Journal of Finance and Investment Analysis, Vol. 15, No. 2, 2026, 33-53
ISSN: 2241-0988 (print version), 2241-0996(online)
https://doi.org/10.47260/jfia/1523
Scientific Press International Limited

Corporate Governance, Investment Incentives, Economic Growth and Enterprise Value among County Revolving Loan Funds in Kenya

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Abstract

Despite the remarkable documentation on investment incentives, empirical revelations underscore lack of research on their fair values. The realization of this gap motivated the current study to question the influence of corporate governance, investment incentives and economic growth on enterprise value among county revolving loan funds in Kenya. The specific objectives explored the direct effect of corporate governance on enterprise vale, the mediated and moderated effect through investment incentives and economic growth respectively. It also looked into the joint relationship among the variables. The study employed quasi-longitudinal approach and collected secondary data for 2019 to 2024 from 31 selected county revolving loan funds in Kenya. Linear regressions were done to test the study hypotheses. The findings indicated that, corporate governance had a strong positive relationship with enterprise value. They also disclosed investment incentives' partial mediation effect on corporate governance and enterprise value. They further revealed economic growth's conditional and positive moderating influence on the relationship between corporate governance and enterprise value. Finally, the study confirmed that corporate governance, investment incentives and economic growth had a joint influence on enterprise value. The study distinguishes financial mechanism as the most fundamental determinant for fair value for the county revolving loan funds.

Keywords: Corporate governance, Investment incentives, Enterprise value, Realism.

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Article Info: Received: March 21, 2026. Revised: April 22, 2026.
Published online: April 27, 2026.

1. Introduction

1.1 Research Background

As a financing mechanism, a county revolving loan fund is meant to cause own enterprise value based on the available assets, operational structures and actual performance. Devolved governments create and maintain the revolving loan funds to function as financial intermediaries that mobilize and allocate capital under risk. In the process, the loan funds are expected to increasingly constitute their fair values through continuous streams of budgetary capitalization and other cash flow streams that include loan repayment and income interest. The cash flows risk the possibilities of economic uncertainties and default due to the quality of fund beneficiaries who may be of low creditworthiness and poor entrepreneurial competence. Despite county revolving loan funds being in existence for about a decade, recent empirical review underscores scanty scholarship to fully understand the interplay of factors within the contexts of the loan funds or their contribution to the funds' own enterprise value. The realization of this gap has motivated the current study to identify and gain deeper understanding of the relationship between corporate governance and enterprise value among county revolving loan funds. The study has further considered the intervening aspect of their nature as investment incentives and the extent of influence by economic growth on the said relationship between corporate governance and enterprise value.

According to Jebran et al. (2020), corporate governance is a control and monitoring system in which the board members oversee the governance function to maximize owners' value. The county governments usually provide the Initial funding, or capitalization of a revolving loan fund with the main goal to achieve return on investment. The governments are the primary source of the capital which the revolving loan funds allocate among various private users, though other sources are generally not prohibited. The revolving loan funds effectively deploy the capital with the core objective of meeting the government's goal. The fund boards which oversee the revolving loan funds, are composed of a specific size and an appointed chair. The boards, with technical support from fund administrators also undertake assessment and approval of business viability, creditworthiness, credit lines and allocation of available funds among eligible borrowers. An investment incentive, is broadly defined as governmental support scheme granted to both domestic and foreign investors for money-valued advantages (Bellak & Leibrecht, 2016). Investment as an act, involves placing certain amount of financial resources or capital expenditure for a period of time purposefully to earn or create enterprise value (Mulyani et al., 2021). The fiscal incentives are considered ineffective in counterbalancing unpleasant investment climate (Alkhamis, 2019), which entails poor governance and macroeconomic instability. The current study is highly committed to the financial incentives which are defined as customized monetary benefits for individual businesses or sectors with intent to spur business growth (Bartik, 2020). They directly involve cash flows and are provisions of investment grants, loans and subsidies among others and can typically be non-reimbursable,

partially reimbursable or fully reimbursable (Alkhamis, 2019). A county revolving loan fund is an example of a financial incentive. This study utilizes the measure of investment intensity which refers to the level of investment in a particular activity often computed relative to a benchmark, such as market price, budget provisions, revenue targets or sector averages.

