EFFECTS OF CROSS BORDER LISTING ANNOUNCEMENTS ON STOCK PRICE PERFORMANCE AT THE NAIROBI SECURITIES EXCHANGE

BY

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DECLARATION

I declare that this Research Project is my original work and has not been submitted for an award of a degree in any other University for examination/academic purposes.

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

SIGNATURE:……………………………………….DATE:………………………

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DEDICATION

My most sincere dedication goes to my dear parents, Mr John Rotich and Mrs Christine Rotich for their good care and support since my childhood; Mum and Dad your inspiration,advice and guidance have made me what Iam today:to you I will remain forever grateful.My heartfelt dedication also goes to my dear husband Charles, loving Daughter Mackayla Chelangat, My siblings Patrick, Felix,Viginia and Anastacia for their patience,great love,support and encouragement during this research work.

ACKNOWLEDGEMENT

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABREVIATIONS AND ACRONYMS

ADR   American Depository Receipt

AR   Abormal Return

ATS   Automated Trading System

CAR   Cumalative Abnormal Return

CDS   Central Depository System

CMA   Capital Markets Authorities

DSE   Dar es Salaam Securities Exchange

EABL   East African Breweries Limited

EAC   East African Community

EASRA East African Securities Regulatory Authorities

EMH   Efficient market Hypothesis

IPO   Initial Public Offer

JHL   Jubilee Holdings Limited

KQ   Kenya Airways Limited

NMG   Nation Media Group

NSE   Nairobi Securities Exchange

NYSE   New York Securities Exchange

USE   Uganda Securities Exchange

ABSTRACT

The globalization of financial markets has resulted in an increasing number of firms choosing to cross list their stock on exchanges outside their domestic market. Academic discourse continue to investigate whether cross listing events have any effects on various managerial aspects of the firm inclusing investment returns, firm value and firm performance. In east Africa Community, the firms can cross list in four organized exchanges namely the NSE, DSE, USE and RSE. This study sought to determine the effect of cross border listing announcements on stock price performance at the Nairobi Securities Exchange. The event study methodology was applied on sixteen cross listing events with a 60 day event window. 30 days pre announcement and 30 days post announcement. The study finds that the abnormal and cumulative abnormal returns off the cross listed firms behave differently over the event window. Of the sixteen events, in only one event does the abnormal and cumulative abnormal returns have a significant p value suggesting that the event affects the returns. This is 6.25% of the overall events as identified in non parametric tests. Of the other fifteen events representing 93.75% of the events, there is no significance. The study recommends that EAC countries should harmonize cross listing policies, further integtration initiatives to avoid arbitrage gains. Further studies are suggested on the same area using a sectoral approach and applying robust techniques.

CHAPTER ONE:

INTRODUCTION

1.1 Background of the Study

The globalization of financial markets has resulted in an increasing number of firms choosing to cross list their stock on exchanges outside their domestic market. Managers indicate that they cross list their firm's stocks to gain access to foreign capital markets as well as increase investor recognition of their stock (Baker, Nofsinger and Weaver, 2002).

Several hypotheses have been advanced on the effects of cross listing exist. Errunza and Losq (1985) and Stulz (1999) posit that companies profit from cross-listing because their cost of capital falls with the cross-listing. Coffee (2002) explain the bonding explanation for cross-listing as associated with the extra inspection that companies experience by listing on a U.S. exchange. Firms cross list as a means to bond with the U.S. market and U.S. laws thereby setting a system for managers to shun excessive private benefits, and therefore enjoy better access to external financing markets. The growth opportunities hypothesis explained by Melvin and Velero (2007) is related to the bonding explanation for cross-listing and implies that cross listing makes it easier for firms to raise external capital, and thus improving their ability to take advantage of growth opportunities. Additionally, in the signaling explanation, firms cross-list as a means to signal their high quality to investors and distinguish themselves from low-quality rivals

As documented by Wangui (2014), Kenya has not been an exception to the phenomenon of cross border listing. Currently there are eight cross listed companies in Kenya with Nation Media Group (NMG), Uchumi, Kenya Commercial Bank (KCB), Equity Bank, and Centum Investment cross - listing in Dar es Salaam Securities Exchange (DSE), Uganda Securities Exchange (USE) and Rwanda Securities Exchange(RSE).

1.1.1 Cross Listing Announcement

Cross border listing refers to the listing of a company's common stock in more than one foreign stock exchange in addition to its domestic stock exchange at the same time (NyvItova, 2007). According to Lee and Yerbassova (2013), a cross listed company's stock will be on a stock exchange in its country of incorporation and its secondary listing on an exchange in another country. Onyuma et al. (2012) explain that cross listing refers to the listing of ordinary shares of a firm on a different exchange other than its home stock exchange. It is therefore where a firm lists its shares for trading on at least two stock exchanges located in different countries.

Francis, Hassan and Kostova (2011) explain that proportionate with the significant increase in cross-listings, a body of research has developed that investigates the benefits of cross listing. One of those benefits include the insistence on provision of information that suits a wider range of users. Van Horne (1970) indicates that an important reason why companies cross list is the desire by management to gain prestige for the company. Another important reason why companies cross list advanced by Sanger and McConnell (1986), Christie and Huang (1993) and Kadlec and McConnell (1994) is the argument that stock performance liquidity will improve when traded on an organized exchange.

Cross listing benefits a firm in several ways. Some of the cited benefits being the access to more liquidity (Amihud & Mendelson, 1986), greater ability to raise capital (Halling et al., 2004; Mittoo, 1992), advantages of lower costs of capital (Merton, 1987), investor protection (Stulz, 1999), product and labor market contemplations and information disclosure (Baker, Nofsinger & Weaver, 2002). Miller (1999) explain that cross listing has been shown to impress investors that the firm has improved levels and quality of financial disclosure. Generally, evidence points to the fact that companies go through a rise in home - market worth in the month around the listing.

1.1.1 Stock Price Performance

Stock price is the cost of purchasing a stock on an exchange (Ritter, 1998). Thus, stock price performance refers to the behavior exhibited by stock price. The different behavior of stock price in the economy is attributed to macro and micro economic variables by Warner, Watts and Wruck (1987). The variables being information on money supply, inflation, output, central bank's discount rate, volatility of the market, current economic conditions and popularity of the company.

Stock price performance is defined by Yabs (2014) as a gain or loss on a security held by an investor for a particular period. According to Stehle and Ehrhardt (2000), If markets are efficient, the abnormal performance of stocks after firm-specific events should be neutral, once the event-related activities have been fully completed.

Goergen, Khurshed and Mudambi (2007) show that stock price performance can be measured using the returns on the stocks invested. The authors suggest that the models to be used to calculate these returns include; simple returns, market adjusted returns, cumulative abnormal returns and buy and hold return.

1.1.3 Relationship Between Cross Border Listing Announcements and Stock Price Performance

Different studies have been done with regards to cross border listing announcements and stock performance and the findings are inconclusive. On one strand of studies, Researchers' discover a positive abnormal stock performance prior to cross border listing announcements but negative abnormal stock performance subsequent to cross border listing. Ule (1937), Van Horne (1970), Ying, Lewellen, Schlarbaum and Lease (1977) and Sanger and McConnel (1986) show that firms experience significantly positive stock performance prior to cross border listing at the New York Securities Exchange (NYSE).

Evidence on effect of regional cross listing on firm value and performance in Kenya by Makanga (2014) suggest that firm value declines after cross - listing but the results had no statistically significant difference from before and after cross – listing and firm value has a strong effect to the changes in the firm profitability. A before and after comparison show that there is a decrease in operational performance though there is no statistically significant difference. Additionally, liquidity and total assets have a weak positive correlation indicating that the changes in leverage does not correlate with the changes in total assets.

1.1.4 The Nairobi Securities Exchange

The Nairobi stock exchange (NSE) was formed in 1954 as a voluntary organization of stock brokers and is now one of the most active capital markets in Africa. NSE is the oldest market in the region; its market capitalization is above Kshs. 2.4 trillion with sixty four (64) listed companies as at March 23, 2015, making it the largest bourse in the East African region and the fourth largest in Sub Sahara Africa. Currently, nine

companies are cross listed at the NSE of which eight are principally domiciled at the NSE and one company (UMEME) is domiciled at USE.

Aduda, Masila and Onsongo (2012) while studying determinants of development of the NSE explain that cross listing facilitates growth and development of regional securities markets. The benefits that accrue to cross listed companies include: access to a wider capital base across the region, a regional presence, resulting in a wider acceptance and recognition of the company brand across the region by company stakeholder- shareholders, employees, customers and regulators) and the prestige of a regional listing. These benefits are expected to influence the stock price performance at the exchange.

1.2 Research Problem

Cross border listing has become a common practice in the world which has led to the interest of scholars and practitioners to understand the motivation of cross border listing and the market reaction to cross border listing announcements. Wong, Penm and Lim (2004) explain the desire by academicians to understand the reasons why the number of companies which have opted to cross-list their shares in foreign markets has been on the rise.

Studies by Charitou and Louca (2009), Smirnova (2004) and Cetorelli and Peristiani (2010) focus on stock price reactions to international cross listing especially in the American Depository Receipts (ADR) and the numerous advantages of cross-listing to more prestigious markets. The international study findings remain inconclusive. One group of scholars including Adelegan (2008), Facoult and Fresard (2010) and Smirnova (2004) indicate a positive relationship between cross listing announcement

and stock price performance. Another group including Karolyi et al. (2005) and Fan (2014) indicate a negative relationship between cross listing announcement and stock price performance.

In Kenya, Mugo (2009), Oluoch (2012), Kiprop (2013), Kipkemoi (2013) and Nyaga (2013) establish a positive relationship between cross listing announcement and stock price performance. Mwangi (2007) and Cherono (2010) indicate a different position that proves a negative relationship between cross listing announcement and stock price performance. Makanga (2014) also show that firm value declines after the cross listing event. The divergent conclusions and findings of these international and local studies call for further research. This study therefore examines whether stock price performance of companies listed at the NSE react positively or negatively to cross border listing announcements. It addresses the research question: what is the effect of cross border listing announcements on stock price performance at the NSE?

