THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE PRACTICES AND CLIENT BASE IN INVESTMENT BANKS AND STOCKBROKERAGE FIRMS IN KENYA

PRESENTED BY

STEPHEN K'ODERA

(D61/70083/2008)

A Research Project submtted in partial fulfilment of the requirements for the award of Master of Business Administration Degree, Department of Business Adminstration, School of Business, University of Nairobi

November 2010

DECLARATION

This research project is my original work and has not been previously submitted for award of a degree in any other University.

Signed..Date- lAhd / o

K'odera Stephen

Reg.No. D61/70083/2008

This research project has been submitted for examination with my approval as the University Supervisor.

Signed..Date. iLLlUP..

Dr. Martin Ogutu

Senior Lecturer

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

To my beautiful family, a source of unparallel love, inspiration and support

ACKNOWLEDGEMENT

First and foremost, glory be to God for making this possible.

I am also highly indebted to my family for their undying love and patience.

My gratitude also goes to my supervisor, Dr.Martin Ogutu for his immesurable encouragement, guidance and uncompromising stance on quality of work.

Special thanks to lecturers in the School of Buisness, University of Nairobi, for the invaluable knowledge they imparted on me as well as my MBA colleagues and friends for all the positive discussions we had on various academic issues. May God bless you all.

TABLE OF CONTENTS

	Page
Declaration	ii
Dedication	iii
Acknowledgement	iv
List of Appendices	vii
List of Tables	viii
List of Abbreviations	ix
Abstract	x
Chapter 1: Introduction	
1.1. Background	1
1.1.1. Corporate Governance Practices	2
1.1.2. Client Base	3
1.1.3. Corporate Governance Practices and Client Base	5
1.1.4. Investment Banks and Stockbrokerage Firms in Kenya	6
1.2. Statement of the Problem	7
1.3. Research Objectives	9
1.4. Significance of the Study	9
Chapter 2: Literature review	
2.1. The Concept of Corporate Governance	10
2.2. Principles of Good Corporate Governance	12
2.3. Corporate Governance Practices	14
2.4. Global Corporate Governance	17
2.5. Corporate Governance in Kenya	19

2.6. The concept of client base 20

2.7. Corporate governance and Client Base 21

Chapter 3: Research Methodology

3.1. Research Design 23

3.2. Population 23

3.3. Data Collection 23

3.4. Data Analysis 24

Chapter 4: Findings, Discussions and Interpretations

4.1. Introduction 25

4.2. Data Collected and Analysed 25

4.3. Corporate Governance Practices in Investment Banks and Stockbrokers 27

4.4. Corporate Governance and Client Base 34

Chapter 5: Summary, Conclusions and Recommendations

5.1. Summary and Conclusions 37

5.2. Limitations of the Study 38

5.3. Suggestions for Further Research 39

5.4. Recommendations for Policy and Practice 39

References **41**

LIST OF APPENDICES

Page

Appendix 1: Questionnaire & Introduction Letter 45

Appendix 2 : List of Investment Banks and Stockbrokers 49

LIST OF TABLES

Page

Table 4.1: Respondent Firms 26

Table 4.2: Respondent Firms Age Profile 26

Table 4.3(a): Board Structure and Senior Management - Investment Banks 27

Table 4.3(b): Transparency and Stakeholders protection - Investment Banks 29

Table 4.3 (c): Business Conduct - Investment Banks 30

Table 4.3(d): Board Structure and Senior Management - Stockbrokers 31

Table 4.3(e): Transparency and Stakeholders protection - Stockbrokers 32

Table 4.3 (f): Business Conduct - Stockbrokers 33

Table 4.4: Corporate Governance Practices and Client Base 34

LIST OF ABBREVIATIONS

CMA - Capital Markets Authority

NSE - Nairobi Stock Exchange

OECD - Organization for Economic Co-operation and Development

PSCGT - Private Sector Corporate Governance Trust

CACG - Commonwealth Association for Corporate Governance

CIPE - Center for International Private Enterprise

CDSC - Central Depository System Corporation

ICPAK - Institute of Certified Public Accountants of Kenya

CBK - Central Bank of Kenya

CGIA - Corporate Governance in Africa

ABSTRACT

Corporate governance which involves a set of relationships between a firm's management, board, shareholders and other stakeholders has lately generated a lot of debate all over the world, especially following the various corporate failures as well as the recent financial crisis. The current economic situation has also raised the profile of the debates regarding corporate governance while also highlighting deficiencies in corporate governance as well as the importance of stakeholder relations. In Kenya, like in any other part of the world, the improvement of corporate governance practices is widely recognized as one of the essential elements in strengthening the foundation for long term economic performance of country and corporations. Further, Companies around the world are increasingly recognizing that their sustained growth requires cooperation of all stakeholders, which requires adherence to the best corporate governance practices. It has emerged that laws, rules, regulations and codes of conduct do not ensure, by themselves, good corporate behavior. Good corporate governance behavior is more likely to occur when companies and stakeholders realize that it is in their own best interests to act according to sound governance practices.

The twin research objectives of this study focused on determining the corporate governance practices among investment banks and stockbrokerage firms in Kenya and establishing the relationship, if any, between client base and corporate governance practices among these firms. To achieve these objectives, questionnaires were distributed to all the 25 firms to obtain pertinent primary data. 16 firms responded to the study were, representing 64% response rate. Secondary data on the other hand, was collected from current capital market publications, specifically from Capital Markets Authority. The data collected was analyzed through frequencies and percentages and presented through tables.

The results of the study indicate that the various aspects of corporate governance are widely practiced by investment banks and stockbrokerage firms operating in Kenya. The results however, reveal that there is no clear correlation between client base and the extent of corporate

governance among these firms. There is therefore a strong case for heightened investor education to be conducted by the relevant capital markets players. Whereas other factors which may influence the client base of these firms were not considered in the current study, the research objectives of this study were fully met.

CHAPTER 1: INTRODUCTION

1.1. Background of the Study

Corporate governance has lately generated a lot of debate all over the world, especially following Enron, WorldCom and Parmalat failures as well as the recent financial crisis. The current economic situation has also raised the profile of the debates regarding corporate governance while also highlighting deficiencies in corporate governance as well as the importance of stakeholder relations. The improvement of corporate governance practices is widely recognized as one of the essential elements in strengthening the foundation for long term economic performance of countries and corporations. Corporations around the world are increasing recognizing that sustained growth of their organization requires cooperation of all stakeholders, which requires adherence to the best corporate governance practices.

Cadbury (1992) defines corporate governance as 'the system by which companies are directed and controlled'. Hampel (1998) observes that good corporate governance ensures that stakeholders' interest in the company is fully taken into account. The Basle Committee on Banking Supervision (2006), on the other hand contends that corporate governance is the sum of the processes, structures and information used for the directing and overseeing the management of an organization. The Conference Board Report (2002) defines corporate governance as a system of checks and balances between the board, management and investors to produce an efficiently functioning corporation, ideally geared to produce long-term value. According to business author, Gabrielle O'Donovan, corporate governance refers to a company's internal system encompassing policies, processes and people, which serve the needs of stakeholders. Sound corporate governance is therefore reliant on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes. Corporate governance is therefore an important concept in the fight against unethical corporate practices including frauds and mismanagement.

The general public is becoming increasingly concerned how institutions are managed, mainly as a result of the realization that corporate governance practices affect a company's overall performance. The perceived quality of a company's corporate governance can therefore act as an important determinant in attracting customers. For stakeholders to trust a company, they need reassurance that the company will be run both honestly and cleverly. This is where corporate governance is critical.

1.1. Corporate Governance Practices

The role of corporate governance remains a key factor in the success or failure of any firm. Revelations of corporate scandal and reports of the damaging repercussions of bad Boardroom conduct highlight the increasing need for companies to adopt sound corporate governance practices. Valuable lessons have been learned from the series of corporate collapses that recently occurred in different parts of the world. Society therefore continues to seek ways of contain such irresponsibility through various governance channels, Stiles (1993).

The Kenya Private Sector Corporate Governance Trust in its report titled 'Principles for corporate governance in Kenya' (1999) notes that corporate governance is concerned with the establishment of an appropriate legal, economic and institutional environment that would facilitate and allow business enterprises to grow, thrive and survive as institutions for maximizing shareholder value while being conscious of and providing for the well being of all other stakeholders. Good corporate governance is therefore key to the integrity of corporations and markets, and central to the health of world economies and their stability. Any governance system throughout the world is the product of a series of legal, regulatory, and best practice elements. The Conference Board report titled 'Corporate governance best practices - a blue print for post Enron Era' (2002) notes that each country's regulatory and corporate law system will shape the specifics of its corporate governance. However, the report contends that corporate governance models do not necessarily vary by country. There is no one "U.S." model of corporate governance compared to an "Asian" model, "African model" or a "European" model. Governance

systems are largely determined by the ownership structure of the firm, regardless of its geographic location. Thus, wherever the firm is located, certain best practice elements, such as the number of independent directors, will vary depending on key ownership structures. It further notes that corporate governance in many countries is still remarkably concentrated in the hands of a few wealthy families. Under such circumstances, governance can deteriorate over a wide swathe of the economy if the patriarch, or heir, controlling a large business group grows inept, excessively conservative, or overly protective of the status quo.

