THE EFFECT OF CORPORATE GOVERNANCE PRACTICES ON THE SHARE PRICES OF COMPANIES LISTED AT THE NAIROBI SECURITIES EXCHANGE

BY

MOSES PKECH LOPOKOIYIT
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DECLARATION

This research project is my original work and has not been submitted for academic purposes in the University of Nairobi or any other University.

Signed...Date...9/11/2012.......

Moses Pkech Lopokoiyit

D63/63776/2011

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

Signed...Date...13.11.12.......

Herick Ondigo

Lecturer

Department of Finance and Accounting

School of Business

University of Nairobi

DEDICATION

To my parents Edward Lopokoiyit and Grace Amurle, thank you for your unconditional support and for giving me the chance to prove and improve myself through all my walks of life. I am honoured to have you as my parents.

To my daughters, Miranda and Relin, wise beyond their years. To my beloved wife, Pauline, for being infinitely supportive.

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ABSTRACT

The improvement of corporate governance practices is widely recognized as one of the essential elements in strengthening the foundation for the long-term economic performance of countries and corporations. Following the financial crises in the latter part of the 1990s and 2000, the issue of corporate governance has risen to the head of the international agenda as an important component of the global financial architecture. In Kenya, recent corporate distress as witnessed in listed companies at the NSE namely; Uchumi Supermarkets Ltd, EAPCC, and CMC Holdings Ltd (CMC) brought into fore the need for good corporate governance practices.

This study thus sought to evaluate the effect of corporate governance practises on the share price of companies listed at the NSE and aims to provide insight as to the significance of corporate governance practises on share prices of the NSE 20 share index constituent companies for years 2011 and 2010. This study thus evaluated corporate governance practises, return on assets, earnings per share and debt to equity ratio against share price so as to determine the significance of corporate governance practice against the other financial ratios. A cross-sectional regression analysis using SPSS was done for this study wherein a correlation of above 0.5 meant that the two variables are having high correlation and hence dependent upon each other.

This study found out there is a direct relationship between corporate governance practises and share price. The absolute values indicate that indicate that corporate governance score which is derived from the corporate governance principles had the greater weight when it comes to determining share prices followed by earnings per share then debt/equity ratio and return on assets. This study recommends that the corporate governance framework for listed companies in Kenya should be strengthened by incorporating all of the OECD principles of corporate governance and converting the corporate governance guidelines to regulations so as to ensure enforceability.

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LIST OF ABBREVIATIONS

Cap 485A	Capital Markets Act Chapter 485A
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CGS	Corporate Governance Score
CMA	Capital Markets Authority
CMC	CMC Holdings Ltd
EAPCC	East African Portland Cement Co Ltd
EPS	Earnings per Share
GoK	Government of Kenya
KLM	KLM Royal Dutch Airlines
OECD	Organization for Economic Development and Corporation
OTC	Over the Counter
NSE	Nairobi Securities Exchange
PE	Price-Earnings Ratio
ROA	Return on Assets
ROE	Return on Equity
SOX	Sarbanes-Oxley Act of 2002
USA	United States of America

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CHAPTER ONE

INTRODUCTION

1.1 Background of The Study

Corporate governance has become an issue of global significance. The improvement of corporate governance practices is widely recognized as one of the essential elements in strengthening the foundation for the long-term economic performance of countries and corporations. Following the financial crises in the latter part of the 1990s and 2000, the issue of corporate governance has risen to the head of the international agenda as an important component of the global financial architecture (Armstrong, 2005).

Corporate governance seeks to create corporations that are governed transparently and with integrity, and which are accountable and responsible. This is based on the premise that business enterprises practicing good corporate governance have a better chance of success than those which do not.

The development of good governance, whether at the public policy level dealing with national priorities or at the regulatory level dealing with issues of supervision of laws and regulations, or at the corporate level in regard to the conduct of business and commercial enterprises, all contribute to the positive development and growth of economies (Armstrong, 2005).

Corporate governance in Africa has been led by the King Report on Corporate Governance issued in South Africa in 1994, which embraces not only the conventional issues surrounding corporate governance but delved into a number of social and transformation issues extremely relevant in the African context

1.1.1 Corporate Governance

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled. Corporate governance comprises the long-term management and oversight of the company in accordance with the principles of responsibility and transparency (OECD, 2010).

Corporate Governance is the system by which business corporations are directed and controlled, the corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs (European Central Bank, 2004).

Corporate Governance provides the structure through which the company's objectives are set and the means of attaining those objectives and monitoring performance. This definition is in tandem with the submission of (Akinsulire, 2006). Thus Corporate Governance can be viewed as a maker-checker mechanism at the high level decision making of a corporation which involves stakeholders, shareholders and management.

1.1.2 Share Price

A share price is the cost of purchasing a single share of a company such that the purchaser becomes an owner of the company and is referred to as a shareholder of the company. Share price is thus the unit cost of the ownership in a company. While owning shares in a business does not mean that the shareholder has direct control over the business's day-to-day operations, being a shareholder does entitle the possessor to an equal distribution in any profits, if any are declared in the form of dividends. The two main types of shares are common shares and preferred shares, the latter having greater claim of the company's assets than the former.

A share price is arrived at when a seller being a shareholder of a company and a buyer being a potential shareholder enter into an agreement for the exchange of ownership in the company for a consideration. This consideration in unit terms is the share price. Share prices are usually recorded at a stock exchange or an OTC market where company shares are traded.

Share prices fluctuate due to many factors that affect the company performance and which can generally be termed as global, domestic (external factors) and local (internal factors). Global factors represent influences on the company performance emanating from without the domicile country while domestic factors represents influences on the company performance emanating from within the country. Local factors represent company specific influences ranging from company strategy, management expertise, Board of directors, corporate governance and many other factors. Thus it is important to consider all the factors while deciding whether to buy or sell shares.

1.1.3 Effect of Corporate Governance on Share Prices

The development of good governance, whether at the public policy level dealing with national priorities or at the regulatory level dealing with issues of supervision of laws and regulations, or at the corporate level in regard to the conduct of business and commercial enterprises, all contribute to the positive development and growth of economies (Armstrong, 2005).

Empirical studies though not conclusively have shown that corporate governance has a positive impact on shares prices and firm value. A company that is governed well with high degree of integrity, accountability and transparency is likely to succeed more than one that has not proper governance structures and lacking accountability and transparency.

