RELATIONSHIP BETWEEN VOLUNTARY FINANCIAL STATEMENTS DISCLOSURE AND FINANCIAL DISTRESS OF MANUFACTURING FIRMS LISTED IN NAIROBI SECURITIES EXCHANGE

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DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, Institution or University other than the University of Nairobi for academic credit.

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DEDICATION

I dedicate this research project to my parents for their invaluable support both morally and financially, to my siblings for continually encouraging me throughout the research period, and to all my friends for their continued support when I was doing my project.

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ACRONYMS AND ABBREVIATIONS

CMA Capital Market Authority

NSE Nairobi Securities Exchange

SPSS Statistical Package for social Scientists

ABSTRACT

For manufacturing firms, there are usually key issues whose efficiency in operation matters a lot and in case a firm is encountering financial distress there are high chance of turning into bankruptcy which determine asset restructuring. Another reason that could trigger financing distress is the choice of source of financing. For instance, in the case where a firm may have the right mix of asset but poor financing may tend to be financially stable in the long run though in the short run may experience financial distress. The last reason is due lack of efficient team of management, that is, the firm may have right mix of assets and source of funds but absence of efficient managers of the firm resources may lead the company into financial difficulty. Firm listed under the manufacturing sector demands for huge long term financial investment which may pose a threat to financing method and consequently increase the chances of financial distress. It is in this back drop that the current study sought to examine the relationship between voluntary disclosure and financial distress among listed manufacturing companies. The study was hinged on agency, signaling and stakeholder theory. A correlation research design was adopted. The target population constituted the nine manufacturing companies listed in NSE and a census survey was used to select all. Descriptive analysis revealed that listed manufacturing companies had an average Altman's Z score of 2.09 which means the listed entities in Kenya have a safe financial profile and are not likely to go bankrupt.

There was a positive and significant relationship between each of the specific disclosures (non-financial information disclosure, governance information disclosure, strategic information disclosure and financial information disclosure) and financial distress among manufacturing companies listed in NSE.

There is need to voluntarily disclose information so as to minimise the chances of financial distress.

CHAPTER ONE

INTRODUCTION

1.1Background of the Study

In Kenya and most African countries, it is mandatory that manufacturing companies that are listed on Nairobi Stock Exchange should disclose relevant information to the general public. Some scholars argue that financial information should be provided even before the regulatory bodies demand for the same. Notably, the stock market returns sometimes are synonymous to stock prices. In particular, a strong market is the one that impounds new information to stock prices and hence makes the stock price accurately valued. In most cases, the public capital markets over or under evaluates some firms. Due to this reason, managers are expected to provide information that is solely known to them in order to correct the misevaluations. It should be noted that the Nairobi Stock Exchange is entirely dependent on information disclosed by the managers or directors. Also, some similar manufacturing companies tend to copy information provided by one another. In this regard, voluntary disclosure by one organization is copied by other firms and hence more information is released to the market making the capital markets more efficient (Asava, 2013).

Furthermore, information asymmetry and firm conflicts can adversely impede the allocation of resources in capital markets of any economy. Most regulatory bodies, auditors and capital market, intermediaries mostly seek to facilitate and enhance the credibility of management disclosures further playing a fundamental role in addressing the problem of agency conflict and information asymmetry. It should be noted that corporate disclosure is critical for the functioning of an efficient capital market (Nelson, 2014). Again, most companies provide information under voluntary

disclosure for the capital markets reasons. Of late, the Nairobi Stock Exchange is increasing becoming an important avenue for attracting foreign investors as well as encouraging the residents to invest in is the stock market. For this reason, manufacturing companies both local and international may engage in voluntary disclosures as a way of enhancing the value of the stocks further strengthening the investor confidence. By winning the confidence of the investors, it enhances their participation in various market activities further encouraging savings and directing them to other productive investments. From this, several debates arise as to whether protection of investors in any way promotes marketing efficiency (Wambugu, 2014).

1.1.1 Voluntary Disclosure

Voluntary disclosure is typically aimed at providing a clear perspective to the esteemed stakeholders about the company's prospected long-term sustainability. Additionally, it aims at reducing the information asymmetry and agency conflicts between the directors and particular investors. In this regard, businesses have become increasingly aware of the fundamental importance if presenting information about most of the activities to the stakeholders. Some of the information availed by a company's managers include financial and non-financial performance among others. It should be noted that financial information is not provided through statements as a mandatory requirement but as a corporate responsibility as well as to foster openness. As earlier noted, corporate transparency refers to decreasing information asymmetry between the stakeholders and company managers by disclosing crucial information through the various media that are convenient. Such media include newspapers, press releases, annual reports, and corporate websites among others (Wambugu, 2014).

As previously noted, investors and other interested parties get crucial information about companies trading in the Nairobi Securities Exchange (NSE) through their

annual reports or other publications. In this regard, it encourages the companies to disclose as much information as is possible. This move is crucial as organizations with perfect corporate governance can raise capital from the markets at a relatively lower price. Moreover, the more the disclosure, the greater the extent to which the stock prices reflect the whole truth further obeying the fundamentals of the market. This significantly helps the investors when choosing the securities to invest in (Barako, Hancock & Izan, 2015).

Voluntary financial disclosure refers to the provision of information by company's management beyond the requirements that are accepted by the accounting principles and securities exchange commission rules. It is an activity that is carried out many companies. However, the extent and type of voluntary disclosure differ according to the industry, geographic region, as well as company size. The field of voluntary disclosure has been identified as a potential research in financial reporting.

The Financial Accounting Standards Board (FASB, 2001) classifies voluntary disclosure into five categories. First, there is the business data which entails a breakdown of market share growth and information on new products. Secondly, there is the analysis of the business data which includes trend comparison and analysis with what the competitors are offering. Thirdly, voluntary disclosure entails forward-looking information that provides information about sales forecast breakdown and plans for expansion. Fourth, it consists of fundamental information about the shareholders as well as the management. In this, it contains information about the creditors and the stockholders as well as the shareholding breakdown. Fifth, voluntary disclosure seeks to provide information about the company's background including the long-term objectives and the products description. Lastly, it entails information

about the intangible assets such as development and research about customer relations. It should be noted that the major aim of voluntary disclosures is to inform the general public about the company. Besides, the management hopes that the stakeholders will positively respond to the company by either buying more shares or seeking affiliation. Notably, financial, strategic or non-financial voluntary disclosures suggest that some organizations gain immense benefits by disclosing more than is expected in case the issued information is availed strategically to the shareholders (Nelson, 2014).

There are various effects of disclosing stock returns of manufacturing companies listed in the stock market. Notably, stock market returns are in most cases synonymous with stock prices. In this regard, a strong market is the one that confiscates new information to stock prices hence making them stable and accurate. As earlier noted, information asymmetry and agency conflict usually impede the allocation of resources in the economy of capital markets. Financial studies reveal that most manufacturing companies are highly dependent on external financing and hence have a higher level of voluntary accounting disclosures. This further affirms the notion that manufacturing industries with a higher level of disclosure usually has lower costs of capital. In the light of this consideration, voluntary disclosures substantially lower information asymmetry and hence the cost of external financing for the firm (Barako, et al., 2015).