Corporate governance practices refer to principles or methods used by the boards and management to manage their specific firms and thereby generate long term value for the stakeholders. The Conference Board report (2002) indicates that corporate governance best practices are based on two basic legal requirements that shape the fiduciary role of the director: the duty of care to be informed and exercise appropriate diligence in making decisions and to oversee the management of the corporation; and the duty of loyalty to put the interests of the firm before those of the individual director. The requirement for all organizations to adopt best corporate governance practices, irrespective of their nationality or location is therefore bound to grow stronger.

Corporate governance practices are constantly evolving and countries worldwide are at different stages in this evolution. However, Will and Emery (2004) argue that one size does not fit all. They contend that the practices to be adopted by a given firm is a decision uniquely within the prerogative of each organization's Board of Directors based upon a variety of facts and circumstances unique to that corporation. These facts and circumstances logically might include the size, location and business sophistication of the corporation and the industry it serves.

According to Business Knowledge Resource Online, good corporate governance practices are about promoting corporate fairness, transparency and accountability. It ensures adequate disclosures and effective decision making to achieve corporate objectives; transparency in business transactions; statutory and legal compliances; protection of shareholder interests; commitment to values and ethical conduct of

business. Practices of good corporate governance therefore entails rights of stakeholders; information dissemination; structure, role, duty, responsibility, and independence of the Board of Directors; internal control and risk management; code of conduct and business ethics.

1.1.2. Client Base

The client base refers to the number of customers that a business serves at a particular period (Weier and Hayes, 2007). In many cases, the client base is considered the business's target market, where customer behaviors are well understood through past experience. All actions the company takes would be through consideration of its client or customer base. As companies grow their customer base, and gain experience satisfying them, their customers grow accustomed to that business accomplishing a certain task for them. To keep customers, companies need to continuously analyze and understand their customer needs.

As per the Central Depository System Corporation(CDSC) reports, client base among Investment Banks and stock brokerage firms in Kenya comprises local institutional and retail Investors as well foreign individuals and companies. The clients use these companies as intermediaries by investing in equities and fixed income instruments within the stock market. Data from Kenya's CDSC, the custodian of the securities' register, indicates that about 1.8 million investors accounts have been opened currently use the investment banks and stockbrokerage firms in conducting their investment transactions.

Whereas these firms begin with no customers, through the provision of a variety of services, they attract a given set of clients. The satisfied customers become the repeat users of the service and core customer of the company, hence the creation of a client base. Investment banks and stock brokers work very competitively to keep their core market intact by keeping services customer-oriented as well as positive business practices. Repeat clients are useful as they are the source of "word of mouth" advertising. A satisfied customer expresses their enjoyment in the service and is the main spreader of the company's brand name. The more they use and like what they consume, the more

those that surround them will gain interest and then potentially become customers themselves.

1.1.3 Corporate Governance Practices and Client Base

The fundamental objective of corporate governance is to enhance shareholders' value and protect the interests of other stakeholders by improving the corporate performance and accountability. Further, its objective is to generate an environment of trust and confidence amongst those having competing and conflicting interests. However, different sets of governance practices are associated with distinct measures of business performance. Corporations need to actively consider their strategic priorities before adopting corporate governance reforms and corporate strategies that enhance both business performance and governance effectiveness.

Brown and Caylor, Georgia State University (2004) conducted a study to evaluate the relationship between corporate governance and business performance where one of their key findings was that firms with relatively poor governance are relatively less profitable and less valuable. They also identified the specific governance factors that contribute most to business performance. These include high attendance rate of board meetings, existence of independent outside directors, mandatory retirement age for directors exists and regular review of board performance. These findings are indispensable for demonstrating the business value of good corporate governance. Further studies have also been conducted by Wanjau (2007) on the relationship between corporate governance and performance of Micro-finance institutions in Kenya and Matengo (2008) on the relationship between corporate governance practices and performance of the banking industry in Kenya. A similar finding of these studies was that good corporate governance had an overall bearing in their financial performance. Although the studies did not provide insight on the role of corporate governance on client base, a plausible prediction exists on the possible symbiotic relationship between corporate governance practices and a firm's client base. This is especially so, given the fact the existence of a strong

customer base and by extension an appropriate market share is critical for a firm's overall performance as well as growth.

1.1.4. Investment Banks and Stockbrokerage Firms in Kenya

Capital Markets provide a mechanism for both investors seeking to find a legitimate place to invest their funds and issuers seeking to raise capital to support their businesses. Among the key players within the capital markets in Kenya are the Investment Banks and Stockbrokers, who essentially act as market intermediaries. The Capital Markets Authority (CMA) 2009 Annual Report indicates that there were 19 Investment Banks and 7 Stock brokers as at the end of December 2009. All investment banks and stockbrokerage firms in Kenya are members of the Nairobi stock exchange where securities and stock trading takes place.

Investment banks and stockbrokers in Kenya are licensed and regulated by the Capital Markets Authority upon meeting certain requirements, both financial and non-financial. The licenses are reviewed and renewed annually upon the payment of a prescribed annual fee. In granting a renewal of the license, the Authority first satisfies itself that the firm is in compliance with the provisions of the Capital Markets Act as well as the relevant rules and regulations. However, the Authority may revoke the license of an investment bank or stockbroker where the firm grossly contravenes the Act; or ceases to be in good financial standing; or ceases to qualify for such a licence (Capital Markets Licensing Regulations, 2002).

The Capital Markets Regulations indicate that Stock brokers are authorized to carry out the business of buying or selling of securities as an agent for investors in return for a commission. Investment banks on the other hand, are non-deposit taking institutions authorized to provide advisory services on offers of securities to the public, take-overs, acquisitions and corporate restructuring; buying and selling of securities on its own behalf or on behalf of clients; promoting or arranging underwriting or issuance of securities; and contractual portfolio management. In order to trade in the securities

market, potential customers contact stockbrokers or investment banks either by mail, telephone, personal visits or regional agents and give their buying or selling orders. The stockbroker or investment bank then does the rest of the work to seal the deal.

1.2. Statement of the Problem

Corporate governance refers to the system by which companies are directed and controlled, Cadbury (1992). According to Business Knowledge Resource Online, corporate governance practices basically relate to those principles or systems which ensure that a firm is governed in the best interest of all stakeholders. It is the system by which companies are directed and controlled and is about promoting corporate fairness, transparency and accountability. Corporate governance is becoming an important issue in all emerging and advanced economies. In Kenya, various efforts to enhance corporate governance have been made by many organizations including Central Bank of Kenya, Centre for Corporate Governance, Institute of Certified Public Accountants of Kenya (ICPAK), Nairobi Stock Exchange (NSE) and the Capital Markets Authority.

This study is concerned mainly with the governance and ethical issues that have faced the investment banks and stockbrokerage firms in Kenya over the last couple of years. There has been increasing concern about inadequate corporate governance practices among these firms. Capital markets Authority in its various communication has cited poor corporate governance practices as part of the reasons for the collapse of three of these firms, namely, Francis Thuo & Partners (2007), Nyaga Stockbrokers (2008) and Discount Securities (2009). The reported cumulative investor losses arising from the collapse of these firms is estimated at about shs.2 billion. Further, one additional stockbrokerage firm, Ngenye Kariuki & Company was put under statutory management by the Capital Markets Authority in February 2010 and again the statutory manager in one of his briefs to the media cited poor corporate governance as one the culprits for the firm's problems. In all these cases, the firms were family owned and managed. In a bid to stem the problem, CMA, has formulated Corporate Governance Guidelines (2009) to be followed by all capital markets intermediaries. These guidelines, together with other capital markets regulations such as the requirement capping individual maximum shareholding

to 25% are expected to help in improving corporate governance practices within the capital markets industry This development in the regulatory framework of the CMA was prompted by the growing importance of governance issues within the industry and to promote domestic and regional capital markets growth. The objective of these guidelines is to strengthen corporate governance practices by capital markets intermediaries in Kenya and promote the standards of self regulation so as to bring the level of governance in line with international trends.

Previous studies on corporate governance have been conducted in banking, insurance sector, quoted companies, state corporations, Non-Governmental Organizations (NGOs) and micro finance institutions but not specifically on capital markets intermediaries. The past studies include the following; Kabue (2002) on corporate governance practices among insurance companies in Kenya; Gakuo (2003) on corporate governance practices in NGOs; Manyuru (2005) on corporate governance and organizational performance of listed companies; and Matengo (2008) on the relationship between corporate governance practices and performance of banking industry in Kenya. Brown and Caylor, Georgia State University (2004) also conducted a study to evaluate the relationship between corporate governance and business performance. One of their key findings was that firms with relatively poor governance are relatively less profitable and less valuable. In addition, they identified various specific governance factors that contribute most to business performance such as high attendance rate of board meetings, existence of independent outside directors, mandatory retirement age for directors exists and regular review of board performance. Whereas the findings of the above mentioned studies are indispensable for demonstrating the business value of good corporate governance they did not specifically provide insight on the influence of corporate governance practices adopted by a firm on its client base. However, it is clear that customers are key in determining a firm's performance. Based on the foregoing, therefore, this study is primarily aimed at answering the following questions; what are the corporate governance practices adopted by investment banks and stockbrokerage firms in Kenya?; and is there a relationship between corporate governance practices and client base among the investment banks and stockbrokers in Kenya?

1.3. Research Objectives

The objective of this research is two-fold;

i. To determine corporate governance practices adopted by investment banks and stockbrokerage firms in Kenya; and

ii. To establish whether corporate governance practices are related to client base among the investment banks and stockbrokers in Kenya.

