International Journal of Policy Design and Administrative Studies (IJPDAS)

EFFECT OF FISCAL POLICIES ON THE INVESTMENT PERFORMANCE OF FOOD PROCESSING ENTERPRISES IN NAIROBI CITY COUNTY, KENYA

Gladys Jepchirchir Koech and **Dr. Patrick Mbataru, PhD**

International Journal of Policy Design and Administrative Studies
ISSN: 2806-3600
Vol.3, Issue No. 1, 2026

EFFECT OF FISCAL POLICIES ON THE INVESTMENT PERFORMANCE OF FOOD PROCESSING ENTERPRISES IN NAIROBI CITY COUNTY, KENYA

Gladys Jepchirchir Koech
Corresponding author, Postgraduate student, Kenyatta University
Dr. Patrick Mbataru, PhD
Senior Lecturer, Department of Public Policy and Administration, Kenyatta University

Article History:
Published on: 26/10/2026
DOI:
https://doi.org/10.68715/ijpdas.v3.i2.a159

***How to Cite*:** Koech, G. J., & Mbataru, P. (2026). Effect of Fiscal Policies On the Investment Performance of Food Processing Enterprises in Nairobi City County, Kenya. *International Journal of Policy Design and Administrative Studies*, *3*(2), 1–16.
https://doi.org/10.68715/ijpdas.v3.i2.a159

Abstract:

Purpose: This study examined the effect of fiscal policies on the investment performance of food processing enterprises in Nairobi City County, Kenya. Specifically, it assessed how tax incentives, levies and duties, government-backed credit, and tax compliance requirements influence enterprise investment decisions, profitability, production expansion, employment creation, and overall business growth.

Methodology: The study adopted a descriptive research design guided by Policy Implementation Theory. A census targeted 100 managers and supervisors of food processing enterprises in Starehe Sub-County. Data were collected using semi-structured questionnaires, yielding 88 valid responses. Descriptive statistics, Pearson correlation, and multiple regression were employed to analyse the data.

Findings: The findings revealed that fiscal policies positively and significantly influenced investment performance ($\beta = 0.251$, $p = 0.002$). Respondents reported moderately positive perceptions of fiscal policies (mean = 3.42), with tax incentives receiving the highest rating (mean = 3.61), while government-backed credit recorded the lowest (mean = 3.12). Investment performance was moderate (mean = 3.31), with output growth exceeding market expansion. The regression model was statistically significant, $F(4, 83) = 21.34$, $p < 0.001$, explaining 50.7% of performance variation. Complex compliance procedures, costly licensing, and limited credit access constrained the effectiveness of fiscal interventions across enterprises.

Conclusion: The study concluded that fiscal policies significantly enhance investment performance among food processing enterprises. However, limited credit accessibility and complex compliance requirements undermine their effectiveness. The study recommends predictable tax incentives, simplified compliance procedures, improved access to affordable government-backed credit, and stronger coordination among regulatory agencies to promote sustainable enterprise investment.

Keywords: *Fiscal policies; Investment performance; Food processing enterprises; Nairobi City County*

©2026 By The Authors. This Article is an open-access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (**https://creativecommons.org/licenses/by-nc-sa/4.0/**)

1.0 INTRODUCTION

1.1 Background of the Study

Food processing enterprises turn farm produce into safe, packaged and longer-lasting food. In doing so, they add value to agricultural output, create jobs and support food security. In Kenya, food and beverage firms account for about 22 percent of the manufacturing sector (Mokaya, 2023). Fiscal policy refers to the way governments use taxes, public spending and incentives to influence economic activity (Effiong et al., 2024). For food processors, fiscal policy shapes the cost of machinery, raw materials and credit, and therefore the decision to expand. Studies of Kenyan manufacturers show that tax incentives lower the cost of capital and improve productivity (Kimeu & Nekesa, 2023), while frequent tax changes and compliance demands raise operating costs and create investment uncertainty (Wachuka et al., 2025). Even well-designed policies may fail when they are poorly implemented, and weak cooperation among government departments is a recognised obstacle in sub-Saharan Africa (Nahikiriza, 2023). This study therefore examined how fiscal policies influence the investment performance of food processing enterprises in Nairobi City County.

