gold *et al.* (2021) observed that the payroll tax places a significant financial burden on firms, particularly in low-margin sectors like retail and hospitality. For instance, a mid-sized firm with a €3 million payroll would pay €13,500 annually, reducing net profit margins by an estimated 0.3% to 0.8%. This cost is largely absorbed by the firm due to limited pass-through to employee wages, thus reducing firms' capacity to invest in innovation or expansion.

Adopting a descriptive research design, Mbevi (2023) tried to establish the relationship between taxation and the financial performance of telecommunication companies in Kenya. Its main objective was to examine the influence of corporate income tax, liquidity, and other key variables on financial performance within the sector. The study collected time series data ranging from 2016 to 2022, encompassing the 5 major telecommunications companies registered in Kenya. The collected data were analyzed using both descriptive and inferential statistics. The findings of the study pointed out that there existed a positive correlation between financial performance and total corporate income tax. Since the study focused on telecommunication companies, further studies should investigate other sectors using cross-sectional and primary data to produce more in-depth research on the relationship between taxation and financial performance.

Kavetsa (2025) utilized a systematic literature review approach to evaluate the relationship between tax compliance and corporate financial performance. The author used scholarly articles, books, reports, and government publications to collect and analyze insights from existing literature. The study found that companies that use strategic tax management

practices, advantage digital tax systems, and invest in tax education could mitigate compliance costs and potential cash flow constraints. In addition, the findings indicated that although enforcement mechanisms drive compliance, an overly punitive approach could hinder financial performance, particularly for organizations that face economic hardships. However, there is a need for further similar studies adopting empirical literature to produce deep insights into the impact of taxation compliance and financial performance.

Further, Miriti (2025) trained his focus on examining how tax incentives can influence the performance of SMEs in Export Processing Zones in Nairobi City County. The study concentrated on investment allowance, capital gain reduction, and turnover tax reduction, which influenced the SMEs' performance. To achieve its objectives, the study employed an exploratory research design with a target of 90 SMEs operating within the EPZs in Nairobi and sampled 30 of them for the study. The findings demonstrated that all three variables (investment allowance, capital gain reduction, and turnover tax reduction) had a positive and statistically significant influence on the financial performance of SMEs. However, similar studies shall be conducted with a focus on other sectors to produce generalizable findings

The reviewed studies collectively suggest that while housing policy reforms and levies can stimulate infrastructure growth and fulfil social objectives, they may also impose financial burdens on firms, particularly in competitive or low-margin industries. While developed countries like France offer long-standing institutional models, and emerging economies like China and India provide sector-specific insights, there remains a gap in empirical research focusing on housing levies as a fiscal policy tool and their firm-level financial impacts in Sub-Saharan Africa. Specifically, no existing studies have isolated the effect of Kenya’s recently introduced housing levy on the profitability of listed non-financial enterprises. This study aims to bridge that gap by providing localized evidence to inform future fiscal policy design.

2.3.2 Social Health Insurance Fund Policy and Financial Performance

Liu *et al.* (2023) explored the effect of the decline in social insurance contribution rate on enterprise total factor productivity in China. The study specifically focused on listed enterprises in China to collect panel data across various regions. The study employed panel data regression analysis to evaluate the relationship that exists between the study variables. The study adopted a descriptive research design and used panel data to establish the relationship between social insurance contribution rate and total productivity. The study findings indicated that there is a significant and positive relationship between social security payment rate and total factor productivity in China's listed firms. Further, the results suggest that the decline of the social insurance contribution rate affects total productivity differently depending on the region, ownership, and industry. Similar studies need to be conducted in developing economies to produce generalizable results.

Yang, Su, Liu, Xu and An (2025) examined the effect of social insurance contribution and the digital transformation of listed companies in China. The study collected data from the Shanghai Stock Exchange (SHSE) and Shenzhen Stock Exchange (SZSE), ranging from 2007 to 2017. Using panel data analysis, the study found that social health contribution significantly influences the level of a firm's digital transformation. In addition, the study revealed the mechanisms through which social insurance law influences the companies' digital transformation, such as the cashflow effect and factor substitution effect. The results of the study demonstrate that there is a positive effect of the social insurance contribution of the company's digitalization, which is more significant for companies that are not state-owned, have smaller sizes, are labour-intensive, and those with a low tax burden.

Adopting a qualitative research method, Natujwa (2024) analyzed the Social Health Insurance Benefit (SHIB) on healthcare services both in terms of accessibility and availability in Tanzania. The study's specific objectives included examining the effect of ease of access to

health services using the national social security fund and the level of awareness among the people. The data was collected from the participants using in-depth interviews conducted with key informants, and observation was utilized to supplement and comprehend the data obtained from the perspective of the participants. The researcher coded data and analyzed it thematically using Python programming tools to identify key themes that arise from the interviews with key informants. The study findings indicated that accessibility and availability were significant in predicting the level of health care services among the subscribers of the social health insurance fund. Given the results of the study, there is a need for similar studies to be conducted in the region to provide adequate, comparable results, particularly focusing on how they affect corporate financial performance.

Lusianti, Nasrullah, Yusoff, and Setyawan (2024) explored the effect of the national health insurance model on shared prosperity among the people of Indonesia. The study specifically investigated how the national health insurance influences the Islamic political economic perspective. To obtain the intended objective, the study employed a library research method and systematically collected and analysed data emanating from 109 articles accessed through Google Scholar, ranging from 1924 to 2022. The data was analysed using VOSviewer, which is a bibliometric analysis tool that enables visualization of the bibliometric networks. The study also adopted a research rabbit to analyze selected articles relevant to the study topic. The research rabbit allowed the researcher to produce interactive graphs that make it possible to track citations and disclose connections between early work, later research, and similar studies. The findings revealed that the government must manage resources that are beneficial to the public and towards social justice. The results further demonstrated that it is not only the government's role but also all citizens have a social responsibility to their fellow humans. There is a need for similar studies to adopt either qualitative or quantitative empirical studies to validate the findings using corporate firms.

Adopting an unbalanced panel data, Singh (2024) examined the moderating effect of social performance between financial risk and the financial performance of Microfinance firms. The study conducted empirical research where data were collected from 2,694 Microfinance institutions globally. The study applied a hierarchical regression model to gauge whether there is a significant effect on the role of social performance in the relationship between financial risk and financial performance. The study's findings reveal that social performance has a weak but positive relationship with financial performance when studied in isolation. Further analysis showed that social performance's moderating effect on risk is mixed and significant. Specifically, the study found that borrower retention rate and female representation positively moderate the relationship between financial risk and the financial performance of MFIs. However, there is a need for more similar studies to be done in various contexts to produce comparable findings, given the variations in some demographics in different regions.

In Sub-Saharan Africa, Musah, Aawaar, Musah and Abdul-Mumuni (2024) investigated the effect of financial development on health outcomes in the region. The study specifically focused on financial constructs like access, depth, efficiency, and health outcomes. The study employed a descriptive research design with panel data from 45 countries in the region obtained from the World Development Indicators (WDI) of the World Bank and the IMF, ranging from 2000 to 2021. The study made use of a 2-step system GMM as the estimation technique to assess the relationship among the study variables. The study established that the improvement of financial development measures significantly affects the health outcomes in sub-Saharan Africa. Similarly, the study found that the relationship between financial development and health outcomes in SSA is strongly moderated by public health financing. Given the results, there is a need for similar studies to focus on the impact of social health insurance policies the corporate performance to give a more in-depth analysis.

Adopting a quantitative approach, Singh and Barakoti (2023) explored the impact of social health insurance on household health care expenditure relating to chronic diseases in Sundarharaincha Municipality, Morang, in Nepal. To achieve its main purpose, the study employed retrospective cross-sectional research design and collected data from 424 households by cluster and a probability simple random sampling technique. The study analyses data using descriptive statistics as well as inferential statistics to ascertain the relationship that exists among the variables. The study findings revealed that there is a significant effect of social health insurance and catastrophic health care expenditures associated with chronic diseases. Despite these findings indicating a need for further research on a similar topic, focusing on the impact of social health funds on corporate financial performance using longitudinal studies to produce comparative results.

The reviewed literature confirms that social health insurance policies, ranging from mandatory employer contributions to public health financing frameworks, have tangible implications on firm behaviour, resource allocation, and productivity, especially in regulated or labour-intensive sectors. While studies in China, Indonesia, and Sub-Saharan Africa offer useful insights, few, if any, have directly examined how social health insurance contributions affect corporate financial performance in developing economies like Kenya. Given the recent implementation of the Social Health Insurance Fund (SHIF) under Kenya's revised fiscal policy framework, there is a critical need to assess its specific financial implications on Tea factories in Mount Kenya region, thereby filling a major gap in the existing literature.

2.3.3 NSSF Policy Changes and Financial Performance

In China, Yan *et al.* (2024) investigated the effect of social security contributions on the performance of enterprises, focusing on A-share listed companies located in Shanghai and Shenzhen cities. To realize the main purpose, the study obtained panel data from the A-share listed companies ranging from 2010 to 2022 and analyses it using descriptive statistics with the

help of the STATA software tool. The study findings revealed that social security contributions exhibited an inverted U-shaped correlation with company performance. Additionally, the results demonstrated that social security contributions have a significant effect on predicting the firm's performance in China. Given the small sample size, which is focused on two cities, similar studies can be replicated to include more cities to increase the sample size for more reliable and generalizable results.