1.4. Significance of the Study

The study is expected to be of importance to various groups, specifically;

Researchers and Academicians; the result of the study will undoubtedly present an avenue for other potential researchers to conduct further studies in this field. As corporate governance gains more prominence globally, it is imperative that more in-depth and wide ranging studies are conducted on this area. Whereas a number of corporate governance studies have been carried out in developed countries, few studies have been completed in developing nations.

Current and potential investors; the study will provide an insight into the current corporate governance practices within the investment banks and stockbrokerage firms in Kenya and enable the investing public make appropriate decisions. The collapse of three of these firms have been partly blamed on poor corporate governance practices. Customers have suffered major losses as a result of the debacles of these firms, with the reported cumulative investor losses being estimated at about shs.2 billion. It is critical for both current and potential investors to know the corporate governance structures employed by these firms.

Industry Regulator and Government; the result of the study will help Capital Markets Authority, the industry regulator and the Government in formulating appropriate regulations and policies for the capital markets industry. The policies developed by the Authority and the government will promote growth in domestic and regional capital markets. Further, the policies will encourage capital formation, maximize shareholders value as well as protect investors' rights.

CHAPTER 2: LITERATURE REVIEW

2.1. The Concept of Corporate Governance

The concept of corporate governance is a multi-faceted subject and can be defined in different ways. Generally, corporate governance is a set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered and controlled (Cadbury, 1992). Corporate governance reflects the relationships among the stakeholders and the goals for which the corporation is governed. The principal players are the shareholders, management and the board of directors. Other stakeholders include employees, suppliers, customers, banks and other lenders, regulators, the environment and the community at large. Therefore, corporate governance is the relationship among various participants in determining the direction and performance of corporations (Monks and Minow, 1995). Looking at it from another point of view, Blair (1995) maintains that corporate governance is about the whole set of legal, cultural, and institutional arrangements that determine what public corporations can do, who controls them, how that control is exercised, and how the risks and return from the activities they undertake are allocated

Okatch (2003) observes that just as democratic management of a government calls for separation of the legislature, executive and judiciary, so does corporate governance in modern management. Zabihollah (2003) argued that good corporate governance promotes relationships of accountability among the primary corporate participants and this may enhance corporate performance. It holds management accountable to the board and the board accountable to shareholders. He contends that past corporate failure and scandals have led to demand for reforms and for better regulations particularly in the field corporate governance. In the U.S.A for example, an increasing number earnings restatements by publicly traded companies coupled with allegations of financial statements fraud and lack of responsible corporate governance of high profile companies such as Enron and World com has sharpened the ever increasing attention on corporate governance.

Vinten (1998) stated that corporate governance is not a new issue. It dates back to when incorporation with limited liability became available in the nineteenth century, with the need for legislation and regulation. Recent debate has however, focused on more specific concerns, revolving around the accountability of those in control of companies to those with residual financial interest in corporate success, normally the shareholders and other stakeholders. Corporate governance is a field that has been evolving due to increased demands for transparency, and accountability by various stakeholders. Among the earlier developments in this field include the Hampel Committee (1998) that outlined rules on corporate governance in a report titled "Combined code on corporate governance". The 'holy trinity' of good corporate governance has long been seen as shareholder rights, transparency and board accountability. While corporate governance is overtly concerned with board structure, executive compensation and shareholder reporting, the underlying assumption is that it is the board that is responsible for managing the business and controlling the associated risk.

Whereas the earlier focus was on the role of directors, this has been changing in the recent past where responsibility is now being apportioned to various players in the corporate entity. In the modern era, firms have become important partners in the development of the global economy. It is therefore imperative that their behavior is closely monitored to ensure that they are appropriately managed to harness their collective resources towards promoting the economic and social well being of societies and the world at large (Drucker, 1974). Corporate governance has evolved as a result of the need to impose restraint and demand accountability by society that gives mandate to the very existence of those enterprises, since society has often at times suffered serious misfortunes because of irresponsible corporate behavior. Society therefore seeks to contain such irresponsibility through various governance channels.

Governance can mainly be seen in relative and not absolute terms, given the different stages of development various countries are in, hence the difference in interpretation of what constitutes good corporate governance. However, corporate governance remains critical for the success of long-term development in emerging and developed economies. Moreover, the issue of corporate governance structure now commands attention on the global stage (Stiles, 1993). Corporate governance is concerned with holding the balance between economic and social goals and

between individual and communal goals. The aim is to align as nearly as possible the interests of individuals, corporations and society.

2.2. Principles of Good Corporate Governance

The Organization for Economic Co-operation and Development identified six principles of good corporate governance as follows; ensuring the basis for an effective corporate governance framework; the rights of shareholders and key ownership functions; the equitable treatment of shareholders; the role of stakeholders; disclosure and transparency; and the responsibilities of the board (OECD, 2004). PSCGT (2000) report, on the other hand, listed three key principles of corporate governance as openness, integrity and accountability and defined them in the context of the private and public sector. In addition, the Nolan Committee report published in May 1995 identified and defined seven general principles of conduct that should underpin an organization's public life, namely, selflessness, objectivity, integrity, leadership, honesty, and openness. The committee recommended that all public sector entities should draw up codes of conduct incorporating these principles to guide the operations of the company and behavior of members.

The Global Corporate Governance Forum (2007) report identified four fundamental principles of good corporate governance as follows; transparency: need for directors to make clear to the providers of capital and other key stakeholders why every material decision has been made; accountability: directors to be held accountable for their decisions ; fairness: all shareholders to receive equal consideration by the directors and management with a sense of justice and avoidance of bias; and responsibility: directors to carry out their duties with honesty, probity and integrity. The OECD (2004) report indicates that besides outlining the relationships between a company's management, its board, its shareholders and other stakeholders, corporate governance provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. The report maintains that good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring. The presence of an effective corporate governance system, within

an individual firm and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy.

Corporate Governance is concerned with the establishment of an appropriate legal, economic and institutional environment that would facilitate and allow business enterprises to grow, thrive and survive as institutions for maximizing shareholder value while being conscious of and providing for the well-being of all other stakeholders and society. Good corporate governance dictates that the Board of Directors governs the corporation in a way that maximizes shareholder value and in the best interest of society. It reduces conflict of interest among stakeholders and ensures that the right people make the decisions. It ensures that the corporation power is exercised in the best interest of society. It also helps in the alignment of responsibility and authority to be able to achieve conditions for growth and success (PSCGT, 2000).

Effective corporate governance ensures that long term strategic objectives and plans are established and adequate management structures are in place to achieve the objectives while at the same time making sure that the structure functions appropriately to maintain the firm's integrity, reputation and accountability to its various stakeholders. Corporate governance is often thought to be important mainly for firms with publicly traded shares that seek to raise capital from outside equity investors. Well-governed companies, it is thought, should be able to raise such finance at significantly lower cost to the company than poorly governed companies because of the added risk-premium investors can be expected to demand for investing in the latter, if they accept to invest in such firms at all (OECD , 20036). Good corporate governance seeks to promote efficient, effective and sustainable corporations that contribute to the welfare of society by creating wealth; responsive and accountable corporations; legitimate corporations that are managed with integrity, probity and transparency; and recognition and protection of stakeholder rights (PSCGT, 2000).

2.3. Corporate Governance Practices

Effective corporate governance practices maintain the faith of investors and provide clear measures of transparency, accountability and performance measurement of business managers and owners. The presence of an effective corporate governance system, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy (OECD, 2004). In 1999, James Wolfensohn, former President of the World Bank argued that corporate governance is about promoting corporate fairness, transparency and accountability. He also stated that sound practices are a necessary prerequisite for effective and ethical corporate governance and therefore businesses must accept its precepts and clients and investors must demand compliance, ethical trading principles, honest and timely disclosure, operational integrity and a full commitment to its implementation and adherence.

Corporate failure and scandals have led to demand for reforms and for better regulations particularly in the field corporate governance and stimulated discussions and debate about structures for controlling executive power (Power 2002). Corporate governance codes such as the Cadbuiy code in the UK and the OECD corporate governance principles can be found to contain certain assumptions about what governance factors make for a good performing organization. Some of the factors most commonly cited as important corporate governance codes include: separation of the roles of Chair and CEO; majority of non-executive or independent directors; small board size; balance of director skills and competencies; audit and other board committees; Effective board performance evaluations; Linking CEO rewards to performance; transparent appointment processes; and adequate communication with investors (Leblanc 2001).

Will and Emery (2004) listed the following guidelines of good corporate governance practices; relationship of board and senior management team: firms should establish an appropriate balance between the Chief Executive Officer and Board Chairman roles, through separation of offices; fulfillment of the board's oversight obligations: the Board should commit to the active, informed and independent oversight of the Corporation's business affairs and of senior management. At

least a majority of the members of the Board should be "independent," both in fact and appearance; duty of loyalty compliance: a written conflict of interest policy should be adopted that complies with existing state law requirements and that recognizes the potential for any conflict; financial accountability and transparency: the Board should be responsible for ensuring the transparency and the integrity of corporate financial statements; corporate ethics: the Board is ultimately responsible for promoting an organizational culture that encourages a commitment to compliance with the law; board deliberative processes: the Board should adopt governance policies and procedures that assist individual board members in making informed decisions in the best interests of the firm; and the audit committee: a standing Audit Committee should be appointed, to be comprised entirely of independent directors.

