CORPORATE GOVERNANCE, CAPITAL STRUCTURE, OWNERSHIP AND VALUE OF COMPANIES LISTED AT THE NAIROBI SECURITIES EXCHANGE

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RESEARCH THESIS SUBMITTED IN FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION, UNIVERSITY OF NAIROBI

AUGUST 2021

DECLARATION

This PhD Thesis is my original work and has not been submitted for any award to any other college, institution, or any academic institution.

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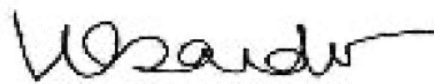

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By David Onguka

ACKNOWLEDGEMENT

I am thankful to God for blessing in finishing this degree. The completion of doctorate degree is quite a hard and trying task and I would not have accomplished it devoid of the support, guidance, and reassurance of several individuals. I convey my sincere thanks and appreciation to my principal supervisor, Prof. Cyrus Iraya, for his mentorship and guidance throughout the thesis stages. Further, I thank the following people whose contributions were instrumental in the success of the study.

I particularly want to thank with heartfelt appreciation my other Supervisor Dr. Winnie Nyamute for the guidance, support, and advice I received from them all through the research process. I also want to express gratitude my colleagues at the University for their Assistance.

DEDICATION

To my wonderful wife Leah Onguka for her Prayers, support, inspiration, and encouragement throughout this whole journey,

To my wonderful children; Chris Harris, David Junior, Eddy Baraka and Gloria Ellen Wanda for their understanding and support,

To my sister Ruth for always encouraging me to push on and to my great Mother Hellen for believing in me and praying for me,

Thank you.

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ABBREVIATIONS AND ACRONYMS

BVA	-	Book Value of Asset
BVD	-	Book Value of Debt
CACG	-	Commonwealth Association of Corporate Governance
CBK	-	Central Bank of Kenya
CCG	-	Centre for Corporate Governance
CG	-	Corporate Governance
CGI	-	Corporate Governance Index
CEO	-	Chief Executive Officer
CMA	-	Capital Markets Authority
DE	-	Debt Equity Ratio
EA	-	East Africa
GDP	-	Gross Domestic Product
GOV	-	Government
LTDR	-	Long Term Debt to ASSET Ratio
MM	-	Modigliani and Miller
MVE	-	Market Value of Equity
NED	-	Non-Executive Director
NPV	-	Net Present Value
NSE	-	Nairobi Securities Exchange
OECD	-	Organization for Economic Co-operation and Development
OLS	-	Ordinary Least Square
OS	-	Ownership Structure

ROA - Return on Asset

ROE - Return on Equity

SMEs - Small and Medium Enterprises

STDA - Short Term Debt to Resource Ratio

TQ - Tobin Q

UK - United Kingdom

USA - United States of America

ABSTRACT

Academicians, regulators, and practitioners accept sound corporate governance, optimal capital structure, and appropriate ownership structure as a major foundation in optimizing an entity's value. Different capital market authorities have continually issued guiding principles and regulations for ideal practices of corporate governance to ensure proper and thorough the management of quoted corporations to safeguard all stakeholders' interests, to enhance entity value and to guarantee corporate sustainability. Regardless of such interventions, corporate failure and underperformance cases ascribed to poor corporate governance have continuously to surged in magnitude and occurrence. The study's main objective was to establish the relationship between corporate governance, capital structure, ownership structure, and firm value for companies listed at the Nairobi Security Exchange (NSE). The study tested four hypotheses that explored various aspects of this relationship: that corporate governance does not significantly influence firm value; there is no intervening effect on the capital structure on the relationship between corporate governance and corporate value; there is no significant moderating effect of ownership structure on the relationship between corporate governance and corporate value and finally, that there is no significant joint effect of corporate governance, capital structure, ownership structure on corporate value. The study was grounded on the agency theory as anchor theory, the trade-off theory, stewardship theory, and stakeholder theory. The data was retrieved from past audited accounting reports of NSE listed firms. A census survey of sixty-four listed companies at the NSE was undertaken. The investigation covered a five-year period from 2013 to 2017. Corporate Governance was proxied by a composite of size of the board, board independence, board remuneration and gender diversity. Capital structure was proxied by leverage, while ownership structure was proxied by ownership concentration, state ownership, family ownership, and foreign ownership. Corporate performance was measured using the Tobin – Q. The study adopted a positivism research philosophy and a descriptive design. Descriptive statistics were used to summarize the study data and diagnostic tests undertaken to check the model assumptions, thereafter inferential statistics specifically correlation and regression analysis were used for hypothesis testing. The panel data method was considered as the study's data comprised of cross-sectional as well as time-series data. The Baron and Kenny (1986) method was adopted for assessing the intervening and moderating effect of capital structure and ownership structure separately on the relationship between corporate governance and corporate value. The study documented a significant positive link between corporate governance and corporate value. However, Ownership structure and capital structure had no significant moderating and intervening effects respectively on the relationship between corporate governance and corporate value. The joint effect of corporate governance, capital structure, and ownership structure on corporate value was found to be positive and significant. This study makes an original contribution as it takes an expansive approach of corporate governance development by probing whether improving corporate governance is linked to the enhanced corporate value. The study recommends that shareholders, boards, regulators, and management of listed corporations should put in place robust policies that will ensure the implementation and monitoring of corporate governance principles and ensure congruence in their activities of oversight of corporate objectives of optimizing corporate value, minimize fraud and failure risks of corporations. Future plan is to revisit CG from alternative view of incorporating subjectivity from the perspective of social science.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The corporate governance subject has stirred a huge empirical examination both in economics and finance since the ground-breaking seminal work by Smith (1776)'s which focused on the characteristics and sources of wealth among states. Businesses are started for value creation through market needs identification, processes, and systems creation to address the market needs, identification of required resources, sourcing finances for funding the required resources acquisitions through financial institutions and/or shareholders as well as directing and managing the obtained assets to address the needs identified effectually and proficiently thus value generation in the process. This process identifies corporate governance, capital, and ownership structures as fundamental and foundational in the value creation process. It also establishes the owners as the key stakeholder who takes initiative to establish the corporation with motivation of creating personal wealth and enrichment of themselves and other stakeholders.

If buyers and primary producers could locate themselves efficiently, acquisitions or process any or all needed items and services at zero transaction costs and decisions making with the spontaneously existing knowledge then corporations would have no leeway for intermediating such first-hand transactions. Corporate governance involving directing, resources and systems management and hence people are crucial creation of value. Researchers have documented that functional corporate governance guidelines strengthens investors' confidence in obtaining profits (Alqisie, 2014). Ownership structure forms a central base in the linkage between corporation governance and value as the owners' goal is to maximize their returns by strengthening governance

issues. According to Holderness (2016), ownership structure can be influenced greatly by environment such as whether there are high chances of perquisite consumption or not and whether the capital structure imposes adequate pressure on management to increase company's value.

Agency theory is the anchoring theory of the study because it is instrumental in the conceptualization of how firm value interacts with corporate governance. It may result in agency conflicts if the management starts to pursue personal interests conflicting those of the stockholders (Calomiris & Carlson, 2016). It helps us understand the importance of having a strong corporate governance mechanism in firms and how they impact their performance. The theory informs us of the importance of managing the relationship between managers and owners which influences the performance of corporations to a great extent. Stakeholder's theory considers the value optimization for all stakeholders in the relationship and not just the shareholders. The applicability of the theory in this research is based on the attention it gives to owners as well as other stakeholders' interests and therefore help in conceptualizing how ownership structure moderates the linkage between corporate governance and entity value due to its influence in this relationship. Managers need to consider all stakeholders who would be impacted by their decision and actions.

The Donaldson and Davis (1994) stewardship theory explains a moderating role of ownership structure in the relation between governance and corporate value as it is useful in the conceptualization of the relationship. It gives an alternative view to Agency theory by emphasizing that the manager is committed to the long-lived goals of the corporation instead of the steward's self-interests. It supports those managers and owner do not bear conflicting interests and that the endmost target of corporate governance is facilitating the highest degree of collaboration between

them. The tradeoff model conceptualized the intervening link of corporate governance and company value. The theory asserts that entities would desire to use debt finance up until the gains arising from tax-shields matches the bankruptcy and financial distress costs. Jensen and Meckling (1976) authored the theory and hypothesized that trade-off scenario between an entity's optimal debt-equity ratio and its impact on agency costs, taxes, and bankruptcy costs.

This study aims to establish the cause of corporation's failures and underperformance which continually to surged in scale and frequency at NSE regardless of a variety of measures that have been instituted by regulatory bodies like the CMA and the Central Bank. Even though the implementation and enhancement of corporate governance regulations and guidelines and have led to significant improvement of corporate performance, cases of corporate failure and underperformance have been on the increase (Dominic & Memba, 2015). For instance, Nakummat and Uchumi Supermarkets were put under statutory management in 2015 by the CMA, in addition, Kenya Airways and Mumias sugar - despite several bailout by the Kenyan Government - continue to experience huge losses. Several authors have credited the issue to financial difficulties and ineffectual corporate governance (Peters & Bagshaw, 2014). Latest studies indicated that this reveals deep-rooted corporate governance weaknesses spanning from complacency of board oversight, inadequate controls, and the management's poor strategic foresight (Opiyo, 2013; Vincent et al., 2015).

The motivation for this study is based on the concern that cases of underperformance and corporate failures for companies listed at the NSE continue to increase in frequency and magnitude despite attempt by regulators to strengthen corporate governance through regular reporting and monitoring. Corruption, mismanagement, fraud, underperformance, and government subsidy of

failing enterprise continue to be the norm rather than exception. This has resulted in massive negative impact on the economic growth, individual losses to investors and capital flight. Unemployment, weak capital formation, unfavourable balance of trade and brain drain have been the inevitable consequence hence the need for empirical investigation.

1.1.1 Corporate Governance

Dor et al. (2011) describes corporate governance (CG) as the general principle by which corporations are directed and managed. It denotes the power relationship between owners, directors, and the entity's management in shaping the how company's is directed and its performance. Thus, it's an internal practice of controlling and directing the activities and businesses of the entity through individuals, structures, and processes to attain the aims of stockholders and other interested parties (Solomon et al., 2013). Further, corporate governance encompasses the policies and rules formulated by management to regulate the company affairs to efficiently govern the corporation resources so as to enhance the company's value and achieve maximum return for shareholders (Haque & Arun, 2016). It is therefore a structure of systems, rules, processes, and relationships that provide a framework for exercising authority, securing financial and other resources, and controlling corporations to enable companies create to value while providing accountability and control systems to hold actors responsible for their individual and collective actions. The established structures support value creation through entrepreneurialism, innovativeness, development, and exploration by management and directors while proving incentives to align both the management and shareholders' interests.

According to Hasan and Butt (2009), the separating gap between ownership and control is directly equivalent to the company's size but inversely associated with equity ownership hence leading to agency costs increment. Meaning that as the corporation grows in size and complexity, the owners, or original shareholders (Principles) may not have the technical capacity and time to manage the firm resulting in their relinquishing most if not all the direct controls to agents (management). This loss of direct control by shareholders results in agency conflicts since the firm's management starts pursuing their own goals conflicting those of shareholders (Vinh, 2017). This delegated control may subsequently give rise to agency costs because of general inefficiencies in management, misuse of funds, and investment in unprofitable portfolios. The development presents an issue to the shareholders as it affects corporate value and wealth generation to the shareholders.

Businesses underperformance and failures have been ascribed to corporate governance's weakness that negatively impact an entity's performance. Organizations in different industries ascribe their success to compliance with the principles of corporate governance (Haque & Arun, 2016). Any CG loophole unfavorably affects firms' profitability leading to collapse of even huge organizations. Lack of internal controls, weakness of inferior and restrictive systems, weak governance procedures and conflicting interests are all factors leading to poor systems of governance resulting to poor entity performance (Carlson & Calomiris, 2016). Various authors have documented adverse relationships between corporate governance and entity performance (Judge & Robbins, 2017). Whereas some have documented no relationship (Ali, 2018). This has led to the question on whether CG positively influences corporation value.

Alqisie (2014) posits that the dominant corporate governance objectives are to guarantee that the company is governed based on shareholders' best interest with the intention of increasing accountability, governance, and transparency in a manner that reduces agency costs through improved efficiency and productivity. Corporate governance is aimed at increasing and maximizing shareholder wealth and protecting other stakeholders' interests. The World-Bank describes corporate governance as a mix of laws, practices and regulations which permits corporations to attract human resources and capital for efficient performance by generating long-term economic benefits for stakeholders.

It is extensively agreed that corporate governance remains a vital factor in adding value to any company in advanced and emerging economies. However, corporate governance and enterprise value interlinkage varies in both developing and the developed world owing to different structures of corporate governance, varying economic, social, and regulatory situations in those countries. Thus, understanding the differences that affect a company's value is required for academic research, management and financial practice, and public control of markets and companies (Bader, 2016). Satisfactory corporate governance by and large should make available adequate incentives for the management and the board to pursue goals of interest to the firm and its shareholders and expedite effectual monitoring. In addition, it should define how an entity sets it corporate goals, as well as creating economic benefits for the owners; manages the day-to-day activities of the enterprise and take into consideration the welfares of various parties. Further, it should align the company's behaviors and activities based on expectations that the company will function in a sound and safe mode and in accordance with relevant regulations and laws.

According to Proudfoot (2016) agency conflict arises because managers have the incentive to enlarge corporations beyond their reasonable size to raise any resources they control. This would also lead to an increase in manager's compensation as an increase in sales result in an increase in compensation. They may also not be comfortable with dividend payout to shareholders as this reduces resources under their control.

Solomon et al. (2013) argued the definition and application of corporate governance are contingent on the situations both internal and external, but the underlying principle is to maximize the value of company and shareholders returns. Internal (in-house) corporate governance consists of structures existing in the corporation while external mechanisms are determined by influences without. According to Lumumba (2015), corporate governance encompasses the internal and external mechanisms. The internal mechanism is concerned with the shareholders' interest and relies on the corporate board control and oversight of the top management. The external mechanism uses external regulation forces to monitor and control the manager's behavior. Stakeholders such as suppliers, banks, debtors, lawyers, and credit rating agencies are the regulation forces of external mechanisms.

The measurement of corporate governance uses several proxies. Firm boards are largely in charge of key decisions within an entity. For instance, decisions like by-laws change, dividends declaration, shares issuance amongst others. This partially expounds why discussions about corporate governance generally concentrate on corporate boards. The corporate board serves as the apex of an organization's control system. Therefore, to measure corporate governance has caused researchers to concentrate on measuring the attributes of the corporate board and their

function. But it is not the mere existence of the structures or attributes that count. Corporate governance should be linked more to duty rather than mere structures. This means that meeting the attribute-requirements alone is not a panacea to good governance. The most important thing is the commitment to duty. Available literature has not established a universal set of corporate governance measures. Diverse authors have employed different attributes of the corporate board as the key measures of corporate governance which has created inconsistency (Proudfoot et al., 2016; Carty & Weiss, 2012). Such indicators comprise board composition, board female representation (gender), CEO duality, board independence, board size and others.

In the study done by Van-Essen et al. (2012), four independent variables namely board independence; CEO duality, size, and activity were adopted as CG metrics. However, board attributes should not be measured in isolation. The environment within which the board operates with an emphasis on their function should be factored, in other words, approaching the study or practice of corporate governance with systems thinking perspectives. Some studies have considered variables like board composition and structure, auditing, disclosures and transparency, board diversity, board fees and corporate ethical codes as CG proxies (Okiro, 2014). Other studies applied a standardized structured CGI index constructed for corporate governance. They used a score sheet on how every entity performed based on well-known rules circulated by regulatory authorities. Every parameter conformed with a scored 1, while incomplete compliance is scored using fractions ranging from 0.1 to 0.9. The aggregate score for every parameter was rated out of the total and the scores stated as a proportion of the total. The technique was applied by Outa, Waweru, and Ozili (2018) who justified the simplicity of it, on the ground that there is a lack of

rigorously developed weights that can be assigned to the various corporate governance disclosure practices.

1.1.2 Capital Structure

Stiglbeuer (2011) defines capital structure as a blend of equity and debt which the corporation uses to fund its activities and notes that companies generally employ different mix ratios in their financing activities. A company's ideal structure of capital is achieved through a trade-off between personal and corporate taxes, insolvency costs, and organization costs (Bokhari & Khan (2013). Modigliani and Miller (1958) land-mark research formed the base upon which subsequent theories were developed. He indicated that funding a corporation is of supreme significance to both the entity's managers and the owners or investors. High financial leverage may result in improved efficiency by reducing agency costs because of fear of bankruptcy which would result in losses for executives in form of salaries, perquisites, reputation and the pressure to make cash to meet periodic loans and interest repayments. It is thus postulated, that an ideal capital structure is attained when a provided tax sheltering benefit increases in line with the costs of bankruptcy.

Githira and Nasieku (2015) pointed out that corporate governance influences shareholder value through decisions on capital structure adoption and changes. Management decisions on the capital structure may have a fundamental impact on corporate performance as was evidenced by some Indonesian airlines companies that highly leverage capital structure led to firm failure (Alqisie, 2014).

There is no unanimity among theories of capital structure regardless of the voluminous research which has been conducted to explain the use of debt (Kiruri, 2013). The behavior and reality in the funds markets is that executives cannot be inactive in choosing between debt and equity. Research on the role of debt holders in monitoring is aided by the need to ascertain the synergistic, motivating, and intervening factors which influences managers behavior required to enhance the company's performance.

This study aimed at investigating whether capital structure is an intervening, actuating and interactive factor that constrains the excesses of managers. In addition, every fund market experiences its stake of frictions and imperfections which require diverse control and monitoring tools (Dumont & Svensson, 2014). The significance of capital structure is usually assessed in terms of its effect on corporate value. In this study's context, we determine whether increased debt enforces discipline on the management or prompts the management to work harder to increase company value. It is likely that leverage can exacerbate a company's financial distress. Corporate distress is costly since it negatively impacts shareholder and the management investment decisions, creating significant inefficiency for the company. When debt affects company performance, the way out is for managers is to mix equity and debt and find an optimal structure of capital for every company. The company's performance may be affected by debt levels in the structure of financing due to corporate governance issues.

The cost and benefit of debt analysis espouse the connection between corporate governance and corporate value. According to pecking order hypothesis, management plays an essential part in the use of the company's financial resources, first they use internal reserves, then leverage, and finally

equity funding (Rose, 2017). According to the theory, a best likely capital structure does not exist because it is a blend of previously made decisions.

Adera et al. (2015) argued that debt financing can be both a hero and a villain, in that it is an engine of growth when it enables management to take up an investment with positive returns which they could not have otherwise taken but can also be a means of companies taking unreasonable risk which might cause unpredictability or even bankruptcy. The optimal debt ratio for all firms may not be generalized but it can be a decisive point for a company's debt policy (Stiglbauer, 2011). Indeed, according to Kimathi, Galo, and Melissa (2015), the pressure on management resulting in a high debt ratio may force management to improve performance as servicing the loans cuts down on free cash flows that the managers are not able to invest in later projects. However, Githira and Nasieku (2015) argued that a higher debt ratio may induce even more agency costs because the interest of the financiers with shareholders may drift further apart as this lowers the proportion of dividends that can be paid out to shareholders. The reduction in future project investments is also likely to result in lower future cash flow.

Capital structure is not only evaluated exclusively through financial measures, but also through observing the attributes and rights that characterize the company's resources and the impact of governance activities in varying degrees. Debt and equity should therefore be viewed both as corporate governance tools and as financial instruments: leverage subordinates governance undertakings to stringent management, whereas equity allows superior decision-making power and flexibility. Jensen and Meckling (1976) contextualize the linkage between capital structures and ownership by distinguishing between external and internal equity. In this way, it can be concluded

that not only the combination of leverage and equity and the known tax consequences may be considered when the capital structure becomes a corporate governance instrument.

The way cash flows are distributed and more prominently, the rights for decision-making and running the business (voting rights) are treated should be considered. Agency theory developments propose that corporate governance, along with decisions on capital structure, affects the value of an entity as it reduces agency conflicts between executives, debtors, and shareholders (Fauzi & Locke, 2012). Okiro et al (2015) reviewed the debt/equity ratio in relation to corporate governance and entity profitability and documented that leverage can affect performance and management activities. Stiglbeuer (2011) indicated that it was vital to concentrate more on how capital structure as a tool mediates a firm’s governance structure and subsequently, the company’s value.

Capital structure has been measured in various ways by different researchers. Okiro et al. (2015) applied leverage and liquidity as capital structure proxies. Others have applied current debt, noncurrent debt, the ratio of debt to equity among others (Velte, 2017 and Wanyoike & Nasieku, 2015). Leverage has been widely used as a capital structure measurement. It assesses the company's ability to deal with business recessions, which means that a highly leveraged company is very vulnerable to business shocks, as it possesses inadequate capability to repay debt (Waroka, Herrera & Abdullah, 2011). In the various reviewed studies, researchers used the OLS (ordinary least squares) technique to model capital structure and entity’s performance relationships (Bader, 2016 and Beck & Wiersema, 2013). The major drawback of regression is that only one dependent sub-variable can be processed at a time. However, there are several indicators of a variable such

as company value and a composite index is favoured. Further, OLS cannot be used to model grouped data.

1.1.3 Ownership Structure

Company owners are those who invest in the company by buying shares and have a right to get dividends as a share of profits (L'Huillier, 2014). Ownership Structure denotes the comparative quantity of ownership rights by internal (managers) as well as external owners (shareholders not directly related to firm's management) (Chen, 2012). Ownership structure is fundamental in determination of the degree of principal-agent conflicts, i.e. if the prevailing conflict arises between shareholders and executives or between minority and majority stockholders (Mang'unyi, 2011).

The theory postulates that agency expenses result from the disconnection of control and ownership and therefore concentrated ownership, which mitigates the distinctiveness, is expected to cause low agency costs. Ownership structure can therefore be defined as extensive distributed ownership (outside structures), and concentrated ownership (inside systems). The concentration is often characterized with majority or controlling shareholder who exerts control and significant influence over the company's operating and financial systems. Board ownership is where board members own shares in the same company. The board ownership concentration is seen as internal corporate governance with the potential to decrease agency costs (Proudfoot, 2016). Ownership structure can therefore be said to be a key factor influencing the system of corporate governance as well as firm performance in general and can be referred to as the proportion of claim on a corporation assets and future performance by a shareholder which gives them the right and power to control,

monitor and direct the appointment of key management staff and directors and shape the overall direction of the company.

Kumar (2012) argues that ownership can easily be compared between countries, but corporate governance guidelines vary considerably across corporate ownership. Additionally, the way ownership structure influences entity profitability in countries around the world has been a major concern. As such, two proportions depict the ownership structure concept: ownership concentration and ownership mix (Holderness, 2016). The first one is about the share of significant ownership and is affected by complete risk and monitoring expenses on the other hand the latter is about the characteristics of the significant stakeholder. Several studies have considered ownership structure as a moderating variable because it is the owners who put in place management and board members to direct, monitor, and implement activities geared towards corporate value (Hasan & Butt, 2009).

Depending on board structure appropriateness, corporate financial policy and ownership structure are thought of as possible ways of directing the agency issue springing out of distributed ownership (Mokaya & Jagongo (2015). The ownership structure is most of the time characterized by distinct voting and cash flow entitlements where the greater shareholders have more control entitlements than correlative cash flow entitlements (Ayako et al., 2015). Agency problems can be aggravated by high voting rights which may result in pyramid ownership structures and cross-holding. The resulting situation often results in over-reliance on debt resulting from the main shareholders' desire to preserve their shareholding from dilution. Hasan and Butt (2009) called this phenomenon as non-dilution entrenchment.

Despite the enormous interest in understanding whether ownership structure moderates the association between firm governance and corporate value, still there exists several questions not only in scientific field but in business world as well. Several theoretical studies lead to contradictory conclusions, where some of them confirm the very strong influence of ownership structure on corporate governance system and business profitability. Others concluded that ownership structure is only one of many elements influencing profitability and company governance and in many cases, the other factors like phases of the life cycle, quality of management, technological development, a system of compensation, competitor's activity, and others are much more decisive for the final results (Driffield, Mahambare & Pal, 2005).

Different studies have employed varied approaches to measuring ownership structure, a majority have considered the proportion of ownership for family, government, foreigners, and concentration of top five in proportion to total ownership (M'Ithiria & Musyoki, 2014 and Wagana & Karanja, 2014). Saeed, Gull and Rasheed (2013) in their measurement of cash-flow rights separation (ownership) from control (voting) rights applied a binary variable that takes 1 if voting or control rights exceeded cash-flow rights. This study measured ownership structure by considering the weighted average of the percentage of stocks held by top 10% shareholders, proportion of foreign ownership, the fraction of family ownership and the proportion of government ownership.

1.1.4 Corporate Value

Value refers to the achievement of set targets, goals, and objectives within an indicated timeframe (Eyenubo, 2013). Corporate value attained is thus an evaluation of the achievement of an entity's business goals and has remained a topic of interest in management research. Value is best seen in

two ways: way of attaining results and the end results. Anderson, Campbell, and Becker (2014) indicated that business performance or value facilitates an individual to make a distinction of the outcome of firm undertakings and can be either non-financial or financial. The non-financial value is proxied by key operational indicators of performance including market share, customer satisfaction and innovation rates (Haque & Arun, 2016). Financial performance refers to a subjective indicator of just how sound a company can leverage its resources from its principal management role for revenue generation (Bansal & Desjardine, 2014). Financial performance is further employed as the broad proxy of a company's aggregate fiscal health over a time-period and is normally adopted for comparing similar companies in an identical industry or for comparing businesses or sectors.

Godfred (2013) defined Corporate Value as the result realized when a company utilizes its primary capital to generate returns and optimize its value; it is the theory that supports the efficient and effective application of a company's assets to attain general company goals including stakeholder's wealth maximization and income maximization. According to Olabamiji (2019), company's financial performance indicates the several subjective measures of value of how effectively an entity uses its operational assets to generate profit. Some authors have defined firm value as the present value (PV) of anticipated cash flows after adjusting the risk using a suitable discounting rate, while others see it as success in achieving predefined goals, targets and objectives over a period (Lumumba, 2015). Corporate governance affects a company's value because of minimized expropriation by management, increased effectiveness in investments, and improvement in available cash flows for owners (Bansal, & Desjardine, 2014).

Vinh (2017) presented four different methods for identifying a company's value in the corporate finance literature. This serves as the financial management perspective, which focuses on assessing investment and cashflow levels before assessing and identifying the influence of funding sources on the entity's worth. Additionally, the capital structure method, which examines how changes in capital structure affects company value and how various factors affect the equity and leverage components of the enterprise's capital structure directly or vice versa. Further, the resource-based method, which describes company's value as a function of company's resources and lastly, the sustainable growth technique, which summarizes the three previously highlighted approaches of corporate value and considers the company's operational performance, its funding and investment plans, sources financing and payout policy for the company's sustainable development of resources and the company's value maximization. A good value indicator should be measurable, applicable, and important to the company (Carter & Greer, 2013).

A recurrent issue arising from past studies regarding corporate governance and corporation value relates to the choices of measuring of value employed and the suitable proxy for firm value? The value construct remains a contentious finance topic, basically due to its multi-dimensional nature. Inquiry into company value arises from the theory of organization and strategic management (Stiglbeuer, 2011). Company value takes several forms, subject on who and what it is being measured. Various stakeholders need different indicators of value in order to make well-versed judgements. The format, content and the reporting frequency depend on the information users and the aim of the information. Shareholders for instance desire to be confident of the profitability, growth, productivity, continued commercial sustainability and return on investment of the

business. Corporate governance affects corporate value because of it reduces expropriations by insiders and improves the expected cash flows which are distributed to shareholders (Ayako et al., 2015).

Financial indicators of value include an analysis of the organizations accounting and financial reports. The accounting reports provide a firm's management with information on the available resources, their financing and how a firm employs the resources for revenue generation. Accounting report and statements attempt to assess the value realized by management through metrics such as liquidity, risk, profitability, operations efficiency, market values and growth (Wagana & Karanja, 2015). According to Wicks and Parmar (2014), measuring company value remains a key task for academics and professionals. Value is a multi-faceted concept, and therefore a single index may fail to provide a complete comprehension of performance linkage in relation to the concepts of concern. Outa, Waweru, and Ozili (2018) through the balanced scorecard (BSC) model suggested an outline for transforming strategy and vision into shareholders' value by concentrating on four indicators of value including learning and growth, financial, customers and finally insights from internal business practices. They however indicated that the Financial Value indicator was the definitive proxy for an entity's success.

Dor Naseem Rehman and Niazi (2011) state that several measures are used to assess corporate value with separate group of stakeholders has their own focus of interest. Academicians and practitioners generally use three types of value measures including traditional, economic and market based. Traditional performance measures include return on equity (the proportion of after-tax earnings to total common equity capital); return on assets (the proportion of comprehensive earnings to aggregate assets); cost-to-income ratio (operating costs divided operating revenue) and

net interest margin (the ratio of net interest earnings to aggregate assets). The Tobin's Q indicators also measures share value growth. Return on asset (ROA) indicates the proficiency of the employed capital as well as giving a basis for those who want to invest to measure the income generated from venturing in capital resources (Okiro, 2014).

The most widely used Financial Value measurement tool for listed corporations especially financial firms is the CAMEL rating (Godfred, 2013). CAMEL is deemed the most extensively used measure for evaluating capital adequacy, assets quality, managerial capacity, earnings capability, and corporations' liquidity. The government and commercial bank regulators generally use the CAMEL rating system for assessing the soundness of saving associations and banks.

