

**Paper: “Granger Causality Model of Retained Earnings and Financial Performance of Non-Financial Firms Listed on the Nairobi Securities Exchange (NSE), Kenya”**

**Submitted: 27 February 2024**

**Accepted: 12 June 2024**

**Published: 30 June 2024**

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Doi: 10.19044/esj.2024.v20n16p95

Peer review:

Reviewer 1: Daniela Di Berardino  
University of Chieti-Pescara, Italy

Reviewer 2: Valentin Marian Antohi  
University Dunarea de Jos of Galati, Romania

Reviewer 3: Zaroug Osman  
Dhofar University, Salalah Oman

Reviewer 4: Blinded

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Reviewer B:  
Recommendation: Resubmit  
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**The TITLE is clear and it is adequate to the content of the article.**

YES, HOWEVER, ACCORDING TO MY SUGGESTIONS ABOUT VARIABLES APPLIED, THE TITLE MIGHT CHANGE...SEE BELOW

**The ABSTRACT clearly presents objects, methods, and results.**

YES, ABSTRACT IS CLEAR AND WELL WRITTEN

**There are a few grammatical errors and spelling mistakes in this article.**

LANGUAGE IS FLUENT AND WITHOUT SPELLING MISTAKES

**The study METHODS are explained clearly.**

I CAN'T UNDERSTAND HOW MANY FIRMS HAVE BEEN ANALYSED...42? AUTHOR REFERS TO 42 PANEL...BUT IT'S NOT CLEAR IF THIS NUMBER IS THE PANEL DATA SET OR THE SAMPLE'S SIZE.

I'VE MANY DOUBTS ABOUT THE DEPENDENT VARIABLES, I FIND A SERIOUS COLLINEARITY PROBLEM. RETAINED EARNINGS DERIVE BY OPERATING INCOME OR NET INCOME, I SUGGEST TO CONSIDER OTHER VARIABLES...SUCH AS FOREIGN SALES....OR R&D INVESTMENTS...OR LEVERAGE RATIO...OR EFFICIENCY RATIOS...OR GROSS PROFIT MARGIN..OR NET FINANCIAL POSITION...

MOREOVER, ROA AND ROE ARE LINKED EACH OTHER (NET INCOME DERIVES BY OPERATING INCOME), SO THE GEOMETRIC MEAN OF THESE VARIABLES SEEMS REDUNDANT AND INCORRECT. I SUGGEST TO FIND OTHER DEPENDENT VARIABLES, TO IMPROVE THE THEORETICAL AND PRACTICAL CONTRIBUTIONS OF THE RESEARCH. RESULTS SEEM TRIVIAL.

**The body of the paper is clear and does not contain errors.**

THE STRUCTURE OF THE PAPER IS CORRECT, HOWEVER, I SUGGEST TO INCLUDE IN A TABLE SOME DESCRIPTIVE STATISTICS ABOUT THE SAMPLE (NO. FIRMS, INDUSTRY, SIZE...) AND A CLEAR DESCRIPTION OF SOURCE OF DATA. MOREOVER, I SUGGEST TO DESCRIBE IN INTRODUCTION SECTION THE ORIGINALITY AND THE CONTRIBUTION OF THIS STUDY TO PRIOR LITERATURE.

**The CONCLUSION or summary is accurate and supported by the content.**

I SUGGEST TO PROVIDE CONCLUDING REMARKS WITHOUT REPEATING DISCUSSION SECTION, CONSIDERING LIMITATIONS, THEORETICAL AND POLICY IMPLICATIONS OF THE STUDY IN THIS SECTION.

**The list of REFERENCES is comprehensive and appropriate.**

YES..HOWEVER, CONSIDER MY SUGGESTIONS ABOUT THE VARIABLES...IN THIS CASE I SUGGEST THESE PAPERS

- ED-DAFALI S. ET AL. A bibliometric review of dividend policy literature, Research in International Business and Finance, Volume 65, April 2023, 101987
- BARROS V. ET AL., High-tech firms: Dividend policy in a context of sustainability and technological change, TECHNOLOGICAL FORECASTING AND SOCIAL CHANGE, Volume 190, May 2023, 122434
- Szymon Stereńczak, Jarosław Kubiak, Dividend policy and stock liquidity: Lessons from Central and Eastern Europe, Research in International Business and Finance,December, 2022