1.3   Objective of the Study

This study sought to determine the effect of cross border listing announcements on stock price performance at the Nairobi Securities Exchange (NSE).

1.4 Value of the Study

This study contributes to the existing literature on the benefits and market reactions to cross listing announcements which could help scholars to understand the momentum in cross listing activities across developing and developed financial markets. The study therefore also serves as a reference for academicians when further research needs to be done on cross border listing given that a greater presence of Kenyan firms exists in other foreign bourses.

The findings of this study also assists investors in making more informed decisions concerning the likely stock price performance before, during and following a cross border listing announcements and the performance of the stock prices after the actual cross listing when trading in Nairobi Securities Exchange. This may assist them to decide on whether to hold, sell or buy the company's stock

The study findings are also informative to the stock market regulators. The information would enable them to formulate policies that would lead to greater capital market integration in the region and beyond. Well formulated policies will effectively create a more conducive investment atmosphere for both investors and listed firms in the stock market.

CHAPTER TWO:

LITERATURE REVIEW

2.1 Introduction

This chapter presents a theoretical review where theories concerning the relationship between cross border listing announcements and stock performance are documented in the cross border listing literature. The chapter also presents the empirical findings in different stock markets on the relationships pursued in the study. Finally, a summary of the literature reviewed is provided.

2.2 Theoretical Literature Review

Several theories concerning the relationship of cross border listing announcement and the stock proce perfomance have been documented in the cross listing literature. The study on the effects of cross border listing announcement on stock price perfomance incorporates the elements of market efficiency or inefficiency. This section seeks to explain several theories that underscore the cross border listing of companies; these theories include efficient market hypothesis, signaling theory, market segmentation, liquidity theory, bonding theory and information disclosure theory.

2.2.1   Efficient Market Hypothesis

Fama (1970) describes an efficient market as one where a large number of rational investors intend to maximize profit, compete with each other in trying to predict future values of individual securities, and one where current information is almost available to all participants. The market efficiency hypothesis is a simple statement that assumes security prices fully reflect all available information (Fama, 1991).

Fama (1970) identified three distinct levels or strengths at which markets might actually be efficient. the weak form of the EMH claims that prices fully reflect the information implicit in the sequence of past prices. The semi strong form of the hypothesis asserts that prices reflect all relevant information that is publicly available, while the strong form of EMH asserts information that is known to any participants is reflected in market prices.

Fama (1970) summarizes the early random walk literature. His own contributions and other subsequent studies conclude that the results are stongly in support of the weak form of market efficiency. The studies suggests that financial markets that respond very rapidly and completely to new information exhibit semistrong informational efficiency. Research indicates that strong form efficiency does not hold in real world financial markets.

2.2.2 Signaling Theory

Cantale (1996) developed a signaling model where firms, trying to communicate their private information regarding their quality to outside investors, choose a particular market where to list their shares. Markets are assumed to differ in terms of the level of information disclosure, which Cantale (1996) interprets as a measure of quality and quantity of information requested by each stock market to quality for listing. Since higher levels and quantities of disclosure increase outside investors abilities to monitor managerial actions, the markets will value such firms higher but at the expense of management's private benefit of control.

If the cross border listing represents costly committments and for cross border listing, the firm has to satisfy the increased disclosure requirements set by the foreign exchanges as well as higher investors scrunity and potential legal exposure, then the listing signals that the firm is of good type and will reduce assymetric information. The cross listing will therefore affect the firm as a whole and is expected to change the prices of shares symmetrically (Waweru, Phokariyal and Mwaura, 2012).

2.2.3 Liquidity Theory

The liquidity hypothesis, also referred to as the information cost hypothesis, formed by Amihud and Mendelson (1986) states that since U.S. capital markets are very liquid, firms who cross-list can raise capital at a lower cost than at home, especially companies from emerging markets. The liquidity of listed stocks relative to unlisted stocks is expected to have a significant explanatory power on the relative prices of the two share prices. The higher the relative liquidity, the higher will be the premium in the listed stock price relative to the unlisted in the domestic market.

Domowitz *et al*. (1998) suggest that benefits and costs of cross border listing associated with liquidity effects are complex and not evenly distributed across all stock classes. The liquidity theory states; the relative liquidity of two stocks classes is positively related in their price ratio, but the overall empirical effect of cross border listing on the relative liquidity and its reflection on the price ratio cannot be determined and it remains an theoretical question.

2.2.4 Bonding Theory

Coffee (2002) uses bonding to refer to a mechanism by which firms incorporated in a jurisdiction with weak protection of minority rights or poor enforcement mechanisms

can voluntarily subject themselves to higher disclosure standards and stricter enforcement in order to attract investors who would otherwise be reluctant to invest (or who would discount such stocks to reflect the risk of minority expropriation).

Coffee (1999) and Stultz (1999) argue that firms can raise capital if they commit to return this capital to investors and to limit the expropriation of cash-flows by controlling shareholders and managers. Therefore, firms wishing to raise external financing respond by bonding themselves to greater transparency. This bonding may occur either through the courts or through monitoring by reputational intermediaries.

2.3 Empirical Literature Review

This section provides evidence from past studies in the area of cross border listing and the general performance of the cross border listed companies. While appreciating the efforts of the authors of the reviewed empirical studies, the aim of this section is to identify whether there exists any knowledge gap in the past studies.

Biddie and Saudagaran (1995) carried out a study on the role of disclosure on management decisions to list abroad. They constructed a scale that related the level of required disclosure, based on the findings of earlier surveys of comparisons of international accounting and disclosure requirements. They report this scale variable to the statistically significant determinant of whether a company lists in a particular country. They conclude that it is stringent disclosure requirements that inhibits cross border listings.

Karolyi (1998) considered weekly abnormal returns for a period of two years around the listing dates of 183 ordinary and ADR listings. The study finds a significant week return of 1% on average, a prelisting run up of 10% and post listing decline of 9%. These results were similar for both emerging and developed countries, but the post listing decline was lower for capital raising ADRs. The findings are related to the strategic timing decisions as the firm's shares become more widely held after the cross listing.

Miller (1999) conducts an event study concentrating on the 80 day period around the ADR announcement dates of 183 firms between 1985 and 1995. The study finds positive 1.15% average abnormal returns for emerging market firms (1.54%) and these abnormal returns were higher for exchange listings (2.63%). The author argues these findings are consistent with market segmentation propositions.

Mwangi (2007) studied the short and long term effects of cross-border-listing announcements on firms listed at the NSE. The researcher examined 61 companies listed at NSE. The study determined whether the average abnormal returns were statistically different from zero using the t-test statistic. The short-term (7-day) event window indicated that announcements have no impact on stock performance. However, in the long-term (61-day event window), reasonable evidence was found indicating that cross listing announcements have a significant negative effect on stock returns. The study findings also revealed that cross-listed firms' returns outperform those of the non-cross-listed firms with the same price-to-book values.

Adelegan (2008) examined Sub-Saharan Africa stock exchanges dealing with 13 stock markets in 20 countries and observed the effects of cross-listing of stocks on the depth of stock markets. The study evidence that following cross border listing announcements, there is a positive abnormal return around the date of the regional cross-listing of stocks. The positive announcement period effect, together with the normal post cross-listing performance, shows that regional cross-listing increases firm value. This study provides evidence that firms benefit from listing outside their home market and need to be considered.

Mugo (2009) investigated the effects of cross listing on share prices of firms that are cross border listed in the East Africa Stock Exchanges. The study considered three firms that were cross listed in the three stock exchanges. Through the event study methodology, with data on share prices covering two years before and after the cross listing. The findings were that there existed a positive relationship between the cross border listing announcements and stock performance.

Cherono (2010) evaluated the market reaction to announcements of cross border listing. The companies used for the research were dominantly listed in NSE. The research was done on a 61 days event window using an event study methodology. It established that the market reacts negatively to cross-border listing causing underperformance of stocks in the long run. This conclusion was due to the fact that there were negative cumulative abnormal returns in the post-announcement dates.

Foucault and Fresard (2012) investigated the sensitivity of corporate investment to stock price between cross listed firms and non-cross listed firms. The study found that the positive impact of a cross-listing on the sensitivity of investment-to-stock price is

significantly smaller for firms incorporated in countries that rank low on measures of governance and disclosure quality. Moreover, this cross-listing effect increases with proxies for the extra information that a US cross-listing generates for firm managers. The authors argued that these findings support the hypothesis that a cross listing enables managers to learn more information from the stock market, which they can then use to make their corporate investment decisions. However, they provided the reason for further research stating that there is a need to determine the reason for delisting of US firms.

Oluoch (2012) examined the effects of cross border listing announcements on stock performance using a sample seven firms listed at the NSE and cross-listed between 2001 and 2011. The study finds that cross border listing announcements has a positive influence on stock performance. This is evidenced by cumulative average abnormal returns that appeared to be 60% positive. The study recommended that the announcement date be used as the event.

Nyaga (2013) studied the effects of cross border listing on the long-term performance of firms listed on the East Africa Stock Exchanges. He focused on the cross-listed firms with primary listing at NSE. He concentrated on the long-term implications of cross-listing on the firm's share prices as the measure of performance. The studied data covered four years before and after the cross-listing date and it was analyzed by the use of the Fama French Three factor model. The study found that there was a significant positive relationship between the stock returns, measured by variations in share prices, and the cross-listing event. More specifically, it deduced that cross-listing resulted in abnormal returns and that any arbitrages were quickly wiped out by virtue of the markets quickly adjusting to the cross-listing news.

Wanjiru (2013) carried out a study to investigate the relationship between cross border listing and liquidity. The study concentrated on studying stock performance of firms that were cross border listed in the East African Stock Exchanges. She used an event study methodology targeting all the listed firms in East African Stock Exchanges. Her study employed daily traded volumes of stocks six months before and after cross listing. Her findings showed an increase in the volumes of stocks traded and an increase in market capitalization of the cross listed firms as well as an improvement in the market capitalization of the bourses where the firms had cross border listed. The findings however did not show a significant increase in the liquidity of the cross border listed stocks.