In comparison to market-based indicators, accounting-based proxies are both forward looking. It proxies how effective and efficient management employs the entity resources for value generation (Kiruri, 2013). The Tobin's Q in this respect is said to be a blend of historical as well as a futuristic indicator. It entails the summation of an entity's Market Value of Equity with the Debt's Book Value. Though the most used proxies for measuring company value are market and accounting indicators, a developing brand of the idea has emerged on company's performance measurement which views a company's capacity perspective benefit from reduced cost of capital (COC) due to robust CG mechanisms. Okiro (2014) justified the use of the cost of capital in the measurement of firm performance and argued that a robust corporate governance mechanism leads to lesser corporate risk resulting in a lower capital cost leading to increased firm value.

1.1.5 Companies Listed at the Nairobi Securities Exchange

Globally, stock markets play an essential function in corporate regulations meant at enhancing firm value. Such accentuates the requirement for serious corporate governance in investing, operational, and funding choices. Capital markets are believed to be proficient and vital instruments for the growth of an economy (CMA, 2019). Ali (2018) contends that the capital market serves as a significant institution in economic development through channelling funds, stimulating developments to make stronger the monetary sector, and using savings on competitive uses that are crucial to the efficiency of an economy. They are key in helping people invest in their future needs and channelling the savings towards economic support.

The Nairobi Security Exchange (NSE) was established in 1920 by the London Stock Exchange upon which in 1954 was locally integrated based on Society's Act (Vincent et al., 2015). The objective of the bourse is to develop, discharge and support all security market functions. The exchange undertakes key functions such as investment opportunities creation, mobilization of capital in addition to acting as barometer for Kenya's economic health. The CMA is the regulatory authority responsible for compliance with corporate governance principles to remove limitations acknowledged in previous studies and which are intended to guarantee operational corporate governance for optimal company value.

NSE has eleven categories of listed companies in 2017 (Appendix 1), which must meet the specific requirements of submitting information in a timely manner to the public and the bourse (Mang'unyi, 2011 and Okiro, 2014). Organizations, in their effort to meet the stringent rigorous rules introduced by the Capital Market Authority and NSE as well as the demand by their diverse

shareholders, tend to refine their management standards and efficiency thereby enhancing the fineness of their corporate governance. Even though the NSE has realized majority of its objectives, some NSE-quoted companies still face fiscal and control challenges among them increased agency costs and raising debt expenses due to the diverse ownership structure resulting from the public offering of its shares to the public and governance letdowns due to unsatisfactory monitoring (Kiruri, 2013). NSE undertakes a vital function in the growth of the Kenyan economy as it allows companies that are publicly traded to access long-term finances for investments through the issuance of stocks and debt to the public, which speeds up the structure of capital and ownership.

Nevertheless, some companies registered at the NSE keep showing great weakness and poor performance. Some have collapsed while others are on the verge of failure (Dominic & Memba, 2015). The continuing poor performance shown by Kenya Airways, Uchumi Supermarket among others has eroded, to some extent, the public confidence in its ability to regulate the corporations resulting in increased capital flight, weak capital formation, and poor economic performance. The debate as to whether failure of governance, financial hardships, or type of ownership, or an amalgamation of such factors are accountable for the failures continues. The problems that have stirred interest in the corporate governance phenomenon point to a specific cause of corporate governance crises among them weak regulatory and legal systems, inconsistent standards of auditing and accounting and inferior banking practices. Other governance issues include poor and thin regulated financial markets, ineffectual monitoring by the company's board, and limited concern to minority shareholders' rights (CBK, 2019).

Central bank Reports and the authoritative reports in March 2019 reported that the 20-share index at the Nairobi Securities Exchange closed at 2,586 points, the lowest close since March 2009. The decline was attributed to weak financial results by some of the listed counters. Records also show that foreign investors have been exiting the market in the past few months leading to a downward trend in the index performance.

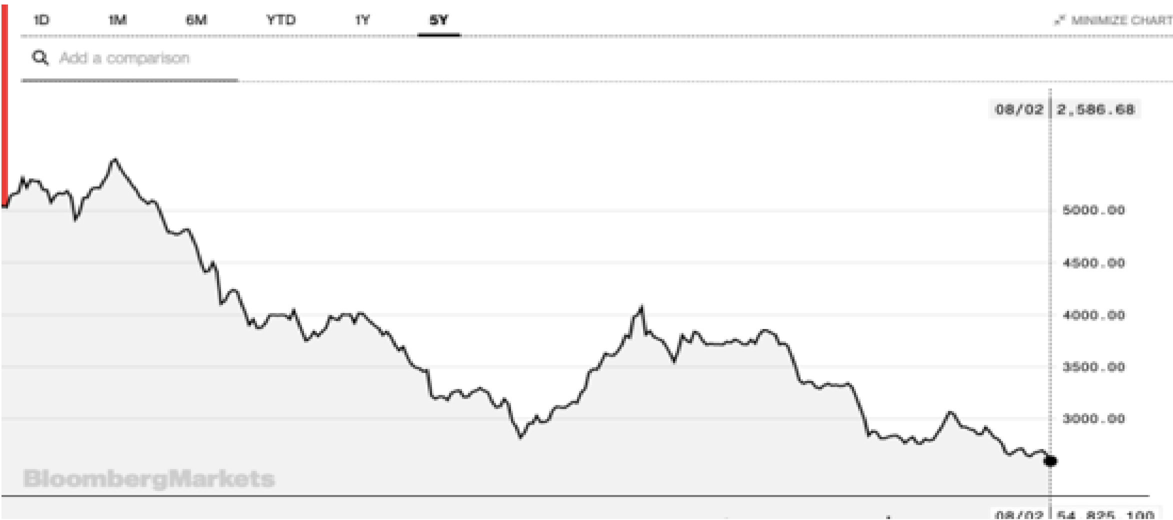
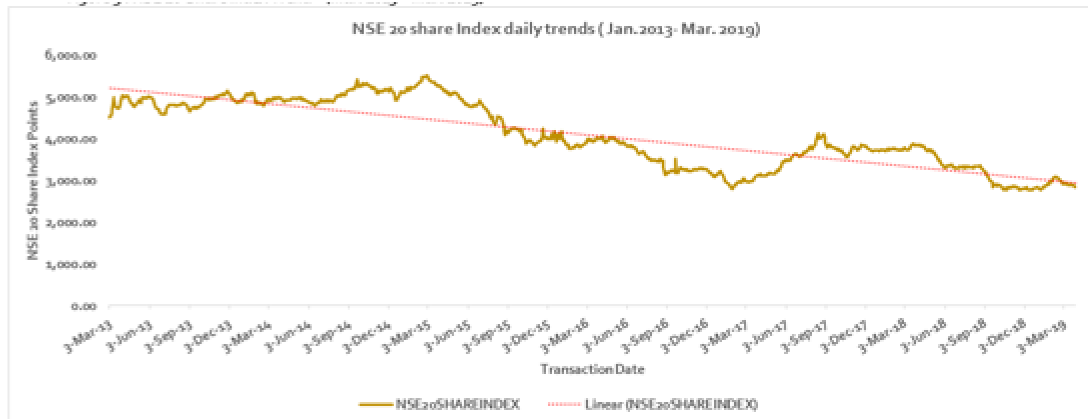


Figure 1.1: 20 Share Index Trend – March 2009 to February 2019.

Source: Bloomberg Market Report

At the NSE, firms that reported profit warnings in 2019 included Deacons, Bamburi Cement, UAP Holdings, HF Group, Sameer Africa, Kenya Power, Britam Holdings and Sanlam (CBK, 2019). Analysts indicated that UAP Holdings ascribed the decline to declining investment income due to poor stock market performance in the first half of 2018. The expected decline in Britam was also due to a bearish trend in the equity markets, which reduced investment income.



Source: NSE/CMA

Figure 1.2: NSE 20 Share Index daily trends (Jan. 2013 to Mar. 2019)

The NSE 64 listed firms have fallen victim to a growing number of financially distressed firms of which three were placed under receivership in a duration of fewer than two years. These include Uchimi Supermarket, UAP Insurance, and Sanlam. As evidence by the steep decline of the NSE 20 Share Index shown in figure 1.2, several NSE-listed companies are facing a cocktail of corporate governance and financial challenges (CMA, 2018). The collapse of yet another Nairobi Securities Exchange – Listed company has spooked investors in NSE, raising fears of possible cross-border contagion. Mumias Sugar Company, for many decades Kenya's biggest miller, was placed under statutory management towards the end of 2019 for defaulting on debts estimated at more than Ksh. 12.5 billion ($125 Million). This follows a series of company failures that have rocked the region's largest bourse, dampening investors' interest in the regional stock markets.

The crisis facing the Kenyan bourse is sending shivers into other regional markets, with fears of further dampening investor concern in markets that are struggling to attract new capital through new listings. The erosion of confidence in the economy can be attributed to the weak regulatory framework, poor corporate governance, and financial distress as often sighted by corporations that

have failed or are currently under distress. Local shareholders are no longer interested in trading at the bourse due to the price decline in recent years as evidenced by declining share price and poor performance of IPOs floated in the last five years (CMA, 2019). Most market players agree that this trend is not good for the markets, and something needs to be done across the board. There is concern that the company failure crisis that has hit the Nairobi bourse may affect the performance of the entire market. There is a need for a different level of oversight and more tailored interventions through further research on how corporate value is affected by corporate governance and how the capital and ownership structures impact this relationship, henceforth the justification for the current study.

1.2 Research Problem

The significance of implementing good practices of corporate governance by companies cannot be overstated, as best practices globally show a strong correlation between firm performance and good practices of firm governance. Corporate governance, capital, and ownership structures are fundamental constructs that have been linked to the enhancement of company's value in various existing studies as evidenced in successes of corporations. The agency theory in addition to other CG theories support that sound CG practices increases company performance (Haque & Arun, 2016). Unsatisfactory corporate governance has, partially, been shown to be a key obstacle to improvement of entity value and makes it impossible for the firm to attract adequate capital. Thus, CG and the capital structure choice can aid in reducing agency costs. This is a vital element in enhancing an entity's performance and value; however, the effects vary from republic to republic due to diverse structures ensuing from different regulatory, monetary, and social settings. CG evolution arose from various events among them the collapse of WorldCom and Enron in addition

to government owned enterprises privatization. Recent practices of CG in various states arose due to the need to uphold higher ethical conduct standards in corporations in addition to a collection of regulations and good corporate governance codes that enhance transparency and accountability when using investors' equity.

In Kenya, despite attempts by regulators to strengthen corporate governance as well as operating discipline through adoption of enhanced principles of governance through regular monitoring and reporting, underperformance cases and business failure continue to rise in frequency and magnitude. Debate still exists on corporate governance in the perspective of public and privately owned companies where mismanagement, corruption and governmental subsidies have been paramount due to failing public companies such as Kenya Airways and Mumias Sugar. In addition, fashion retailer Deacons (EA) and ARM Cement were put under statutory management in 2017 due to excessive debt and losses (CBK, 2019). An attempt to address the corporate governance problems in Kenya has been made by privatization policy and capital market authorities. However, the performance trend of publicly traded companies on the NSE has been unimpressive over the past decade. The performance trend of the NSE index as shown in Figure 1.2 has been declining over the past 10 years and reached its minimum in first quarter of 2019 (CBK, 2019). The challenge seems to stem from the confusion on the reasons behind the increased underperformance and the failure to record improvement despite new rules, enhanced laws, and stringent regulations that are in place.

According to Anderson et al. (2014) past researchers have failed to find a conclusive link between best CG practices and firm value. Lishenga (2012) study on how board meetings and CG affects

firm value documented the number of meetings by the board positively impacted corporate value. However, the study did not incorporate capital structure as a mediating variable to assess its effect on the relation between CG and firm value. While Okiro (2015) documented that capital structure significantly mediated the relation between CG and performance of quoted East African firms, the position did not hold at a standpoint of NSE quoted corporations and the considered CG indicators of board size, independence, gender diversity and remuneration. Although Peter and Bagshaw (2014) documented a direct link between CG and corporate profitability on their work on mechanism of CG and fiscal productivity in Nigeria, they did not assess whether ownership moderates nor whether capital structure mediates the relationships. Poor CG has in part proven to be a key obstacle to enhancing firms' competitiveness making them unable to attract investment in a setting whose capital mobility has been increasing (OECD, 2004). Strong patterns linking performance of corporations and the governance practices of their board have been established by several studies (Okiro, 2014; Olabamiji, 2019 and lumumba, 2015). Despite considerable attention on CG, consensus is yet to be found on what provisions constitute good corporate governance. Given the contradictory nature and the extreme results of studies already conducted, further inquiry is required to determine whether corporate governance influences listed companies' performance.

Methodologically, existing empirical studies have primarily concentrated on the direct effects of CG on companies' performance. The mediating and moderating effects of capital and ownership structures have been tested in limited studies. Additionally, majority of the pre-existing studies majorly used board size and independence as the key proxies for corporate governance. This study incorporated board remuneration and gender diversity and amalgamated them with the commonly used measures of board size and independence to provide a wholistic and more rounded capture

of board related variables influencing corporate value. In addition, the study used the panel data methodology which most of the previous studies did not consider. As such, majority of studies on CG and performance employed either time series approach or cross-sectional surveys (Rose, 2017, Haque & Arun, 2016 and Lumumba, 2015). Thus, a descriptive longitudinal design in which panel data regression analysis was adopted for this research. The panel data methodology was considered since the study data entailed both cross-sectional and time series features. The use of pure time series data calls for a large amount of data to obtain sufficient observations to conduct a meaningful hypothesis test.

The problems have been aggravated by weak regulators, poor auditing and accounting policies, poorly controlled capital markets, unethical banking practices and an unprofessional board (Okiro et al., 2015). Several studies have been undertaken in industrialized nations, but the result of such studies, although in many cases contradicting, cannot be unreservedly accepted in developing countries due to economic, cultural, and social variances between developed and the developing countries (Hasan & Butt, 2009; Chen, 2012 and Carter & Greer, 2013). Other studies assessed the relationship of individual variables to corporate value. The question is: what impact do corporate governance, capital structure and ownership structure have on the value of companies quoted at the NSE?

1.3 Research Objectives

The research aims to establish a link among corporate governance, capital structure, ownership structure, and value of companies listed at the NSE.

The specific objectives of the research were.

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

ii. To assess the effect of capital structure on the relationship between corporate governance and corporate value of NSE listed firms.

iii. To investigate the effect of ownership structure on the relationship between corporate governance and corporate value of NSE listed firms.

iv. To evaluate the joint effect of corporate governance, capital structure, and ownership structure on corporate value of NSE listed firms.

1.4 Value of the Study

This study contributes to the inconsistent corporate finance theories by practically exploring the interactions between corporate governance, capital structure, ownership, and corporate value. It will aid in resolution of the conflicting CG theories which have documented incongruous arguments on the effects of CG, and ownership on business performance such as agency, stewardship, and stakeholder theories. The present study was grounded on positivism philosophy, the objective of which was to empirically test hypotheses to falsify or verify present theories in the study area. The study outcomes complement theory by documenting the interrelationship among the variables.

The study findings also contribute to policy as well as practice by enhancing comprehension of the tools through which CG affects corporate value. Policymakers can develop guidelines to be implemented by listed entities in corporate governance and capital and ownership structures to improve corporate performance. Practitioners can adopt best practices in financing structure and CG that maximize the shareholder value. To the regulators and policymakers, this can be useful in generating policies on minority shareholders and other stakeholder’s protection among other

policies. The fact that there is a positive and significant connection between corporate governance and corporate value shows that the supervisory activity of the board directly influences company value. Properly constituted corporate boards translate into better results, financial performance, and the appreciation of firm value. The findings support that the interests of all stakeholders should always be protected and stimulated to take part in corporate governance processes. The investors would also prefer to invest mostly in well-governed firms. Regulators based in information provided by the analysts and firms' own reports should then ensure compliance adherence. Management should be interested in implementing regulations and controls to achieve high profits and maximum shareholders' capital

The study assists corporate management to appreciate the linkages between board activities, management functions, and Corporate Value of NSE listed firms. Management would be motivated to implement best policies of CG to optimize corporate value of the company. The finding that large board positively affect corporate value supports that large boards allow for diverse perspectives and viewpoints which enhances the quality of decision being made hence higher value is achieved. The finding indicate that large board size increases corporate value as they have a large number of expertise for better decision making, making it more difficult for CEO to manipulate the board. The study results will also benefit debt securities investors as well as equity investors, who endure risks of companies' failure to meet their contractual obligations by guiding them in the criteria for making lending decision grounded on corporate governance strength of an entity.

The study makes an original contribution to academic and research as a as it takes a more holistic approach towards corporate governance developments by asking whether improvement in governance is associated with corporate value, NSE listed companies offered a unique laboratory to address these empirical issues. The study findings provide an opening for additional studies on the concepts in Kenya and beyond. It is also expected to be of immense importance to academicians with quantitative information in corporate governance, to carry out further studies in this and related areas by enriching the theoretical base for the forthcoming studies and add to the obtainable body of information. Given the trade-off between the costs and benefits of adhering to increased standards of governance, it was not clear whether better governance, reflected in greater compliance, relates to improved business performance. This work adds to the literature that explores the appropriateness of regulation and governance guidelines. The study looked at specific governance score of several governance items which provides a richer understanding of the dynamics of corporate governance than focusing on board size effect alone as most past studies have done. This thesis contributes to and merges distinct and different streams of research on the sources of the correlation between change in governance and firm value

The research will be useful to shareholders and investors both current and potential ones to make informed decisions on the significance of CG in assuring them on return on their investments as well as recovery of the principal invested. It will also help them make informed judgments regarding their investments and the profitability of entities in which they are shareholders. The research results will also be important to executives and boards for decisions that need to be guided by corporate governance best practices. The study extends its scope from the impact of initiated institutional improvements to voluntary governance improvements. Most past studies have

focused on the perceived benefits of changing governance in the market. The study's approach is to examine real long-term improvements in shareholders' wealth. The regulators like Capital Market Authorities, Nairobi Securities Exchange may use the study results exercise its oversight function and to issue controlling guidelines for CG. Given the cases of reported misconduct among publicly traded companies in the NSE, supervisory bodies must make tighter the legal structure to align all company undertakings with better company value.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this part, the theoretical and empirical literature review on corporate governance will be expounded. Section 2.2 shows the theories supporting the study then section 2.3 which present past studies. Section 2.4 entails a summary of the reviewed studies and gaps whereas section 2.5 indicates the study's conceptual model while section 2.6 provides the hypotheses that guide the research.

2.2 Theoretical Framework

Good corporate governance cannot be described by a single theory thus it remains vital to combine different theories that not only address social interactions, but also highlight rules and laws, as well as stringent enforcement, that relate to good practices of governance and go beyond mechanical approaches of explaining CG. For this reason, it is important that the holistic implementation is promoted in the entire corporate world, which brings a different perspective of corporate management with it.

Governance in diverse countries can differ based on their political, cultural, historical, and social situations. In such cases, the governance in developing and developed states can differ subject to economic and cultural perspectives of every state (Wicks & Parmar, 2014). This study is anchored on four theories that are closely related to the area of study, these include agency, stakeholder, trade-off, and stewardship theories. These theories are linked to the study in that they are reflecting the basis of governance practices and how this affects the corporate value.

The key theory anchoring the research is agency theory. The considered four theories are suitable in explaining the adeptness and usefulness of corporate governance supervisory and control tasks. However, most of the theoretical angles are aimed at supplementing the agency's theory rather than a substituting it. Proudfoot (2016) indicates that the agency theory is instrumental in corporate governance literature, standards, principles, and governance codes. Anderson, Becker, and Campbell (2014) make available an extensive review of CG theories, arguing that an agency model is best since it aptly explains the role of corporate governance toward company performance.

2.2.1 Agency Theory

Jensen and Meckling (1976) advanced this theory centered on the argument that ownership separation from control give rise to an agency conflict whereby an operating company management satisfies their interests and not certainly the interests of the stockholders (owners). Stiglbauer (2011) posits that the model is a neoclassical economic model and postulates that it is usually the preliminary argument for all corporate governance debate. Morrison and Jenson (2013) indicate that when information asymmetry exists, agents (managers) will probably pursue interests that could harm the principal.

Anderson, Campbell, and Becker (2014) postulates that the agency theory is based on the notion of self-interested representatives aiming at capitalizing individual monetary benefits. The differing interest concerning an agent and a principal in term of their desires, goals in addition to debt and risk appetites leading to rise in agency costs (Alqisie, 2014). Such agency costs consist of monitoring, structuring, and bonding costs. A set of indentures between agents with conflicting interests in addition to any residual loss, as the costs of fully enforcing the contracts thus

outweighing anticipated paybacks (Wagana & Karanja, 2015). The model is grounded on agency relations which exists in a business environment where executives (agents) are ought to work towards enhancing principal (shareholders) interests.

When critically examined, agency theory basically deals with the resolution of two problems that arise due to agency relationships (Velte, 2017). The foremost problem occurs when there is a conflict between the agent and principals when their wants or goals conflict, while the second issue occurs when it becomes costly or difficult for a principal to confirm what an agent action. The model postulates that prudent CG mechanisms align executives and directors' interest with the welfare of owners leading into efficient and optimal capital structure choices which, when combined with ownership structure to leads to better corporate value. In agency relationships, the basic function of independent directors includes, among other things, overseeing management performance in achieving agreed objectives, overseeing performance reporting, and satisfying financial integrity, and optimizing, resilient and defensible financial controls and capital structure (Mang'unyi, 2011). Thus, effective involvement of directors in monitoring and supervision of activities and reports of management can greatly improve governance and business performance.

The critics of the theory indicate that the theory concentrates on conflicting relationships alone thus disregarding the relationships convergence among various players in addition to their inter-dependencies (Butt & Hasan, 2009). Various players have symbiotic and unique relationships which cannot be explained through the theory's divergent perspective. Further, some agents are not self-centred and opportunistic and normally act as sincere captains of the ship provided that they are satisfactorily rewarded and compensated. Donaldson and Davies (1994) findings also indicate that where a manager has served in a company for a long time, help shape and mould its

form and directions, there is likely to be a melding of individual self-esteemed with corporate prestige. Other stakeholders like employees and banks are also likely affected by the appropriation policy of management and may oppose or expose such actions.

The agency theory and governance give a base that intertwines corporate governance and corporate value. Such offers an opportunity for testable hypotheses about the various corporate governance indicators that can be expected to affect a company's value (Morrison & Jenson, 2013). According to Saeed et al (2013), capital structure significantly plays a part in reducing agency costs as managers respond to increase debt levels by reducing perquisites consumption, increased effort, and investing only in positive return projects thereby increasing company value.

The ownership structure effect in the mix was brought in by Berle and Means in (1932) who have postulated that as share ownership continues to be diluted; ownership and control gap continues to widen thereby increasing agency costs resulting in reduced corporate value. Agency costs can therefore be said to be the cost of reduction of corporate value and are incurred to reduce the consequences of agency problems like loss of wealth and corporate failure.

This theory is of great relevance to this study in that, it aids in understanding the relationship between the organization management and its owners. It also helps us understand the importance of having strong corporate governance mechanisms in firms and how they impact their performance. Kenya’s financial institutions are managed by executives on behalf of shareholders. The agency problems are evident in most scandals that have faced some of the institutions under this study. This theory is thus applicable for this study, as it informs us of the importance of

managing this relationship between owners and managers which influences the performance of corporations to a great extent. According to Robbins and Judge (2017), reducing agency tensions results in a friendly working environment hence agency cost is reduced leading to efficient operational, financing and investing activities. This forms what Stiglbauer (2011) stated as the triangle relationship between CG, agency cost, and corporate value. It means that as corporate governance improves, agency costs reduce resulting in improved corporate value.

The anchoring role of agency theory can be traced back to the definition of agency relationship. The agent (In this case directors and managers) represents the principal (in this case shareholders) in a certain corporate transaction (oversight and management) and is anticipated to enhance the principal's interests (enhancing firm value through financial performance) without regard to personal interests. Agency problems arise when the interests of owners (principals) and corporate agents' conflict. Agency theory plays a fundamental role in minimize conflicting situations between the agents and principals as well as capital and ownership structure through a solid corporate governance policy. According to Agency theory, the aim of effective corporate governance mechanisms is to align the interest of the agents with those of the principals by monitoring and controlling the actions of executives and managers. Some of the ways of managing this conflict to collaborate the interest of both the shareholders and management include compensating the top management adequately through share ownership, stock options, and profit sharing.

Agency theory is therefore the study's anchoring theory as it aids in the conceptualization the association between the explanatory variable (Corporate governance) and the dependent variable

(Corporate value). This predicts a positive relationship between corporate governance and corporate value. The theory also holds that agency costs and leverage are indirectly proportional and the two influence significantly the value the firm by lowering agency costs (Lekaram, 2014). It therefore explains the intervening effect of capital structure on the relationship between C.G and CV. Agency theory suggests that ownership ought to impact on the productiveness in monitoring ways, meaning that concentrated ownership is expected to mitigate the agency problem and thereby increasing corporate value. This theory is therefore of great relevance to this study in that, it aids in the understanding the relationship between the owners and the management of the organizations and its performance. It aids in the conceptualization of the moderating effect of ownership structure in the relationship between CG and CV. The theory anchoring role is not only supported by helping in conceptualizing the relationship between the dependent and independent variables but also in aiding the understanding of the intervening and moderating effects in the relationship.

2.2.2 The Trade-Off Theory

The association between corporate governance, capital structure, and company value is dominantly illustrated using the trade-off theory. The theory comprises of two main models– the static and dynamic models. In both models, firms balance the tax benefits of debt with the risk of bankruptcy. Dynamic trade off models recognize that it is costly to issue and repurchase debt while the static model tries to balance financial distress costs with the tax shields benefits from using leverage. Under static model, there exists an ideal structure of capital that is a combination of equity and debt, the study is concerned with static model. It asserts that firms ought to prefer debt financing till the benefits of tax shields outweigh the bankruptcy and financial distress costs. Kraus and

Litzenberger (1973) authored this theory and hypothesized a trade-off scenario between an entity's optimal ratio of debt to equity and the effects of agency, tax, and bankruptcy costs. This linkage describes the equity and debt amounts which a firm may have at any given time to optimize an entity's value. Tax gains arising from interest expenses, which are allowable tax costs are the benefits of debt (Rose, 2017).

Modigliani and Miller also later modified their 1958 position of capital structure irrelevance theory by incorporating cost of bankruptcy, agency costs, and corporate tax (debt interest tax shield) and argued that a maximum level of debt exists where the company's value is optimized (Modigliani & Miller, 1963). The risk of collapse of the company forces managers to work harder to generate enough cash flow to keep the business afloat. Theoretically, capital structure is positively correlated with company value and therefore leverage utilized to minimize agency expenses and enhance company value (Zabri, Ahmad & Wah, 2016). This provides a testable link on whether capital structure affects company value and is affected by corporate governance.

The importance of this theory to the study is in its argument on the presence of an ideal capital structure that optimizes corporate value which motivates management to implement corporate governance best practices that would enable them to achieve this debt level. The uniqueness of this optimal tax level to the different companies means that investors would prefer investing in corporation with higher optimal level gain accelerated returns both from debt and capital invested. The debt tax benefits and the control of free cash-flow difficulties forces companies to make greater use of leverage which also positively influences management to invest in projects with positive cash flow thereby optimizing corporate value. The key empirical explanation of the model

is that leverage ratios turn out to be mean reverting as companies strategically use external financial markets to retain their values at near optimal levels (Driffield, Mahambare & Pal, 2005).

Critics of this theory point out that high debts level result in financial distress and bankruptcy and may therefore result in reduction of corporate value. In efficient and perfect markets, Modigliani and Miller (1958) illustrated that the structure of financing was an irrelevant determinant of cost of funds and an entity's value thus contradicting the model. The attainment of ideal capital structure is assumed basis of market efficiency and symmetric information which is not always the reality – this makes it difficult to operationalize. MM (1963) suggested that the theory explains the view that a company chooses the amount of leverage (debt) and the amount of equity to use (concentration of ownership) by weighing the benefits and expenses. Thus, as the marginal utility of further debt increases, debt growth declines, while the incremental costs rise hence a company that optimizes its value would concentrate on such trade-off when deciding on the amount of leverage and equity to use for funding. The challenge of implementing this idea lays in the assumption of perfect availability of equity plus debt and the perfect knowledge of capital structure optimal level. The theory envisages that a weak company will rely solely on leverage financing from banks. This means that for weak companies, bank borrowings dominate the mixture of bank and market liabilities, irrespective of the financing preference. This view disputes the observation that young/smaller companies shun public borrowing debt since they lack the access to funds markets or because of high costs associated with external funds (Wanyoike & Nasieku, 2015).

The relevance of this theory is the ability to support the conceptualization of the intervening impact of capital structure on the interrelationship between CG and corporate value. The theory indicates

that businesses will choose their equity and debt financing mix to offset the benefits and costs of debt. High financial leverage may result in improved efficiency by reducing agency costs because of fear of bankruptcy which would result in losses to executives in form of remunerations, incentives, reputation and the pressure to make cash flows to repay periodic debt and interest expenses. The relationship between management right action in adherence to good corporate governance, capital structure decision, and their effort to optimize corporate value to wade-off bankruptcy help conceptualize the relationship, predicting the intervening effect of capital structure on the relationship between CG and corporate value.

2.2.3 Stewardship Theory

Donaldson and Davis (1994) pioneered the Stewardship theory as a new perspective for understanding the relation between corporate governance, ownership, and corporation value. The theory turns out to be a central counterweight to the theory of agency. It explains circumstances where managers have motives that are consistent with the owner's goals rather than pursuing their own personal objectives. This is a relationship based on the utmost fidelity between the investors and the management. In his argument human beings are by nature social beings and therefore have a converging interest as their needs are interrelated, meaning that both management and shareholders are interested, deep down, in optimizing company value.