Nganga, Jain and Artivor (2003) reiterate that good corporate governance is a key ingredient of encouraging domestic investment and ensuring inflows of foreign direct investment. They argue that inadequate protection of minority shareholders is the source of many of the investment problems in developing countries. However, in study of corporate governance among various African countries, they contend that legal protection for shareholders is comparable to that of other developing countries. One of their key findings was that there is a high level of ownership concentration on most stock markets where owners, mainly multinational firms and family interests have side-stepped owner-manager agency problems by acquiring a controlling stake in listed businesses. To minimize reputation risks, such multinational firms have tended to use the same corporate governance standards as their parent companies. Overall, Nganga et al found that businesses listed on African stock markets have corporate governance standards that are at par with, and in some instances are better than other emerging markets.

Significant changes have been made to address corporate governance weaknesses through changes in stock market regulation and the introduction of corporate governance codes. The changes are partly the result of efforts by international and pan-African organizations including the Commonwealth Secretariat's Pan African Corporate Governance Forum, the Kenya-based Private Sector Corporate Governance Trust, the World Bank, the African Capital Markets Authorities and the United Nations Economic Commission for Africa. Corporate governance is important for the success of long term development of emerging, developing and transition

market economies. The quality of a country's governance institutions, of which those of corporate governance now constitute an integral part, matters greatly for the development as a whole. The perceptions that corporate governance is of little importance for countries that do not have many companies with widely traded shares are mistaken (OECD Policy Brief No. 23, 2003).

As regulatory barriers between national economies are removed and global competition for capital increases, investment capital will follow the path to those countries and corporations that have adopted acceptable governance standards. However, it has been clearly recognized that the notion of a "one size, fits all" type of universal code is not only inappropriate but undesirable. In any event, a number of nations where the private enterprise sectors are relatively developed have individually established national codes to address their own special requirements of relationships between the management of a corporation, its board, its shareholders and other relevant stakeholders. Good corporate governance requires that the board must govern the corporation with integrity in a manner which embraces the corporation's interaction with its shareholders and other stakeholders such as the communities in which it operates, creditors, customers, the media, public opinion makers and pressure groups (CACG Guidelines, 1999).

A predominant feature within the Commonwealth nations is the preponderance of state-owned enterprises. This is particularly relevant to those Commonwealth countries loosely categorized as emerging or transition economies. In an era of privatization of such enterprises, the issue of corporate governance practices has been highlighted. Many of the inherent conflicts and problems associated with the corporate governance debate have been found to occur in such business enterprises. A particular difficulty has been the apparent lack of independence of state enterprise boards, as appointments are often associated with political influences and cronyism (CACG, 1999). Rabelo and Vasconcelos (2002) particularly argue that developing countries corporate structures are characterized by the desire to maintain control over firms by the majority shareholder, the reliance on debt finance, weak financial markets and an ineffective legal system.

2.4. Global Corporate Governance

Corporate governance is related to the issue of accountability which every country and society has had to deal with over the years (Longeneck and Prinkle, 1981). The recent wave of high profile corporate collapses and scandals in globally over the past few years have highlighted the enormous implications of governance and its potential for massive destruction of shareholders' wealth. Governance effectiveness of board leadership in building and maximizing shareholders' wealth should therefore be emphasized as a solution to current crises in corporate governance rather than just looking at risk on regulation, policies and procedures. In developing and transition economies, a healthy and competitive corporate sector is fundamental for sustained and shared growth. Webster and McGrath (1997) found that in many developing countries, poverty persists not only because of slow economic growth but also because of the uneven distribution of the benefits of growth and poor governance.

Corporate governance practices are constantly evolving and countries globally are at different stages in this evolution. However, Will and Emery (2004) argue that one size does not fit all. They contend that the practices to be adopted by a given firm is a decision uniquely within the prerogative of each organization's Board of Directors based upon a variety of facts and circumstances unique to that corporation. Holly (2001) contends that corporate governance practices vary across nations and individual companies. This variety reflects not only distinct societal values, but also different ownership structures, business circumstances, and competitive conditions. She further argues that many developing and emerging market nations have not yet fully developed the legal and regulatory systems, enforcement capacities, and private sector institutions required to support effective corporate governance. Therefore, corporate governance reform efforts in these countries tend to focus on the fundamental framework.

Rabelo and Vasconcelos (2002) argue that the factors giving rise to corporate governance, such as economic trends towards globalization, together with structural characteristics of developing countries will make the model of corporate governance different from that found in European or North American Contexts. In relation to African countries, Mensah (2002) suggests that due to the characteristics of the economic and political systems of these economies, such as state

ownership of companies, weak legal and judicial systems and limited skilled human resource capacity, they are ill equipped to implement the type of corporate governance found in developed countries. He argues further that there is a dominance of state enterprises or closely held family-owned and managed companies and listed companies makeup a very small proportion of GDP

The pace of global corporate governance reform is quickening. Metzeger (2004) noted that prior to the 1997 Asian financial crisis, it seemed as though corporate governance was largely an Anglo-American concern. The Asian crisis was attributed by many observers to the lack of accountability of major corporate groups in the crisis countries. In their assistance to the crisis countries, the International Monetary Fund, World Bank and Asian Development Bank insisted that corporate governance be accorded a high priority on the agenda for recovery and reform. He contends that the reasons for this quickening are several-fold: economic liberalisation in many countries is helping to reduce domination of the economy by a small number of oligarchs or by the state; banks are reducing their shareholdings of affiliated industrial companies; and the state is privatising businesses previously conducted in the public sector.

The globalization of corporate governance was underscored by the leaders of the G7 nations at their meeting in Genoa, Italy in July 2001, when among other things, they pledged to help developing nations promote corporate governance reforms as a means of combating corruption. Clearly, interest in corporate governance is now truly global, reflecting recognition by world leaders, business leaders and investors that the quality of corporate governance is a major factor in the ability of a nation's economy to thrive. The globalization of the market place within this context has ushered in an era where the traditional dimensions of corporate governance defined within local laws, regulations and national priorities are becoming increasingly challenged by circumstances and events having an International Impact. Globalization of economies has led to the increasing convergence of originally separate initiatives in corporate governance (CACG Guidelines, 1999).

2.5. Corporate Governance in Kenya

The Kenya Private Sector Corporate Governance Trust (PSCGT) has been instrumental in effecting significant changes to Corporate Governance practices in Kenya and has been at the forefront of reforming corporate governance practices across East Africa since 1999 (CGIA, 2003). In conjunction with the Commonwealth Association for Corporate Governance, it produced a sample code of best practice for corporate governance in June 2000 (PSCGT 2000). In 2002 the organization's efforts were reinforced when the Capital Markets Authority (CMA), Kenya's stock market regulator, issued corporate governance guidelines for listed companies (Hussein, 2003). CMA developed these guidelines for good corporate governance practices by public listed companies in Kenya in response to the growing importance of governance issues both in emerging and developing economies and for promoting growth in domestic and regional capital markets. It was also in recognition of the role of good governance in corporate performance, capital formation and maximization of shareholders value as well as protection of investors' rights (CMA, 2002). In addition, CMA has also issued corporate governance guidelines (2009) for market intermediaries.

/

Besides PSCGT, various efforts to enhance corporate governance have also been made by many other organizations including Central Bank of Kenya, Centre for Corporate Governance, Institute of Certified Public Accountants of Kenya (ICPAK) and Nairobi Stock Exchange (Nganga et al, 2003). The Central Bank of Kenya, in 2006, issued corporate governance guidelines to be adhered to by all financial institutions licensed under the Banking Act in Kenya. The guidelines are intended to provide the minimum standards required from directors, chief executive officers and management of these institutions so as to promote proper standards of conduct and sound banking practices, as well as ensure that they exercise their duties and responsibilities with clarity, assurance and effectiveness (CBK Corporate governance Guidelines, 2006).

On the wider front Gatamah (2005) observes that various other players have now introduced recognition and reward programmes that seek to identify business enterprises that excel in performance for example the Company of the Year Award coordinated by the Kenya Institute of Management; the best CEO and Company of the Year Award coordinated by the Nation Media

Group; the best accounts of the Year coordinated by the Institute of Certified Public Accountants of Kenya, all of which in some measure address aspects of good corporate governance. He also contends that a lot has been achieved in the field of corporate governance in Kenya as evidenced by among other things, the fact that the Government is increasingly demanding good corporate governance from all state corporations and appropriate policy and legislative changes are being initiated, and all Universities are now examining their own governance practices. However, in Kenya, many large companies are institutionally owned. Where such institutions are government owned, many board members of the investee company serve by virtue of their position as management of the shareholder and not necessarily because of their qualification and experience (Mensah, 2002).

2.6 The Concept of Client Base

Christensen, Clayton and Raynor, (2003), state that all businesses begin with no customers but begin with an abstract idea that slowly evolves into something that can be consumed by customers. As these products or services evolve from abstract ideas, the business that created them begins to gain customers. The satisfied customers become the repeat buyers or users of the service and core customer of the firm. This process therefore creates the client base, a group of customers that a firm serves.

Businesses work very competitively to keep their core market intact and major actions the company takes would be through consideration of its client base. Customer satisfaction with a brand leads to more purchases or usage, from both the same and new customers. A satisfied customer expresses their enjoyment in the product, or even shows a friend the product and has them try it out. The core consumer is the main spreader of the company's brand name, and the more they use and like what they consume, the more those that surround them will gain interest and then potentially become customers themselves (Dubrovski, 2001).