Kiprop (2013) sought to determine the effects of cross border listing on the value of the firms cross-listed within East African Exchanges with an event study methodology taking an event window of 41 days. The study observes that the abnormal return curve rose with time, which provided evidence that companies benefited from cross border listing. One of the limitations cited in the study is that there is no standard estimation and event period in event study and therefore different researchers could chose different length of estimation and event periods, hence their inferences depending on the length of the period might be different. The study thus recommended that further studies should be carried out to find out how performance of the East Africa Securities Exchanges relate to each other. This is expected to benefit investors when making investment decisions especially on which markets they need to diversify their investment so that they may be able to reduce the risks.

Wangui (2014) sought to establish the effect of cross listing m on the accounting quality of firms cross listed in East African stock exchanges. The study looked at three accounting quality metrics, namely, earnings management, timely loss recognition and value relevance of accounting information. The study findings suggest that cross listing does not have an effect on the quality of reporting of firms cross listed within the East African Securities Exchanges. The study shows that earnings management did not occur around the cross listing dates. The value relevance of information presented by the cross listed firms did not change significantly, implying that the ability of the summary accounting measures to accurately reflect the underlying economic value of the firms studied still remained as before the cross listing. Further, there was no significant effect in terms of timely loss recognition in light of bad news and no indication of better prudence in the reporting of good news.

Makanga (2014) investigated the effects of regional cross listing on firm value and performance of five cross listed firms. Performance was proxied by profitability and growth, liquidity and leverage, operational performance. The study establishes foremost, that firm value decreased after cross-listing but the results had no statistically significant difference from before and after cross-listing. Secondly, liquidity of the firm increased while as leverage decreased. Thirdly, a decrease in operational performance.

2.4 Summary of Literature Review

From the studies reviewed, it is clear that many scholars have researched on the effects of cross border listing announcements on stock performance on companies listed on stock markets all over the world. Of particular importance is the fact that majority of the studies have been done in the developed and developing economies but the findings are inconclusive and conflicting as some studies found a positive relationship while others recorded a negative relationship calling for the need to clarify the conflicting findings. Some of the studies found that prior to cross border listing announcements, there is a positive abnormal stock performance but negative abnormal stock performance subsequent to cross border listing. This proved that the market reacts positively to cross border listing announcement, however there is a negative abnormal stock performance after the cross border listing.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1   Introduction

This chapter describes the research methodology of the study. It describes the research design, population, data collection and data analysis. Research Methodology is the architecture or the layout of the research framework. Methodology refers to way of obtaining, organizing and analyzing the data.

3.2   Research Design

Kumar, (2005) defined a research design as a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically. Kothari, (2004) observed that research design is a blue print which facilitates the smooth sailing of the various research operations, thus making research as efficient as possible hence yielding maximum information with minimal expenditure of effort, time and money.

This study employs event study methodology just as most other studies reviewing the market behavior around cross border listing announcements. The event study methodology involved defining the event, which in this case is the announcement date of cross-border listing. The event window deemed appropriate for this study was 30 days before and 30 days after the announcement date.

3.3   Population

Johnston and VanderStoep (2009) define population as the universe of people to which the study can be generalized. According to Mugenda and Mugenda (2003), population is a complete set of individuals, cases or objects with common observable characteristics.

The population of this study consisted of firms that are parented in Kenya, listed at the NSE and have initiated and succeeded in listing in another foreign bourse. At the moment there are eight (8) Kenyan firms that have cross border listed at the USE, DSE and RSE. These eight firms will form the target population.

3.4   Sampling and Sample Size

This study focused on stock performance of companies listed at the NSE that have cross border listed their stocks on foreign bourses in the last five years. Due to the small size of cross border listed firms in foreign bourses, a census study was carried out covering all companies that have cross border listed in the last five years from the Nairobi Securities Exchange.

3.5   Data Collection

The research will use quantitative secondary data. The secondary data will relate to the NSE, any cash distributions and traded volumes during event periods of announcement window. The data sources included all share indices for NSE for the period in question, NSE handbook, and company's annual reports which provided collaborating evidence on the announcement dates given to the researcher by the firms under the study and the company's annual reports which provided the companies par value share price.

3.6 Data Analysis

Event study was used in data analysis. Event study is an empirical analysis that is normally used to measure the effect of an event on stock returns (performance). The basic idea is to find the abnormal return attributable to the event being studied by adjusting for the return that stems from the price fluctuation of the market as a whole (Ronald and Bernard, 1995).

This study adopted the market model in the computation of abnormal stock performance. The model reduces the variance of abnormal stock performance by removing the portion of the stock performance that is related to variation in the market performance. The assumption is that any other information affecting the stock performance has been incorporated in the pricing of the security. The researcher applied the event market model under various steps.

3.6.1 Normal and Abnormal Return

Abnormal return was used to appraise the event's impact. It is the difference between the actual return on time (t) in the event window and the expected return of the firm. Normal return is the return that would be expected if the event did not take place.

$$AR_{i,t} = R_{i,t} - E(R_{i,t})$$ 3.1

3.6.2 Cumulative Abnormal Return (CAR)

In this stage, the abnormal return of each stock was aggregated over the event window. The researcher used the CAR to determine the aggregate over the event window.

$$CAR_{i,(-T_2,T_3)} = \sum_{t=T_2}^{T_3} AR_{i,t}$$

……………………………………………………………..3.2

3.6.3 Testing the Significance of CAR

To test the significance, the researcher applied the parametric test of t-statistics. Non-parametric tests were applied to test the results. For an individual firm, t-test was calculated using the formula below.

$$t_{AR} = AR_{i,t} / S_{ei,t}$$

………………………………………………………….3.3

Across firms, the following formulae gave the parametric test statistics, which was used to investigate if the average cumulative or buy-and-hold abnormal returns are equal to zero.

$$t_{CAR} = \overline{CAR_{i,t}} / \left(\sigma(CAR_{i,t}) / \sqrt{n} \right)$$

…………………………………………………………..3.4

n is the number of events in the study, in this study, n is the number of companies in NSE that have been cross listed.

CHAPTER FOUR:

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the results of the analysis and findings of the study with reference to the study objectives. The first section of the chapter presents a summary of the data analysis method used. The second section presents the findings of the study and it includes relevant tables and figures that help to explain the results of the data analysis. The last section of the chapter presents a summary of findings and interpretation of the results.

4.2 Descriptive Statistics

The main aim of this study was to determine the effect that cross listing announcements has on stock returns of companies cross-listed within East Africa Securities Exchanges. To achieve this objective, event study methodology was used for seventeen cross listing announcements as attached in appendix one for the period 12th December, 2001 to 9th June, 2014. The study analyzes the performance of the securities market and the company stock returns before and after the cross listing announcement.

Secondary data obtained from the NSE was compiled and analyzed in Excel format and then transferred to Statistical Package for Social Sciences (SPSS) for further statistical data analysis. The study looked at how the Nairobi security exchange and specific company stocks have been fairing on during a cross listing announcement.

4.3 Return Trends on Cross listing Announcement

The average actual returns during the 30 days event window was -0.001. The average

actual returns during the 30 days was 0.003 and average abnormal return was 0.007.

Figure 4.1: Centum return trend on USE Cross listing Announcement
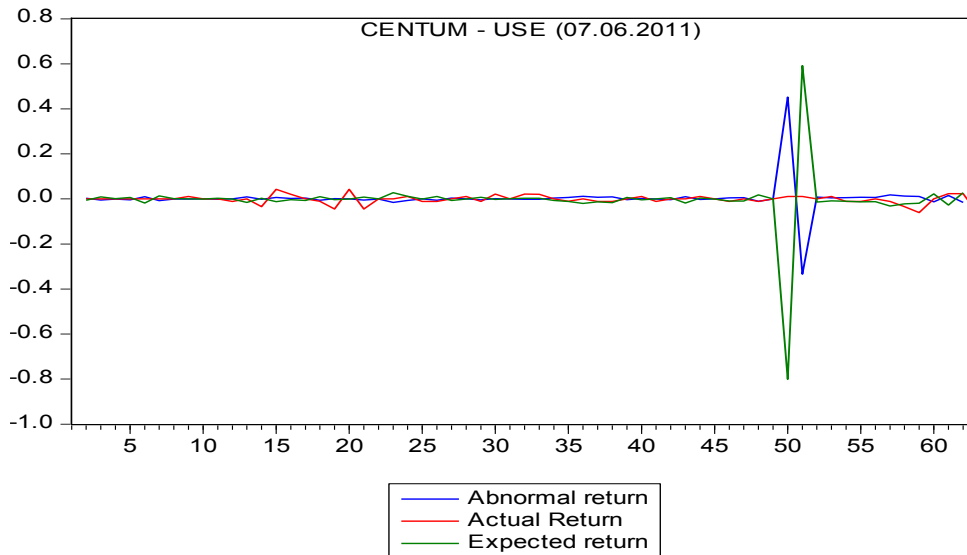
As presented in figure 4.1, the actual return provides a trend line for the abnormal

return. The expected return moves as a mirror of of the abnormal return throughout

the event window. The expected return and abnormal return swing after the

announcement once.

On the announcement of crosslisting at USE, EABL average actual return on the

event window is 0.06, abnormal retun is -0.038. As presented in figure 4.2 below, the

expected return has a near straight line trend over the event window. The actual return

however swings from the positive to the negative throughout the event window. On

the announcement day, the abnormal return declines to the lowest level in the evet

period.