In addition, transaction costs that are shown in the bid-ask spread as a proxy for transaction costs. Also, the cost of equity capital is further reduced in the firms that have higher levels of disclosures. In this light, the companies with more analyst reports have lower costs of equity capital. Also, companies ranked highly by financial

analysts had lower interests' costs of issuing debts. On the contrary, the economic benefits encourage the managers to provide more information to the public in the voluntary disclosures. The management uses this platform to advertise the companies to prospective stock buyers. Additionally, the stakeholders have the chance to know more about the company and the same time reduce the cost of capital financing. Notably, stock returns disclosures have an economic benefit in that it helps to reduce the rising capital. Lastly, market participants are informed as they deal with the shortcomings of information asymmetry and the costs that come with it. Overall, disclosure of stock returns, financial and non-financial information and governance information attracts more investors to a market and hence helps to increase the market expansion strategies of the manufacturing industry (Asava, 2013).

1.1.2 Financial Distress

Financial distress is a condition that is witnessed when a firm is not in position to service its liabilities as they follow or when the firm show an indication to restructure debt instalment due to struggle to in repay it (Andrade & Kaplan, 2008). In this state, a firm is deemed to be illiquid owing to the constraining cash flows. And as Lizal (2002) explains, financial distress could be caused by three key issues that are neoclassical problem connected with misappropriate allocation of firms' available resources.

There are many signs that show a firm is experiencing financial distress. For example; firms that have steadily continued to yield lower returns when compared with market rate of other equivalent investments; and firm having a higher cost of capital than the average yield to an extent that the revenue does not cover all the cost are what Baharin and Sentosa, (2013) classified business vulnerable to fall. Companies that are highly geared may be exposed to bankruptcy risk especially when they fail to meet the

repayment schedules even though in case of good management this firms may payback the investors' good return (Amoa-Gyarteng, 2014).

1.1.3 Voluntary Disclosure and Financial Distress

Interestingly, bankruptcy resulting from consistent period of financial distress has called for protection from the authorities in charge so as to examine if the managers can communicate effectively with shareholders especially in situation where credibility has been put into question (Ben-Amar & Zeghal, 2008). A case study of firms in the US filing for bankruptcy protection showed that firms under financial distress were deemed to disclose more information in the management discussion and analysis (MD & A) sections of the annual reports in relations to future plans. On the other hand, the summary of financial information for the firms filing for bankruptcy protection appears less than those healthy firms (Charitou Lambertides & Trigeorgis, 2007). According to Ben-Amar and Zeghal, (2008) financial distress provide an interesting setting in which to examine managers' incentives to communicate to the outside investors.

Gantyowati and Nugraaheni (2014) examined Indonesian companies on the effect of financial distress on the level of disclosure focusing on the annual reports. In study that involved a data set from 2009-2011 collected from 144 non-financial firms listed in Indonesia Stock Exchange, it was established that financial distress had a negative association with level of disclosure at different levels of significance. More companies in Indonesia were delisted due to increased level of financial crisis led by abolition of fuel subsidy (Pranowo, Achsani, Manurung, & Nuryarton, 2010).

1.1.4 Nairobi Securities Exchange

The Nairobi Securities Exchange (NSE) currently provides market for securities for around 61 companies since the listed 1920 when the first company were brought to the public domain. Many changes have been witnessed in the exchange since to improve the marketability. More and more companies are joining the list of the prestigious company leading to the classification of the company according to their industry or what is produce or service provided. Capital Market Authority (CMA) acts the main regulator of the listed companies who decide what the companies need to disclose and observe. There are 10 classification of the group of companies in the NSE. Among them is listed manufacturing and allied companies group where all the companies in this industry are included for ease and like with like comparison. There are nine listed companies in under the group of manufacturing and allied firms, namely B.O.C Kenya Ltd, British American Tobacco Kenya Ltd, Carbacid Investments Ltd, East African Breweries Ltd, Mumias Sugar Co. Ltd, Unga Group Ltd, Eveready East Africa Ltd, Kenya Orchards Ltd and A. Baumann CO Ltd (http://www.nse.co.ke).

1.2 Research Problem

For manufacturing firms, there are usually key issues whose efficiency in operation matters a lot and in case a firm is encountering financial distress there are high chance of turning into bankruptcy which determine asset restructuring. Another reason that could trigger financing distress is the choice of source of financing. For instance, in the case where a firm may have the right mix of asset but poor financing may tend to be financially stable in the long run though in the short run may experience financial distress. The last reason is due lack of efficient team of management, that is, the firm

may have right mix of assets and source of funds but absence of efficient managers of the firm resources may lead the company into financial difficulty. Companies must be considerate when selecting team of managers and board of directors who are able to deliver for the firm. Investors should as well be willing to solve corporate governance problems all in their organization so as to minimize the chances of financial distress (Adale & Kaplan, 2008).

Manufacturing industries listed in the Nairobi securities exchange by the local investor has gradually gained momentum over the last couple of years. In this regard, the effect of voluntary financial disclosure on stock returns is still a controversial issue that has raised several issues in the financial and accounting literature. The quality of financial information can be fully measured either by the level of earning engagement or by the level of disclosure. Some scholars noted that corporate social responsibility disclosure received only a modest attention and the theme mostly used is community involvement. Others have noted that there is a direct relationship between corporate governance practices and share prices. Another study concluded that there exists a negative relationship between the cost of voluntary corporate and capital disclosure (Barako, *et al*., 2015).

Nelson (2014) sought to determine if the process of filtering out the financial information voluntary that is disclosed by the firms and was modified. Some results revealed voluntary internet financial reporting practices of local authorities and further found out that only size and type of council are associated with the quantity and type of financial disclosures on the internet. Most of the studies addressed above check the effect of voluntary financial disclosures on stock returns.

Tarus and Omandi (2013) examined the role of corporate transparency on firm performance among companies listed in NSE. The study found that social, risk,

financial and governance transparency had a positive and significance influence on firm performance and consequently minimized the chances of a company experiencing financial distress.

Although Barako (2007) examined the determinants of voluntary disclosure among companies listed in NSE, the study only showed that voluntary disclosure can be influenced by firm characteristics such as firm size, age and board characteristics such as board size, board tenure and CEO duality. This study never showed the influence of voluntary disclosure on firm performance or the chances of experiencing bankruptcy.

The existing literatures have a deficiency when it comes to explaining the critical aspects of voluntary disclosures. Notably, almost all previous studies had not critically discussed the effects of governance information disclosure on manufacturing companies that are listed on the Nairobi Stock Exchange. Few studies have sought to address voluntary financial disclosures and specifically the effect of financial disclosures on the financial distress of the companies listed on the Nairobi Securities Exchange. In the light of the above considerations, the study seeks to address the effects of voluntary financial disclosure on financial distress of the manufacturing industries listed on the Nairobi Securities Exchange. The most fundamental questions that it seeks to address are what are the effects of voluntary financial disclosure on financial distress, financial and non-financial, and governance on manufacturing industries listed on the Nairobi Securities Exchange.