Weier and Hayes (2007) contend that firms with a client base consisting mainly of large companies may increase customer base by pursuing small and mid-size companies. How a company treats its clients is vital. Determining what they need and providing that is a sure-fire

means to failure. It is through this careful insight into customer minds that a business improves their product and gains more buyers and more revenue (Ulwick, 2002). As firms grow their client base, and gain experience satisfying them, their customers grow accustomed to that business accomplishing a certain task for them. The company or product's brand name may even correlate with the task the customer uses it for. In fact, as long as customers are continually satisfied with their purchases or service usage, the act of going to that firm's brand to accomplish a specific task becomes habitual.

Content consumers may eventually become fully saturated and no longer desire the product or service. This customer begins to lose interest, and stops becoming a regular buyer for the business. As a company tends to drift up-market, many lower-end customers do not keep up. These customers then tend to turn to other companies for alternative products or services that have features they value more. The original company also allows these customers to leave, as they have shifted priority to higher-end customers (Christensen, Clayton and Hart, 2001). Christensen et al (2003) contend that as old core customers lose priority, the firm that sold to them does not fight very hard to keep them. Fighting for the old customers could risk losing the new, more profitable people. This allows new start-up businesses to start moving upstream by interesting and attaining these customers for themselves, as the start-up goes through the same cycles that the established company went through. By chasing after higher-end customers and letting less profitable customers lose priority and be taken away from rising incumbents, a business manages to shift its base to entirely new sets of people.

2.7. Corporate Governance and Client Base

Since the Enron and WorldCom scandals rocked global financial markets, public trust in corporations worldwide has been on the decline. The decline is attributed to continuing business scandals, the failure of gatekeeper systems, and an overall decline in social morality. Consumers in Europe are the most skeptical about the willingness of large corporations to act in the public interest, followed by consumers in Japan, then North America. Although less skeptical than their developed country peers, consumers in China and India overwhelmingly agree that corporate obligations to stakeholders must be balanced with contributions to the broader public good. Firms need to adopt a more proactive approach to rebuilding public trust in their organizations,

based on various areas among them greater transparency about business practices. Companies which fail to address the concerns of their customers do so at their own peril (McKinsey 2001).

There are tangible benefits to those companies who observe good corporate governance practices. It is easier for them to borrow money and to attract, and maintain, suitable investors and even customers. If a strategic investor has confidence that it will be treated fairly, it will not demand control by way of shareholdings and key board appointments. A majority of investors have been found to be willing to pay a premium for well-governed companies. They defined a well-governed company as one that had mostly out-side directors, who had no management ties, undertook formal evaluation of its directors, and was responsive to investors' requests for information on governance issues (McKinsey Report, 2002).

Brown and Caylor (2004) evaluated the relationship between corporate governance and overall business performance where one of the key findings was that firms with relatively poor governance are relatively less valuable. Corporate governance has become an essential tool for improving corporate performance. A well-run corporation generates value for investors and lenders as well as for its employees, customers, and society as a whole. Good governance calls upon companies to respect their obligations to employees, customers, creditors, suppliers, and communities. These groups benefit from honesty, quality, and reliability in their dealings with companies (Centre for International Private Enterprise, 2008).

CHAPTER 3: RESEARCH METHODOLOGY

3.1. Research Design

The study adopted a descriptive survey method in investigating the relationship between corporate governance practices and client base among investment banks and stockbrokerage firms in Kenya. This method is appropriate for locating and obtaining data on the same items across several firms which can be used for comparison purposes (Gay, 1981).

3.2. Population

The population of interest for this study comprised all the investment banks and stockbrokerage firms operating in Kenya. Information from the Capital Markets Authority website as at March 2010 (www.cma.or.ke) indicated that there are 19 investment banks and 6 stockbrokerage firms.

3.3. Data Collection

Data was collected from both primary and secondary sources, with the primary data being obtained through the use of questionnaires. The questionnaire is structured into four broad pans, namely board and management structure, transparency and stakeholders' protection, business conduct and client base. Parts B to D represented the three identified key corporate governance tenets, with each tenet having a number of specific corporate governance practices (see appendix 1).

The use of questionnaires is preferred for this study because it is the classic mode through which descriptive data is collected (Gay, 1981).The questionnaires were administered to the compliance officers who were expected to provide information on corporate governance practices and client base, as well as any other relevant information for the study. The compliance officers have been chosen as respondents because CMA regulations require every licensed firm to appoint a compliance officer, who is knowledgeable in capital markets matters and who then coordinates all compliance matters with the Authority. The drop-and-pick method was employed in administering the questionnaires. Secondary data on the other hand, was collected from current capital market publications, specifically from CMA and NSE. During the entire exercise,

appropriate follow-up meetings were held with any of the firms which provided an audience to conduct personal interviews on responses raised in the questionnaires.

3.4. Data Analysis

The data collected for this study was analyzed using mainly descriptive statistics. Frequency tables were used to determine the extent of corporate governance practices among the investment banks and stockbrokerage firms in Kenya, in satisfaction of the first objective of this research study. The average annual level of clients was also obtained and recorded for the firms under the study. A three year period commencing 2007 was deemed adequate to bring into focus the most recent developments in corporate governance practices. In the fulfillment of the study's second objective, a comparative analysis was carried out to help determine the relationship between the average client base and various aspects of corporate governance practices among these firms.

/

CHAPTER 4: FINDINGS, INTERPRETATIONS AND DISCUSSIONS

4.1. Introduction

This chapter presents results of the data analysis and findings of the study. This study covered the investment banks and stockbrokerage firms operating in Kenya with the twin objectives of determining corporate governance practices adopted by these firms and establishing the possible relationship between corporate governance practices and client base among these firms. Out of the twenty five questionnaires sent out, sixteen were returned completed, representing 64 % response rate.

The data was analyzed through the use of descriptive statistics such as frequencies and percentages and presented through tables. The extent of corporate governace practices were measured in terms of numbers and percentages of firms which practice the particular aspects of corporate governance. The firms were then listed under the two market intemediary categories, namely investment banks and stockbrokers. Each of these categories was analysed to establish the extent of its corporate governance practices and deductions made thereof. The number of clients for each firm was obtained for the three years ending 2009. Investigation into whether the client base of these firms is related to the corporate governance practices was done through comparison between the various aspects of corporate governance practices and the average number of clients of the respondent firms.

4.2. Data Collected And Analysed

4.2.1. Number Of Respondent Firms

The 25 respondent firms, consisting of 19 investment banks and 6 stockbrokers, were requested to indicate the names of the respective firms and the capital markets category under which they operate. This was intended to establish the specific corporate governance practices employed and

the number of clients served by each firm. Table 4.1 presents a summary of the number of firms that responded to the study.

Table 4.1: Respondent Firms

	Category	Frequency	Percentage
Firms that responded	Investment banks	11	64
	Stockbrokers	5	
Firms that failed to respond	Investment banks	6	36
	Stockbrokers	1	
Total		**25**	**100**

Source: Research Data

All the six but one stockbrokers or 83% responded to the study while 11 out of 19 investment banks responded, representing 58% response rate from this category. However, in total, 16 firms responded, representing an overall reponse rate of 64%.

/

4.2.2 Age Profile of Firms

The respondent firms were also asked to state the year of their establishment.Table 4.2 presents a summary of the age profile of firms that responded to the study.

Table 4.2: Respondents Firms age profile

Age Category	Investment Banks	Stockbrokers	Total No.of firms	Total %age
0-10 years	2	4	6	37.5
11-20 years	7	1	8	50
Over 20years	2	0	2	12.5
Total	**11**	**5**	**16**	**100**

Source: Research Data

The results indicate that the largest proportion of respondent firms at 50% are in the 11-20 years category. Six firms representing 37.5% of all the respondent firms are aged 10 years and below while 2 firms or 12.5% of the total firms are aged over twenty years. Under the stockbrokerage category, four respondent firms are aged 10 years and below, one is aged between 11 and 20 years while none is over 20 years. In the investment banks category, two firms are aged 10 years or less, seven are aged between 11 and 20 nyears while a nother 2 are aged over twenty years.

4.3. Corporate Governance Practices In Investment Banks And Stockbrokerage Firms

The first objective sought to determine corporate governance practices adopted by investment banks and stockbrokers in Kenya.To satisfy the objective, corporate governance practices based on three broad elements of board structure and senior management, transparency and stakeholders protection and business conduct were analysed for each category of these capital markets intermediaries.

4.3.1. Corporate Governance Practices in Investment Banks

Tables 4.3(a), 4.3(b) and 4.3(c) present the corporate governance practices among investment banks under the three broad elements.

Table 4.3(a): Board Structure and Senior Management

Corporate Governance Practices	Exists		Non-existence	
	No.of firms (out of 11)	%age	No. of firms (out of 11)	%age
Explicit statement of commitment by Board of Directors on corporate governance	9	82	2	18
Non-executive directors	6	55	5	45
Formal mechanism for appointment and resignation of board members	11	100	0	0

Table 4.3(a) Cont

Clear documentation of duties & responsibilities of board and CEO	6	55	5	45
Separation between board chairman and CEO	8	73	3	27
Specification of frequency of board meetings	5	45	6	55
Disclosure of specific corporate governance policies	8	73	3	27
Clear responsibilities and succession plan for senior management	9	82	2	18

Source: Research Data

Under the element of Board Structure and Senior Management, the results as presented in Table 4.3(a), indicate that all the 11 investment banks have a formal mechanism for the appointment and resignation of board members. Further, 9 firms or 82% maintain clear responsibilities and succession plans for their senior management and also have an explicit statement of commitment by Board of Directors on coiporate governance.