Economic growth is the rate at which the overall level of production of an economy is changing (Kaldor, 1957). According to KNBS (2023), a geographical breakdown of Kenya's GDP that gives estimates of the size and structure of the fourty seven (47) county economies is known as Gross County Product (GCP). GCP is useful in assessing county disparities. When the GCP is divided by the county population, we derive the GCP per capita which in addition to welfare measures such as poverty and inequality, may be applied as a single composite indicator of economic growth within a county. As a matter of fact, GCP per capita gives a basis for determining business prospects stemming from a county's economic growth over time. The implications of which may interpretively generate pressure on corporate governance and in turn cause variations in enterprise value. Enterprise value is simply the worth of an entity (Adagye & Ibrahim, 2019). In the current study, enterprise value is operationalized as the Fair Loan Portfolio Value and a it represents the economic measure of real market value of a revolving loan fund. The Loan Portfolio Value is produced from the several streams of cash flows that are cyclical in nature. Hence, enterprise value is computed as the sum of cash reserves plus the present value of expected future net cash flows from a loan portfolio.

1.2 Problem Statement

Fiscal forms of incentives are perceived as less attractive investment incentives because they are essentially contributing to suppressed tax base and narrowed public revenue (Johnson & Toledano, 2013). The disconnect between the important governance task of administering incentive-based strategies, in view of why and how they translate to solid enterprise value is a matter worth the empirical attention. Because corporate governance can't actually be the automatic and direct antecedent to enterprise value, the constructive linkage between corporate governance and enterprise value becomes contingent upon sound and comprehensive investment incentives. On a different account, economic growth within the host jurisdiction may be impactful on lending rates and default probabilities. It is therefore crucial to consider how the investment incentives and economic growth jointly and severally offer the anticipated impetus for stronger relationship between corporate governance and enterprise value. The available literature has given less attention to the underlying specifics on the relationship between corporate governance and enterprise value. More-over, the roles of the investment incentives and economic growth in such kind of a relationship is clearly missing. Prior literature (Moodley & Govender, 2020; Saidi, Ochi, & Ghadri, 2013) has dealt with governments as providers of investment incentives and especially with business owners as the exclusive capital investors (equity holders). In line with this, equity holders expect

financial returns from business managers (Bordaghi & Ahmadpour, 2010). This study however, deals with the dual role of devolved governments as capital providers and incentive suppliers. Majority of previous studies, such as Tirimba et al., (2015), Jáč and Vondráčková (2017), and Calvo-Pardo et al., (2021) have applied qualitative techniques such as survey questionnaires which do not offer opportunity to clarify questions and verify answers. The techniques tend to obscure deeper and broader findings on both observable and unobservable attributes in the interest of accurate knowledge for an honest society. Therefore, what is the influence of corporate governance, investment incentives and economic growth on enterprise value among county revolving loan funds in Kenya?

1.3 Research Objective

The broader objective of the study is to investigate the influence of corporate governance, investment incentives and economic growth on enterprise value among county revolving loan funds in Kenya.

The specific objectives seek to;

i. Investigate the influence of corporate governance on enterprise value
ii. Determine the influence of investment incentives on the relationship between corporate governance and enterprise value
iii. Determine the influence of economic growth on the relationship between corporate governance and enterprise value
iv. Investigate the joint influence of corporate governance, investment incentives and economic growth on enterprise value.

2. Literature Review

2.1 Theoretical Review

The study is anchored in four theories which are the agency theory, stakeholder theory, MM theorem and institutional theory. The agency theory which is the core theory under the study, is a concept that posits a relationship between owners and their agents (Jensen & Meckling, 1976). The theory assists in understanding the crucial influence of corporate governance on enterprise value by preserving internal efficiencies and ensuring risk management of the loan funds. Stakeholder theory posits that an organization's success and survival depend on its ability to create value for its stakeholders (R. Edward Freeman, 1984). The theory helps in assessing the loan funds by acknowledging their dual mission of financial viability and social impact. The MM theorem suggests how an enterprise’s total value is independent of its capital structure (Modigliani and Miller, 1958). Institutional theory implies that, entities adopt certain structures and practices to gain legitimacy and secure resources from their external environment (Meyer and Rowan, 1977). The theory deals with how the external environment shapes the practices within the revolving loan funds.