Donaldson and Davis (1994) argue that the behaviour of stewards is more organization-friendly and generates more utility compared to self-serving behaviour. They argue that stewards maximize and protect the wealth of shareholder through company performance as doing so maximizes the utility functions of stewards. The theory considers the convergence of goals amongst parties

involved as opposed to just the agent’s self-interest. The theory’s central idea is that we don't own what we think we have - we are just stewards or managers of these things. The theory entails a framework that states that individuals are naturally interested in working for enterprises to complete the assigned tasks. A steward is someone who takes responsibility for taking care of something on behalf of a different person or a group of individuals. The theory postulates that people think and act collectively and are not individualistic, and strive to achieve organizational, social goals because this brings them high levels of satisfaction. The theory therefore provides a framework for explaining the motivations of management behaviour in different types of organizations.

The proponent of this theory including Beck and Wiersema (2013) who posits that management of public listed companies can only undertake projects whose risk preference is in line with those of the shareholders. To this end, company management would stick to desired corporate governance principles by ensuring adherence to all requirements of listed companies as stipulated in the various statutes to optimize company value. Companies are required to have the right board size and composition, disclose all material information, accurate financial reports, right capital structure to optimize shareholders’ value. The theory provides a clear way of communicating the investors business needs as well as the business needs of shareholders. The theory indicates that governance call for the CEO to be trustworthy and set aside personal interest for the organisations good. According to the theory, the management safeguards the owners or shareholders’ interests and make good decisions on their behalf. The only goal is to maintain and create a prosperous organization so that shareholders thrive.

Critics of this theory maintain that the role of a steward is oversimplified and unrealistic and this theory is yet to be accepted as a basis for analysing organizational dynamics. They maintain that not all managers have stewardship disposition, but most are more concerned about their interests. It shows a different perspective on the behaviour of managers in running a firm which greatly impacts its performance. In the existing stewardship theory literature, it is not clear which basic mechanisms an individual chooses one position or the other. It is thus essential to understand the type of inner strength that drives an individual to surpass his own interest and decide his internal inter-motivative conflict. Such arises when a mismatch arises between the company's management philosophy and the manager’s psychological characteristics. Fauzi and Locke (2012) indicates that such a situation would inevitably lead to an agency conflict. This model is also affected by environmental concerns where the firms consider it should function with the least possible impact on the earth. However, others can respect the proprietor's spiritual views, which he manifests which can be described as servant leadership. However, such models are usually subjective, with executives outlining the confines between sociably irresponsible and responsible behaviour rather than having an objective relation to it.

The theory is pertinent to this study because if managers and directors decide to act as stewards, CG guidelines as well as the decisions on capital structure, would be aimed at ensuring the balance of power between the management, directors and owners in their behaviour, actions and decisions are consistent with stakeholders’ interests. Since the management focus, according to the theory, is on aligning to the interest of shareholders which is to maximize corporate value, this theory is useful in conceptualization of the moderating influence of ownership structure on the relationship between CG and corporate value. The relevance of the theory in this study is based on the attention

it gives to the interests of the owners and other stakeholders. This means that managers and directors are enthusiastic to sacrifice their own interests and act towards enhancing the shareholders' interests to achieve better corporate performance. Stewards thus strive to achieve the company goals so that their behaviour does not conflict with company's the interests. Stewards largely safeguards and cares for the wellbeing of others. Among listed companies, managers and the CEOs safeguard the owners' interests and makes resolutions on their behalf with the primary aim of creating and maintaining successful organizations to enhance shareholders welfare. Companies adopting the theory would largely amalgamate chairperson and CEO roles. The theory counters the basis of agency cost and conflict of interest which forms the basis of agency theory. It may then mean that rules and regulations meant to force board members to align their desires and that of the management as well as increasing debt advocated by trade-off theory are irrelevant. It would be interesting to test this claim against that of the above opposing theories. Since the management focus, according to the theory, is on aligning to the interest of shareholders which is to maximize corporate value, this theory is useful in conceptualization the moderating influence of ownership structure on the relationship between CG and corporate value.

2.2.4 Stakeholder Theory

Freeman (1984) developed the theory and defined a stakeholder as a person or group that may influence or be impacted by the realization of an entity's aims. Accordingly, shareholders are just one of the several important stakeholders. The theory indicates that just as the company owes its investors distinctive and particular obligations, it also has diverse responsibilities to different stakeholders. The company and its executives have specific responsibilities of making sure shareholders get equitable investments return, but the company also has specific responsibilities

to various stakeholders beyond what the law stipulates (Freeman, 1984). The theory thus offers a novel viewpoint on the possible reasons for risks management.

When critically analysed, stakeholder theory expands the agency's problems to include additional principles (Anderson, Becker & Campbell, 2014). The theory tries to answer questions about which stakeholder groups deserve management's attention. This theory supports the concept of corporate governance in a more robust way than agency theory. It considers the interest and rights of shareholders and stakeholders. The original proponents of stakeholders' theory suggest a restructuring of the theoretic views that go beyond the position of owners and executives and recognize numerous stakeholders. The stakeholders include employees, customers, suppliers, banks, local community, and shareholders. The managers have therefore the additional responsibility of ensuring that no stakeholder is dissatisfied in one way or the other. According to Wicks and Parmar (2014), the corporation ought to be managed based on this doctrine not only for the monetary and corporate value benefit of the shareholders only but for the wellbeing of all concerned parties. They posit that if a corporation is to be efficacious, it should take into consideration all the stakeholders that influence or can be influenced by attainment of the entity's goals.

Critique of the theory points out that the argument that shareholders are just an additional stakeholder group which is not supported by the commercial regulation in most markets. In Kenya for instance, the Companies Act gives prominent status to the shareholders since they are the firm owners. Owners elects all or most of the board members, who in turn have the right to hire and fire executives and to accept or discard key company strategies and policies. Indeed, shareholders

enjoy the right to consider the company as a means of maximizing return on investment. The board is thus supposed to make sure that the company complies with contractual and legal duties to other stakeholders; it also has the right to direct managers to view the ultimate function of the company as maximizing profits and owners' wealth (Freeman, 1984).

The theory is appropriate to this research as it concentrates overtly on the equilibrium of stakeholders' interests as a key factor of business strategy, whether in capital structure, corporate governance, or corporate value. As the theory states, a company owes its investors distinct and specific obligations, but also has other commitments to various stakeholders. The company and its executives thus have special responsibilities to make sure that owners get a fair investment return, but the company also has various responsibilities to external stakeholders. Corporate governance functions and capital structures decisions therefore have specific responsibilities to ensure that shareholders get a good yield on investment and to make sure that an entity meets its obligations to external stakeholders. The theory has expanded the definition of owners to all stakeholders (all who affects or is affected by the management's decisions), it also puts the responsibility on the board to act by implementing good governance principles to create the wider corporate value for the stakeholders. The theory is useful in the conceptualization of the intervening effect of capital structure and the moderating effect of ownership structure on the relationship between CG and corporate value.

2.2.5 Relationship between theories and variables

The four theories considered by the study have each played a vital role in explaining the corporate governance relationship with corporate value comprises the agency, stakeholder, and stewardship

theories. Trade-off theory on the other hand tends to play a linking role of capital structure in the association between CG and company value. Vinh (2017) criticizes the stakeholder theory for espousing a sole-valued goal (gains accruing from the company's constituency). Vinha's (2017) argument suggests that a company's performance should not be restrained solely by the profits attributed to its associates. Hence, other fundamental factors such as information flow from the top to lower managerial positions, interpersonal relationships, work environment among others are vital issues that need to be considered. Holderness (2016) argues that an entity should defend the interests of all those who play a part to the overall creation of value, i.e., invest specifically in a particular company.

There is a valid concern that the existing theories are not complete enough to cover all the main contributory factors of ideal corporate governance. The common viewpoint of the stakeholder theory is that large businesses, which can have a major impact on society, should be accountable to all parts of society, not just specific stakeholders. Green and Homroy (2018) proposes an enlightened maximization of value that uses most of the enlightened shareholder theory but accepts maximizing a company's long-term value as a criterion for making the necessary tradeoffs among its stakeholders.

Cognizance has further been given on the fact that not any of the theories linked the imbalances that might manifest themselves in efforts to introduce good and appropriate practices of corporate governance owing to the less manageable forces in the macro environment such as culture and politics. Empirical results have also not considered factors that are beyond the managers and owners' control and should consequently be deliberated in discussions about governance issues

and the value of CG. Literature shows that no consensus exists on the key performance and CG indicators that are best suited to assess corporate governance and corporation performance interrelationships.

The examination of different theories attempting to expound the corporate governance construct shows that every theory separately explains corporate governance areas differently. For instance, the agency theory centers primarily on shareholders' interests, while the stakeholder theory focuses on safeguarding the welfare of the entire organization stakeholders. Stewardship theory emphasizes on managers where executives are deemed as stewards who perform to achieve the owners' superlative interests. Donaldson and Davis (1994) explain the stewardship theory as the ability to maximize and safeguard shareholder wealth by enhancing the company's productivity since by undertaking such, the utility function of the steward (manager) is maximized. The stewardship theory is since stewards are inspired and contented when an entity attains its goals.

In divergence with the agency theory, the stewardship theory is a different management model in which administrators are deemed noble stewards who make decisions in the owners' best interests and maximize company value (Donaldson & Davis 1994). The stewardship theory thus supports the argument that business's performance that meets the requirements of the stakeholders, results to good company performance and ideal corporate governance.

The above theories aids in providing a linkage that highlights the relationships between the four variables of the study. Capital Structure represents an indirect means of Governance and discipline of management behaviour by constraining the tendency to use operational cash flow on personal

interest or in an inefficient manner, in that interest payments and capital payoffs must be taken care of first. The tradeoff theory relates the debt to benefit of tax and risk of bankruptcy and financial distress thereby affecting corporate value. Capital decision making is also linked to corporate governance decision, management performance effectiveness and quality of management investment decisions. The important contribution offered by CS as a variable that can explain the connection between CG and corporate value in controlling opportunistic behaviour in the economic relations between shareholders, debt holders and managers is not directed at the explicit cost of debt or equity but extends also to the relation between investment policy and CG.

Capital Structure can influence firm value and performance by limiting conflicts of interest that can emerge between shareholders and debt holders and the costs related to distress and bankruptcy (Bhagat and Jefferis, 2002). Corporate governance theory states in its hypothesis that agency costs and leverage are indirectly proportional and the two influence significantly the value the firm by lowering agency costs (Lekaram, 2014). Cavelaars and Passenier, (2012) postulated that high leverage reduces agency cost and increases corporate value by ensuring that managers implement only investments with positive cash flow, reduce wastage and generally become more effective and efficiency in achieving corporate objectives. It also promotes good corporate governance as there is scrutiny by banks, monitoring and controlling by investors and other stakeholders in actions and activities of the management to avoid bankruptcy.

2.3 Review of Empirical Literature

The literature examines the similarities and differences among corporate governance, company value, and intervening role of capital structure and moderating role of ownership structure. Every

study has been analyzed on its key focus, its context, and findings as well as the methodology applied and critique of the study.

2.3.1 Corporate Governance and Company Value

Dominic and Memba (2015) explored the impact of leverage on profitability of lending institutions trading at NSE. A longitudinal survey was employed in information gathering. In analysis of data, SPSS version 16.0 was used to run correlation and the regression models. The authors confirmed the significant effects on profitability dues to debt usage though insignificant statically. The study indicates that in a properly governed firm, optimizing leverage leads to the attainment of the firm objectives and goals to achieve higher profitability. Hence organization need to adopt and implement corporate governance in in operations to enhance profitability. The present study incorporated CG as an essential corporate value determinant and further reviewed the influence of capital and ownership structures in the relationship to assess the performance optimization goal.

Lekaram (2014) investigated how CG guidelines affects performance of quoted industrial Kenyan corporations. The research adopted a descriptive survey and analysis undertaken using the panel methodology. The study documented that ROA/ROE (performance indicators) were adversely interrelated with board size of listed Kenyan manufacturing firms. Prior studies however had under-researched the manufacturing segment at NSE. However, taking into consideration a larger population of all publicly trading entities at NSE widen this study's context. Due to the importance of CG to the general company performance, there is a need to consider capital structure intervention in the perspective of corporate governance, its interaction with ownership structure in achieving firm performance.

Opiyo (2013) explored corporate governance on an insider trading perspective– which entailed firms listed at NSE. The author used a descriptive survey. The study found that insider trading was significantly affected by corporate governance. Such was credited to the element size and board's structure, ownership concentration, bank and corporate ownership were strong mechanisms of monitoring. The author however failed to incorporate growth in corporate value. The author further revealed an insignificant link between performance and corporate governance which made confirmation of the agency theory in predicting whether a direct link exists.

Padmanabha and Rathish (2017) set out to determine whether corporate governance affects companies' market value. The study applied a cross-section survey and multiple regression analysis. The findings were that firms doing well in the market had adopted the existing corporate governance structures and legislated it in a bid to minimize linkages. This study research did not consider economic variables that predict both control and value growth. The study puts emphasis on the relevance of the board in providing control oversight on management. The interaction of this relationship with capital structure would have been of interest as the reliability of the financial reporting would be questioned if the board fails to supervise and monitor the implementation of the entire system. This study addresses this gap comprehensively by considering the relationship between CG and corporate performance and how capital structure intervenes in this relationship along with the moderating influence of firm ownership.

Peters and Bagshaw (2014) examined whether CG mechanisms affects the financial value of publicly trading firms in Nigeria. Through judgmental sampling, the study sampled 33 firm from the 200 listed Nigerian entities. Results indicated that corporate governance mechanisms influenced the listed entities decision to publish their CG information in online platforms. Analysis

was undertaken through the regression (OLS) model. The finding thus indicates monitoring mechanisms instated by regulatory bodies are critical in CG guidelines compliance. However, the use of OLS for data analysis did not address the current study's objectives, thus the current study employed a longitudinal design which entailed panel data for the corporations trading at NSE.

Vincent et al. (2015) investigated the relationship between underlying constitutions of boards with the performance of companies at NSE**.** They applied multivariate regression analysis on panel data. The findings were that gender diversity impacted greatly on financial performance whilst independent board members' impact was not notable. Board size was indirectly connected to corporate profitability. However, the authors failed to include the intervening effect of capital structure with the moderating influence of ownership structure in the connection underlying CG through the board and financial performance.

Wanyama and Olweny (2013) investigated whether corporate regulations affected Kenyan listed insurance companies' financial performance. Research embraced descriptive design and stratified random sampling technique. Secondary data was gathered from firms' book accounts and a multiple linear regression used for analysis. The findings documented a direct link between entity performance and CG. The research was specific to only insurance companies and not all quoted companies. The authors also failed to include the mediating influence of capital structure and the moderating effect of ownership. The authors applied one only one element of corporate governance i.e. corporate regulation which when extended to include other indicators including such as Board Independence, Board Size among others would provide a more robust and complete view of corporate governance. Recently, several attempts have been made to build a more robust

index that includes various CG components and the measurement of business performance against the index. The approach could have been more robust if it had constructed a "Governance Index" comprising of provisions associated to shareholder rights and takeover defenses, to determine whether the index was strongly correlated with corporate value, proxied by the Tobin's Q.

2.3.2 Corporate Governance, Capital Structure, and Company Value

Adera et al. (2015) explored whether the debt-equity ratio affects stock values of NSE manufacturing companies. They applied the explanatory nonexperimental design with the authors undertaking a census of nine entities. Pearson, Correlation - (2-tailed) Pearson analysis was employed. The outcomes documented a significant positive association between preference share capital, long-term leverage, reserves, ordinary equity and the firm's performance. The research did not consider moderating variables on the relationship nor the corporate governance influence in the relationship. Recent empirical research shows that implementation of the best practices of corporate governance remains a challenge for quoted Kenyan companies and regionally. These best practices include shareholders rights protection, clear definition of stakeholder roles as well as defining board responsibilities for optimizing company value. Providing an answer to this gap is foundational and fundamental in ensuring optimal corporate growth and performance hence the need for the current study.

Bokhari and Khan (2013) studied whether capital structure affects corporation's performance – a novel perspective experimenting agency theory and subsequent application in the banking sector. They employed simultaneous equations modelling which accounted for reverse causality of capital structure to entity performance while controlling structure of ownership structure. They found that

statistics from the U.S. banking sector were consistent with the agency theory, the outcome was important for statistics and economic robustness. The study did not consider ownership structure and firms market value in the relationship. The study, just like several past studies, focused on CG as a sole indicator in exploring how CG influences company performance. The outcomes are inconclusive varying from negative, positive, and no association in both industrialized and unindustrialized states. The corporate governance index was also used by other authors, but different findings were obtained due to use of varied measures. This study intends to address this weakness by studying CG, capital structure, ownership structure and company value jointly.

Dumont and Svensson (2014) studied the debt-equity structure and entity performance of Swedish quoted corporations. They applied a large scale quantitative cross-sectional. Relationships were analyzed through multiple regression models and data gathered from accounting reports for an 8-year time-period. The research found an adverse link underlying debt-to-equity and the firms ROE. This means that companies can raise their investment returns by reducing debt capital. The study failed to consider ownership structure influence on the relationship. These study results may also not be appropriate in the local perspective as it was done in a developed market hence the need to assess how CG affects entity value in the local and regional markets.

Fauzi and Locke (2012) studied whether board and ownership structures affected performance of the quoted New Zealand companies. The study revealed that the board committees, board size and management ownership positively affected firm performance. They also found that NEDs, female directorship, and the presence of block holders in ownership structure reduces firm performance. They applied the Durbin Wu-Hausman test for endogeneity and for study robustness and employed

a generalized linear model. This study has extended this by adding the combined impact of capital and ownership structures on the connection underlying CG and company profitability.

Githire and Muturi (2015) studied the influence financing structure had on Kenyan listed firms' performance. The research embraced the explanatory non-experimental design. The regression technique was adopted for analysis and hypotheses testing aided by the Statistical Program for Social Sciences (SPSS). The findings indicated that long-term debt and equity positively and negatively affected corporate performance significantly while short term debt negatively affected financial performance significantly. There is a need to determine the framework and system underlying the decision on capital structure and how the whole chain influences corporate performance. This concern would have been addressed by incorporating corporate governance and management in the chain.

Githira and Nasieku (2015) focused on Capital structure determining factors among corporations trading at the East African Securities markets. Both descriptive and correlations analyses were employed in analyzing the information. They found a positive but non-significant linkage between productivity, development, company size, and capital structure. Extending this investigation to include the influence of CG on the capital structure would be interesting in explaining its impact on company value.

Kimathi, Galo, and Melissa (2015) concentrated on whether leverage affects nonfinancial firm performance at NSE. The authors used a causal study design. Secondary data on debt levels, equity, current and total assets as well as current liabilities was retrieved from published accounting

reports for a 6-year period. The authors concluded that an insignificant effect on underlying high levered and low levered firms. Extending this one step further to consider all firms and not only non-financial firms would be ideal. High leverage must be managed well to avoid it resulting in financial distress and this calls for a well-developed governance structure to provide a framework and oversight of borrowings aimed at optimizing corporate performance. This paper aims to seal this gap by assessing whether CG indicators affect corporate value.

Kiruri (2013) studied whether capital structure affected the monetary value of investments and lending companies trading at NSE. A regression analysis was applied. They found a significant negative link between ROE and debt to capital. The study did not consider emerging issues for example of having diverse board membership particularly of female directors who have been shown to have good market knowledge, better image, motivation of young and female employees in entities, which shows a positive connection between women's directorship and company performance. Additional issues not addressed in this study include corporate social functions and strategic management and leadership, investments, technology and the identification and management of the impact of risks on SME management.

Kodongo, Maina and Mokoteli (2014) studied whether capital structure, firm productivity affects corporate value using panel data from Kenyan quoted firms. They used yearly statistics ranging from 2002 – 2011 and applied several panel procedures. The research found cogent proof of the effect that leverage negatively but significantly affects profitability. Nevertheless, debt levels did not affect Tobin’s Q, which proxied firm value. The study did not take into consideration ownership structure and corporate value. The study did not consider corporate governance

interaction with the variables studied and how this eventually affects corporate profitability. The current study is an attempt to provide answers on whether adherence to CG principles in an environment where requirements are met or explained increases investors' confidence, as proxied by enhanced market value.

Kuria and Omboi (2015) investigated whether capital structure affect the profitability of NSE listed banking and investment firms. Descriptive statistical tools and post estimation experiments were done to stick to regression assumptions. Regression results showed that the ratio of debt-to-equity positively and significantly impacted the firms ROE. Additionally, the discovery showed a negatively link underlying the firms' proportion of debt/equity and the firms ROE. Ultimately, the outcome was that long-term leverage had a statistically insignificant connection with the performance of the studied firms. This study did not consider company governance and ownership in the relationship. It is possible the outcome of a lack of a relation between borrowing and financial performance was due to the underlying governance structure that affects both variables positively. This study tried to mitigate this by focusing on a corporate governance system that adopts specific mechanisms and market pressure as well as board attributes that will influence the firms' processes of decision-making, thereby affecting the performance of the firm as well as its growth.

Maina and Ishmail (2014) examined whether the debt-equity ratio affected financial valuation for NSE quoted corporations. A Causal study design and the panel methodology were employed through the Gretl software. Research results indicated that debt-to-equity choices (calculated by ROA, Tobin's Q & ROE) were of no importance in the Kenya listed firm's performance. This

research did not include ownership structure moderating effect on the relationship. Extending this one step further would provide clarity on how financial distress relates to debt-equity ratio violation. This highlights the need for further studies on CG mechanism effectiveness, the board oversight role and responsibility on capital structure alignment and optimization to maximize shareholders' value, which is the objective of this study.

Mburu (2015) investigated whether the debt-equity ratio affected financial performance – proof from Non-financial NSE listed firms. An explanatory descriptive study design was adopted and the HMR method utilized for hypothesis testing at 1% and 5% significance levels aided by SPSS v.20. A judgment sampling technique was applied. The findings showed that debt-equity ratio, the proportion of current obligations to aggregate assets, the proportion of noncurrent liabilities to aggregate assets, and the proportion of aggregate liabilities to aggregate assets indirectly and statistically impacted the listed entities performance proxied by ROA. Taking this study one step further to consider CG and the diminishing effect of ownership structure would produce more robust findings. The optimization of the above variables identified as impacting firm performance boils down to having good management, and governance. Accordingly, the current study considers how proper CG can be adopted to aid mitigate corporate failures, weak system of internal controls, poor business structures, management, and employee's indiscipline, with the overall goal of increasing company value.

Mauwa, Namusonge, and Onyango (2016) studied whether capital structure affects fiscal performance of Rwandan quoted corporations. A descriptive study design was adopted with purposive sampling being used for selecting the sample. Analysis was done through descriptive

statistical tools, correlation and the regression model using EViews 11. The study documented that the debt-equity ratio was indirectly related with ROA and ROE. Going a step further to incorporate corporate governances, several issues affecting performance would have enriched the findings obtained. These concerns need attention and urgent addressing and therefore this study is an effort towards the realization of fulfilments of these gaps.

Nasieku and Susan (2016) studied whether financial debt-equity structure affected financial performance of corporations in Kenya. Their research applied content Analysis in reviewing previous and present studies affecting financial restructuring on organizational financial performance. A conclusive decision on the link as to financial restructuring is yet to be made. Extending it to a study providing wider consideration including corporate governance with wider oversight of monitoring the company's strategy and performance, ensuring effective management of risks, developing strong governance, and maintaining corporate and administrative values would make the findings more robust.

Ng'etich et al. (2014) researched on the age of the firm as an element influencing Kenyan insurance firms' capital structure. A univariate analysis was employed, and the outcome showed a coefficient of correlation of 0.809 and a beta coefficient of 0.65 thus a sign of a strong link between funding structure and age of the studied corporations. Although this study has considered capital structure as the dependent variable, it could be remarkable to consider how the variable affects firm performance when used as an intervening variable. Shareholders' key objective is to maximize firm value and as time passes, they expect the firm to continue the growth path and align its capital structure and processes towards growth. Considering Corporate Governance with capital structure

as intervening would make the study more exhaustive and possibly of more interesting findings. The current study focuses on optimizing corporate value of the shareholders while aligning this objective to corporate governance, capital and ownership structures so that the goal is clear and variables aligned to provide synergy geared towards optimizing value to the shareholders.

Njuguna and Obwogi (2015) studied whether board structure affects capital structure of corporations quoted in East Africa by utilizing correlational research. The static effect of regression analysis was employed in addition to descriptive statistical tools like the standard deviation, median and mean for summarizing data. In the outcome, a positive notable link underlying; size of the board, educational diversity, board independence and capital structure. However, an inverse notable link between capital structure and CEO duality was observed. The study did not consider corporate governance and corporate value. It has, however, not clearly shown how this relationship contributes to productivity of operation, the implementation of liquidity management or structure of capital, and the establishment of ideal governance structure to enable the firm to optimize value. This study places a strong focus on how CG helps to reducing the possibility of management making its self-interest and deviating from maximizing the corporate value. This paper strives to validate literature on the link between CG and enterprise value using a composite measure of CG and the Tobin Q to Measure Corporate Value.

Otieno (2015) researched on whether debt-equity ratio and profitability affected the replacement of CEO in NSE listed firms. The review was done thrice. First, in trying to find out the bi-directional connection of capital structure with firm profitability, along with selecting pointers of performance and capital structure, a canonical correlation was utilized. Second, the GLM

technique was applied in trying the impact of profitability with the ownership dimensions, also to try the interrelationship of ownership and capital structure. Ultimately, the generalized estimating equation (GEE) was employed in determining the impact on profitability, ownership, and funding structure on CEO change. The finding is that a bidirectional linkage existed between corporate performance and financial structure. The proposition that leverage had a worthwhile impact on the CEO change was affirmed. Thus, it remains interesting to magnify the research to incorporate indicators of CG corporate and ownership structure. Taking this to the next level to determine corporate governance interacts with the studied variables above to optimize firm performance would be insightful. The current study is, therefore, spot-on in concentrating on corporate governance impact of enterprise performance with the moderation of structure of ownership and the intervention of capital structure.

Sen, Das, and Sharma (2014) examined the connection underlying debt-equity ratio and stock value performance in the Amman stock market firms. It utilized hierarchical multiple regression model HMR to assess whether capital structure affects firm performance; they used 76 corporations (23 service and 53 industrial companies) for the time frame (2009-2013). It was observed that capital structure linked itself significantly and statistically with corporate performance. No notable distinction could be seen of the effect of the debt levels between highly leveraged companies and low leveraged corporations and their profitability. It concluded that no major difference exists among the financial leverage of low and high growth firm's performance. The study did not include an intervening variable of and moderating variable in the relationship. They found an adverse link between capital structure and company value. In terms of geographical context, this study does address the key challenges facing corporate governance reforms in the

developing countries and particularly east African countries such as corruption, poor enforcement of guidelines, predictable leadership, and inactive shareholders, based on tribal arithmetic rather than real performance which are more foundational and fundamental in tackling corporate underperformance.

Solomon et al. (2013) focused on the relationship between debt-equity ratio and company regulations customs as evidenced by Listed Non-Financial Firms on NSE. The study applied descriptive as well as inferential tools with the utilization of correlation and linearity. The findings documented a substantial positive impact of non-current debt to Asset ratio on corporate governance but a non-significant positive effect of short-range leverage. The study outcomes could not be replicated to other areas as it focused only on non-financial firms.

Wanyoike and Nasieku (2015) studied capital structure determinants among corporations quoted at the East African Stocks Market. Their research used a correlation survey design. Nevertheless, descriptive with correlation analysis were employed in analyzing data. This investigation indicated a non-significant positive connection underlying, profitability, growth, firm size, and capital structure. Additionally, a negative insignificant connection underlying interest rates and the debt-equity ratio were revealed. The study did not consider corporate governance. This research played a significant role in raising public awareness and creating momentum towards wider adoption of corporate governance codes of management.

Waroka, Herrera, and Abdullah (2011) studied East Asia corporate governance with a focus on the test of the relationship between debt-equity and stock valuations. They applied statistical methods

of t-test for hypotheses testing as well as the multiple regression model. The results obtained affirms the incentive signaling approach, where debt is utilized as a sign that the entity has a prospect while equity issuance may be construed as an adverse alert. This study did not consider the ownership structure. It would be interesting extend this further to address how the implementation of various regulations such CMA regulations in Kenya, the enactment of the 2010 Kenyan constitution that strives to stimulate sound governance through effective leadership, integrity and transparency, the establishment of institute of Certified Public Secretaries of Kenya (ICPSK) intended to be in the frontline of promoting good governance have impacted corporate performance and governance. There is therefore a gap between stakeholders' expectations based on past actions and reality being experienced – which this study set out to address.

Zabri, Ahmad, and Wah (2016) investigated whether capital structure affected the value of corporations in Jordan. A cross-sectional investigation was employed, and regression undertaken for data analysis. The authors documented that increasing leverage levels notably leads to adverse effects on an entity's worth. This could be extended to incorporate CG effect on corporate performance. It thus stimulating to establish whether the decision to increase debt was influence by the level of corporate governance regulation adopted by the firm. This inclusion would recognize the inefficiency of existing legislation and determine the effectiveness of the role of self-regulation of the "Comply or explain" principle – as an indicator for managing financial collapses and scandals. This study, therefore, attempts to address the root cause problems that would contribute towards minimizing the recurrence of such business failures and help raise standards of corporate governance.

2.3.3 Corporate Governance, Ownership Structure, and Company Value

Chen (2012) studied whether ownership structure affects profitability in Scandinavian countries. The study was anchored on the Transaction Cost Theory (TCT) as well as the Corporate Governance Theory (CGT). The study applied OLS regression to analyze data. Findings were that ownership concentration positively affected firms' profitability. Extending this study to incorporate Corporate Governance would help established importance in influencing firm performance. The study was undertaken in a developed nation with diverse legal, civil, and societal background which makes applying its finding locally a challenge. The current study provides the local context which makes its findings readily applicable in Kenya and the region. It also explored how CG practices affects the value of publicly traded Kenyan firms.

Kiruri (2013) studied the impact of ownership structure on Kenyan banking entities profit levels. Descriptive study design and linear regression equation were used to analyze data. The research posits that ownership concentration by the state leads to poor performance while diffusion of ownership to local and foreign investors leads to efficient performance. The study's context was limited to the banking industry while the current study has a wider context covering all listed firms at the NSE which makes its findings to be widely applicable.

