THE EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL REPORTING QUALITY OF FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

OCTOBER 2021

DECLARATION

This research project is my original work and it has not been submitted to any university or college for examination.

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D61/9739/2018

This research project has been submitted for examination with my authority and approval as the university supervisor.

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ACKNOWLEDGEMENTS

My sincere gratitude to my supervisor Prof. Cyrus Iraya for the encouragement, guidance and support from the onset to the final level who enabled me to develop an in-depth of the project. His meticulous accuracy and insightful directions were so instrumental in shaping this work. My deepest gratitude to my darling Joan Wambui Kariuki, My Grand-Mother Albinah Joseph, My Grand-Father Joseph Yego and lovely Uncle Hosea Kimutai for their continuous love and support every single step in my Life. This project would not have been possible without constant support from my employer, SGS Kenya Ltd in granting me a study leave at the University of Nairobi. Words are not enough to describe my indebtedness to my parents who sacrificed so much and has helped me become who I am now and placed me on the path. Above all, Special thanks to the almighty God for the gift of life, opportunity and ability granted for me to witness the successful completion of this research project.

DEDICATION

I dedicate the research project to My darling Joan Wambui Kariuki for the valuable contributions, incessant love and inspiration.

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ABBREVIATIONS

BOD   Board of Directors

CEO   Chief Executive Officer

CG   Corporate Governance

CMA   Capital Markets Authority

ERM   Enterprise Risk Management

RDT   Resource Dependency Theory

CMA   Capital Markets Authority of Kenya

EM   Earnings Management

FRQ   Financial Reporting Quality

ICPAK   Institute of Certified Public Accountants of Kenya

IFRS   International Financial Reporting Standards

NSE   Nairobi Securities Exchange

IAF   Internal Audit Function

ABSTRACT

Earnings management stems from agency problems, the separation of management and ownership, and information asymmetry, management having comparative information over outsiders. Owing to the widely publicized financial reporting frauds, regulators have reacted to this through making reforms on the corporate governance structures contending that the credibility of financing reporting is immensely improved by having strong corporate governance structures. The probability of manipulation of earning is systematically associated with the weaknesses in the oversight of management such as lack of audit committee, Chief Executive Officer (CEO)-chairperson duality, and insider board membership domination. The financial reporting integrity however depends on other conduct and performance of financial reporting ecosystem member such as the management, auditors, and directors. The overall objective of the study was to establish effect of corporate governance on the financial reporting quality of firms listed on the Nairobi Securities Exchange. It also aimed at reviewing the increasing body of theoretical and empirical studies that have endeavored to examine the range of magnitude and effects of corporate governance on financial reporting quality. The resource dependency, stakeholder, and agency theories guided the current study. The current study utilized the descriptive research design. The target population was all the 64 listed firms at the Nairobi Securities Exchange. The study employed a census and it examined the whole population. The unit period of analysis was annual, and data was collected for the period from 2016 to 2020; the period comprised of five years. The study applied correlation analysis and multiple linear regression model with the technique of estimation being Ordinary Least Squares (OLS) so as to establish the relationship of board independence, audit and risk committee, board size, and firm size with financial reporting quality. The study findings were that board independence, audit and risk committee, board size, and firm size do not have a significant correlation with financial reporting quality. Further study findings were that the model entailing; entailing corporate governance that include; board independence, audit and risk committee, and board size, as well as firm size, explains financial reporting quality to a very least extent with a coefficient of determination value of 2.04%. Additional study findings were that that the model entailing corporate governance that include; board independence, audit and risk committee, and board size, as well as firm size, does not significantly predict financial reporting quality. Final study findings were that board independence, audit and risk committee, board size, and firm size do not have a significant relationship with financial reporting quality. Policy recommendations are made to the government officials and policy formulators in the financial sector, mainly the regulator, the Capital Markets Authority (CMA), and the Treasury to utilize corporate governance when endeavouring to boost financial reporting quality, and by extension fraud, in order to boost the credibility of the capital markets. Further recommendations are generated to the financial analysts to utilize corporate governance when analysing the financial statements of listed firms when trying to estimate their intrinsic values. Finally, recommendations are generated to consultants and listed firms practitioners to utilize corporate governance when trying to bolster financial reporting quality and minimize the principle-agent conflict.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Earnings management stems from agency problems, the separation of management and ownership, and information asymmetry, management having comparative information over outsiders (Farber, 2005). Watts and Zimmerman (1978) use managerial opportunism to explain managements' discretionary behaviour in reporting earnings to influence contractual outcomes and thus affect wealth transfers. Christie (1990) provides evidence that managerial compensation and debt contracts have statistical significance in explaining accounting procedural choice of management. Owing to the widely publicized financial reporting frauds, regulators have reacted to this through making reforms on the corporate governance structures contending that the credibility of financing reporting is immensely improved by having strong corporate governance structures (Farber, 2005). Dechow, Sloan, and Sweeney (1996) while analysing governance structures shows that the probability of manipulation of earning is systematically associated with the weaknesses in the oversight of management such as lack of audit committee, Chief Executive Officer (CEO)-chairperson duality, and insider board membership domination. The financial reporting integrity however depends on other conduct and performance of financial reporting ecosystem member such as the management, auditors, and directors (Che Haat, Rahman & Mahenthiran, 2008).