1.3 Research Objectives

The objective of this study was to examine the relationship between financial statements voluntary disclosure and financial distress among manufacturing companies listed in Nairobi securities exchange.

1.4 Value of the Study

The study is meant to improve the existing pieces of literature on voluntary disclosures. It will make significant improvements in the field of finance, accounting, and economics for use both in the corporate and academic realms. In additional, it seeks to answer crucial questions that have for a long time been controversial. Also, some scholars have been arguing that voluntary disclosure should be made compulsory for all companies to adhere to. In their argument, they claim that it has positive effects and hence should be capitalized on. In other cases, financial analysts claim that voluntary disclosure is more important to the shareholders as it gives them more information of the particular company they are likely to invest in.

The study will also be of great benefit to the people who are in financial institutions to expand their knowledge and understanding of voluntary disclosure concepts. Finally, it will be of great importance to people in the field of financial analysis. It serves to expand the knowledge of financial analysts as the present one is deficient regarding clearly explaining voluntary disclosures.

Additionally, little information was available concerning the effects of voluntary disclosure on the stock returns. However, this study has addressed these fields by bringing a comprehensive research into the impacts of each on the manufacturing companies. Furthermore, the study has given professional dimension into looking at the topic voluntary disclosure for easier understanding. The language used is simplified to foster an easier understanding even to person with little or no financial background.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter introduces three theories to explain the objectives of the study and the problem at hand, namely signaling theory, stakeholder's theory and agency theory. These theories are discussed based on what they state, assumptions and predictions made thereof, plus the observation made in situations they have been used. Secondly, empirical review of literature is discussed, conceptual framework, summary of literature and research gaps are discussed.

2.2 Theoretical Review

In this section the theories supporting the study are discussed, they include agency theory as stated by Jensen and Meckling (1976), secondly signaling theory as stated by Spence in 1973 and finally stakeholder's theory as stated by Friedman (2006).

2.2.1 Agency Theory

Jensen and Meckling (1976) conceived agency theory which argued that there are two parties who are involved in a corporate organization. The two parties are management and shareholders, whereby the management acts as agents while the shareholders are the principals in a corporate organization. The agents are involved in several contracts for example a contract between debt holders and management for the provision of credit services. The variables are expanded from the agency theory (Jensen and Meckling, 1976) that defines the agency relationship as a contract under which one or more persons, i.e. principals (stakeholders) engage another person such as management to act on their behalf. Thus, it is the duty of the management to perform the task diligently with the skills, knowledge and expertise that they have acquired to

produce quality financial reporting. Consequently, the chances of an organization experiencing financial distress are minimized.

In this agency relationship the management should minimize the level of information asymmetry by increasing the level of voluntary disclosure in regard to financial, non financial, governance and strategic voluntary disclosures. The agents have limited information as compared to the management who are involved in the day to day running of the company. Tarus and Omandi (2014) argued that through increased levels of transparency an organization can be in a position to improve its performance which will minimize the chances of financial distress.

2.2.2. Signaling theory

The signaling theory was brought forth by Spence in 1973. The theory argues this is willing disclosure of financial information by the agent. According to Miller (2002) there is a positive and significant relationship between firm performance and voluntary disclosure. Though this study shows positive relationship some empirical findings shows that there is a negative and significant relationship (Land and Lundholm, 1993).

Although, some studies argued that firms which have positive performance are always willing to share information to members of the public freely. Binti, Giunta and Dainelli (2010) found that in UK this is not always the case since some companies which had registered an upward trend consistently had limited information disclosure as compared to those whose profits had no consistent upward trend. Binti et al. argued that there are chances of window dressing amongst companies which have lower profit levels.

In the current study disclosure of financial information and strategic information can be perceived as an indicator of good performance and it has high chances of attracting

positive performance (Shehata, 2014). Moreover, Birjandi, Hakemi and Sadeghi (2015) argued that there is a positive relationship between attracting resources and the level of information disclosure, therefore through increased voluntary disclosure there limited chances of firm experiencing financial distress.

2.2.3 Stakeholders Theory

According to Friedman (2006) every organization is composed by a group of investors who are geared towards positive organization performance. There is need for all stakeholders to work coherently to achieve the company vision and mission, this will be propelled by voluntary disclosure of information which can trigger positive message and consequently minimize the chances of financial distress (Fontaine, Haarman and Schmid, 2006). According to Freeman (2004) both principal and agent should have boundaries in regard to information disclosure as such to minimize the level of information asymmetry and increase chances of positive organization performance.

The theory is relevant for the current study since most companies voluntarily disclose information which is geared to trigger positive performance either on asset acquisition, financing mode and management strategies employed as such to ensure there are low chances financial distress (Smith, Adhikari and Tondkar, 2005). The principle owners of an organization ought to be continuously informed by the management in regard to the four thematic areas of voluntary disclosure which are financial, non financial, governance and strategic information disclosure.

2.3 Empirical Review

In the following section the study seeks to explain the role of voluntary disclosure on financial distress. Voluntary disclosure is categorized into strategic, financial, non-financial and governance disclosure.

2.3.1 Financial Information Disclosure and Financial Distress

Jullobol and Sartmool (2014) examined whether firm performance has any impact on the voluntary disclosure on listed companies in the technology industry of Thailand stock exchange for a period starting 2009 to 2013. Specifically, the study was anchored on signaling theory which suggested that voluntary disclosure was a signal strategy that the technology industry is performing better. Voluntary disclosure was assessed using disaggregated classes of data into strategic, non-financial and financial information while Tobin's Q and Return on Asset (ROA) were proxies for firm performance. Financial information voluntary disclosure checklist was adopted from Chau and Gray (2010) and Meek *et al.,* (1995). After the list was examined by experts, auditors and licensed persons who were proficient with listings of companies, secondary data was collected. A sample of 34 listed companies was selected and later fixed random effect was applied to the panel data. The results revealed that both the strategic and non-financial information were significantly influenced by high firm performance while financial information were not. Financial information voluntary disclosure checklist was adopted from Chau and Gray (2010) and Meek *et al.,* (1995) Contrary to this study the current research takes voluntary disclosure as independent to problem whether it adds to the firm value. As suggested Maina (2015) different location disclosure different information. The current study will be undertaken in Kenya insurance industry to test if the different or similar results will be witnessed.

Etemadi, Hesarzade, Mohammadabadi and Bazrafshan (2012) investigated the Iranian capital market for disclosure and the influence it had on the firm value. Data collected was analyzed Tehran stock exchange for a period of six years ending 2008. Analysis conducted using multiple regressions confirmed that there was a positive and significant connection between the financial information voluntary disclosure proxy for disclosure and the firms' values measured in terms of leverage, profitability and expected growth. The study erred in the choice of multiple regression which is inappropriate for panel data that require a method that will be able to consider both cross section and time series nature of the data. Therefore, this study aims to correct this error in the methodology by applying either random/ fixed effects or pooled ordinary least square regression for the analysis. The findings of Etemadi *et al.,* (2012) were contrary to Khoddamipour and Mahroomi (2012) findings who in their analysis of impact of voluntary disclosure on profitability per share found that disclosure had insignificant on related profit per share.