Kumar (2012) studied ownership structure influence on firm value as evidenced by listed companies in India. A cross-sectional regression analysis with a 1-digit industry dummy was applied. The findings were that the shareholdings by institutional investors and managers impacts corporate profitability. Extending this paper to consider the mediating impact of the proportion of

debt/equity on the link of company regulations and stock value world product more robust findings.

L'Huillier (2014) studied ownership structure and profitability for listed entities in Israel. They employed the technique of Data Envelop Analysis (DEA). Their findings indicated that efficiency in bringing about net income varied according to the type of personnel managing the firms. Their study considered ownership structure as the independent variable in relation to Firm performance with no intervening or moderating variables. The inclusion of intervening and moderating would extend this study to provide more interesting findings on whether the explanatory variable impacts the response variable. The current study has considered the structure of ownership as a moderating variable as well as the application of multivariable regression analysis on the joint impact of Corporate Governance, Capital and Ownership Structures on Corporation Value.

M'Ithiria and Musyoki (2014) conducted research on CG, ownership structure perspective, and company value. They critically evaluate both theoretical and empirical literature. Their conclusion was that the empirical results found so far are mixed, meaning that no definite conclusion on the impact of company regulations on stock value based on ownership structure. There is a need to extend this to incorporate the intervening impact of capital structure on company value. It would thus be interesting to do further study to investigate what influences corporate value. This study is aimed at bridging this lacuna in knowledge and mechanism of enforcement as it determines the impact of CG and value growth while consideration the influence of capital structure and ownership in this relationship.

Wanjugu et al. (2015) assessed the effect of ownership structures and regulation reform on profit levels and stocks prices of private companies in Kenya. A fixed impacts regression model was applied. The result indicated that government ownership and board composition have positively affected ROA and Tobin's Q, whilst women directors negatively affect it. The research focused only on privatized former government-owned or controlled companies and extending this study to cover all listed corporations would increase its generalizability. The current study has also considered corporate governance independent variable in addition to capital structure as a mediating variable but has extending this to apply to the whole population of corporations quoted at NSE.

2.3.4 Corporate Governance, Capital Structure, Ownership Structure, and Company Value

Ayako et al. (2015) researched the factors influencing NSE listed firm's performance. The empirical findings using both ROE and ROA indicated that company regulations policy and leverage ratio significantly affected the firm's performance. Liquidity and firm size however insignificantly affected the firms' performance. If this study was to be extended to include the mediating impact of capital structure and moderating impact of structure of ownership more interesting results would be noted. Including Corporate governance, generally seen as a key element in influencing firm value would make such findings more robust. The current study treats corporate governance as the core variable while also going deeper into creating corporate governance composite to establish how elements of CG plays a substantial role in influencing corporate value and how the relationship is impacted by capital structure and ownership structure.

Driffield, Mahambare, and Pal (2005) explored whether ownership structure affects debt-equity ratio and ROA. They applied firm-level panel data 3rd level least square method (3SLS) method.

They obtained evidence from the popular belief that bureaucratic controls hamper the growth of firm value. It is possible to extend this research to include mediating the influence of capital structure on entity's value and corporate governance aspects and note the resulting changes in results.

Hasan and Butt (2009) examined whether CG and ownership structure affected the capital structure of Pakistani quoted corporations. The Multivariate regression techniques based on the fixed-effect estimation approach was adopted during data analysis. The Finding was that CG and the structure of ownership significantly affected financial structure. If the study was to be taken one step further by considering its impact on corporate value, the results would be more robust. The main objective of the shareholder is to optimize returns on investment therefore extending the study to include corporate governance would give it the necessary focus and attention to shareholders key objective. This gap was therefore adequately responded to by the current study which has recognized agency theory as the anchoring theory and focused on investigating how the gap between ownership and control can be minimized to optimize shareholders value creation.

Holderness (2016) investigated whether the structure of ownership and the ratio of debt-to-equity affects firm performance, in his study of Vietnamese quoted firms. The study employed OLS and regression methods in analyzing data. The study documented that foreign ownership negatively affected debt levels, but state ownership exhibited a positive effect. The study considered ownership structure and debt-equity ratio combine impact on entity performance but did not consider the moderating influence of ownership structure nor the intervening impacts of debt-equity on company profitability which this study has now incorporated. There is, however, a need

to incorporate a variable that would address the often-sighted need for taking adequate measures to increase effectiveness and efficiency of governance framework in a firm.

Mokaya and Jagongo (2015) studied whether ownership structure affects the financial value of companies quoted at NSE. They applied both cross-sectional and descriptive survey as well as the regression analysis. The research finding was that a robust and direct association exists between the fiscal values of enterprises listed in the NSE and Ownership structure. It would be interesting to see how including the moderating influence of ownership on the linkage between CG and company value would affect the relationship. There is a need to explore the agency costs resulting from such separation between ownership and how the whole matrix affects performance which this study has not addressed.

Okiro (2014) studied the relationship of company regulations compliance index, capital structure, and performance of corporations trading at EA Security Exchanges. The author applied a regression model and the Karl Pearson correlation to test the hypotheses. Outcomes revealed that the variables were significantly and positively related. This study applied corporate regulation as a moderator in the relation between company CG and profitability. It also covered the entire East Africa. It would be interesting to consider capital structure as an intervening variable and do a study that has focused on Kenya to provides more relevant findings which results in recommendations that are more tailored to the local context.

Okiro et al. (2015) investigated the impact of company regulations policy and the debt-equity value of corporation quoted at the EAC Securities market. They documented a positive linkage between company's regulations policy and corporation value. A significant mediating impact of capital structure was also documented. The current study extends the above to the next level where

corporate governance is taken as the independent variable determining performance while also considering the influence of capital structure and ownership structure thereby providing richer findings and recommendations.

Stiglbeuer (2011) investigated whether capital and ownership structure impacts company regulations and performance based on data from insider systems. The study was anchored on agency and institutional theories. Intercooler Stata was applied in testing equations and hypothesis and 3SLS regression was employed for analysis. The findings documented that the proportion of debt/equity had a positively impacted the firms' market value. Hence, its attention-grabbing to expand this research to address both regulations and performance as an outcome of capital and ownership structure which would enrich the findings. Further extending the study to focus on performance and rearrange ownership as a moderator and capital structure as intervening variables would provide more focused findings and may minimize the likelihood of reverse causality.

Wicks and Parmar (2014) examined the link between debt-equity ratio in terms of company regulations and stock market value. A multiple regression method was applied. The finding revealed that debt-equity ratio influences management decisions hence stock prices. Moving to the next step would consider mediating variable between CG and company value to make the findings more robust. Incorporating Corporate governance is very important as past studies has consistently shown that it improves the company's financial performance in addition to being able to minimize the asymmetry of information that occurs which gives rise to agency cost. The current study extends this study by providing an avenue to test the impact of systematizing the dissemination of information to stakeholders as well as shareholders through consideration of corporate governance.

2.5 Summary of Literature and Key Knowledge Gaps

The empirical investigation of corporate governance, capital structure, ownership structure, and corporate value interrelationship has not led to clear causal linkage between the variables. The past studies have created theoretic and methodological in addition to contextual gaps. The Agency theory argues that ownership separation and control lead to conflicts of interests whereas in both Stewardship and Stakeholder theories no such conflicts are envisaged. Most of the earlier studies reviewed have assessed the interactions either between two or three of considered variables with inconsistent and inconclusive results.

Studies relating corporate governance and performance have yielded contradictory and inconclusive results. With some revealing positive interrelationship with others reporting either adverse or no relationships. The possible explanation for the conflicts and contradictions could be that intervention and moderation effects are excluded from the studies, the differences in the attributes of predictor and dependent used, in addition to methodological differences.

The influence of ownership structure on the link between CG and value is inconclusive as previous studies have documented either positive, negative, or no effect. Further studies on the impact of capital structure on the link between CG and corporate value are few, contradictory and inconclusive. This area has not yet been fully explored.

Most of the studies on the four concepts have been undertaken in advanced markets that vary in due to regulatory, legal and market inefficiencies. Further limited studies have evaluated the intervention and moderation effects of capital and ownership structure at the same time. Due to methodological and contextual dissimilarities, the irresolute and from time to time contradictory outcomes, this study area remains open for current and future research. Table 2.1 makes available

a summary of the past reviewed studies, methodology applied, findings, research gaps, and how gaps were addressed in the current study.

Table 2.1: Summary of Literature and Key Knowledge Gaps

Author (S) And Year	Research Focus	Research Methodology	Research Findings	Knowledge Gap (S)	How Current Research Has Addressed the Gaps
Stiglbauer (2011)	Effects of financial and ownership structures on company regulations and firm profitability based on data from insider systems	Content analysis and simultaneous equation analysis applied. Tested using Intercooled Stata. The model was estimated using 3SLS regression.	Debt-equity ratio positively influenced companies' market value and free float cash flows had an adverse effect on MBV ratio and aggregate shareholder return.	This study's dependent variables include corporate governance and performance while the independent variables are capital and ownership structure without considering the moderating and intervening variables	This study's response variable was only value as proxied by Tobin Q while the independent variable is corporate governance. Capital structure has been taken as an intervening variable while the ownership structure is the moderating variable.
Warokka, Herrera and Abdullah (2011)	Relationship between debt-equity and stock valuations with emphasis on East Asia CG	T-test for hypotheses testing as well as the multiple regression model	The incentive signaling approach was confirmed, where debt was utilized as a sign that the firm had prospects while equity issues were construed as a negative sign	The study did not consider ownership structure motivating effect on linkage between CG and corporate value	This research has considered the ownership structure as a moderating impact on linkage between CG and corporate value.
Fauzi and Locke (2012)	Board and ownership structures effects on performance of the quoted New Zealand companies	Generalized Linear Model Durbin-Wu-Hausman test for endogeneity.	Board committees, board size and management ownership positively affected firm performance. Further, NEDs, female directorship, and the presence of block holders in ownership	The authors didn't consider the combined effect of financing and ownership structures on linkage between CG and company value.	This current research has considered the influence of structure of capital ownership and their association between CG and firm value.

			structure reduces firm performance		
Lishenga (2012)	Influence of board meetings and corporate governance on company value.	-Both cross-sectional and descriptive survey - Regression analysis	The number of panel meetings positively affects company value.	The research did not consider all the variables of corporate governance but only considered corporate governance mechanisms.	The current research has included mediating and moderating impact to assess the linkage between CG and entity value.
Peters & Bagshaw (2014)	CG mechanisms and the value of listed Nigerian firms	- Cross-section survey - linear regression analysis	Corporate governance mechanism influenced the firm's decision to publish their CG information in online platforms.	Failed to consider ownership structure as a moderating impact in the association between capital structure and company value	Current research has considered ownership structure as a moderating impact between CG and corporate value.
Okiro (2014)	Relationship of company regulations compliance index, capital structure, and profitability of entities quoted at EA security exchanges	Regression and the Karl Pearson correlation (PMCC) analysis	Corporate governance had a significant influence on entities profitability. A significantly direct link between CG and company profitability was also documented.	This author failed to consider whether structure of ownership moderates the relation between CG and entity profitability.	The present study has considered whether ownership structure as a moderate the relation between CG and company value. The study has also focused on Kenya – NSE.
Okiro, Aduda, and Omoro (2015)	Effects of company regulations policy and the debt-equity value of corporations quoted at the EAC Securities market	- Cross-section survey - linear regression analysis	A positive linkage between company's regulations policy and corporation value was documented. In addition, a positive and significant mediating impact of capital structure was also	Failed to consider ownership structure as a moderating impact in the association between capital structure and company value	Current research has considered ownership structure as a moderating impact between firm governance and company value.

			documented.		
Wagana and Karanja (2015)	The effect of C.G on value Among Manufacturing Companies in Kenya: A Theoretical Model.	-Cross-sectional survey -Multivariate regression analysis	The authors documented that firm governance impacted the entities profitability which helped in counteract the stagnation of the Kenyan manufacturing sector	The research did not consider capital structure intervening impact and moderation of ownership structure to effect company value	The current research has considered the corporate governance as moderated by capital structure and impact on the company value.
Haque and Arun (2016)	CG and its effects on business performance: an evolving market standpoint	Questionnaire survey-based CGI (Corporate Governance Index)	A significant and positive relation was found between CG quality and business value	The study did not include capital structure and ownership structure effect.	The study considered corporate governance as moderated by capital structure and impact on the company value.
Vinh, (2017)	Ownership and capital structure, and corporate performance among Vietnamese quoted entities	Pooled OLS based on fixed and, random effects as well as the dynamic panel (GMM) generalized method of moments for analyzing data.	The study document that foreign ownership had an adverse impact on debt levels, while ownership by the state had a direct impact. Management ownership had a direct impact, but the effect of block ownership on leverage was inconsistent.	The study considered ownership as well as capital structure combine effect on firm profitability but did not consider whether the structure of ownership moderates the relation nor the intervening impact of financing structure on profitability	This study also used capital and ownership structure, but not as independent variables, but as moderating or mediating indicators in the relation between CG and company value.

Ali (2018)	Impact of CG company's performance in financial terms	Questionnaires administered online Regression analysis	The results confirmed that corporate codes were being adhered to but better in developed states. Board duality positive with performance but board size had negative rel.	Did not consider capital and ownership structure. May not be applicable in Kenya due to geographical, legal, and social variances.	The current study has considered both ownership and capital structure moderating and intervening effect respectively.
Ogunlade Olabamiji (2019).	Effect of CG on Nigerian banking entities performance	Multiple regression analysis Karl Pearson Correlation analysis	A direct correlation linking the independence of the board and organization's profitability proxied by EPS and RoE	The research did not consider the joint impacts of CG, ownership, and capital structures on corporate value.	This study has considered both the intervening relationship of capita; structure and the moderating impacts of ownership structure in addition to the joint effect of CC, CS, OS, and CV.

2.6 The Conceptual Framework

Figure 2.1 displays the study's conceptual model showing corporate governance, capital structure, ownership structure, and corporate value interrelationships. The figure depicts that CG influences corporate value in several ways. First, corporate governance can have a directly impacts an entity's value. In other words, if directors carefully perform their supervisory responsibilities, it is likely to improve the company's value. This suggestion, reinforced by the Agency theory, as indicated by hypothesis one in the figure. The aspect has been assessed by different authors who have investigated the relation between CG and corporate value with mixed and inconclusive results.

Corporate governance can affect corporate value indirectly through capital structure. The directors hired by the firm owners during General Meetings do not participate in the normal operating activities of the company, but rather oversee the management's activities and approve critical decisions of the management in the company. One of the key decision management makes which requires the director's approval is the capital structure decision. Hypothesis two, therefore, proposes the intervening effect of capital structure on the relationship between CG and corporate value. Both Trade-off theory and agency theory supports this hypothesis.

Corporate Governance could also influence corporate value through the moderation of the ownership structure. The directors are the link between the management and the owners and provide the owners with information regarding management strategies approved by them or suggested by the management and also receive direction from the owners on fundamental strategic changes as well as visions, mission, and key objectives. Ownership structure has been documented based on empirical studies to influence entity value, although the direction and nature of the effect

are not clear. The common ownership structure attributes are ownership concentration, foreign, state, and family ownerships. Hypothesis three, therefore, proposes that ownership structure moderates the relationship between CG and firm value. This hypothesis is supported by both the stewardship theory and stakeholder theory.

Corporate governance, capital structure, ownership structure could jointly affect corporate performance. From past empirical studies, each of these variables has been documented by scholars to have some effect (positive, negative, or none) on corporate value. The joint effect of the variables has also been investigated by few scholars. This fourth hypothesis assessed the joint influence of corporate governance, capital structure, and ownership structure on corporate value. Figure 2.1 displays the study conceptual model.

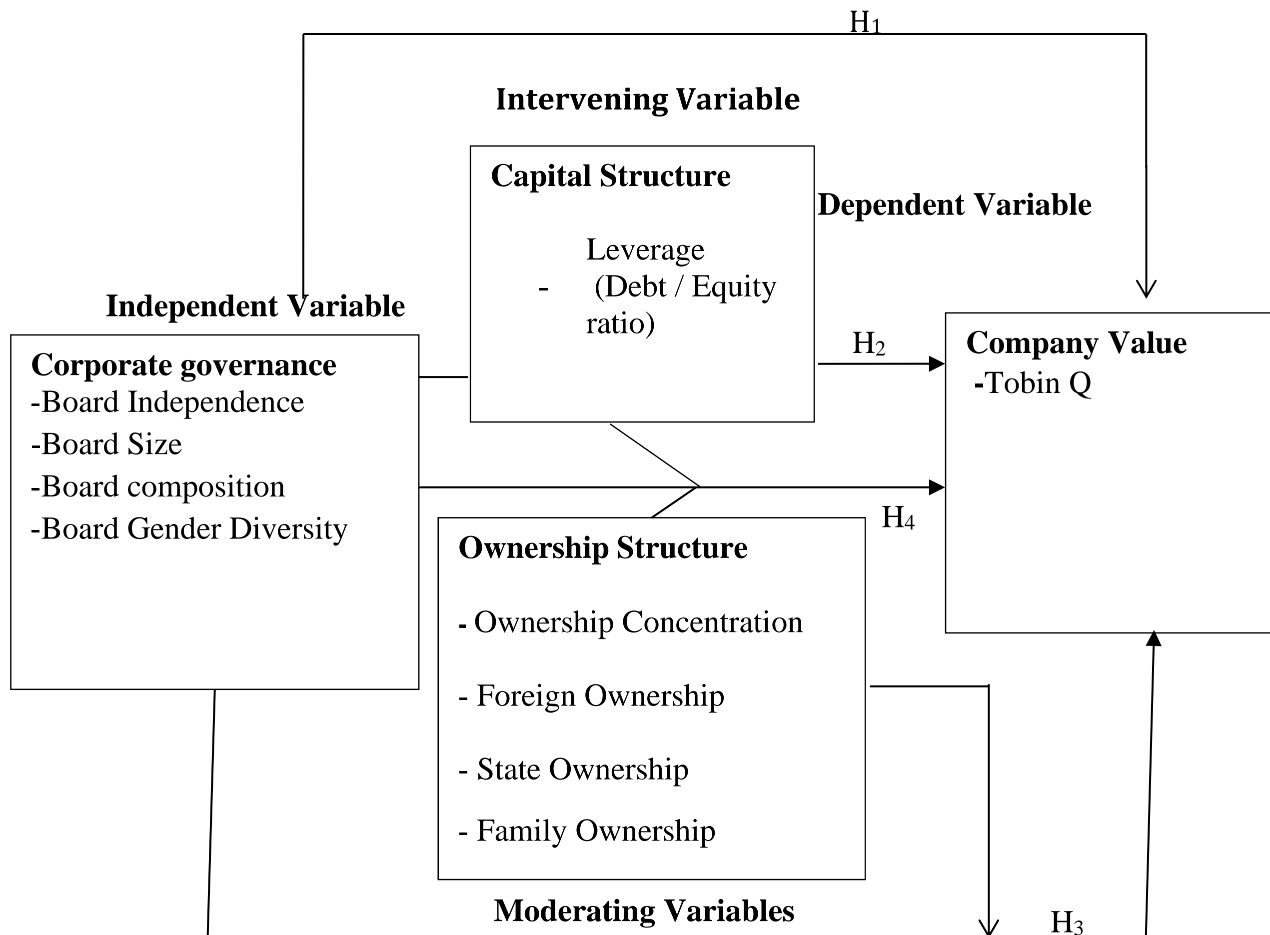


Figure: 2.1 The Conceptual Model

Source: Author (2019)

2.8 Research Hypotheses

Hypothesis 1: There is no significant effect of corporate governance on the corporate value of NSE listed firms

Hypothesis 2: There is no significant intervening effect of capital structure on the relationship between corporate governance and corporate value of NSE listed firms.

Hypothesis 3: There is no significant moderating effect of ownership structure on the relationship between corporate governance and corporate value of NSE listed firms.

Hypothesis 4: There is no significant joint effect of corporate governance, capital structure, and ownership structure on corporate value of NSE listed firms

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

A research methodology denotes a roadmap that explains the way data is gathered, analyzed, and interpreted to attain the research aims (Rose, 2017). This chapter presents the steps entailing the perspectives required to undertake the proposed research. This includes research philosophy, study design, population, data collection, diagnostic tests, operationalization, and analysis.

3.2 Research Philosophy

Solomon et al. (2013) defined research philosophy as a view or conviction regarding the approach and method in which data on an item is collected, analyzed, and used. It denotes the process of a scientific exercise based on an investigator's convictions regarding the world and the form of knowledge (Creswell, 2013). Our over-riding concern is that the research philosophy adopted should be both relevant to our research objective and rigorous in its operationalization. To guide the research effort, the research strategy should be imbued with an appropriate research philosophy.

Sounders, Lewis, and Thornhill (2009) came up with four philosophies which can be adopted and named them realism, interpretivism, pragmatism, and positivism. The realism philosophy is centered on the notion that what the senses indicate as truth is considered the reality hence knowledge is interpreted via social conditioning. The interpretivist approach supports that a researcher ought to comprehend the dissimilarities between people in their roles as social agents. Individuals and groups as such understand situations based on their individual experiences, expectations, and memories. This can lead to different interpretations. Pragmatism entails the use of a method that appears to be the best for a research problem. Pragmatism allows the researcher

to examine what they are interested in, to examine the different forms they consider applicable, and to use study outcomes in such a way that positive concerns can arise in the value system.

Finally, positivism involves working with recognizable public reality, and the outcome may be a legitimate generalization. The philosophy of positivism involves creating quantitative data based on larger samples and testing hypotheses and theories. According to Patton (1990), positivists generally assume that reality is quantitatively known and can be defined by quantifiable attributes independent of the researcher (observer) and his/her tools. Bhaskar (2014) notes that positivist studies largely seek to test a theory to improve the predictive knowledge on the phenomena. Alqisie (2014) supports this proposition by arguing that positivism is applicable when there is evidence of formal theorems, quantifiable variable measures, hypothesis testing, and drawing conclusions from a sample for a particular population. This research was therefore based on the philosophy of positivism, as it tested several quantitative hypotheses. A comparison of the four most used research philosophies based on the most used techniques of ontology, axiology, epistemology, and data-gathering approaches is provided under Appendix II.

3.3 Research Design

Research design is an outline that serves as a guide to a research so that the study can resolve a research problem. It is a study structure and serves as the glue which captures all research project components together. It can therefore be defined as the structure and strategy of a study phenomenon aimed to provide a researcher with responses to study questions (Kothari, 2004). It is the strategy of a research phenomenon that has been chosen to enable a researcher to obtain answers to questions of a research (Carter & Greer, 2013). Robbins and Judge (2017) described a study design as the practical strategy that is accepted by an investigator to answer the study

questions accurately, economically, precisely, and objectively. Therefore, research designs guide decisions that need to be made about conducting the research such as when and how often to collect the data, what data to gather and from whom and how to analyze the data. Thus, it can be said that it is an all-inclusive plan of the structure of operations that the researcher wishes to perform so as to realize the study aims. Research designs are categorized as: exploratory, explanatory, and descriptive (Saunders, Lewis & Thornhill, 2009).

Velte (2017) defined exploratory research design as a valuable means of determining what is going on, ask questions, seek new insight, and assess a phenomenon in a new light. Exploratory research can be conducted by searching the literature, cross-examining experts in an area, or undertaking focus group conversations. Exploratory designs are often used in new study areas, where the research goal is to determine the extent or magnitude of a specific phenomenon, a behavioral problem, generate initial ideas or estimates of the phenomenon, or assess the feasibility of a larger study about the phenomenon. In exploratory research design, the degree of problem definition is low as the key variables are not initially defined meaning that the focus is originally wide and narrows gradually as research continues.

Saunders et al. (2009) described an explanatory design as a design involving studies that establish causal relationships between variables. The emphasis of an explanatory design is to study a problem or situation explaining the linkage between variables. The design attempt to illuminate how and why an association exists between two or more aspects of a condition or a phenomenon. It was suggested by Rose (2017) that the degree of uncertainty about a research problem

determines the research design. In exploratory design, the degree of problem definition varies from medium to high given that key variables and key relationships are defined.

A descriptive research design was defined by Proudfoot (2016) as a design which provides an image of the situation as it happens naturally. The design can be employed to justify a current practice, judgment, and the development of theories. According to Solomon et al. (2013), the aim of descriptive research is to present a precise description of people, situations, or events. Before collecting data, a researcher must have a clear idea of the phenomenon for which he desires to study. Descriptive research is commonly employed as a precursor to most quantitative studies with a general overview which provides valuable clues as to which variables are worth quantitative testing (Cooper & Schindler, 2008). It can therefore be seen as a means to an end instead of an end in itself. In descriptive design, the degree of problem definition is high, given that the key variables are clearly defined.

The descriptive design was proper for this research since the key study variables were defined and the study clearly formulated hypotheses and research questions to be investigated. Cooper and Schidler (2008) supported this position. The capacity to study changes and development is one of the key advantages of descriptive research. Vincent et al. (2015) postulated that when discerning individuals and / or events over time, an investigator might exercise some control over the studied variables, provided that the investigation process itself does not affect them. The study thus adopted a descriptive longitudinal design which incorporated panel data. The panel data technique was deemed more suitable as the data comprised cross-sectional as well as time-series elements

(Mang'unyi, 2011). Thus, this was adopted across 58 corporations over a period of five years leading to 290 observations.

3.4 Population of the Study

Cooper and Schindler (2008) defined population as a whole collection of persons, objects, or events, with collective attributes that meet a particular description. The study's population encompassed all the 64 companies listed at NSE as of 31st December 2017. Publicly traded corporations were chosen since they possess a distinctive structure and legitimate operating mandate, are expected to have elaborate links between the research variables and provides the foundation for an objective determination of market value and performance.

The corporations were obtained from NSE listings. The population was divided into various segments as shown in appendix I. The study used a census method owing to the smaller number of listed businesses. Creswell (2013) believed that with a smaller target population of less than 100, a wider population could be included as part of census research. In this study, a census survey was undertaken because the target population was small and therefore no sampling was made. However, after sorting and cleaning the data from the 64 corporations, the study managed to get complete data from 58 firms since some firms had been delisted from the bourse. Bloom and Van Reena (2001) indicates that loss of number of observations among the remaining companies due to unobtainability may lead to poor data quality on some years. The inclusion criteria used were that the firm must have complete data for the five years of the study and that firm must have been in operation during the period and quoted at the NSE. The exclusion criteria were those without full information, listed after 2013, delisted before 2017 and those undertaking initial public offers

during the period under study. Census adoption met the requirements for proficiency, reliability, and representativeness (Dominic & Member, 2015).

3.5 Data Collection

Gujarati (2003) defined data collection as a precise and methodical information collection related to a research problem through methods such as interviews, focus groups, observations, case studies and stories. This study used quantitative secondary data gathered for five years period. The data was retrieved from historical financial reports of corporations quoted at NSE. The investigation concerning the determinants of Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value was done using data gathered from 58 firms from 2013 to 2017. Secondary data was retrieved from audited annual financial statements extracted from the companies' websites, and other records submitted to the NSE. Where the required data was not accessible, the same was directly sourced from the firm's management. The data that was collected to operationalize Corporate CG, CS, OS & CV. To calculate TQ and Leverage we collected data on Market Value of Equity (MVE), Total Book Value of Debts (BVD) and Book Value of Asset. Others were No of directors for board size, female directors for diversity, Prop. Of non-executive directors for board Independence. We also obtained no of shares owned by top 10% of the owners, by state, family, and foreigners.

3.6 Operationalization and Measurement of Research Variables

The practice of assigning numbers, figures, and various symbols related to study variables is known as operationalization. Beck and Wiersema (2013), explains that operationalization is the categorical description of a variable so that it can be measured. The four variables of the study

were Corporate Governance, Capital Structure, Ownership and Corporation Value. Corporate Governance measures included board independence (the proportion of autonomous non-executive board members), board size (number of directors), board remuneration (natural log of payout to board members per year), and board gender diversity (proportion of female directors). This was in line with indicators adopted by Proudfoot (2016) who used an equal weighted composite of the four sub variables to measure Corporate Governance.

Capital structure was proxied by the leverage (proportion of debt to the total funding). Ownership structure was measured by ownership concentration (proportion of shareholders with 10% or more to the aggregate shareholding value), State ownership (Proportion of state ownership to aggregate ownership), foreign ownership (Proportion of foreign ownership to aggregate ownership), and family ownership (Proportion of family ownership to total ownership). Regression analysis was performed for sub – hypothesis representing each sub - variable of ownership structure measurements separately. The corporate value was measured by Tobin Q.

Tobin Q was preferred as it is a market-based measure. It is named after Nobel Prize Laureate James Tobn and it compares the market value to replacement value of corporate assets. It is widely used to value a firm in both developing and developed financial markets. The variable shows the financial strength of the company and serves as a proxy for a company's performance in a financial market. While available methods like ROA and others are accounting based measurement, Tobin applied a market-based data measurement. Company value was measured by market price of resources acquired and market price growth by Tobin's Q calculation which measure share value

growth. In this respect, Tobin's Q can be said to be a combination of historical and futuristic. It involves sum of market value of equity and book value of debt.