1.1.1 Global perspective

Governments in Europe and Asia use public finance to encourage investment in food processing. In Poland, state aid to the food industry is managed within the competition rules of the European Union. A study of Polish dairies found that the aid granted between 2015 and 2021 increased, and that research and development subsidies received the largest share of aid value (Zuba-Ciszewska, 2023). The same study reported that aid was concentrated in a few regions and among a few beneficiaries, which suggests that access to public support is not always equal. In Asia, India approved the Production Linked Incentive Scheme for the Food Processing Industry for the period 2021–22 to 2026–27 with an outlay of ₹10,900 crore (Press Information Bureau, 2026). Beneficiaries had reported investments of ₹9,207 crore under the scheme by 2026 (Press Information Bureau, 2026). These examples show that well-targeted fiscal support can attract investment, while the Polish experience shows that fairness of access remains a concern.

1.1.2 Regional perspective

Nigeria and South Africa illustrate different fiscal approaches in Africa. In Nigeria, a study covering 1981 to 2021 found that value added tax had a positive and significant long-run effect on manufacturing output, while recurrent government spending reduced output and capital spending raised it (Effiong et al., 2024). The authors recommended a shift of public spending towards capital projects that support manufacturing. In South Africa, the Department of Trade, Industry and Competition relaunched the Agro-Processing Support Scheme in November 2022 to raise the uptake of an incentive that stimulates investment in agro-processing enterprises, including food and beverage processing (South African Government News Agency [SAnews],

2022). The scheme supports new and existing investments and aims to expand capacity, create jobs and modernise machinery and equipment (SAnews, 2022). The need to relaunch the scheme suggests that an incentive alone is not enough, because firms must also be aware of it and able to use it.

1.1.3 Local perspective

In Kenya, economic growth slowed to 4.7 percent in 2024 from a revised 5.7 percent in 2023 (Kenya National Bureau of Statistics [KNBS], 2025). Slower growth increases the importance of fiscal measures that lower the cost of investment. A study of manufacturing firms in Nairobi's Industrial Area found that tax incentives, including capital allowances, allowable deductions and investment deductions, improved financial performance by reducing the cost of capital and raising productivity (Kimeu & Nekesa, 2023). A later study of food manufacturers in the same area found that tax digitalisation and regulatory changes significantly affected financial performance through higher operating costs, compliance burdens and investment uncertainty, and it stressed the need for a stable and predictable tax framework (Wachuka et al., 2025). Kenya also scored highest among Kenya, Uganda and Tanzania on a World Bank index of policy implementation in 2021, although the differences among the three countries were not statistically significant (Nahikiriza, 2023).

1.1.4 Food processing enterprises in Nairobi City County

Nairobi City County hosts the Industrial Area, where many manufacturing companies, including food manufacturers, operate (Kimeu & Nekesa, 2023; Wachuka et al., 2025). These enterprises depend on national fiscal measures such as taxes, duties and government-backed credit when they plan new investments. This study focused on food processing enterprises in Starehe Sub-County, where managers and supervisors are directly involved in investment, compliance and licensing decisions.

1.1.5 Fiscal policies

In this study, fiscal policies refer to government measures on taxation and public financial support that affect enterprise investment. They were measured through four areas: tax incentives, levies and duties, access to government-backed credit, and the clarity of tax compliance requirements.

1.1.6 Investment performance and its measurement

Investment performance describes how well an enterprise converts its investment into growth. It is a multidimensional concept, because investment decisions affect the financial success of manufacturing firms in Kenya (Gitahi & Kosgei, 2024). In this study, it was measured through respondents' perceptions of output growth, profitability, market expansion and employment, using a five-point Likert scale.