Zhang and Yang (2023) studied the impact of social security rate reduction on the financial performance, concentrating on both state-owned and non-state-owned manufacturing industries with a key focus on the post-epidemic period in China. To achieve the objective, the study obtained data from the Guotaian CSMAR database and the WIND database from A-Share-listed manufacturing companies ranging from 2011 to 2020. The total target population included 3691 listed enterprises with 15,937 observations in non-state-owned manufacturers and 483 listed firms with 3,451 observations in state-owned manufacturers. The data was analysed using both descriptive and inferential statistics to determine the features of the data and the relationships that exist between the study variables. The results disclosed that there is a negative and significant relationship between the social security contribution rate and the financial performance of manufacturing enterprises in China. Further, the study findings indicated that the rate of contribution is inversely correlated with the firm’s financial performance; however, the results indicated that the effect is more pronounced in state-owned manufacturing enterprises. Further similar studies should be undertaken in developing economies to provide context-specific and comparable results.

Li and Gao (2025), adopting a quantitative approach, examined the effect of social security contributions, labor income share, and corporate innovation in China with a focus on A-Share listed companies. To realize its aim, the study used a sample of Chinese listed firms from 2009 to 2023 to assess the correlation between social security contributions and corporate

innovation, with a focus on the impact of labor income share and human capital intensity. The study used panel data analysis to analyze a sample of 27,896 observations using both fixed and random effects analysis. The study findings indicate that social security contribution has a positive and significant effect on corporate innovation. Moreover, the findings paint a picture showing that social security contributions positively influence corporate innovation by strengthening the positive effect of social security contributions on corporate innovation. There is a need for future similar studies to be undertaken in a developing context like Kenya to produce comparable results as well as generalizable results across regions.

In Tanzania, Lambin, Muangi and Nyyssölä (2025) conducted a study to establish the relationship that exists between social protection policies in a humanitarian context and stakeholders' views. The study focused on exploring the social protection needs, challenges in implementation, and the expansion of social protection schemes and opportunities for policy reforms. The study employed a qualitative, forward–looking approach to assess social protection within humanitarian contexts, largely consisting of health emergencies, climate hazards, and the impact and conflict situations by analysing stakeholder perspectives in a bottom-up approach. The study adopted a research approach that involved a documentary analysis of relevant policy documents, program evaluations, and statistics. This approach was complemented with interviews of key informants to capture a wide range of perspectives from professionals and knowledgeable people in social protection. The results suggested that there is a significant effect of social protection on humanitarian responses and the expansion of social protection schemes. Given the qualitative methodology employed, there is a need for further studies on similar topics to deploy quantitative methodology to provide an in-depth analysis and produce comparable findings. The reviewed literature provides diverse insights into the impact of social security contributions on firm-level outcomes, including performance, innovation, and organizational resilience. Studies from China highlight both the positive and

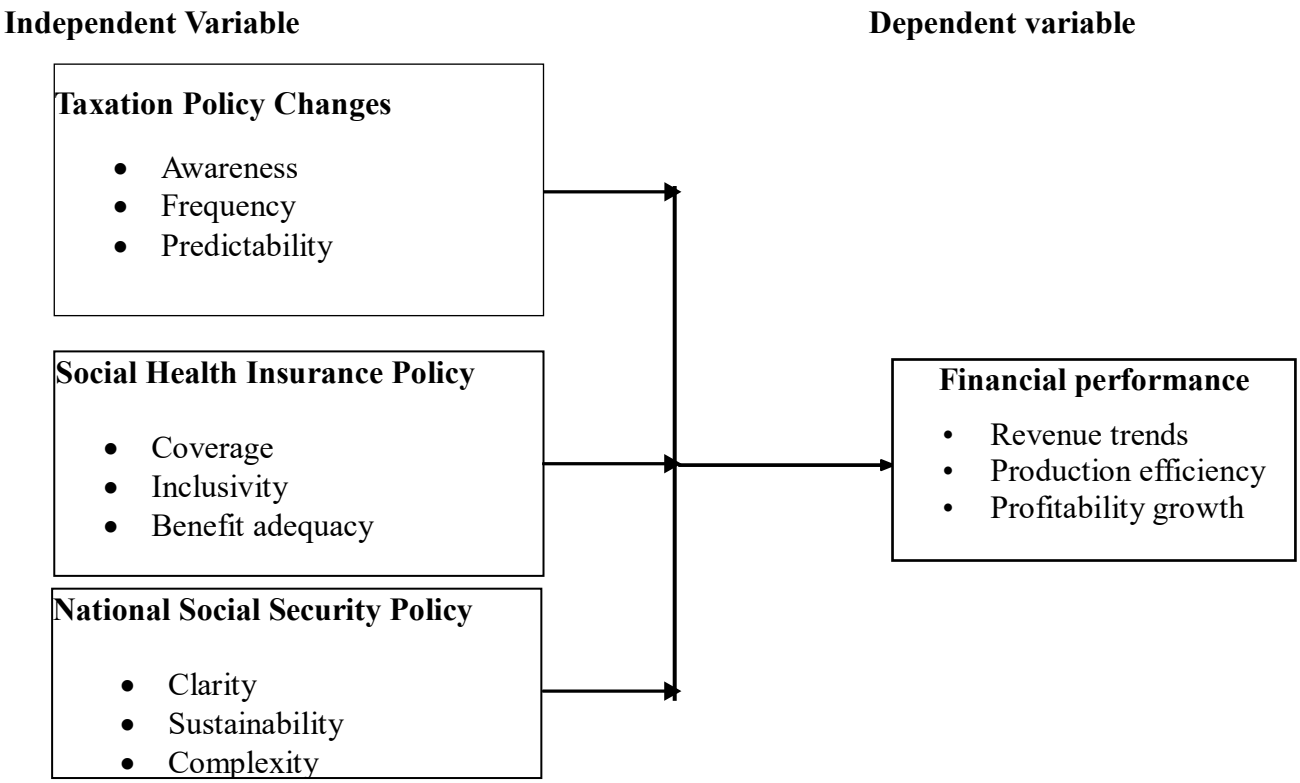
negative dimensions, emphasizing contextual factors such as ownership structure and labor intensity. However, few empirical studies focus specifically on Tea factories in developing economies such as Kenya, particularly in relation to mandatory National Social Security Fund (NSSF) contributions. This presents a critical gap that this study seeks to address, offering localized evidence to support policy and strategic decision-making for firms operating under evolving fiscal mandates

2.4 Conceptual Framework

A conceptual framework is the presentation of the relationship between the independent variables (fiscal policy changes) and the dependent variable (financial performance) is illustrated graphically. According to Ngai and Wu (2022), a conceptual framework is a technique intended to assess patterns and meanings by generating logical deviations and organizing ideas in a visual way that is easy to understand. While taxation policy, SHIF, and NSSF contributions will be the independent variables, the dependent variable will be the financial performance of tea factories in the Mt. Kenya Region. Additionally, the position of the pointing arrow represents the principal effect trajectory, which is the trajectory where the independent variable directly affects the dependent variable.

FIGURE 1:

Conceptual Framework



Source: Author (2025)

2.5 Operationalization of Variables

According to Kent, Cancelliere, Boyle, Cassidy and Kongsted (2020), an operational definition is a clear specification of a study variable to make it easy for measurement. The study variables in this study will be operationalized based on the existing empirical literature. Fiscal Policy changes refer to a clear, measurable way to identify and categorize modifications in government fiscal policies. Key components of fiscal policy changes will include taxation policy, social health insurance fund policy, and national social security fund policy. These are critical fiscal policy changes the government has revamped in the last 2 years. On the other hand, financial performance will be operationalized by the net profit margin indicator as shown in Table 1

TABLE 1*:*

Operationalization of Variables and Measurements

Type of Variable	**Variable**	**Definition**	**Measurement (Indicators)**	**Source**
Independent Variable	Fiscal Policy Changes:	A clear, measurable way to identify and categorize modifications in government fiscal policies.		
	Taxation Policy Changes	Any government regulation, law, or regulation that alters the rate, structure, or administration of taxes as publicly announced and implemented within a fiscal year.	• Awareness • Frequency • Predictability	Gootjes & De Haan (2022).
	Social Health Insurance Fund (SHIF) Policy	Mandatory payment made by enrolled individuals, employers, or government entities to the Social Health Insurance Fund.	• Coverage • Inclusivity • Benefit adequacy	Yang *et al.* (2025)
	National Social Security Fund (NSSF) Policy	Mandatory payment made by registered employers and employees to the National Social Security Fund	• Clarity • Sustainability • Complexity	Yan *et al.* (2024)
Dependent Variable	Financial Performance	The effectiveness of a company in generating profits by utilizing its resources and managing its financial obligations over time.	• Revenue trends • Production efficiency • Profitability growth	Mwaungulu & Stan (2025)

Source: Author (2025)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented a detailed research methodology that the researcher employed to achieve the study objectives. This chapter was further subdivided into various subsections for ease of clarity and understanding and was presented in a chronological order of events. Specifically, this chapter was organized as follows: research design, target population, sampling and sample size, data collection procedures, diagnostic tests, data analysis, and ethical considerations.

3.2 Research Design

Dannels (2018) defines research design as a detailed strategy a researcher follows to complete research more coherently. It encompasses the general plan designed by a researcher to undertake a given study to ensure that all the set objectives are achieved in a more effective way. According to Kumar and Praveena (2025), there are four main research designs, namely: descriptive, exploratory, correlational, and experimental. Descriptive research design aims to describe characteristics of a population or phenomenon, while exploratory research design is employed when there is little existing knowledge about a phenomenon or a topic; it aims to explore and comprehend it (Patel & Patel, 2019). Correlational research design aims to examine the relationship between two or more variables, and finally, the experimental design aims to manipulate one or more variables to ascertain the effect on another variable (Patel & Patel, 2019).

This study applied a descriptive research design because it aimed to describe characteristics of the fiscal policy changes and financial performance of tea factories in the Mt. Kenya region. Additionally, the descriptive research design was suitable for the study because it made it possible for the existing research problem to be explored in a more detailed manner by the researcher, as expounded by Acharya and Bhattacharya (2019). A descriptive research

design was also adopted since it had also been employed by other scholars in similar studies (for example, Ongayi *et al.,* 2021; Singh & Barakoti, 2023; Li & Gao, 2025).

