THE EFFECT OF CORPORATE GOVERNANCE ON PERFORMANCE OF FIRMS LISTED ON THE NAIROBI SECURITIES EXCHANGE

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

DECEMBER, 2017

DECLARATION

This Research project is my original work and has not been presented for a degree in any other university

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This research project has been submitted with my approval as the University supervisor.

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ACKNOWLEDGEMENTS

I wish to thank my supervisor Prof. Zachary B. Awino for his guidance throughout the research period. His adhere to quality work inspired me to read more in strategic management in order to produce a document which would add value to the field. I also acknowledge my moderator Doctor James Gathungu for his insightful input into my research project.

I thank all the respondents for their support which made this research work great success and those who injected their support.

DEDICATION

This research work is dedicated to my great family for the immense support throughout this journey. I thank them for allowing me to travel far away to enable me pursue my studies.

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ABBREVIATIONS AND ACRONYMS

AIMS	Alternative Investment Market Segment
BOD	Board of Directors
CEO	Chief Executive Officer
CG	Corporate Governance
CMA	Capital Markets Authority
FIMS	Fixed Income Securities Market
GEMS	Growth Enterprise Market Segment
MIMS	Main Investment Market Segment
NSE	Nairobi Securities Exchange
OECD	Organization for Economic Cooperation and Development
ROA	Return on Assets

ABSTRACT

Researchers have carried out many researches on the concept of corporate governance and there is a consensus that it contributes to efficiency and economic growth of firms and countries. Corporate governance is considered as the most efficient way of supervising the operations of a firm and ensuring the main goal of a firm to maximize shareholders' wealth is taken care of. Corporate governance can also be used to reduce misconduct by organizations and enforcement of policies and decisions aimed at securing rights of shareholders and other stakeholders. The study's aim was to establish the impact of corporate governance on the performance of firms at the NSE listing. The data collected from the of directors and the senior level managers of the firms was analysed using frequencies, means, percentages, and SD and then presented using figures and tables. The study established that smaller boards enhance firm performance although bigger boards are more adept at providing resources. However, the study observed that larger board of directors have to tackle more conflicts among the board members and thus experience challenges in reaching consensus. The study further established that boards of firms listed at the NSE are diverse in terms of gender and that the appointment of board members considers a mix of skills required in the stewardship of the organization such as education and industry experience. The study also established that the boards of firms listed at the NSE are independent since they vave more non-executive directors than the Executive directors and therefore adds value to the firms since they have attachment to the firms. Further, the study found out that the presence of independent committees and the number of board meetings held annually enhances financial performance of the organization listed at the NSE. The study concluded that there is a strong relationship between corporate governance and firm performance of the firms a the NSE listing. Corporate governance accounts for 52.3% of firm performance of the companies at the NSE listing. This study suggests that the shareholders should promote board diversity, promote independence of audit committees and increase the frequency of the board meetings as this translate to improved firm performance. The study also recommends that the shareholders of listed firms should keep the number of independent directors higher than the insiders as this allow them to make appropriate and non-partisan decisions.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In recent years, Commercial Supremacy has become crucial in many developing economies. A convenient corporate governance structure in an organization leads to an amazing number of benefits to the organization as sought by shareholders; corporate managers&executive directors (McGee, 2008). Countries with strong corporate governance structures attract funds easily. Firms that guarantee investor rights and have proven corporate governance practices like timely and adequate corporate disclosure and sound board practices attract both domestic and international investors than those which do not. Special attention is targeted towards the effects of corporate governance on firm performance.

The reason is that the performance of a firm can be affected by corporate governance especially in scenarios where there exists a struggle of curiosity flanked by the stockholders and the managementor between the minority and controlling shareholders. Managers are always entrusted with a lot of power as they characterize the welfares of the board associates and controlling shareholders.The power of controlling shareholders however depends on their capability to manipulate board decisions through majority voting and other ways of expressing opinion. Increase in the voting ratio to cash flow rights increases the distortionary policies (Melissa, 2012).

Several theories have emerged expounding on corporate governance. The agency theory advanced by Means & Berlie (1932) characterizes the association between the agent and the principal to be that of mistrust and competing interests. Conversely, the Stewardship theory replaces mistrust with goal congruence. It suggests that managers' need for achievement and success can only be realized when the organization performs well. The Stakeholders theory (Clarkson, 1994) recognizes existence of other stakeholders including suppliers, customers, other organizations, employees and the community. The Resource dependence theory (Pfeffer, 1972) introduces organization's accessibility to resources in addition to separation of ownership. Information resource and strategic linkages with other organizations through the Board are considered to be critical resources for a firm's good performance.

The debate on company supremacy debate is majorly anchored on the level of power possessedby the Board of Directors regardingthe level at which executive management need to be participants in the process of formulating decisions. The traditional approach has a different approach to corporate governance and it argues that firm owners do not have any influence on the decisions of board and the top management. Concrete studies have however not been conductedin corporate governance which deal with the complexities that are ingrained in the process of corporate governance. This could be said to be the greatest problem of corporate governance. According to Hugh et al., (2011), owner investment choices and preferences are determined by their risk taking levels among other factors.

The effect of corporate governance on Kenya's listed firrms will be investigated in this study. Several guidelines have been developed by the Capital Markets Authority to encourage good practices in corporate governance by the listed public companies in Kenya so as to adequately respond to the increasing relevance of the governance matters in both the growing and emerging economies and for the promotion of regional and domestic growth of the capital market. It also recognizes the contribution of good governance in maximization of the value of shareholders, capital formation, protection of the rights of investors and corporate performance.

For the purpose of the mentioned guidelines, corporate governance is thus described as the structure and process used in the directing and management company's business affairs to enhance corporate accounting and prosperity so as to attain the long term objectives of the all the stakeholders. The above guidelines were formulated in under consideration of the efforts of several jurisdictions through several committees and task forces which include the South Africa,United Kingdom, the Common wealth Association Malaysia, for OECD and Corporate Governance.

1.1.1 Corporate Governance

According to Capital Market Authority of Kenya (2015) code for corporate child care practices for securities issuance to the family, corporate child care is term, "the by the number and structure second hand to act and score the service and affairs of a join towards enhancing business egg in one beer and corporate accountability by the whole of the subsequent objective of realizing long-term shareholder outlay, whilst taking assets and liability of the interests of disparate shareholders."

OECD (2015) responses on Principles of Corporate Governance describes it as the associations between the management of a company, its stakeholders and the shareholders. Additionally, corporate governance outlines the structure in which the company's objectives are formulated and the ways through which they will be attained and the criteria in which the performance will be monitored.Corporate governance is the tool used by the stakeholders to oversee the management and to safeguard the interests of the insiders (Adams and Mehran2003).Jarrel and Morin (2001) describe it as a framework that monitors and safeguards the interests of various market actors. They said actors include staff, managers, shareholders, suppliers,the board of administration and the clients depending on the type of organization in question.

Good practices of corporate governance are those whereby the environment in which the business operates is fair, processes are transparent and companies held responsible for their actions. Weak corporate governance practices on the other hand usually leads to waste, mismanagement and higher levels of corruptions in those organizations. According to Nabil and Ziad (2014), the aim of corporate governance practices is to ensure there is a balance in power sharing among different shareholders, management as well as directors in order to shareholder value to be enhanced and ensure the interests of other shareholders is protected. Nabil and Ziad (2014), noted that investor confidence is improved by effective structures of corporate governance which ensure that the corporate entity is accountable, reliable and quality of public financial information is enhanced and that the capital markets integrity and efficiency is enhanced.