Figure 4.2: EABL return trend on USE Cross listing Announcement
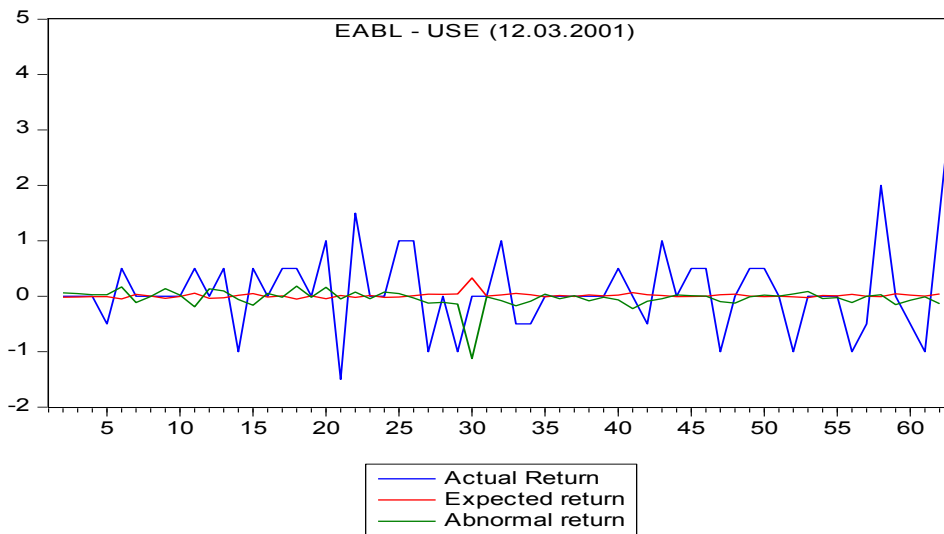
Expected return on announcement of cross listing at DSE has a linear trend as indicated in figure 4.3 below. The average actual trend over the event window is 0.004. The average abnormal return was -5.252. The actual retun and the abnormal return exhibit perfect opposite movements throughout the event window.

Figure 4.3: EABL return trend on DSE Cross listing Announcement

24
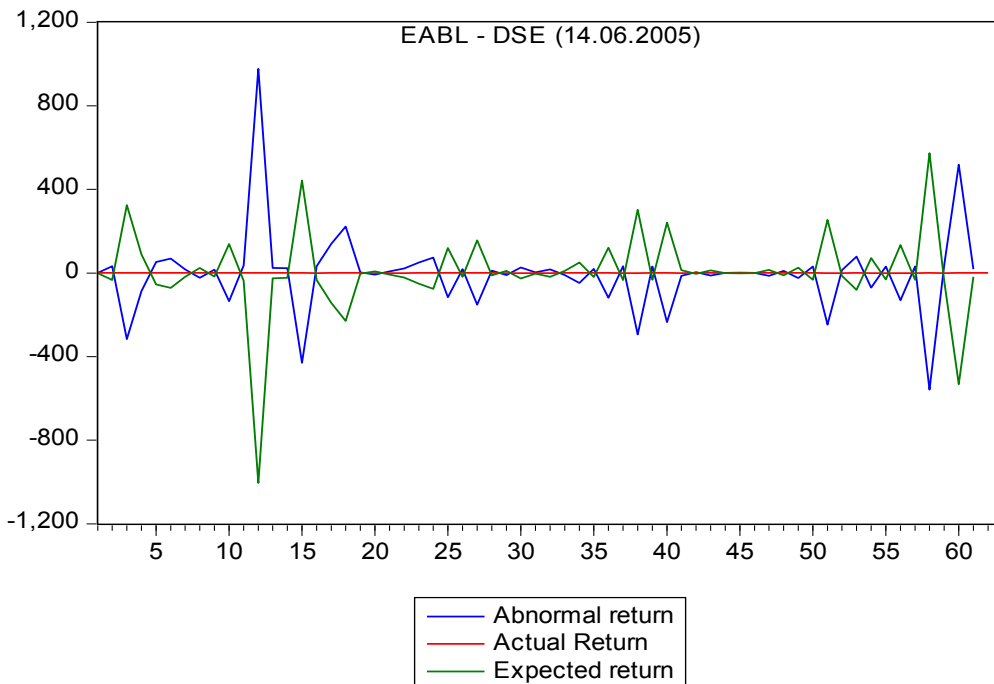
Figure 4.4 below shows that equity bank actual, abnormal and expected returns have the same trend except for the USE cross listing announcement date. On announcement, the actual return declines to the lowest level in the whole period. The average actual return for the period is -0.136 and the average abnormal return is -0.000.

Figure 4.4: EQUITY return trend on USE Cross listing Announcement

Figure 4.5: Jubilee return trend on USE Cross listing Announcement

The abnormal and expected return on Jubilee holdings cross listing announcement at the USE exhibit the same trend though the actual return swings randomly from positive to negative as presented in figure 4.5 above. The average actual return is 0.046 and the average abnormal return is 0.001 in the event period.

Figure 4.6: Jubilee return trend on DSE Cross listing Announcement

As indicated in figure 4.6 above, the abnormal and expected returns for Jubilee holdings on cross listing announcements at the DSE has the same trend. The average abnormal returns for the period is 0.001. The Actual returns swing in the positive and negative with a sharp decline a few days after the announcement and back. The average actual return is 0.003.

As indicated in figure 4.7 below, in the event window for KCB RSE cross listing announcement, the abnormal and expected returns have the same but opposite patterns of movement. The actual return ternd is close to linear. The average actual return in the period is -0.003 and the average abnormal return is 0.312.

Figure 4.7: KCB return trend on RSE Cross listing Announcement

KCB - RSE (15.06.2010)

Abnormal return
Actual Return
Expected return
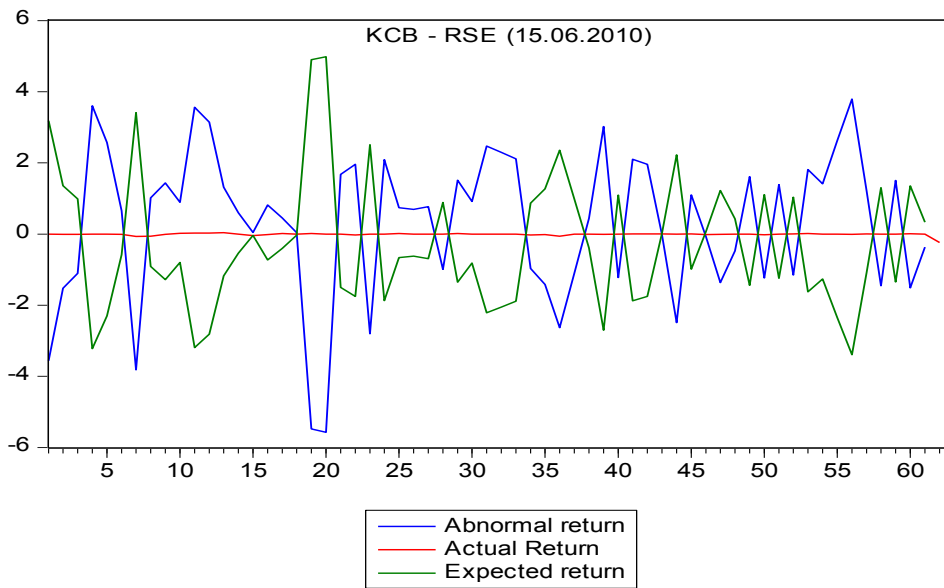
Figure 4.8: KCB return trend on USE Cross listing Announcement

KCB - USE (29.10.2008)

Abnormal return
Actual Return
Expected return
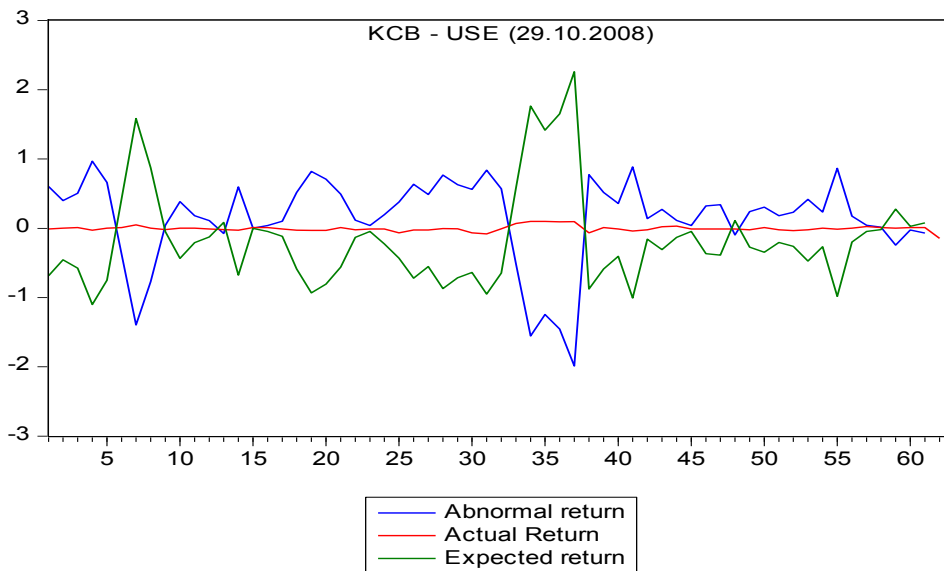
Figure 4.8 shows that the abnormal and expected returns for KCB returns on announcement of USE cross listing have perfect similarities in opposite directions. The actual returns exhibit a close to linear trend. The average actual return in the period is -0.002 and the average abnormal return is 0.148.