3.3 Target Population

Target population refers to the complete group of items or objects from which the researcher seeks to get a small number of the objects to operate as the wholesome representation of the entire population (Sileyew, 2019) Similarly, Bloomfield and Fisher (2019) describe target population as the entire set of units/items upon which research data was obtained to make inferences about the population. As such, the target population of the study consisted of 37 tea factories in the Mt. Kenya Region (Appendix II). The unit of analysis was a factory operating in the Mt. Kenya region.

3.4 Sampling and Sample Size

Mukherjee (2019) describes sampling as the technique that involves selecting or picking a sample as a representative of the larger population for the sole objective of including it in a study. This is done to ensure that the items under study are fairly represented and avoid bias. This study adopted a census of all 37 factories operating in the Mt. Kenya region, and the data was collected from 5 participants consisting of finance and operations officers from each factory, resulting in 185 participants in total. The finance and operations officers were purposively selected because they were believed to have knowledge on the effect of fiscal policy changes on the financial performance of the factories.

3.5 Data Collection Procedures

The data collection procedure involved the process of searching for and gathering critical data on objects/subjects that are of interest to the researcher, following a systematic and organized way (Gupta & Gupta, 2022). This process helped the researcher receive responses to the questions that were central to the research. This study employed a questionnaire to collect primary data from the participants because it was less costly and enabled the researcher to

collect a huge amount of data in a short time. Data was obtained using the questionnaire designed to capture the data to answer the research questions (Appendix II).

The questionnaire was designed based on a thorough review of existing literature and validated frameworks, with items on the data collection instrument carefully chosen to accurately measure each variable under the study. Particularly, the research questions were adapted from established sources such as Gootjes and Den Haan (2022) and Yang *et al.* (2025), whose scholarly work gave empirically tested indicators relevant to the study's context. The selection of questionnaire items involved examining the relevance, clarity, and cultural appropriateness of items, with a few changes made to tailor the data collection instrument to the specific research setting.

3.6 Pilot Study

Lowe (2019) defines a pilot study as a preliminary investigation carried out before the main research to test the validity and reliability of the research instrument. It is significant because it helps the researcher to identify potential issues related to question understanding, survey administration costs, and data collection processes with an aim of enabling the researcher to refine and enhance the overall research design (Aziz & Khan, 2020). In this study, a pilot test was administered in 3 factories in the rift region, which neighbours the Mt. Kenya region.

3.6.1 Validity Test

Validity is described as the extent to which a data collection tool accurately measures the intended constructs and produces the truthful and meaningful results (Cohen *et al*., 2022). This study tested content validity, construct validity and criterion validity by subjecting the research instrument to my supervisor and subject matter experts to critique and help in refining the research questions to ensure they are relevant and accurately measure the theoretical constructs.

3.6.2 Reliability Test

Reliability test involves assessing the consistency and stability of the research instrument in measuring variables over time and across different conditions (Ahmed & Ishtiaq, 2021). According to Coleman (2022), reliability testing enables a researcher to ascertain that the questionnaire yields consistent results when repeated administration or across different respondents with similar features. In this study, the reliability test was carried out using internal consistent technique by computing Cronbach's alpha that ranges from 0 to 1. According to Tavakol and Dennick (2011), Cronbach's Alpha coefficient ranging between 0.7 and 0.9 is good for reliability of the research instrument. Therefore, this study adopted Cronbach's Alpha coefficient of 0.7 and above as satisfactory and acceptable reliability.

3.7 Diagnostic Tests

3.7.1 Multicollinearity

Multicollinearity is an occurrence where a high intercorrelation exists between two independent variables (Heeringa, West and Berglund, (2017). To detect the existence of multicollinearity between independent variables, the study used the Variance Inflation Factor (VIF) as advocated by Dannels (2018), where a VIF value of between 1-10 would be an indication that multicollinearity does not exist whereas a value of less than 1 or more than 10 indicates and existence of multicollinearity that must be treated before the analysis.

3.7.2 Normality Test

According to Bloomfield and Fisher (2019), a normality test is an assessment used in statistics to establish whether a data set is well-modelled by a normal distribution. This was to ensure that there is a likelihood that a random variable from a given data set to be normally distributed. In the current study, the normality test will be established using the Jarque-Bera test in STATA software.

3.7.3 Heteroscedasticity Test

Mukherjee (2019) defines heteroscedasticity as the term used in the description of situations in which the error variance does not remain constant. Therefore, heteroscedasticity is employed to test a linear regression model based on the assumption that all error terms are simply normally distributed. This study used the Breusch-Pagan test to establish whether there was presence of heteroscedasticity in the data or not. If the p-value is less than 0.05, it is an indication that a constant variance exists, hence, accepting the null hypothesis and rejecting the alternative hypothesis as espoused by Heeringa *et al.* (2017).

3.8 Data Analysis

Data analysis is the general approach to cleaning and modelling the data that has been collected to ascertain if it is useful to employ in the study, and to be able to conclude based on the study objectives (Heeringa *et al.,* 2017). Data obtained in the current study was examined to prove that it is complete, after which it was coded and uploaded into the STATA computer software for analysis. Before data analysis was conducted, a composite index for each item was established through getting the average of individual research item to create a single representative score for each construct

Data analysis employed both descriptive and inferential statistics to analyze the collected and coded data. To make the findings of the study easier to understand, descriptive statistical presentation tools, particularly frequency, the mean, and standard deviation, were utilized, while inferential statistics involved Pearson's Correlation Coefficient and multiple regression analysis to identify the relationship that exists between the variables. Upon the completion of data analysis, multiple regression models were applied to establish the strength of the relationships between the variables. The adopted model was in the form:

$$\mathbf{Y} = \boldsymbol{\beta_0} + \boldsymbol{\beta_1 X_1} + \boldsymbol{\beta_2 X_2} + \boldsymbol{\beta_3 X_3} + \boldsymbol{\varepsilon}$$

Where:

Y = Financial Performance

$\boldsymbol{\beta_0}$=Intercept term

$\boldsymbol{\beta_{1\ldots4}}$=coefficients of the independent variables

$\boldsymbol{X_1}$= Taxation policy changes

$\boldsymbol{X_2}$= SHIF Policy

$\boldsymbol{X_3}$= NSSF Policy

$\boldsymbol{\varepsilon}$= error term

3.9 Ethical Considerations

Ethical considerations are a crucial part of conducting any research. Protecting the rights and well-being of research participants throughout the process is essential to maintain the study's integrity and credibility (Drolet, Rose-Derouin, Leblanc, Ruest and Williams-Jones (2023). During the study, the researcher adhered to specific measures designed to address potential ethical issues. First, the researcher obtained a personal introductory letter from KCA University's ISERC committee for data collection purposes. Additionally, a letter granting permission to collect data was secured from the National Commission for Science, Technology, and Innovation (NACOSTI).

Another important aspect of ethical consideration is the principle of obtaining informed consent from all participants. In this study, consent was obtained from the research participants, who were the finance and operations officers, by providing them with a consent form that included clear and comprehensive information about the purpose, procedures, potential risks, and benefits of the study. They were informed of their right to withdraw at any time without facing any negative consequences. The recruitment of participants was voluntary, with an emphasis on fairness, transparency, and respect. Selection criteria ensured that the participants were knowledgeable about fiscal policies and financial performance.

The researcher took care of and protected the study participants by ensuring that their participation did not interfere with their daily responsibilities. To achieve this ethical consideration, the researcher scheduled the data collection tasks at convenient times and be mindful of the workload levels of the participants. Moreover, the researcher implemented strict data management protocols, including anonymizing data to prevent identification of participants or specific factories. Further, the researcher ensured secure storage of the collected data by restricting access and careful handling of the data, which aimed at protecting participants' privacy.

Lastly, ethical considerations extended beyond individual participants by requiring attention to the broader community. Since the research findings would impact regional economic policies or community perceptions of the tea sector, the researcher ensured that conclusions were accurate, unbiased, and responsibly communicated. The researcher was also mindful of how his results would affect employment, local livelihoods, and community well-being. Therefore, the researcher would work to ensure that community stakeholders were adequately engaged and that transparency was maintained to foster trust and help ensure the study's findings benefited society.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Introduction