Since the value of shares is determined greatly by the investors who bid or ask depending on the information they have about the company. The type of investors as observed by Park, Wilcox and Berry (2011) matters a lot in determining when to buy or sell give the available information. For conservative investors, the market reactions to firms are greater than that of aggressive firms where investors devaluate the firms with an improvement in financial information voluntary disclosure (Park *et al.,* 2011). Kothari, Shu and Wysocki (2009) too investigated whether it was important to disclose bad news alike good news in United State firms. Results showed that managers are likely to delay disclosing bad news, especially on financial information, due to the fear for their tenures and compensation, and accelerate information when the company holds good news. Kothari *et al.,* (2009) also established the cost of

releasing bad news to the market had a lethal impact on stock returns that gain that would be realized when good news is disclosed on financial matters.

2.3.2 Non-Financial Information Disclosure and Financial Distress

Although, there are several researchers who have attempted to define non-financial disclosure though there is no conclusion. Juntilla, Kallunki, Karja and Martikainen (2005) defined non-financial disclosure as qualitative information reported in regard to risk management, level and type of corporate social responsibility involvement, risk management strategies and other reporting in relation to partnership with other organization which are not geared towards making profits for an organization. Other such Nuvira (2010) argued that the quantitative or non-quantitative information reported by an organization rather than the tradition financial reporting requirements is known as non-financial voluntary disclosure.

Mohammad, Salleh, Ismail and Chek (2014) examined the influence of non-financial information disclosure on firm profitability. The study purposively selected annual financial statement of listed companies. Data was analyzed using multiple regression analysis. Results of the study found that non-financial disclosure had the highest influence on firm profitability. From the findings it was concluded that non-financial voluntary disclosure provides insightful information of the quality of firm performance and there are minimal chances of financial disclosure.

2.3.3 Governance Information Disclosure and Financial Distress

In an attempt to investigate the extent in which voluntary disclosure signalizes firm performance in France listed firms, Hamrouni *et al.,* (2015) studied critically the impact of governance information disclosure on firm value. Governance voluntary disclosure measures were adopted from Meek et al. (1995), Eng and Mak (2003) and

Chau and Gray (2002). These studies specifically focused on ownership structure, organization chart, directors' personal and academic profiles, number of shareholders sitting on the board, presence of the internal audit committee, age and profile of executives and individual remuneration. Applying non parametric approach, firm performance was proxied by Tobin's Q and ROE. Data collected from the annual reports proved that there existed the positive connection between voluntary disclosure checklist for governance and performance measures. This shows that the level of disclosure plays a meaningful role in signaling performance.

This study hopes to use a similar approach; though the data collected will be longitudinal in nature since data will be collected for five years, which is informed by the need to see the amount of voluntary disclosure over years have any impact on the firm value. As Hassan and Mohd-Saleh, (2010) observed time series data increase the sample size and help to keenly screen the results of variable under investigation and on this form bases of using time series data. Similarly, Jullobol and Sartmool (2014) in Thailand adopted the panel data for clear observation of the trend in information disclosure.

In their study, Hassan and Melegy (2015) sought to find the economic consequences of corporate voluntary disclosure for Egyptian listed companies. Tobin's Q was used to measure the market value while voluntary disclosure was assessed from company annual reports and corporate websites using disclosure index classified into strategic, financial, non-financial and governance information. Weak significant linkages were found between governance information voluntary disclosure and corporate market values. This implies that the content spelt out in annual reports and websites about voluntary disclosure have some extent of economic value.

2.3.4 Strategic Information Disclosure and Financial Distress

Maina (2015) sought to determine the effect of voluntary disclosures of firms listed at the Nairobi Securities Exchange where voluntary disclosure was proxied by the information disclosed on business data and analysis, forward-looking, management and shareholders, background of the company and tangible assets. Data was collected from year 2004 to 2008 of 20 companies actively regulated and trading on the NSE. Relating these variables to stock returns showed that varied findings. On one side strategic information as proxied by background of company, intangible assets, forward looking information and business data showed positive implication on stock returns for the company. Surprisingly, information about shareholders and management and business data analysis had an inverse implication of the returns of stocks and later on the financial liquidity of the company. The study analyzed data using regression analysis, which in this case due to the nature of the data was inappropriate. For panel data, the appropriate analysis model to use is either a fixed/ random effect or pooled ordinary least squares.

For clarity of the future long term sustainability and ease of information related problems, most companies have opted to disclose more to safeguard the interests of most stakeholders and as Mwiti (2014) observed this additional information comes at a cost to the firm. This is to mean that value enhanced by such information must be evaluated to ensure cost incurred in the process do not out-weigh the benefits to be received. Even though strategic information voluntary disclosure may impact stock returns through the confidence and trust created by having future plan, it should be disclosed in a manner that will expose the company to competitors (Asava, 2013).

Zhou and Panbunyuen (2008) studied the association on board characteristics and voluntary disclosure among Chinese and Swedish companies. Voluntary disclosure is

classified into strategic information, financial information and non-financial information (Eng & Mak, 2003; Lim, Matolcsy & Chow, 2007) where this classification was tailored to different users of annual reports. Strategic and financial information are decision relevant to the investors while non-financial information is for company's accountability aimed to assist broader stakeholder group (Meek, Roberts & Gray, 1995).

2.4 Determinants of Financial Distress

According to Usdin and Bloom (2012) there are nine common sign of firm under distress: untimely payment to creditors: companies with a history of prosecution due to collection matters; the company suffering a significant event that will not recur; threats to shut down companies operation by the bank or secured lender; threats from unions for actions; whenever key suppliers is threatening to end their services; failure to perform acquired contracts on time or being incapacity to perform them; when the assets are exceeded by the liabilities; and the company's business model no longer being viable. On the other side, Sami (2013) indicates that the financial distress is bound to cash flow problems and of incapacity of refund of the debts and propose three things to check for those firms in distress; when firm loses the right to make decision without legal approval; when the production costs exceed the demand of the products, and when much time of the management is lost in trying to solve the distress issue. Even so, according to Zhuang and Chen (2014) state of financial for a company cannot be determine directly but through signals indicators

Among the non-financial firms listed in the Nairobi securities Exchange financial, Nyamboga, Omwario, Muriuki and Gongera (2014) investigation of what dictates a firm with financial distress and the results revealed albeit growth, profitability, leverage and liquidity all had positive implication on financial distress only

profitability and growth which positively influenced financial distress. The study made use of Altman's Z-score the study recommended the use of both qualitative and quantitative aspects to evaluate financial distress and customized ratios ought to be applied in the evaluation of specific attributes in the model. In contrast, it was appropriate to categorize firms into different levels of financial distress and use multinomial logistics to evaluate the chances of bankruptcy.

2.5 Conceptual Framework

A conceptual framework is the diagrammatic presentation of variables, showing the connection between the independent variables and a dependent variable (Kothari, 2004). In the current there is a presumed effect between voluntary disclosure; strategic information disclosure, financial information disclosure, non financial information disclosure and governance information disclosure and financial distress among listed manufacturing companies. This effect is presented as shown in Figure 2.1.