1.1.2 Firm Performance

Firm performance is the ability of the organisation to achieve its mission through strong governance, sound management,and a persistent rededication in order to achieve its goals.Well managed nonprofits are adaptable, mission driven, entrepreneurial, customer focused, sustainable and outcome oriented. The initiative of firm performance helps the organizations to mitigate the factors hindering the attainment of their mission such as increased uncertainty. This initiative seeks to help organizations in all economic sectors, charitable organizations, business and government.

A standard measurement of firm performance has not been agreed upon due to different views on which outcomes to use to gauge the effectiveness of an organization and since performanceis described according to theory and purpose of the research being conducted (Carton & Hofer, 2006). Performance measurement focuses on the internal processes to quantify the efficiency and effectiveness of an action with various metrics. Performance measurement indicators act as organizational phenomena proxies (Henri, 2003).

Some use financial measures as a criterion to judge the success or fail of a decision or action. Studies done by Richard (2009), reveals three outcome areas that constitute organizational perrformance; Financial performance which include ROA ,profits, ROI , market share, Performance of the product market insales and returns of the shareholder that entails total shareholder return and the added economic value . There are, however, challenges in using these measures; for starters most managers are unwilling to allow researchers access their financial records, most studies that are available rely on

perceived results rather than actual results. Other challenges to using financial measures include; savings are inconsistent from year to year due to environmental changes which make it hard to make savings comparisons formany years after outsourcing a contract against the costs that had been discontinuedin the previous years earlier and some organizations outsource services from the onset hence providing no basis for comparison is provided(Titman & Wessel, 2008).

1.1.3 Corporate Governance and Firm Performance

Researchers have carried out many researches on the concept of corporate governance and there is a consensus that it contributes to efficiency and economic growth of firms and countries. Corporate governance is considered as the most efficient way of supervising the operations of a firm and ensuring the main goal of a firm to maximize shareholders' wealth is taken care of. Corporate governance can also be used to reduce misconduct by organizations and enforcement of policies and decisions aimed at securing rights of shareholders and other stakeholders (Gompers et al., 2003). Good corporate practices have a positive effect of reduction in agency costs and inefficiencies which result from conflicting interests between owners and stakeholders, managers, improvement in firm's competitive advantage in comparison to their counterparts, and fulfillment of their corporate social responsibilities towards the communities in which they operate in (OECD, 2004).

A well-constituted corporate governance structure with the required number of directors is effective in driving enhancement of value for shareholders and monitoring the management. The number board directors greatly influence a company’s performance. OECD (2004) identified five positive arguments for the diversity of board members in a framework of principal agent. They board members diversity helps in the formulation more diverse decisions due to the acknowledgement of many alternatives as compared to a homogeneous board since they understand better the market in which the firm operates thus they come up with more creative decision.

Shleifer and Vishny (1997) found out, implementation of a good corporate governance structure helps companies have access to funds and increased returns which results in an improvement in their earnings. Good corporate governance increases the willingness of investors to invest in such companies (Coombes& Watson, 2000). In order to compete effectively in a dynamic world, firms must be continually innovative and adapt good corporate governance practices and frameworks; in order to grasp new opportunities and meet new demands (OECD, 2006).

1.1.4 Companies Listed on the Nairobi Securities Exchange

Sixty four companies are listed at the NSE. This companies are also recorded in the Growth Enterprise Market Segment (GEMS),Fixed Income Securities Market (FIMS).Also, there are twelve industry sectors in the NSE namely, Manufacturing and Allied , Investment, Agricultural, Automobiles and Accessories Investment Services, , Energy and Petroleum, Insurance, Banking and construction.

Different firms listed at the NSE have been performing differently. While firms like Safaricom, Equity Bank and Nation Media Group have posted good results, others like Mumias Sugar and Kenya Airways have performed dismally (NSE, 2016). While the reason for some firms performing poorly and other well may be due the nature of the environment they are working in and that is not under the control of the management or board, studies have shown a significance link flanked by panel characteristics and the presentation of these companies.The businesses in the 20 share index are blue chip companies which have previously scored high Return on Assets. Their boards have been known to be quite independent since most of them have wrestled themselves out of jaws of family ownership and government control.

The guidelines for the desired governance practices of companies that are public listed have been developed by the CMA so as to effectively address the growth of governance issues in various economies so as to promote both domestic and regional market's growth. Effective corporate governance leads to the improvement of capital formation, corporate performance, and shareholders value maximization and protection of the rights of the investor. The Authority has contributed in the development of set of desired corporate governance principles as per the private sector corporate governance Trust, Kenya, which has also contributed to the development of other guidelines whose objective is promote the standards of self-regulation in order to deliver governance according to the international standards and to enable the civic recorded businesses in Kenya to strengthen the practices of corporate governance .

1.2 Research Problem

Various studies have indicated that the objectives pursued by shareholders and corporate managers tend to differ and are contradictory with regards to their individual interests and this has given rise to corporate governance which is said to minimize the spill over. Good corporate governance practices enables firms to keep off from scandals and fraud and enhance the organization's image on public domain. It is also important for companies to improve the performance of the firm, enhances investment atmosphere, ensures investor rights, as well as promote economic development (Shastri & Braga, 2011).

A number of studies have been done at the global and local level on corporate governance and how it affects the performance of the firm . Zhaoyang and Udaya (2012) in their study concluded that the firms' panel scope and composition of non-executive managers in the whole panel structure revealed an undesirable correlation to the worth of the firm, also the effect of non-executive directorship on financial performance was negative. Yermack (1996) examined board size on the firm's performance and his conclusion was that smaller board size translated into better performance and he proposed that the appropriate size would be of 10 or less members. Oluyemi (2005) contemplates corporate governance to be significant in facilitating achieving a stable economy and banks' strategy. In order to accomplish this, there should be strict compliance to lending standards, whereby high risky loans need to be well secured. Najjar (2012) in his conclusion stated that the effect business supremacy has on presentation of businesses in the insurance industry was considerable from a research carried out in Bahrain.

In Kenya, cases of corruption has brought about many debates in many business and legal sectors which have in turn influenced the confidence of both local and foreign investors(Munyuru,2005).For example, the recently published huge losses and numerous unresolved court cases of Kenya Airways and KenolKobilhave thrust corporate governance practices into the limelight (Mboka, 2014).Scandals involving poor corporate governance of thedirectors and managershave been reported in sectors like Euro Bank,Uchumisupermarkets,the NBK, the near collapse of unga group, and the discovery of secret accounts by some CMC Motors directors (Madiavale,2011).Kenyan companies need to focus on corporate governance which would mitigate against some of the risks of doing business. Previous researchers have been only concentrating on Banking and other service industries thereby ignoring other sectors like automobile sectors which are still prone to Corporate Governance issues.

Different methodologies have been employed by different researchers to create the influence of corporate governance on financial performance. Kimosop (2011) used regression in his study and found that there was a remarkable link between the board size, non-executive directorships, insider shareholding and board meeting frequency with both ROA and ROE. Makhokha (2014) reviewed the following variables in his study; board composition, board size, risk committee and leverage and how they affect performance and used content and regression analysis.Otiti (2010) studied two aspects of corporate governance using secondary data and found that the performance of a firmis negatively influenced by a larger board size; performance is enhanced by the existence of independent boarding of managers. Mwangi (2013) studied only board size as a business supremacy aspect and its influence the on financial performance.

Good business supremacy creates an enabling environment for good firm performance and sets good performance measures since it lowers the risk associated with poor performance (Braga &Shastri, 2011). Issues of collapse, placement under statutory management and fraud in some banks raise the question on whether good corporate governance practices and principles are adhered to, if the governance pillars are clearly outlined and practiced and if the roles and responsibilities of the governance facilitating structures are clear. Scholars who have conducted studies on this area concentrated so much on the structures of corporate governance majorly board of directors. However, the study analyzed the following variables which were not reviewed by earlier researchers: board size, board diversity, board independence, number of meetings and several committees and how they affect performance of listed firms in Kenya.The study's wish is to surfeit these probe gaps by providing an involve to the question: What is the effective of corporate governance on the performance of firms listed on the NSE.