Table 3.2 shows list of the study variables, their definition and measurement tools

Table 3.2: Operationalization and Measurement of Research Variables

Variables	Nature	Indicator	Operational definition	Measurements	Supported
Corporate Value	Response Variables	Tobin Q	Tobin Q is realized on market measure of performance.	$TQ = \frac{MVE+BVD}{BVA}$	Okiro (2014)
Capital structure	Intervening Variables	Company Leverage	Leverage measures the proportion of capital financed through debt / borrowings.	$\frac{Total\ BVD}{Total\ BVD + MVE}$	Solomon et al. (2013)
Ownership Structure	Moderating Variables	State Ownership	The extent of ownership held by the government of a country.	$\frac{\%\ State\ Shares}{Total\ Shares}$	Stiglbeuer (2011)
		Foreign Ownership	The portion of company shares owned by foreigners.	$\frac{\%\ Foreign\ Shares}{Total\ Shares}$	Godfred (2013).
		Ownership Concentration	Measures the % of ownership held by top 10% of the shareholders	$\frac{\%\ top\ 10\%\ Shares}{Total\ Shares}$	Hasan and Butt (2009)
		Family ownership	The portion of company shares owned by family members	$\frac{\%\ Family\ Shares}{Total\ Shares}$	Driffield, Mahambare and Pal (2005)
Corporate governance	Independent variables	Board Size	Number of Directors	Log no. of Directors	Proudfoot (2016).
		Board Diversity	Proportion of female	$\frac{\%\ Female\ Directors}{Total\ Directors}$	Velte (2017)

	members on the board		
Board Remuneration	Directors total remuneration	*Log natural of total directors' remuneration*	Ab-Razak (2014)
Board Independence	Proportion of Non-Executive Directors to Total Directors.	$\frac{\% Non-Ex.Directors}{Total\ Directors}$	Calomiris and Carlson (2016)
Corporate Gov. Composite	Average of Board Size, B. Indep. B.Size, B. Comp. B. Gender Diversity.	*¼(BI+BS+BR+BGD)*	Haque and Arun (2016)

Source: Researcher (2019)

3.7 Diagnostic Tests

Several diagnostic tests were done to determine suitability of data for running regression model. The regression technique is grounded on different assumptions among them linear association, multivariate normality, no multicollinearity, no autocorrelation, and homoscedasticity. The ensuing diagnostic tests were performed on the data.

3.7.1 Independence Test

Linear regression requires that the data should have no autocorrelation which arises when residuals fail to be independent of each other and occurs when observations of error terms are correlated, which distorts the coefficient estimations and increases the coefficients variance, thereby repressing the calculated standard errors in the OLS. Durbin-Watson statistics ($1.5<d<2.5$) were used to test autocorrelation in panel data and to make sure that the y (x + 1) value was independent of the y (x) value. The study verified that board independence, size, remuneration, and gender diversity were in the range of $1.5 < d < 2.5$ to confirm that there is no linear autocorrelation among the CG measures.

3.7.2 Linearity

The ANOVA test of linearity was employed to assess the study variables linearity. Nonlinearity was present when the calculated F value for a nonlinear variable was less than 0.05. The test calculated the linear as well as the nonlinear constituents of all indicators of the study variables.

3.7.3 Multicollinearity Test

Multicollinearity arises when explanatory variables are not autonomous of each other meaning that one explanatory variable is linearly predicted from others on reasonable degree of precision (Kothari, 2004). The use of multiple regression is centered on the justification for the nonexistence of multicollinearity between the explanatory variables. If independent variables are strongly correlated, the resulting individual coefficients of regression model would have very high standard errors making the equation very sensitive to minor specifications changes (Creswell, 2013). The existence of multicollinearity was evaluated using the VIF and tolerance values. Multicollinearities exist when a VIF value is greater than 10 while the tolerance is not far from 1.

3.7.4 Heteroscedasticity Test

The OLS model further presumes the collected data is not heteroscedastic. Homoscedasticity explains a condition in which an error term (i.e. random disturbance or "noise" in the relation between the dependent and explanatory variable) is similar for all values of an explanatory variable, i.e. the error variance is known and constant. The problem of heteroscedasticity occurs when the residuals variance is not constant for all observations mostly due to differences in the subpopulation or if the model is not correctly specified or other intervention impacts existed in the data of significant variables were omitted. The Levene test was used to check the supposition that the population discrepancies from which diverse samples were taken were similar. The Levene statistics verified the null hypothesis that the variances from the population were the same (so-called variance homoscedasticity or homogeneity). If there is no heteroscedasticity, there is homoscedasticity.

3.7.5 Multivariate Normality Test

Regression analysis also requires the data on all study variables be normally distributed. Normality was evaluated through the goodness of fit test in addition to the Kolmogorov-Smirnov test. Additionally, the Shapiro-Wilk test (1965) was used, which is a more thorough normality test.

3.7.6 Stationarity Test

The regression model variables usually entail the time-series component making it important to carry out a stationarity test of the time series data to ensure that the model is not biased. The presence of non-stationary variables in a regression model proves that standard assumptions which are key for asymptotic analysis are invalid. Simply explained, the normal "t-values" do not follow the t-distribution, making it impossible to authentically embark on hypothesis testing for the regression parameters. The Augmented Dickey-Fuller (ADF) unit root test was undertaken using the EXLTAT to evaluate the presence of non-stationary. According to Gujarati (2003), if a time series is nonstationary, the study of its behavior is valid only for the time under consideration. Gujarati (2003) further suggests transforming nonstationary into stationary time series by first difference stationary method.

3.7.7 Specification Test – Hausman Test to Determine Model Suitability

The equations testing the various hypothesis can be estimated using different regression models specifically the Pooled Ordinary Least Squares (OLS) technique, fixed effects model, or random effects model. According to Wooldridge (2010), pooled OLS is employed when different sample is selected for each year, however, in our case, the same sample is observed across five years, so we needed only to select between fixed effect or random effects. The appropriate model between random and fixed effect was tested using Hausman test. Hausman specification test hypothesizes

that Random and Fixed Effects models' estimations do not diverge substantively. The Hausman test null hypothesis makes the random effect appropriate while the alternative hypothesis makes the fixed effect applicable. The Hausman test results follows the chi-square distribution. Such that a smaller critical value, leads to the null hypothesis rejection, making the fixed effect model appropriate. According to Wooldridge (2009), if the probability Chi-square value is statistically significant ($p<0.05$), the estimation based on the Fixed effects is better off. The opposite favors the use of Random effects model.

3.8 Data Analysis

Carty and Weiss (2012) define data analysis as the usage of rational to comprehend the collected data, identify patterns that are consistent and condense the relevant details discovered in the survey. Sekaran and Bougie (2009) suggest a four-step strategy for analyzing namely; prepare data for analysis (adjust accuracy, completeness and consistency), get a feel for the data (descriptive statistics); test the assumptions (diagnostic tests) and lastly hypothesis testing. Multiple regression analysis was adopted to test the variables direction and strength. The statistical program for social sciences (SPSS) version 26 was applied to run the data. The discussed analysis technique was in line with the previously used method for the main effect, the intervening, moderating and the joint effect (Okiro,2014; Mang'unyi, 2011).

3.8.1 Corporate Governance and Company Value

To determine the relationship between corporate governance and the Corporate Value a multivariate regression equation was developed. The hypotheses testing model was as follows:

$CV_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2 BS_{it} + \beta_3 BR_{it} + \beta_4 BGD_{it} + \varepsilon_{it}$---(3.1)

Where CV represents Corporate Value (Proxied by Tobin Q), β_0 is the constant or intercept, β_1- β_4 are regression coefficient, **ε** is a random error term, **i** is a number of companies forming the sample and **t** is the research duration. BI, BS, BR and BGD represents Board Independence, Board Size, Board Remuneration and Board Gender Diversity correspondingly.

3.8.2 Corporate Governance, Capital Structure, and Company Value

To determine the intervening impact of Capital Structure on the Relationship between Corporate Governance and Corporate Value, the four steps approach demonstrated by Baron and Kenny (1986) was applied to test hypothesis two.

Step 1: $CV_{it} = \beta_0 + \beta_1 CG_{it} + \varepsilon_{it}$--(3.2)

Where.

CV, β_0, β_1 are as defined above while **CG** is the composite of Corporate Governance (Measured by the weighted average of Board Independence, Board Size, Board Remuneration, and Board Gender Diversity), i, t, and ε_i are defined in 3.8.1 above. A significant β_1 confirms a relation between Corporate Governance and the Company's Value. To derive composite CG, each of the measurements of CG i.e. BI, BS, BR and BGD ratios were summed up and the resulting summation divided by four. This approach is supported by previous studies which have applied similar weighted average (Calomiris & Carlson, 2016; Haque & Arun, 2016 and Robbins & Judge, 2017). The calculation of composite variable is justified as the optimizing of each of the sub variables give higher CG measurement.

Step 2: $CS_{it} = \beta_0 + \beta_1 CG_{it} + \varepsilon_{it}$--(3.3)

Where.

CS- Capital Structure score of parameters (Company Leverage)

β_0 – and CG are as defined in (3.8.2).

This equation confirms that the independent variable is a predictor of the mediators. If the mediator is not relating to the causation variable, then it cannot mediate the relationship. In this case, β_1 must be significant for a relationship to exist.

Step 3: The third step involved a simple regression analysis with CS (Capital Structure) predicting CV (Corporate value).

$CV_{it} = \beta_0 + \beta_1 CS_{it} + \varepsilon_i$--(3.4)

Step 4: This entailed a multiple regression analysis with CG (Corporate Governance) and mediator (Capital Structure) predicting CV (Corporate Value).

$CV_{it} = \alpha + \beta_1 CG_{it} + \beta_2 CS_{it} + \varepsilon_i$---(3.5)

Where CV, CG, CS, and α are defined in steps one and two. β_1 and β_2 are the regression coefficients. The model confirms that the mediator is a significant predictor of the response variable while controlling for the causation variable. β_2 must be significant and β_1 should be smaller in absolute value as compared to step value there to be an intervening impact.

Intervention occurs when Corporate Governance predicts Corporate Value, Corporate Governance predicts Capital Structure, Capital Structure predicts Corporate Value and still, Corporate Governance predicts Corporate Value when Capital Structure is in the model

3.8.3 Corporate Governance, Ownership Structure, and Company Value

To test the moderating effect of the ownership structure on the relationship between Corporate Governance and Corporate Value, the Baron and Kenny (1986) approach, for testing moderation was used. It entailed the moderating impact of various sub-variables of Ownership Structure on the relationship between Corporate Governance (CG) and the company's value (CV). The models for the sub-hypothesis of Ownership Structure are as follows:

$CV_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 OC_{it} + \beta_3 CGOC_{it} + \varepsilon_i$---(3.6.1)

$CV_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 SO_{it} + \beta_3 CGSO_{it} + \varepsilon_i$--(3.6.2)

$CV_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 FMO_{it} + \beta_3 CGFMO_{it} + \varepsilon_i$---(3.6.3)

$CV_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 FRO_{it} + \beta_3 CGFRO_{it} + \varepsilon_i$---(3.6.4)

Where β_0 is the intercept or constant and OC, SO, FMO, and FRO are Ownership Concentration, State Ownership, Family Ownership, and Foreign Ownerships respectively. β_1 is the coefficient relating to the causation variable, β_2 is the coefficient relating to the moderating variable, β_3 is the coefficient relating to moderating variable impact/interaction. If β_3 is statistically different from zero (Significant), there is a significant moderation impact of the OS -CV relationship.

3.8.4 Corporate Governance, Capital Structure, Ownership Structure, and Company Value.

To determine the joint effect of corporate governance, capital structure, ownership structure on the company's value. The model for the testing hypothesis is as follows.

$CV_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2 BS_{it} + \beta_3 BR_{it} + \beta_4 BGD_{it} + \beta_5 CS_{it} + \beta_6 OC_{it} + \beta_7 FRO_{it} + \beta_8 SO_{it} + \beta_9 FMO_{it} + \varepsilon_i$ ---(3.7)

B_1------β_9 are the regression coefficients. BI, BS, BR, BGD, CS, OC, FRO, SO, FMO are Board Independence, Board Size, Board Remuneration, Board Gender Diversity, Capital Structure, Ownership Concentration, Foreign Ownership, State Ownership, and Family Ownership respectively. CV, β_0, i, t, and ε_i are defined in 3.8.1 and 3.8.2 above.

Table: 3.3 Summary of the Statistical Tests of Hypothesis

Research Objectives	Research Hypothesis	Analytical model	Interpretation
i) To determine the effect of corporate governance on company value of NSE listed firms.	Hypothesis 1: There is no significant effect of corporate governance on company value of NSE listed firms.	Multivariate regression analysis $CV_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2\, BS_{it} + \beta_3\, BR_{it} + \beta_4 BGD_{it} + \varepsilon_{it}$ Where β_{1}- β_4 are regression coefficient CV – Corporate Value BI, BS, BR and BGD are Board Independence, Board Size, Board Remuneration and Board Gender Diversity. β_0 – is the intercept or constant ε – random error term .i – is number of companies studied .t – is the period of research	Relationship exists if the regression coefficient (β_1- β_4 value) are statistically significant. Statistical significance of model F value Statistical significance of at least one of the betas of the coefficients Pearson correlation coefficient is significant
ii) To assess the intervening effect of capital structure on the relationship between corporate governance and corporate value of NSE listed firms.	Hypothesis 2 There is no significant intervening effect of capital structure on the relationship between corporate governance and corporate value of NSE listed firms.	Baron and Kenny (1986) approach. Stepwise regression analysis **Step 1:** $CV_{it} = \beta_0 + \beta_1 CG_{it} + \varepsilon_{it}$ **Step 2:** $CS = \beta_0 + \beta_2 CG_{it} + \varepsilon_{it}$ **Step 3:** $CV_{it} = \beta_0 + \beta_1 CS_{it} + \varepsilon_i$ **Step 4:** $CV_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 CS_{it} + \varepsilon_i$ Where CS is Capital structure, β_1 & β_2 are regression coefficient.	Intervening effect exists if the regression coefficient (β_1 --- β_2 value) are statistically significant. The relation is strong if r^2 (r^2 is the square of the sample Coefficient of determination) and F-Test is statistically significant.
iii) To investigate the moderating effect of Ownership Structure on the relationship between corporate governance and corporate value for NSE listed firms	Hypothesis 3: There is no significant moderating effect of Ownership Structure on the relationship between corporate governance and corporate value for NSE listed firms	Stepwise Regression analysis as suggested by Baron and Kenny (1986) $CV_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 OC_{it} + \beta_3 CGOC_{it} + \varepsilon_i$ $CV_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 SO_{it} + \beta_3 CGSO_{it} + \varepsilon_i$ $CV_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 FMO_{it} + \beta_3 CGFMO_{it} + \varepsilon_i$ $CV_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 FRO_{it} + \beta_3 CGFRO_{it} + \varepsilon_i$ **Where** OC, SO, FMO, and FRO are Ownership Concentration, State Ownership, Family Ownership and Foreign Ownership respectively, the rest are as defined above.	Moderating impact exists if the regression coefficient of β_3 is statistically significant. (I.e. statistical significance of explanatory coefficients) A relationship exists if F-Value is statistically significant. Pearson correlation coefficient is significant
iv) To evaluate the joint effect of corporate governance, capital structure ownership structure on corporate value for NSE listed firms	Hypothesis 4: There is no significant the joint effect of corporate governance, capital structure ownership structure on corporate value for NSE listed firms	Multivariate regression analysis. $CV_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2 BS_{it} + \beta_3 BR_{it} + \beta_4 BGD_{it} + \beta_5 CS_{it} + \beta_6 OC_{it} + \beta_7 FRO_{it} + \beta_8 SO_{it} + \beta_9 FMO_{it} + \varepsilon_i$ Where –β_3 - β_9 are regression coefficient. BI, BS, BR, BGD, CS, OC, FRO, SO, FMO are Board Independence, Board Size, Board Remuneration, Board Gender Diversity, Capital Structure, Ownership Concentration, Foreign Ownership, State Ownership and Family Ownership respectively. CV, β_0, i, t and ε are as defined above.	Association exists if at least one of the regression coefficients (β_1---β_9 values) is statistically significant. A relationship exists if r^2 and F-Value is statistically significant.

CHAPTER FOUR

DESCRIPTIVE DATA ANALYSIS AND RESULTS

4.1 Introduction

Descriptive statistics is important in visualizing the data in a more simplified way and presenting it in a more meaningful way to facilitate its interpretation. Unlike inferential statistics which enables researchers to generalize about a large population, descriptive relies solely on the sample. The result of the diagnostic tests of statistical assumptions is presented in this chapter. The descriptive method of research was used in analyzing data with the aid of SPSS statistical software version 26. Maximum, minimum, the mean, standard deviation (SD), kurtosis and skewness were the descriptive statistics used. The Chapter concluded with a correlation analysis of the study variables.

4.2 Response rate

The study adopted a census survey method where the total population of all corporations quoted at the NSE numbering 64 as at December 2017 were considered. However, after sorting and cleaning the data from the 64 corporations, the study managed to obtain complete data from 58 firms since some firms had gone through a number of changes including going private and new listings making data for some years unavailable which may lead to poor data quality on some years for the remaining firms (Bloom and Van Reena, 2001). Thus, the 58 firms which had complete data made up 90% of the targeted sample.

4.3 Descriptive Statistics

Descriptive statistical tools were used to summarize the core attributes of the data by providing summary of the data and the employed measures. Sekaran and Bougie (2009) contend that, in addition to basic graphical analysis, descriptive statistical analysis is the first step in any quantitative analysis of data. Descriptive statistics denotes the data measurement in terms of mean, standard error of estimates, maximum and minimum. It further entails symmetric measures – kurtosis-sharpness of data and skewness. Mean is the average of all numbers and it is a central tendency measure including mode, median, and range. The standard error of the estimate denotes the precision of predictions made by a regression line. Skewness illustrates the relative size for both tails and assesses the probability amounts in the tails. Kurtosis measures, in reference to a normal distribution, the degree of heaviness or lightness of tailed data. It is a pointer of the collective size of the two tails.

The descriptive statistics results for all studied variables and the number of observations (N) are displayed in table 4.4 below

Table 4.4: Summary of Descriptive Statistics

Variable		Min	Max	Mean	Standard Deviation	coefficient of variation	Skewness	Kurtosis
Corporate Governance	Board Independence	0.55154	0.85967	0.615542	0.1384523	22%	-0.613	-0.131
	Board Size	0.5485	1.1855	0.84286	0.175675	21%	-1.147	0.787
	Board Remuneration	0.3421	1.448	0.555125	0.1427499	26%	-0.326	-0.678
	Board Gender Diversity	0.01058	0.62033	0.253865	0.0871868	34%	-0.3	1.441
Ownership Structure	Ownership Concentration	0.03597	0.68459	0.331754	0.1477303	45%	-0.028	-0.959
	Foreign Ownership	0.01705	0.68346	0.336122	0.1287794	38%	-0.318	-0.316
	State Ownership	0.2511	0.7832	0.113434	0.0527798	47%	0.257	-0.243
	Family Ownership	0.011052	0.73765	0.452107	0.1685835	37%	-0.75	0.005
Capital Structure	Liquidity	0.0249	0.86843	0.403533	0.186089	46%	0.278	-0.562

Source: Research Findings

Table 4.4 indicates that data was collected from 58 quoted corporations a 5 years' period leading to 290 data points. The results further indicate that among the Kenyan listed firms' independent directors constituted 61.5% of the size of the board, with a maximum value of 84% and a minimum value of 55% that were spread on either side of the average value by 13.8%. Additionally, the outcomes showed that the firms had an average board size of 7 directors (antilog of .8428), a maximum of 16 (antilog of 1.1855) and a minimum of 4 (antilog of 0.5485) directors, with a deviation of 2 (antilog of .1757) directors on both sides of the mean.

On average Board Remuneration for listed firms was 3.6 (antilog of .5551) million Kenyan shillings, a minimum of 2.2 (antilog of .3421) million Kenyan shillings and a maximum of 28 (antilog of 1.4480) million Kenyan shillings that deviate by 1.387 (antilog of .1427) million

Kenyan shillings on both sides of the mean. In addition, the results showed that female directors were 25.4% of the board members, with a maximum value of 62% and a minimum value of 10% that were spread on either side of the mean value by 9%.

On ownership structure, the finding indicated that owners holding 10% and above averaged 33% with a maximum of 68.5% and a minimum of 36% spread on either side of the mean by 14.8%. Foreign Ownership constituted 33.6% with a maximum of 68.3% and a minimum of 1.7% that deviate by 12.8% on either side of the mean. The findings further indicate that state ownership averaged 11.3% with a maximum of 78% and a minimum of 25% spread on either side of the mean by 5.3%. The results of the finding show that Family Ownership constituted 45.2% with a maximum of 73.8% and a minimum of 1.1% that deviate by 16.86% on either side of the mean. The findings indicate that capital structure use of debt is at 40.3% on average with a maximum of 86.8% and a minimum of 2.5% spread on either side of the mean by 18.6%.

Given that all coefficient of variation results were below 50%, the relative dispersal of data points in the data series around the mean are normal. Therefore, volatility or risk assumed by investors in corporation to a mount of returns expected from investments are not too high, though this may differ depending on the risk appetite of individual investor.

The results also show that CG indicators of Board Independence, Size, Remuneration and Gender Diversity had negative skewness, they also had negative Kurtosis except for Board Gender Diversity. Ownership Structure indicators of Ownership Concentration, Foreign, State and Family

Ownerships all had negative Skewness except for state ownership. Kurtosis for all of them we negatively skewed except for Family Ownership.

4.4 Results of Diagnostic Tests

The statistical assumption tests that were carried out included, the test for independence, test for homogeneity, normality test, linearity test, multivariate collinearity, specification test – Hausman test, and stationarity test. Any deviation from normal distribution was assessed through the Shapiro-Wilk test and such a deviation can be attributed the occurrence of kurtosis or skewness or both simultaneously. Razali and Wah (2011) posits that data on a zero to one scale is deemed normally distributed if the values lie between 0.05 and 1. ANOVA was used in linearity testing to find linear and nonlinear components of a variable. A significant F-statistic indicates nonlinearity when below 0.05 and linearity between 0.05 and 1.

To ensure that the data observations are independent, a test of independence of error terms was performed. The Durbin-Watson (DW) test, which ranges between zero to four, was used. Observations are considered independent if they lie between 1.5 and 2.5. The Levin's test was used to assess for heteroscedasticity as the technique determines the dispersion of scores, as illustrated in variation, to determine their contiguity to the dependent variable, i.e. whether the variances of the dependent and independent variables are equal. If it is significant at $\alpha=0.05$, the test fails; that is variances are not equal or close to each other.

The VIFs (variance inflation factors) as well as tolerance values were calculated to analyze multicollinearity among the explanatory variables. In case of multicollinearity, the explanatory variables are strongly correlated, making it impossible to conclude whether any observed variance

contribution in the dependent variable (corporate value). Garson (2014) posit that the maximum VIF value for the multicollinearity is 10.

Multiple regression analysis was undertaken for assumptions testing. The result of diagnostic tests undertaken on the data was presented below.

4.4.1 Panel Data Independence Test

The Durbin-Watson (DW) (1951) statistics was used for testing autocorrelation in the variables of the study. Table 4.5 presents the study results

Table 4.5: Results of Panel Data Independent Test

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
						R Square Change	F Change	df1	df2	Sig. F Change	
1	BI	.148[a]	0.022	0.018	0.3853456	0.018	6.44	1	288	0.012	2.199
2	BS	.057[a]	0.023	0.02	0.3889941	0.02	0.942	1	288	0.032	2.197
3	BR	.322[a]	0.103	0.1	0.3689181	0.1	33.246	1	288	0	2.108
4	BGD	.051[a]	0.043	0.01	0.3891292	0.01	0.742	1	288	0.039	2.183
5	CG	.076[a]	0.006	0.002	0.388512	0.002	1.66	1	288	0.019	2.183
6	OC	.352[a]	0.124	0.121	0.3646354	0.121	40.836	1	288	0	2.163
7	FRO	.249[a]	0.162	0.059	0.3773916	0.059	18.982	1	288	0	2.232
8	SO	.110[a]	0.012	0.009	0.3872641	0.009	3.53	1	288	0.061	2.178
9	FMO	.117[a]	0.014	0.01	0.3869358	0.01	4.024	1	288	0.046	2.224
10	CS	.199[a]	0.154	0.036	0.3818321	0.036	11.883	1	288	0.001	2.157

a. Dependent Variable: Corporate Governance
b. Predictors: Board Independent, Board Size, Board Remuneration, Board Gender Diversity, Composite Corporate Governance, Ownership Concentration, Foreign Ownership, State Ownership, Family Ownership and Capital Structure

Source: Research Findings

Table 4.5 illustrate that the Durbin-Watson (DW) statistic ranging from 2.108 to 2.232 lies within the accepted threshold of 1.5<d<2.5 hence serial autocorrelation did not exist among all the study measures.

4.4.2 Panel Data Linearity Test

Linearity of the variable data was evaluated using ANOVA. The test calculated the nonlinear and linear components of the variables. Nonlinearity was available in the event of a significant F value, that is the nonlinear component have a p value less than 0.05, and linearity was considered when the calculated F value was greater than 0.05.   The outcomes are presented in the table 4.6 below:

Table 4.6: Results of Linearity (ANOVA) Test

Model			Sum of Squares	df	Mean Square	F	Sig.
1	BI[a]	Regression	0.956	1	0.956	6.44	.272[b]
		Residual	42.765	288	0.148		
		Total	43.722	289			
2	BS[a]	Regression	0.143	1	0.143	0.942	.332[b]
		Residual	43.579	288	0.151		
		Total	43.722	289			
3	BR[a]	Regression	4.525	1	4.525	33.246	.261[b]
		Residual	39.197	288	0.136		
		Total	43.722	289			
4	BGD[a]	Regression	0.112	1	0.112	0.742	.390[b]
		Residual	43.609	288	0.151		
		Total	43.722	289			
5	CG[a]	Regression	0.251	1	0.251	1.66	.199[b]
		Residual	43.471	288	0.151		
		Total	43.722	289			
6	OC[a]	Regression	5.43	1	5.43	40.836	.183[b]
		Residual	38.292	288	0.133		
		Total	43.722	289			
7	SO[a]	Regression	0.529	1	0.529	3.53	.261[b]
		Residual	43.192	288	0.15		
		Total	43.722	289			
8	FRO[a]	Regression	2.703	1	2.703	18.982	.274[b]
		Residual	41.018	288	0.142		
		Total	43.722	289			
9	FMO[a]	Regression	0.603	1	0.603	4.024	.146[b]
		Residual	43.119	288	0.15		
		Total	43.722	289			
10	CS[a]	Regression	1.733	1	1.733	11.883	.181[b]
		Residual	41.989	288	0.146		
		Total	43.722	289			

a. Predictors: (Constant), Board Independent, Board Size, Board Remuneration, Board Gender Diversity, Composite Corporate Governance, Ownership Concentration, Foreign Ownership, State Ownership, Family Ownership and Capital Structure

b. Dependent Variable: Corporate Governance

Source: Research Findings

Table 4.6 above show that values of significance of deviation from linearity of $p > 0.05$ implying the existence of a linear relationship between dependent variable and independent variable measures.

4.4.3 Panel Data Multicollinearity Test

The VIF (Tolerance) tests were used to assess the presence of multicollinearity in the dependent variables panel data. Table 4.7 below represents the findings

Table 4.7: Results of Multicollinearity Test

Model		Sig.	Collinearity Statistics	
			Tolerance	VIF
1	(Constant)	0.5920		
	BI	0.0592	0.533	1.878
	BS	0.0551	0.814	3.227
	BR	0.0020	0.555	1.801
	BGD	0.1070	0.801	1.249
	CG	0.0077	0.549	1.823
	OC	0.0010	0.672	1.488
	FRO	0.0152	0.795	1.258
	SO	0.0367	0.832	1.202
	FMO	0.0178	0.952	1.051
	CS	0.0147	0.743	1.346

a. Dependent Variable: Corporate Value
b. Predictors: (Constant), Board Independent, Board Size, Board Remuneration, Board Gender Diversity, Composite Corporate Governance, Ownership Concentration, Foreign Ownership, State Ownership, Family Ownership and Capital Structure

Source: Research Findings

In linear regression analysis, there were highly statistically significant coefficients. There was no multicollinearity in the variable data were within the VIF limit (VIF < 10).

4.4.4 Panel Data Heteroscedasticity Test

To test for Heteroscedasticity of the variables Panel data the Levene test were used. The findings are illustrated under figures 4.8 below:

Table 4.8: Test of Homogeneity of Variance – Lavene Statistics

	Levene Statistics	Df1	Df2	Sig.
Board Independence	0.349	11	278	0.845
Board Size	0.662	11	278	0.619
Board Remuneration	1.087	11	278	0.365
Board Gender Diversity	0.981	11	278	0.418
Corporate Governance	0.415	11	278	0.682
Ownership Concentration	0.54	11	278	0.762
Foreign Ownership	0.472	11	278	0.58
State Ownership	0.424	11	278	0.329
Family Ownership	0.278	11	278	0.213
Capital Structure	0.378	11	278	0.321
Corporate Governance	0.415	11	278	0.682

Source: Research Findings

There was no heteroscedasticity as confirmed by Levene's Statistics ($p>0.05$) of variables as shown in Table 4.8 above.

4.4.5 Panel Data Normality Test

Normality of the variables were evaluated through Kolmogorov-Smirnov test, and the Shapiro-Wilk test. Table 4.9 beneath displays the results

Table 4.9: Panel Data Normality Test

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Board Independence	0.075	290	0.201	0.958	290	0.4
Board Size	0.174	290	0.27	0.887	290	0.324
Board Remuneration	0.085	290	0.301	0.971	290	0.24
Board Gender Diversity	0.087	290	0.2	0.958	290	0.26
Corporate Governance	0.064	290	0.106	0.98	290	0.401
Ownership Concentration	0.091	290	0.102	0.975	290	0.403
Foreign Ownership	0.061	290	0.112	0.984	290	0.302
State Ownership	0.042	290	.200*	0.987	290	0.081
Family Ownership	0.127	290	0.19	0.939	290	0.23
Capital Structure	0.069	290	0.122	0.983	290	0.302
Corporate Value	0.045	290	.200*	0.99	290	0.338

a. Lilliefors Significance Correction

Table 4.9 indicates that all study measures had a Shapiro-Wilk test with a $p > 0.05$, indicating that the data was obtained from a population that was distributed normally.

