An investigation into factors affecting foreign portfolio investment inflows to Kenya

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Abstract:

This study examines the factors affecting Foreign Portfolio Investments to Kenya during 2000-2004. The Capital Markets Authority (C.M.A) in Kenya observes that the performance of the capital markets is directly correlated with performance of the economy. The study explored on the various factors perceived to affect FPI to Kenya. Global trends were factored in the background of the study with an objective of finding those institutional factors that affect FPI. Data was analysed collected and analysed using descriptive statistics. The results indicate that there is a relationship between exchange rate regimes, inflation, and the governance or administration of the various assets listed at the NSE that attract FPI. Those listed companies that had strong corporate earnings and practised good corporate governance continued to attract the highest attention from foreign investors. Further to this, years with high Inflation rates attracted low FPI. The research concludes that inflation, good corporate governance and Publicity are the fundamental factors affecting foreign portfolio investments to the country on the basis of the data analysed. The research recommends that further research be carried out on the effects of the NSE20-Share Index, share prices and Initial Public Offerings (IPO) on FPI, to Kenya.