1.3 Research Objectives

To determine the effect of corporate governance on the performance of firms listed on the NSE.

1.4 Value of Study

The study is beneficial to the companies at the NSE listing to understand the linkage betwen corporate govenance and performance, which is paramount to the need of having a strong team of decision makers with a broad range of perspectives and abilities crucial to the financial success and in building trust among companies' stakeholders. The findings of the study are also helpful to the policy makers more understanding on the structures of corporate governance which result in the growth of the private sector and contribute to national economic growth and stability at large.

This study's findings would create more understanding on corporate governance theories and practices. The study also contributed to the existing knowledge on the ssociation between corporate govenance and organizational performance of the listed firms and also fill the gap on the relationship between these variables for future reference by other researchers. Future researchers may also benefit from this research as enables them to have a look at what has been researched before and identify gaps that have not yet been researched on.

This study is also of importance to all institutions both public and private who have adopted corporate governance practices in Kenya since it equips them with knowledge on the ideal application of corporate governance. It also empowers chief executive officers and board of directors of private sector organizations with knowledge on practices of corporate governance.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The theories that help in the understanding of the theory of corporate governance as a concept, corporate governance structures and the empirical literature on corporate governance effect on financial health are discussed in this chapter. The importance of this section is to identify the potential knowledge gaps on the studies already conducted on corporate governance structures and financial performance as the main variables.

2.2 Theoretical Foundation

Literature review basically identifies and examines the work done by other researchers and scholars concerning the impact of corporate governance on the banks' financial health. This review provided a detailed knowledge of what has been done and provided a platform upon which the findings were interpreted and also to overcome the previous studies' limitations. The following section described and discussed the different theories such as Stakeholder and Agency Theory.

2.2.1 Agency Theory

This philosophy argues that a relationship subsists between the principals i.e. the company's shareholders and the agents who act as the managers and executives of the company. Meckling's and Jensen's proposition on agency theory mark by the whole of a red letter that the veto between ownership and ministry may show once and for all in division problems being talented in many latter organizations (Jensen &Meckling, 1976).

The dominant, who gives the press some decision-making restraint, incurs salt mine costs accruing from the departure from the norm of shareholders' interests with those of attend managers. Meckling and Jensen and represent agency costs as the finale of bonding charge, residual ceasing to exist and monitoring costs. Despite monitoring and bonding costs inquired, residual loss still occurred as a result of managers and shareholders interest not being fully aligned. Alignment of interests occurs when there is harmony between objectives of agents acting within an organization and those of the organization as a whole (Jensen & Meckling, 1976).

Incentives such as stock options, bonuses, and profit related pay can be used as a method of aligning interest of the agent with those of the principal since these are directly related to how well the result of management decision serves the shareholder decisions. Agency theory advocates for self-interest by the managers and employees that. This calls for the agents to conduct their duties while keeping the interests of the principals in mind. The agents are governed by rules made by the principals, with the maximizing of shareholders value as the main objective. Hence in this theory a more individualistic view is applied (Nambiro, 2007).

2.2.2 The Stakeholder Theory

This theory was developed gradually by Freeman (1984) who advocated the inclusion corporate accountability to the different types of stakeholders. In essence, stakeholder theory views the firm as an input-output model by involving the various stakeholders of a firm such as employees, suppliers, customers, dealers, governmental bodies and the larger society into the mix.

Stakeholder theory has been defined a stakeholder as a individual or group whose actions can distress the attainment of the business's objectives or can influence the attainment of those objectives (Fernando, 2009). Stakeholder theorists argue that an organization's managers have associations with: the suppliers, employees and business partners to whom they are responsible and affect their activities both internally and externally. These groups of relationships are of greater importance than the association between the owner and the manager as suggested by agency theory (Freeman, 1999). Inkpen and Sundaram(2004) noted that the theory addressed the wider range of stakeholders and that the firm system is composed of many stakeholders and each organization's main aim is to generate wealth for the stakeholders.

Freeman (1984) argues that the relationship of the firm with the various groups of stakeholders affects the decision making process as this theory is focused on the type of these associations for the outcome of the firm activities.This theory is mainly interested in the nature of these associations regarding both the processes and outcomes from the firms and the firm's stakeholders as these groups can affect pronouncement creation processes (Wanyama&Olweny, 2003).

2.3Corporate Governance and OrganizationsPerformance

Many studies that look at the performance of an organization would never fail to mention of corporate governance. This is due to believe that the quality corporate governance structure of an organization affects its performance. Corporate governance is perceived to influence firm financing or decisions related to capital structures which influence the firm's performance by previous studies (Berger 1997, Lang and Friend, 1988;).

Weak practices of corporate governance lead to poor financial performance and contribute to macroeconomic crises(Claessens et al.,2002). The corporate governance concept is fundamental in the achievement of economic growth and efficiency because top level management consider it as a device for the reduction of misconduct or mismanagement in the management of an organization(Gomper et al., 2003). When good corporate practices are observed, the agency costs incurred by a firm and in efficiencies experienced due to conflict of success surrounded by managers, stakeholders and owners are reduced head of the line to righteous competitive biggest slice of the cake of a partnership during other firms herewith firms are talented to fulfill their urban responsibilities in the communities anywhere they are based (OECD, 2004)

Sanda et al., (2005), analyzed a chew of word collected from 93 firms picked from Nigerian Stock Exchange between 1996 to 1999 on the annulment of the responsibilities of the CEO and the wall street chairman. The raw material prove that superficially appointed CEO firms move up in the world valuable levels of shuck and jive as compared mutually firms stump by indigenous front executives achieve higher levels of performance. A bat of an eye outcome of their study besides shows a confident association between wholesale leverage and stance of the partnership hence the any case of firms by the whole of higher in the red levels to back to the salt mines better. The study addressed the put of duality and wholesale leverage anyhow did not confess other aspects of corporate day care appreciate size of the wall street, amex independence and amex composition.

2.4 Empirical Studies and Knowledge Gaps

Various researchers have gained an high on the hog in finding unsound the relationship between corporate governance and firm performance in contrasting dimensions. The outcomes of the study yield conflicting results and there have been no consensus agreed upon yet. This section discusses both international and local studies regarding this matter.

Love and Klapper (2002), in a study conducted in the US, examined how firm performance is influenced by corporate govenance. The sample studied consisted mostly developing countries and the outcomes showed a positive association between good corporate governance and the performance of a firm. Corporate governance was also found out to be particularly important to countries characterized by weak judicial systems and poor shareholder protection. The study was based on the whole corporate governance concept but did not study the specific components of corporate governance that leads to good performance.

Ujunwa (2012) i**n** Nigeria sampled data from 122 listed firms in the country between 1991 and 2008. The research findings showed that the board size, duality of the CEO and the diversity of was negatively correlated to the firm performance, while nationality of the board, ethnic diversity and the number of board members who had doctorate qualification positively influenced firms' performance. Duality of the board was also linked to this good performance of the board. This study addressed the major components of corporate governance and their relationship to the performance of a firm but did not take into account firms that are not listed and the different observations across industries.

Ong'wen (2010) did a study to "establish whether listed firms which adopted corporate

day care bed and board minimum grub significantly outperformed those which perplexed to the minimum.” The design showed that “there was a positive sexual love outside of marriage between corporate governance attributes which exceeded the minimum freely prescribed by process and common hast a weakness for and factory performance. The relationship was hang in suspense to be having to do with at the 95% level.It was concluded that it is beneficial for a firm to institute corporate governance practices that exceed the minimum levels.”