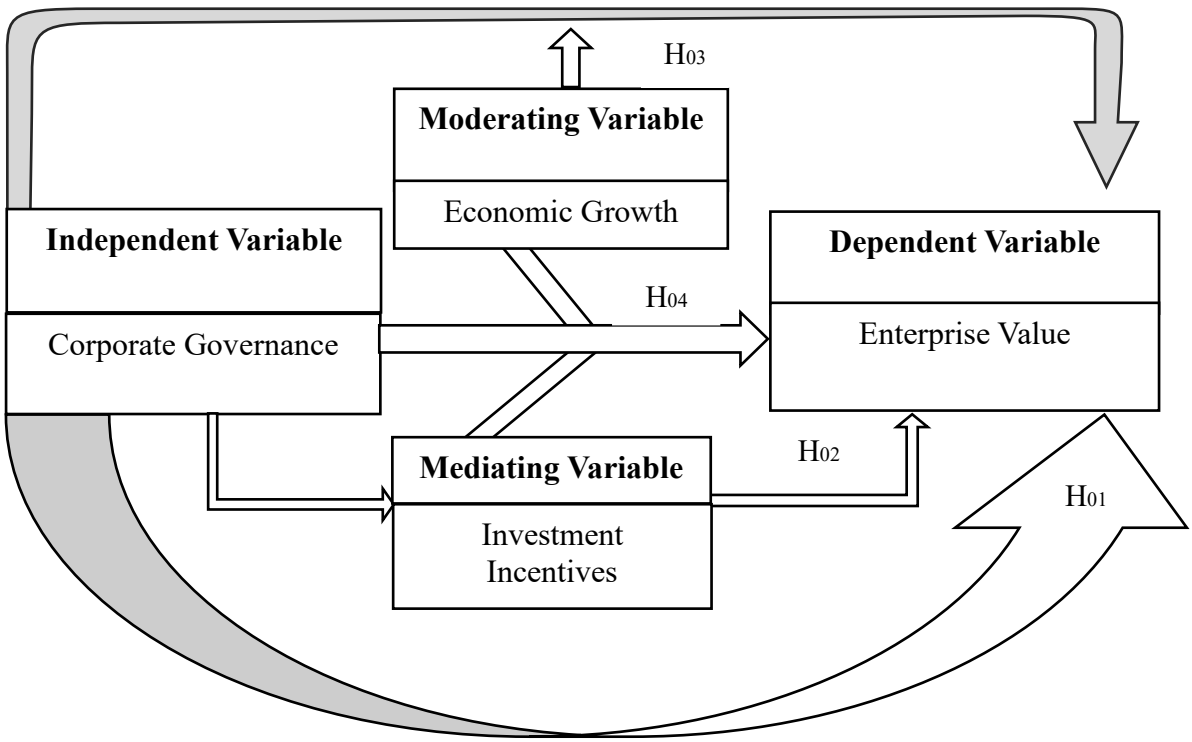
2.2 Empirical Review

A study by Jiang et al. (2017), sampled the listed high-tech industries in Shanghai from a data it from China Economic and Financial Research Database. The study revealed positive correlations between corporate governance and enterprise value. Meaning that a good match of corporate governance allows an institution to make beneficial capital expenditures and higher corporate value. Kinyanjui (2020), investigated the mediating effect of investment incentives on the growth of private investment in Kenya using time series data for the period between 1997 and 2018. The study applied Baron and Kenny, 1986 approach which suggests four steps of regression analyses. The findings did not support the mediation hypothesis. Secondary data were used by Fatma and Chouaibi (2021) for the influence of board composition and ownership structure on firm value. The research involved 111 European financial intuitions resulting at 1,443 observations from 2007 to 2019. The results indicate improved value of firms with size, age and institutional legal systems exerting influence on organizational value. Gender and ownership by chief executive officer have positive effect, board size and ownership concentration have negative effect on organizational value. Board autonomy has no impact on organizational value in the European realm. Ex post facto research was undertaken on time series data by Ugwu et al. (2021). The data was from the Central Bank of Nigeria, Statistical Bulletin & the National Bureau of Statistics and the Federal Inland Revenue Service for 1987 to 2018. The results indicated that tax incentive is negatively and significantly related to gross domestic product and higher income tax rate is associated with decreased private investment and poor economic growth. Kinyua et al. (2022) was interested in the governmental revolving funds in Kenya administered from 2010 to 2019. The study evaluated the impact of beneficiary appraisal and loan tracing techniques on the repayment outcome. It received response from selected officer across all the 47 counties and used SPSS version 23 for analysis. The results reported the prevalence of strong and positive relationship between appraisal techniques and repayment rates, loan tracing techniques had significant positive effect on repayment performance. Fatma et al. (2023), used market-to-book ratio to analyze values ranging from 2007 to 2019 among financial institutions. Multivariate regressions revealed that gender diversity and CEO ownership are positively affecting firm value, while board size and ownership concentration are negatively related to firm value. Furthermore, the results showed that board independence was insignificantly correlated with the firm value. Firm size, age and legal system were confirmed as significant factors in firm value variations. Nevertheless, firm leverage and activity sector are insignificantly correlated with their value. Tax incentives were empirically found to be impactful policy tools on enterprise value by Song et al. (2023). By sampling listed companies in China GEM, the study proved that the preferential tax strategy promotes the enterprise value through the mediating effect of research and development investment of the companies. Farooq, et al. (2023) took literature review on the nexus between economic growth and corporate investment. Empirical results

proved that FDI had negative impact while inflation rate, financial growth and economic expansion had positive effect on corporate investment decisions. Thus, there is no empirical revelation on the association of economic growth with the relationship between corporate governance and enterprise value. Nganyi et al. (2024) established that corporate performance had a mediating effect on the relationship between investment incentives and effective corporate tax rate. The research adopted positivist philosophy and longitudinal research design.