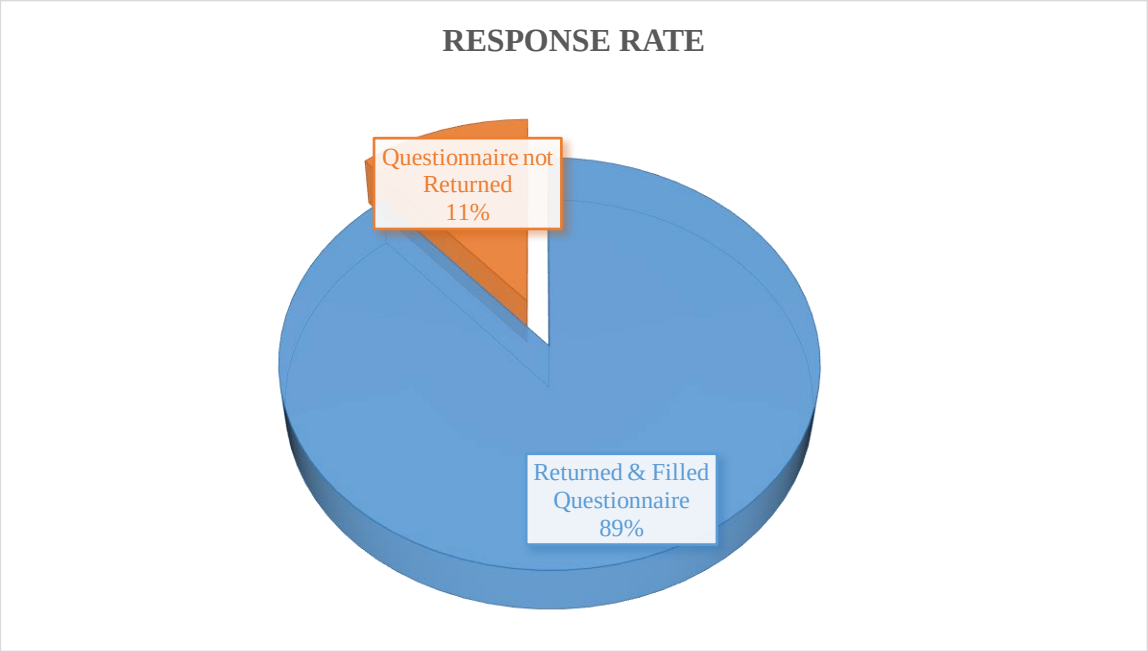
This chapter provides a detailed analysis of the collected data in line with the research objectives highlighted in chapter one. The chapter was divided into sections for ease of reference and understanding. Therefore, the chapter provides an overview of the response rate, reliability test findings and background characteristics of the respondents was also discussed to shed light on their demographics, experiences and position in the factory. Diagnostic tests were also conducted to assess the underlying regression assumptions and the adequacy of the statistical model. Further, this chapter presents both descriptive and inferential statistics as pertains to the study objectives.

4.2 Response Rate

The study aimed to collect data from 185 participants consisting of finance officers and operations officers working with factories in Mt. Kenya Region. Out of 185 distributed online questionnaires, a commendable 89% response rate was achieved, with 164 respondents providing complete responses. This high response rate was considered as not only adequate but also highly representative of the entire study population, which aligns with the criteria by Wu *et al.* (2022), who avers that a response rate exceeding 50% is adequate for analysis. In addition, Holtom, Baruch, Aguinis and Ballinger (2020) emphasizes that a response rate of 60% and above is sufficient to guarantee representativeness. In comparison with similar past studies, for example, Elumilade *et al.* (2022) reported a response rate of 83%, while Joshua-Gyang (2024) achieved a response rate of 78%. These observable variances underscore the effectiveness of the data collection procedure in this study, which shows cases of a higher level of engagement from the participants. The results of the response rate are presented in Figure 2.

FIGURE 2

Response Rate



Source: Survey Data (2025)

4.3 Reliability Test

This study adopted Cronbach's Alpha coefficient to assess the research instrument's ability to accurately measure its intended objectives. According to William (2024) Cronbach's Alpha value of at least 0.7 is acceptable for data collection. The pilot study demonstrated that the research instrument achieved an average Cronbach's Alpha coefficient of 0.857, which indicates a commendable level of consistency in the responses. Therefore, it was appropriate to use the research instrument for investigating the effect of fiscal policy changes on financial performance among the tea factories in Mt. Kenya region. Table 2.

TABLE 2:

Summary of Reliability Results

Variable	Indicators	Cronbach's Alpha Coefficient	No. of Items	Interpretation for the study
Taxation Policy Changes	Awareness Frequency Predictability	0.722	8	Reliable
Social Health Insurance Policy	Coverage Inclusivity Benefit adequacy	0.931	8	Reliable
National Social Security Policy	Clarity Sustainability Complexity	0.872	8	Reliable
Financial Performance	Revenue trends Production efficiency Profitability growth	0.903	8	Reliable
Overall		**0.857**		**Instrument reliable**

Source: Survey Data (2025)

4.4 Findings on the Background of the Respondents

This section provides the study findings based on the background features of the respondents, which include the current position in the factory, the highest education level, and the number of years' experience.

4.4.1 Respondents' Position in the Factory

The study sought to establish the distribution of the respondents in terms of the position they hold in their respective factories. Table 3 presents the results of the position distribution among the participants.

TABLE 3:

Respondents' Position in the Factory

Position	Frequency	Percentage (%)
Finance Officer	92	56
Operations Officer	72	44
Total	**164**	**100**

Source: Survey Data (2025)

The descriptive statistics in Table 3 reveal that the majority of respondents in the study are Finance Officers, comprising 56% of the total sample while Operations Officers make up the remaining 44%. This distribution indicates that more than half of the respondents occupy financial roles within their respective tea factories. As a result, their perspectives and insights are likely to be influential in discussions related to fiscal policy changes and the financial performance of the factories in the Mt. Kenya region.

4.4.2 Respondents' Education Distribution

The participants were required to indicate their level of education to establish the level of formal education of each participant. Table 4 presents the results on education level distribution among the participants.

TABLE 4:

Respondent's Education Level Distribution

Highest Education Level	Frequency (F)	Percentage (%)
Certificate	15	9
Diploma	22	13
Bachelor	103	63
Masters	20	12
Others	4	2
Total	**164**	**100**

Source: Survey Data (2025)

The analysis of the participants' highest education levels as presented in Table 4 indicates that a significant majority, 63%, hold a bachelor's degree, reflecting a relatively high level of formal education among the respondents. Additionally, 12% have attained a master's degree, and smaller proportions possess diplomas (13%) and certificates (9%), with a few participants (2%) falling into other educational categories. This distribution reveals that most respondents are relatively well-educated, which could enhance their understanding of fiscal policy impacts and financial performance in the tea industry. The results indicate that the participants possess higher education levels which may facilitate informed insights and decision-making related to the effects of fiscal policy changes on the factories' financial performance.

4.4.3 Respondents' Years of Experience

The study required the respondents to indicate the number of years of experience they possess. Table 5 presents the distribution results on number of years of experience among the participants.

TABLE 5:

Respondents' Years of Experience Distribution

Experience	Frequency (F)	Percentage %
Below 3 years	53	32
3-6 years	44	27
7-9 years	29	18
10 years and over	38	23
Total	**164**	**100**

Source: Survey Data (2025)

The experience distribution among respondents presented in Table 5 shows that a majority (32%) have less than three years of experience, while 27% have between three to six years, and 23% have a decade or more in the industry, with 18% having 7-9 years. This indicates a relatively diverse range of experience levels, with a notable proportion of less experienced participants. The presence of both relatively new and seasoned professionals suggests that the

data collected reflects a broad spectrum of insights regarding the impact of fiscal policy changes on the financial performance of tea factories in the Mt. Kenya region, potentially capturing both emerging perspectives and seasoned expertise.

4.5 Findings on Diagnostic Tests

In research, model diagnostic test is required to check the validity of the regression analysis assumptions (Kaplan, 2023). These diagnostics help in establishing whether the explanatory variables are relevant for the model and whether the model is adequate in explaining the correlation and link between the study variables. The diagnostic tests applied to this study included:

4.5.1 Multicollinearity Test

Duxbury (2021) describes multicollinearity as an occurrence where high inter-correlation between at least two independent factors is observed. In this study, Variance Inflation Factor (VIF) was applied to establish the presence of multicollinearity through the correlation and the strength of it between the study variables. A VIF value ranging between 1 and 10 shows the absence of multicollinearity, while a VIF value of less than 1 and more than 10 indicates existence of multicollinearity among the variables. The results on the multicollinearity test presented in Table 4.5 indicate that a VIF value ranging from 1.060 to 8.846, which is above 1 and less than 10, inferring that there is no problem of multicollinearity among the study variables.

TABLE 6:

Multicollinearity Test Results

Model		Multi-collinearity statistics		
		Tolerance	**VIF**	**Comment**
	Constant			
1	Taxation Policy Changes	0.113	8.846	No multicollinearity
	Social Health Insurance Fund Policy	0.613	1.631	No multicollinearity
	National Social Security Fund Policy	0.944	1.060	No multicollinearity

Source: Survey Data (2025)

4.5.2 Normality Test

For normal distribution, the JB statistic needs to be statistically indifferent from zero, that is:

$$Ho: JB = 0\ (normally\ distributed)$$
$$H1: JB \neq 0\ (not\ normally\ distributed)$$

Rejecting the null hypothesis for any of the variables suggest that the variables are not normally distributed, and a logarithmic transformation is required. This study tested normality using the Jarque-Bera Test (JB) and the results are presented in Table 7.

TABLE 7:

Normality Test Results

Model	Obs.	Jarque-Bera	Prob.	Sum	Sum Sq. Dev
Constant					
Taxation Policy Changes	164	20.27	0.00004	191.66	16.82
Social Health Insurance Fund Policy	164	1,846.38	0.00000	12.67	9.69
National Social Security Fund Policy	164	6,386.12	0.00000	32.99	7.65

Source: Survey Data (2025)

The null hypothesis under the JB's normality test revealed that the disturbance values are not normally distributed. If the p-value is less than 0.05, the null hypothesis of normality at the 5%

level is rejected. The residual values had $p<0.05$; therefore, we reject the null hypothesis and conclude that the residuals were normally distributed.

4.5.3 Heteroscedasticity Test

This study adopted Breusch-Pagan-Godfrey Test to examine the heteroscedasticity condition in the regression model. Saleh and Rosli (2024) inferred that the presence of heteroscedasticity causes problems in drawing conclusions due to the resultant biased estimates of "F" and "t" statistics. Therefore, the test indicates that if the p-value is significant at 95% confidence interval, the data is believed to have heteroscedasticity problem. The results of the test were presented in Table 8.