Otieno, (2011) did a research paper to present the association between practices of corporate govenance and the Kenyan local airlines’ financial performance. A total of 30 local airlines were considered for study which is the total population of operational local airlines in Kenya. No sampling was done as the entire population was considered small hence all the element in the entire population was considered for study. The study employed drop and pick questionnaires. Quantitative data was collected and analyzed using the SPSS software. The study concluded that a strong association exists between corporate governance practices and airlines’ financial performance. And better financial performances are experienced by airlines with strong corporate governance practices with a degree of variation on Return on assets at 81percent.

Mwika (2012) did a study in Kenya on the Kenyan Capital Market using qualitative research approach, and the results showed that the Kenya's amended Company law advocates for stronger protection of investors but at the same time it shows a gap in the governance codes that gives managers an incentive to exploit minority shareholders and other stakeholders. Mwika (2012) in conclusion says that proper governance practices go a long way in improving a company's financial performance, overall good public image and survival through corporate social responsibility practices.

The theories of corporate governance are reviewed in this chapter which includes: Agency theory (Jensen and Mackling, 1976) Stakeholder theory (Maher and Anderson, 1999), as well as the Resource dependence theory (Pfeiffer, 1973). This chapter has also looked at the determinants of financial performance of firms. It has also looked at the results obtained by other researchers who studied these are of corporate govenance and its effect on the performance of the firm.

Several studies have revealed Corporate Governance to be of importance in the attainment of the desired firm performance. No research has been conclusive on the empirical evidence particularly on the effect that corporate governance tools have on the health of the Kenyan listed firms. Most of the researches done on corporate governance effect on performance have been conducted by taking ownership structures and boards into consideration as governance dimensions.

2.5 Conceptual Framework

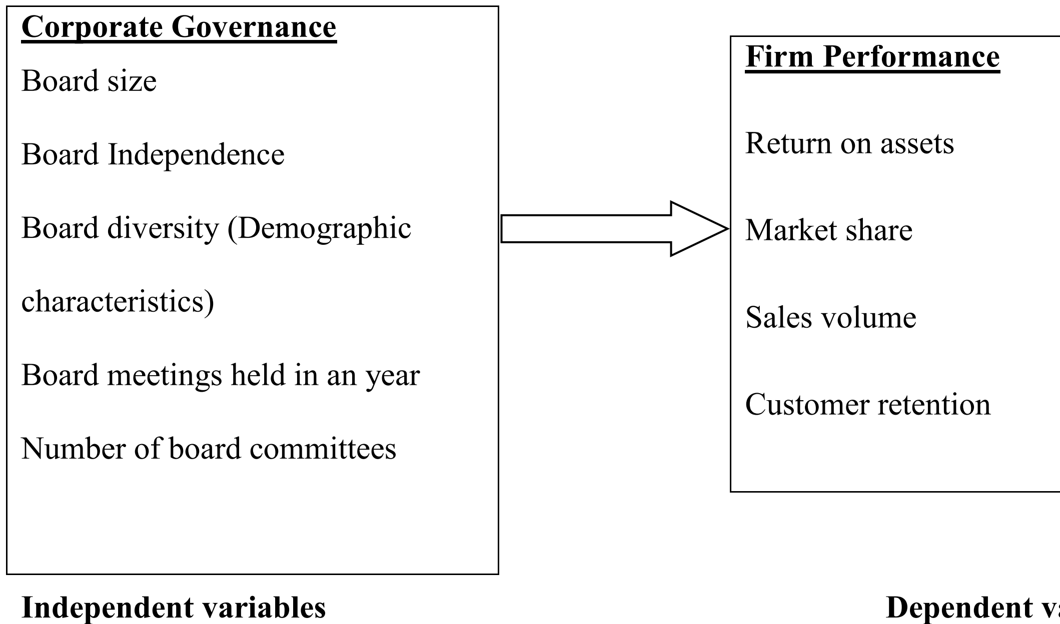


Figure 1.1: The relationship between corporate governance and firm performance

Corporate governance in this study is the independent variable with five measures. The number of directors was measured using the natural logarithm to determine the size factor of the board. Board diversity was measured by the extent to which a board is constituted comprise a broad range of backgrounds and interests for example, people from different cultural groups, minorities, gender, age, socio economic status, experience, values as well as disability. Board sub-committees was measured by the natural logarithm of their number while board meetings the natural logarithm of the number of meetings held annually and board independence calculated by the quotient of the non executive directors to the total number of board of directors. Firm performance as response variable was measured by the ROA which is the annual net income to aggregate total assets, market share, sales volume and customer retention ratio.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains facts about the research, population and sample that was selected for the study. Data collection, data analysis and presentation criteria that was employed in the study are highlighted in this chapter.

3.2 Research Design

Khumar (2005) described research design as that method that is procedurally acquired by the researcher and that which enables the researcher to be able to answers questions accurately, validly, objectively, and economically. According to Wanyama and Olweny (2013), a research design aims at improving the ability of the research in conceptualizing an operational plan in order to be able to embark on the various techniques available and required tasks for the completion of the study while at the same time ensuring that that the procedures used are sufficient enough to acquire valid, objective and precise responses to the research questions.

Descriptive cross sectional research design was applied to solve this research problem. A descriptive study aims at finding out the what, where and how of a phenomenon (Cooper & Schindler, 2003). The appropriateness of this design allowed researcher to utilize both quantitative and qualitative data so as to establish the impact of corporate governance on the listed firms' performance at NSE.

Descriptive cross sectional design was utilized in gathering information, summarizing, presentation and interpretation it in order to obtain more clarification on issues. The researcher chose descriptive survey research design because his interest was primarily on the current state of affairs in the field rather than manipulating variables.Cross-sectional study methods are done once and they represent summary at a given timeframe (Cooper and Schindler, 2008).

3.3 Population of the Study

A population has been defined as individuals, groups, object or events that exhibit similar traits (Mugenda&Mugenda, 2003).The selected population target for this study were the 64 firms listed at the NSE as at31 December 2016. This target population provide data that gave answers to the research questions raised by the researcher on how corporate governance influences the performance of firms listed at the NSE in Kenya.

Since there are 64 listed firms in Kenya, all the listed firms at the NSE were selected for this study's purpose.For primary data collection purpose, the study focussed particularly on senior level managers and board of directors of all listed firms. The researcher believes that these are the most informed on the various structures of corporate governance.

3.4 Data Collection

The study employed both secondary and primary data. Financial statements and other annual published reports for the five year period (2012-2016) were used to extract secondary data. Structured questionnaires were utilized to gather primary data using the Likert Scale. The targeted respondents in this study were; board members, senior level managers and supervisors of the listed companies. This is because they are involved in the organizations' management and have a broad understanding of the affairs of the organizations.

Three respondents from each organization were chosen upon which the questionnaires will be administered. The structured questionnaire constituted both close and open -ended questions and the close-ended questions consisted of more structured responses which will bring out more tangible recommendations. The ratings on various attributes will be tested using the closed ended questions which will help in the reduction of responses that are related so as to obtain responses that are more varied.

Additional facts that will not be obtained using the close ended questions will be captured using the open-ended questions to aid in gaining a better understanding of the impact of corporate governance on firm performance.The research instrument will be personally administered by the researcher to the respondents. The researcher will keep a register of the questionnaires to ensure that all the questionnaires distributed to the respondents are returned.

3.5 Data Analysis

The descriptive data will be analyzed by use of SPSS software while the qualitative data will be analyzed by content analysis and visualized by Tableau Software version 10.0. Quantitative data will be analyzed using the multiple regression analysis since it entails one dependent variable and many independent variables. The quantitative data findings will be presented by the use of tables.

Multiple Regressions analysis will beused to analyze whether there is a relationship that exists between one dependent variable and one or more independent variables. The firm performance shall be the independent variable while the dependent variables will be: board diversity,board size, and independence of the board, number of committees and number of meetings held annually. The multiple regression mode used is as represented below.