2.3 Conceptual Framework

A conceptual framework assists in grouping and depicting constructs which are significant in the study map and their connections. The illustration of the study's conceptual framework is shown in Figure 1.



Source: Researcher (2024)

Figure 1: Conceptual Framework

2.4 Research hypotheses

H_{01}: There is no significant influence of corporate governance on enterprise value.

H_{02}: There is no significant mediating influence of investment incentives on the relationship between corporate governance and enterprise value.

H_{03}: There is no significant moderating influence of economic growth on the relationship between corporate governance and enterprise value.

H_{04}: There is no joint significant influence of corporate governance, investment incentives and economic growth on enterprise value.

3. Descriptive Analysis and Presentation

The descriptive analysis and results on all the study variables, which are corporate governance, investment incentives, economic growth and enterprise value are as summarised in Table 1.

Table 1: Descriptive statistics for the study variables

Variable	N	Mean	Standard Deviation	Cv (%)
Enterprise value	31	17.386	1.6021	9.215
Corporate governance	31	6.6261	0.8432	12.73
Investment incentives	31	0.7997	0.1861	23.27
Economic growth	31	4.7176	3.9844	84.46

Source: Research data (2024)

Table 1 reports the descriptive statistics of the study variables. The results from the table show that enterprise value scored a coefficient of variation of 9.215%, signifying an excellent clustering of observation around the average value = 17.386. Thus, the scores revealed that the business worth among the county revolving loan funds is evenly stable. Corporate governance scored a coefficient of variation of 12.73%, suggesting a very good dispersion around a mean = 6.6261.

The mean indicated exceptional characteristics of corporate governance. Corporate governance thus had the highest influence on fair value of the funds. Investment incentives cored a coefficient of variation of 23.27%, indicating a very good spread of intensity of investment incentives around the central value = 0.7997. The central value exhibits very intensive investment incentives. Last but not least, economic growth scored a coefficient of variation of 84.46%, which implies unpleasant dispersion of GCP per capita around the mean = 4.7176. Compared to both corporate governance and investment incentives, the scores on economic growth suggested negligible effect on enterprise value.

4. Hypotheses Testing and Discussion

The hypotheses were ultimately tested through regression analysis and the findings were applied to ascertain the magnitude and direction of the variables' relationships. The results necessitated development of new models.

Where;
EV = Enterprise value
β_0 = Intercept
CG = Corporate governance
IN = Investment incentives
EG = Economic growth
Ɛε = Error

4.1 Direct Influence of Corporate Governance on Enterprise Value

Regression results for the first research hypothesis are indicated in Table *2*.

Table 2: Regression coefficients for the test of the direct influence of corporate governance on enterprise value

	Unstandardized		Standardized		
Model	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1 (Constant)	6.456	1.169		5.522	.000
Corporate governance	1.650	.175	.868	9.422	.000

a. Dependent Variable: Enterprise value
Source: Research data (2024)

The results indicate an intercept (6.456). The results show that corporate governance is a significant predictor of enterprise value (Beta=1.650, P<0.05). The null hypothesis is therefore rejected and the alternative hypothesis is accepted. The regression model is as follows:

$EV = \beta 0 + \beta XCG + Ɛε$

$EV = 6.456 + 1.65XCG$

The regression equation implies that, a unit change in corporate governance causes an increase of 1.650 in enterprise value, which implies that strong corporate governance is associated with higher enterprise value.

4.2 Mediation Influence of the Investment Incentives in the Relationship between Corporate Governance and Enterprise Value

4.2.1 Preliminary Regression Steps

The four preliminary regression results for the second research hypothesis are indicated in Tables 3, 4, 5, and 6.

Table 3: Regression coefficients for the test of corporate governance as the independent variable and enterprise value as the dependent variable

	Unstandardized		Standardized		
Model	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1 (Constant)	6.456	1.169		5.522	.000
Corporate governance	1.650	.175	.868	9.422	.000

a. Dependent Variable: Enterprise value

Source: Research data (2024)

The results obtainable from Table 3 are exactly similar to those reported in Table 2.