1.2 Statement of the Problem

Governments use fiscal policy to attract investment and strengthen industry. Evidence from Kenya shows that tax incentives improve manufacturing performance (Kimeu & Nekesa, 2023) and that tax reforms affect food manufacturers through compliance costs and investment uncertainty (Wachuka et al., 2025). Studies in Vietnam and China report similar links between tax measures and enterprise investment (Hu et al., 2025; Vu & Tran, 2025). However, the Kenyan studies mainly measure financial performance, cover manufacturing in general, and concentrate on tax measures alone. Few studies examine how taxes, levies, duties, credit support and compliance requirements together affect the investment performance of food processing enterprises in Nairobi City County. The gap is important because weaknesses in implementation, such as poor cooperation among government departments, can reduce the benefits of a policy (Nahikiriza, 2023). Without local evidence, policymakers cannot tell which fiscal measures help food processors to invest and which hold them back. This study addressed that gap.

1.3 Purpose of the Study

The purpose of the study was to determine the effect of fiscal policies on the investment performance of food processing enterprises in Nairobi City County, Kenya.

1.4 Research Hypothesis

H01: Fiscal policies do not significantly influence the investment performance of food processing enterprises in Nairobi City County, Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Policy Implementation Theory

Policy Implementation Theory traces its origins to the classic study of implementation by Pressman and Wildavsky (as discussed in Hill & Hupe, 2022). The theory holds that the success of a policy depends not only on its design but also on how it is carried out. Clear objectives, adequate resources, organisational capability, communication and coordination among agencies all influence the outcome. Implementation gaps often arise from unclear instructions, overlapping mandates, weak monitoring and limited involvement of stakeholders (Hill & Hupe, 2022). In sub-Saharan Africa, limited fiscal space and weak cooperation among government departments are common causes of poor implementation, and a policy does not work automatically once it is passed (Nahikiriza, 2023).

Two ideas from the theory guide this study. First, the effect of a policy is limited by the capacity to implement it. Tax incentives, duties and credit schemes may exist, but they will have little effect if they are complicated to claim or hard to access. Second, effective implementation

depends on coordination and communication among agencies and with the enterprises affected. The theory therefore explains why fiscal policies may exist and yet produce uneven results, and it helps to show through which channels, such as incentives, costs, credit and compliance, fiscal policies influence the investment performance of food processing enterprises.

2.2 Empirical Review

2.2.1 Fiscal policies and investment of food processing enterprises

Hu et al. (2025) studied the effect of China's Environmental Protection Tax on artificial intelligence investment among listed agri-food and food processing firms. Using panel data from 2010 to 2022 and the 2018 tax law as a natural experiment, they found that the tax promoted investment, especially among state-owned enterprises and manufacturers. The effect worked by easing financing constraints and increasing research spending. The study, however, dealt with one environmental tax and one type of investment, and it did not examine wider fiscal measures in a developing economy such as Kenya.

Vu and Tran (2025) surveyed 125 food processing enterprises in Vietnam and used regression analysis to identify the factors that affect the cost of capital. They found that favourable corporate income tax rates lowered the cost of capital, while inflation, higher interest rates and larger firm size raised it. The study focused on the cost of capital rather than on investment performance, and it did not consider how well policies were implemented.

Zuba-Ciszewska (2023) examined state aid to dairies in Poland and reported that aid increased between 2015 and 2021, that research and development subsidies took the largest share, and that aid was concentrated regionally and among beneficiaries. The study described the distribution of aid but did not measure its effect on enterprise performance. Effiong et al. (2024) analysed Nigerian data for 1981 to 2021 and found that value added tax and capital spending raised manufacturing output, while recurrent spending reduced it. Their study used national data and did not examine food processing enterprises at firm level.

In Kenya, Kimeu and Nekesa (2023) found that tax incentives had a significant positive effect on the financial performance of manufacturing firms in Nairobi's Industrial Area, because the incentives reduced the cost of capital and promoted innovation and productivity. Wachuka et al. (2025) found that tax digitalisation and regulatory changes significantly affected the financial performance of food manufacturers in the same area. Both studies focused on financial performance. Neither measured investment performance, and neither examined access to government-backed credit. The present study therefore examined the effect of fiscal policies on investment performance among food processing enterprises in Nairobi City County.

2.2.2 Performance of food processing enterprises

Enterprise performance is influenced by financial decisions and firm characteristics. Gitahi and Kosgei (2024) found that investment decisions had a significant effect on the financial success of manufacturing firms listed at the Nairobi Securities Exchange. Mokaya

(2023) studied 75 food and beverage manufacturing firms in Kenya between 2009 and 2018 and found that leverage had a significant positive effect on financial performance. These studies show that performance depends on how firms invest and finance their operations, but they did not link performance to government fiscal measures. This study measured performance through output growth, profitability, market expansion and employment, and related it to fiscal policies.