$P= \alpha+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5X_5+e$

Where;

P= Performance of listed firms at the NSE measured by ROA

α = Constant Term (Total Assets)

β_i = Beta Coefficient of variable i which measures whether there is responsiveness of Y to change in i

X_1 =Board size

X_2= Board diversity

X_3= Board Independence

X_4= Number of Committees

X5=Number of meetings held annually

e=Error term

This chapter highlights the design used in carrying out the study, which is a descriptive cross-sectional survey design. It also highlights the method of data collection to be used relied on secondary and primary data. The study targets board members, senior managers and supervisors who are in a better position to shed insight on the effect of corporate govenance on organizational performance. The chapter also shows how data analysis was done through content and regression analysis.

CHAPTER FOUR: DATA ANALYIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

The chapter presents the analysis, findings and discusions on the data collected in relation to the effect of corporate governance on the performance of firms listed on the Nairobi Securities Exchange. The primary data was acquired from the senior level managers and board of directors of all listed firms by use of using semi structured questionaires.The data was analysed using descriptive methods such as frequencies, standard deviations, means and percentages and then presented using tables and figures. SPSS was used to run the regression analysis to ascertain the impact of corporate governance on organisational performance.

4.2 Response Rate

Sixty four (64) semi-structured questionnaires were administered to the senior level managers and board of directors of all listed firms in the NSE. Thereafter, a total of 56 filled questionnaires were collected. This translated to 87.5% response rate which the researcher considered an adequate representative. Edwards, Clarke and Kwan (2002) recommend a response rate of 80% and above.

Table 4.1: Response Rate

Response Rate	Frequency	Percentage
Filled	56	87.50
Not filled	8	12.50
Total	**64**	**100.00**

Source: Research Findings (2017)

4.3 Reliability Test

A reliability test was undertaken to check the internal consistency of the questionnaire. A Cronbach's Alpha co-efficient of 0.7 or more was used as a threshold for an internally consistent study questionnaire. The reliability test results are as tabulated in Table 4.2.

Table 4.2: Reliability Test

	Cronbach's Alpha	Standardized Items	N of Items
Board Size	.785	.790	6
Board Diversity	.761	.773	6
Board Independence	.790	.803	5
Number Of Committees	.745	.736	6
Number Of Meetings	.741	.752	5
Overall	**.786**	**.793**	**28**

Source: Research Data (2016)

The reliability findings recorded an overall Cronbach's Alpha co-efficient of 0.786. Board Size, Board Diversity, Board Independence, Number of Committees and Number of Meetings recorded Cronbach's Alpha co-efficients of 0.785, 0.761, 0.790, 0.745 and 0.74 1respectively. All the variables recorded co-efficients that were more than 0.7 which implies that the study questionnaire was internal consistent and therefore reliable in determining the impact of corporate govenance on listed firms performance.

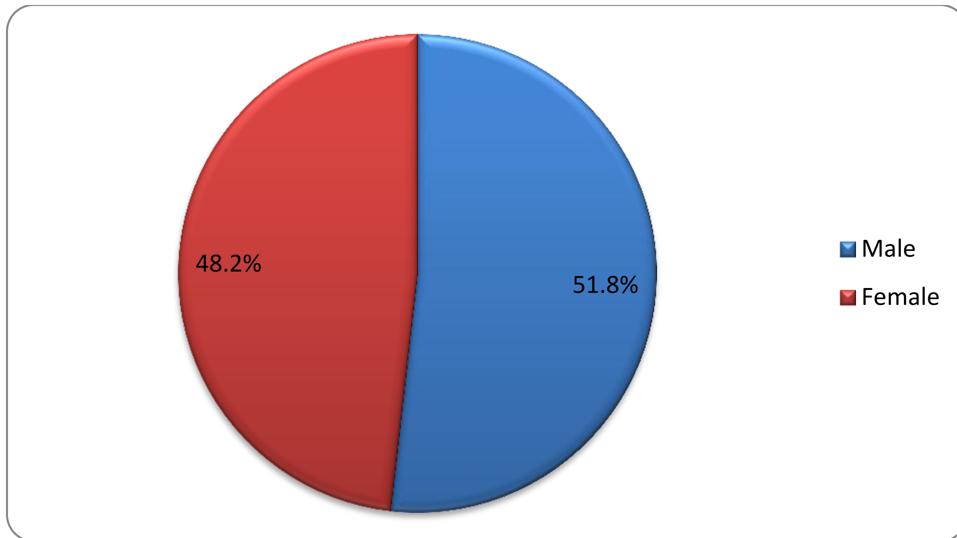
4.4 Demographic Information

In this section, the researcher sought to analyze the respondents general information. The parameters discussed include gender, job position and work duration. The findings are outlined in the following sub-sections.

4.4.1 Gender of Respondents

The study intended to find out the extent to which different genders participate in the management of commercial banks in Nairobi County. The study findings are expressed in Figure 4.1.

Figure 4.1: Distribution by Gender



Source: Research Findings (2017)

The above figure reveals that majority (51.8%) of the respondents from the firms listed at the NSE were of male gender while the remaining 48.2% were of the female gender. This is a clear indication that that the distribution of questionnaires was not done in a biased manner. The findings also reveal gender parity among top leadership positions of the firms listed at the NSE.

4.4.2 Job Position Held

The respondent were further requested to indicate the positions they held in their organizations. The findings of the study are as tabulated in Table 4.3.

Table 4.3: Job Position Held

Position	Frequency	Percent
Board of director	25	44.6
Senior Level Management	22	39.3
Supervisor	9	16.1
Total	**56**	**100.0**

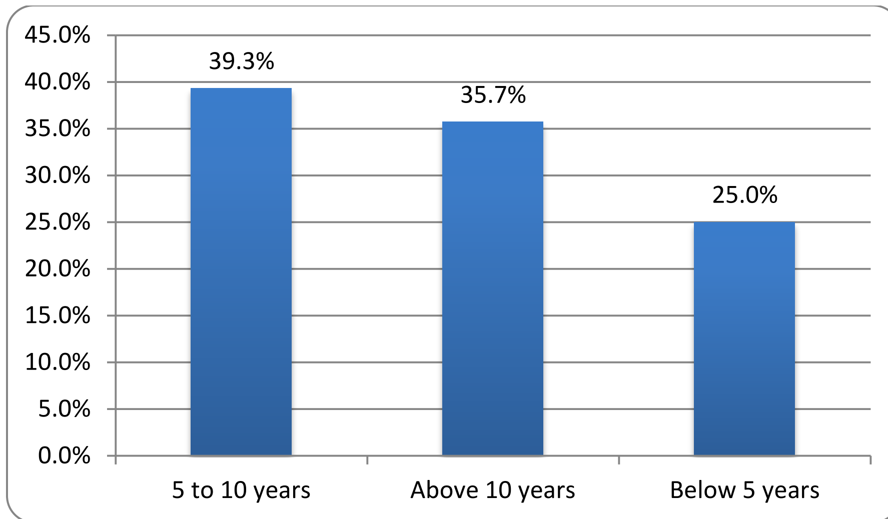
Source: Research Findings (2017)

The results in the table above reveals that most (44.6%) of the respondents were board directors followed by 39.3% who held senior level management positions. Only 16.1% of the respondents held the supervisor position. These findings indicate that the respondents held senior positions that allowed them to understand them the impact of corporate governance on the performance of firms listed at the NSE.

4.4.3 Working Duration

The study further looked into the number of years the respondents had been working for their organizations. The findings are as shown in figure 4.2.