The least aspect of corporate governance practised by the investment banks in Kenya is the specification of frequency of board meetings, where 6 firms or 55% indicated that they hold board meetings on ad hoc basis. Equally lowly practised aspects of corporate governance by these firms is the inclusion of non-exective directors in their boards and documentation of duties and responsibilities of the boards and chief executive officers, as reported by 5 firms in each case.

It is highly possible that the frequency of board meetings among these firms is not formalised because of their relatively small sizes and informal ways of doing business. However, having meetings at specified intervals may encourage effective participation by board members. In generall, it can be said that adhering to the various aspects of corporate govenance under the tenet of board structure and senior management is likely to promote proper standards of conduct and ensure that the directors and executive management of these firms exercise their duties and responsibilities with clarity and effectiveness.

Table 4.3(b): Transparency and Stakeholders protection

Corporate Governance Practices	Exists		Non-existence	
	No.of firms(out of 11)	%age	No. of firms (out of 11)	%ge
Disclosure of directors and shareholders loans	11	100	0	0
Full disclosure of directors' remuneration	10	91	1	9
Clear mechanism of communicating to stakeholders	11	100	0	0
Power of shareholders to change board composition if it fails to perform	9	82	2	18
Wide shareholder distribution	5	45	6	55
Internal audit function	8	73	3	27

Source: Research Data

Under this tenet of corporate governance , the results indicate that all the 11 investment banks make adequate disclosures of direcors and shareholders loans and also have clear mechanisms of communication with their stakeholders. In addition 10 firms or 91% make full disclosures of their directors' remuneration. It is possible that these aspects of corporate governance are highly practised because they are specific statutory requirements by the industry regulator, Capital Markets Authority(CMA). High level of transparency would also allow the firms to operate with clarity, thereby creating greater trust among their clients. Whereas almost all the aspects of transparency and stakeholders protection are widely practiced by these firms, it was however noted that 6 firms or 55% have concentrated shareholding. This can also be explained by the fact that in the past CMA had not require these firms to disperse their shareholding. However, CMA has now come up with a new regulation requiring that no individual shareholder should own more than 33% of the shareholding.

Table 4.3 (c): Business Conduct

Corporate Governance Practices	Exists		Non-existence	
	No.of firms(out of 11)	%age	No. of firms(out of 11)	%age
Written policies and procedures	10	91	1	9
Written risk management guidelines	5	45	6	55
Clear mechanism for evaluating management performance	7	64	4	36
Written policy on dissemination of financial and material non-financial information to stakeholders	10	91	1	9
Formal code of ethics for employees	11	100	0	0
Documented financial control procedures	11	100	0	0

Source: Research Data

The results indicate that two corporate governance aspects under business conduct, namely formulation of a code of ethics for employees and documented financial control procedures are pratised by all the 11 investment banks. In addition, all but one firm have written policies and procedures as well as formal policies on dissemination of financial and material non-financial information to their stakeholders. However, the results show that 6 firms or 55% do not have written risk management guidelines, making it the least practised aspect of corporate governance under the business conduct tenet. Existence of a clear mechanism for evaluatig management performance is another area which is relatively lowly practised, with 4 or 36% of the firms indicating that it does not exist.

The business conduct tenet seems to be generally well practised by these firms because the various aspects comprise the core of their business operations with the exception of formal risk management guidelines. Formal risk management is still a relatively new phenomenon among these firms. However, CMA is in the process of introducing risk based supervision which will require these firms to formulate clear risk management programs to enable them manage their risks effectively. To promote sound business operations, the board and management of these

firms should ensure that they put in place adequate systems to identify, monitor and manage the key risks facing them.

4.3.2. Corporate Governance Practices In Stockbrokerage Firms

Tables 4.3(d), 4.3(e) and 4.3(f) show the corporate governance practices among stockbrokers under the three broad elements

Table 4.3(d): Board Structure and Senior Management

Corporate Governance Practices	Exists		Non-existence	
	No.of firms(out of 5)	%age	No. of firms(out of 5)	%age
Explicit statement of commitment by Board of Directors on corporate governance	4	80	1	20
Non-executive directors	5	100	0	0
Formal mechanism for appointment and resignation of board members	5	100	0	0
Clear documentation of duties & responsibilities of board and CEO	4	80	1	20
Separation between board chairman and CEO	4	80	1	20
Specification of frequency of board meetings	3	60	2	40
Disclosure of specific corporate governance policies	2	40	3	60
Clear responsibilities and succession plan for senior management	4	80	1	20

Source: Research Data

The results presented in Table 4.3(d) indicate that all the 5 stockbrokers have non-executive directors in their boards as well as a formal mechanism for the appointment and resignation of board members. The results however, show that disclosure of specific corporate governance policies and specification of frequency of board meetings are two aspects of corporate

governance that are least practised as evidenced by 3firms or 60% and 2 firms or 40% which indicated non-existence respectively.

The existence of independent directors in these firms could be stemming from the concern to protect shareholder interests from possible managerial opportunism. Independence is also critical in ensuring that the Board of Directors fulfils its objective oversight role and holds management accountable to stakeholders. Equally, the widely practiced aspect of separating the chair and CEO could be primarily grounded in the understanding that when the CEO plays the dual role of chair, then conflict of interest could arise. Overall, the relatively high adherence to the various corporate governance practices could be informed by the fact that three out the five firms are subsidiaries of commercial banks which would encourage them to generally employ high corporate governance practices besides meeting the minimum corporate governance requirements as laid out by their industry regulator, Capital Markets.

Table 4.3(e): Transparency and Stakeholders protection

Corporate Governance Practices	**Exists**		**Non-existence**	
	No.of firms(out of 5)	**%age**	**No. of firms(out of 5)**	**%age**
Disclosure of directors and shareholders loans	5	100	0	0
Full disclosure of directors' remuneration	5	100	0	0
Clear mechanism of communicating to stakeholders	5	100	0	0
Power of shareholders to change board composition if it fails to perform	4	80	1	20
Wide shareholder distribution	3	60	2	40
Internal audit function	4	80	1	20

Source: Research Data

As indicated in Table 4.3(e), the tenet of transparency and stakeholders protection is generally well practised with the results showing that all the five firms making disclosures on directors and shareholders loans, directors' remuneration putting in place a clear mechanism of

communicating with stakeholders. The only lowly practised part is the shareholding distribution where two firms indicated that they have at most only two shareholders.

Like in the case of investment banks, these aspects of corporate governance are generally widely practised by stockbrokers because they form part of the statutory requirements. CMA has increasingly come up with regulations which encourage enhanced transparency and disclosure among the capital markets intermediaries.

Table 4.3 (f): Business Conduct

Corporate Governance Practices	**Exists**		**Non-existence**	
	No.of firms(out of 5)	**%age**	**No. of firms(out of 5)**	**%age**
Written policies and procedures	5	100	0	0
Written risk management guidelines	3	60	2	40
Clear mechanism for evaluating management performance	4	80	1	20
Written policy on dissemination of financial and material non-financial information to stakeholders	2	40	3	60
Formal code of ethics for employees	5	100	0	0
Documented financial control procedures	5	100	0	0

Source: Research Data

It is clear from the results, as shown in Table 4.3(0, that the various aspects of corporate governance under the tenet of business conduct are widely practised by the stockbrokerage firms. All the five firms reported that they have written policies and procedures, formal code of ethics for their employees and clearly documented financial control procedures. Further, 4 firms or 80% have put in place clear mechanisms for evaluating management performance. However, 3 firms or 60% reported that they dont have written policies on dissemination of financial and material non-financial information to stakeholders.

As is the case with investment banks , the practices under business conduct tenet seem to be widely adhered to by stockbrokerage firms except for written policies on dissemination of financial information and risk management guidelines. Their core operations generally require that they embrace these practices.

4.4. Corporate Governance Practices And Client Base

The second objective of the study was to establish a possible relationship between corporate govrernance practices and client base among the investment banks and stockbrokerage firms in Kenya. To achieve this objective comparative analysis was made between the various corporate governance practices among the 16 firms and their respective average client base. Table 4.4 presents the relationship between corporate governance practices and client base among these firms.

Table 4.4: Corporate Governance Practices and Client Base

Corporate Governance Practices	Average Client Base			
	Sstockbrokers		Investment Banks	
	Exists	Non-existence	Exists	Non-existence
Explicit statement of commitment by board on corporate governance	18,970	43,818	55,707	21152
Non-executive directors	23,940	0	32,390	114,420
Formal mechanism for appointment and resignation of board members	23,940	0	44,327	0
Documentation of duties and responsibilities of board and CEO	19,227	31,009	39,805	49,826
Separation between board chairman & CEO	23,940	0	31,028	79,913
Specification of frequency of board meetings	19,227	31,009	36,293	54,041
Disclosure o specific corporate governance policies	27,900	21,300	58,458	6,764
Clear responsibilities and successio plan for senior management	18,970	43,818	36,989	77,531

Table 4.4 Cont.