Table 4: Regression coefficients for the test of corporate governance as the independent variable and investment incentives as the dependent variable

	Unstandardized		Standardized		
Model	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1 (Constant)	-.371	.164		-2.262	.031
Corporate governance	0.177	.025	.800	7.192	.000

a. Dependent Variable: Investment incentives

Source: Research data (2024)

The results show that corporate governance is a significant predictor of investment incentives (Beta = 0.231, $P<0.05$). Analysis proceeded to step three and the regression model is depicted as follows:

$IN= \beta 0 + \beta XCG + \mathcal{E}\varepsilon$

$IN = -.371 + 0.231XCG$

Table 5: Regression coefficients for the test of investment incentives as the independent variable and enterprise value as the dependent variable

	Unstandardized		Standardized		
Model	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1 (Constant)	11.827	.773		15.295	.000
Investment incentives	6.952	.943	.808	7.375	.000

a. Dependent Variable: Enterprise value
Source: Research data (2024)

The results show that investment incentives significantly predict enterprise value (Beta = 6.952, P<0.05). Testing proceeded to step four, and the regression model is expressed as follows:

$EV = \beta 0 + \beta XIN + \mathcal{E}\varepsilon$

EV = 11.827+ 6.952XIN

Table 6: Regression results for the test of corporate governance and investment incentives as the independent variables and enterprise value as the dependent variable

(a) Regression coefficients

	Unstandardized		Standardized		
Model	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1 (Constant)	7.458	1.194		6.244	.000
Corporate governance	1.173	.275	.617	4.262	.000
Investment incentives	2.699	1.246	.314	2.165	.039

a. Dependent Variable: Enterprise value
Source: Research data (2024)

The results show that both corporate governance and investment incentives are significant predictors of enterprise value, p=0.000. Their individual regression coefficients illustrate that there is a statistically significant relationship between corporate governance and enterprise value (β = 1.173, p = .000). There is a statistically significant relationship between investment incentives and enterprise value (β = 2.699, p = .039). The sufficient evidence show that step four met the mediation requirements and the regression model is as follows:

$EV = \beta 0 + \beta XCG + \beta XIN + \mathcal{E}\varepsilon$

EV = 7.458+1.173X CG+2.699XIN

After the preliminary steps proved additional effects beyond the direct relationship between corporate governance and enterprise value, the study moved to calculate the size of the mediating effect.

4.2.2 Regression Coefficient of the Indirect Effect

The calculation of the indirect effect involves subtracting the partial regression coefficient obtained in Step-4, *B41* from the simple regression coefficient obtained from Step-1, *B11*. Both the coefficients represent predictions on investment value except that *B11* is the zero-order coefficient from the simple regression and *B41* is the partial regression coefficient from a multiple regression involving the mediation. The indirect effect is the difference between these two unstandardized coefficients as well as the product of Step-2 unstandardized coefficients & Step-4 unstandardized coefficients *(B21) (B42)*. The results are indicated in Table 7.

Table 7: Coefficient for indirect mediating effect

	Step – 1	Step – 2	Step - 4
Model	$EV=B_0+B_{11}X_{CG}+\varepsilon_4$	$IN= B_0+B_{21}X_{CG}+\varepsilon_4$	$EV= B_0+B_{41}X_{CG}+B_{42}X_{IN}+\varepsilon_4$
Analysis	EV= 6.456+1.65XCG	IN=-.371+.177XCG	EV=7.458+1.173X XCG + 2.699X_{IN}
Parameters for CG	1.650		1.173
Parameters for IN		0.177	2.699
The difference	Step-1 Coefficients less Step-4 Coefficients *(B11- B41)*		
B *Indirect*)	(B11- B41) = 1.650 - 1.173= 0.477		
The Product	Product of Step-2 Coefficients & Step-4 Coefficients *(B21) (B42)*		
B *(Indirect*)	(B21) (B42) = (0.177) (2.699) = 0.477		
B (*Total*)	(B_{11} + B *(Indirect)*) = 1.65+0.477 = 2.127		

Source: Research data (2024)

Table 7 indicates values proving that there was an indirect effect, which could contribute to a high degree of mediation of the original main effect. The symbols representing various parameters in the regression models are as follows:

EV = Enterprise value
$_{CG}$ = Corporate governance
$_{IN}$ = Investment incentives
B_0 = Intercept
B_{11} = Direct effect of CG on EV
B_{21} = Effect of CG on IN

B_{41} = Main effect of CG on EV
B_{42} = Effect of IN on EV
B_{51} = Total effect
B (Indirect) = Indirect effect
ε_n = Error term

4.2.3 Effect Size for the Indirect Effect

The research calculated the proportion of the total effect that is accounted for by the indirect effect by dividing the indirect effect by the total effect. Which was 0.2243 (0.477 / 2.127**),** implying that the mediated effect accounted for 22.43% of the total effect.