2.3 Conceptual Framework

A conceptual framework shows the expected relationship between the independent and dependent variables. In this study, fiscal policies, regulatory and licensing frameworks, inter-agency coordination and technology adoption were the independent variables, while investment performance was the dependent variable. Fiscal policies were the main focus of the study.

Table 1

Conceptual Framework

Independent variables		**Dependent variable**
Fiscal policies: tax incentives, levies and duties, government-backed credit, tax compliance requirements	→	Investment performance: output growth, profitability, market expansion, employment
Regulatory and licensing frameworks; inter-agency coordination; technology adoption	→	

Note. Source: Researcher (2026).

3.0 RESEARCH METHODOLOGY

The study will adopt a descriptive research design to examine the effect of fiscal policies on the investment performance of food processing enterprises in Nairobi City County, Kenya. The study will focus on fiscal policies, regulatory and licensing frameworks, inter-agency coordination, and technology adoption as independent variables, while investment performance will be the dependent variable. The target population will comprise 100 managers and supervisors of food processing enterprises in Starehe Sub-County, including 60 managers and 40 supervisors. A census approach will be adopted to include all 100 respondents. Data will be collected using semi-structured questionnaires containing closed-ended and open-ended questions, with a five-point Likert scale measuring respondents' perceptions.

A pilot study involving 10 respondents from a neighbouring area in Kiambu County will assess the clarity and suitability of the research instrument. Content validity will be evaluated by

academic experts and industry practitioners, while reliability will be assessed using Cronbach's alpha, with a coefficient of at least 0.70 considered acceptable. Data collection will commence after obtaining the necessary university ethical clearance, NACOSTI authorization, and relevant local permissions. Quantitative data will be analysed using descriptive statistics, Pearson correlation, and multiple regression, while qualitative responses will undergo content analysis. Statistical significance will be determined at $p < 0.05$. Informed consent, confidentiality, anonymity, voluntary participation, and secure data storage will be maintained throughout the study.

4.0 RESEARCH FINDINGS AND DISCUSSION

4.1 Response Rate

The study targeted a census of 100 respondents comprising 60 managers and 40 supervisors drawn from food processing enterprises within Starehe Sub-County, Nairobi City County. Out of the 100 questionnaires administered using the drop-and-pick method, 88 were duly filled, returned and found suitable for analysis, while 12 were either not returned or were inadequately filled and consequently dropped. This translated to a response rate of 88 percent, which is considered excellent for social science research. For comparison, a meta-analysis of 1,071 online surveys reported an average response rate of 44.1 percent (Wu et al., 2022). The high response rate realised in this study is attributed to the drop-and-pick approach adopted, close follow-up by the researcher, and the fact that respondents were given adequate time to complete the questionnaire at their own convenience.

Table 2
Response Rate

Category	Sampled	Responded	Response rate (%)
Managers	60	53	88.3
Supervisors	40	35	87.5
Total	**100**	**88**	**88.0**

Note. Source: Field Data (2026).

4.2 Descriptive Analysis

4.2.1 Fiscal policies and investment performance

The first objective of the study sought to examine the effect of fiscal policies on the investment performance of food processing enterprises. As presented in Table 3, respondents held a moderately positive view of fiscal policies, with an overall mean of 3.42 (SD = 0.812). They agreed most that tax incentives and levies charged on the sector influenced investment decisions (mean = 3.61, SD = 0.744), while agreement was lowest on the statement that access to government-backed credit had improved investment (mean = 3.12, SD = 0.968). This pattern points to persistent financing challenges despite the presence of fiscal incentives.

Table 3
Descriptive Statistics on Fiscal Policies

Statement	Mean	Std. Dev.
Tax incentives offered by the government influence investment decisions	3.61	0.744
Levies and duties charged affect the cost of doing business	3.55	0.801
Fiscal policies have encouraged expansion of production capacity	3.38	0.879
Access to government-backed credit facilities has improved investment	3.12	0.968
Tax compliance requirements are clear and easy to follow	3.29	0.855
Overall fiscal policies have a positive effect on enterprise investment	3.57	0.826
Aggregate mean	**3.42**	**0.812**

Note. Source: Field Data (2026).