4.4.6 Specification Test – Hausman Test

The flow of checking suitability between Fixed Effect and Random models using Hausman test, is that first fixed effect test was performed followed by random effect and then Hausman test as detailed in the Appendix III. The test was done in EViews 11. The same is shown in the table 4.10

Table 4.10: Correlated Random Effects – Hausman Test

Test Summary	Chi - Sq. Statistic	Chi-Sq. d.f	Prob.
Cross Sectional Random	23.49619	10	0.0001

Source: Research Findings

The Hausman specification test is the mostly known procedure for selecting the appropriated panel data analysis model and to assess the cross-sectional random effect (Baltagi, 2005). The test determines the appropriate technique between the random and fixed effects techniques. From the table 4.10, the probability of the Chi-square is 0.0001 and statistically significant at 1% ($p < 0.05$), hence Hausman test suggests the use of the outcome of fixed effects model to make valid inferences. Fixed effect regression analysis was applied. To code for group membership, we considered the effect of the time-varying predictors in a model. The fixed effect model was run through the general linear models under Univariate menu in SPSS.

4.4.7 Stationarity Test

The regression model variable also entails the time-series component making it essential carry out a stationarity test to make sure that the model not biased. The Augmented Dickey-Fuller (ADF) unit roots test was done using EXLSTAT 2020 to explore presence of non-stationary variables. The null hypothesis (H0) is that a unit root exists in the series while the alternative hypothesis (Ha) is that unit root does not exist in the series- thus a stationary series. When the calculated p-value was more than the probability value ($P>0.05$), the null hypothesis cannot be rejected. The results are shown in the table 4.11 below:

Table 4.11: Non-Stationary Test – Augmented Dickey-Fuller (ADF) Test

Variables	Observed	Critical	P-Value	Series is	Hypothesis
Board Independence	-6.592	-3.402	< 0.0001	Stationary	Reject -H0
Board Size	-5.774	-3.402	< 0.0001	Stationary	Reject -H0
Board Remuneration	-5.688	-3.402	< 0.0001	Stationary	Reject -H0
Board Gender Diversity	-6.212	-3.402	< 0.0001	Stationary	Reject -H0
Corporate Governance	-6.383	-3.402	< 0.0001	Stationary	Reject -H0
Ownership Concentration	-5.844	-3.402	< 0.0001	Stationary	Reject -H0
Foreign Ownership	-7.498	-3.402	< 0.0001	Stationary	Reject -H0
State Ownership	-6.434	-3.402	< 0.0001	Stationary	Reject -H0
Family Ownership	-6.638	-3.402	< 0.0001	Stationary	Reject -H0
Capital Structure	-4.708	-3.402	< 0.0001	Stationary	Reject -H0

Source: Research Findings

4.4.8 Summary Statistics of the Diagnostic Tests

The summarized statistics of the diagnostic test of the seven assumptions (Independence, Linearity, Multicollinearity, heteroscedasticity, normality, specification, and stationarity), the thresholds and the values computed for all the study variables are presented under Table 4.12.

Table 4.12: Summary of Diagnostic Tests

	Assumption (Test)	Normality (Shapiro-Wilk)	Linearity (ANOVA)	Independence (Durbin Watson)	Homogeneity (Levene)	Collinearity (Tolerance)	Specification test (Chi-Square prob.)	Stationarity Test (ADF-test)
Variable	Attribute	P > 0.05	P > 0.05	1.5<d<2.5	P > 0.05	VIF 10 Max	P < 0.05	P < 0.05
Corporate Governance	Board Independence	0.4	0.272	2.199	0.845	1.878	0.0001	0.0001
	Board Size	0.324	0.332	2.197	0.619	3.227	0.0001	0.0001
	Board Remuneration	0.24	0.261	2.108	0.365	1.801	0.0001	0.0001
	Board gender diversity	0.26	0.39	2.183	0.418	1.249	0.0001	0.0001
Capital Structure	Liquidity	0.302	0.181	2.157	0.321	1.346	0.0001	0.0001
Ownership Structure	Ownership Concentration	0.403	0.183	2.163	0.762	1.488	0.0001	0.0001
	Foreign Ownership	0.302	0.274	2.232	0.58	1.258	0.0001	0.0001
	State Ownership	0.081	0.261	2.178	0.329	1.202	0.0001	0.0001
	Family Ownership	0.23	0.146	2.224	0.213	1.051	0.0001	0.0001
Corporate Value	Corporate Governance	0.401	0.199	2.183	0.682	1.823	0.0001	0.0001
	Capital Structure	0.302	0.181	2.157	0.321	1.346	0.0001	0.0001

Source: Research Findings

The Shapiro-Wilk test, which detects non-normality due to deviations in kurtosis or skewness or both, was used for normality testing. The results readings indicate that ($p>0.05$) were larger than

0.05, ratifying normal distribution. The assumption of normality presumes that the mean sample of a distribution is distributed normally. The ANOVA test which assesses for nonlinearity and linearity of variables pair with a significant F value indicating that is a nonlinear component has a p-value <0.05, and linearity has an F value with a p value>0.05 was used to assess for linearity. The calculated ANOVA test values were all greater than 0.05, thus confirming the linear (constant slope) relationships between the explanatory variables and the response variable.

Further, serial correlation in the study was assessed through the Durbin-Watson test, who's statistical cut off values lies between 1.5 and 2.5. The DW values lied between 2.108 and 2.232, which supports the no violation of serial correlation assumption. The Levene test played a key role in testing homoscedasticity with the results indicating value of p greater than 0.05 significance level which confirmed homogeneity. Tolerance and VIFs were used for multicollinearity testing. Multicollinearity arises when explanatory variables are not autonomous of each other meaning that one explanatory variable can be predicted linearly from the rest with a rational precision degree. The assumption of multicollinearity is evaluated based on a VIF threshold of at most 10 (Sekaran & Bougie, 2009). The computed variables tolerance was smaller than 1, and thus reciprocal, the VIF oscillated between one and two, thus not exceeding the recommended limits.

The specification test proposed by Hausman was applied to select the appropriate panel data model and to test cross sectional random effect. It compared fixed effect and random effect regressions and found a Chi-square is 0.0001 and statistically significant at 1% ($p < 0.05$), thus Hausman test suggested the use of the outcome of fixed effects model for making valid inferences. Fixed effect through general linear model under univariate regression analysis in SPSS was applied. The ADF

unit roots test was undertaken to assess presence of non-stationary variables. Since the all the calculated p-value was less than 0.05, we concluded that the data was stationary.

4.4 Correlation Analysis

The strength of linear association between two measures oscillates between -1 and +1. The +1 correlation means the presence of a perfect positive linear association among the variables, hence high collinearity (Sekaran & Bougie, 2009).

Corporate governance, capital structure, ownership structure, and corporate value relationship was assessed through correlation analysis using the Pearson Product Moment Correlation Coefficient (PMCC) method. Generally, most of correlation coefficients were less than the 0.8 thresholds indicating that there was no concern for multicollinearity (Mang'unyi, 2011). In this study's context, correlations results are stated at a significant level of 0.05 and 0.01 consistent with past studies including Alqisie (2014).

The results are shown below

Table 4.13: Correlation Matrix for Individual Predictor Variables

	Board Independence	Board Size	Board Remuneration	Board Gender Diversity	Corporate Governance	Ownership Concentration	Foreign Ownership	State Ownership	Family Ownership	Capital Structure	Corporate Value
Board Independence	1										
Board Size	-0.07	1									
Board Remuneration	-0.38**	0.17**	1								
Board Gender Diversity	0.08	-0.1	-0.21**	1							
Corporate Governance	0.47**	0.74**	0.14*	0.29**	1						
Ownership Concentration	0.13*	-0.03	-0.34**	0.01	-0.05	1					
Foreign Ownership	0.25**	-0.13*	-0.36**	0.01	-0.07	0.31**	1				
State Ownership	0.08	-0.16**	-0.18**	0	-0.14*	0.31**	0.20**	1			
Family Ownership	-0.04	0.05	-0.11	0.1	0.01	0.14*	0.01	0.07**	1		
Capital Structure	-0.01	0.05	0.01	0.09	0.07	-0.43**	-0.21**	-0.32**	-0.05	1	
Corporate Value	0.15*	-0.06	-0.32*	-0.06	-0.08	0.36**	0.25**	0.11	0.12*	-0.20**	1

*** Correlation is significant at the 0.01 level and * at the 0.05 level.*
Source: Research Data

As revealed in table 4.14 above, positive statistical relationship was documented between Board Independence and Corporate Governance, Ownership Concentration, Foreign Ownership and Corporate Value (r=.47, p<0.01), (r=.13, p<0.05), (r=.25, p<0.01), and (r=.15, p<0.05) respectively. Whereas a negative statistical relationship existed between Board Independence and Board Remuneration (r=-.38, p<0.01). This indicates that as board independence increases, Composite Corporate Governance, Ownership Concentration, Foreign Ownership, and Corporate Value also increases. However, an increase in Board Independence results in a decrease in Board Remuneration as the number of executive directors is expected to decrease as non – executive increases.

The results also show that the correlation between Ownership Concentration and Board Independence, foreign ownership, State Ownership and Corporate Value, was significant, (r = .13,

$p<0.05$, $r=.31$, $p<.01$, $r=14$, $p>.05$ and $r=.36$, $p<.01$) correspondingly while correlation between Ownership Concentration and Board Remuneration is negative, $r=.34$, $p<0.1$. This is an indication that as Ownership Concentration increases, Board Independence, foreign Ownership, State Ownership and Corporate Control increase while Board Remuneration decreases. Similarly, there was a statistical significant link between Foreign Ownership and Board Independence, Ownership Concentration, State Ownership and Corporate Value ($r=.25$, $p<0.01$), ($r=-.31$, $p<0.01$ ($r=.20$, $p<.01$), & ($r=-.25$, $p<0.01$) correspondingly while the association between Foreign Ownership and Board Size, Board Remuneration and Capital Structure were negative ($r=-.13$, $p<.05$), ($r=-.36$, $p<.01$) and ($r=-.21$, $p<.01$) correspondingly. Increased Foreign Ownership results in increased Board Independence, Ownership Concentration, State Ownership and Corporate Value but decreases Board Size, Board Remuneration and Capital Structure.

State Ownership had a statistically positive significant association with Ownership Concentration and Foreign Ownership ($r=.31$, $p<0.01$) and ($r=.20$, $p<0.01$) respectively and a negative association with Board Size, Board Remuneration, Corporate Governance and Capital Structure ($r=-.16$, $p<.01$), ($r=-.18$, $p<.01$), ($r=.14$, $p<.05$) and ($r=-.32$, $p<.05$). This means that higher State Ownership Results in higher Ownership Concentration and Foreign Ownership while higher State Ownership results in lower Board Size, Board Remuneration, Corporate Governance and Capital Structure. Capital structure has a significant negative relationship with Ownership Concentration, Foreign Ownership. State Ownership and Corporate Value of ($r=-.43$, $p<0.01$), ($r=-.21$, $p<0.01$), ($r=-.32$, $p<.01$) and ($r=-.20$, $p<.01$) respectively. Meaning that these variables reduce as Capital Structure increases.

4.4.9 Summary of the Chapter

The chapter presented the descriptive, diagnostic and correlation results of the 58 corporations quoted at NSE which formed 90% of the target sample giving 290 observations for the five-year period. The descriptive statistics measured the data through maximum, minimum, mean, standard error of estimates, skewness, and kurtosis. Board Independence was found to constitute over 60% of the board size emphasizing the importance of their oversight role to the shareholders. Although the findings showed that board size averaged seven directors, the gap between the minimum and maximum was quite wide at a minimum of 4 and maximum of 16 showing that the optimal board size differs for different firms depending on their size, complexity, and ownership among others. We also found that in Kenya Situation, unlike in the developed world, family ownership still plays a significant role at an average of 45%. This is expected to reduce, and firms expands and take own diversified ownership structure as has been witnessed in the developed nations.

The results of diagnostic test show that normality test measured by Shapiro Wilk Test all had a p value above the 0.05. The same applied also to linearity test as measured by ANOVA and Homoscedacity as measured by Lavene test. Independence test measured by Durbin Watson ranges were within the 1.5 and 2.5 limits and Multicollinearity measures were within the VIF maximum limit of 10. The specification and Non-Stationary test also conformed to the requirements of linear regression analysis after fixed effect model was adopted as specified by specification test.

Correlation's analysis was undertaken to assess the strength of the relationship between variables. Generally, most of correlation coefficients were less than the 0.8 thresholds indicating that there was no concern for multicollinearity. The significant relationship between Board Independence

and Board Remuneration shows the effectiveness of board oversight in managing the corporation costs include remuneration to the directors. The significant relationship between Capital Structure and Ownership Concentration, Foreign Ownership and State Ownership points to the influence the nature of ownership have on debt accumulation by a firm.

CHAPTER FIVE

HYPOTHESIS TESTING AND FINDINGS

5.1 Introduction

The intention of this Chapter is to present the study findings of the four-null hypothesis and their interpretations. The first null hypothesis explored whether Corporate Governance influences company value. The second null hypothesis tested whether capital structure mediates the relation between CG and corporate value. The third null hypothesis tested the moderating effect of ownership structure on the relationship between CG and corporate value.

The fourth null hypothesis tested the combined effect of Corporate Governance, Capital Structure, and Ownership Structure on Corporate Value. Other tests including ANOVA, the adjusted coefficient of determination (R^2), the standard error of estimate (Se) and t-test were performed. Finally, an interpretation of the study findings is presented at the chapter end.

5.2 Effect of Corporate Governance on Corporate Value

The first objective assessed the interrelations between CG and Value for Corporations quoted at NSE. The indicators of Corporate Governance included Board Independence, Size, Remuneration, and Gender Diversity. The Tobin Q was used to measure Corporate Value. Data was sourced from published yearly accounting reports of the NSE publicly

trading entities thus forming the base of analysis of data. The study's null hypotheses are stated below: -

H1: There is no significant relationship between Corporate Governance and Corporate Value for NSE listed companies.

Multiple regression applied to test the hypothesis entailed regressing the Corporate Value against, Board Independence, Size, Remuneration, and Gender Diversity. Fixed effect regression analysis was applied. To code for group membership, we considered the effect of the time-varying predictors in the model. The fixed effect model was run through the general linear models under Univariate menu in SPSS as follows:

$$CV_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2 BS_{it} + \beta_3 BR_{it} + \beta_4 BGD_{it} + \varepsilon_{it}$$

The results were as presented in table 5.1 below:

Table 5.1: Effect of Corporate Governance on Corporate Value

Variables	β	SE	t	R^2	Adj-R^2	F
Model				0.304	0.117	1.629**
Constant	2.208	0.315	7.013**			
Board Independence	0.117	0.189	0.62			
Board Size	0.035	0.141	0.246			
Board Remuneration	-2.463	0.405	-6.077**			
Board Gender Diversity	-0.672	0.285	-2.360*			

Note: *p < 0.05, **p < 0.01

Dependent Variable – Corporate Value

Source: Research Findings

The outcomes indicated that Corporate Governance variables had a statistically significant impact on Corporate Value ($R^2 = 0.304$, $p<0.01$) explaining 30.4% of the corporate value.

The findings showed that the coefficient of the constant (β=2.208), the line of best fit for the model, was significant statistically. The coefficients of Board Independence, Size, Remuneration, and Gender Diversity were 0.117, 0.035, -2.463, and -0.672 respectively. Board Remuneration had a t value (-6.077>2) hence statistically significant. Board Gender Diversity had a t value (-2.360 >2) hence statistically significant. The results show that CG significantly predicts firm value. The overall relationship is statistically significant (F=1.629, p<0.01, R^2 = 0.304 and Adjusted R^2 = 0.117). The null hypothesis is therefore rejected.

5.4 Intervening Effect of Capital Structure on the Relationship between Corporate Governance and Corporate Value.

The second objective aimed at assessing the intervening effect of Capital Structure on the relationship between CG and corporate value of entities trading at NSE. Baron and Kenny's (1986) approach suggests four steps was undertaken when assessing the intervening effect of a mediating variable and its effect on the explanatory and response variables. Thus, the Baron and Kenny's (1986) steps were adopted. In step one of intervention, regression analysis was undertaken to determine how Corporate Governance (independent variable) influences Corporate Value (dependent variable) while disregarding the mediating variable (Capital Structure).

The second step entailed a regression analysis to examine how the intervening variable (Capital Structure) was affected by the independent variable (Corporate Governance) without considering the dependent variable (Firm Value). The third step entailed running a regression equation on whether the intervening variable (Capital Structure) affected

dependent variable (Corporate Value) with the explanatory variable (Corporate Governance) being ignored. The fourth step assessed the interrelationship between the dependent variable (Corporate Value), intervening variable (Capital Structure), and the independent variable (Corporate Governance).

The Baron and Kenny (1986) approach indicates that the analysis must meet four conditions for the intervention effect to be considered positive: a significant relationship must exist between the independent and the dependent variable in the absence of an intervening variable. Then, a significant relationship must exist between the independent variable and the mediating variable, and a significant relationship must also exist between the intervening variable and the dependent variable. Lastly, in controlling the impact of an intervening variable on a dependent variable, the impact of the independent variable on the dependent variable in the presence of the intervening variable is significant.

The composite measure of Corporate Governance (as measured by the equal weighted average of Board Independence, Board Size, Board Remuneration and Board Gender Diversity as computed in Chapter 3) was used while Capital Structured was proxied by leverage and Corporate value was proxied by the Tobin Q. A hypothesis was developed and tested whether capital structure mediates the Relationship between CG and Corporate Value. The following null hypothesis was tested.

H2: No significant intervening effect of capital structure on the relationship between corporate governance and corporate value.

Table 5.2 displays the obtained study results.

Table 5.2: Regression Results of Corporate Governance (CG), Capital Structure (CS) and Corporate Value (CV)

Variables	β	SE	Std. β	t	R	R^2	Adj-R^2	F
Model 1[a]					0.412	0.17	0.039	0.822
Constant	1.11	0.267		4.157**				
CG	-0.654	0.456	-0.097	-1.436				
Model 2[b]					0.07	0.216	0.019	1.099
Constant	0.185	0.124		1.488				
CG	0.108	0.212	0.07	0.511				
Model 3[c]					0.456	0.208	0.009	1.045
Constant	1.018	0.181		5.614**				
CS	-0.503	0.138	-0.241	-3.64**				
Model 4[d]					0.463	0.214	0.013	1.062
Constant	1.202	0.262		4.594**				
CG	-0.6	0.455	-0.089	-1.351				
CS	-0.494	0.138	-238	-3.599**				

Note: *p < 0.05, **p < 0.01

a. Dependent variable: Corporate Value
b. Dependent Variable: Capital Structure
c. Dependent Variable: Corporate Value
d. Dependent Variable: Corporate Value

Source: Research Findings

A multiple regression was performed to evaluate the relationship between CG, Capital Structure, and Corporate Value for corporations at NSE. As presented in Table 5.2, under step one (the main effect), a non-significant relationship existed between CG and corporate value (F=0.822, p>.05, R^2=.17, Adj-R^2=.039). The test of slope shows that the coefficient (β) for Corporate Governance was -.654 with a non-significant t-value. This indicates that

Corporate Governance is not a significant predictor variable ($p>.05$) thus there is no significant relationship between Corporate Governance and Corporate Value.

In step two there was no significant relationship between CG and capital structure ($F=1.099$, $p>0.05$, $R^2=.216$, Adj-$R^2=.019$). The test of the slope shows that the regression coefficient (β) value of CG was 1.018 with an insignificant t-value of .511. This shows that CG was not a significant predictor of Capital Structure ($p>.05$) and thus, there is no significant relation between CG and Capital Structure.

In step three, a non-significant relationship was documented between Capital Structure and Corporate Value ($F=1.045$, $p>0.05$, $R^2=.208$, Adj-$R^2=.009$). The test of the slope shows the regression Coefficient (β) value of Capital Structure -.503 with a significant t-value of -3.64. This indicates that Capital Structure is not a significant predictor of Corporate Value ($p>0.05$) and therefore no significant relationship exists between Capital Structure and Corporate Value.

In the fourth step, a non-significant relationship was documented between CG, Capital Structure, and Corporate Value ($F=1.062$, $p>.05$, $R^2=.214$, Adj-$R^2=.013$). The test of the slope shows that the beta coefficient (β) value of CG was -0.6 with a non-significant t-value of -1.351 ($p>.05$). The beta coefficient (β) value of Capital Structure was -.494 with a significant t-value of -3.599 ($p<.01$). This indicates that Corporate Governance and Capital Structure do not significantly predict Corporate Value. Capital Structure does not predict Corporate Value when Corporate Governance controlled. Therefore, CS has no

significant intervening effect on the relationship between CC and CV. The Baron and Kenny's (1986) rule requires that all the four steps predict significant relationships between the variables, therefore Capital Structure has not intervened in the Relationship between CG and Corporate Value. We fail to reject the null hypothesis H2.

5.5 Moderating Effect of Ownership Structure on the Relationship between Corporate Governance and Corporate value.

The study's third objective assessed the moderating effect of Ownership Structure on the relationship between Corporate Governance and Corporation Value. The study hypothesized that the relationship between Corporate Governance and Corporate Value was not moderated by the Ownership Structure of quoted corporations at NSE. The study tested following hypotheses.

H3: There is no significant moderating effect of Ownership Structure on the Relationship between Corporate Governance and Corporate Value

The moderation effect was assessed through Baron and Kenny (1986) approach. This technique involves testing the main effects of the explanatory variable (Corporate Governance) on the response variable (Corporate Value), the effect of the moderating variable (Ownership Structure) on the dependent variable (Corporate Value), and lastly, the effect of the interacting term between CG and Ownership Structure (CG*OS) on the dependent variable (Corporate Value).

To create an interactive term. CG and OS were first centered and a single item indicator was calculated, which was the product of two measures. However, creating a new variable

through the multiplication of CG and OS scores risked the creation of a multicollinearity problem. Thus, to solve the possible problem of multicollinearity, which could influence regression coefficients estimation for the main effects, these two factors were transformed using a standardized (Z) score whose mean is zero and the standard deviation is one.

The standardized (CG and OS) variables were then multiplied to obtain the interaction variables. Since there were four measures of Ownership Structure, four sub hypotheses were undertaken for the moderating influence of Ownership Structure. The sub hypothesis and the result of multiple regression predicting Corporate Value from CG, Ownership Structure, and the interaction between Corporate Governance and Ownership Structure (CG*OS) as reported below. The moderation hypothesis would be supported if the interaction of CG*OS in predicting Corporate Value yields a statistically significant coefficient. The first hypothesis was to test the moderating effect of Ownership Concentration on the relationship between Corporate Governance and Corporate value. The null hypothesis tested was as follows:

H3a: The relationship between Corporate Governance and Corporate Value is not significantly moderated by Ownership Concentration.

The results were documented under table 5.3:

Table 5.3: Regression Results Corporate Value, Corporate Governance, and Ownership Concentration and Interactive Term (CG*OC)

Variables	β	SE	Std. β	t	R	R^2	Adj-R^2	F
Model 1[a]					0.54	0.291	0.109	1.601**
Constant	0.572	0.262		2.187*				
CG	-0.465	0.423	-0.069	-1.1				
OC	1.013	0.162	0.385	6.273**				
Model 2[b]					0.54	0.291	0.106	1.569*
Constant	0.588	0.269		2.199*				
CG	-0.503	0.442	-0.074	-1.137				
OC	1.016	0.162	0.386	6.266**				
CG*OC	0.007	0.25	0.019	0.299				

Note: *$p < 0.05$, **$p < 0.01$

a. Predictors: (Constant), Corporate Governance, Ownership Concentration

b. Predictors: (Constant), Corporate Governance, Ownership Concentration, CG*OC

c. Dependent Variable: Corporate Value

Table 5.3 shows the result of regression conducted to assess whether Ownership Concentration moderates the relationship between CG and Firm Value. Model 1 indicates that a statistically significant relationship exists between CG, Ownership Concentration, and Corporate Value (F=1.601, p<.01, R^2=.291, Adj-R^2=0.109). Further, model 1 indicates that Corporate Governance and Ownership Concentration explains 29.1% of the Corporate Value. The introduction of the interactive variable (CG*OC) in model 2 reduces the Adjusted R by 0.03% and F-Value by 0.032.

The full model (model 2) illustrates that CG, Ownership Concentration, and the interactive variable (CG*OC) significantly predicts Corporate Value (F=1.569, p<0.05, R^2=.291 and Adj-R^2=.106). Model 2 further indicates that variation in Corporate Value explained by Corporate Governance and Ownership Structure is 29.1% with the inclusion of interactive variables (CG*OC). Both models 1 and 2 are useful for prediction.

The test of regression coefficients (β) shows that Ownership Concentration ($p<.01$) is statistically significant. In model 2 the coefficients (β) of Ownership Concentration are statistically significant while that of Corporate Governance and the interaction term CG*OC are not statistically significant. Given that the interaction term was not statistically insignificant ($p>.05$), the study finds that Ownership Concentration has no moderating effect on the relationship between CG and corporate value. The finding failed to reject the null hypothesis.

The second sub hypothesis was to test the moderating effect of Foreign Ownership on the relationship between corporate governance and corporate value. The null hypothesis was as follows:

H_{3b}: There is no significant moderation effect of Foreign Ownership on the Relationship between Corporate Governance and Corporate Value.

Table 5.4 presented the obtained results:

Table 5.4: Regression Results Corporate Value, Corporate Governance, and Foreign Ownership and Interactive Term (CG*FRO)

Variables	β	SE	Std. β	t	R	R^2	Adj-R^2	F
Model 1[a]					0.474	0.225	0.026	1.131
Constant	0.768	0.272		2.825**				
CG	-0.472	0.444	-0.07	-1.063				
FRO	0.793	0.196	0.263	4.043**				
Model 2[b]					0.477	0.227	0.025	1.121
Constant	0.791	0.274		2.89**				
CG	-0.545	0.454	-0.08	-1.202				
FRO	0.82	0.199	0.272	4.115**				
CG*FRO	0.021	0.026	0.054	0.788				

Note: *$p < 0.05$, **$p < 0.01$

a. Predictors: (Constant), Corporate Governance, Foreign Ownership
b. Predictors: (Constant), Corporate Governance, Foreign Ownership, CG*FRO
c. Dependent Variable: Corporate Value

Table 5.4 shows the result of regression conducted to assess whether Foreign Ownership moderates the Relationship between CG and Corporate Value. Model 1 indicates that there is no statistically significant relationship between CG, Foreign Ownership, and Corporate Value (F=1.131, p>.05, R^2=.225 Adj-R^2=.026). Further, model 1 indicates that Corporate Governance and Foreign Ownership explains 22.5% of the Corporate Value. The introduction of the interactive variable (CG*FRO) in model 2 reduced the Adjusted R^2 by 0.1% and reduces F-Value by 0.01. The full model (model 2) indicates that Corporate Governance, Foreign Ownership, and the interactive variable (CG*FRO) do not significantly predict Corporate Value (F=1.121, p>0.05, R^2=.227 Adj-R^2=.025). Model 2 further indicates that variation in Corporate Value explained by Corporate Governance and Foreign Ownership is 22.7% with the inclusion of interactive variables (CG*FRO).

The test of regression coefficients (β) shows that Foreign Ownership (p<.01) is statistically significant in model 1. In the second model, the coefficients (β) of Foreign Ownership are

statistically significant while that of Corporate Governance and the interaction term CG*FRO are not statistically significant. Given that the interaction term is statistically insignificant (p>.05), the study documents that Foreign Ownership has no moderating effect on the relationship between Corporate Governance and Corporate Value. The finding failed to reject the null hypothesis.

The Third sub hypothesis was to test the moderating effect of State Ownership on the Relationship between Corporate Governance and Corporate Value. The null hypothesis was as follows:

H_{3c}: There is no significant moderation effect of State Ownership on the Relationship between Corporate Governance and Corporate Value.

The results were presented under table 5.5:

Table 5.5: Regression Results Corporate Value, Corporate Governance, and State Ownership and Interactive Term (CG*SO)

Variables	β	SE	Std. β	t	R	R^2	Adj-R^2	F
Model 1[a]					0.431	0.186	0.023	0.891
Constant	0.935	0.277		3.373**				
CG	-0.542	0.455	-0.08	-1.19				
SO	1.046	0.489	0.142	2.139*				
Model 2[b]					0.434	0.189	0.024	0.887
Constant	0.96	0.279		3.442**				
CG	-0.614	0.463	-0.091	-1.324				
SO	1.124	0.498	0.153	2.257*				
CG*SO	0.023	0.027	0.058	0.842				

Note: *p < 0.05, **p < 0.01

a. Predictors: (Constant), Corporate Governance, State Ownership
b. Predictors: (Constant), Corporate Governance, State Ownership, CG*SO
c. Dependent Variable: Corporate Value

Table 5.5 shows the result of regression analysis conducted to assess whether State Ownership moderates the relationship between CG and Firm Value. Model 1 indicates that

no statistically significant relationship exists between CG, State Ownership, and Corporate Value (F=0.891, $p>.05$, $R^2=.186$ Adj-$R^2=.023$). Model 1 further shows that Corporate Governance and Foreign Ownership explains 18.6% of the Corporate Value. The introduction of the interactive variable (CG*SO) in model 2 increased the Adj-R^2 by 0.1% and reduces F-Value by .004. The full model (model 2) indicates that Corporate Governance, State Ownership, and the interactive variable (CG*SO) do not significantly predict Corporate Value (F=.887, $p>0.05$, $R^2=.189$ Adj-$R^2=.024$). Model 2 further indicates that variation in Corporate Value accounted for by Corporate Governance and State Ownership is 18.9% with the inclusion of interactive variables (CG*SO).