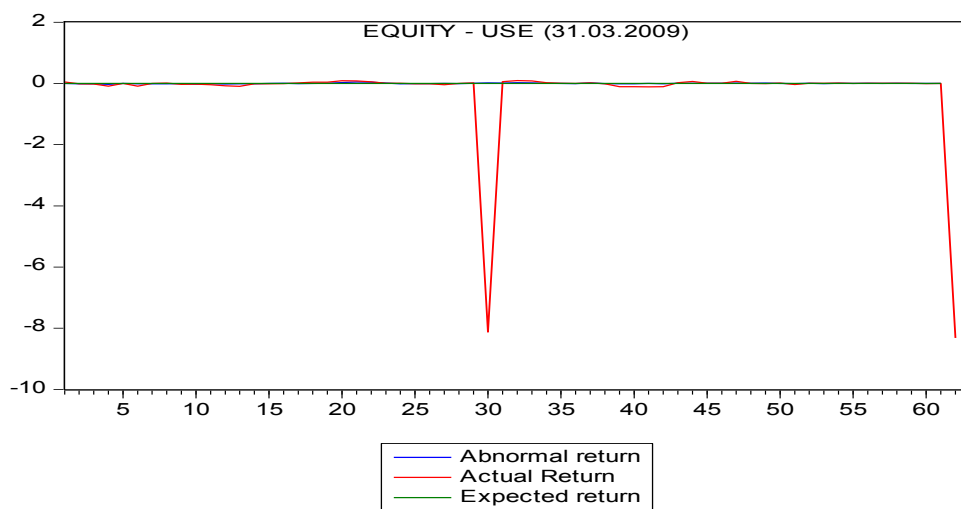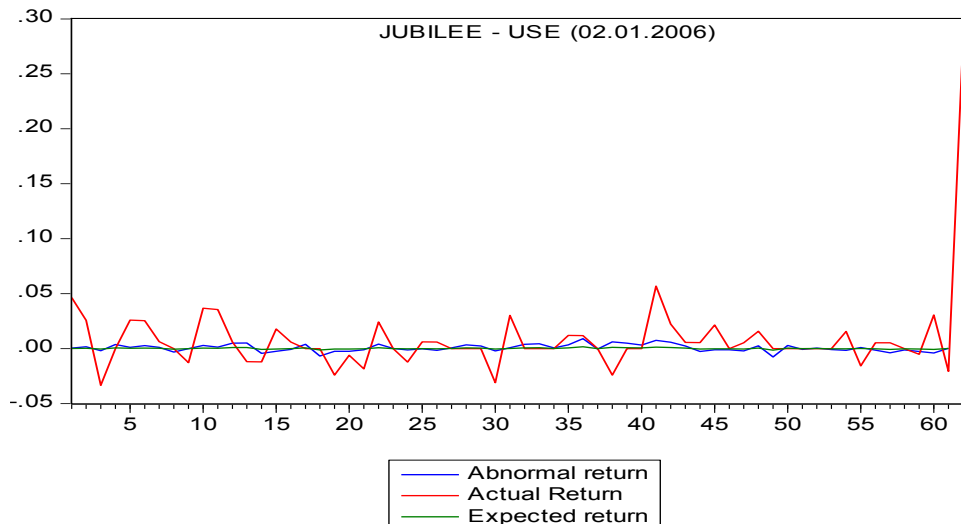**Figure 4.9: KCB return trend on DSE Cross listing Announcement**
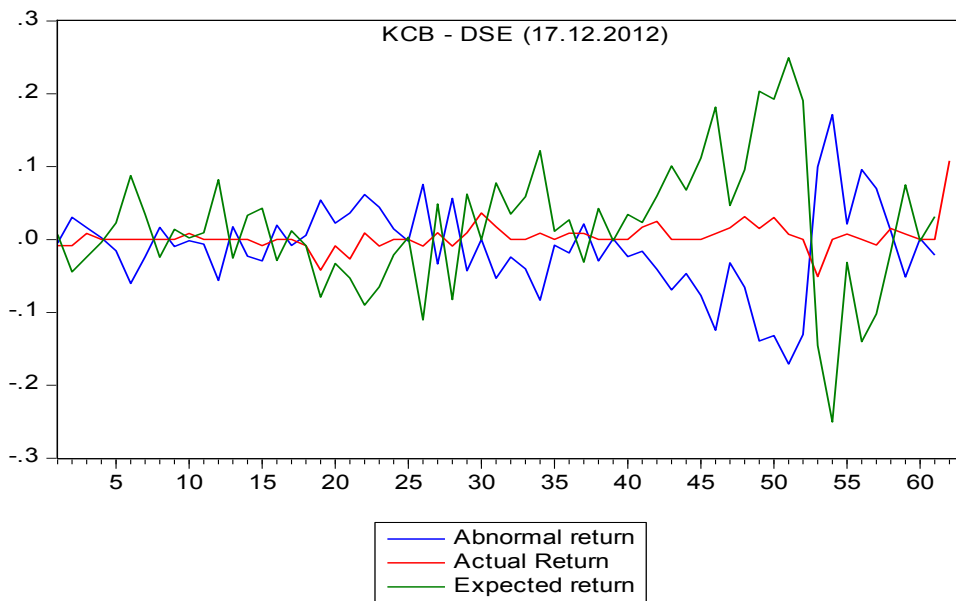
On the event period of cross listing at the DSE, the actual returns swing from both negative to positive. The average actual return is 0.002 and the average abnormal return is -0.012. The returns trend is presented in figure 4.9 above.

Figure 4.10: Kenya Airways return trend on DSE Cross listing Announcement
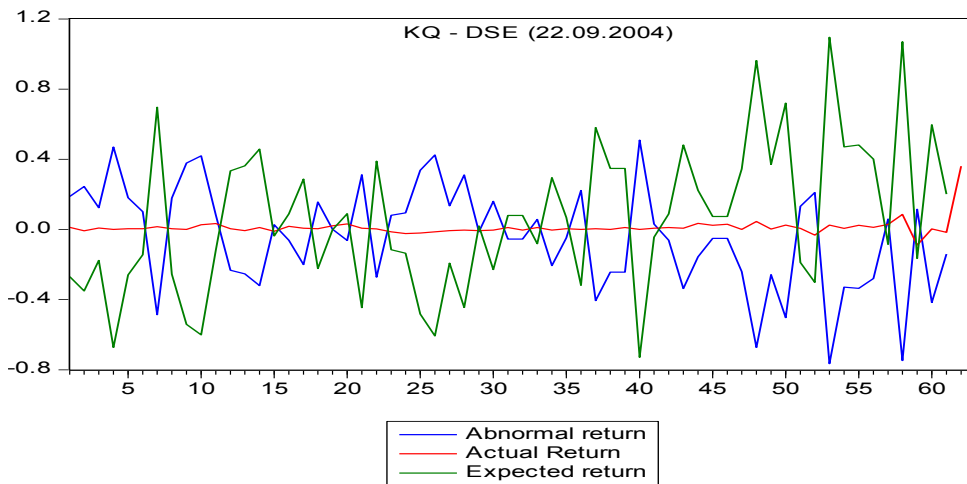
Figure 4.10 above shows the trend for returns on Kenya Airways cross listing at the DSE. The average actul return is close to a linear trend which is broken at the end of the event window. The average actual return is 0.005 and the average abnormal return is -0.045.

Figure 4.11: Kenya Airways return trend on USE Cross listing Announcement
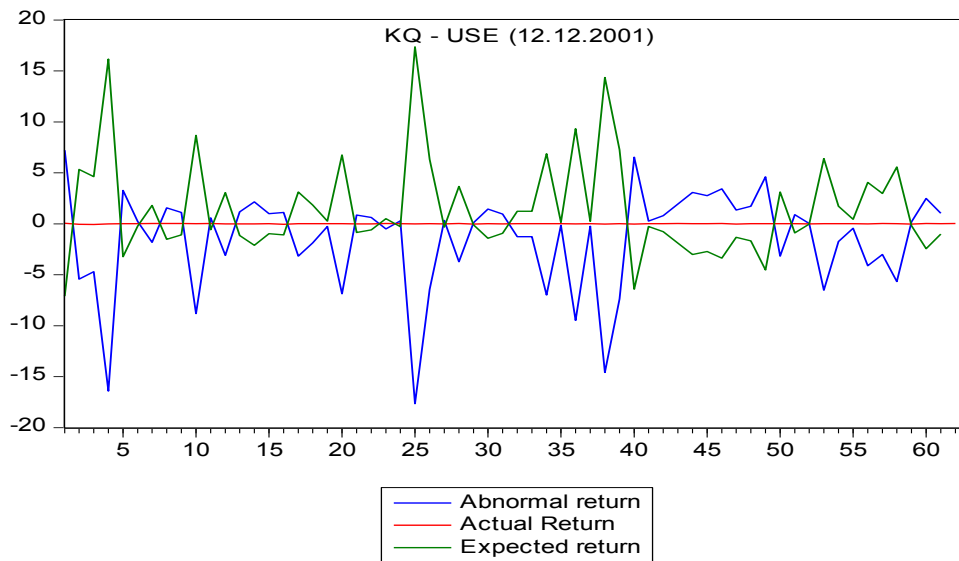
As presented in figure 4.11, in the event period of cross listing of Kenya Airways at USE, the actual returns have a linear trend. The expected returns and the abnormal returns have similar but opposite patterns. The average actual return is 0.000 and the average abnormal returns is 1.479.

As presented in figure 4.12 below, the actual, expected and abnormal returns for nation media group on cross listing have a close to linear trend in the event window for cross listing at the USE. There is a noted instance of a sharp increase and subsequent decline in the abnormal returns prior to the cross listing announcement. The average actual return is -0.000 and the average abnormal return is 0.001.