Tax incentives recorded the highest mean (3.61, SD = 0.744). Respondents therefore agreed that incentives influenced whether enterprises bought new equipment, expanded facilities or increased capacity. The low standard deviation shows that views were fairly consistent. Incentives reduce the effective cost of investment, which makes capital-intensive projects more attractive. This finding agrees with Kimeu and Nekesa (2023), who found that tax incentives reduced the cost of capital and raised productivity among manufacturers in Nairobi's Industrial Area. It is also consistent with Vu and Tran (2025), who found that favourable corporate income tax rates lowered the cost of capital of food processors in Vietnam.

Levies and duties were also seen as important (mean = 3.55, SD = 0.801). Higher duties raise the cost of machinery, raw materials and packaging, and this leaves less money for reinvestment. The result is in line with Wachuka et al. (2025), who found that tax reforms affected food manufacturers in Nairobi through higher operating costs and investment uncertainty.

Agreement that fiscal policies had encouraged expansion of capacity was moderate (mean = 3.38, SD = 0.879). Expansion decisions depend on several factors at once, including demand, production costs, finance and the predictability of government policy, so fiscal incentives alone may not be enough to drive large investments.

Access to government-backed credit recorded the lowest mean (3.12) and the highest standard deviation (0.968). Experiences therefore differed widely among enterprises. Some firms may have benefited, while others may have been limited by eligibility rules, collateral, limited awareness or application procedures. Hu et al. (2025) found that easing financing constraints was one of the channels through which tax policy raised investment among food processors in China, which suggests that better access to affordable credit could strengthen the effect of tax incentives in Kenya.

Respondents moderately agreed that tax compliance requirements were clear (mean = 3.29, SD = 0.855). Compliance imposes administrative costs, especially on small firms with limited staff, and complex procedures divert management time from productive work. Wachuka et al. (2025) reached a similar conclusion about compliance burdens among food manufacturers. The statement that fiscal policies had an overall positive effect on investment recorded a mean of 3.57 (SD = 0.826), the second highest. Respondents therefore believed that fiscal policies supported investment despite these challenges, which is consistent with the positive effect of value added tax on manufacturing output reported by Effiong et al. (2024).

The aggregate mean of 3.42 shows a moderately positive influence of fiscal policies, but the effect was not uniform. Incentives that lowered costs worked better than credit schemes. The unequal access to support reported in Poland (Zuba-Ciszewska, 2023) shows that the design of a scheme and the ease of using it matter as much as its existence.

4.2.2 Regulatory and licensing frameworks

The second objective sought to assess the effect of regulatory and licensing frameworks on compliance, market entry and growth of food processing enterprises. As shown in Table 4, the overall mean was 3.21 (SD = 0.887), which reflects a moderate level of agreement. Respondents agreed most strongly that licensing requirements were costly and time-consuming (mean = 3.68, SD = 0.792), while agreement was lowest on the clarity and consistency of regulatory requirements across government agencies (mean = 2.86, SD = 0.941).

Table 4
Descriptive Statistics on Regulatory and Licensing Frameworks

Statement	Mean	Std. Dev.
Licensing requirements are costly and time-consuming	3.68	0.792
Regulatory compliance has improved product quality and safety	3.34	0.836
Regulatory requirements are clear and consistent across agencies	2.86	0.941
Licensing procedures support ease of market entry	3.09	0.904
Regulatory frameworks are enforced fairly across enterprises	3.15	0.912
Overall regulatory and licensing frameworks support enterprise growth	3.14	0.837
Aggregate mean	**3.21**	**0.887**

Note. Source: Field Data (2026).