A number of studies have examined the relationship between corporate governance and firm's performance that show how good governance practices have increase the economic value to firms, higher productivity and lower risk systematic risk (Hermalin and Weisbach, 2003).

In a study of the Karachi Stock Market, corporate governance and share prices were found to be related and significant and it was concluded that better governed firms have higher stock prices due to the fact that better managed firms will perform better and as result stock prices will increase (Malik, 2012).

1.1.4 Nairobi Securities Exchange

The NSE was constituted in 1954 as a voluntary association of stockbrokers registered under the Societies Act. This was made possible after clearance was obtained from the London Stock Exchange which recognized the NSE as an Overseas Stock Exchange (About Us, History)

1988 saw the first privatization through the NSE, of the successful sale of a 20% government stake in Kenya Commercial Bank. The sale left the Government of Kenya and affiliated institutions retaining 80% ownership of the bank. In 1996, the (then) largest share issue in the history of NSE, the privatization of Kenya Airways, came to the market.

In September 2006 live trading on the Automated Trading Systems of the Nairobi Stock Exchange was implemented. In year 2006 saw the largest share issue in the history of

NSE and in the region – Kshs. 50 Billion, the privatization of Safaricom Ltd came to the market and was oversubscribed.

The NSE currently comprises of **60** listed companies in the equities market with a daily trading volume of over **USD 5 million** and a total market capitalization of approximately **USD 13 billion** (About Us: History). Fixed income securities comprising of GoK treasury bonds and corporate bonds are also listed at the NSE.

The NSE has a membership of nineteen (19) stockbrokers and investment banks. The nineteen members are bound by the rules of membership and thus the NSE can be termed as a self regulating organization.

1.2 Research Problem

In finance the goal of the firm is to maximize the shareholders' wealth for whom the firm is being operated. Shareholders wealth can be measured by the share price of the stock, which in turn is based on the timing of returns, the amount of the returns and the risk or uncertainty of the returns. The existence of divergent and sometimes conflicting objectives between managers and shareholders has given rise to the design of many concepts and mechanisms to ensure that the cost associated with such divergent interest is minimal and with this emerges corporate governance. Thus corporate governance is a significant concept in finance as it relates to the maximization of shareholders' wealth.

In Kenya, recent corporate distress as witnessed in listed companies at the NSE namely; Uchumi Supermarkets Ltd, EAPCC, and CMC Holdings Ltd (CMC) brought into fore the need for good corporate governance practices. Shareholders in these three companies have lost their hard earned money through shadowy corporate deals orchestrated by directors, management and in some cases staff. The lack of board oversight of management and generally poor guidance paint a clear picture of the state of corporate governance in Kenya. The CMA report on CMC stated that the company lost millions of shillings in bad business practices and poor corporate governance structures that allowed top executives and directors to pursue selfish interest to the detriment of minority shareholders (CMA: Press Release).

More recently the Government of Kenya (GoK) through the Central Bank of Kenya (CBK) has enacted new regulations that require half of non-executive board seats of licensed commercial banks to be held by independent directors. The Central CBK asserts that the new rules are aimed at reducing the influence of principal shareholders in the boardrooms as well as safeguard the interests of minority investors whose influence in the key decision-making organs has declined.

Empirical studies on corporate governance and firm performance in the East suggest that good corporate governance practices leads to a higher firm value. The study of the Korean market revealed corporate governance as an in important factor in explaining market values of Korean public companies where there was a strong positive correlation between the overall corporate governance index and firm value (Black, Jang and Kim, 2003). A Malaysian study found out that none of the conventional measures of corporate governance is significant as hypothesized; Board's independence and institutional ownership were found to have a negative impact on ROE significantly and the effect of corporate governance on bank profitability was inconclusive (Htay, 2012). (Aman and Nguyen, 2008) in a study of the Japanese market found that the portfolio of poorly governed firms significantly outperforms the portfolio of well-governed firms. In Kenya, in a study of the analysis of the effect of corporate governance on performance of commercial state corporations' revealed that there is a positive relationship between return on equity (ROE) and board size and board composition (Miring'u and Muoria, 2011). However, the relationship between ownership concentration and government, and firm performance was significantly negative (Ongore and K'Obonyo, 2011).

This study intends to address the following research question:

Does corporate governance practices have an effect on the of share prices of listed companies?

1.3 Objective of the Study

To assess the effect of corporate governance practises on the share prices of companies listed at the NSE.

1.4 Value of the Study

In evaluating the effect of corporate governance practises on the share prices of companies listed on the NSE, this study aims to provide insight as to the significance of corporate governance practises on share prices. This study aims to reinforce the various corporate governance theories and specifically the stakeholders' theory which suggests that the purpose of a business is to create as much value as possible for stakeholders.

This study aims to contribute to literature the topical issue of corporate governance literature and provide a direction for policy makers in the finance world in relation to best corporate governance practises and its effects on firm value. It is expected that the outcome of this study will contribute to policy formulation and interventions in both the private and public sectors as firms would seek to revaluate the importance of corporate governance.

In practice, this study shall seek to address the day to day corporate governance matters that a firm faces and draw management and stakeholders into looking at corporate governance as a holistic component of a firm strategy and by inference value.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter explores the fundamental theories of corporate governance which began with the agency theory, expanded into stewardship theory and stakeholder theory and evolved to, political theory. This chapter also examines the corporate governance principles for companies worldwide including Kenya. The chapter also examines the factors that influence share prices which are classified as internal and external factors where internal are company specific factors while external factors are global factors. Finally, the chapter undertakes an empirical review of similar studies in international, regional and the local market and highlights the findings of the studies.

2.2 Theoretical Review

The existence of divergent and sometimes conflicting objectives between managers and shareholders has given rise to the design of many concepts and mechanisms to ensure that such divergent interest is minimal and with this emerges corporate governance theories. Agency theory suggests that a firm can be viewed as a connection of contracts between resource holders. Stakeholders theory suggests the purpose of a business is to create as much value as possible for all stakeholders while stewardship theory suggests that stewards who are company executives and managers are satisfied and motivated when organizational success is attained. Political theory brings the approach of developing voting support from shareholders rather by purchasing voting power hence having a political influence in corporate governance may direct corporate governance within the organization.