4.2.4 Statistical Significance of Mediation

A simple test developed by Sobel (1982) was used to show if the study's mediation variable held a significant influence of a predictor variable on the dependent variable. Step two was the regression of mediator on independent variable, the information extracted from step two is for the path from corporate governance to investment incentives whose unstandardized regression coefficients and their standard errors (*B*= 0.177, Std. Error=0.025) were plugged into the Sobel formula. Step four was the regression of dependent variable on independent variable and the mediator, the information extracted from step four is for the path from investment incentives to enterprise value, whose unstandardized regression coefficients and their standard errors (*B*= 2.699, Std. Error=1.246) were plugged into the Sobel formula. The results are as in Table 8, next page

Table 8: Results on Sobel Test

1	Sobel test statistics	2.07135445
2	One-tailed probability	0.01916284
3	Two-tailed probability	0.03832568

Source: Research data (2024)

The results revealed a two-tailed p-value = 0.038, in that case ($p<0.05$). This was sufficient statistical evidence that the indirect effect of corporate governance on enterprise value, operating through investment incentives, is significant.

4.3 Moderating Influence of Economic Growth in the Relationship between Corporate Governance and Enterprise Value

4.3.1 Regression Coefficients

Regression coefficients for the third research hypothesis are indicated in Table 9.

Table 9: Regression coefficients for the moderating influence of economic growth on the relationship between corporate governance and enterprise value

	Unstandardized		Standardized		
Model	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1 (Constant)	10.402	1.682		6.185	.000
Corporate governance	1.080	.256	.568	4.225	.000
Economic growth	-.884	.322	-2.198	-2.746	.011
The product of corporate governance and economic growth	.130	.051	2.019	2.558	.016

a. Dependent Variable: Enterprise value.
Source: Research data (2024)

The results indicate a statistically significant relationship between economic growth and enterprise value (β = -.884, p = 0.011). The negative coefficient for economic growth suggests that economic growth may have severe ramification on enterprise value under poor corporate governance. Thus, the statistical significance in the effect of economic growth on enterprise value may be due to the interaction term. The interaction term and enterprise value had a statistically significant relationship (β =.130, p = 0.016). This indicates that the interaction between economic growth and corporate governance exerted a crucial influence in the model. In fact, moderation is demonstratable by a statistically significant coefficient for the interaction term. With that, the null hypothesis was rejected and the alternative hypothesis accepted. The results are presented in the next equation.

$EV = \beta 03 + \beta 13XCG + \beta XEG + \beta 25XCG + Ɛ3$

$EV = 10.402 + 1.080XCG - .884EG + .130XCGEG$

The regression equation suggests that; a unit change in corporate governance causes an increase of 1.080 units in enterprise value. While, a unit change in economic growth causes a decline of .0 884 units in enterprise value. However, a unit change in the product of corporate governance and economic growth causes an increase of units 0.130 in enterprise value. In fact, the interaction term (+0.130CGEG), creates a conditional relationship between the variables. This is the case because determination of whether change in enterprise value is positive of negative, based on only one variable is not obvious. Therefore, it became necessary to calculate the rate at which enterprise value changes as economic growth changes.

4.3.2 Conditional Effect

The conditional effect of economic growth on enterprise value is the rate at which enterprise value changes as economic growth changes. This is computed by taking the derivative of enterprise value with respect to economic growth.

$\partial EV/\partial EG = -884+0.130CG$

To find the point at which the conditional effect is zero;

$-0.884 + 0.130CG = 0$

$0.130CG = 0.884$

$CG = 0.884/0.130$

$CG = 6.8$

The results indicate that; When CG = 6.8**,** the conditional effect of economic growth on enterprise value is exactly zero, implying that economic growth has no effect on enterprise value. When CG < 6.8, the conditional effect of economic growth on enterprise value is negative, implying that increasing economic growth decreases the enterprise value. When CG > 6.8, the conditional effect of economic growth on enterprise value is positive, implying that increasing economic growth enhances the enterprise value.

4.4 Joint Influence of Corporate Governance, Investment Incentives and Economic Growth on Enterprise Value

Regression results for the fourth research hypothesis are indicated in Table 10.

Table 10: Regression coefficients for the test of the influence of corporate governance, investment incentives and economic growth as the independent variables and enterprise value as the dependent variable

	Unstandardized		Standardized		
Model	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1 (Constant)	8.484	1.175		7.222	.000
Corporate governance	1.011	.261	.532	3.870	.001
Investment incentives	3.235	1.167	.376	2.772	.010
Economic growth	-.082	.033	-.204	-2.469	.020

a. Dependent Variable: Enterprise value

Source: Research data (2024)