*Please rate the TITLE of this paper.*

[Poor] **1-5** [Excellent]

3

*Please rate the ABSTRACT of this paper.*

[Poor] **1-5** [Excellent]

5

*Please rate the LANGUAGE of this paper.*

[Poor] **1-5** [Excellent]

5

*Please rate the METHODS of this paper.*

[Poor] **1-5** [Excellent]

2

*Please rate the BODY of this paper.*

[Poor] **1-5** [Excellent]

3

*Please rate the CONCLUSION of this paper.*

[Poor] **1-5** [Excellent]

2

*Please rate the REFERENCES of this paper.*

[Poor] **1-5** [Excellent]

4

**Overall Recommendation!!!**

Return for major revision and resubmission

**Comments and Suggestions to the Author(s):**

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Reviewer C:

Recommendation: Revisions Required

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**The TITLE is clear and it is adequate to the content of the article.**

The title is too long ,hence I suggest the title as follows: THE NEXUS BETWEEN RETAINED EARNINGS AND FINANCIAL PERFORMANCE OF NONFINANCIAL FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE (NSE), KENYA.

**The ABSTRACT clearly presents objects, methods, and results.**

It is not appropriate and it should contain purposes, objectives, methodology and findings

**There are a few grammatical errors and spelling mistakes in this article.**

yes

**The study METHODS are explained clearly.**

The methodology is clearly stated

**The body of the paper is clear and does not contain errors.**

It is appropriate

**The CONCLUSION or summary is accurate and supported by the content.**

The conclusion is poor and need some improvements

**The list of REFERENCES is comprehensive and appropriate.**

It is appropriate

*Please rate the TITLE of this paper.*

[Poor] 1-5 [Excellent]

3

*Please rate the ABSTRACT of this paper.*

[Poor] 1-5 [Excellent]

2

*Please rate the LANGUAGE of this paper.*

[Poor] 1-5 [Excellent]

4

*Please rate the METHODS of this paper.*

[Poor] 1-5 [Excellent]

4

*Please rate the BODY of this paper.*

[Poor] **1-5** [Excellent]

4

*Please rate the CONCLUSION of this paper.*

[Poor] **1-5** [Excellent]

3

*Please rate the REFERENCES of this paper.*

[Poor] **1-5** [Excellent]

4

**Overall Recommendation!!!**

Accepted, minor revision needed

**Comments and Suggestions to the Author(s):**

1. The literature gap should be determined clearly.
2. the author should have to add more literature related to the topic.
3. The number of non-financial firms listed at the NSE should be determined.
4. The conclusion needs more improvement and compare their results with previous studies
5. The author should give suggestions for

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Reviewer D:

Recommendation: Revisions Required

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**The TITLE is clear and it is adequate to the content of the article.**

The title of the article is clear and accurately reflects the research conducted.

**The ABSTRACT clearly presents objects, methods, and results.**

The abstract provides a coherent and detailed overview of the research, including aims, methods and conclusions.

**There are a few grammatical errors and spelling mistakes in this article.**

Please note grammatical errors, English is not my native language.

**The study METHODS are explained clearly.**

The study methods are clearly presented in the text provided. The text includes the following key sections detailing the research methods. The target population is identified as non-financial firms listed on the Nairobi Stock Exchange (NSE), Kenya. Data was collected for the period 2016-2022. Strict data collection criteria were adhered to, thus were applied to exclude financial firms and to ensure a balanced dataset.

The independent variable is reinvested earnings as measured by earnings per share (EPS).

The dependent variable is financial performance, measured by return on assets (ROA) and return on equity (ROE). ROA and ROE are clearly explained, including how they are calculated.

The financial performance - reinvested earnings model is Panel Vector Auto Regression (PVAR) approach is described to examine the impact of financial performance on reinvested earnings. The econometric models are presented in the form of mathematical equations, clarifying assumptions H1 and H2. The impact of reinvested profit on financial performance is investigated through the reinvested profit - financial performance model.

The text provided describes in detail the methods used in the study, including data collection, study variables and econometric models applied.