The high mean for costly and time-consuming licensing (3.68) shows that obtaining and renewing licences takes money and time that could otherwise be used for production and expansion. Such burdens weigh most on small and medium-sized firms. Respondents also agreed that compliance improved product quality and safety (mean = 3.34), which shows that regulation was not viewed only as a constraint. The lowest mean (2.86) was recorded for clarity and consistency across agencies, and the high standard deviation (0.941) shows that firms had very different experiences. This is the kind of weakness that Policy Implementation Theory

describes, namely overlapping mandates and weak coordination among government departments (Hill & Hupe, 2022; Nahikiriza, 2023).

Licensing procedures were seen as moderately supportive of market entry (mean = 3.09), and enforcement was seen as moderately fair (mean = 3.15). Overall, respondents moderately agreed that the frameworks supported growth (mean = 3.14). The aggregate mean of 3.21 therefore indicates that regulation has both enabling and constraining effects. The findings imply that reforms should simplify licensing, harmonise requirements across agencies and apply rules consistently, while keeping food safety standards. These findings also support Wachuka et al. (2025), who observed that regulatory changes affect the financial performance of food manufacturers in Nairobi.

4.2.3 Performance of food processing enterprises

Table 5 presents the results on the dependent variable, which recorded an overall mean of 3.31 (SD = 0.854). Respondents agreed most that their enterprises had recorded growth in output over the past three years (mean = 3.49, SD = 0.803), while agreement was lowest on expansion into new markets (mean = 3.05, SD = 0.918). Enterprises were therefore performing steadily, but market expansion was comparatively weak.

Table 5
Descriptive Statistics on Performance of Food Processing Enterprises

Statement	Mean	Std. Dev.
The enterprise has recorded growth in output over the past three years	3.49	0.803
The enterprise's profitability has improved over the past three years	3.27	0.868
The enterprise has expanded into new markets	3.05	0.918
The enterprise has increased its number of employees	3.21	0.847
Overall, the enterprise's performance has improved due to policy implementation	3.54	0.834
Aggregate mean	**3.31**	**0.854**

Note. Source: Field Data (2026).

Output growth recorded the highest mean among the performance outcomes (3.49), with the lowest standard deviation (0.803), which shows that most enterprises had expanded production. Profitability improved moderately (mean = 3.27, SD = 0.868). Output grew faster than profit, possibly because the costs of raw materials, labour, taxation and compliance rose at the same

time. This agrees with Gitahi and Kosgei (2024), who found that investment decisions affect the financial success of manufacturing firms. Market expansion had the lowest mean (3.05) and the highest standard deviation (0.918). Competition, transport costs, limited finance and regulatory demands may have limited expansion, and larger firms probably coped better than smaller ones. Employment growth was moderate (mean = 3.21, SD = 0.847).

The statement that performance had improved because of policy implementation recorded a mean of 3.54 (SD = 0.834), the highest of all the statements. Respondents therefore credited government policy for part of their performance. The result should be read together with the weaker scores on regulatory clarity and market expansion, which show that policy benefits were only partly realised. The aggregate mean of 3.31 shows moderate performance. Mokaya (2023) reported that the performance of food and beverage manufacturers in Kenya depends on firm characteristics such as leverage, which supports the view that performance has several causes. Strengthening fiscal incentives, simplifying regulation and improving access to markets and credit would help enterprises to convert higher output into profit, jobs and growth.

4.3 Inferential Analysis

Multiple regression analysis was used to test the effect of fiscal policies on investment performance. Table 6 presents the model summary, Table 7 the analysis of variance, and Table 8 the regression coefficients.

Table 6

Model Summary

Model	R	R^2	Adjusted R^2	Std. error of estimate
1	0.712	0.507	0.484	0.391

Note. Predictors: (Constant), Fiscal Policies, Regulatory and Licensing Frameworks, Inter-agency Coordination, Technology Adoption. Source: Field Data (2026).

The correlation coefficient (R = 0.712) shows a strong positive relationship between the combined predictors and investment performance. The coefficient of determination (R^2 = 0.507) shows that the predictors together explained 50.7 percent of the variation in investment performance. The adjusted R^2 of 0.484 confirms that the model remained reliable after allowing for the number of predictors. The standard error of 0.391 shows an acceptable level of prediction accuracy. About half of the variation remained unexplained, which means that other factors such as market demand, input costs and firm size also influence investment performance.