The unstandardized coefficients in Table 8 indicated positive impacts and significant contributions of corporate governance and investment incentives to enterprise value respectively (Beta = 1.011, p=0.001) and (Beta = 3.235, p=0.010). However, the coefficients revealed that economic growth contributed to enterprise value (Beta = -0.082 and p= 0.020). The later relationship was statistically significant but negatively weak hence, exuding noticeably small impact. The effect by economic growth though small and negative, adds unique information on the boosted overall model fit (R=.910 from R=.888). This suggests that the inclusion of economic growth "purified" the previous effects and elevating their significance. It is very likely that adding economic growth into the model made the model stronger than initially indicated because economic growth removed the confounding influence that is attributable to the variations arising from both corporate governance and investment incentives on enterprise value. The findings provide sufficient and meaningful evidence for the study to have corporate governance, investment incentives and economic growth as reliable variables in the joint contributory effect on enterprise value. This being the case, the null hypothesis was rejected and the alternate one was accepted. The analytical model is therefore:

$$EV = \beta 0 + \beta XCG + \beta XIN + \beta XEG + \mathcal{E}\varepsilon$$

$$EV = 8.484 + 1.011XCG + 3.235XIN - 0.082\ XEG$$

The intercept = 8.484 in the regression equation is the starting point for enterprise value before the predictors are brought in. The regression formula implies that, a unit change in corporate governance and investment incentives causes an increase of 1.01 and 3.235 units respectively in enterprise value. While, a unit change in economic growth causes a decline of .082 units in enterprise value. which implies that both corporate governance and investment incentives are associated with higher enterprise values. whereas economic growth is linked to slightly lower enterprise value.