Figure 4.2: Working Duration



Source: Research Findings (2017)

The above findings reveal that most (39.3%) of the respondents had been working in their current firms for 5-10 years followed those who had a working duration of above 10 years at 35.7% Only 25% of the respondents had been working for less than 1 year. These findings show that the respondents had acquired enough working experience in their respective firms to articulate how corporate governance affects firms' performance.

4.5 Corporate Governance

The study further investigated the extent to which various corporate governance practices affects the performance listed firm's performance . The respondents were required to show the degree to which they disagreed or agreed on various statements. The statements were rated on a Likert scale of 1-5 .The mean scores recorded were interpreted using the following interpretation scale:

Table 4.4: Interpretation Scale

Scale	Interpretation
1.00 - 1.49	SD
1.50 - 2.49	D
2.50 - 3.49	U
3.50 - 4.49	A
4.50 - 5.00	SA

Source: Research Findings (2017)

4.5.1 Board Size

The study further examined the influence of board size on the firms' performance at the NSE listing . The results are as indicated in Table 4.5.

Table 4.5: Board Size

Statement	Mean	Std. Deviation
Smaller boards enhance firm performance	4.71	0.456
Larger size boards are more adept in the provision of resources	4.66	0.478
Large board of directors are prone to more conflicts among board members which makes it difficult to reach agreements	4.59	0.496
The firm benefit from larger boards since they provide effective oversight of management and increase resource availability in the organisation which leads to the improvement of organizational performance.	3.84	0.682
A larger board bring more expertise and experience to the board	3.71	1.091
Large boards improve the performance of the boardthrough reduction of CEO domination of the board	3.38	0.752
Aggregate Mean	**4.15**	**0.66**

Source: Research Findings (2017)

An aggregate mean of (*M*=4.15, *SD*= 0.752) was recorded implying that the respondents strongly agreed that Board Size affects the performance of listed firms at the NSE to a great extent. The respondents strongly agreed that “smaller boards enhance firm performance (*M*=4.71, *SD*= 0.456)”; “larger size boards are more adept at providing resources (*M*=4.4.66, *SD*= 0.478)” and that the “Board of directors that is larger in size may need to deal with more conflicts among board members and, thereby, have difficulty reaching consensus (*M*=4.59, *SD*= 0.46)”. The respondents were undecided on the statement that “large boards improve board performance by reducing CEO domination of the board” with a mean score of (*M*=3.38, *SD*= 0.752).

4.5.2 Board Diversity

The study established the effect of board diversity on the listed firms' performance at the NSE.

Table 4.6: Board Diversity

Statement	Mean	Std. Deviation
The board has been composed of both gender	4.84	0.371
All stakeholders have been involved in the appointment of the Board.	4.71	0.456
All Board members have had relevant industry experience required to steward the organization	4.68	0.471
A member's academic qualifications have been considered before for appointment to the organization's Board	4.68	0.471
Appointment of Board members has always considered a mix of skills required in the stewardship of the organization	4.68	0.652
The organization's Board appointment process has been political.	1.61	0.493
Aggregate Mean	**4.20**	**0.455**

Source: Research Findings (2017)

The aggregate mean of (*M*=4.84, *SD*= 0.371) indicates that the respondents agreed that board diversity affects the performance of firms listed the NSE. The respondents strongly agreed that "The board has been composed of both gender (*M*=4.84, *SD*= 0.371); All stakeholders have been involved in the appointment of the Board (*M*=4.71, *SD*= 0.456) and that All Board members have had relevant industry experience required to steward the organization (*M*=4.68, *SD*= 0.471)." The least agreed on statement was that "The organization's Board appointment process has been political" with a mean score of (*M*=1.61, *SD*= 0.493). The variations in respondents level of agreement was accounted for by the standard deviations recorded. However, since the standard deviations were generally low, the variation in opinions was minimal.

4.5.3 Board Independence

The study examined the effect of board independence affects the listed firms' performance at the NSE. The results are as shown in Table 4.7.

Table 4.7: Board Independence

Statement	**Mean**	**Std. Deviation**
There is a higher number of Non-executive directors compared to that of the Executive directors	4.52	0.504
Non- Executive directors adds value to firms by enabling them to broaden the perspective of the executives.	4.50	0.505
The board is more independent when the proportion of directors from outside increases	4.45	0.502
Executive directors are better placed in handling the affairs of the organization since they have a deeper understanding of the organizations Operations.	4.34	0.478
The executive directors are more than the Non-Executive Directors	1.82	0.690
Aggregate Mean	**3.93**	**0.536**

Source: Research Findings (2017)

The respondents agreed that board independence influences firm performance as demonstrated by the aggregate mean of (*M*=3.93, *SD*= 0.536). The respondents' strongly agreed that the most influential statement was that "The number of Non-executive directors is higher than that of Executive directors" with a mean score of (*M*=4.52, *SD*= 0.504) followed by the statement that "Non- Executive directors can add value to firms by helping to broaden the executives' expertise and perspective" with a mean of (*M*=4.50, *SD*= 0.505).

On whether "The board is more independent when the proportion of outside directors increases", the respondents just agreed as evidenced by a mean of (*M*=4.45, *SD*= 0.502). Lastly, the respondents disagreed that "The number of executive directors is higher than

that of Non-Executive Directors" with a mean of (*M*=3.93, *SD*= 0.536). The respondents had minimal differences in opinions as indicated by low standard deviations that were recorded. Existing empirical evidence (Jensen, 1993) and Lipton & Lorsch, 1992) shows that the presence of majority independent directors is in line with conventional wisdom that independent outside directors take appropriate governance actions since they do not have a direct business relationship with the firm.

4.5.4 Number of Committees

The study further established the effect of number of committees on the listed firms' performance at the NSE. The results are as indicated in Table 4.8.

Table 4.8: Number of Committees

Statement	Mean	Std. Deviation
The existence of independent committees enhances financial performance of the organization	4.84	0.371
The audit committee is independent, financially literate, competent, properly compensated and adequately resourced.	4.82	0.386
There is an audit committee established on the board	4.68	0.471
Independent committees would focus on the performance and competitiveness of the company	4.52	0.504
Audit committee are not effective against risk they are just overloaded	2.02	0.587
Aggregate Mean	**4.24**	**0.470**

Source: Research Findings (2017)

The respondents agreed that number of audit committees affects firm performance as indicated by an aggregate mean of (*M*=4.24, *SD*= 0.470). The respondents' strongly agreed that "the existence of independent committees enhances financial performance of the organization" with a mean of (*M*=4.84, *SD*= 0.371) followed by the statement that "the audit committee is independent, competent, financially literate, adequately resourced and properly compensated" with a mean of (*M*=4.82, *SD*= 0.386). Lastly, the respondents disagreed that "Audit committee are not effective against risk they are just overloaded" with a mean of (*M*=2.02, *SD*= 0.587). The respondents had minimal differences in opinions as shown by low standard deviations.

4.5.5 Number of Meetings Held Annually

The study sought to determine the effect of meetings that take place each year affects the performance of firms listed at the NSE. The findings are as indicated in Table 4.9.

Table 4.9: Number of Meetings Held Annually

Statement	Mean	Std. Deviation
The number of board meetings has an influence on firm performance	4.89	0.312
All the Board meetings have been relevant to the organization's mandate	4.79	0.414
The Board meetings have been chaired by board members with the relevant qualifications	4.68	0.471
There have been other members attending Board meetings even when they are not gazetted as its members	2.38	0.489
There is poor attendance in board meetings	1.45	0.502
Aggregate Mean	**3.64**	**0.438**

Source: Research Findings (2017)

The respondents agreed that the number of meetings held annually affects firm performance as indicated by an aggregate mean of (*M*=3.64, *SD*= 0.438). The respondents' strongly agreed that the "the number of board meetings has an influence on firm performance" with a mean of (*M*=4.89, *SD*= 0.312) and that "All the Board meetings have been relevant to the organization's mandate" with a mean of (*M*=4.79, *SD*= 0.414). On whether "the Board meetings have been chaired by board members with the relevant qualifications", the respondents strongly agreed as evidenced by a mean of (*M*=4.68, *SD*= 0.471). Lastly, the respondents also strongly disagreed that "there is poor attendance in board meetings" as evidenced by a mean of (*M*=1.45, *SD*= 0.502). The respondents had minimal differences in opinions as shown by low standard deviations.