2.2.1 Agency Theory

Agency theory suggests that the firm can be viewed as a connection of contracts between resource holders. An agency relationship arises whenever one or more individuals, called principals, hire one or more other individuals, called agents, to perform some service and then delegate decision-making authority to the agents. The primary agency relationships in business are those between stockholders and managers. Agency theory posits that in the presence of information asymmetry the agent (in this case, the directors and managers) is likely to pursue interests that may hurt the principal, or shareholder (Fama, 1980). At first the theory was applied to the relationship between managers and equity holders with no explicit recognition of other parties interested in the well-being of the firm.

A broader view of agency theory and corporate governance covers the area where the interests of managers diverge from those of the interests of shareholders (McColgan, 2001). Agency relationship is a type of contract in which the principal keeps the agent to carry out the services of the firm on his behalf and since the interests of the agents are not necessarily those of the principal, the organization encounters agency costs (Jensen and Meckling, 1976). These costs consists of the expenses of monitoring the behaviour of agents, including budget restrictions, compensation practices such as stock options, bonuses, and other incentives and the loss of profits due to operating rules and restrictions on management.

Agency problem can be reduced by the help of effective corporate governance mechanism which can be important in reducing the agency cost and the ownership problems in the firms (McColgan, 2001). The governance should be design according to the firm environment as one general mechanism can be more important for some firms and less important for other firms. A review of the issues and challenges of corporate governance in Africa presented the reason for their review that many of the non financial corporations failed in the United States and in Asia due to the non efficient corporate governance and that Africa can learn a great from the experiences of these countries and may improve the governance for its corporate sector (Okeahalam and Akinboade, 2003).

2.2.2 Stakeholders Theory

Stakeholder theory suggests that the purpose of a business is to create as much value as possible for stakeholders. In order to succeed and be sustainable over time, executives must keep the interests of customers, suppliers, employees, communities and shareholders aligned and going in the same direction. Stakeholder theory has become more prominent because many researchers have recognized that the activities of a corporate entity impact on the external environment requiring accountability of the organization to a wider audience than simply its shareholders. For instance, McDonald and Puxty proposed that companies are no longer the instrument of shareholders alone but exist within society and, therefore, has responsibilities to that society (Kyereboah-Coleman, 2007, pg.4).

Stakeholders' theory thus in addition to setting up value maximization as the corporate scorecard, top management must provide a corporate vision, strategy, and tactics that will unite all the firm's constituencies in its efforts to compete and add value for investors. Hence, by managing for stakeholders, executives will also create as much value as possible for shareholders and other financiers. One must however point out that large recognition of this fact has rather been a recent phenomenon. Indeed, it has been realized that economic value is created by people who voluntarily come together and cooperate to improve everyone's position (Freeman *et al.*, 2004).

2.2.3 Stewardship Theory

Stewardship theory has its roots from psychology and sociology and is defined by as a steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximized (Abdullah and Valentine, 2009). In this perspective, stewards are company executives and managers working for the shareholders, protects and make profits for the shareholders. Unlike agency theory, stewardship theory stresses not on the perspective of individualism but rather on the role of top management being as stewards, integrating their goals as part of the organization (Donaldson and Davis, 1991). The stewardship perspective suggests that stewards are satisfied and motivated when organizational success is attained.

2.2.4 Political Theory

Political theory brings the approach of developing voting support from shareholders rather by purchasing voting power hence having a political influence in corporate governance may direct corporate governance within the organization (Abdullah and Valentine, 2009). Public interest is much reserved as the government participates in corporate decision making, taking into consideration cultural challenges (Pound, 1993).

The political model highlights the allocation of corporate power, profits and privileges are determined via the governments' favor. The political model of corporate governance can have an immense influence on governance developments. Over the last decades, the government of a country has been seen to have a strong political influence on firms. As a result, there is an entrance of politics into the governance structure or firms' mechanism (Abdullah and Valentine, 2009).

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2.3 Corporate Governance For Listed Companies

In response to the scandals, the USA passed the Sarbanes-Oxley Act (SOX) of 2002 which is also known as the Public Company Accounting Reform and Investor Protection Act and the Corporate and Auditing Accountability and Responsibility Act. SOX aims regulate and monitor firms' corporate governance level and mechanisms, internal controls, corporate board responsibility, financial disclosures gatekeepers – auditors, lawyers and banker's independence. New York Stock Exchange quickly followed the USA Government by adopting sweeping new rules for listed corporations, thereby effecting the most significant reform in U. S. corporate governance since the creation of the country's securities regulation regime in the 1930's (Salacuse, 2002).

In Kenya, the CMA in year 2002 and pursuant to the Capital Markets Act (Cap. 485A) issued guidelines on corporate governance practices. The guidelines are referred to as - Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya. The OECD issued in years 1999 and 2004 the OECD principles of corporate governance which are intended to assist OECD and non-OECD governments in their efforts to evaluate and improve the legal, institutional and regulatory framework for corporate governance in their countries, and to provide guidance and suggestions for stock exchanges, investors, corporations, and other parties that have a role in the process of developing good corporate governance (OECD, 2004). The Kenyan guidelines on corporate governance are modeled closely to the OECD principles of corporate governance.

The OECD principles of corporate governance identifies the rights of shareholders and key ownership functions and attempts to provide the corporate governance framework to protect and facilitate the exercise of shareholders' rights. The principles also indentifies equitable treatment of shareholders as a principle and attempts to provide a framework to ensure the equitable treatment of all shareholders, including minority and foreign shareholders and that all shareholders should have the opportunity to obtain effective redress for violation of their rights. The principles also identifies the role of stakeholders in corporate governance and provides a framework to recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises. The principles also identifies disclosure and transparency and provides a framework to ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company. Finally, the principle indentifies the responsibilities of the Board and provides guidelines to ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

2.4 Factors Influencing Share Price

Share prices fluctuate due to market forces of demand and supply and this is due to many factors that affect the company performance and which can generally be termed as global, domestic (external factors) and local (internal factors). Global factors represent influences on the company performance emanating from without the domicile country while domestic factors represents influences on the company performance emanating from within the country. Local factors represent company specific influences ranging from company strategy, management expertise, Board of directors, corporate governance and many other factors.

The external factors can also be referred to as macro-economic factors affecting a firm performance. Research Studies have shown that macro-economic factors affect a firm's performance, share prices and values. In Pakistan, a study of the impact of macro-economic variable on stock market prices it was found that exchange rate and exchange reserves highly affected the stock prices (Mohammad et al. 2006). In a study of the

Croatian market also found a relationship between the market index and inflation on the stock prices (Benakovic and Posedel, 2010).