5. Conclusion, Contribution and Recommendations

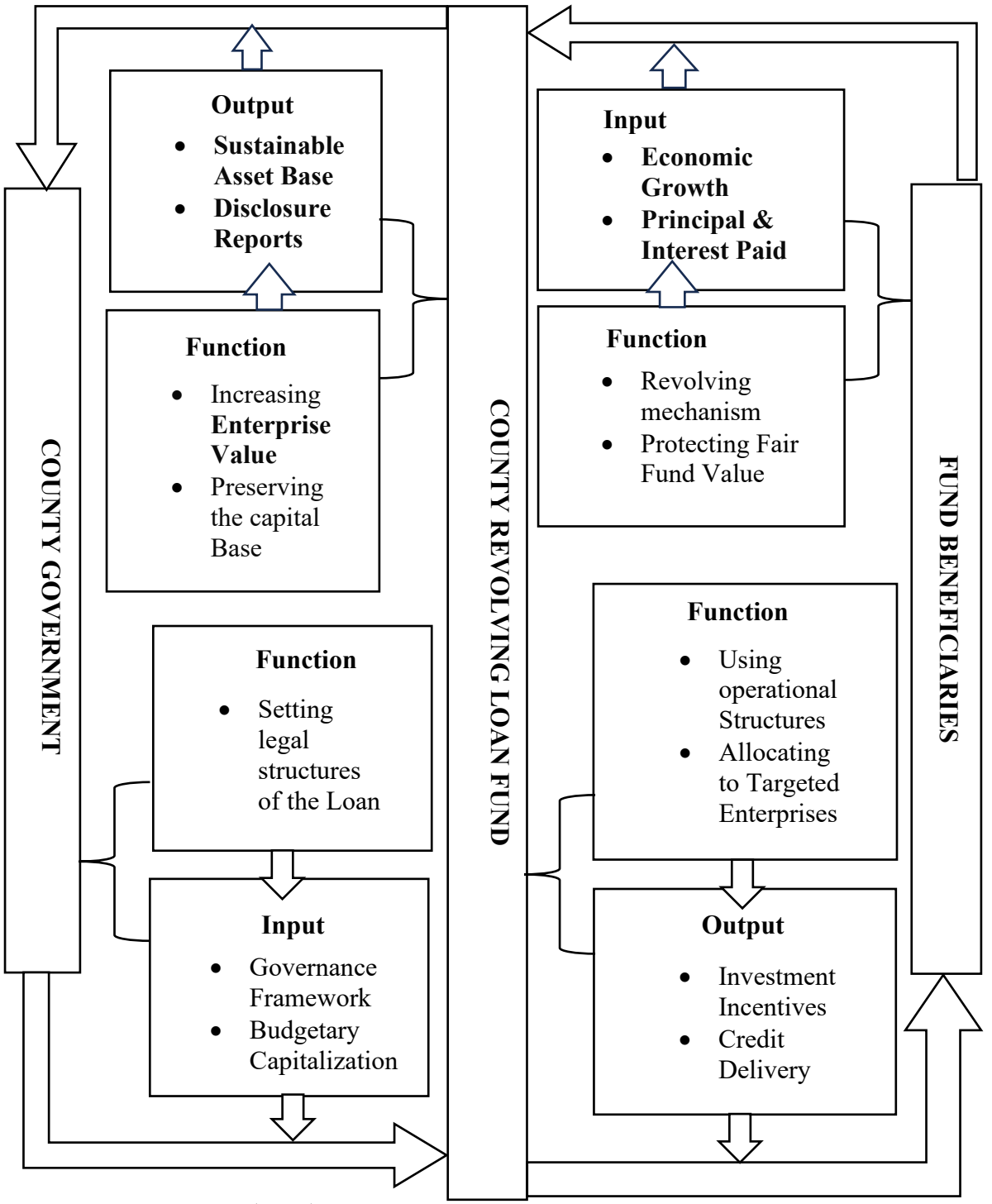
5.1 Conclusion

The study was to investigate the influence of corporate governance, investment incentives and economic growth on enterprise value among county revolving loan fund in Kenya. All the hypotheses tested were confirmed. The relationships between the variables were discovered to be positive and statistically significant except for the direct relationship between economic growth and enterprise value. The study found that corporate governance has a strong and positive influence on enterprise value. It also revealed that the relationship had a partial mediation effect by investment incentives and a conditional moderation effect by economic growth. It however established that, while the mediating variable independently correlate positively and significantly with enterprise value the moderating variable did not.

Lastly, the specification of explanatory variables jointly, confirmed a strongly positive and statistically significant influence on enterprise value, with individual main effects registering similar results save for a negatively weak effect for economic growth.

5.2 Contribution of Study Findings

The study made a productive journey deconstructing the stratified reality of Kenyan county revolving loan funds. In the process, the study settled on the Financial Mechanism as the deepest structure through retroduction to infer that the unobservable principles of capitalization, the time value of money and risk pricing constitute the necessary generative powers that make the observable existence of the loan funds possible. By identifying the Financial Mechanism as the meta-power and the funding structure's recapitalization as the restorative "safety valve," the study builds a robust and critically realistic foundation for itself. The results demonstrate that, the revolving loan fund acts as a mechanism of establishing and replenishing a pool of capital used for lending. Unlike a standard budgetary process where money is spent and gone, capitalization in a revolving loan fund creates a permanent asset base that revolves as loans are repaid and the funds are recycled into new loans. The study's contribution is notable in offering empirical validation that enterprise value among county revolving loan funds is positively influenced by corporate governance and investment incentives. This adds to the remotely available literature on how these factors interact in the context of local governments and especially in resource-constrained settings. The ultimate contribution of the study is the findings that, investment incentives mediates and economic growth moderates the relationship between corporate governance and enterprise value. These nuanced insights contribute to the development of more sophisticated models in business analysis and policy formulation. By adapting and integrating robust methods, the study offers comprehensive graphical model that explain enterprise value, conceivable determinants and the underlying mechanisms. This framework further contributes to philosophy and enriches the application of the theories. The diagram in Figure 2, depicts Enterprise Value as the central outcome which is achievable in a system where the intermediary ensures that every budgeted shilling that goes to a borrower eventually returns to serve the next beneficiary. This only occurs when the government governs well, the loan funds operate efficiently and the loan beneficiaries grow their businesses and repay.



Source: Giriago (2026)

Figure 2: Conceptual diagram for the cyclical mechanism of the revolving loan fund

5.3 Recommendations on Policy and Practice

The study recommends enforcement of compliance to all the statutory requirements by the loan funds. For instance, disclosure reports should provide information on financial condition, repayment history and the future direction of the programmes. The study also suggests continuous assessment, monitoring and evaluation of the fund users' activities. The oversight agencies should increase their vigilance by dealing directly with the beneficiaries to verify reports and for further understanding of the kitties. The study is recommending reinforcement of corporate structures during all economic cycles. Being government agents, whose role is delivery of public service, the study recommends that the revolving loan funds be extremely keen in involving people centred workforce, maintain friendly work environments and eliminate wasteful costs. While the funds thrive to reinforce their achievements, they should encourage equity and learning development to enhance a sense of autonomy among their employees. It is only advisable that the government be involved in practices of which it holds key competencies. The viable option for the government is to enter into public private partnerships (PPP) with the commercial banks for optimal delivery of financial services.

5.4 Suggestions for Further Research

Future research would need to be broader to include all the revolving loan funds in the context for deeper insights. It would be prudent to give elaborate analyses involving demographic elements such as age of the fund and board experience. Future research should thrive to include data on value created outside the revolving funds such job creation and private business growth. To yield comparable results, it is advisable for future studies to go for primary data obtainable from fund beneficiaries as opposed to secondary data by fund providers. Next research may also consider the possible cause effects of enterprise value as opposed to being the output variable.

5.5 Limitations

The study experienced various limitations arising from the methods and procedures used. Quasi-longitudinal data which could sacrifice some detailed temporal information and limit the study's ability to infer causality or observe temporal variations within county funds. The study took a census survey which could pose possible deficiency in statistical power. secondary data were not quite capable of providing direct but important information. Some limitations were related to missing information from secondary database, this was due to information which were not readily available from all the units of analysis or missing totally from all the sources. The study did not fully account for external factors such as political influence and all macroeconomic variables that could have impact on incentive performance and the associated fair value.

ACKNOWLEDGEMENT: God is the ultimate source of knowledge.

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