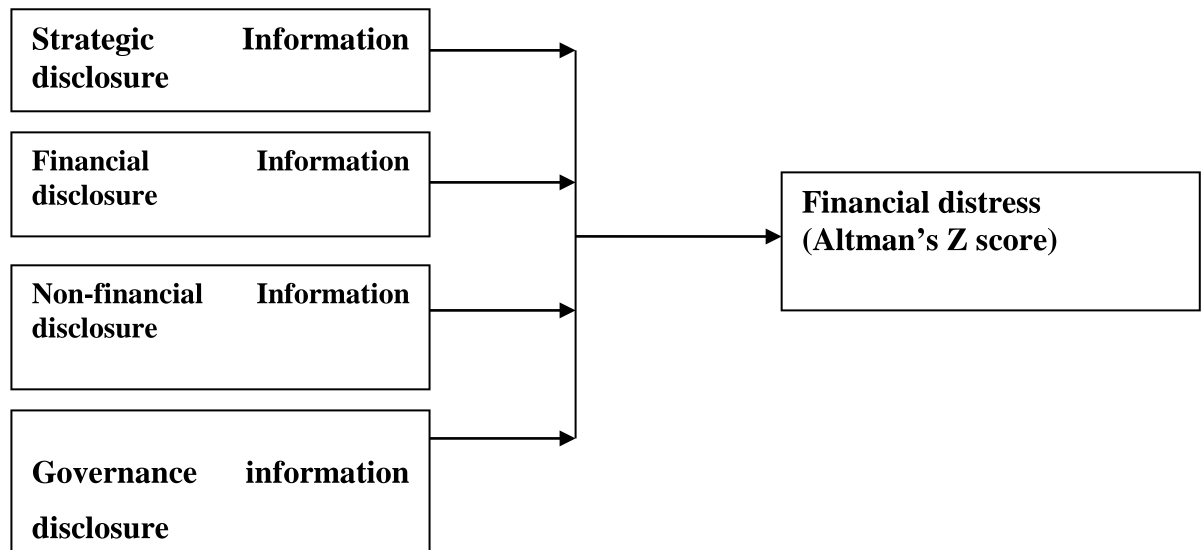

Figure 2.1 Conceptual Framework

Table 2.1 Operationalization of Variables

Variables	Measures	Scale
Financial Distress (Y)	Altman's Z score	Continuous
Strategic Information Disclosure (X_1)	-Company policy -Statement of strategy and objectives -Planned capital expenditure -Policies on Research and development	Continuous
Financial Information disclosure (X_2)	-Financial objectives -Dividend policy -EPS -impact of inflation -Transfer pricing policy -Analysis of financial ratio -size of shareholding -Trend of market capitalization	Continuous
Governance information disclosure (X_3)	-Ownership structure -Community programs -Investment on production -Employees training costs	Continuous
Non-financial Information disclosure (X_4)	-Environmental concerns -Charity/donations -Statement of corporate social responsibility	Continuous

2.6 Summary of Literature

Review of the literature above opens a platform to study the presumed importance of voluntary disclosure in determining the chances of financial distress. From the empirical findings there are contrasting findings some in favour voluntary disclosure and others against. Those arguing for they stipulates that there is a positive and significant relationship between voluntary disclosure and improves firm performance and consequently minimize the chances of financial distress.

The three theories reviewed showed; agency theory shows the need for the agent to act in interest of principle (shareholders) as such to mitigate the chances of making losses and minimize the probability of financial distress. Although, there are mixed results on the relevance of signaling hypothesis there is need for the stakeholders to continuously evaluate the level of information disclosure as such to reap positive benefits associated with it. All stakeholders in an organization should team up

2.7 Research Gaps

Many studies have been conducted in the light of the variable under study. A keen look at the at the studies one is quick to note that they are conducted in other countries most the developed nations like USA, UK while other are outside Africa such as Pakistan, India, Malaysia and so on. Limited studies have been conducted in East Africa and in particular Kenya.

Secondly, most of the studies which have mixed results which call for further examination on what is the effect of voluntary disclosure on financial distress. Although, most of the studies have used multiple linear regression analysis it would have been appropriate to use panel data approach since the data was panel in nature. Furthermore, majority of these studies only tested a linear relationship between

variables despite the fact a number of studies have found a non-linear relationship between voluntary disclosure and financial distress thus calling for further examination in Kenyan situation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The current chapter discusses the methodology that was employed in the study. The key aspects being discussed in the current chapter are research design, determination and identification of the sample population size, sampling procedure and sample size, the instruments for data collection, data collection instruments and data analysis.

3.2 Research Design

Research design is a guideline showing how the study objective will be attained (Kombo and Tromp, 2006). In the current study correlation design was adopted, (Oso and Onen, 2009) argued that the design is appropriate if the study seeks to show the causal relationship between the study variables. The design was appropriate for the current study since the researcher seeks to show the causal effect of voluntary disclosure on financial distress on listed manufacturing firms.

3.3 Target Population

A complete enumeration of all individuals under consideration is known as the target population (Kothari, 2011). In the current study the target population consist of all manufacturing companies with the sample population being the 9 manufacturing firms listed in NSE (www.nse.co.ke) (Appendix II).

3.4 Data Collection Instruments

Creswell (2008) argues that prior to research a researcher ought to develop a data collection instrument which is purely meant to measure, quantify or observe the data under investigation. In the current study a document check index (DCI) was used as a principal instrument for data collection. Past studies such as (Ndili and Muturi, 2015;

Nduta and Muturi, 2015) adopted the same instrument to collect secondary data from NSE. The DCI will consist of five sections; strategic information, financial, non-financial, governance information disclosure and financial determinants.

All the items disclosed according to the DCI shown in Appendix II were treated to have equal importance even though the study acknowledges there could be variability in the content. This will help to avoid subjectivity as suggested by Hamrouni (2015). A value of 1 was entered when the disclosed item is present and 0 when absent. Finally, the total score was computed as the un-weighted score sum of all index items. Level of voluntary disclosure for every item will be calculated as

$$\text{Level of disclosure} = \frac{\text{Actual items disclosed}}{\text{Total possible items in the index}}$$

3.5 Data Analysis

The current section was composed of four steps: data preparation through cleaning, data analysis, interpretation and report writing. Microsoft Excel, SPSS statistical packages will be used to analyse the data. Graphical and tabular methods were used to present the data. Correlation analysis was used to show the strength of the relationship between financial distress and voluntary financial statement disclosure. A multiple regression model for showing the nature of the relationship between voluntary disclosure and financial distress among listed manufacturing companies was given as follow:

$$y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \acute{\varepsilon}$$

y= Financial distress, x_1= Financial information disclosure, x_2=Non-financial information disclosure, x_3=Governance information disclosure, x_4= Strategic Information disclosure, $\acute{\varepsilon}$= error term

Y (Altman Z-score) = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E

Where:

A = working capital / total assets

B = retained earnings / total assets

C = earnings before interest and tax / total assets

D = market value of equity / total liabilities

E = sales / total assets

CHAPTER FOUR

DATA ANALYSIS RESULTS AND DISCUSSSION

4.1 Introduction

In the current secondary data which was collected from annual financial statements of listed manufacturing companies in Nairobi since 2006 - 2015. Data was analyzed to study objectives from which patterns were observed, interpreted and conclusions drawn. The main objective the study sought to examine the relationship between voluntary financial statements disclosure and financial distress among listed manufacturing companies in NSE. Specifically, the study sought the relationship between financial policy disclosure, non-financial policy disclosure, governance disclosure and strategic information disclosure. The chapter has descriptive statistics, correlational analysis and regression analysis. Finally the discussions of the results are presented.