The test of regression coefficients (β) shows that while CG ($p>.05$) is not statistically significant, State Ownership ($p<.05$) is statistically significant in model 1. In the second model, the coefficients (β) of Foreign Ownership is statistically significant while both Corporate Governance and the interaction term CG*SO are not statistically significant. Given that the interaction term showed a statistically insignificant ($p>.05$) relation, the study documents that State Ownership has no moderation effect on the relationship between CG and Corporate Value. The finding failed to reject the null hypothesis.

The Fourth sub hypothesis was to test the moderating effect of Family Ownership on the Relationship between CG and Corporate Value. The null hypothesis was as follows:

H_{3d}: There is no significant moderation effect of Family Ownership on the Relationship between Corporate Governance and Corporate Value.

Table 5.6 displays the obtained study results:

Table 5.6: Regression Results Corporate Value, Corporate Governance, and Family Ownership and Interactive Term (CG*FMO)

Variables	β	SE	Std. β	t	R	R^2	Adj-R^2	F
Model 1[a]					0.437	0.191	0.016	0.923
Constant	0.926	0.274		3.373**				
CG	-0.658	0.451	-0.097	-1.46				
FMO	0.367	0.148	0.159	2.475*				
Model 2[b]					0.438	0.192	0.019	0.908
Constant	0.932	0.275		3.388**				
CG	-0.687	0.455	-0.101	-1.508				
FMO	0.367	0.148	0.159	2.474*				
CG*FMO	0.013	0.026	0.033	0.493				

Note: *p < 0.05, **p < 0.01

a. Predictors: (Constant), Corporate Governance, Family Ownership
b. Predictors: (Constant), Corporate Governance, Family Ownership, CG*FMO
c. Dependent Variable: Corporate Value

Table 5.6 shows the result of regression conducted to assess whether Family Ownership moderates the Relationship between CG and Enterprise Value. Model 1 shows that no statistically significant relationship that exists between CG, Family Ownership, and Corporate Value (F=.923, p>.05, R^2=.191 Adj-R^2=.016). Model 1 further indicates that Corporate Governance and Family Ownership explains 19.1% of the Corporate Value. The introduction of the interactive variable (CG*FMO) in model 2 increased the Adjusted R by .3% and reduces F-Value by .015. The full model (model 2) indicates that CG, Family Ownership, and the interactive term (CG*FMO) do not significantly predict Corporate Value (F=.908, p>0.05, R^2=.192 Adj-R^2=.019). Model 2 also indicates that variation in Corporate Value explained by CG and Family Ownership is 19.2% with the inclusion of interactive variables (CG*FMO).

The test of regression coefficients (β) shows that Family Ownership is statistically significant while Corporate Governance is not significant in model 1 ($p>.05$). In the second model, the coefficients (β) of Foreign Ownership are statistically significant ($P<.01$) while Corporate Governance and the interaction term CG*FMO are not statistically significant ($p>.05$). Given that the interaction term showed statistically insignificant ($p>.05$) relation, the study finds that Family Ownership does not moderate the relationship between CG and Corporate Value. The finding failed to reject the null sub hypothesis.

The overall implication is that Ownership Structure does not moderate the relationship of Corporate Governance and Corporate Value so corporations would perform well irrespective of their ownership structure contrary to common assumptions that government control firms cannot compete with other firms as this control would affect their performance. And, that family and foreign ownership affect performance. It is also possible that since these firms are listed and under similar regulations and codes of governance to comply with, the influence of ownership on their operation, decision and performance is minimal and also the owners tend to give them the freehand to operate as long as they comply with the best codes of governance.

5.6 Joint effect of Corporate Governance, Capital Structure, and Ownership Structure on Corporate Value.

The study's fourth objective was to determine the joint effect of CG, Capital Structure, and Ownership Structure on Corporate Value for NSE listed entities. The study hypothesized that the joint effect of CG, Capital Structure, and Ownership Structure on the Corporate

Value of corporations quoted at the NSE was not statistically significant. The following hypothesis was tested.

H4: The joint effect of Corporate Governance, Capital Structure, Ownership Structure on Corporate Value is not significant.

The hypothesis was tested as follows:

The regression equation was of the form:

$$CV_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2 BS_{it} + \beta_3 BR_{it} + \beta_4 BGD_{it} + \beta_5 CS_{it} + \beta_6 OC_{it} + \beta_7 FRO_{it} + \beta_8 SO_{it} + \beta_9 FMO_{it} + \varepsilon_i$$

The results are shown in Table 5.7 below:

Table 5.7: Regression Results Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value.

Variables	β	SE	Std. β	t	R	R^2	Adj-R^2	F
Model					0.61	0.372	0.186	2.001**
Constant	1.559	0.393		3.963**				
Board Independence	0.065	0.183	0.023	0.356				
Board Size	0.031	0.137	0.014	0.228				
Board Remuneration	-1.81	0.449	-0.339	-4.029**				
Board Gender Diversity	-0.575	0.278	-0.129	-2.069*				
Capital Structure	-0.259	0.144	-0.124	-1.794				
Ownership Concentration	0.507	0.193	0.193	2.624**				
Foreign Ownership	0.17	0.206	0.056	0.827				
State Ownership	-0.316	0.479	-0.043	-0.66				
Family Ownership	0.238	0.137	0.103	1.733				

Note: *p < 0.05, **p < 0.01

a. Predictors: (Constant), Board Independence, Board Size, Board Remuneration, Board Gender Diversity, Capital Structure, Ownership Concentration, Foreign Ownership, State Ownership, and Family Ownership.

b. Dependent Variable: Corporate Value

Source: Research findings

Table 5.7 demonstrates the findings of the multiple linear regression performed to assess the joint link between CG, Capital Structure, Ownership Structure, and Corporate Value of companies quoted at NSE. A significant relationship between Corporate Governance, Ownership Structure, and value (F=2.001, p<.01, R^2=.372 Adj-R^2=.186) was documented. The predictor variables accounted for 37.2% of Corporate Value.

The model coefficients of Board Remuneration, Board Gender Diversity and Ownership Concentration were statistically significant (β=-1.81, p<.01 , β=-.575, p<.05, and β=-.507, p<0.1 respectively) while the rest were not statistically significant. The β and p values of the other independent variables as indicated in the table 5.8 were, Board Independence (β=.065, p>.05), Board Size (β=-.031, p>.05), Capital Structure (β=-.259, p>.05), Foreign Ownership (β = .17, p>.05), State Ownership (β=-.316, p>.05) and Family Ownership (β=.238, p>.05)

From the findings, the relationships between Corporate Value and Board Independence, Board Size, Capital Structure, Foreign Ownership, State Ownership, and family Ownership were not significant statistically ($p>.05$). The relation between Board Remuneration, Board Gender Diversity and Ownership Concentration were, however, statistically significant ($p<.01$). Since the overall model was statistically significant ($p<.01$), Corporate Governance, Capital Structure, and Ownership Structure jointly had a significant relationship with the Corporate Value of firms listed at the NSE. The hypothesis H_4 was therefore Rejected.

5.7 Discussion of the Hypotheses Tests and Research Findings

The evidence from the findings indicated that there is a significant and positive relationship between Corporate Governance and corporate value direct relationship. There is also a joint significant relationship among Corporate Governance sub variables of Board Independence, Board Size, Board Remuneration and Board Gender Diversity together with Ownership Structure sub variables of Ownership Concentration, Foreign Ownership, State Ownership and Family Ownership and capital structure as measured by liquidity. The study did not find a significant intervening and moderating effect of Capital Structure and Ownership Structure respectively on the relationship between Corporate Governance and Corporate Value.

5.7.1 The Influence of Corporate Governance on Corporate Value

The study's first objective was to determine the effect of CG on the Corporate Value of corporations listed at NSE. The four attributes of Corporate Governance used were Board Independence, Size, Remuneration and Gender Diversity while the indicator of Corporate

Value was Tobin Q. The findings were that the relationship between CG and Corporate Value of listed corporations at NSE was statistically significant ($F=1.629$, $p<0.01$, $R^2=0.304$, Adjusted $R^2=0.117$). The result showed that Corporate Governance Significantly predicts Corporate Value. The null hypothesis was therefore rejected.

The results were consistent with earlier studies that found a positive link between CG and Corporate Value. Wagana and Karanja (2015) documented that Corporate Governance value among manufacturing companies documented a significant direct link between CG and businesses' performance. Padmanabha and Rathish (2017) set out to determine whether corporate governance affects the company's market value. The findings supported the current study and indicated that firms doing well in the market had adopted best corporate governance structure and legislated it in bid to minimize friction. However, there were findings that contradicted the study findings. An adverse link between corporate governance and corporate profitability was documented by Alalade, Onadeko, and Okezie (2014) when they evaluated the impact of CG practices on Nigerian industrial corporation's performance. No relationship was recorded by Arosa et al (2013) when they measured whether board structure affects performance. Further, Hussain and Abdul (2018) documented that CG had an insignificant effect on enterprise performance even after applying both accounting and market-based indicators.

Several studies have endeavoured to describe the direct effect on corporate governance on the corporation's profitability. Others have argued that through board monitoring and control, management efficiency improves which translates into better Corporate Value.

According to Peters and Bagshaw (2014), a firm having effective corporate governance can capitalise on projects which are profitable thereby higher cash flows and increased operations efficiency. The study result of the significance linkage between CG and corporate value as proxied through the Tobin Q was also reinforced by agency theory which primarily aligns the interest of managers and shareholders to optimize shareholders and hence corporation wealth.

5.7.2 The Intervening Effect of Capital Structure on the Relationship between Corporate Governance and Corporate Value.

The study's second objective was to investigate the intervening effect of Capital Structure on the relationship between CG and Corporate Value. The null hypothesis was that the Relationship between Corporate Governance and Corporate Value was not significantly intervened by the Capital Structure. The Baron and Kenny (1986) methodology was used for hypothesis testing in the null form.

The results documented that a non-significant relationship between CG, Capital Structure, and Corporate Value ($F=1.062$, $p>.05$, $R^2=.214$, Adjusted $R^2=.013$). This indicates that Corporate Governance and Capital Structure do not significantly predict Corporate Value. Corporate Governance did not predict Capital Structure in step two above. If the mediator is not relating to the causation variable, then it fails to mediate the relationship. β_2 (0.108, $p>0.05$) in model two should have been significant for a relationship to exist. In this case, therefore, CS had an insignificant mediating effect on the relationship between CG and Corporate Value. The Baron and Kenny's (1986) rule requires that all the four steps predict

positive relationships between the variables, therefore Capital Structure has not intervened effect on the relationship between CG and corporate value.

The study's output did not indicate the presence of a measurable intervening effect between CG, Capital Structure, and Corporate Value, thus we failed to reject null hypothesis. This could be described that in Kenya, the financial sector is deemed to be developing making it impossible for the sector to effectively monitor the use of debt advanced to corporates to decrease agency costs. From the firm's standpoint, manager may have good knowledge of the inefficient debt monitoring which may increase their borrowing appetite from financial institutions to enhance their personal interest, retain control and evidently fail to enhance the wealth of shareholders. This study findings were supported by results of research done by Mehrabanpour and Miri (2018) on the influence of CG Index on capital costs, risk, and performance.

Contrary to this study, some past research has consistently found that value growth is positively impacted by capital structure decisions and corporate governance. Okiro (2014) found a direct and significant mediating impact of financing structure on the linkage between CG and performance. Agency theory has demonstrated that CG and Ownership Structure are essential factors to manage the conflicts and costs arising thereof (Stiglbauer, 2011). Capital Structure is a financial and governance tool that regulates the flow of decisions and activities in company management. Whereas Corporate Governance in isolation, significantly affects Corporate Value, when mediated by Capital Structure, there is no significant relationship. The implication is that the Capital Structure may not be

effective in influencing the Corporate Governance practices adopted by corporations quoted at NSE. This finding is supported by MM Theory which state that in a perfect market, capital structure plays no role. This was also supported by the findings of Saeed, Gull and Rasheed (2013).

However, Okiro, Aduda and Omoro (2015) documented a significant mediating impact on the relationship. The lack of significant impact of capital structure in the relationship could be expounded in detail that when corporate governance is strong for instance strong independent directors would ensure that the company does not over leverage or under leverage and always act in a mode that corporate value is optimized. Shareholders with concentrated ownership would also keep monitoring the firm's borrowings as they would be concerned about bankruptcy risk that can expose them. For state-controlled firms, the state would literally be dictating the leverage levels and guaranteeing loans. The presence of Gender diversity would also help bring a balance thus minimizing the influence of capital structure. This conclusion's implication is that the Capital Structure may not be effectual in influencing the practices of CG adopted by corporations quoted at NSE.

5.7.3 The Moderating Effect of Ownership Structure on the Relationship Between Corporate Governance and Corporate Value.

The study's third objective examined the moderating effect of Ownership Structure on the relationship between CG and value of quoted corporations at NSE. The study documented that ownership structure did not significantly moderate the relationship between CG and

value of NSE listed firms. Ownership Structure was based on four attributes namely Ownership Concentration, Foreign Ownership, State Ownership, and Family Ownership.

The findings were: the relationship between CG and corporate value was not significantly moderated by ownership concentration ($F=1.569$, $p<0.01$, $R^2=.291$, Adjusted $R^2=.106$, and coefficients (β) of Corporate Governance and the interaction term CG*OC are not statistically significant. The association between CG and entity value was also not moderated by foreign ownership ($F=1.121$, $p>0.05$, $R^2=.227$, Adjusted $R^2=.025$, and coefficients (β) of Corporate Governance and the interaction term CG*FRO are not statistically significant.)

The relationship between CG and Corporate Value is not moderated by State Ownership ($F=.887$, $p>0.05$, $R^2=.189$, Adjusted $R^2=.024$, and coefficients (β) of Corporate Governance and the interaction term CG*SO are not statistically significant). The connection between CG and Corporate Value was not moderated by Family Ownership ($F=.908$, $p>0.05$, $R^2=.192$, Adjusted $R^2=.019$, and coefficients (β) of Corporate Governance and the interaction term CG*FMO are not statistically significant).

The summary of the hypothesis relating to the third objective is presented in table 5.8.

Table 5.8: Summary Results of Hypothesis Testing Relating to Objective Three

OBJECTIVE	HYPOTHESIS	SUB HYPOTHESIS	RESULTS	TABLE	INTERPRETATION
To assess the moderating effect of Ownership Structure on the Relationship between Corporate Governance and Corporate Value.	There is no significant moderating effect of Ownership Structure on the Relationship between Corporate Governance and Corporate Value	The relationship between Corporate Governance and Corporate Value is not moderated by Ownership Concentration	Fail to reject	Table 5.3	The relationship between Corporate Governance and Corporate Value is not moderated by Ownership Concentration (F=1.569, p>0.05, R^2=.291, Adjusted R^2=.106 and coefficient (β) of Corporate Governance and the interaction term CG*OC is not statistically significant).
		The relationship between Corporate Governance and Corporate Value is not moderated by Foreign Ownership	Fail to reject	Table 5.4	The relationship between Corporate Governance and Corporate Value is not moderated by Foreign Ownership (F=1.131, p>0.05, R^2=.227, Adjusted R^2=.025 and coefficient (β) of Corporate Governance and the interaction term CG*FRO is not statistically significant.)
		The relationship between Corporate Governance and Corporate Value is not moderated by State Ownership	Fail to reject	Table 5.5	The relationship between Corporate Governance and Corporate Value is not moderated by State Ownership (F=.887, p>0.05, R^2=.189, Adjusted R^2=.024 and coefficient (β) of Corporate Governance and the interaction term CG*SO is not statistically significant).
		The relationship between Corporate Governance and Corporate Value is not moderated by Family Ownership	Fail to reject	Table 5.6	The relationship between Corporate Governance and Corporate Value is not moderated by Family Ownership (F=.908, p>0.05, R^2=.192, Adjusted R^2=.019 and coefficient (β) of Corporate Governance and the interaction term CG*FMO is not statistically significant).

Source: Research Findings

Based on the indicators of Ownership Structure, and that the interaction term was not statistically significant (p>.05), the research thus finds that Ownership Structure has no moderating impact on the relationship between CG and corporate value. Thus, the null

hypothesis was not rejected. This can be described in detail that strong corporate governance has already taken care of the interest of the owners and corporation would perform based the management compliance with governance requirement regardless of the corporate ownership structure. This could be due to the strong control of listed companies by regulatory authorities which may not provide enough room for major shareholders, family, foreign owners, and state to influence key decisions.

The overall implication is that Ownership Structure does not moderate the relationship of Corporate Governance and Corporate Value so corporations would perform well irrespective of their ownership structure contrary to common assumptions that government control firms cannot compete with other firms as this control would affect their performance. And, that family and foreign ownership affect performance. It is also possible that since these firms are listed and under similar regulations and codes of governance to comply with, the influence of ownership on their operation, decision and performance is minimal and the owners tend to give them the freehand to operate as long as they comply with the best codes of governance. The findings are in line with that of Al-Harun and Rouf (2011) study that found the relationship not to be significant. This was also supported by Sunarsih and Oktaviani (2016) who documented that an insignificant linkage exists between ownership structure and entity’s performance. Several papers have provided a comprehensive survey giving mixed results of relationships (Stiglbauer, 2011; Vinh, 2017 and Kumar, 2015).

Further, Ownership Concentration was found not to moderate the relationship between CG and Corporate Value. This could be due to the strong control of listed companies by regulatory authorities which may not provide enough room for major shareholders to influence key decisions. The major shareholders also may prefer to give free hand to management to optimize the corporate value when Corporate Governance adoption is strong. Foreign Ownership did not significantly influence the relationship too as they may prefer their ideas to be aligned to the local market dynamics and give freedom to directors and management to operate. State Ownership influence in the relationship was also not significant as state actors may prefer leaving the running of the entity to appoint management and directors. Family Ownership for listed companies does not significantly impact the relationship between CG and Corporate Value, probably because the directors and Key management are generally family members of trusted confidants who can be relied on to run such companies without other family members' interference.

The possible explanation for mix and inconclusive results that ownership structure had no effect as public traded companies are highly regulated by the CMA and NSE thereby giving little room for the owners to have an influence on their value. The other explanation is as company become bigger and more complex as is the case of most listed corporations, information asymmetry increases allowing directors and management to have almost absolute control on the decision and operation of the company. Based on agency theory such set up is characterized by information asymmetry and strong incentive by executives to pursue their interest and agents who are few and organized against owners who are many and scattered and therefore not able to monitor or control what the agents are doing

5.7.4 Joint Effect of Corporate Governance, Capital Structure, and Ownership Structure on Corporate Value

The study's last objective explored the joint impact of CG, capital structure, and ownership structure on corporate value. The study's prediction was that the joint effect of CG, capital structure, and ownership structure on corporate value of corporations at NSE was not significant. The study finding that the joint effect of CG, Capital Structure, Ownership Structure on the Corporate Value were statistically significant ($F=2.001$, $p<.01$, $R^2=.372$, Adjusted $R^2=.186$). The hypothesis H_4 was therefore Rejected.

From the findings, the relationships between Corporate Value and Board Independence, Board Size, Capital Structure, Foreign Ownership, State Ownership, and family Ownership were not significant statistically ($p>.05$). The relation between Board Remuneration, Board Gender Diversity and Ownership Concentration were, however, statistically significant ($p<.01$). As the overall model was significant statistically ($p<.01$), Corporate Governance, Capital Structure, and Ownership Structure jointly had a significant impact on Corporate Value of corporations listed at the NSE. The hypothesis H4 was therefore Rejected.

Fixed Effect regression results in table 5.7 indicates that the model's coefficients of Board Remuneration, Board Gender Diversity and Ownership Concentration were statistically significant. Specifically, the model coefficient of BR shows a negative and significant relationship of 1.8 meaning that as remuneration increase, corporate value will decrease by 1.8. Conversely, the coefficient of BGD of -0.575 meaning that an increase of 1% in Gender diversity would result in a decrease of -.5% decrease in corporate value. The

findings indicated that board size and independence were significantly associated to entity value. The agency theory proposes that corporation's managers (agents) tends to consider their own interest, which affects enterprise value. With a bigger board, the increased oversight can help minimize the agency conflicts while enhanced independence of the board also ensure that managers are carefully monitored, which helps increase stakeholders and financiers' confidence hence a greater Corporate Value. The finding implication is that when the corporation's board comes up with ideal strategies, organizations perform well. The coefficient beta in table 5.7 indicates a significant and positive relationship of ownership concentration on corporate value. This suggests existence of clear proof of active board monitoring function among the large NSE listed entities. Similarly, the positive and significant coefficient could imply that large ownership will bring opportunity to the corporation through motivation of large shareholder to gather information and monitor actively the firm as well as proving the necessary linkages, this is consistent with the findings of Chen (2012). The justification is expounded by the agency theory, which suggest that increase firm monitoring, high information sharing and visibility of management actions/ activities to shareholders reduces agency cost thereby enhancing firm value. An interesting point is that board independence, board size, capital structure, foreign ownership, state and family ownership are fundamental variables used for testing agency theories and trade off theories in several past studies but are not significantly statistically interrelated to corporate value in the Kenyan Market. This suggest that the agency theory and the trade-off theories are only supported partially in emerging markets such as Kenya to explain corporate value.

The negative relationship between Capital Structure and Corporate governance as indicated by the negative coefficient (The coefficient of leverage is negative and not significant) of beta in the joint effect model and further supported by there being no intervening effect of capital structure on the link between corporate governance and firm value illustrate the robustness of the findings. This could be explained by Rose (2017) who indicated that miscalculating bankruptcy costs of restructuring and liquidation leads to more debt by firms that the required level hence a higher ratio of debt leads to a decreased corporate value.

The documented results fail to support some of the existing theoretical models that indicate the existence of a positive link between capital structure and corporate value though they remain consistent with several empirical studies in developing states. The lack of intervening effect of capital structure on the link between CG and CV and no relationship between capital structure and corporate value may be expounded by several factors among them emerging and transitional market and Kenya may have distinctive features in comparison to other developed states. For instance, Kenya in the 1990's introduced financial reforms specifically privatization programs moving to a market economy from the existing centrally planned economy, however, the financial sector is still not fully developed and has not provided the envisage necessary funding and monitoring support (Vincent et al., 2015).

The negative relationship between foreign ownership and corporate value could also be explained by there being too much control by foreign owners thereby restricting managers

from the freedom of deciding debt level and having local initiative which may end up reducing corporate value. This finding is contrary to some studies which documented a positive link on the relationship with a justification that foreign ownership is expected to decrease effect of agency costs resulting from management vested interest and sub optimal decision which may result in reduced corporate value (Peters, & Bagshaw, 2014; Haque & Arun and Dominic, & Memba, 2015). This rebuts the expectation that foreign stockholders can enhance firm's governance structure through effective oversight.

The findings were also consistent with that of Okiro, Aduda, and Omoro (2015), who documented a significant impact of CG and capital structure on the performance of entities quoted at East Africa securities markets. They found a significant joint impact of CG, Capital Structure, and Regulations on entity performance but inconsistent with this study, they found a significant mediating impact of capital structure on the linkage between CG and entity's performance and a significant moderating effect of regulation on the relationship.

Further, the presence of the joint and positive relationship suggests that quoted firms with good Corporate Governance, optimal Capital Structure, and concentrated and supportive Ownership Structure obtain higher Corporate Value growth. The agency theory proposes that corporation's managers (agents) tend to consider their own interest, which affects enterprise value. Through a bigger board, monitoring can help reduce the agency costs while enhanced independence aids in ensuring that managers are carefully monitored, which increases stakeholders and investors' confidence hence a greater Tobin-Q. The

finding implication is that when the corporate board formulates ideal strategies, performance of corporations' is enhanced.

The positive and significant joint effect of ownership structure could imply that large ownership will bring opportunity to the corporation through motivation of large shareholder to gather information and monitor actively the firm as well as proving the necessary linkages, this is consistent with the findings of Chen (2012). The finding is in line with the agency theory, which suggest that increase firm monitoring, high information sharing and visibility of management actions/ activities to shareholders reduces agency cost thereby enhancing corporate value. An interesting point is that board independence, board size, capital structure, foreign ownership, state and family ownership are fundamental variables used for testing agency theories and trade off theories in several past studies but are not significantly statistically interrelated to corporate value in the Kenyan Market. This suggest that the agency theory and the trade-off theories are only supported partially in emerging markets such as Kenya to explain corporate value. Further, the presence of the joint and positive relationship suggests that quoted firms with good Corporate Governance, optimal Capital Structure, and supportive Ownership Structure obtain higher Corporate Value growth. Finally, Corporate Governance, Capital Structure, and Ownership Structure jointly predict Corporate Value.

5.8 Summary of Research Findings

This chapter represents the testing of the four research hypotheses as well as discussion of the results. The null hypothesis was tested using the inferential statistics of both

correlations as well as regression analysis. The study findings failed to reject hypotheses two and three, however, it rejected hypotheses one and four.

The first hypothesis (H_1) explored the relationship between CG and performance of firms trading at NSE. The results documented that a statistically significant relationship ($p<.01$) exists between CG and Corporate Value. The null hypothesis was rejected.

Hypothesis two (H_2) investigated the intervening effect of capital structure on the relationship between CG and corporate value of firms quoted at NSE. The finding indicated that capital structure does not mediate the relationship ($p>.05$) between CG and Corporate Value. The finding fails to reject the null hypothesis two.

Hypothesis three (H_3) investigated the moderating effect of Ownership Structure on the Relationship between CG and Corporate Value of corporations listed at NSE. The attributes of ownership structure among them ownership concentration, foreign ownerships, state ownership, and family ownership and their moderating effect on the relationship between Corporate Governance and Corporate Value were tested separately. The findings of the study were that Ownership Concentration, Foreign Ownership, State Ownership, and Family Ownership did not have a significant moderating effect on the relationship between Corporate Governance and Corporate Value. Overall, it can therefore be concluded that Ownership Structure does not significantly moderate the relationship between Corporate Governance and Corporate Value. The findings fail to reject hypothesis three.

Hypothesis four (H4) investigated the joint effect of CG, Capital Structure, and Ownership Structure on the Corporate Value of firms listed at the NSE. The findings of the study show that CG, Capital Structure, Ownership Structure, and Corporate Value jointly have a significant relationship ($p<.01$). Using Corporate Value measure (Tobin Q), Corporate Governance, Capital Structure, and Ownership Structure jointly significantly predicted the Corporate Value of firms listed at the NSE.

The summary results are presented in Table 5.9 below:

Table 5.9: Summary of Research Objective, Hypothesis Results, and Test Results

Research Objective	Hypothesis	Test Results
1. To determine the effect of Corporate Governance on Corporate Value of NSE listed firms.	1. There is no significant relationship between Corporate Governance and Corporate Value.	Rejected
2. To assess the intervening effect of Capital Structure on the Relationship between Corporate Governance and Corporate Value of NSE listed firms.	2. The capital structure does not significantly intervene in the relationship between Corporate Governance and Corporate Value.	Fail to reject
3. To investigate the moderating effect of Ownership Structure on the Relationship between Corporate Governance and Corporate Value of NSE listed firms.	3. There is no significant moderating effect of Ownership Structure on the Relationship between Corporate Governance and Corporate Value.	Fail to reject
4. To evaluate the joint effect of Corporate Governance, Capital Structure and Ownership Structure on Corporate Value of NSE listed firms	4. There is no significant joint effect of Corporate Governance, Capital Structure and Ownership Structure on Corporate Value	Rejected

Source: Research Findings

CHAPTER SIX

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

6.1 Introduction

This study's objective was to establish the relationship between CG, Capital Structure, Ownership Structure, and Corporate Value of quoted corporations at NSE. Four hypotheses were tested to achieve the objective. The chapter documents the hypothesis test summarized findings, conclusion from findings, and the study's contribution to knowledge, policy, and practice. The study limitations are presented, policy implications and finally, the suggestions for additional research.

6.2 Summary

The study's main objective investigated the relationship among Corporate Governance, Capital Structure, and Ownership Structure on the Corporate Value of firms trading at NSE. To realize the study objectives, four research variables were adopted. The study's contribution practice and theory were expounded plus a discussion of the research problem as well as the research objectives. The independent variable was (Corporate Governance), the intervening was (Capital Structure), the moderating was (Ownership Structure), and the dependent variable was (Corporate Value). The four indicators of corporate governance included Board Independence, Size, Remuneration, and Gender Diversity. The indicators of mediating variable were Ownership Concentration, Foreign, State, and Family Ownerships. Capital Structure was measured by one attribute, liquidity whilst Corporate Value was proxied by one attribute, Tobin Q.

The study was guided by the agency theory which explains the concept of ownership separation and control which generate the agency problems, whereby the management considers their interests first as opposed to shareholders' interests. It therefore arises from the inability of the owners to undertake day to day running of the entity. The agency relationship among publicly traded companies offers managers the opportunity to use the company's resources to maximize their benefits, rather than to maximize wealth of their shareholders. The agent monitoring costs according to Jensen and Meckling (1976) are exorbitant thus the agency theory offers a theoretical explanation of CG by expounding the ownership and separation control problem which is the key problem of corporate governance.

The study was also pegged on the positivism research philosophy, as it entailed formal propositions, quantifiable variables measurement, test of hypothesis, and conclusions about the variable's relationships. A longitudinal (panel data) descriptive design was also adopted for the study as it clearly defined hypotheses and specified secondary data. The study's population included all sixty-four companies quoted on the NSE as of December 31st, 2017.

Secondary data was gathered from the annual accounting reports of the listed NSE firms in addition to web sites of these companies and where necessary, information was obtained directly from the company. Descriptive statistical analysis tool includes the mean, maximum, minimum, skewness, kurtosis and the standard error of estimate. The undertaken diagnostic tests included linearity, test for normality, multicollinearity,

independence, and homoscedasticity tests. Correlation, multiple regression analysis, and the technique by Baron and Kenny (1986) to assess the moderating and the intervening effects as well as test for hypothesis.