Disclosure of directors & shareholders loans	23,940	0	44,327	0
Disclosure of directors remuneration	23,940	0	34,380	144.162
Clear mechanism for communicating to stakeholders	23,940	0	44,327	0
Wide shareholder distribution	10,861	43,559	15,391	55,224
Power of shareholders to change board	18,970	43,818	36989	77531
Internal audit function	18,970	43,818	43,663	46,219
Written policies & procedures	23,940	0	44,810	84,678
Risk management guidelines	18,970	43,818	34,198	70705
Mechanism for evaluating management performance	18,970	43,818	37,792	65,303
Written policy on dissemination of financial information	27,900	21,300	49539	42,105
Formal code of ethics for employees	23,940	0	44,327	0
Documented financial control procedures	23,940	0	44,327	0

Source: Research Data

The results obtained indicate that overall, there is no clear correlation between the level of corporate governance practices and the client base of both investment banks and stockbrokerage firms in Kenya. The results reveal a weak relationship and in some circumstances even a negative relationship between the various corporate governance practices and client base. This is the case particularly with such practices as whether duties and responsibilities of board and CEO are documented; whether there are clear succession plans for senior management; whether frequency of board meetings are specified; level of shareholder distribution; existence of of internal audit function and risk management guidelines; or the existence of a mechanism for evaluating management performamce. There were however, some positive relationship between certain corporate governance pratices and client base across all the firms, specifically, whether disclosure of shareholders and directors loans is made; existence of formal mechanism for

appointment and resignation of directors; existence of written policy for dissemination of financial information and documented control procedures; or formal code of ethics for employees. More accurately, the findings generally failed to find convincing connections between these corporate governance practices and the firms' client base, signifying the fact that there are other factors, outside the scope of this study, that strongly influence the client base of these firms

Notably though, recent related studies, for example on the relationship between corporate governance practices, especially when based on externally observable factors like separation of board chairman and size or independence of the board, on the one hand and firm performance on the other, have also failed to provide a clear link between the two. This seems to suggest that while many of these corporate governance practices might be necessary for good organizational performance, they certainly are not entirely sufficient. Further related studies in this area have however, determined that poor governance practices are highly related to underperformance.

Whereas the various corporate governance practices might be necessary for good organizational performance, they certainly do not seem to be the current driving force behind the stock market investors' decision in selecting a firm to invest through. This could probably be explained by the fact that the investment banks and stockbrokers are seen by their clients merely as market intermediaries. The clients go through these firms, only as a requirement to buy shares in other quoted firms or bonds issued by other corporates or the government. Good corporate governance, it seems, can be more effective competitive tool among these firms depending on the way they make information available externally. Given the regulatory pressures which are increasingly encouraging companies to 'tell it how it is', and the substantial benefits that such transparency can provide, these firms will need to emphasize the breadth and accessibility of all material governance information, so that it can be exploited by potential clients to create greater value.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary And Conclusions

This chapter addresses the research objectives outlined in Chapter one. This study was mainly concerned with investigating the corporate governance practices among investment banks and stockbrokerage firms operating in Kenya and to establish the relationship, if any, between the corporate governance practices and client base of these firms. The choice of these firms was deliberate because of the critical intermediation role they play within the capital markets sector in Kenya.

5.1.1. Corporate Governance Practices

As evidenced by the results of the study, the three broad tenets of corporate governance namely board structure and senior management, transparency and stakeholders protection and business conduct are widely practised by the investment banks and stockbrokerage firms in Kenya. The corporate governance aspects that are practiced by all the 16 respondent firms include a formal mechanism for the appointment and resignation of board members, disclosure of directors and shareholders loans, clear mechanism of communication to stakeholders, formal code of ethics for employees and documented financial control procedures. In addition, all the five stockbrokerage firms and 10 investment banks make full disclosures of their directors' remuneration.

On a category-wise basis, there are certain corporate governance aspects that are relatively lowly practised by these firms. 6 out 11 investment banks do not have formal risk management guidelines and they do not specify the frequency of their board meetings. Further, their shareholdings are relatively concentrated and is only held by at most two shareholders. On the other hand 3 out of 5 stockbrokers do not make disclosure of their specific corporate governance policies and lack written policies on dissemination of finnacial and material non-financial information.

5.1.2. Corporate Governance Practices and Client Base

The results of the study revealed no clear correlation between corporate governance practices and the number of clients served by these firms. Whereas it is given that while investing in a company, an investor wants to be assured that his or her money is in safe hands, that the assets with which management has been entrusted are being deployed effectively in accordance with the stated strategy and with sufficient controls to mitigate excessive risk, this does not seem to be the case with clients of these firms. The results could be probably be explained by the fact that the investment banks and stockbrokers are seen by their clients merely as conduits for transacting in financial instruments. The clients go through these firms, only as a requirement to buy shares in other quoted firms or bonds issued by other companies or government. From the empirical evidence of this study, it can therefore be stated that client base of these firms bears almost no correlation with their corporate governance practices. Whereas there appears to be no convincing relationship between corporate governance practices and client base, it is important to note that this study does not attempt to find out what other factors could be influencing the client base of these firms.

5.2. Limitations of the Study

The study focussed on determining the level of corporate governance practices and the possible relationship with client base among the investment banks and stockbrokers in Kenya. It did not consider other factors such as social and political factors and even years of operation of the particular firms which may invariably influence the client base of these firms. In addition, the findings of no clear relationship between conventional governance practices and client base could have been due to non employment of complex statistical methods

While collecting the data to help determine the level of corporate governance, it was assumed that the information provided by these firms was entirely accurate and reflected the actual practice on the ground. Due to time anf financial constraints, it was not possible to confirm the actual corporate governance practices and what was reported by these firms. It is possible that some firms could have chosen to exagerate the extent of their corporate governance practices.This could lead to biased information and hence inaccurate results and conclusions.

Some respondents could have viewed some of the information sought as confidential and either deliberately refuse to provide the information or did not have access to the information.In addition, some of the respondents could have failed to complete and return the questionnaires due to the limited time allocated, given that they were also engaged in routine company activities.

5.3. Suggestion For Further Research

It is envisaged that the findings of this study will contribute to the existing body of knowledge and form basis for future research. Whereas the results of the study did not indicate a clear relationship between corporate governance practices and client base among investment banks and stockbrokerage firms in Kenya, there is need to carry out further research to establish other factors besides crporate governance that could influence the client base of these firms.

There is also need for further research to be conducted from the clients' perspective. This study would highlight the key factors that influence their decisions in choosing to invest through a particular investment bank or stockbroker over the other.

5.4. Recommendations For Policy And Practice

The research findings revealed that the various aspects of corporate governance are widely practised by the investment banks and stockbrokers in Kenya. However, it is also clear that previous collapses of some of these firms were heavily attributed to poor corporate governance practices. It is therefore incumbent upon CMA and NSE to enforce and monitor continuous compliance with the minimum corporate governance requirements by these firms. The government and other stakeholders should demand, through CMA, the industry regulator, high level of corporate governance by these firms. This will safeguard any inefficiencies, frauds and possible collapse of these firms and the resultant loss of investors' funds.

There is also need fo aggressive and sustained investor education by the government, through CMA, to enlighten them about the operations of capital markets intermediaries and the fundamentals of trading at the stock exchange. Further, the Authority should ensure that the firms disclose adequate and reliable information in their published semi annual and annual financial statements. Having access to accurate information will enable the investors to gauge the business conduct of these firms and robustness of their structures thereby enabling them to make informed decisions. This would also enhance participation by individuals in the capital markets thereby making it vibrant and eventually turning it into an effective avenue for Kenya's economic development.

Good corporate governance practices are a prerequisite for successful business. However, in order to leverage these practices fully the management of these firms should be encouraged to signal these competences to key stakeholders in a credible and consistent fashion. Besides publishing their half and full year financial statements, the Authority should enact appropriate regulations requiring these firms to report on board and management structures and risk management policies which articulate the processes that management employ to control the principal business risks. The quality, depth and credibility of the whole picture that is articulated by these firms will give the external clients a sense of the degree to which adequate control structures are in place and that governance is the lifeblood of these firms. From such a synopsis, all the stakeholders will be periodically made aware of the firm's view of the various corporate governance issues which it faces.

References

Basle Committee on Banking Supervision (2006).Enhancing corporate governance for banking organizations, Basel.

Blair, M. (1995). *Ownership and Control: Rethinking Corporate Governance for the Twenty-first Century, Washington, D.C.*: The Brookings Institution.

Brown, L. & Cay lor, M. (2004). *Corporate Governance Study: The Correlation between Corporate Governance and Company Performance*, commissioned by International Shareholders' Service.

CACG, Guidelines on Corporate Governance in the Commonwealth, (1999).

Cadbury A. (1992). *The Cadhury Committee Report: committee on financial aspects of corporate governance in UK 1992.*

Center for International Private Enterprise, (2002). Instituting corporate governance in developing, emerging and transitional economies. A Handbook, March 2002

CGIA, A survey of publicly listed companies, December 2003.

Christensen, P., Clayton, R., & Hart, P. (2001). *Foreign Affairs: "The Great Disruption".*

Christensen, P. Clayton, R. & Raynor, M. (2003). (Harvard Business School Publishing*).Innovator's Solution: Creating and Sustaining Successful Growth.*

CMA (2002). Guidelines on corporate governance practices by public listed companies in Kenya, CMA, Nairobi, Kenya.