Other factors that influence shares prices are investors' sentiments and analysts' estimates. Investors' sentiment is a collective term that represents the expectations of the majority of stock market participants. Investors would normally buy a share if they expect the price would rise and sell if they expect the price to fall. Analysts' estimates may influence share prices when a company fails to meet analyst earnings estimates. The result is usually a stumble in the share price usually this is generally often the case for companies that are followed closely by analysts.

2.5 Empirical Review

Empirical studies on corporate governance and firm performance and prices in the East suggest that good corporate governance practices leads to a higher firm value are mixed and at times inconclusive. The study of the Korean market revealed corporate governance as an in important factor in explaining market values of Korean public companies where there was a strong positive correlation between the overall corporate governance index and firm value (Black, Jang and Kim, 2003). In a study of the Japanese market it was generally concluded that appears to be that stock prices fairly reflect the lower risk of well-governed firms and higher risk of poorly governed firms (Aman and Nguyen, 2008). On the contrary a Malaysian study found out that none of the conventional measures of corporate governance is significant as hypothesized; board's independence and institutional ownership were found to have a negative impact on ROE significantly and the effect of corporate governance on bank profitability was inconclusive (Htay, 2012).

In a study of the Karachi Stock Market found that corporate governance and share prices are related and significant and concluded that better governed firms have higher stock prices due to the fact that better managed firms will perform better as result stock prices will increase (Malik, 2012).

In India, a study on corporate governance reforms and market values concluded that investors expected reforms to benefit large firms, and likely also medium-sized firms. This suggests that properly designed mandatory corporate governance reforms can increase share prices their emerging market (Black and Khanna, 2007). In a study of the Japanese market found that the portfolio of poorly governed firms significantly outperforms the portfolio of well-governed firms (Aman and Nguyen, 2008). In Sri Lanka a positive relationship between governance practices (separate leadership, board composition, board committee and firm performance) based on return on equity, and board composition, board committees and performance was reported. These relationships indicated that firms have implemented corporate governance strategies, which have resulted in higher profitability and share price performance (Heenetigala and Armstrong, 2012).

In Kenya, in a study of the analysis of the effect of corporate governance on performance of commercial state corporations' revealed that there is a positive relationship between return on equity (ROE) and board size and board composition (Miring'u and Muoria, 2011). In a study of ownership structure and corporate governance and performance revealed that there was significant difference between corporate governance and financial performance of banks and recommends that corporate entities should promote corporate governance to send a positive signal to potential investors (Mang'unyi, 2011). In another study of the effects of selected corporate governance characteristics on firm performance provided evidence of significant positive relationship between foreign, insider, institutional and diverse ownership forms, and firm performance; however, the relationship between ownership concentration and government, and firm performance was significantly negative (Ongore and K'Obonyo, 2011).

In a study of the relationship between level of implementation of CMA guidelines on corporate governance and profitability of companies listed at the NSE, it was concluded that increase in performance can be partly contributed to the adoption of the CG guidelines (Nambiro, 2008). In a another study of corporate governance and firm performance in Kenya found that the significance of the individual variables (Board characteristics) in the overall specification models having differing significant variables on the basis of measure of performance for selected firms(Chogii, 2009). A study of the relationship between corporate governance structure and the performance of banks listed at NSE found out that Board size negatively affected firm performance while Board composition affected market performance positively (Ndung'u, 2012).

In another study on the impact of the CMA corporate governance code on the financial performance of commercial banks in Kenya concluded that the Impact of CMA corporate governance guidelines on bank returns has been mixed as on one hand there has been a positive relationship between CMA guidelines and ROA but a negative one on ROE (Cherono, 2011). In a similar study on the effect of corporate governance on firms financial performance of companies listed on the NSE concluded that that majority of the firms were able to deliver over 100% growth in profitability which is attributed to good corporate governance (Ombayo, 2011).

2.6 Conclusion

Empirical studies on corporate governance and firm performance and share prices to suggest that good corporate governance practices leads to a higher firm value are mixed and at times inconclusive. Thus the research gap of this study is in empirical review and consequently this study aims to contribute to empirical research the effect of corporate governance practices on share price and by extension firm value.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines how the research was conducted. The chapter presents the cross-sectional research design and the population under study. It also offers direction on the suitable sample of study and the sampling technique. The chapter ultimately illustrates the types of study's variables and measurement scales.

3.2 Research Design

The study employed causal research design and attempts to establish the existence of a relationship or interdependence between two or more aspects of a situation. According to James Mahoney correlation analysis is the basis for much explanation in contemporary (Mahoney, 2001).

Thus to seek to establish the relationship between corporate governance practices, and share price of companies listed on the NSE, a causal research design was appropriate as the aim was to establish and understand better the cause and effect between corporate governance practices and share price.

3.3 Population

A population can be defined as an entire set of relevant units of analysis or data. It can be referred to as the aggregate of all the cases that conform to some designated set of specifications. The population was thus the sixty (60) listed companies at the NSE and the duration of the study was two (2) years, years 2010 and 2011.

3.4 Sample

The sample size was twenty (20) companies that comprise the NSE 20 share index. The NSE 20 share index is a price weight index constituting of 20 members (companies). The members are selected based on a weighted market performance for a 12 month period as follows: Market Capitalization 40%, Shares Traded 30%, Number of deals 20%, and Turnover 10%, (Bloomberg Interactive 2012). Thus the twenty companies that constitute may be termed as blue chip companies based on their performance in the market.

3.5 Data Collection

The data used for this study were derived from the annual reports of the firms that were constituent of the NSE 20 share index in year 2010 and 2011. The research involved a study of the 20 companies included in the index. For the purpose of the study 4 independent and 1 dependent variables (company's share price) were identified for the years. A cross sectional regression analysis was run using the data collected in order to identify the variable having the most impact on the share price of the company.

The objective of this study was to examine the effect of Corporate Governance practices on the share prices of the NSE 20 share index constituent companies. The share price was the dependent variable while earnings per share (EPS), debt-equity ratio, return on assets (ROA), Corporate Governance Score were the independent variables. The corporate governance score was constructed through discourse made in the annual reports of the companies. The specific corporate governance principles that form the corporate governance score were; the rights of shareholders and key ownership functions, equitable treatment of shareholders as a principle, the role of stakeholders in corporate governance, disclosure and transparency and the responsibilities of the Board.

For this study it was assumed that all factors be they global factors or domestic factors that affect share price are held constant as they affect the NSE 20 share index in entirety rather than exclusively.