4.2 Descriptive Statistics

Descriptive analysis in Table 4.1 shows that the minimum Z score recorded among listed manufacturing companies was -1.31 and a maximum of 5.88, with an average of 2.09. Since the Z score is categorized into three groups: if greater than 3 then there is no chance of bankruptcy, if between 1.8 to 3.0 in this region it not easy to predict bankruptcy and if below 1.8 there are high chances of bankruptcy. It can be deduced that on average there are low chances of predicting failures among listed manufacturing companies in Kenya.

Regarding financial statement voluntary disclosure, it was noted that most of the manufacturing companies reported 86% of financial policy information voluntarily, followed by 80% on governance transparency, while 53% of non-financial policy

information was voluntarily disclosed and 49% of strategic information was disclosed. It was important to note that listed companies differed least on governance disclosure as compared to other attributes of voluntary disclosure.

Table 4.1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Z score	80	-1.31	5.88	2.09	1.22
Financial policy	80	0.23	0.97	0.86	0.11
Non-financial policy	80	0.19	0.92	0.53	0.19
Governance	80	0.62	0.92	0.80	0.05
Strategic information	80	0.24	0.89	0.49	0.16

4.3 Correlation Analysis

Results in Table 4.2 show correlation analysis; which was used to show the strength of the relationship between voluntary disclosure and financial distress among listed manufacturing companies in Kenya. There was a positive and significant relationship between financial policy disclosure and financial distress among listed manufacturing companies (rho= 0.377, p value < 0.05). This implies that a unit change in financial policy disclosure shows 37.7% improved chances of not experiencing financial distress.

Secondly, there was a positive and significant relationship between non-financial policy disclosure and financial distress (rho = 0.346, p value <0.05). This implies that a unit change in non-financial policy disclosure increases the chances of not experiencing financial distress by 34.6%. Thirdly, there was a positive and significant relationship between governance disclosure and financial distress (rho = 0.356, p

value <0.05). This implies that a unit change in governance disclosure increases the chances of experiencing financial distress by 35.6%. Finally, there was a positive and significant relationship between strategic information disclosure and financial distress (rho = 0.563, p value <0.05). This implies that a unit change in strategic information disclosure increases the chances of not experiencing financial distress by 56.3%.

Table 4.2 Correlation Analysis

	Z score	**Financial policy**	**Non-financial policy**	**Governance**	**Strategic information**
Z score	1				
Financial policy	.377**	1			
	0.001				
Non-financial policy	.346**	0.09	1		
	0.002	0.426			
Governance	0.356**	0.054	.513**	1	
	0.001	0.636	0.00		
Strategic information	.563**	0.077	.350**	.273*	1
	0.00	0.5	0.001	0.014	

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

4.5 Multivariate Regression Analysis

In the following section multivariate regression analysis as conceptualized in the conceptual framework was carried out. Prior to regression analysis diagnostic tests were carried to test the regression assumptions.

Normality Test

The normality of the dependent variables (financial distress) was tested using histogram. The pictorial presentation in Figure 4.1 showed that financial distress was normally distributed with a mean of 0 and standard deviation of 1.

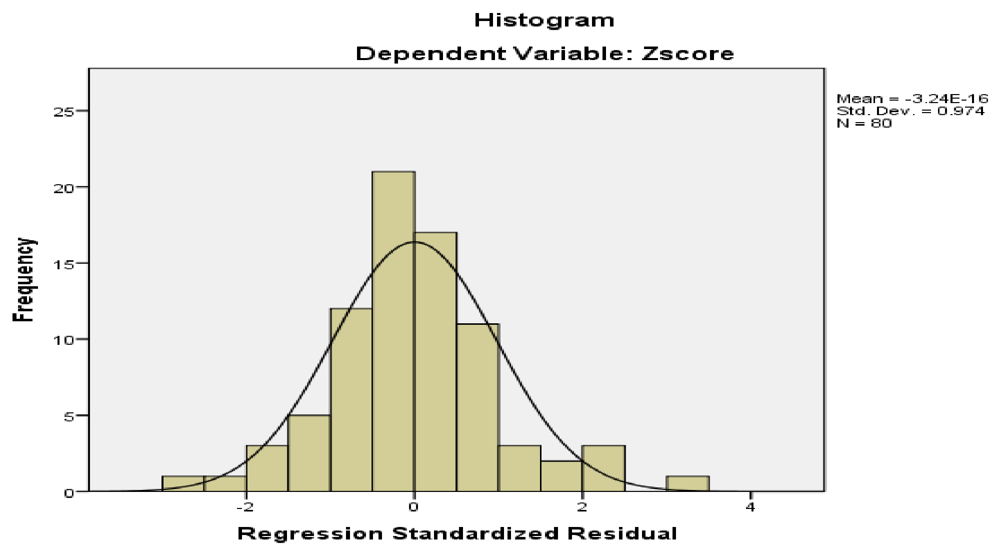

Figure 4.1 Normality Test

Multicollinearity in the study was tested using Variance Inflation Factor (VIF). A VIF of more than 10 (VIF ≥ 10) indicate a problem of multicollinearity. Montgomery (2001) argued that the cut off threshold of 10 and above indicates the existence of multicollinearity while tolerance statistic values below 0.1 indicate a serious problem while those below 0.2 indicate a potential problem. The results in Table 4.3 indicate all the independent variables had VIF values less than 10 and none of the tolerance statistics was less than 0.1. Based on these findings there was no multicollinearity among the voluntary disclosures attributes.

Table 4.3 Multicollinearity Test

	Collinearity Statistics	
	Tolerance	**VIF**

Financial policy	0.99	1.011
Non financial policy	0.687	1.456
Governance	0.727	1.376
Strategic information	0.864	1.157

Results in Table 4.4 shows that 48.7% of the variation in financial distress can be explained by voluntary disclosure as attributed to financial policy, non-financial policy, governance and strategic information disclosure. The remaining variation can be explained by other factors not included in the model. There was no autocorrelation since the Durbin Watson coefficient was 1.917, which is within the acceptable ranges of 1.5 to 2.5 as explained by Gujrati (2012).

Table 4.4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.698a	0.487	0.46	0.89936	1.917

a Predictors: (Constant), Strategic information , Financial policy, Governance , Non-financial policy

b Dependent Variable: Z score

Analysis of variance in Table 4.5 shows the overall significance of the model, since the p value is less than 0.05 then the changes in financial distress can be jointly influenced by financial policy, non-financial policy, governance and strategic information disclosure and at least one of the slope coefficients is not a zero.