TABLE 8

Heteroscedasticity Test Results

Heteroscedasticity Test: Breusch-Pagan-Godfrey				
F-statistic	0.493179	Prb F(3,10)	0.6856	
Obs*R-squared	1.802199	Prb Chi Square (3)	0.6247	
Scaled explained SS	1.736267	Prb Chi Square (3)	0.6211	
Test Equation:				
Dependent Variable PD^2				
Method. Least Squares.				
Date: 04/10/2025 Time: 18:32				
Included Observation 164				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Taxation policy	2.121825	1.215546	1.76765	0.116
SHIF Policy	0.133612	0.531557	0.24578	0.8133
NSSF Policy	0.135124	0.240595	0.56918	0.5653
R-squared	0.127557	Mean dependent var		2.283013
Adjusted R- squared	-0.122546	S.D. dependent var		4.184591
S.E. of regression	4.433156	Akaike info criterion		6.056569
Sum squared resid	187.4144	Schwarz criterion		6.247146
Log likelihood	-38.28791	Hannan-Quinn criter.		6.037667
F-statistic	0.482169	Durbin-Watson stat		1.26249
Prob (F-statistic)	0.685584			

Source: Survey Data (2025)

From Table 8, the test results ($p=0.6856>0.05$) indicates that there is no heteroscedasticity condition for the regression model.

4.6 Descriptive Statistics

In this part of the chapter, the study used descriptive statistics, particularly the mean and standard deviation to describe the study variables. The examination of the mean followed the categorization as advocated by Hinton (2024), who indicated that a mean of 1-2.49 is considered very weak, 2.5-3.49 is deemed weak, 3.5-4.49 is labelled strong, and a mean of 4.5-5.00 is very strong. In addition, the standard deviation followed the categorization by Gordon (2023) who indicated that a standard deviation of less than 0.5 signal presence of heterogeneity condition in the data. A high standard deviation, according to Kaplan (2023), suggests that significant variability among the participants in the population sample.

4.6.1 Tax Policy Changes

The study required the respondents to state the extent to which they agreed or disagreed with various statements on taxation policy changes among tea factories in Mt. Kenya region. Table 9 presents the results of the descriptive statistics on tax policy changes.

TABLE 9:

Descriptive Statistics Results on Tax Policy Changes

Statement	Min	Max	Mean	Std Dev.
			3.725	
I am aware of the new taxation policies introduced in Kenya over the last two years.	1	5	6	1.1896
The taxation policies affecting tea factories are clear and easy to understand.	1	5	2.9695	1.0989
Our factory has adequate information about the different taxes applicable to the tea sector.	1	5	3.2683	1.1138
The frequency of changes in taxation policy over the last two years has been high.	1	5	3.8354	1.2148
The process of complying with taxation requirements is straightforward.	1	5	2.9512	1.1765
The level of engagement and communication from the government on taxation policies has been satisfactory.	1	5	2.6768	1.2915
The structure of taxes in the tea sector is consistent and predictable.	1	5	2.5183	1.2797
The stability of taxation policies over the last two years has contributed to better financial planning.	1	5	2.5976	1.2809
Mean Score	**1**	**5**	**3.0678**	**1.2057**

Source: Survey Data (2025)

Table 9 presents the scores by the respondents on taxation policy changes among tea factories in Mt. Kenya. The statement regarding awareness of the new taxation policies in Kenya over the past two years has a mean score of 3.73, indicating that respondents generally feel they are aware of these policies. The standard deviation of 1.19 suggests a moderate level of variability in responses, meaning that while many are aware, there are some who may have less knowledge. This variability highlights differing levels of awareness among stakeholders, potentially influenced by factors such as communication channels or access to information. Similarly, the perception that the taxation policies affecting tea factories are clear and easy to understand has a mean score of about 3.0, with a standard deviation close to 1.10. This indicates a somewhat neutral perception, with notable differences among respondents, possibly reflecting complexities or inconsistencies in policy communication.

The high mean score of 3.84 for the frequency of policy changes underscores a consensus that tax policies have been changing frequently, which could create instability and uncertainty for the sector. The standard deviation of 1.21 reinforces that perceptions vary, with some respondents viewing the changes as more disruptive than others. Regarding the ease of compliance, the mean score of 3.0 suggests that respondents find the process somewhat straightforward but not entirely simple, with a standard deviation of 1.18 indicating diverse experiences or perceptions of the compliance process. Additionally, the level of government engagement and communication has a lower mean of 2.68, coupled with a higher standard deviation of 1.29, implying that many respondents view government communication as less satisfactory, and perceptions differ significantly.

Finally, aspects related to the stability and predictability of the tax structure, such as the consistency of taxes and their contribution to financial planning, receive lower mean scores of 2.5 to 2.6, with high standard deviations nearing 1.28. These figures suggest that respondents generally perceive the tax structure as unpredictable and unstable, which hampers effective

financial planning. The overall mean score of about 3.07, combined with a standard deviation of 1.21, indicates a moderate and somewhat dispersed perception across these variables. Collectively, the results point to considerable variability in experiences and perceptions among stakeholders, emphasizing the need for more stable, clear, and effectively communicated fiscal policies to enhance confidence and financial performance within the tea sector.

The findings of the study were found to be consistent with institutional theory that indicates that organizations are embedded within a complex wed of social, cultural, political and legal institutions, which exert significant influence on how companies behave and how decisions are made at the organizational level (Meyer & Rowan, 1977). Similarly, the findings reflected past studies like Liu *et al.* (2024) who found that environmental tax policy had a positive and significant influence on financial performance of energy-intensive companies in China. Additionally, the results were like Mbevi's (2023) conclusion that corporate income tax policy had a positive and significant relationship with financial performance among telecommunication companies in Kenya. Generally, the findings were consistent with previous studies (e.g., Kavetsa, 2025; Niendorf *et al.*, 2025; Mocanu *et al.,* 2021).

4.6.2 Social Health Insurance Fund Policy

The study attempted to examine the social health insurance fund policy among tea factories in Mt. Kenya region, as such the respondents were requested to indicate the extent to which each of the statements matched the social health insurance fund policy activities. The results of the responses were presented in Table 10.

TABLE 10:

Descriptive Statistics Results on SHIF Policy

Statement	Min	Max	Mean	Std Dev
The coverage scope of the SHIF has expanded to include more categories of workers in recent years.	1	5	2.9390	1.1707
The SHIF scheme is inclusive of vulnerable and informal sector workers.	1	5	2.9268	1.2363
The benefits provided by SHIF are sufficient to meet the healthcare needs of members.	1	5	2.7256	1.2251
There is awareness among employees about the healthcare benefits offered through SHIF.	1	5	2.9390	1.2270
The process of accessing healthcare services through SHIF is straightforward for most members.	1	5	2.7683	1.3134
The SHIF scheme actively includes marginalized groups in its coverage policies.	1	5	2.8841	1.2355
The healthcare benefits offered by SHIF are regularly reviewed to ensure they remain adequate.	1	5	2.7805	1.2436
The SHIF coverage has improved accessibility to quality health services for members.	1	5	2.8293	1.2852
Mean Score	**1**	**5**	**2.8491**	**1.2421**

Source: Survey Data (2025)

The analysis of the statements concerning the Social Health Insurance Fund (SHIF) reveals that, on average, respondents perceive the scheme as somewhat moderate in its scope and inclusiveness. For example, the mean score of 2.94 for the expansion of the coverage scope indicates a negative perception that the scheme has included more categories of workers recently, though responses vary, as evidenced by the standard deviation of 1.17. Similarly, the perception that SHIF is inclusive of vulnerable and informal sector workers has a comparable mean of 2.93, with a higher variability (standard deviation=1.24), suggesting differing views on how well marginalized groups are covered. These figures imply that while there is some recognition of progress, respondents may not view the inclusiveness of SHIF as comprehensive or fully effective.

Perceptions of the sufficiency of benefits and awareness among employees about healthcare benefits also hover around weak levels, with mean scores of 2.73 and 2.94 respectively, and standard deviations exceeding 1.22. These numbers suggest that many

respondents feel the benefits may not fully meet members' healthcare needs and that awareness may not be widespread or consistent among employees. When it comes to the accessibility and processes involved in accessing healthcare services through SHIF, the mean scores are lower, 2.77 and 2.83, with higher variability (above 1.21). This indicates that many members find accessing services somewhat challenging or inconsistent, and perceptions of the scheme's efforts to include marginalized groups and regularly review benefits are similarly moderate, with mean score of 2.78 and 2.88 with standard deviations over 1.23.

Overall, the mean score of 2.85 suggests that respondents view the SHIF scheme as weakly effective but with significant room for improvement across several aspects, including coverage, inclusiveness, benefit adequacy, and accessibility. The relatively high standard deviation across all statements indicates a wide dispersion of perceptions, reflecting diverse experiences and opinions among respondents. This variability underscores the need for ongoing efforts to expand coverage, improve communication, and ensure that benefits truly meet the healthcare needs of all members, especially marginalized and vulnerable groups, to enhance overall satisfaction and scheme effectiveness.

According to Yang *et al.* (2025), there is a positive effect of social insurance contribution of the company's digitalization, which is more significant for companies that are not-state-owned, however, the results of the study indicated otherwise. The study findings were divergent from Natujwa (2024) that accessibility and availability were significant in determining the level of health care services among the subscribers of the social health insurance fund. The study results reflected the findings by Singh (2024) who found that social performance influences the company's financial performance in Microfinance firms by adopting hierarchical regression models. Generally, the descriptive statistics reveal that there is a positive trend towards social health insurance fund policy as it determined the financial performance of companies.

4.6.3 National Social Security Fund Policy

The tried to evaluate the national social security fund policy among tea factories in Mt. Kenya region, as such the respondents were requested to indicate the extent to which each of the statements matched the national social security fund policy activities. The results of the responses were presented in Table 4.10.