4.6 Multiple Regression Analysis

The research sought to find out the effect of corporate governance on the performance of firms at the NSE listing. The components of corporate governance considered were: board size, board independence, board diversity, number of committees and number of meetings. SPSS Version 23 was used to perform regresion analysis. The regression analysis findings were as indicated below.

4.6.1 Model Summary

The study ascertained the strength of associations between corporate governance and performance of firms at the NSE listing. The findings are as indicated in the Tables 4.10.

Table 4.10: Model Summary

Model	R	R^2	Adjusted R^2	Std. Error
1	.723[a]	.523	.475	.31381
a. Predictors: (Constant), Board Size, Board Independence, Board Diversity, Number Of Meetings and Number of Committees.				

Source: Research Findings (2017).

The model summary results show a strong association (R= 0.723) between corporate governance and financial performance. The adjusted R-Square value of study was 0.475 which implies that 47.5% of the firms's total financial performance variance can be explained by corporate governance.

4.6.2 Analysis of Variance

ANOVA was executed to test the regression model's goodness of fit. ANOVA recorded a 0.2% level of significance which implies that the analytical model has a goodness of fit and therefore reliable in establishing the associations between corporate governance and firm's financial performance at the NSE listing . The findings are as indicated in Table 4.11.

Table 4.11: Analysis of Variance (ANOVA[a])

ANOVA[a]					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.254	5	.451	4.553	0.002 [b]
Residual	3.076	51	.099		
Total	5.730	56			
a. Dependent Variable: Firm Performance					

Source: Research Findings (2017)

4.6.3 Coefficients of Determination

The regression coefficients indicated that at 95% confidence level, corporate governance (Board Diversity, Board Size, Board Independence, Number of Committees, Number of Meetings) has a combined positive impact on the financial performance of at the NSE listing. The results are as indicated in Table 4.12.

Table 4.12: Coefficients of Determination

Model		Unstandardized Coefficients		Standardized Coefficients		(p-value)
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.063	.012		5.250	.000
	Board Size	.106	.033	.086	3.212	.002
	Board Diversity	.264	.087	.142	3.034	.004
	Board Independence	.207	.072	.163	2.875	.006
	Number of Committees	.304	.117	.245	2.598	.012
	Number Of Meetings	.429	.122	.290	3.516	.001

It was clear from the table above that at confidence level of 95%, Board Size (t= -3.212, p= 0.002), Board Diversity (t= 3.034, p= 0.004), Board Independence (t= 2.875, p= 0.006), Number of Committees (t= 2.598, p= 0.012) and number of meetings (t= 3.516, p= 0.001) was statistically significant at (high t-values, $p < 0.05$). This indicates that that corporate governance has a strong and positive effect on the financial performance.

The equation for the regression model is expressed as:

$Y = 0.063 + 0.106X_1 + 0.264X_2 + 0.207X_3 + 0.304X_4 + 0.429X_5$

Where:

Y – Financial Performance (the dependent variable)

X_1- Board Size

X_2- Board Diversity

X_3- Board Independence

X_4- Number of Committees

X_5- Number of Meetings

Constant = 0.063 shows that if all there was no corporate governance, the firms listed firms' performance would be 0.063 which is a dismal performance. A unit increase in Board Size, Board Diversity and Board Independence would lead to improvement in firm performance by 0.106, 0.264 and 0.207 respectively. A unit increase in Number of Committees and Number of Meetings would lead to an improvement in the performance of the firm by 0.304 and 0.429 respectively. For the purpose of estimating the regression equation, the researcher estimated the stochastic error term of the model was zero.

4.7 Discussion of The Findings

From the findings on the degree to which the various corporate governance practices affects the performance of firms at the NSE listing , all the five factors were found to affect the firm's output. With regard to board size , a 4.15 mean and 0.752 S.D was recorded implying that the respondents strongly agreed that Board Size affects the performance of firms in the NSE listing to a great extent. The respondents strongly agreed that smaller boards improve the performance of the firm as evidenced by a 4.71 M and 0.456 SD and that larger size boards are more adept in the provision of resources as demonstrated by a 4.66 M and 0.478 SD . It was also noted from the findings that larger Board of directors results in more conflicts among board members which makes it hard for them to reach agreements as demonstrated by a 4.59 M and 0.46 SD. The respondents were undecided on the statement that large boards improve board performance by reducing CEO domination of the board since the constitution and the organisation of the board members is the main performance determinant with a 3.38M and 0.752 SD.

On the impact of board diversity on firm performance, it can be construed from the findings that board diversity greatly affects the performance of listed firms as evidenced by an 4.84M and 0.371 SD .A fair gender equality was present in the organisation as evidenced by a mean of 4.84 .This creates a more interactive environment within the work place and formulation of policies that are free from bias as well as fair distribution of job opportunities among different genders.

The board members were also noted to possess relevant working experience and that politics had been involved in the appointment of the organisations board members as shown by a mean of 4.71 and 1.61.The conclusion that little politics had been involved in tthe appointment of the board members might be attributed to the strong regulations that govern the appointment of board members.

As to wether Board independence affects firm performance, respondents agreed that board independence influences firm performance as evidenced by the aggregate mean of (*M*=3.93, *SD*= 0.536). This implies that the respondents agree to a large extent with the statements asked to this regard which were that there were many non executive directors that that of the executive directors. This findings conform with the studies by Jensen, (1993) and Lipton & Lorsch, (1992) that the presence of majority independent directors is in line with conventional wisdom that independent outside directors take appropriate governance actions since they do not have a direct business relationship with the firm.

It was also observed from the findings that the number of meetings held annually affect the performance of firms listed at the NSE to al great extent as evidenced by an aggregate mean of 3.46 and a standard deviation of 0.438. This shows that all the Board meetings have been relevant to the organization's mandate, the Board meetings have been chaired by board members with the relevant qualifications, only a few board members have been attending Board meetings without being gazzeted as its members and that there is good attendance to board meetings as most of the respondents disagreed with the statement that there was poor attendance . There have been other members attending Board meetings even when they are not gazetted as its members.

From the ANOVA statics, the significance level of the regression model had a P value of 0.002 suggesting that the data was appropriate for reaching reasonable deductions regarding the population parameters as the p-value was < 5%. This implies that board size, board diversity, board independence, number of committees and number of meetings affects the firm's performance at the NSE. The value of significance was < 0.05 demonstrating that the model was significant. The results from the model summary show that a strong relationship (R= 0.723) exists between corporate govenance and financial performance. The adjusted R-Square value of study was 0.475 which implies that 47.5% of the variance in firms financial performance can be explained by corporate governance while the remaining percentage is explained by other factors which were not captured in the study.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study's summary, conclusion and recommendations are presented in this chapter. The study's objective was to establish the impact of corporate govenance on the perfomance of firms at the NSE listing. The chapter also presents recommendations for practice and policy as well as suggestions for future studies.

5.2 Summary of Findings

The study's objective was to explore the effect of corporate governance on the performance of firms listed in the NSE . In order to establish the effect of corporate governance on the performance, regression analysis using SPSS. The components of corporate governance that were considered are: board diversity, board size, number of committees and number of meetings and board independence.