Table 4.5 Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	57.689	4	14.422	17.831	.000b
	Residual	60.663	75	0.809		
	Total	**118.352**	**79**			

a Dependent Variable: Z score

b Predictors: (Constant), Strategic information , Financial policy, Governance , Non financial policy

The main objective of the study sought to examine the relationship between voluntary disclosure and financial distress among listed manufacturing companies in Kenya. Multivariate regression analysis was used to attain this. In Table 4.6 column shows the slope coefficient which shows the rate of change in financial distress per unit change in voluntary disclosure, t statistics shows whether the relationship is significant or non significant, it will be significant if the t statistics is greater than + or – 1.96 and sig (p value) column shows the significance of the relationship and it will be significant if the p value is less than 0.05 otherwise it not significant.

Y (Financial distress) = 0.473 +3.586 (Financial policy disclosure) +1.662 (Non financial policy disclosure) +5.299 (Governance Disclosure) +3.84 (Strategic Information Disclosure).

There was a positive and significant relationship between financial policy disclosure and financial distress (β=3.586, t= 3.936 and p value <0.05). This implies that a unit

change in financial policy disclosure change the Z score of listed manufacturing companies by 3.586 and consequently minimizes the chances of financial distress.

Secondly, there was a positive and significant relationship between non financial information voluntary disclosure and financial distress (β=1.662, t= 2.578 and p value <0.05). This implies that a unit change in non financial information voluntary disclosure increases the companies Z score by 1.662 while holding the other types of voluntary disclosure constant.

Thirdly, there was a positive and significant relationship between governance disclosure and financial distress (β=5.299, t= 2.405 and p value <0.05). This implies that while holding other factors constant a unit change in governance disclosure increases Z score by 5.299 units.

Finally, there was a positive and significant relationship between strategic information disclosure and financial distress among listed manufacturing companies (β=3.84, t= 5.756 and p value <0.05). This implies that while holding other factors constant a unit change in strategic information disclosure increases Z score by 3.84 units.

Table 4.6 Regression Model Coefficients

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	0.473	1.767		0.268	0.790
	Financial policy	3.586	0.911	0.327	3.936	0.000
	Non financial	1.662	0.645	0.257	2.578	0.012

policy					
Governance	5.299	2.204	0.233	2.405	0.019
Strategic information	3.84	0.667	0.512	5.756	0.000

a Dependent Variable: Z score

4.6 Discussion of the Findings

The results were similar Uyar and Kilic (2012) who examined the value relevance of voluntary disclosure in listed manufacturing companies in Istanbul Stock Exchange (ISE) in Turkey. Data was collected from a sample of 129 companies in the year 2010 where annual reports were used to provide information disclosed by the companies voluntarily. Borrowing from Hossain and Hammami (2009), voluntary disclosure was measured by dichotomous disclosure checklist containing 96-items. Using multiple regressions to analyze the data, it was found that indeed voluntary disclosure influences the value of the firm as market participants relied heavily on this additional information to know where to invest. In particular, additional information on financial matters showed a positive and significant impact on the firm value. Data collection was for one single period; this study wishes to consider several annual reports for different companies in the insurance sectors which is highly volatile than manufacturing companies.

The findings agreed with Orens and Lybaert (2015) who examined the effect of non-financial information disclosure on firm performance and more so how financial analyst can use this information to evaluate the investment decision. The study found that during corporate valuation there was some information which was perceived inferior on valuation as compared to others. The former included disclosure on

environmental accounting and the level of intellectual endowment while involvement in charity activities had a higher value since it was an alternative mode of advertising. Using the Malaysian code of governance, Shariff and Lai (2015) probed the effect of corporate governance disclosure practices on firm profitability in Bursa. Governance disclosure was assessed by use of a modified transparency disclosure index while data was collected from 95 listed companies. Partial least square path modeling was applied for analysis where it was established that corporate governance disclosure impacts the company's performance positive while for company leverage is affected negatively confirming the previous studies.

Zhou and Panbunyuen, (2008) study established that there was a significant negative relationship between strategic information and financial leverage and those companies in China are more likely to disclose more strategic information than Swedish companies. Strategic information disclosure was measured by the presence of the following information: history of the company, organization structures, strategy and objectives, company policies on research and development and forecasted sales (Zhou & Panbunyuen 2008).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter summarizes and presents the research findings, from the study. It has been organized to provide a concise summary of the study findings, conclusions and areas suggested for further research.

5.1 Summary

The current study was hinged from the realization that there was a research problem on the relationship between voluntary disclosure and financial distress among listed manufacturing companies in Kenya. Empirical most studies which had examined the effect of voluntary disclosure on firm performance and firm value and they considered all companies listed in the securities exchanges and very few had narrowed to specific sectors in listing. Moreover, most of the studies had considered individual attributes of voluntary disclosure though the current considered four attributes of voluntary disclosure and how they related with financial distress among listed companies. More so the study sought to examine the effect of financial policy, non financial policy, governance and strategic information disclosure on financial distress among listed manufacturing companies in NSE.

In order to attain the main objective of the study purposive sampling was used to select nine manufacturing companies which were listed and continuously trading in NSE in 2006-2015 and only eight companies had complete data. Secondary data was collected from annual audited financial statements which were accessed through capital market authority library. The independent variables in the study were composed of financial policy disclosure, non financial disclosure, governance disclosure and strategic information disclosure and the dependent variables was

measured using Altman's Z score. The data was cleaned and analyzed and the findings were presented in tables and figures.

In overall regression analysis revealed that almost 47% of variations in Z score can be accounted by voluntary disclosure while the remaining percentage can be accounted for by other factors which were excluded in the model. Regarding the first research question there was a positive and significant relationship between financial policy disclosure and financial distress among listed manufacturing companies in Kenya. Therefore, the higher the level of financial policy disclosure the higher the Z score and consequently the lower the chances of experiencing financial distress.

Secondly, there was a positive and significant relationship between non financial information disclosure and financial distress. These results were in support of signaling hypothesis whereby an increased level of non financial information disclosure decreases the level of information asymmetry and consequently minimizes the chances of financial distress.

Thirdly, there was a positive and significant relationship between governance disclosure and financial distress. This is in support of agency theory whereby there is need to minimize the agency costs and consequently minimize the level of conflict between management and shareholders which will ultimately minimize the chances of the company collapsing.

Finally, there was a positive and significant relationship between strategic information disclosure and financial distress among listed manufacturing companies in Kenya. This shows that an increased level of strategic information sharing portrays an organization as superior in its performance and consequently minimizes the chances of lacking finances or being unable to finance their borrowed funds.

5.2 Conclusion

From the findings it can be concluded that all listed manufacturing companies ought to continuously share information beyond the mandatory requirements so as to minimize the chances of facing financial distress.

Since the listed companies are financed using different sources of finance there is need to clearly elaborate the financial policy adopted by any listed company. This will breach any gap caused by speculations among investors on which are the terms and conditions in regards to financing alternatives adopted by a company.