Table 7

Analysis of Variance (ANOVA)

Source	Sum of squares	df	Mean square	F	Sig.
Regression	13.052	4	3.263	21.34	< 0.001
Residual	12.694	83	0.153		
Total	**25.746**	**87**			

Note. Dependent variable: Investment performance of food processing enterprises. Source: Field Data (2026).

The model was statistically significant, $F(4, 83) = 21.34$, $p < 0.001$. This shows that the predictors jointly explain variation in investment performance better than chance would allow.

Table 8

Regression Coefficients

Variable	B	Std. error	Beta	t	Sig.
(Constant)	0.842	0.391		2.156	0.034
Fiscal policies	0.223	0.071	0.251	3.145	0.002

Note. Dependent variable: Investment performance of food processing enterprises. Source: Field Data (2026).

Fiscal policies had a positive and statistically significant effect on investment performance ($B = 0.223$, $\beta = 0.251$, $t = 3.145$, $p = 0.002$). Holding the other predictors constant, a one-unit improvement in the fiscal policies score was associated with a 0.223-unit increase in investment performance. The 95 percent confidence interval for B, calculated from the standard error, ran from about 0.08 to 0.36, which excludes zero. The effect can be written as: Investment performance = 0.842 + 0.223 (Fiscal policies), with the other predictors held constant. Because the p-value was less than 0.05, the null hypothesis that fiscal policies do not significantly influence investment performance was rejected.

This result agrees with the descriptive findings, in which respondents linked tax incentives, levies and credit to investment decisions. It also agrees with earlier studies that found positive effects of tax incentives on manufacturing performance in Nairobi (Kimeu & Nekesa, 2023) and of tax measures on food processing investment in China and Vietnam (Hu et al., 2025; Vu

& Tran, 2025). The moderate size of the standardised effect (β = 0.251) is consistent with Policy Implementation Theory, because the benefit of fiscal measures depends on how easily firms can use them.

5.0 SUMMARY OF THE STUDY

The study examined the effect of fiscal policies on the investment performance of food processing enterprises in Nairobi City County. A total of 88 of the 100 respondents returned usable questionnaires, giving a response rate of 88 percent. Respondents held a moderately positive view of fiscal policies (mean = 3.42, SD = 0.812). Tax incentives (mean = 3.61) and levies and duties (mean = 3.55) were seen as the most influential measures, while access to government-backed credit (mean = 3.12) and clear compliance requirements (mean = 3.29) were weaker. Regulatory and licensing frameworks had a moderate influence (mean = 3.21), with costly licensing (mean = 3.68) and unclear requirements across agencies (mean = 2.86) as the main concerns. Investment performance was moderate (mean = 3.31), with output growth strongest and market expansion weakest. The regression model was significant, $F(4, 83) = 21.34$, $p < 0.001$, and explained 50.7 percent of the variation in investment performance. Fiscal policies had a positive and significant effect ($\beta = 0.251$, $p = 0.002$).

6.0 CONCLUSION

The study concludes that fiscal policies have a positive and statistically significant effect on the investment performance of food processing enterprises in Nairobi City County. Tax incentives and the level of levies and duties are the measures that firms associate most with their investment decisions. However, the benefit is reduced when credit is hard to obtain, when compliance procedures are complex and when licensing and regulation are costly and unclear. The findings show that the existence of a fiscal measure does not guarantee results; firms must be able to access it and use it with ease. This conclusion supports Policy Implementation Theory, which links policy outcomes to the quality of implementation.

7.0 RECOMMENDATIONS

The National Treasury and the Kenya Revenue Authority should keep tax incentives for food processors predictable and stable, since frequent changes create investment uncertainty (Wachuka et al., 2025). They should also simplify compliance procedures and publish clear guidance in plain language so that small firms can claim incentives easily. Government and financial institutions should widen access to affordable government-backed credit by relaxing collateral requirements and by publicising the schemes and the application steps. Because easing financing constraints has been shown to support investment among food processors elsewhere (Hu et al., 2025), better access to credit could strengthen the effect of tax incentives. Regulatory agencies should harmonise licensing requirements, reduce duplication and improve coordination among departments, as weak cooperation reduces policy results (Nahikiriza, 2023). A single, simplified licensing process would reduce cost and delay without lowering food safety standards. Enterprise managers should build their knowledge of available

incentives and compliance requirements, and should plan investments so that they make full use of the support offered.