TABLE 11:

Descriptive Statistics Results on NSSF Policy

Statement	Min	Max	Mean	Std Dev
The objectives and provisions of the national social security policy are clearly communicated to stakeholders.	1	5	3.1829	1.1578
The current social security policy is designed in a way that ensures long-term sustainability of the fund.	1	5	3.2744	1.1582
The policies related to social security are easy to understand and navigate for contributors.	1	5	3.0976	1.1838
The complexity of the social security policy does not hinder compliance or understanding among members.	1	5	3.1159	1.1533
The government provides consistent guidance on the implementation of the social security policy.	1	5	3.1768	1.1875
The social security policy framework promotes sustainable management of resources over time.	1	5	3.2012	1.2143
The provisions of the social security policy are transparent and accessible to the public.	1	5	3.0305	1.2356
The policy's structure allows for adaptation to changing socioeconomic conditions without excessive complexity.	1	5	2.8841	1.2794
Mean Score	**1**	***5***	**3.1204**	**1.1962**

Source: Survey Data (2025)

The analysis of the statements related to the national social security policy, in the context of fiscal policy changes and their impact on the financial performance of tea factories, indicates a moderate level of clarity and confidence among stakeholders. The mean scores, ranging from 2.88 to 3.27, suggest that respondents perceive the policies as somewhat understandable and designed with sustainability in mind, but not without room for improvement. For instance, the slightly higher mean of 3.27 regarding the policy's long-term sustainability indicates a general belief that the current framework is oriented towards future stability, which is crucial for

ensuring that social security provisions support both workers and the financial health of the factories over time.

The relatively high standard deviations, all over 1.15 and reaching up to 1.28, reveal considerable variability in perceptions among respondents. This dispersion suggests that while some stakeholders believe the policies are clear and sustainable, others find them complex or difficult to navigate. For example, the statement concerning the policy's adaptability to changing socioeconomic conditions has the lowest mean (2.88) and the highest standard deviation, hinting at divergent views about how well the policies can evolve without becoming overly complicated. Such differences in perception could impact compliance, the effectiveness of policy implementation, and ultimately influence the financial stability of tea factories.

Overall, the findings imply that although the social security policy framework is generally perceived as somewhat transparent and geared toward sustainability, there are notable concerns about complexity and adaptability. These perceptions are vital because they affect stakeholder engagement and the effective implementation of fiscal policies that influence the financial performance of tea factories. Ensuring clearer communication, simplifying policy structures, and enhancing stakeholders' understanding could foster better compliance and more resilient social security systems, thereby supporting the long-term economic stability of the sector amid changing fiscal and social conditions.

The study's findings on NSSF policy changes conflicted with the findings by Yan *et al.* (2024) and Zhang and Young (2023) that there is a negative and significant relationship between social security contribution rate and the financial performance of companies, while the current study found a positive and statistically significant relationship. Further the findings were dissimilar to those of Li and Gao (2025) who concluded that social security contributions positively influenced corporate innovation by strengthening the positive effect on financial performance.

4.6.3 Financial Performance

Table 4.11 presents the descriptive results regarding the financial performance of tea factories in Mt. Kenya.

TABLE 12:

Descriptive Statistics Results on Financial Performance

Statement	Min	Max	Mean	Std Dev
Our organization has experienced steady revenue growth over the past two years.	1	5	3.1402	1.1976
Revenue fluctuations in recent years have been manageable and predictable.	1	5	2.8720	1.1835
Our factory's production processes are optimized for maximum efficiency.	1	5	3.4329	1.1411
The organization regularly reviews and improves production workflows.	1	5	3.4878	1.1214
Our organization has experienced consistent growth in profitability over the past two years.	1	5	3.1585	1.1018
Profit margins have improved due to better cost management and pricing strategies.	1	5	3.3354	1.1366
Efforts to improve efficiency have contributed positively to overall profitability.	1	5	3.4695	1.0591
The organization has sufficient data to monitor profitability trends accurately.	1	5	3.4207	1.0965
Mean Score	**1**	***5***	**3.2896**	**1.1297**

Source: Survey Data (2025)

The survey responses concerning the financial performance of tea factories reveal a moderate to positive perception among respondents, with the overall mean score of 3.29 indicating a consensus that the organizations have experienced some level of revenue growth and profitability improvement over the past two years. Observably, statements related to process optimization and workflow review received higher means (3.43 to 3.49), suggesting that factories are perceived to be actively engaged in improving production efficiency. This focus on operational excellence is crucial in the context of fiscal policy changes, as it can help mitigate the adverse effects of economic fluctuations and contribute to financial stability within the sector.

The standard deviations, ranging from about 1.06 to 1.19, reflect considerable variability in responses, implying that perceptions of revenue stability, profit growth, and

efficiency improvements are not uniform across all respondents. For example, while some may view revenue growth as steady, others might see more volatility, which is captured in the fluctuation of responses. The relatively high variability indicates differing experiences and confidence levels regarding financial performance, potentially influenced by factors such as differing organizational strategies, resource allocations, or exposure to fiscal policy adjustments. This variability underscores the importance of targeted strategies to address specific challenges faced by individual factories to ensure more consistent financial outcomes.

Overall, the results suggest that while there is a general perception of positive financial performance improvements, significant disparities and uncertainties remain. The high variability in responses points to the need for continuous monitoring, data-driven decision-making, and adaptive strategies that can accommodate the impacts of fiscal policy changes. Ensuring more uniform perceptions of stability and efficiency could enhance overall sector resilience, leading to better financial performance across the industry.

4.7 Correlation Analysis

This section gives the correlation coefficient for the study variables. The study employed the spearman's rho correlation analysis model to evaluate the relationship between the independent variable (fiscal policy changes) and the dependent variable (financial performance) and present the extent of the strength of the relationship. Table 13 presents the results on correlation analysis.

TABLE 13:

Correlation Analysis Results

		Financial Performance	Taxation Policy Changes	Social Health Insurance Fund	National Social Security Fund
Financial Performance	Pearson correlation	1			
	Sig. (2-tailed)				
Taxation Policy Changes	Pearson correlation	0.7061*	1		
	Sig. (2-tailed)	0.0110			
Social Health Insurance Fund Policy	Pearson correlation	0.5753*	0.5701*	1	
	Sig. (2-tailed)	0.0010	0.0000		
National Social Security Fund Policy	Pearson correlation	0.7031*	0.6046	0.6332*	1
	Sig. (2-tailed)	0.0000	0.5740	0.0001	
	N	164	164	164	164
	*Correlation is significant at the 0.01 level (2-tailed)				

Source: Survey Data (2025)

The results in Table 13 indicate that the correlation coefficient between taxation policy changes and financial performance is 0.706, indicating a strong and statistically significant relationship at the 1% significance level. This suggests that adjustments in taxation policies are closely linked to the financial outcomes of tea factories, potentially affecting profitability, revenue, and overall financial health. Similarly, the social health insurance fund and the national social security fund policies also show significant positive correlations with financial performance, with coefficients of 0.575 and 0.703 respectively, underscoring that changes in these social policies likely influence the financial performance of the tea factories.

Furthermore, the correlations among the different social policies themselves are also significant, with coefficients ranging from 0.570 to 0.633, suggesting interconnectedness among fiscal, social health, and social security policies. These relationships imply that policy shifts in one area tend to be associated with changes in others, collectively impacting the financial environment of tea factories. The high significance levels reinforce the importance of

understanding how fiscal policy adjustments, such as taxation and social security reforms, are intertwined with the financial performance of industry players. Overall, the results indicate that fiscal policy changes play a crucial role in shaping the financial performance of tea factories, highlighting the need for integrated policy approaches to ensure sustainable industry growth amid economic reforms.

4.8 Regression Analysis

The study carried out a multiple regression analysis to examine whether fiscal policy changes (taxation policy changes, social health insurance fund policy and national social security fund policy) explained the changes in financial performance of tea factories in Mt. Kenya region. In the regression analysis, independent variable included fiscal policy changes and measured by taxation policy changes, social health insurance fund policy and national social security fund policy changes while the dependent variable was financial performance of tea factories. Table 4.13 presents the regression model summary results.

TABLE 14:

Regression Model Summary Results

Model Summary

R	R-Square	Adj. R-Square	Std. Error of the Estimate
0.7892	0.6229	0.6159	0.5770

Source: Survey Data (2025)

Results in Table 14 indicate that there exists a direct relationship between the fiscal policy changes and financial performance of tea factories. The results further reveal that there is a strong coefficient determination between fiscal policy changes and financial performance (R=0.7892). Moreover, the analysis provides further evidence that the coefficient of determination was strong and significant (R-Square=0.6229; $p<0.05$). This suggests that 62.29% of the variation in financial performance was due to fiscal policy changes (taxation

policy changes, social health insurance fund policy changes and national social security fund policy changes).

The regression model was tested using ANOVA to evaluate its significance. Table 15 presents the ANOVA results.

TABLE 15:

Analysis of Variance Results

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	87.983	3	29.328	88.105	0.0000
Residual	53.260	160	0.333		
Total	141.242	163			

Source: Survey Data (2025)

The ANOVA results illustrate that the model is statistically significant in predicting how fiscal policy changes affect the financial performance of tea factories in Mt. Kenya region (F-value=88.11; $p<0.05$). Since $p<0.05$, the model is significant at 95% confidence level in Mt. Kenya region.

Table 16 presents the regression coefficient results of the regression analysis that shows the kind of relationships that exist between the study variables.