3.6 Data Analysis

The research involved a study of the 20 companies included in the index. For the purpose of the study 4 independent and 1 dependent variables (company's share price) were identified for the years 2010 and 2011. A cross sectional regression analysis was run using the data so collected in order to identify the variable having the most impact on the share price of the company.

$$\text{Share Price} = C + \beta_1 CGS + \beta_2 EPS + \beta_3 D/E + \beta_4 ROA + \varepsilon_t$$

Wherein, 'C' is constant and β_1, β_2, β_3 and β_4 are coefficients of the independent variables and

CGS - Corporate Governance Score

EPS - Earnings per Share

D/E - Debt/Equity ratio

ROA - Return on Assets

The corporate governance score was awarded accordance to the extent to which a company had followed and adhered to the principles of corporate governance as detailed in the corporate governance scorecard which is derived from the OECD principles on corporate governance. A company was awarded between 1 and 5 marks where 5 marks were awarded if the extent of the practice of the principle is very highly practiced and 1 mark if the extent of the practice of the principle is very low.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

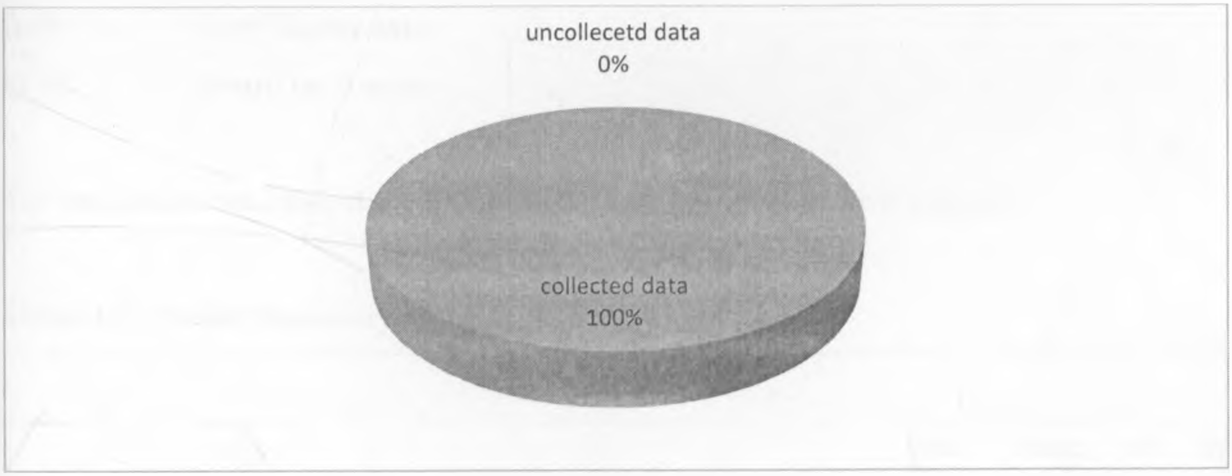
4.1 Introduction

This chapter presents the results of the analysis, findings and discussion on the effect of corporate governance practices on the performance of share prices. The results were then presented inform of charts and tables where quantitative was analyzed through Ms Excel and SPSS statistical software analyzed through coding.

4.2 Response Rate

The researcher sought to determine the relationship between Share Price and Return on Assets; Debt/Equity ratio; Earnings per Share; Corporate Governance Score where constituent companies in the Nairobi Securities Exchange 20-Share index were involved in the study.

Figure 4.1 Response Rate



Source: Research Findings

The results in figure 1 indicate that the researcher was able to collect data from all (100%) of the target population as indicated in the study. The researcher obtained the data from the Nairobi Securities Exchange.

4.3 Relationship between Share Price and ROA; Debt/Equity; EPS; CGS

The researcher sought to determine the relationship between Share Price and Return on Assets; Debt/Equity ratio; Earnings per Share; Corporate Governance Score where the researcher conducted a regression analysis to determine the coefficient of each variable on the share prices. Based on the given model:

$$\text{Share Price} = C + \beta_1 CGS + \beta_2 EPS + \beta_3 D/E + \beta_4 ROA + \varepsilon_t$$

Where: 'C' is constant and β_1, β_2, β_3 and β_4 are coefficients of the independent variables and

CGS - Corporate Governance Score
EPS - Earnings per Share
D/E - Debt/Equity ratio
ROA - Return on Assets

The researcher established the following as listed in table 4.1 and table 4.2

Table 4.1 - Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.967[a]	.935	.918	23.96863

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.967[a]	.935	.918	23.96863
a. Predictors: (Constant), Debt/Equity ratio, Earnings per Share, Corporate Governance Score,				

Source: Research Findings

The study results under column R Square is a measure of how much the variability in the outcome is accounted for by the predictors. In this table its value is 0.935 which means that Debt/Equity ratio, Earnings per Share, Corporate Governance Score accounts for 93.5% of the level of variability on the changes of share prices of the 20 Share Index. The adjusted R^2 gives us how well our model generalizes and ideally its value should be the same or very close to R^2; from the model in the table, 0.918 is the value for Adjusted R^2 which means that, if the model were derived from a population rather than a sample, it would account for 91.8% less variance in changes in shares prices of the 20 share index at the NSE.

Table 4.2 - Coefficients RoA; Debt/Equity ratio; EPS and CGS on Share Prices

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	-47.861	54.438	-.879	.393
	Corporate Governance Score	12.078	18.612	.649	.526

	Earnings per Share	7.040	.730	9.647	.000
	Return on Assets	.058	.575	.101	.921
	Debt/Equity ratio	.179	.061	2.909	.011

Source: Research Findings

The study results under table 4.2 indicate that there is an inverse relationship between share prices and Return on Assets while the rest of the variables remain positive on their relationship with the share prices. Testing at 5% (0.05) significance level, all the variables under review are significant since their p-values (Sig.) is greater than 0.05 ($p>0.05$) for all of them except for the Earnings per Share with significant values less than 0.05. The study used the values under Unstandardized Coefficients B for the coefficients for the variables. This indicates the extent to which each of the variables affect share prices and it further gives the weight of each and every one of them on share prices.