**The body of the paper is clear and does not contain errors.**

The body of the paper is clear and well structured. However, I have noticed some small errors and suggestions for improvement to enhance the clarity and coherence of the text. The difference between ROA and ROE could be further clarified in separate definitions to avoid any confusion. Add a sentence explaining why the period 2016-2022 was chosen for data collection. Explain why it was chosen to exclude firms with missing data to maintain a balanced dataset.

**The CONCLUSION or summary is accurate and supported by the content.**

The conclusion or summary presented is correct and supported by the content of the paper. It is clear and well structured, adequately reflecting the results obtained and their implications. It also provides clear directions for future research, in line with the methodological limitations discussed.

**The list of REFERENCES is comprehensive and appropriate.**

The list of references is comprehensive and adequate, covering a wide range of studies relevant to the topic under investigation. T

There is one duplicate reference: 'Shikumo, D. H., Oluoch, O., & Wepukhulu, J. M. (2023). Financial Structure, Firm Size and Financial Growth of Non-Financial Firms Listed at the Nairobi Securities Exchange. arXiv preprint arXiv:2303.10910. doi: 10.11648/j.jfa.20231101.12" is listed twice. This needs to be corrected.

*Please rate the TITLE of this paper.*

[Poor] **1-5** [Excellent]

5

*Please rate the ABSTRACT of this paper.*

[Poor] **1-5** [Excellent]

5

*Please rate the LANGUAGE of this paper.*

[Poor] **1-5** [Excellent]

4

*Please rate the METHODS of this paper.*

[Poor] **1-5** [Excellent]

5

*Please rate the BODY of this paper.*

[Poor] **1-5** [Excellent]



5

*Please rate the CONCLUSION of this paper.*

[Poor] **1-5** [Excellent]

5

*Please rate the REFERENCES of this paper.*

[Poor] **1-5** [Excellent]

4

**Overall Recommendation!!!**

Accepted, minor revision needed

**Comments and Suggestions to the Author(s):**

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Reviewer E:

Recommendation: Revisions Required

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**The TITLE is clear and it is adequate to the content of the article.**

The title of the paper although too long, actually accurately explains the topic of the paper.

**The ABSTRACT clearly presents objects, methods, and results.**

The abstract is concise and clearly presents objects and methods.

**There are a few grammatical errors and spelling mistakes in this article.**

There are some grammatical errors in this article that prevent clear reading and understanding.

**The study METHODS are explained clearly.**

The study methods are explained clearly in chapter about data collection and study variables.

**The body of the paper is clear and does not contain errors.**

The body of the paper clearly shows impact of modeling Granger causality between retained earnings and financial performance of non-financial firms listed at the NSE. The conclusion that the author draws is that financial performance of non-financial firms listed at the NSE allows forecasting of future retained earnings and that future research should leverage emerging advances like Network Granger causality to determine whether bidirectional Granger causality is viable between the two variables.

**The CONCLUSION or summary is accurate and supported by the content.**

The conclusion is supported by the content but it should be more extensive with regard to the conducted research and written more clearly. Also in the conclusion the author raises issues that can be the aim of another research.

**The list of REFERENCES is comprehensive and appropriate.**

It is evident from the paper that extensive literature was used.

*Please rate the TITLE of this paper.*

[Poor] 1-5 [Excellent]

4

*Please rate the ABSTRACT of this paper.*

[Poor] 1-5 [Excellent]

4

*Please rate the LANGUAGE of this paper.*

[Poor] 1-5 [Excellent]

3

*Please rate the METHODS of this paper.*

[Poor] **1-5** [Excellent]

4

*Please rate the BODY of this paper.*

[Poor] **1-5** [Excellent]

4

*Please rate the CONCLUSION of this paper.*

[Poor] **1-5** [Excellent]

3

*Please rate the REFERENCES of this paper.*

[Poor] **1-5** [Excellent]

4

**Overall Recommendation!!!**

Accepted, minor revision needed

**Comments and Suggestions to the Author(s):**

The paper is methodologically correct, it analyzes in detail the current topic of retained earnings and financial performance of non-financial firms listed at the NSE. It raises open questions, problems, shortcomings and gaps. The topic is very interesting and very current in this day of age. The conclusion is supported by the content but it should be more extensive with regard to the conducted research and written more clearly. Also in the conclusion the author raises issues that can be the aim of another research.