TABLE 16:

Regression Coefficient Results

Model	Coefficients	Standard Error	t Stat	P-value
Constant	0.6729	0.1681	4.0023	0.000
Taxation Policy Changes	0.4260	0.0653	6.5230	0.000
Social Health Insurance Fund Policy	0.0726	0.0551	1.3182	0.189
National Social Security Fund Policy	0.3535	0.0606	5.8298	0.000

Source: Survey Data (2025)

The results on regression coefficients reveal that the regression weights of the three independent variables were significant as presented by the results of each factor. Taxation

policy changes (B=0.426; p<0.05), social health insurance policy fund (B=0.073; p>0.05) and national social security fund policy (B=0.354; p<0.05). These results indicate that there exists a positive and significant relationship among study variables except social health insurance fund policy that was statistically insignificant in predicting the financial performance of tea factories in Mt. Kenya region. The coefficients present a corresponding change in the dependent variable when a change of one unit is triggered in the independent variables. Therefore, a change in taxation policy will change by 1% will cause a change in financial performance of tea factories by 42.6% while a change in national social security by 1% will cause a change in financial performance of tea factories by 35.35%.

Therefore, the regression equation would be presented as.

$$Y = 0.673 + 0.426X1 + 0.073X2 + 0.354X3$$

$+0.426X_1$ = the coefficient of taxation policy changes, which means that for every unit increase in taxation policy changes, financial performance of tea factories increases by 0.426 units, holding other variables constant. $+0.073X_2$ = the coefficient of social health insurance fund policy, which reveals that for every unit increase in social health insurance fund policy, it will result in an increase in financial performance of tea factories by 0.073 units when all factors remain constant. $+0.354X_3$=the coefficient of national social security fund policy, which reveals that for every unit increase in national social security fund policy, it will result in financial performance increase by 0.354 units when all other factors are held constant.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the study and brief discussion of key findings in line with the research questions, conclusions, and recommendations on the fiscal policy changes and financial performance of tea factories in Mt. Kenya region.

5.2 Summary of the Study

The main goal of this study was to evaluate the effect of fiscal policy changes on financial performance of tea factories in Mt. Kenya region. To achieve this main purpose, the study focused on three specific objectives namely, to examine the effect of taxation policy changes, social health insurance fund policy and national social security fund policy changes on the financial performance of tea factories in Mt. Kenya region. The study's population is comprised of 37 factories operating in the region and believed to be representative of the tea factories. The study targeted a total of five participants from each factory consisting of finance officers and operation officers who have knowledge on the impact of government's fiscal policy changes on financial performance of their respective factories.

The study's findings were underpinned on the theoretical foundations of institutional theory, public choice theory, and extended life-cycle theory. The study sought to bridge the research gap based on methodological, theoretical, and empirical perspectives. Based on context, the study was conducted in Kenya with a focus on tea factories in the Mt. Kenya region, which is categorized among the developing economies. Similarly, adopted the concepts of taxation policy changes, social health insurance and national social security policy changes with financial performance being the dependent factor.

The study adopted quantitative approach and employed descriptive research design to guide its inferences of the study. The study carried out a census of all the 37 tea factories operating in the Mt. Kenya region with a total number of participants being 185 consisting of finance and operation officers. The data was collected using a structured questionnaire that was

distributed to the respondents via email using the google sheets. The data collected was cleaned, coded and analysed using STATA v26 software in producing the descriptive and inferential statistics for inferences.

The study achieved a response rate of 89%, which was adequate for data analysis and drawing inferences on the fiscal policy changes and financial performance of tea factories in Mt. Kenya region. The descriptive statistics indicated that the respondents were aware of fiscal policy changes (taxation policy changes, social health insurance and national social security policies) and they were well communicated with clarity. The inferential statistics, particularly, the correlation analysis and regression analysis helped in illustrating the kind of relationships that exist between fiscal policy changes and financial performance of tea factories in Mt. Kenya region.

5.3 Discussion of Study Findings

The main objective of this study was to evaluate the link between fiscal policy changes as indicated by taxation policy changes, social health insurance and national social security policies and the financial performance of tea factories domiciled in Mt. Kenya region. The research findings demonstrated some similarities between the study results and the previous similar studies. Key findings of each objective are discussed in the next sub-sections.

5.3.1 Taxation Policy Changes and Financial Performance

The study examined the effect of taxation policy changes on financial performance of tea factories operating in Mt. Kenya region, and the descriptive statistics revealed that there is awareness of the taxation policy changes and there were clear communication channels on the changes. The descriptive statistics further illustrate that taxation policies affecting tea factories were clear and in a format that can be easily understood. Notably, the frequency of policy changes has been fluctuating from time to time which causes instability in performance of tea factories in Mt. Kenya. The findings further showed that tea factories in Mt. Kenya region

perceive the taxation policies in the country as being unstable and unpredictable, which may influence the financial planning of the firms. The descriptive statistics further indicated that there exists considerable variability in the perceptions among the tea factories in terms of taxation policies being stable, clear, and effectively communicated fiscal policies to enhance confidence and financial performance with the tea factories in the Mt. Kenya region.

5.3.2 Social Health Insurance Fund Policy and Financial Performance

The study examined the effect of social insurance fund policies on organizational performance of tea factories in Mt. Kenya region and found that the scheme is inclusive with an expansion of the coverage scope including more categories. Further the findings indicated that the SHIF policy was inclusive of vulnerable and informal sector workers. The findings also demonstrated that members find it difficult to access services and SHIF's processes were found to be inconsistent with the policy charters and procedures putdown on paper. In general, the study found that the SHIF scheme was moderately effective but avers that there was significant room for improvement across various facets like coverage, inclusiveness, benefit adequacy, and accessibility. The study pointed out that the continuous efforts in expanding coverage have improved communication and ensure that benefits truly meet the healthcare needs of all members, with a particular focus on marginalized and vulnerable groups with an aim of enhancing overall satisfaction and scheme effectiveness.

5.3.3 National Social Security Fund Policy and Financial Performance

The findings of the national social security fund policy showed that objectives and provisions of the national social security policies were clearly communicated to stakeholders and highlighted that the current policy on social security was designed in a manner that ensured long-term sustainability of the fund. The descriptive statistics also deduced that the social security policies were simple and easily understandable to members and illustrated that the complexity of the policy does not interfere with compliance with the regulations governing the

fund. The findings further indicated that social security framework was transparent and geared towards sustainability, there are notable concerns about complexity and adaptability. These concerns are key because they affect stakeholder engagement and the effective implementation of fiscal policies that impact the financial performance of tea factories. In achieving clearer communication, the study observed that simplifying the policy structures and enhancing stakeholders' understanding could foster better compliance and more resilient social security systems, thereby supporting the long-term economic stability of the tea sector despite the changing fiscal and social conditions.

5.4 Conclusion

The study examined the relationship between fiscal policy changes and financial performance of tea factories in Mt. Kenya region. Fiscal policy changes were measured using taxation policy changes, social health insurance fund policies, national social security fund policies while financial performance was measured using revenue trends, profitability growth and production efficiency.

5.4.1 Taxation Policy Changes and Financial Performance

While there is a positive and significant relationship between taxation policy changes and financial performance of tea factories in Mt. Kenya region, there is a demonstration that the existence of awareness of recent tax policies, perceptions of clarity, stability, and predictability remain mixed, with high variability suggesting inconsistent experiences among stakeholders. Frequent policy changes and perceived instability in the tax structure appear to hinder effective financial planning and compliance, potentially undermining factory performance. The significant positive association observed between taxation policy changes with the financial performance of tea factories can be linked to tax policies that reflect fiscal planning and strategic decision-making by factories. These findings align with institutional theory, emphasizing the influence of social, political, and legal frameworks on organizational

behaviour, and corroborate previous research demonstrating that well-structured and predictable tax policies positively influence corporate financial outcomes.

5.4.2 Social Health Insurance Fund Policy and Financial Performance

Whereas there is a positive and insignificant relationship between the social health insurance fund and financial performance of tea factories in Mt. Kenya region, there is evidence of partial satisfaction regarding the coverage, inclusiveness, and accessibility of healthcare benefits. One key plausible explanation is that the scheme's recent implementation, together with administrative issues like inconsistent access to services and procedural complexities, may have contributed to its immediate impact. The study also concludes that there is a recognition of progress in expanding coverage including marginalized groups, benefit adequacy, awareness and ease accessing healthcare services. Consistent with prior studies emphasizing the role of social insurance in enhancing financial performance, the study indicates a generally positive trend but underscores the need for improvements in scheme comprehensiveness and accessibility to fully realize its benefits on the financial outcomes of tea factories in the region.

5.4.3 National Social Security Fund Policy and Financial Performance

Despite some concerns, the positive and significant relationship observed between NSSF policies, and the financial performance of tea factories suggests that well-structured and perceived as sustainable social security frameworks can enhance financial stability and operational resilience within the sector. Further, national social security policy clarity and stakeholder perception play critical roles in determining whether social security policies serve as a supportive factor or a burden to financial performance. The significance of NSSF policies in relations to tea factories performance may suggest that social security provisions can contribute to employees' motivation and stability, thereby enhancing productivity and financial performance, which are consistent with human resources and social exchange theories. Overall, strengthening communication, simplifying policy structures, and fostering stakeholder

understanding may optimize the positive influence of NSSF policies on the financial outcomes of tea factories in the region.

5.5 Recommendations

Based on the discussion of the results and the study findings, recommendations on policy and practical implications and areas for further research are given below.

5.5.1 Practice

Practically, policymakers should aim to establish more stable, predictable, and transparent taxation frameworks for the tea sector to enhance financial planning and confidence among factory managers. Policy reforms should prioritize consistent communication and minimize abrupt changes to reduce uncertainty. Practitioners should focus on improving the accessibility and comprehensiveness of the SHIF scheme by streamlining processes and increasing awareness campaigns targeted at marginalized groups. To optimize the positive influence of NSSF policies, practitioners and policymakers should prioritize simplifying policy structures and improving stakeholder communication to foster better understanding and compliance.