CMA (2002). Capital Markets Licensing Regulations

CMA (2009), Regulations on corporate governance, capital markets intermediaries, Nairobi, Kenya.

Commonwealth Association of Corporate Governance and the King Report (1991). Corporate Governance in South Africa: Institute of Directors.

Drucker, P. *Management Tasks, Responsibilities and Practices,* New York, Harper and Row, 1974.

Dubrovski, D. (2001). *Total Quality Management. The Role of Customer Satisfaction in Achieving Business Excellence.*

Gakuo, P. (2003). *Corporate governance practices in Non Governmental Organizations.* Unpublished MBA Project, University of Nairobi, Kenya.

Gatamah, K. (2005). *The status of corporate governance in Africa. Commonwealth Consultative Forum.*

Gay, R. *(\9$\).Research Methods: Knowledge Base*

Global Corporate Governance Forum, Toolkit 2, Developing Corporate Governance Codes of Best Practice (2007)

Hampel Report (1998). Committee on Corporate Governance: Final Report. London: Gee Publishing Ltd.

Holly, J. (2001). *The Globalization of Corporate Governance.*

Hussein, S (2003). *The effect of audit committees on major disclosures and other non-financial characteristics of companies listed at the NSE.* Unpublished MBA Project, University of Nairobi, Kenya.

Kabue, A.M. (2002). *Corporate governance practices among insurance companies in Kenya.* Unpublished MBA Project, University of Nairobi, Kenya.

Leblanc, R. (2001). *Getting inside the Blackbox: Problems in Corporate Governance Research, background paper prepared for Joint Committee on Corporate Governance.*

Longeneck G. & Pringle D. Management: Ohio, USA, Bell and Howell Co. Fifth Edition, 1981.

Manyuru, P.J. (2005). *Corporate governance and organizational performance of listed companies.* Unpublished MBA Project, University of Nairobi, Kenya.

Matengo, M. (2008). *The relationship between corporate governance practices and performance of banking industry in Kenya.* Unpublished MBA Project, University of Nairobi, Kenya

Mckinsey & Co. (2001). *Emerging Market Policy Maker Opinion Survey.*

Mckinsey & Co. (2002). *World Global Investor Survey.*

Mensah, S. 2002. *Corporate governance in Ghana: issues and challenges,* Paper presented at the African Capital Markets Conference, December.

Monks, R. & Minnow, N. (1995). Corporate Governance, Blackwell Publishers, 1995.

Nganga, S., Jain, V. & Artivor, M. (2003). *Corporate governance practices in Africa.*

OECD Development Centre, Policy Brief No.23, Corporate Governance in Developing, Transition & Emerging Market Economies.

OECD (2004), Principles of Corporate Governance.

OECD (2003b), Survey of Corporate Governance Developments in OECD Countries, OECD Paris.

Okatch, F. (2003). *What Corporate Management Entails*: Financial Times Nairobi, May 8, 2003.

Power, M. (2002). *The Audit Society. Oxford University press*, London.

Private Sector Corporate Governance Trust Nairobi, Kenya. 'Principles of corporate governance in Kenya (1999).

Private Sector Initiative for Corporate Governance; Principles of Corporate Governance in Kenya (November 2009).

PSCGT (2000). Principles for corporate governance in Kenya, PSCGT, Nairobi.

Rabelo, F. & Vasconcelos, F. (2002). *Corporate governance in Brazil, Journal of Business Ethics,* Vol 37 no. 3, pp 321-35.

Stiles, P. (1993), *The Future for the Boards: Self Regulation or Legislation*? Long Range Planning. Vol. 26 (2); pg 119-114.

The Conference Board, Corporate Governance Best Practices - a blue print for post Enron era (2002)

Tsamenyi, T., Enninful-Adu, E & Onumah, J. (2007). *Disclosure and Corporate Governance in Developing Countries:* evidence from Ghana, *Managerial Auditing Journal*, Vol.22, no. 3, pp 319-334.

Ulwick, A. (2002). (Harvard Business Review) *"Turn Customer Input into Innovation'*

Vinten, G. (1998). Corporate governance: *An International state of the art, Managerial Auditing Journal*, Vol. 13, no 7, pp, 419-31.

Vinten, G. (2002). *The corporate governance lessons of Enron, Corporate Governance,* Vol. 2, no 4, pp 4-9.

Wanjau, J.N. (2007). *A survey of the relationship between corporate governance and performance in Microfinance Institutions in Kenya.* Unpublished MBA Project, University of Nairobi, Kenya.

Weier & Hayes, M. (2006). SAP Intends to triple customer base in four years, *InformationWeek,* 2006 December 5.

Will, M. & Emery, J. (2004). *Best Practices, Non-profit Corporate Governance.*

Zabihollah, R. (2003). *Improving corporate governance: The role of audit committees. Management Auditing Journal,* Vol. 18, No.6/7, pp 530 -537

Appendix 1

Questionnaire

Section A: General Informantion

Name of the company
Date of establishment of the company
Category (investment bank or stockbroker-
Number of branches

Designation (optional)- Date:

Section B: Board Structure and Senior Management

Bl. Existence of an explicit statement of commitment by the Board of Directors on corporate governance.
Exists Does not exist

Comments-

B2. Size of the Board

Upto 2 members

3-4 members

5 and above

Indicate the number of non-executive directors, if any-

B3. Existence of formal mechanism for appointment and resignation of board members.
Exists Does not exist

Comments-

B4. Clear documentation of the duties and responsibilities of the board and CEO.
Board: Clearly specified j___j Not specified

CEO: Clearly specified Q^j Not specified

Comments-

B5: Separation between board chairman and CEO
Chairman & CEO different | 1 Chairman & CEO same person

Comments-

B6. Specification of frequency of board meetings
Specified Not Specified

Comment on the avearge number of meetings per year-

B7. Existence and disclosure of specific corporate governance policies and guidelines
Specific practices disclosed Not disclosed

Comments-

B8. Clear responsibilities and succession plan for senior management
Responsibilities: Specified Not Specified

Clear succession plan: Exists Does not exist

Comments-

Section C: Transparency and Stakeholders Protection

CI. Disclosure of directors and shareholders loans
Disclosed Not disclosed

Comments-

C2. Full disclosure of directors' remuneration
Disclosed Not disclosed

Comments-

C3. Existence of a clear mechanism of communication to shareholders and other stakeholders.
Shareholders: Exists Does not exist

Other stakeholders: Exists Does not exist

Comments-

C4.Shareholder distribution and type

No. *Type (institutional/individual)*

1 a
2
3
4
Above 4 I____]

Comment on whether the distribution of the shareholding is diclosed to other stakeholders

C5. Power of shareholders to change board composition if it does not perform effectively
Exists I Does not exist

Comments-

C6. Existence of an internal audit function/process
Exists I I Does not exist

Comments-

Section D: Business Conduct

Dl. Existence of written policies and procedures
Exists and written Does not exist

Comments-

D2. Existence of written risk management guidelines
Exists I I Does not exist

Comments

D3. Existence of a clear mechanism for evaluating management performance
Exists • Does not exist •

Comments'

D4. Existence of a written policy on disemination of financial and material non-financial information to satakeho ders
Exists and writen 2 Does not exist ●

Comments

D5. Existence of formal code of ethics for employees

Exists |____| Does not exist

Comments

D6. Existence of documented financial control procedures

Exists |____| Does not exist

Comments

Section E: Client Base

Please complete the table below:

No of Clients	**2007**	**2008**	**2009**	**Average**
Instutional				
Individual				
Total				

IffIIYfeRSnY **OF** NAIROBI

SCHOOL OF BUSINESS

toA PROQEAM - ***LOWER*** KABETE CAMPU^

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095'varsity

P.O. Box 30197
Nairobi. Kenya

DATE.

TO WHOM IT MAY CONCERN

The bearer of this letter ..S.^T.&P.H.^H.

Registration No: . h ^ . L O .Q. / & © t>8

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

-<T) UNIVERSITY OF NAIROBI
7 I) . SCHOOL OF BUSINESS
•S/\:___/___________MBA OFFICE

PR- W.N. IRAK! P- O^Box 30197

CO-ORDINATOR, MBA PROGRAM

Appendix 2

List of Investment Banks and Stockbrokerage Firms in Kenya

	Name
	Investment Banks
1	African Alliance Kenya Investment Bank Ltd
2	Afrika Investment Bank Ltd
3	Apex Africa Investment Bank Ltd
4	Barclays Financial Services Ltd
5	CBA Capital Ltd
6	CFC Stanbic Financial Services Ltd
7	Drummond Investment Bank Ltd
8	Dry Associates Ltd
9	Dyer & Blair Investment Bank Ltd
10	Equatorial Investment Bank Ltd
11	Equity Investment Bank Ltd
12	Faida Investment Bank Ltd
13	FCB Capital Ltd
14	Kestrel Capital (East Africa) Ltd
15	NIC Capital Ltd
16	Renaissance Capital (Kenya) Ltd
17	Standard Investment Bank Ltd
18	Sterling Investment Bank Ltd
19	Suntra Investment Bank Ltd
	Stockbrokers
1	ABC Capital Ltd
2	African Alliance Kenya Securities Ltd
3	Kingdom Securities Ltd
4	Genghis Capital Ltd
5	NIC Capital Securities Ltd
6	Reliable Securities Ltd