Figure 4.12: Nation Media Group return trend on USE Cross listing Announcement
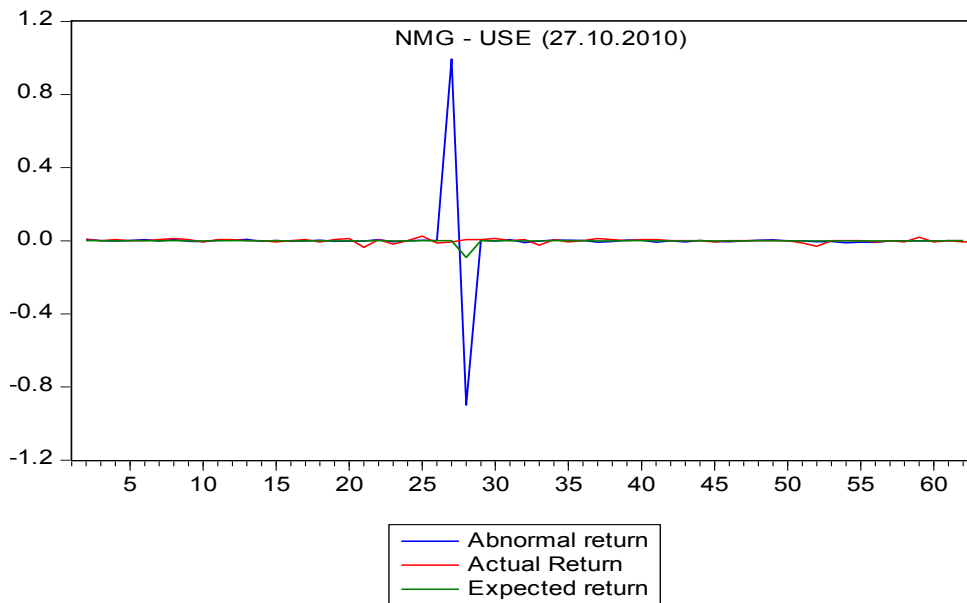
Figure 4.13: Nation Media Group return trend on RSE Cross listing Announcement
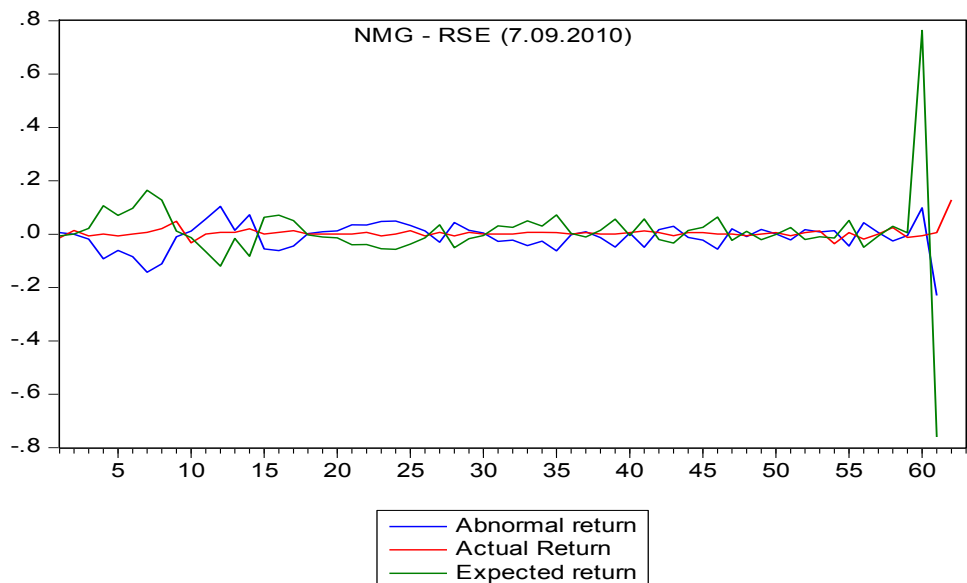
As shown in figure 4.13 above, the actual return in the event period of NMG cross listing at the RSE has a close to linear trend. The average actual return is 0.002 and the average abnormal return is -0.009.

Figure 4.14: Nation Media Group return trend on DSE Cross listing Announcement
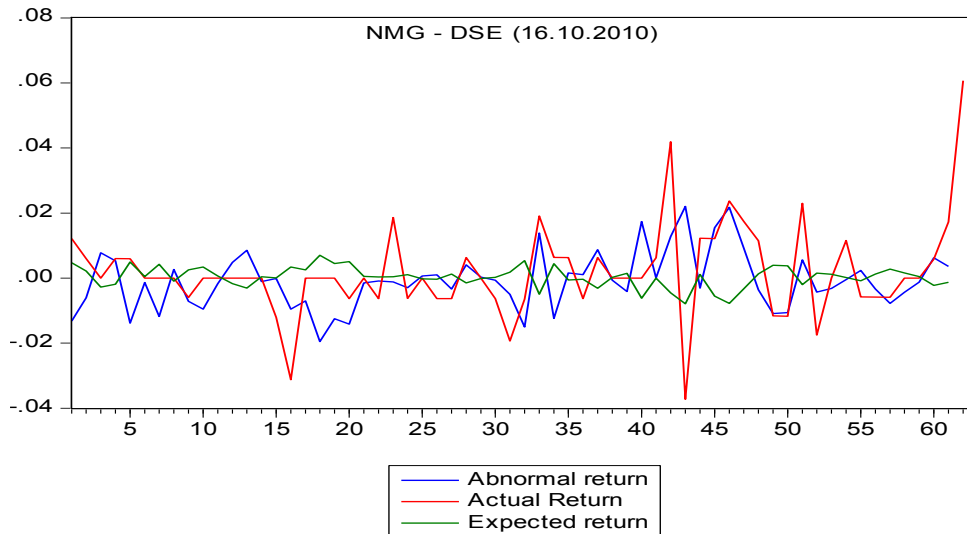
On NMG cross listing at DSE, the actual and abnormal returns have a similar trend save for that some patterns are lagged patterns from the others. Figure 4.4 shows that the actual returns swing from positive to negative throughout the event window. The average abnormal return is 0.000 and the average abnormal return is -0.000.

Figure 4.15: Uchumi return trend on USE Cross listing Announcement
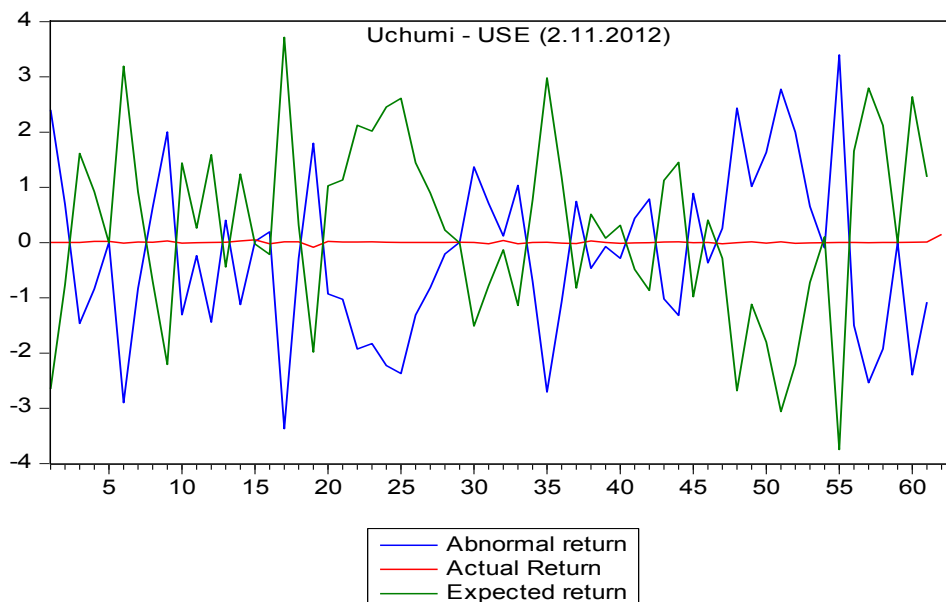
As indicated in figure 4.15 above, the trend for actual return in the event of Uchumi cross listing at the USE is linear. The abnormal and expected returns have similar but perfectly opposite patterns. The everage actual return is 0.002 and the average abnormal return is -0.254.

Figure 4.16: Uchumi return trend on DSE Cross listing Announcement
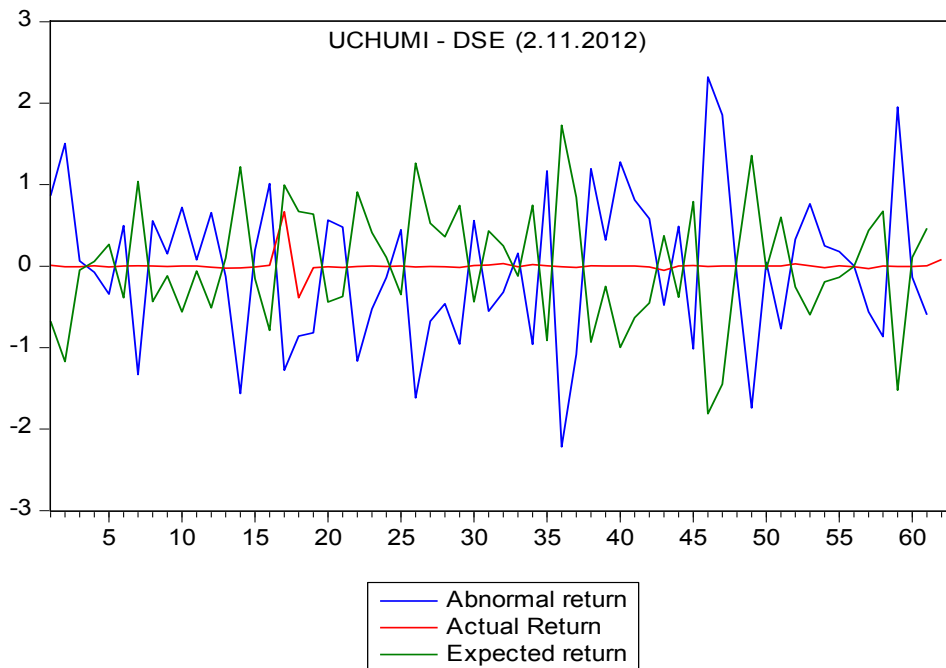
Figure 4.16 above shows the trend for returns in the event period for announcement of Uchumi cross listing at the DSE. The abnormal and expected returns have similar but opposite patterns. The actual returns have a close to linear trend that increases and declines before the announcement. The average actual return in the period is 0.001 and the average abnormal return in the period is -0.021.

4.3 Tests of Significance

Parametric t-test was used to establish the statistical significance of the abnormal returns (AR), cumulative abnormal returns (CAR) over the event window period.

4.3.1 Test of Significance on Abnormal Returns

This study tests the following hypothesis:

Null Hypothesis: Cross listing announcement has no effect on returns at the Nairobi Securities Exchange

Alternate Hypothesis: Cross listing announcement has an effect on returns at the Nairobi Securities Exchange.