In an attempt to answer the research questions in the study, the researcher found the following:

Share Price = $C + \beta_1 CGS + \beta_2 EPS + \beta_3 D/E + \beta_4 ROA + \varepsilon_t$

Where it established that:

Share Price = 12.078 Corporate Governance Score + 7.040 Earnings per Share + -.058 Return on Assets + .179 Debt/Equity ratio - 47.861

The study results indicate that CGS has a direct relationship with the share prices meaning where CGS practice was good then the share prices was up and share prices had a positive relationship with the rest of the variables meaning that whenever the share prices moves in a particular direction, all the other variables also move in the same direction. The study results has also looking at the absolute values indicated that

Corporate Governance Score has greater weight when it comes to determining share prices (12.078) followed by Earnings per Share (7.040) then Debt/Equity ratio (.179) while Return on Assets (.058) was the least.

4.4 Pearson Correlations

Based on the study findings, a correlation of above 0.5 will mean that the two variables are having high correlation and hence dependent upon each other. Under such circumstances the p-value (Sig.) must be more than 0.05 testing at 5% significance level indicated by the one star rating (*) to have significant dependency. Also, the p-value (Sig.) must be more than 0.01 testing at 10% significance level indicated by the two star rating (**) to have significant dependency.

Table 4.3 - Pearson Correlations

		Corporate Governance Score	Earnings per Share	Return on Assets	Debt/Equity ratio	Share Prices
Share Prices	Pearson Correlation	.560*	.945**	.565**	.103*	1
	Sig. (2-tailed)	.010	.000	.009	.667	
	N	20	20	20	20	20

The ** (two stars) indicates Correlation is significant at the 0.01 level (2-tailed).

The * (one star) indicates Correlation is significant at the 0.05 level (2-tailed).

Source: Research Findings

The study results in table 4.3 indicate that using Pearson Correlation, all the variable under study have high correlation with the share prices except Debt/Equity ratio with the correlation less than 0.05 rating from the highest to the least, Earnings per Share has the highest (.945**) testing at 10% significant level (2-tailed) and the significant value is 0.000 meaning it has no significant dependency ($p<0.01$). The second is Return on Assets (.565**) testing at 10% significant level (2-tailed) and the significant value is 0.009 ($p<0.01$) meaning it has no significant dependency. The third one is Corporate Governance Score (.560*) testing at 5% significant level (2-tailed) and the significant value is .010 meaning it has a significant dependency ($p=0.01$). Finally, the least is Debt/Equity ratio (.103) testing at 5% significant level (2-tailed) and the significant value is .667 meaning it has a significant dependency ($p>0.05$).

4.5 Average Trends of NSE 20 Index Companies for 2011 and 2010

Table 4.4 – Average Trends of Independent Variables

Name	CGS	EPS	ROA	Debt/Equity
Athi River Mining Ltd	3.35	15.63	8.97	268.01
Bamburi Cement Co Ltd	3.49	21.45	25.32	0.00
Barclays Bank of Kenya Ltd	3.43	2.46	7.90	27.73
British American Tobacco Kenya Ltd	3.51	39.82	33.06	14.87
Co-operative Bank of Kenya Ltd	3.21	1.93	5.05	16.68
East African Breweries Ltd	3.45	18.11	28.79	308.23
East African Cables Ltd	2.81	1.60	8.94	75.50
Equity Bank Ltd	3.40	3.75	9.01	57.78
Express Kenya ltd	2.45	-6.55	-23.86	251.48
Kenya Airways Ltd	2.47	7.41	4.44	180.10

Kenya Commercial Bank Ltd	3.10	5.10	5.38	65.14
Kenya Electricity Generating Co Ltd	2.69	1.73	2.52	147.07
Kenya Power & Lighting Ltd	2.74	5.72	6.58	102.57
Mumias Sugar Co Ltd	2.83	1.95	12.62	28.99
Nation Media Group Ltd	2.94	17.60	34.48	2.60
REA Vipingo Plantations Ltd	2.94	8.35	25.54	33.78
Safaricom Ltd	2.40	0.49	16.84	37.72
SASINI Ltd	2.86	2.87	7.76	8.15
Standard Chartered Bank Kenya Ltd	3.20	28.57	5.82	37.40

Source: Research Findings

4.6 Interpretation of the Findings

The researcher sought to determine the relationship between Share Price and Return on Assets; Debt/Equity ratio; Earnings per Share; Corporate Governance Score where the researcher conducted a regression analysis to determine the coefficient of each variable on the share prices. Based on the given model:

Share Price = $C + \beta_1 CGS + \beta_2 EPS + \beta_3 D/E + \beta_4 ROA + \varepsilon_t$

Where: 'C' is constant and $\beta_1, \beta_2, \beta_3$ and β_4 are coefficients of the independent variables

The model summary study result of the R Square is a measure of how much the variability in the outcome is accounted for by the predictors. It was found out that its value is 0.935 which means that Debt/Equity ratio, Earnings per Share, Corporate Governance Score accounts for 93.5% of the level of variability on the changes of share prices of the 20 Share Index. The adjusted R^2 informs us how well our model generalizes and ideally its value should be the same or very close to R^2; from the model in the table, 0.918 is the value for Adjusted R^2 which means that, if the model were derived from a population rather than a sample, it would account for 91.8% less variance in changes in shares prices of the 20 share index at the NSE.

The study results indicate that there is a direct relationship between share prices and Return on Assets while the rest of the variables also remain positive on their relationship with the share prices. Testing at 5% (0.05) significance level, all the variables under review are significant since their p-values (Sig.) is greater than 0.05 ($p>0.05$) for all of them except for the Earnings per Share with significant values less than 0.05. The study used the values under unstandardized coefficients B for the coefficients for the variables. This indicates the extent to which each of the variables affect share prices and it further gives the weight of each and every one of them on share prices.

In an attempt to answer the research questions in the study, the researcher found the following:

$$\text{Share Price} = C + \beta_1 CGS + \beta_2 EPS + \beta_3 D/E + \beta_4 ROA + \varepsilon_t$$

Where it established that:

Share Price = 12.078 Corporate Governance Score + 7.040 Earnings per Share + -.058 Return on Assets + .179 Debt/Equity ratio - 47.861

The study results indicate that CGS has a direct relationship with the share prices meaning where CGS practice was good then the share prices was up and share prices had a positive relationship with the rest of the variables meaning that whenever the share prices moves in a particular direction, all the other variables also move in the same direction. The study results has also looking at the absolute values indicated that Corporate Governance Score has greater weight when it comes to determining share prices (12.078) followed by Earnings per Share (7.040) then Debt/Equity ratio (.179) while Return on Assets (.058) was the least.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings, generated conclusions and recommendations based on the analysis of the results of the study on the effect of corporate governance practises on share prices. The chapter also puts forth recommendations to policy makers in the area of corporate governance and provides information in regards to possible areas for further research.