The first objective investigated the effect of Corporate Governance on the Corporate Value of NSE listed entities. The study documented that a significant relationship exists between CG and Corporate Value. The effects of CG on company value presented in this study have an implication to corporate boards. The fact that there is a connection between corporate governance and corporate value shows that the supervisory activity of the board directly influences company value. Properly constituted corporate boards translate into better results, financial performance, and the appreciation of firm value. it is advised that Boards of Directors ensure that appropriate rules or regulations, policies, and structures for monitoring and evaluation are executed holistically to promote the good and effective administration of management.

The second objective examined the intervening impact of Capital Structure on the Relationship between CG and Corporate Value of NSE listed firms. It was documented that capital structure did not have an intervening effect on corporate governance and corporate value. Based on these results, there could be a need to re-evaluate the finance decision criteria of the company to see whether it aims at optimizing corporate value or whether most of the decision does not involve direct funding by the company.

The third objective examined the moderating effect of ownership structure on the relationship between CG and Corporate Value of NSE listed firms. The results indicated that the Ownership Structure did not moderate the relationship between CG and Corporate Value for NSE listed firms. Which points to the fact that listed companies which are regulated by CMA and NSE are cushioned from the moderating influence of State, Foreign owners, majority shareholders and family owners. This also supports that Transparency, proper publication, control, and accountability in the system should be assiduously promoted and penalties for violations should be applied irrespective of the ownership structure of the company.

The fourth objective evaluated the joint effect of Corporate Governance, Capital Structure, and Ownership Structure on the Corporate Value of NSE listed corporations. The study found that Corporate Governance, Capital Structure, and Ownership Structure jointly significantly predicted the Corporate Value of NSE listed firms. A strong base for action against corruption by Government, enforcement bodies, and companies are provided by the finding of a significant and positive joint relationship between CG, CS, OS and Corporate Value which confirms that weak corporate governance is a major contributing factor to fraud, corruption, and poor organizational performance.

6.3 Conclusions

The study concludes that CG affects corporate value; Capital Structure did not influence the relationship between CG and Corporate Value. Ownership Structure had an insignificant moderating effect on the relationship between Corporate Governance and Corporate Value and finally, Corporate Governance, Capital Structure, and Ownership

Structure jointly affect Corporate Value. The study concludes that CG significantly affects corporate value. The effect is that corporate governance is a key Corporate Value determinant of firms quoted at NSE.

From our conceptual model we hypothesised using the agency theory, trade off theory, stewardship theory and stakeholder's theory, a positive and significant relationship between CG and CV, a significant intervening and moderating effect of CS and OS on the relationship between CG and CV and a significant joint effect of CG, CS, and OS on CV. However, based on our empirical results only two hypothesises were consistent with the theoretical predictions from our conceptual framework, that is the direct effect of independent effect on dependent variable and the joint effect. The intervening and moderating effects on the relationship between independent and dependent variables were found not to be significant.

This conclusion's implication interpretation is that the Capital Structure may not be effectual in influencing the practices of Corporate Governance adopted by corporations quoted at NSE. This could be explained by the fact that in Kenya, the financial sector is deemed to be developing making it impossible for the sector to effectively monitor the use of debt advanced to corporates to decrease agency costs. From the firm's standpoint, manager may have good knowledge of the inefficient debt monitoring which may increase their borrowing appetite from financial institutions to enhance their personal interest, retain control and evidently fail to enhance the wealth of shareholders. However, the overall board of directors appears to be effectual in making sure that listed companies at NSE maximize shareholders' wealth. The findings indicated that board size and independence were significantly associated to entity value. A

proposition by the agency theory is that entity managers (agents) tend to consider their own interest, which affects enterprise value. Through a bigger board, monitoring aids in minimizing agency costs whilst enhanced independence ensures that managers carefully oversighted, which increases stakeholders and investors' confidence hence a stronger Corporate Value. The finding implication is that when the corporate board develops ideal strategic decisions, corporations perform better.

Ownership Concentration was found not to moderate the relationship between CG and Corporate Value. This could be due to the strong control of listed companies by regulatory authorities which may not provide enough room for major shareholders to influence key decisions. The major shareholders also may prefer to give free hand to management to optimize the corporate value when Corporate Governance adoption is strong. Foreign Ownership did not significantly influence the relationship too as they may prefer their ideas to be aligned to the local market dynamics and give freedom to directors and management to operate. State Ownership influence in the relationship was also not significant as state actors may prefer leaving the running of the entity to appoint management and directors. Family Ownership for listed companies does not significantly impact the link between CG and Corporate Value, probably because the directors and Key management are generally family members of trusted confidants who can be relied on to run such companies without other family members' interference.

Finally, Corporate Governance, Capital Structure, and Ownership Structure jointly predict Corporate Value. Thus, quoted firms with good Corporate Governance, optimal Capital Structure, and supportive Ownership Structure obtain higher Corporate Value growth. The findings indicated that size and independence of a board were significantly associated to

entity value. A proposition by the agency theory is that entity managers (agents) tend to consider their own interest, which affects enterprise value. Through a bigger board, increased oversight minimizes agency costs while enhanced independence guarantees that managers are carefully supervised thus increasing stakeholders and investors self-confidence hence a greater Tobin-Q. The finding implication is that when the corporate board develops ideal strategic decisions, corporations perform better.

Therefore, the findings confirm the importance of CG in enhancing the organizational climate in term of performance and the company's internal structures. Undeniably, CG enhances a firm's competitiveness and corporate entrepreneurship through the incorporation of new dimensions of a managing an entity as well as novel ideas from independent (external) directors. CG principles adoption is the first step of creating safeguards against mismanagement, corruption, transparency promotion plus foreign and domestic investments attraction. Additionally, shareholders value can be protected through effective CG programs which combats corruption thus making CG practices an important requirement among corporations in Kenya. The study provides proof that good practices of CG reduce agency costs and enhances a company's market value. Stockholders in states which have poor legal protection normally discount their firms share prices to recompense for expropriation. However, low share prices may be unable to sufficiently increase demand for NSE listed companies, keeping the supply of outside equity limited.

6.4 Contribution of the Study

The study findings contribute to knowledge on Corporate Governance, Capital Structure, Ownership Structure, and Firm Value in various ways. Further, the study has several

implications to company boards, the management, regulatory authorities, as well as investors. Finally, a substantial contribution is also made to the agency theory through showing the interaction mechanisms among variables. The study's contribution to the existing knowledge is discussed in the first section then the contribution to policy and practice articulated in the next section, finally contribution to theory in the last section.

6.4.1 Contribution to Knowledge

The study's major contribution is that Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value jointly predict Corporate Value. Primarily, the study's CG measurement to assess CG from the viewpoint of Board Independence, Board Size, Board remuneration and Board Gender Diversity and build a linkage between CG and firm performance in NSE quoted entities. Secondly, the study led to the development of a new conceptual model to supplement CG understandability through capital and ownership structure integration into to the link between CG and entity performance. The study assists corporate management to appreciate the linkages between board activities, management functions, and Corporate Value of NSE listed firms. The fact that Capital Structure does not intervene in the relationship between Corporate Governance and Corporate Value could be an indicator that Capital Structure is not relevant in line with the Modigliani theory of capital irrelevance theory. There could therefore be a need to re-evaluate the finance decision criteria of the company to see whether it aims at optimizing corporate value or whether most of the decision do not involve direct funding by the company. The study results will also benefit debt securities investors as well as equity investors, who endure risks of companies' failure to meet their contractual obligations by guiding them in the criteria for making lending decision grounded on corporate governance strength of an entity. The study shows that the

link between the CG mechanisms, capital structure and ownership structure lead to better company values that benefit all parties.

The study validated the mediating and moderating effect of the impact of structure and ownership structures on relation between CG and entity value. This study thus makes available an amalgamation approach that improves CG effectiveness and gives suggestions that provides a holistic understandability of CG practices since existing studies have often disregarded some imperative mediating and moderating variables significantly influences the CG system. Several preexisting studies have assessed the relationships among CG, Capital Structure, Ownership Structure, and Corporate Value (Okiro, 2014; M'Ithiria & Musyoki, 2014 and Holderness, 2016), however, the variables were studied separately or not in the same combination, the measures of the four variables used in the earlier studies were diverse with most of the results yielding inconclusive and inconsistent results.

The study also assessed the moderating effect of ownership structure on CG and firm performance relationship and the outcomes documented that ownership structure has no moderating impact on the interrelationship. The finding has thus added to available knowledge by empirically confirming that ownership structure has no moderating variable between CG and firm performance. Various existing studies have also evaluated the moderating effect of Ownership Structure on Corporate Value (Driffield, Mahambare & Pal, 2005; Hasan & Butt, 2009 and Wanjugu et al., 2015). However, the results were contradicting and indecisive. Hence, this study provides a further contribution by evaluating the moderating effect of Ownership Structure and its attributes – Ownership

Concentration, Foreign, State, and Family Ownerships – on the Relationship between CG and Corporate Value. Since the findings based on some of the attributes were contradictory, it may help resolve the findings of the previous studies.

The study also explored the intervening effect of capital structure on corporate governance and firm performance, which was not confirmed. The direct effect of Capital Structure and Corporate Value has been evaluated by several past studies (Adera et al., 2015; Bokhari & Khan, 2013, and Dumont & Svensson, 2014). Most authors have largely explored the direct effects of CG on Corporate Value (Padmanabha & Rathish, 2017 and Vincent et al., 2015). The results documented in the past studies have not only been conflicting but also varying. This study provides an assessment of the intervention influence of capital structure on the relationship between CG and company value. In particular, the approach by Baron and Kenney (1986) was used in the analysis, to assess intervening relationship.

This study makes contributions to further research by empirically testing the relationships among Corporate Governance, capital structure, ownership structure and corporate value. The study findings provide room for additional studies on the concepts in Kenya and beyond. Given the trade-off between the costs and benefits of adhering to increased standards of governance, it is not clear whether better governance, reflected in greater compliance, relates to improved business performance. This work adds to the literature that explores the appropriateness of regulation and governance guidelines. It openly assesses the exogenous governance structure changes and reduces the probable endogeneity problems. In addition, the fixed effects estimator was employed to address endogeneity

concerns. Thus, the study extends its scope to the impact of initiated institutional improvements to voluntary governance improvements. Most past studies have focused on the perceived benefits of changing governance in the market. The study's approach is to examine real long-term improvements in shareholders' wealth.

Lastly, the study documented evidence for resolution of the inconsistent outcomes from prior studies on the Corporate Governance and entity Value relationships. The relationship may not be direct but intervened/moderated by Capital Structure and Ownership Structure attributes used in the study. These findings can help resolve the contradictory findings from prior research on the link between CG and Corporate Value. Whereas some studies found a positive relationship (Lekaram, 2014; Wanyama & Olweny, 2013 and Peters & Bagshaw, 2014), others documented a negative relationship (Vincent et al., 2015 and Alalade, Onadeko & Okezie, 2014).

Further, Hussain and Abdul, (2018) documented corporate governance did not have a relationship on corporate performance even after applying both market and accounting based proxies. The current study also finds a statistically significant relation between CG and Company Value. The current study indicates CG on Company Value relationship can be enhanced through the assessment of the mediating and moderating effects of Capital Structure and Ownership Structure respectively.

6.4.2 Contribution to Policy and Practice

This study results generates numerous contributions to the corporate board, management, investor, and regulatory bodies in general. The effects of CG on company value presented

in this study have an implication to corporate boards. The element that a connection exists between corporate governance and corporate value shows that the supervisory activity of the board directly influences company value. Properly constituted corporate boards translate into better results, financial performance, and the appreciation of firm value. Effective corporate governance through committees of the board of directors and effective CG brings the interests of the representative in line with the interests of the shareholders (principals).

The study assists corporate management to appreciate the linkages between board activities, management functions, and Corporate Value of NSE listed firms. The fact that Capital Structure does not intervene in the association between Corporate Governance and Corporate Value could be an indicator that Capital Structure is not relevant is consistent with the Modigliani theory of capital irrelevance theory. There could therefore be a need to re-evaluate the finance decision criteria of the company to see whether it aims at optimizing corporate value or whether most of the decision does not involve direct funding by the company.

The regulators like Capital Market Authorities, Nairobi Securities Exchange may use the study results exercise its oversight function and to issue controlling guidelines for CG. The viewpoint of prudent corporate governance and corporate oversight by regulators should be strengthened to ensure an effective ownership structure and enhanced corporate value. Given the cases of reported misconduct among publicly traded companies in the NSE,

supervisory bodies must make tighter the legal structure to align all company undertakings with better company value.

The study results will also benefit debt securities investors as well as equity investors, who endure risks of companies' failure to meet their contractual obligations. The study shows that the link between the CG mechanisms, capital structure and ownership structure lead to better company values that benefit all parties.

6.4.3 Contribution to Theory

The present study was grounded on positivism philosophy, the objective of which was to empirically test hypotheses so as to falsify or verify present theories in the study area. The study outcomes complement theory by documenting the interrelationship among the variables. The Jensen and Meckling, (1976) agency theory was useful in bringing out the association between the principals and agents. The agent (In this case directors and managers) represents the principal (in this case shareholders) in a certain corporate transactions (oversight and management) and is anticipated to enhance the principal's interests (enhancing firm value through financial performance) without regard to personal interests.

Agency problems arise when the interests of owners (principals) and corporate agents' conflict. Listed companies must look for ways to minimize conflicting situations between the agents and principals as well as capital and ownership structure through a solid corporate policy. Since the Capital Structure does not intervene in the relationship between CG and Corporate Value, the study provides support to agency problems among listed

firms at the NSE. As a theoretical contribution, incentives through regulations and monitoring should be provided to managers direct their decisions (capital structure decisions) to realign these to the interest of the principal. Further CG mechanism among the of Board Independence, Size, Remuneration, and Gender Diversity of firms listed at the NSE are aligned to shareholders' interest.

The agency theory proponents indicate that company's agent usually have self-centeredness, which affects an entity's value. Through a bigger board, increased oversight minimizes agency costs while enhanced independence guarantees that managers are carefully supervised thus increasing stakeholders and investors self-confidence hence a greater Tobin-Q (Biondi & Reberioux, 2012).

6.5 Limitations of the Study

The study used secondary data from the NSE's annual and financial reports, in addition to statistics from the corporation's websites. These are wide-ranging reports and drawbacks on data credibility can impact the consistency of the findings.

The study used four attributes of the dependent variables, one attribute of the intervening variable, four attributes of the moderating variables, and one attribute of the dependent variable. The study results were thus limited to the used attributes and their respective measures.

The study was based on listed companies at NSE thus limiting generalization of the study findings to other sectors like non listed companies or developed countries.

The study did not consider the possible reverse relationship where corporate value may influence capital structure adopted by the company – for example, a company that has been profitable in the past and is likely to continue being profitable with plenty of extra cash – like Safaricom may not need any outside debt.

However, the documented limitations do not have adverse effect on the study's quality. The research has generated far-reaching contribution to the available finance knowledge specifically on corporate governance concept which still provides a room for further research.

6.6 Recommendations and Policy Implications

Based on empirical results, this work makes the following recommendations to reinforce the significance of good CG practices for the value of the company. The research documented a positive and significant link between Corporate Governance and Corporate Value. The interrelationship is enriched when the joint effect of CG, CS, and OS were considered. Hence, the study adds to policy implications such that the adoption of good CG serves as an effectual means of enhancing corporate value. Corporations should thus endeavor to improve their Corporate Governance scores for Corporation Value enhancement. To improve CG, there must be an ideal and independent board comprising outsider, providing adequate remuneration to directors tied to performance and ensuring board gender diversity.

The key practice recommendation is that managers and policymakers can undertake to ensure extensive performance effect arises from the study's key finding based on the

study’s main aim. This is from the result indicating existence of a positive and significant joint effect of CG, capital structure, ownership structure which – as explained under the main findings, supporting that business failure, corruption, fraud, mismanagement and poor performance arises due to agency's costs. This involves owners losing control, authority and power to agents as the entity expands and thus becoming more complex. Thus, its essential that management prioritises the implementation of good codes of conduct, CG guidelines, business laws and various supervisory principles. Shareholders ought to ensure the board is independent and competent to make sure there is optimal profitability and resources monitoring and management.

The mixed and contradicting results where capital and ownership structures have no intervening and moderating effect respectively while corporate governance and joint effect have positive influence on corporate value emphasizes that good Corporate Governance must meet institutional settings and environmental needs. Specifically, CG arrangements should be in line with particular historical, organizational and social context since institutional dissimilarities contribute to governance strategies which are appropriate for single firms and their operations context. The non-intervening and no moderating results are not in agreement with past finding specifically in developed states. Such results make evident that the existing Corporate Governance reforms must not assume that – one size-fits - all.

The findings also seem to extend the scope of CG beyond the usual corporate governance scope by roping in capital and ownership structures as part and parcel of corporate governance. Shareholders, board, and management should ensure that ownership is

structured to incorporate, and support governance and that capital structure is a key element of CG like being employed to reduce agency costs through influencing optimal management decision making in picking positive investment, reducing perquisite consumption and increased effort among others.

The study results also suggest that the monitoring function of leverage is not substantial given the non-significance of mediating impact of capital structure on the relation between CG and CV as well as the negative coefficient of the capital structure in the joint effect mode. The findings also affirm the agency theory stand that conflicting interest between stockholders and managers exists due to asymmetric information and pools developed financial sector. Hence, the availability of transparent information in the marketplace is vital and more regulations should be instituted.

The study findings indicate that it is essential for regulators and government authorities to develop a variety of policies and regulations to strengthen Corporate Governance status. This can be done by adopting CG codes emphasising that the corporate board should have suitable professional capability such as knowledge, qualities and skills to undertake their responsibilities and that the non – executive directors should ensure there is due diligence and undertake the assigned obligations as per the existing guidelines and regulations.

The finding that the Ownership Structure sub variable of shareholdings by the state jointly affects Corporate Value. This suggests that the privatization of public corporations would add value to them. The government should therefore continue and if possible, accelerate the privatization effort which has been ongoing. Companies like Kengen which had been previously partially privatized should be fully privatized while others like Kenya Power,

consolidated bank, Kenya meat, Mumias Sugar, Kenya airways among others should be fully privatized to improve their performance. Thus, the study is of impact to the present direction that has privatized several state-owned companies and is increasingly vital in government in former state-run firms continue to increase their efficiency and value creation.

The integrated study model supplements the obtainable academic structure of corporate governance through combination of capital and ownership structures into corporate governance and Corporate value, and further provides a novel approach to integrate other key mediating indicators into CG. The study therefore makes available a preliminary integration method to enhance Corporate Governance effectiveness and suggests a broad understanding of Corporate Governance systems since earlier research has often disregarded various main mediating variables that may have substantial moderating and intervening effect on CG effectiveness.

Family (which dominates concentrated ownership cases) and foreigners as ultimate shareholders affect investment performance positively. Incentives should be put in place to attract foreign shareholders to buy more shares in listed companies. Corporate governance principles targeting family majority owned units should also be developed to enhance their governance and controls.

The supervisory bodies must also go further and always lead by example. They regulators must be transparent, fair, impartial and firm, in their negotiations, and decisions must always be reached through consensus. There should be consistent and structured courses

and managers' involvement in workshops and seminars to strengthen their leadership skills. Preparatory CG training must be compulsory for all new members of the board.

The interests of all stakeholders should always be protected and stimulated to take part in corporate governance processes. Another recommendation for practice is that financial market analysts and investors can apply the study to bring sound regulation in financial markets where the analysts promote firms that have adopted optimally corporate codes of good practice, highlighting their performance and availing information to regulatory bodies and potential investors. The investors would also prefer to invest mostly in well-governed firms. Regulators based in information provided by the analysts and firms' own reports should then ensure compliance adherence. Management should be interested in implementing regulations and controls to achieve high profits and maximum shareholders' capital.

Government and regulators should have nil tolerance for non-compliance with corporate governance practices. Transparency, proper publication, control, and accountability in the system should be assiduously promoted and penalties for violations should be applied. It would be better if the code of conduct for public companies in Kenya was legally binding to safeguard majority and minority shareholders' interests.

A strong base for action against corruption by Government, enforcement bodies, and companies are provided by the finding of a significant and direct link between CG and

entity value which confirms that weak corporate governance is a major contributing factor to fraud, corruption, and poor organizational performance. Therefore, to be capable of rescuing the situation, it is advised that Boards of Directors ensure that appropriate rules or regulations, policies, and structures for monitoring and evaluation are executed holistically to promote the good and effective administration of management.

This study provides regulators with a foundation for strengthening codes of conduct, laws, and regulations, and fully adopting corporate governance principles by publicly traded companies to maximize growth in company value. This would allow them to implement the best system that provides a plan for diversification to foreign countries and regions with clear lines and reporting roles that meet the expectations of the Board and shareholders. An excellent relationship must be established between the board, management, and other stakeholders, which can be achieved through regular consultations and in which all stakeholders work together.

Another actionable policy was in the finding that when companies have bigger boards, they post good performance. Bigger boards give professional managers more freedom to exercise judgment and help create additional space for new knowledge. They would also mean more space to bring in different stakeholders within the dominant ownership, to draw on professional skills and to permit accessibility to an extensive collection of knowledge and possibly accessibility to wide range of individual and family networks. Listed firms with small boards or less diverse boards should consider expanding their board membership to include gender balance, specialized skills, more resourceful board

members, and people with political, funding, and other needed connections among others. Previous studies' findings have recommended the board size to be between 6 and 9 but this should be size determined, complexity, and the technicality of an entity in question (Arosa, Iturralde, & Maseda, 2013; Velte, 2017.; Eyenubo, 2013 and Proudfoot, 2016).

In conclusion, corporate reporting quality of the annual report should also be improved. The reported information must be of higher quality, as information that is of high quality positively impacts various stakeholders and financiers' decisions. Such is key in improving compliance with the rules among quoted entities, which call for changes in business culture by the publicly trading entities. It is similarly imperative that directors undertake their responsibilities in accordance with overseas CG codes and legislation. Thus, its recommended that CMA should continually raise awareness among quoted entities as well as encouraging the firms to observe CG codes and provisions.

6.7 Suggestions for Future Research

It would be interesting to revisit CG from an alternative view incorporating subjectivity from the perspective of social science, quantitative measures of company value were used in the current study. Thus, a similar study could be done based on qualitative and quantitative measures of company value. Such would expand the current study' scope.

Prospective researchers can use other performance metrics, both non-financial and financial, in addition to the aforementioned Tobin Q. A parallel research can be conducted regionally and internationally in other countries. Such would lead to confirmation of future and the current research results. This should include expanding the study to include

regional markets such as COMESA, or more comprehensive research concentrating on single market segments to avoid possible differences in ratings. Additional or different variables other than corporate governance, capital and ownership structure can also be considered in the future to enrich corporate governance studies generally and deepen understanding even further.

Other research could also look at manager's motives in complying with corporate governance and governance requirements. A new data set for small and medium size entities (SMEs) along with relatively younger companies would be a valuable contribution to corporate governance in developing countries like Kenya.

Since the motives for practicing corporate governance is well covered in this study and in the broad literature, it may be interesting if forthcoming studies could examine the motive of managers in adhering to corporate governance, whether it improves the perceived quality of reporting, satisfies regulators and shareholders as well as attainment of other goals.

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APPENDICES

Appendix I: List of Firms listed at the Nairobi Securities Exchange

1. **AGRICULTURAL**
    i. Eaagads – AIMS
    ii. Kakuzi
    iii. Kapchorua Tea – AIMS
    iv. Limuru Tea – AIMS
    v. Sasini
    vi. Wasiamson Tea – AIMS

2. **AUTOMOBILES & ACCESSORIES**
    i. Car & General
    ii. Marshalls
    iii. Sameer
3. **BANKING**
    i. Barclays
    ii. CFC Stanbic
    iii. DTBK
    iv. Equity
    v. Housing Finance
    vi. I&M Holdings
    vii. KCB
    viii. NBK
    ix. NIC Bank
    x. Standard Chartered Bank
    xi. Co-operative Bank
4. **COMMERCIAL**
    i. Atlas Development Ltd – GEMS
    ii. Express (K) Ltd – AIMS
    iii. Hutchings Biemer
    iv. Kenya Airways
    v. Longhorn Publishers – AIMS
    vi. Nation Media
    vii. Standard Group
    viii. TPS East Africa
    ix. Uchumi Supermarket
    x. WPP Scangroup
5. **CONSTRUCTION & ALLIED**
    i. ARM Cement Ltd
    ii. Bamburi Cement Ltd
    iii. Crown Berger'
    iv. E A Cables

v. EAPC

6. **ENERGY & PETROLEUM**
    i. Kengen Energy Ltd
    ii. Kenolkobil
    iii. Kenya Power
    iv. Total Petroleum Ltd
    v. Umeme
7. **INSURANCE**
    i. British American
    ii. CIC Insurance
    iii. Jubilee Insurance
    iv. Kenya Re
    v. Liberty Kenya
    vi. Pan Africa Insurance
8. **INVESTMENT**
    i. Centum Investment Ltd
    ii. Home Africa – GEMS
    iii. Kurwitu Ventures Ltd – GEMS
    iv. Olympia
    v. Transcentury – AIMS
    vi. Investment Services
    vii. Nairobi Securities Exchange
9. **MANUFACTURING & ALLIED**
    i. A. Baumann – AIMS
    ii. BOC Gases
    iii. BAT Kenya
    iv. Carbacid
    v. East Africa Breweries Limited
    vi. Eveready East Africa
    vii. Flame Tree – GEMS
    viii. Kenya Orchards – AIMS
    ix. Mumias Sugar Ltd
    x. Unga Ltd
10. **TELECOMMUNICATION & TECHNOLOGY**
    i. Safaricom
11. **REAL ESTATE INVESTMENT TRUST**
    i. Stanlib Fahari I - Reit

Source: Nairobi Securities Exchange (2017)

Appendix II: Comparison of Research Philosophies used in Business Research

	Positivism	**Realism**	**Interpretivism**	**Pragmatism**
Ontology: an investigator's observation of the nature of being or reality	External, impartial, and autonomous of social players	It is objective, it exists autonomously of human beliefs and thoughts or their existence information, but it is inferred via critical realist (social conditionality)	Publicly constructed, subjective, they can vary several times.	External, multiple views selected to superlative answer the study questions
Epistemology: an investigator's view of what entails suitable information	Only phenomena that is observable provides reliable data and facts. Focuses on legal and causality generalities and limiting the phenomena to the modest components	Phenomena that is observable provides reliable data and, evidence. Inadequate data leads to imprecisions in feelings. The phenomena alternatively create feelings that are vulnerable to misconception. Emphases on explanations within context (s)	Social phenomena and subjective meanings. Emphases on a situation details, the veracity behind such details, the motivating actions, and subjective meanings	One or both observed phenomena and subjective explanations provide conventional knowledge subject to the study questions. Emphases on applied research and incorporates diverse views on data interpretation
Axiology: an investigator's assessment on role of values in research	The researcher is neutral and is autonomous of the data and upholds an impartial approach	The study is value-driven; The investigator is interested in worldviews, upbringing, and cultural experiences. Such will affect the research	The research is tied to value, the researcher is part of the research, and he/she can't be disconnected, and therefore it may be biased	Values play a major role in the interpretation of findings, with the investigator taking both subjective and objective considerations
Mostly used data collection techniques	Vastly structured, larger samples, measurements, quantifiable, but can be used qualitatively	The chosen methods must fit quantitatively or qualitatively into the subject	Smaller samples, in-depth studies, qualitative	Quantitative and qualitative methods using mixed or multiple designs

Source: Saunders et al. (2009)

Appendix III: Specification Test – Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	23.496190	4	0.0001

Source: EViews: Hausman Test

Dependent Variable: TOBIN_Q
Method: Panel Least Squares
Date: 11/02/19 Time: 16:02
Sample: 2013 2017
Periods included: 5
Cross-sections included: 58
Total panel (balanced) observations: 290

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.860184	0.344461	-2.497190	0.0132
CC	1.296426	0.946274	1.370033	0.1720
CS	-0.592889	0.179467	-3.303601	0.0011
OS	2.556232	1.035479	2.468647	0.0143
TD2014-TD2017	0.012188	0.060142	0.202656	0.8396

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	0.573400	R-squared	0.455041
Mean dependent var	1.293459	Adjusted R-squared	0.309241
S.D. dependent var	0.778084	S.E. of regression	0.646680
Akaike info criterion	2.153121	Sum squared resid	95.34853
Schwarz criterion	2.937717	Log likelihood	-250.2026
Hannan-Quinn criter.	2.467469	F-statistic	3.120989
Durbin-Watson stat	2.379521	Prob(F-statistic)	0.000000

Source: EViews: CC, CS,OS&TOBIN_Q using FE

Dependent Variable: TOBIN_Q
Method: Panel EGLS (Cross-section random effects)
Date: 11/02/19 Time: 16:44
Sample: 2013 2017
Periods included: 5
Cross-sections included: 58
Total panel (balanced) observations: 290
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.145514	0.313950	-3.648713	0.0003
CC	1.959583	0.861862	2.273661	0.0237
CS	-0.666525	0.161682	-4.122452	0.0000
OS	2.153103	0.940825	2.288526	0.0228
TD2014-TD2017	0.010933	0.060122	0.181843	0.8558
FD2-FD58	0.146334	0.206079	0.710088	0.4782

Effects Specification

	S.D.	Rho
Cross-section random	0.000000	0.0000
Idiosyncratic random	0.646680	1.0000

Weighted Statistics

Root MSE	0.634804	R-squared	0.332076
Mean dependent var	1.293459	Adjusted R-squared	0.320317
S.D. dependent var	0.778084	S.E. of regression	0.641475
Sum squared resid	116.8631	F-statistic	28.23966
Durbin-Watson stat	1.973991	Prob(F-statistic)	0.000000

Unweighted Statistics

R-squared	0.332076	Mean dependent var	1.293459
Sum squared resid	116.8631	Durbin-Watson stat	1.973991

Source: EViews: CC,CS,OS & TOBIN_Q using RE