Table 4.1: One-Sample Statistics on Abnormal Returns

	N	Mean	Std. Deviation	Std. Error Mean
ARcentumUSE	61	.003197	.0728382	.0093260
AREABLUSE	61	-.038426	.1675098	.0214474
AREABLDSE	61	-5.252607	0.192557	0.246544
AREQUITYUSE	61	-.000254	.0138207	.0017696
ARJUBILEUSE	61	.000597	.0032904	.0004213
ARJUBILEDSE	61	.000597	.0032904	.0004213
ARKCBRSE	61	.311854	2.0725708	.2653655
ARKCBUSE	61	.147932	.6143234	.0786560
ARKCBDSE	61	-.012205	.0598367	.0076613
ARKQDSE	61	-.045390	.2914063	.0373108
ARKQUSE	61	-1.504211	0.8556106	.0216972
ARNMGUSE	61	.001048	.1730861	.0221614
ARNMGRSE	61	-.009612	.0538046	.0068890
ARNMGDSE	61	-.000863	.0088184	.0011291
ARUCHUMIUSE	61	-.254893	1.4776852	.1891982
ARUCHUMIDSE	61	-.021524	.9385660	.1201711

Table 4.1 shows the descriptive statistics for the variables as the number of observations (N), the mean and the standard deviation for all the sixteeen cross listing announcements abnormal returns (AR) for the period of the study.

33

For the centum USE cross listing announcements abnormal returns (AR), the standard error of the sample mean is merely 0.009 which is relatively small. Therefore, there is a high likelihood that the sample mean is close to the population mean. The standard error of the sample mean for the EABL USE cross listing announcements abnormal returns (AR) is 0.021 which is relatively small meaning that it too adequately represents the population mean. The standard error for the EABL DSE cross listing announcements abnormal returns (AR) is 0.246 which is also relatively small and infers that the sample mean is close to the population mean. The standard error of the AR on Equity bank USE cross listing announcement is at 0.001 which is also small and implies that the sample mean is close to the population mean.

The standard error for abnormal returns on both Jubilee USE and DSE cross listing announcements is at 0.004 which imply that the sample mean is close to the population mean given that the standard error value is small. This is also applicable for the abnormal returns on KCB cross listing announcements at the RSE, USE, DSE whose standard errors are established as 0.265, 0.078 and 0.007 respectively.

The standard errors for the abnormal returns of Kenya Airways DSE and USE cross listing announcements are 0.037 and 0.021 respectively. Nation media group USE, RSE and DSE abnormal earnings on cross listing announcements standard errors are 0.022, 0.006 and 0.001 respectively. Standard errors for abnormal returns for Uchumi USE and DSE cross listing announcements are 0.189 and 0.120 respectively. Since these values are relatively small, the sample mean is close to the population mean.

Table 4.2: One-Sample Test on Abnormal Returns

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
ARcentumUSE	.343	60	.733	.0031967	-.015458	.021851
AREABLUSE	-1.792	60	.078	-.0384255	-.081327	.004476
AREABLDSE	-.213	60	.832	-5.2526066	-0.545688	0.440636
AREQUITYUSE	-.143	60	.886	-.0002539	-.003794	.003286
ARJUBILEUSE	1.416	60	.162	.0005967	-.000246	.001439
ARJUBILEDSE	1.416	60	.162	.0005967	-.000246	.001439
ARKCBRSE	1.175	60	.245	.3118538	-.218956	.842664
ARKCBUSE	1.881	60	.065	.1479318	-.009404	.305267
ARKCBDSE	-1.593	60	.116	-.0122048	-.027530	.003120
ARKQDSE	-1.217	60	.229	-.0453903	-.120023	.029242
ARKQUSE	-2.420	60	.019	-1.5042108	-2.747790	-.260631
ARNMGUSE	.047	60	.962	.0010475	-.043282	.045377
ARNMGRSE	-1.395	60	.168	-.0096121	-.023392	.004168
ARNMGDSE	-.764	60	.448	-.0008627	-.003121	.001396
ARUCHUMIUSE	-1.347	60	.183	-.2548932	-.633346	.123560
ARUCHUMIDSE	-.179	60	.858	-.0215236	-.261902	.218854

This output presented in table 4.2 gives the t-test value, the degrees of freedom and the two-tailed significance. Since the p values for centum USE, EABL USE, EABL DSE and Equity USE abnormal returns are 0.733, 0.078, 0.832 and 0.886 respectively which are all more than 0.05, the null hypothesis cannot be rejected. This confirms that cross listing announcements does not affect stock returns.

The p values for Jubilee USE, Jubilee DSE, KCB RSE, KCB USE and KCB DSE are 0.162, 0.162, 0.245, 0.065 and 0.116 respectively which are all more than 0.05 and as such, the null hypothesis can not be rejected. This confirms that cross listing announcements does not affect stock returns.

The p values for Kenya Airways DSE, Nation media group USE, Nation media group RSE and Nation media group DSE are at 0.229, 0.962, 0.168 and 0.448 respectively which are all more than 0.05 and as such, the null hypothesis is not rejected. This confirms that cross listing announcements does not affect stock returns. This also applies for UCHUMI DSE and USE cross listings with P values of 0.858 and 0.183 respectively. The p values for Kenya airways USE cross listing announcement is at 0.019 which is less tham 0.05 and as such, the alternate hypothesis is not rejected which confirms that cross listing announcement affects the returns.

Table 4.3 below shows the descriptive statistics for the variables as the number of observations (N), the mean and the standard deviation for all the sixteeen cross listing announcements cumulative abnormal returns (CAR) for the period of the study.

Table 4.3: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
CARcentumUSE	61	.006657	.0738849	.0094600
CAREABLUSE	61	-.038426	.1675098	.0214474
CAREABLDSE	61	-5.252607	0.192557	0.246544
CAREQUITYUSE	61	-.000254	.0138207	.0017696
CARJUBILEUSE	61	.000597	.0032904	.0004213
CARJUBILEDSE	61	.000597	.0032904	.0004213
CARKCBRSE	61	.311854	2.0725708	.2653655
CARKCBUSE	61	.147932	.6143234	.0786560
CARKCBDSE	61	-.012205	.0598367	.0076613
CARKQDSE	61	-.045390	.2914063	.0373108
CARKQUSE	61	-1.504211	4.8556106	.6216972
CARNMGUSE	61	.001048	.1730861	.0221614
CARNMGRSE	61	-.009612	.0538046	.0068890
CARNMGDSE	61	-.000863	.0088184	.0011291
CARUCHUMIUSE	61	-.254893	1.4776852	.1891982
CARUCHUMIDSE	61	-.021524	.9385660	.1201711

The centum USE cross listing announcements cumulative abnormal returns (CAR) standard error of the sample mean is merely 0.009 which is relatively small. Therefore, there is a high likelihood that the sample mean is close to the population mean. The standard error of the sample mean for the EABL USE cross listing announcements cumulative abnormal returns (CAR) is 0.021 which is relatively small meaning that it too adequately represents the population mean. The standard error for the EABL DSE cross listing announcements cumulative abnormal returns (CAR) is 0.246 which is also relatively small and infers that the sample mean is close to the population mean. The standard error of the CAR on Equity bank USE cross listing announcement is at 0.001 which is also small and implies that the sample mean is close to the population mean.

The standard error for cumulative abnormal returns (CAR) on both Jubilee USE and DSE cross listing announcements is at 0.004 which imply that the sample mean is close to the population mean given that the standard error value is small. This is also applicable for the cumulative abnormal returns on KCB cross listing announcements at the RSE, USE, DSE whose standard errors are established as 0.265, 0.078 and 0.007 respectively.

The standard errors for the cumulative abnormal returns of Kenya Airways DSE and USE cross listing announcements are 0.037 and 0.621 respectively. Nation media group USE, RSE and DSE cumulative abnormal returns on cross listing announcements standard errors are 0.022, 0.006 and 0.001 respectively. Standard errors for cumulative abnormal returns for Uchumi USE and DSE cross listing announcements are 0.189 and 0.120 respectively. Since these values are relatively small, the sample mean is close to the population mean.

Table 4.4: One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
CARcentumUSE	.704	60	.484	.0066574	-.012265	.025580
CAREABLUSE	-1.792	60	.078	-.0384255	-.081327	.004476
CAREABLDSE	-.213	60	.832	-5.2526066	-0.545688	0.440636
CAREQUITYUSE	-.143	60	.886	-.0002539	-.003794	.003286
CARJUBILEUSE	1.416	60	.162	.0005967	-.000246	.001439
CARJUBILEDSE	1.416	60	.162	.0005967	-.000246	.001439
CARKCBRSE	1.175	60	.245	.3118538	-.218956	.842664
CARKCBUSE	1.881	60	.065	.1479318	-.009404	.305267
CARKCBDSE	-1.593	60	.116	-.0122048	-.027530	.003120
CARKQDSE	-1.217	60	.229	-.0453903	-.120023	.029242
CARKQUSE	-2.420	60	.019	-1.5042108	-2.747790	-.260631
CARNMGUSE	.047	60	.962	.0010475	-.043282	.045377
CARNMGRSE	-1.395	60	.168	-.0096121	-.023392	.004168
CARNMGDSE	-.764	60	.448	-.0008627	-.003121	.001396
CARUCHUMIUSE	-1.347	60	.183	-.2548932	-.633346	.123560
CARUCHUMIDSE	-.179	60	.858	-.0215236	-.261902	.218854

The output presented in table 4.4 gives the t-test value, the degrees of freedom and the two-tailed significance. Since the p values for centum USE, EABL USE, EABL DSE and Equity USE abnormal returns are 0.484, 0.078, 0.832 and 0.886 respectively which are all more than 0.05, the null hypothesis cannot be rejected. This confirms that cross listing announcements does not affect cumulative stock returns.

The p values for Jubilee USE, Jubilee DSE, KCB RSE, KCB USE and KCB DSE are 0.162, 0.162, 0.245, 0.065 and 0.116 respectively which are all more than 0.05 and as such, the null hypothesis can not be rejected. This confirms that cross listing announcements does not affect cumulative stock returns.