5.2 Summary

This study found out there is a direct relationship between corporate governance practises and share prices. The absolute values indicate that indicate that Corporate Governance Score which is derived from the corporate governance principles had the greater weight when it comes to determining share prices (12.078) followed by Earnings per Share (7.040) then Debt/Equity ratio (.179) while Return on Assets (.058) was the least.

The general results of this study are supported by the studies of the of the Korean market that revealed corporate governance as an in important factor in explaining market values of Korean public companies where there was a strong positive correlation between the overall corporate governance index and firm value (Black, Jang and Kim, 2003). In a study of the Japanese market it was generally concluded that that stock prices fairly reflect the lower risk of well-governed firms and higher risk of poorly governed firms (Aman and Nguyen, 2008). In a study of the Karachi Stock Market it was found that corporate governance and share prices are related and significant and concluded that better governed firms have higher stock prices due to the fact that better managed firms will perform better as result stock prices will increase (Malik, 2012).

In India, a study on corporate governance reforms and market values also concluded that investors expected reforms to benefit large firms, and likely also medium-sized firms. This suggests that properly designed mandatory corporate governance reforms can increase share prices in emerging market (Black and Khanna, 2007). In Sri Lanka a positive relationship between governance practices (separate leadership, board composition, board committee and firm performance) based on return on equity, and board composition, board committees and performance was reported. These relationships indicated that firms that have implemented corporate governance strategies, have resulted in higher profitability and share price performance (Heenetigala and Armstrong, 2012).

In Kenya, in a study of the analysis of the effect of corporate governance on performance of commercial state corporations' revealed that there is a positive relationship between return on equity (ROE) and board size and board composition (Miring'u and Muoria, 2011). In a study of ownership structure and corporate governance and performance revealed that there was significant difference between corporate governance and financial performance of banks and recommends that corporate entities should promote corporate governance to send a positive signal to potential investors (Mang'unyi, 2011). Likewise in a study of the relationship between level of implementation of CMA guidelines on corporate governance and profitability of companies listed at the NSE, it was concluded that increase in performance can be partly contributed to the adoption of the CG guidelines (Nambiro, 2008). In another study on the effect of corporate governance on firms financial performance of companies listed on the NSE concluded that that majority of the firms were able to deliver over 100% growth in profitability which is attributed to good corporate governance (Ombayo, 2011).

5.3 Conclusion

This study concludes by indicating that there is a significant and direct relationship between corporate governance practises and shares prices. The corporate governance practices are not only significant but a major variable in the determination of share prices.

The study also found out that EPS and Debt/Equity ratio to have a direct relationship with share price. This is consistent with the intuitive thinking that the higher the EPS of a company the higher likelihood that the price would be high. ROA was also found to be directly related to share price. It can thus be concluded that corporate governance practices have a positive effect on share price.

5.4 Recommendation for Policy

This outcome of this study shall seek to inform policy makers in the area of corporate governance of the importance of corporate governance practices and draw management and stakeholders into looking at corporate governance as a holistic component of a firm strategy and by inference value.

The policy makers should further strengthen the corporate governance framework for listed companies in Kenya to bring them up to international level as stipulated by the corporate governance principles. The CMA should also make the corporate governance practices to be regulations rather than guidelines thereby having enforceability of the same. Other institutions like the Institute of Certified Public Accountants should also formulate corporate governance standards for their member firms and adopt a framework for reporting corporate governance practices of their clients.

In general, Directors of listed companies should be made to attend mandatory and regular trainings in corporate governance focusing on topical issues in corporate governance matters.

5.5 Limitations of the Study

Although this research was carefully prepared, I am still aware of its limitations and shortcomings. Firstly, the research was conducted in for two years being years 2010 and 2011. The two years may not be sufficient to observe and capture performance and data that may provide a trend or eliminate blips occasioned by other factors.

Secondly, the population of the experimental group is small, only twenty companies and this may not represent the majority of the population. Therefore to generalize the research findings to the whole population the study should have involved the entire population.

Lastly, the assessment of the CGS was conducted by the author, it is unavoidable that in this evaluating the extent to which corporate governance practises are undertaken by the companies, there is certain degree of subjectivity in the evaluation.

5.6 Areas for Further Research

The first possible area for further research is to define the correct measure(s) for good governance that would capture all the facets of governance as governance is a soft issue that is not best captured by quantitative and structural factors alone. There is also the need for further development of theory in the area of corporate governance as that would lead to developing more holistic and robust models for corporate governance in organizations which could be tested empirically and form the basis for more effective policy formulation.

The second area in corporate governance research has been the fact that the focus of most such research efforts has been to evolve a universal standard for governance that all organizations must strive for and the related attempts, by researchers, to measure governance in organizations against this universal standard. Adopting such an approach of 'one size fits all' to corporate governance research has been self limiting and inappropriate. Further research should be undertaken to evolve a segmental standards. Thirdly, further research should be undertaken to examine the relationship between ROA and share price as the relationship though positive it is almost insignificant.

Further research studies should be done focusing in the relationship between performance and governance variables incorporating qualitative aspects like skills, level of education, experience, individual competencies, and character of individuals serving in the Board Firms.

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APPENDIX I

NSE 20 Share Index Linked Companies as at December 31, 2011

Athi River Mining Ltd
Bamburi Cement Co Ltd
Barclays Bank of Kenya Ltd
British American Tobacco Kenya Ltd
Co-operative Bank of Kenya Ltd
East African Breweries Ltd
East African Cables Ltd
Equity Bank Ltd
Express Kenya ltd
Kenya Airways Ltd
Kenya Commercial Bank Ltd
Kenya Electricity Generating Co Ltd
Kenya Power & Lighting Ltd
Mumias Sugar Co Ltd
Nation Media Group Ltd
REA Vipingo Plantations Ltd
Safaricom Ltd
Sasini Ltd
Standard Chartered Bank Kenya Ltd
Uchumi Supermarket Ltd

Source: NSE

APPENDIX II

Corporate Governance Score Card

		PPRACTICE				
	PRINCIPLES	Very High 5	High 4	Moderate 3	Low 2	Very Low 1
I	**Rights of Shareholders and Key Ownership**					
A	Shareholders rights to: 1) secure methods of ownership registration; 2) convey or transfer shares; 3) obtain relevant and material information on the corporation on a timely and regular basis; 4) participate and vote in general shareholder meetings; 5) elect and remove members of the board; and 6) share in the profits of the corporation.					
B	Shareholders rights to participate in and be sufficiently informed on: decisions concerning fundamental corporate changes such as: 1) amendments to the statutes, or articles of incorporation or similar governing documents of the company; 2) the authorization of additional shares; and 3) extraordinary transactions, including the transfer of all or substantially all assets, that in effect result in the sale of the company.					
C	Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings.					
D	Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.					
E	Markets for corporate control should be allowed to function in an efficient and transparent manner- The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and recourse. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.					