Secondly all listed companies should disseminate qualitative non financial information which is strived towards eliminating speculation in regard to possibilities of a listed company experiencing financial distress. This will allow listed manufacturing to adopt financing alternatives which are geared towards enhancing financial sustainability within an organization.

Thirdly there is need for all listed companies to disclosure willingly the governance structure, costs and skills composition which they have in place. This will enhance confidence among investors since any possibility of multiple directorships may signify possibilities of benefits from skills from different sectors and consequently adopt strategies which are deemed to attain company's financial sustainability.

Finally, there is need to share strategic information so that investors can evaluate the possibilities of the company maintaining its competitive advantage in future. Through strategic information sharing investors confidence will be increases since manufacturing company can clearly elaborate the actions it will take in future and how to raise finances and incase of borrowed funds how increased value of the company can assist in loan serving.

5.3 Recommendations

Listed manufacturing companies are huge initial capital investment sectors thus there is need for listed companies to devise financing policies which are geared towards maintaining their sustainability. This can be attained by adoption of both traditional and modern financing methods and then disclose the information in the annual financial statements. The adoption of these financing methods ought not to expose the companies to possibilities of bankruptcy but with clear information sharing in the annual financial statements on how the company can mitigate the financial risk and any other risk associate with the choice of financing methods.

Secondly, the use of non financial is paramount to investment decision making among listed companies this is mainly because the level of employees and managerial skills have some good will attached to it thus there is need to disclose the skills capacity which a listed manufacturing company have acquired in a particular year.

Thirdly there is separation of ownership and management among listed manufacturing companies thus shareholders entrust board of management to spearhead the attainment of company vision and mission within the stipulated framework. There is need for additional information disclosure in regard to governance structure and measures put in place to enhance corporate governance and consequently mitigate the chances of an organization experiencing financial distress.

5.4 Suggested Further Studies

Since the current study adopted ordinary least squares method to examine the relationship between voluntary disclosure and financial distress future studies ought to use binary logistic regression and determine the chances of experiencing financial distress among listed manufacturing by considering those companies which have

collapsed against those which had not experienced financial distress. Future studies ought to use a larger sample size which may include even companies from other sectors. There is need to adopt survival analysis and determine the chances of listed company collapsing. Since there are chances of not having linear relationship there is need to test the applicability of non linear methods such as neural networks in examining the chances of financial distress among listed companies.

5.5 Limitations of the Study

The study used purposive sampling technique to select a sample of nine listed manufacturing companies for nine years. It would have been appropriate to use a large sample and consider more than 15 years. There was limited access of information since the annual published statement which is not available online could only be accessed in CMA library. The current study used document check index to collect the data. It would have been appropriate to use both qualitative and quantitative methods of data collection.

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APPENDICIES

Appendix I Letter of Introduction

Tony Kithinji Mukaba

P.O. Box 1445-00100,

Nairobi.

Date

Name of Respondent-------------------------

Company Name and address----------------

Dear Sir/ Madam,

RE; REQUEST FOR RESEARCH DATA

I am a master's of science in Finance Student in University of Nairobi (UON). You have been randomly selected for the study on "**Relationship between financial statement voluntary disclosure and financial distress among listed manufacturing companies in Kenya**". This check index has five sections. Please fill the check index as honesty as possible since this information will not be used for any other purpose apart from academic research. For purpose of confidentiality please do not indicate your name. The check index is anonymous and no individual person will be identified or connected with a particular set of information or research findings. Your cooperation in completing this check index is greatly appreciated.

____

Tony Kithinji Mukaba,

MSC. Student

APPENDIX II RESEARCH INSTRUMENT (DISCLOSURE CHECKLIST)

Disclosure Check List	**2011**	**2012**	**2013**	**2014**	**2015**
Independent variables					
Strategic information index (X_4)					
Company policy					
Statement of strategy and objectives					
Planned capital expenditure					
Policies on research and development					
Non-financial information index (X_2)					
Employee training					
Education background of employees					
Environmental concerns					
Charity /donations					
Statement of corporate social responsibility					
Financial Information Index (X_1)					
Liquidity ratios					
Leverage ratios					
Market share analysis general					
Stock closing price at year end					
Profit forecast					
Forecast of sales					
Governance Information Index (X_3)					
Ownership structure					
Governance structures and organisation chart					
Composition of the board of directors					
Personal profiles					
Description of the positions occupied					

Length of time belonging to the company					
Number of shareholders sitting on the board of directors					
Academic profile of the directors					
Presence of an Internal Audit Committee					
Profile of the executives					
Individual remuneration					
Dependent variable					
Market value of stock					
Number of ordinary shares					
Current assets					
Current liabilities					
Total liabilities					
Total assets					
Sales					
EBIT					
Retained earnings					

APPENDIX III SAMPLE OF LISTED COMPANIES IN NAIROBI SECURITIES EXCHANGE

AGRICULTURAL	**TELECOMMUNICATION AND**
Eaagads Ltd	**TECHNOLOGY**
Kapchorua Tea Co. Ltd	Access Kenya Group Ltd
Kakuzi	Safaricom Ltd
Limuru Tea Co. Ltd	**AUTOMOBILES AND ACCESSORIES**
Rea Vipingo Plantations Ltd	Car and General (K) Ltd
Sasini Ltd	Sameer Africa Ltd
Williamson Tea Kenya Ltd	Marshalls (E.A.) Ltd
COMMERCIAL AND SERVICES	
Express Ltd	**BANKING**
Kenya Airways Ltd	Barclays Bank Ltd
Nation Media Group	CFC Stanbic Holdings Ltd
Standard Group Ltd	Diamond Trust Bank Kenya Ltd
TPS Eastern Africa (Serena) Ltd	Housing Finance Co Ltd
Scangroup Ltd	Kenya Commercial Bank Ltd
Uchumi Supermarket Ltd	National Bank of Kenya Ltd
Hutchings Biemer Ltd	NIC Bank Ltd
Longhorn Kenya Ltd	Standard Chartered Bank Ltd
INSURANCE	Equity Bank Ltd
Jubilee Holdings Ltd	The Co-operative Bank of Kenya Ltd

Pan Africa Insurance Holdings Ltd	**MANUFACTURING AND ALLIED**
Kenya Re-Insurance Corporation Ltd	B.O.C Kenya Ltd
CFC Insurance Holdings	British American Tobacco Kenya Ltd
British-American Investments Company (Kenya)	Carbacid Investments Ltd
Ltd	East African Breweries Ltd
CIC Insurance Group Ltd	Mumias Sugar Co. Ltd
INVESTMENT	Unga Group Ltd
City Trust Ltd	Eveready East Africa Ltd
Olympia Capital Holdings ltd	Kenya Orchards Ltd
Centum Investment Co Ltd	A.Baumann CO Ltd
Trans-Century Ltd	**ENERGY AND PETROLEUM**
CONSTRUCTION AND ALLIED	Kenol Kobil Ltd
Athi River Mining	Total Kenya Ltd
Bamburi Cement Ltd	KenGen Ltd
Crown Berger Ltd	Kenya Power & Lighting Co Ltd
E.A.Cables Ltd	
E.A.Portland Cement Ltd	

Source; www.nse.co.ke