The p values for Kenya Airways DSE, Nation media group USE, Nation media group RSE and Nation media group DSE are at 0.229, 0.962, 0.168 and 0.448 respectively which are all more than 0.05 and as such, the null hypothesis is not rejected. This confirms that cross listing announcements does not affect cumulative stock returns. This also applies for UCHUMI USE and DSE cross listing cumulative abnormal returns whose p values are 0.183 and 0.858 respectively.

The p values for Kenya airways USE cross listing announcement is at 0.019 which is less than 0.05 and as such, the alternate hypothesis is not rejected which confirms that cross listing announcement affects the cumulative returns.

4.4   Summary of research Findings and Discussions

The research involved 16 event studies in total which were based on the respective cross-listing announcement date for each of the companies studied and for each and every market included in the research. Out of the 16 event studies, only one study resulted in a positive relationship between cross-listing and stock returns. The one event study included the announcement of cross-listing of Kenya Airways (KQ) into the USE. This announcement took place on 12th December, 2001. The research findings are summarized in the table 4.5 below.

Table 4.5: Summary of Cross listing Announcements and Significance on returns

COMPANY	BOURSE	CROSS-LISTING ANNOUNCEMENT DATE	Significance of P Value
UCHUMI LTD	USE,	2nd Nov,2012	Not Significant
UCHUMI LTD	DSE	9th Jun,2014	Not Significant
NATION MEDIA GROUP	DSE	16th Dec,2010	Not Significant
NATION MEDIA GROUP	USE	27th Oct,2010	Not Significant
NATION MEDIA GROUP	RSE	7th Sept,2010	Not Significant
CENTUM INVESTMENT LTD	USE	7th Jun,2011	Not Significant
JUBILEE INSURANCE	USE	1st Jan,2006	Not Significant
JUBILEE INSURANCE	DSE	Jun,2006	Not Significant
EQUITY HOLDINGS LTD	USE	March,2009	Not Significant
EQUITY HOLDINGS LTD	RSE	11th Feb,2015	Not Significant
KENYA COMMERCIAL BANK	USE	29th Oct,2008	Not Significant
KENYA COMMERCIAL BANK	DSE	17th Dec,2012	Not Significant
KENYA COMMERCIAL BANK	RSE	15th June,2010	Not Significant
KENYA AIRWAYS	USE	12th Dec,2001	Significant
KENYA AIRWAYS	DSE	22nd Sept,2004	Not Significant
EAST AFRICA BREWERIES	USE	12th March,2001	Not Significant
EAST AFRICA BREWERIES	DSE	14th Jun,2005	

From the analysis therefore, abnormal returns and cumulative abnormal returns for one out of sixteen cross listing events (6.25%) are established to have deviated on account of the cross listing announcement. The balance of 93.75% confirm that returns did not deviate as a result of the event and therefore cross listig announcements do not affect stock returns. The findings point to earlier findings by Cherono (2010) which established that the market reacts negatively to cross-border listing causing underperformance of stocks in the long run.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1   Summary of Findings

Cross border listing has become a common practice in the world which has led to the interest of scholars and practitioners to understand the motivation of cross border listing and the market reaction to cross border listing announcements. The study examined the effect of cross-listing on the stock returns of firms cross-listed within the east African community securities exchanges. This was achieved by analyzing share prices' reactions to cross-listing 30 days before and 30 days after the announcement date. The event study methodology was used with a 61 day event window.

For Centum USE cross listing announcement, the average actual returns during the 30 days event window was -0.001 and the average abnormal return was 0.007. During EABL crosslisting announcement at USE, the average actual return is 0.06 and the average abnormal retun is -0.038. On EABL cross listing announcement at DSE, the average actual return over the event window is 0.004 and the average abnormal return was -5.252. During Equity bank USE cross listing announcement, the average actual return is -0.136 and the average abnormal return is -0.000.

During Jubilee holdings cross listing announcement at the USE the average actual return is 0.046 and the average abnormal return is 0.001. The average abnormal returns for the period of Jubilee cross listing at DSE is 0.001 and the average actual return is 0.003.

The Kenya Commercial bank (KCB) has cross listed in all the bourses in the East african community. During KCB RSE cross listing announcement, the.average actual return is -0.003 and the average abnormal return is 0.312. On Cross listing at USE, the average actual return is -0.002 and the average abnormal return is 0.148. During DSE cross listing, the average actual return is 0.002 and the average abnormal return is -0.012.

Kenya Airways has cross listed in the USE and the DSE. On cross listing at the DSE, the average actual return is 0.005 and the average abnormal return is -0.045. On cross listing at the USE, the average actual return is 0.000 and the average abnormal returns is 1.479.

The Nation Media Group (NMG) has also cross listed in all the exchanges present in EAC, on cross listing at the USE, the average actual return is -0.000 and the average abnormal return is 0.001. During the NMG RSE cross listing, the average actual return is 0.002 and the average abnormal return is -0.009. On NMG cross listing at DSE, the average abnormal return is 0.000 and the average abnormal return is -0.000.

Uchumi has also cross listed at the USE and DSE. On cross listing at the USE, the everage actual return is 0.002 and the average abnormal return is -0.254 while on cross listing at the DSE, the average actual return is 0.001 and the average abnormal return in the period is -0.021.

Non parametric T – test results establish that abnormal returns and cumulative abnormal returns for one out of sixteen cross listing events (6.25%) have deviated on account of the cross listing announcement. The balance of 93.75% confirm that returns did not deviate as a result of the event and therefore cross listing announcements are concluded as having no effect stock returns. These findings conflict with the propositions of Adelegan (2008) and Mugo (2009). Adelegan (2008) evidence that following cross border listing announcements , there is a positive abnormal return around the date of the regional cross-listing of stocks. Mugo (2009) findings also show that there existed a positive relationship between the cross border listing announcements and stock performance. These findings provide evidence that firms benefit from listing outside their home market and need to be considered.

The findings confirm earlier findings by Cherono (2010) who established that the market reacts negatively to cross-border listing causing underperformance of stocks in the long run. This conclusion was due to the fact that there were negative cumulative abnormal returns in the post-announcement dates.

5.2 Conclusions

Foremost, the study concludes that the reaction to cross listing announcements vary across the firm s and across the markets and is dependent on the circumstances. There are noted trends of recation but generally, the abnormal and cumulative abnormal returns take a common trend during the event window.

Secondly, since the study finds that the abnormal and cumulative abnormal returns recat on only one of the sixteen cross listing announcement events. It is imperative therefore to argue that cross listing announcement may not have a positive effect on firm returns and firm value as has been advanced in erallier studies notably by Adelegan (2008) whose suggested that following cross border listing announcements , there is a positive abnormal return around the date of the regional cross-listing of stocks and Mugo (2009) findings who also show that there exist a positive relationship between the cross border listing announcements and stock performance.

5.3 Recommendations

The role of stock markets in economic development and subsequently regional development can not be under estimated, its therefore important that policy makers in the respective countries within the East Africa Region formulate policies that promote integration of the security markets to avoid arbitrage profit making. The countries within the East Africa region should focus more on harmonizing their cross-listing and trading laws.

Domestic and international firms should also be encouraged to cross-list by providing them with incentives including tax exemptions, tax holidays and reduction in transaction and the approval costs of regional cross-listing of securities.

5.4 Limitations of the Study

The stock market performance and subsequently returns during the cross listing announcements have been affected by other market anomalies such as Weekend effect, Monday effect, Holiday effect or Investor behavioural biases. Macroeconomic

indicators like inflation, interest rates and currency depreciation might also control the effect of these events. Unfortunately, these control factors could not be isolated in the study as it is considered difficult to do so.

The study findings are as accurate as the data used and event analysis. This research has not been able to establish the accuracy of the data used beyond the authenticity of the source. This means it cannot be inferred whether the records are accurate and if so, to what extent.

There are chances that cross listing announcements are infiltrated with insider information. This has an effect on the abnormal returns which should further investigated. The extent of insider information on the market depends on corporate governance practices and rules and regulations at the capital markets.

5.5   Areas of Further Research

The study suggests that advanced event study methodologies should be incorporated such as the filtered GARCH-EVT approach and the non-parametric methodology to analyze the effect of cross listing announcements on the stock market performance regarding stock prices and returns. GARCH-EVT approach enables one to study the event-day effect only, though it is computationally intensive. The study recommends that a similar study can be done on the information content of other forms of corporate announcements.

There should be studies on the other factors that explain abnormal returns arising from cross listing announcements if any. These returns may be explained also by other macroeconomic attributes or market microstructure.

Further research in this field should focus on assessing the effects of cross-listing on abnormal and cumulative stock returns on specific sectors such as the agriculture, banking, manufacturing and constructions sectors. Efforts should be made to look at the effect of cross listing on overall market performance for both the cross listing bourse and the bourse of domicile for the cross listed firm.

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APPENDICES

APPENDIX ONE CROSS LISTING ANNOUNCEMENT DATES

COMPANY	BOURSE	CROSS-LISTING ANNOUNCEMENT DATE
CENTUM INVESTMENT LTD	USE	7th Jun,2011
EAST AFRICA BREWERIES	USE	12th March,2001
EAST AFRICA BREWERIES	DSE	14th Jun,2005
EQUITY HOLDINGS LTD	USE	March,2009
EQUITY HOLDINGS LTD	RSE	11th Feb,2015
JUBILEE INSURANCE	USE	1st Jan,2006
JUBILEE INSURANCE	DSE	26 May,2006
KENYA COMMERCIAL BANK	USE	29th Oct,2008
KENYA COMMERCIAL BANK	DSE	17th Dec,2012
KENYA COMMERCIAL BANK	RSE	15th June,2010
KENYA AIRWAYS	USE	12th Dec,2001
KENYA AIRWAYS	DSE	22nd Sept,2004
NATION MEDIA GROUP	DSE	16th Dec,2010
NATION MEDIA GROUP	USE	27th Oct,2010
NATION MEDIA GROUP	RSE	7th Sept,2010
UCHUMI LTD	USE	2nd Nov,2012
UCHUMI LTD	DSE	9th Jun,2014