8.0 AREAS FOR FURTHER RESEARCH

Future studies should repeat this research in other counties and compare large and small enterprises. Longitudinal studies that use financial records could confirm the long-term effect of fiscal policies on investment. Further research could also examine the separate effects of inter-agency coordination and technology adoption, and the reasons why access to government-backed credit remains limited.

9. REFERENCES

Effiong, U. E., Ukere, I. J., & Ekpe, J. P. (2024). Fiscal policy, interest rate and the manufacturing sector performance in Nigeria. *World Journal of Advanced Research and Reviews, 21*(3), 2514–2533. https://doi.org/10.30574/wjarr.2024.21.3.0962

Gitahi, E. W., & Kosgei, M. (2024). The financing decisions and financial performance of manufacturing firms listed at Nairobi Securities Exchange, Kenya. *American Journal of Finance, 10*(1), 72–88. https://ideas.repec.org/a/bfy/ojtajf/v10y2024i1p72-88id1836.html

Hill, M., & Hupe, P. (2022). *Implementing public policy: An introduction to the study of operational governance* (4th ed.). SAGE Publications. https://doi.org/10.4000/14ge9

Hu, G., Li, B., & Lai, J. (2025). The impact of environmental tax policies on artificial intelligence investment: Evidence from agri-food, food processing, and other industries. *Frontiers in Sustainable Food Systems, 9*. https://doi.org/10.3389/fsufs.2025.1618551

Kenya National Bureau of Statistics. (2025). *Economic survey 2025*. https://libraryir.parliament.go.ke/bitstreams/d1d12f5d-faaf-49d7-b564-0e772ca18265/download

Kimeu, F. M., & Nekesa, M. (2023). Effect of tax incentives on financial performance among manufacturing firms in Kenya: Case of Industrial Area, Nairobi. *African Tax and Customs Review, 7*(1). https://atcr.kra.go.ke/index.php/atcr/article/view/111

Mokaya, D. O. (2023). *Effect of firm-specific factors on the financial performance of food and beverages manufacturing firms in Kenya* [Master's thesis, Strathmore University]. https://su-plus.strathmore.edu/items/8edee561-9e8f-48f0-9c68-f4271a1fad33

Nahikiriza, D. (2023). Policy implementation performance in developing countries: The study of Uganda among East African countries. *East African Journal of Interdisciplinary Studies, 6*(1), 162–169. https://doi.org/10.37284/eajis.6.1.1309

Press Information Bureau, Government of India. (2026). *Strengthening India's food processing: Production linked incentive scheme for the food processing industry*. https://static.pib.gov.in/WriteReadData/specificdocs/documents/2026/apr/doc2026421852801.pdf

South African Government News Agency. (2022, November 29). *dtic relaunches scheme to stimulate agro-processing*. https://www.sanews.gov.za/south-africa/dtic-relaunches-scheme-stimulate-agro-processing

Vu, T. L., & Tran, V. H. (2025). Factors affecting the cost of capital of food processing enterprises in Vietnam. *Research on World Agricultural Economy.* https://econpapers.repec.org/RePEc:ags:reowae:412764

Wachuka, P., Odunga, R., & Nekesa, M. (2025). Effect of tax policy reforms on financial performance of food manufacturing companies in Industrial Area, Nairobi Kenya. *International Journal of Research and Innovation in Social Science*. https://rsisinternational.org/journals/ijriss/articles/effect-of-tax-policy-reforms-on-financial-performance-of-food-manufacturing-companies-in-industrial-area-nairobi-kenya/

Wu, M.-J., Zhao, K., & Fils-Aime, F. (2022). Response rates of online surveys in published research: A meta-analysis. *Computers in Human Behavior Reports, 7*, Article 100206. https://doi.org/10.1016/j.chbr.2022.100206

Zuba-Ciszewska, M. (2023). The role of state aid for the food industry: Based on the example of dairies in Poland. *International Journal of Management and Economics, 59*(2), 101–116. https://doi.org/10.2478/ijme-20