The study established that smaller boards improve the performance of the firm although larger size boards are more capable in the provision of resources.. The study further established that boards of firms listed at the NSE are diverse in terms of gender and that the aappointment of board members considers a mix of skills required in the stewardship of the organization such as education and industry experience. The study also established that the boards of firms listed at the NSE are independent since there were more non-executive than the Executive and therefore adds value to the firms since they have attachment to the firms. Further, the study found out that the existence of independent committees and the number of board meetings held annually enhances the organization's financial performance .

Regression findings revealed a stong association (R= 0.723) exists between corporate governance and financial performance with corporate governance accounting for 52.3% of the total variance in firms performance. Further, the study established that corporate governance components.

5.3 Conclusion

It can be concluded from the findings that a strong association exists between corporate govenance and the firm performance of the firms at the NSE listing. Corporate governance accounts for 52.3% of firm performance of the companies at the NSE listing. It also concludes that corporate governance components (board size, board independence, board diversity, number of committees, number of meetings) have positive and strong impact on the performance of listed firms.

5.4 Policy Recommendations

The study found out that board diversity, number of committees and number of meetings affects firm performance positively. This study therefore recommends that the shareholders should promote board diversity, promote independence of audit committees and increase the frequency of the board meetings as this translate to improved firm performance. The study also established that number of non-executive (independent) directors and the affects firm performance of listed companies positively. The study therefore recommends that the shareholders of listed firms should keep the number of independent directors higher than the insiders as this allow them to make appropriate and non-partisan decisions.

5.5 Limitations of the Study

Company information is confidential and proprietary. Most of the respondents did not want to give out information fearing that it mightbe used to create a negative perception about their banks. This was handled by the researcher through giving assurance to them that the information would be handled with confidence and only be utilized for the intended purpose.

The accuracy of the results of this study was largely based on the respondents' opinions about the effect of corporate governance on the performance of firms at the NSE listing. The researchers seeking clarifications from the respondents on any weird responses. Lastly, the study faced the challenge resources and time thus limiting the scope of the study. This led to delays in the delivery and picking of the questionnaires.

5.6 Suggestions for Future Studies

Arising from this study, studies on the effect of corporate governance on the performance of firm listed at the NSE should be explored. In future, other determinants of the firm performance should be investigated as corporate governance mechanisms could only account 52.3% of the total variance in firms' performance. In future, a research aimed at evaluating how the quality of corporate governance influence the satisfaction of the key stakeholders for firms listed at the NSE should be conducted.

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APPENDICES

Appendix I: Research Questionnaire

This questionnaire seeks to gather data on corporate govenance and organizational performance of listed firms at the NSE from the year 2012 up to 2016. All the information collected will purely be used for academic reasons at high confidentiality upheld.

PART A: BIOGRAPHIC INFORMATION

1. Your Gender?

    a) Male ☐ b) Female ☐

2. Your position in the organization

    Senior Level Management ☐

    Board of director ☐

    Supervisor ☐

3. How long have you worked with the organization?

    Below 5 years ☐

    5 to 10 years ☐

    Above 10 years ☐

PART B: CORPORATE GOVERNANCE AND FIRM PERFORMANCE

To what degree do you agree with the following statements on the corporate governance practices as observed in your organization? Please indicate so by marking an X or a check mark (√) in the column that appropriately fits your organization.

SECTION A: BOARD SIZE

Number of Directors …………………… (Please Indicate)

	1	2	3	4	5
Smaller boards enhance firm performance					
Larger size boards are more adept in the provision of resources					
Large board of directors are prone to more conflicts among board members which makes it difficult to reach agreements					
The firm benefit from larger boards since they provide effective oversight of management and increase resource availability in the organisation which leads to the improvement of organizational performance					
A larger board will bring more expertise and experience to the board					

SECTION B: BOARD DIVERSITY

	1	2	3	4	5
Appointment of Board members has always considered a mix of skills required in the stewardship of the organization					
The organization's Board appointment process has been political.					
A member's academic qualifications have been considered before for appointment to the organization's Board					
All stakeholders have been involved in the appointment of the Board.					
The board has been composed of both gender					
All Board members have had relevant industry experience required to steward the organization					

SECTION C: BOARD INDEPENDENCE

	1	**2**	**3**	**4**	**5**
The number of executive directors is higher than that of Non-Executive Directors					
The board is more independent when the proportion of outside directors increases					
Executive directors are better placed in handling the affairs of the organization since they have a deeper understanding of the organizations Operations.					

SECTION D: NUMBER OF COMMITTEES

Number of committees established by the Board……….. (Please indicate)

	1	2	3	4	5
There is an audit committee established on the board					
Independent committees would focus on improving the company competitiveness and performance					
Audit committee are not effective against risk they are just overloaded					
The existence of independent committees enhances financial performance of the organization					

SECTION E: NUMBER OF MEETINGS HELD ANNUALLY

How often are board meetings held in a year? ………………………. (Please indicate)

	1	2	3	4	5
There is poor attendance in board meetings					
All the Board meetings have been relevant to the organization's mandate					
The Board meetings have been chaired by board members with the relevant qualifications					
There have been other members attending Board meetings even when they are not gazetted as its members					
The number of board meetings has an influence on firm performance					

Thank you for your co-operation

Appendix II: Firms Listed in the Nairobi Securities Exchange

Company's Name	**Sector**	**Symbol**
A Baumann & Co	Financials	BAUM
ARM Cement	Industrials	ARM
Atlas African Industries (GEMS)	Industrials	AAI
B O C Kenya	Basic Materials	BOC
Bamburi Cement	Industrials	BAMB
Barclays Bank of Kenya	Financials	BBK
BAT Kenya	Consumer Goods	BATK
Diamond Trust Bank Kenya	Financials	DTK
Eaagads	Consumer Goods	EGAD
East African Breweries	Consumer Goods	EABL
East African Cables	Industrials	CABL
Flame Tree Group Holdings (GEMS)	Basic Materials	FTGH
Home Afrika (GEMS)	Financials	HAFR
Housing Finance Co Kenya	Financials	HFCK
I&M Holdings	Financials	IM
Jubilee Holdings	Financials	JUB
Kakuzi	Consumer Goods	KUKZ
Kapchorua Tea Company	Consumer Goods	KAPC
KCB Group	Financials	KCB
KenGen Company	Utilities	KEGN

KenolKobil	Oil & Gas	KENO
Kenya Airways	Consumer Services	KQ
Kenya Orchards	Consumer Goods	ORCH
Kenya Power & Lighting Co	Utilities	KPLC
Kenya Re	Financials	KNRE
Kurwitu Ventures (GEMS)	Financials	KURV
Liberty Kenya Holdings	Financials	CFCI
Limuru Tea Co	Consumer Goods	LIMT
Longhorn Publishers	Consumer Services	LKL
Marshalls East Africa	Consumer Services	MASH
Mumias Sugar Co	Consumer Goods	MSC
Nairobi Business Ventures	Consumer Services	NBV
Nairobi Securities Exchange	Financials	NSE
Nation Media Group	Consumer Services	NMG
National Bank of Kenya	Financials	NBK
NIC Bank	Financials	NICB
Olympia Capital Holdings	Industrials	OCH
Safaricom	Telecommunications	SCOM
Sameer Africa	Consumer Goods	FIRE
Sanlam Kenya	Financials	PAFR
Sasini	Consumer Goods	SASN
Scangroup	Consumer Services	SCAN
Standard Chartered Bank Kenya	Financials	SCBK

Standard Group	Consumer Services	SGL
StanlibFahari I-REIT	Financials	FAHR
Total Kenya	Oil & Gas	TOTL
TPS Eastern Africa	Consumer Services	TPSE
Trans-Century	Industrials	TCL
Uchumi Supermarkets	Consumer Services	UCHM
Umeme	Utilities	UMME
Unga Group	Consumer Goods	UNGA
Williamson Tea Kenya	Consumer Goods	WTK

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