5.5.2 Policy Recommendations

From a policy perspective, authorities should adopt a phased approach to tax policy adjustments, allowing firms adequate time to adapt. Policymakers are also encouraged to enhance the scheme's coverage, benefits, and service delivery mechanisms to align better with members' healthcare needs, thereby increasing overall satisfaction and productivity. Finally, emphasizing transparency and consistency in policy implementation can strengthen stakeholders' trust and engagement, ultimately supporting the financial resilience of the sector.

5.5.3 Recommendation for Further Studies

Future research could explore the specific impacts of different types of tax reforms on financial performance, as well as stakeholder perceptions over time, to identify best practices for maintaining fiscal stability that supports sector growth. Further studies should also be

conducted in other sectors to produce more generalizable and comparable findings. Additionally, a longitudinal study is desirable to track the financial data of these factories over a 5-10-year period to corroborate specific fiscal policy announcement dates with changes in profitability.

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APPENDIX I: LETTER OF INTRODUCTION

PATRICK NGURING'A

P.O BOX 634-00618

NAIROBI

Dear Sir/Madam,

RE: RESEARCH PROJECT

This is to certify that Patrick Kariuki – Reg. No 24/01454. has been permitted by the School of Business to research the topic, "**IMPACT OF FISCAL POLICY CHANGES ON FINANCIAL PERFORMANCE OF TEA FACTORIES IN MT. KENYA REGION, KENYA."** The research is purely for academic purposes and for the partial fulfilment of the requirements for the Master of Science in Commerce (Finance and Accounting Option) programme.

Kindly assist the student with information where possible.

Yours faithfully,

Dr. Christine Simiyu,
Dean, School of Business

APPENDIX II: QUESTIONNAIRE

The main objective of this questionnaire is to collect information on the impact of fiscal policy changes on the financial performance of tea factories in the Mt. Kenya Region in Kenya. You are kindly requested to honestly respond to the questions in the questionnaire to assist in achieving the main objective. The responses provided will be treated with utmost confidentiality and will be used only for academic purposes. Your acceptance to participate is greatly appreciated in advance.

Please tick (√) inside the box [ ] where applicable

SECTION A: DEMOGRAPHIC INFORMATION

1. Position in the factory:

   Finance officer [ ]

   Operations Officer [ ]

2. Highest Education Level:

   Certificate [ ]

   Diploma [ ]

   Bachelor's Degree [ ]

   Master's Degree [ ]

   Other (Specify)……..

3. The number of years you have been in the factory

   Below 3 years [ ]

   3-6 years [ ]

   7-9 years [ ]

   10 years and over [ ]

SECTION B: FISCAL POLICY CHANGES

This part allows you to give your opinion on various aspects of government fiscal policies by indicating to what extent you agree or disagree with the statements.

Tick (√) the appropriate scale: **Strongly Disagree=1; Disagree=2; Neutral =3; Agree=4; Strongly Agree=5**

	Fiscal Policies	1	2	3	4	5
	Taxation Policy Changes					
4	I am aware of the new taxation policies introduced in Kenya over the last two years.					
5	The taxation policies affecting tea factories are clear and easy to understand.					
6	Our factory has adequate information about the different taxes applicable to the tea sector.					
7	The frequency of changes in taxation policy over the last two years has been high.					
8	The process of complying with taxation requirements is straightforward.					
9	The level of engagement and communication from the government on taxation policies has been satisfactory.					

10	The structure of taxes in the tea sector is consistent and predictable.					
11	The stability of taxation policies over the last two years has contributed to better financial planning.					
	Social Health Insurance Fund (SHIF) Policy					
12	The coverage scope of the SHIF has expanded to include more categories of workers in recent years.					
13	The SHIF scheme is inclusive of vulnerable and informal sector workers.					
14	The benefits provided by SHIF are sufficient to meet the healthcare needs of members.					
15	There is awareness among employees about the healthcare benefits offered through SHIF.					
16	The process of accessing healthcare services through SHIF is straightforward for most members.					
17	The SHIF scheme actively includes marginalized groups in its coverage policies.					

18	The healthcare benefits offered by SHIF are regularly reviewed to ensure they remain adequate.					
19	The SHIF coverage has improved accessibility to quality health services for members.					
	National Social Security Fund (NSSF) Policy					
20	The objectives and provisions of the national social security policy are clearly communicated to stakeholders.					
21	The current social security policy is designed in a way that ensures long-term sustainability of the fund.					
22	The policies related to social security are easy to understand and navigate for contributors.					
23	The complexity of the social security policy does not hinder compliance or understanding among members.					
24	The government provides consistent guidance on the implementation of the social security policy.					

25	The social security policy framework promotes sustainable management of resources over time.					
26	The provisions of the social security policy are transparent and accessible to the public.					
27	The policy's structure allows for adaptation to changing socioeconomic conditions without excessive complexity.					

SECTION C: FINANCIAL PERFORMANCE

This part allows you to give your opinion on various aspects of your factory's financial performance by indicating to what extent you agree or disagree with the statements.

Tick (√) the appropriate scale: **Strongly Disagree=1; Disagree=2; Neutral =3; Agree=4; Strongly Agree=5**

	Financial Performance	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
28	Our organization has experienced steady revenue growth over the past two years.					
29	Revenue fluctuations in recent years have been manageable and predictable.					

30	Our factory's production processes are optimized for maximum efficiency.					
31	The organization regularly reviews and improves production workflows.					
32	Our organization has experienced consistent growth in profitability over the past two years.					
33	Profit margins have improved due to better cost management and pricing strategies.					
34	Efforts to improve efficiency have contributed positively to overall profitability.					
35	The organization has sufficient data to monitor profitability trends accurately.					

THANK YOU VERY MUCH FOR YOUR PARTICIPATION

APPENDIX III: LIST OF FACTORIES IN MT. KENYA REGION

No	Tea Manufacturer (Factory)	County	Contact
1	Chinga Tea Factory Co. Ltd	Kagicha Othaya South	info@chinga.ktdateas.com
2	Gacharage tea Factory Co. Ltd	Mununga - Thika	info@gacharage.ktdateas.com
3	Gachege Tea Factory Co. Ltd	Gatundu North Thika	info@gachege.ktdateas.com
4	Gathuthi Tea Factory Co. Ltd	Nyeri	info@gathuthi.ktdateas.com
5	Gatunguru Tea Factory Co. Ltd	Kagema - Kiriti	info@gatunguru.ktdateas.com
6	Githambo Tea Factory Co. Ltd	Kahuro	info@githambo.ktdateas.com
7	Githongo Tea Factory Co. Ltd	Meru Central	info@githongo.ktdateas.com
8	Gitugi Tea Factory Co. Ltd	Othaya - Mahiga	info@gitugi.ktdateas.com
9	Igembe Tea Factory Co. Ltd	Maua Meru North	info@igembe.ktdateas.com
10	Ikumbi Tea Factory Co. Ltd	Ikumbi Thika	info@ikumbi.ktdateas.com
11	Imenti Tea Factory Co. Ltd	Nkubu - Marimba - Meru	info@imenti.ktdateas.com
12	Iriaini Tea Factory Co. Ltd	Othaya - Iriaini North	info@iriaini.ktdateas.com
13	Kagwe Tea Factory Co. Ltd	Githunguri	info@kagwe.ktdateas.com
14	Kambaa Tea Factory Co. Ltd	Githunguri Thika	info@kambaa.ktdateas.com

15	Kangaita Tea Factory Co. Ltd	Kigumo - Kerugoya	info@kangaita.ktdateas.com
16	Kanyenyaini Tea Factory Co. Ltd	Kangema	info@kanyenyaini.ktdateas.com
17	Kathangariri Tea Factory Co. Ltd	Embu	info@kathangariri.ktdateas.com
18	Kiegoi Tea Factory Co. Ltd	Maua Meru North	info@kiegoi.ktdateas.com
19	Kimunye Tea Factory Co. Ltd	Kerugoya	info@kimunye.ktdateas.com
20	Kinoro Tea Factory Co. Ltd	Imenti South	info@kinoro.ktdateas.com
21	Kionyo Tea Factory Co. Ltd	Nkubu	info@kionyo.ktdateas.com
22	Kiru Tea Factory Co. Ltd	Kiria-ini	info@kiru.ktdateas.com
23	Kuri/ Ndarugu Tea Factory Co. Ltd	Gatundu Thika	info@kuri.ktdateas.com
24	Makomboki Tea Factory Co. Ltd	Thika	info@makomboki.ktdateas.com
25	Mataara Tea Factory Co. Ltd	Chania - Thika	info@mataara.ktdateas.com
26	Michimikuru Tea Factory Co. Ltd	Nyambane Hills - Tigania	info@michimikuru.ktdateas.com
27	Mungania Tea Factory Co. Ltd	Kagaari North - Embu	info@mungania.ktdateas.com
28	Mununga tea Factory Co. Ltd	Kagumo - Kerugoya	info@mununga.ktdateas.com
29	Ndima Tea Factory Co. Ltd	Karatina	info@ndima.ktdateas.com
30	Nduti tea Factory Co. Ltd	kangari	info@nduti.ktdateas.com
31	Ngere Tea Factory Co. Ltd	Kariara - Thika	info@ngere.ktdateas.com

32	Njunu Tea Factory Co. Ltd	Thika	info@njunu.ktdateas.com
33	Ragati Tea Factory Co. Ltd	Kagochi - Karatina	info@ragati.ktdateas.com
34	Rukuriri Tea Factory Co. Ltd	Runyenjes	info@rukuriri.ktdateas.com
35	Theta Tea Factory Co. Ltd	Gatundu Thika	info@theta.ktdateas.com
36	Thumaita Tea Factory Co. Ltd	Kianyaga	info@thumaita.ktdateas.com
37	Weru Tea Factory Co. Ltd	Muthambi - Chuka	info@weru.ktdateas.com

Source: Kenya Tea Board