F	The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated - Institutional investors acting in a fiduciary capacity should disclose their overall corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights					
G	Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.					
II	**The Equitable Treatment of Shareholders**					
A	All shareholders of the same series of a class should be treated equally - 1. Within any series of a class, all shares should carry the same rights. All investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase. Any changes in voting rights should be subject to approval by those classes of shares which are negatively affected. 2. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress.3. Votes should be cast by custodians or nominees in a manner agreed upon with the beneficial owner of the shares. 4. Impediments to cross border voting should be eliminated. 5. Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.					
B	Insider trading and abusive self-dealing should be prohibited.					
C	Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.					
III	**The Role of Stakeholders in Corporate Governance**					

A	The rights of stakeholders that are established by law or through mutual agreements are to be respected.					
B	Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.					
C	Performance-enhancing mechanisms for employee participation should be permitted to develop.					
D	Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.					
E	Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.					
F	The corporate governance framework should be complemented by an effective, efficient insolvency framework and by effective enforcement of creditor rights.					
IV	**Disclosure and Transparency**					
A	Disclosure should include, but not be limited to, material information on: 1. The financial and operating results of the company. 2. Company objectives. 3. Major share ownership and voting rights. 4. Remuneration policy for members of the board and key executives, and information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board. 5. Related party transactions. 6. Foreseeable risk factors. 7. Issues regarding employees and other stakeholders. 8. Governance structures and policies, in particular, the content of any corporate governance code or policy and the process by which it is implemented.					
B	Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosure.					
C	An annual audit should be conducted by an					

	independent, competent and qualified, auditor in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.					
D	External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit.					
E	Channels for disseminating information should provide for equal, timely and cost efficient access to relevant information by users.					
F	The corporate governance framework should be complemented by an effective approach that addresses and promotes the provision of analysis or advice by analysts, brokers, rating agencies and others, that is relevant to decisions by investors, free from material conflicts of interest that might compromise the integrity of their analysis or advice.					
V	**The Responsibilities of the Board**					
A	Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.					
B	Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.					
C	The board should apply high ethical standards. It should take into account the interests of stakeholders.					
D	The board should fulfill certain key functions, including: 1. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures. 2. Monitoring the effectiveness of the company's governance practices and making changes as needed. 3. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning. 4. Aligning key executive and board remuneration					

	with the longer term interests of the company and its shareholders. 5. Ensuring a formal and transparent board nomination and election process. 6. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions. 7. Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards. 8. Overseeing the process of disclosure and communications.					
E	The board should be able to exercise objective independent judgment on corporate affairs. 1. Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgment to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are the integrity of financial and non-financial reporting, the review of related party transactions, nomination of board members and key executives, and board remuneration. 2. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board. 3. Board members should be able to commit themselves effectively to their responsibilities.					
F	In order to fulfill their responsibilities, board members should have access to accurate, relevant and timely information.					

Source: OECD

APPENDIX III

Independent and Dependent Variables Data for 2011 And 2010

Athi River Minining		EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011		11.63	6.22	174.13	3.35	169.10
2010		8.00	5.52	187.76	3.41	141.34
Bamburi Cement		EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011		14.44	17.54	0.00	3.49	166.84
2010		14.02	15.56	0.00	3.42	191.76
Barclays Bank		EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011		1.49	4.76	15.73	3.43	14.71
2010		1.95	6.28	23.99	3.52	14.96
British American Tobacco		EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011		30.98	24.91	0.00	3.51	254.29
2010		17.67	16.31	29.75	3.48	229.67
Co-operative Bank of Kenya		EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011		1.28	3.32	9.79	3.21	13.45
2010		1.31	3.46	13.78	3.34	12.00
East African Breweries		EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011		13.46	20.45	298.66	3.45	183.95
2010		9.30	16.69	19.14	3.52	180.04
East African Cables		EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011		1.15	6.13	50.68	2.81	12.84
2010		0.90	5.61	49.65	2.75	16.00

Equity Bank	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	2.79	6.09	43.14	3.40	23.03
2010	1.93	5.85	29.27	3.20	21.76
Express Kenya	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	-6.47	-23.66	176.39	2.45	5.15
2010	-0.15	-0.41	150.16	2.52	9.38
Kenya Airways	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	3.58	2.12	122.01	2.47	31.50
2010	7.65	4.65	116.17	2.55	46.95
Kenya Commercial Bank	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	3.72	3.77	51.01	3.10	21.37
2010	2.76	3.22	28.26	3.28	20.51
Kenya Electricity Gen C	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	1.28	1.74	98.49	2.69	12.77
2010	0.89	1.55	97.15	2.41	16.35
Kenya Power & Lighting Co	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	3.03	4.12	73.69	2.74	17.95
2010	5.38	4.93	57.76	3.15	19.77
Mumias Sugar Co	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	1.32	7.96	18.61	2.83	7.11
2010	1.26	9.31	20.76	2.95	11.36

Nation Media Group	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	12.70	23.90	2.40	2.94	160.10
2010	9.80	21.15	0.39	3.26	141.68
Rea Vipingo	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	7.79	23.38	18.77	2.94	15.70
2010	1.12	4.32	30.02	2.85	16.96
Safaricom	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	0.32	10.81	26.51	2.40	3.63
2010	0.33	12.07	22.42	2.76	5.27
Sasini	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	1.72	4.21	2.77	2.86	11.65
2010	2.30	7.11	10.75	2.57	12.82
Standard Chartered	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	19.28	3.81	37.40	3.20	219.21
2010	18.58	4.03	0.00	3.42	217.29
Uchumi Supermarkets	EPS:Y	ROA:Y	Debt/Equity:Y	CG Score	Price
2011	3.60	1.47	20.45	3.26	9.13
2010	3.24	1.89	28.95	3.12	0.00

Source: NSE and Research Findings