The study is going to be anchored on the Resource Dependency Theory, which was developed, by Pfeffer and Salancik (1978). The theory argues that the board is an important linkage between the company and the crucial resources required to achieve superior financial results and that organizations act in manner related with their dependence level upon different resources. The aim of the theory is minimizing the dependence amongst the management that is in charge of the operations control and the board of directors that charged with providing

strategic control. Another theory guiding this study is the stakeholder theory developed by Freeman (1984). The theory advocates for corporate accountability measures for the numerous investors in a company. The final theory anchoring this study is the agency theory, which was advanced by Jensen together with Meckling in 1976. Agency theory postulates that an association is present amongst a company's principals (shareholders) and their agents (managers and executives).

Levitt (1998) states that good corporate governance by boards of directors influences the financial reporting quality, hence therefore in positive effects on investors' confidence. The registered firms at the Nairobi Securities Exchange (NSE) are, by legislations crafted by the capital markets regulator, the Capital Markets Authority (CMA), required to have sound corporate governance practices that fully comply with the international financial reporting standards that promote quality reporting that facilitates decision making by end users (Momanyi, 2018). Kenya has encountered several scandals, which have led the dismissal of directors and liquidation of firms. These scandals depict that corporate governance is significant for the going concern of a company. For instance, the closure of Dubai bank and the placing of Imperial bank under receivership were as a result of the infringement of Central Bank regulation. The failures of these institutions necessitate the formulation and implementation of robust Corporate Governance policies (Waweru, 2014). Hence, an analysis of Corporate Governance by utilizing board composition and addressing its effect on financial reporting quality of listed firms, while incorporating the moderating effect of firm size, was useful in addressing the gaps.

1.1.1 Corporate Governance

According to the National Association of Corporate Directors (2006), corporate governance denotes how an establishment or organization is governed. Systems of good governance may, therefore, be considered as apparatuses for instituting the foundation of control and ownership of institutions within the economy. Company law and other forms of regulations enforce adherence to the existing systems of corporate governance. Bairathi (2009) states that corporate governance is a system that controls and directs business organizations in favour of all the stakeholders. There is need for organizations to have commitment on safe professional behaviour and practices that adhere to the legislations and regulations (Adams & Mehran, 2003). Since the collapse of the high profile companies in the United States, for instance Enron corporations and Worldcom, modern organization have developed an interest in the corporate governance practices and has been on a growing trend (Nambiro, 2007).

Researchers and regulators have attempted to identify "best practice" measures of corporate governance. Instances of measurable corporate governance variables that could be included in a corporate governance index include; CEO duality, proportion of non-executive directors, having a remuneration committee, a nominations committee, a risk committee, an audit committee, among others (Kang et. al., 2007). The corporate governance practices taken into account in this study were; board independence, presence of audit board committee, and lastly board size. Board independence was measured by the proportion of directors who are independent verses the total number of directors in the company's board (Campbell & Mínguez-Vera, 2008). The number of audit committee meetings was used to indicate the presence or absence of an audit committee (Kang et. al., 2007). The logarithm of number of board members measured board size (Lipton & Lorsch, 1992).

1.1.2 Financial Reporting Quality

There has been a lot of evolution of financial reporting from being viewed as merely recording of financial transactions or the normal activities of bookkeeping. Nowadays, it is considered as an important tool in the management of an organization under the improved principles of corporate governance (Uwuigbe *et al.,* 2017). High quality financial reporting refers to the generation of financial information that is free of errors either omission, misstatement or biases. As per the agency theory view, Dang (2011) contends that audited financials are a mechanism for monitoring and giving guarantee to the financial information users. The financial statement of any organization as stated by the Internal Financial Reporting Standards (IFRS) ought to have the required qualitative attributes, that include, faithful representation, relevance, timeliness, verifiability, comparability and understandable (Yuri et al., 2011; IASB, 2015).

Financial reporting has always been considered as the critical determinant for investment decision making of shareholders and other stakeholders of a firm in considering returns that has been made. The influence of chief executive officers and board of directors has been affecting the quality financial reporting. The quality financial reports create the efficiency and effectiveness of resource allocation in the listed companies. The quality of financial statements is very significant to the users who need them for making both investments and economic decisions. The value of quality of financial reports is considered if they could accurately disclose the true economic natures of the firm in forms of relevance, faithful representation, understandability, comparability, timeliness and verifiability so that they can be simply understood (IASB, 2015). The Financial Reporting Quality (FRQ) will help the investors and other shareholders in making the investment, financing and resource allocation decisions (Dang, 2011).

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Quality of financial reporting in this context will be in terms of earnings management. Other measures of FRQ are accounting conservatism and accruals quality. Earnings management can entail corporate managers increasing their prevailing earnings at the cost of the economic values of the organization. Thus, so as to attain a particular target of earnings, managers can delay till end of the year so as to use discretionary accruals to manipulate the earning reported (Oktorina & Hutagaol, 2008). Accounting conservatism suggests incorporating of financial losses into the bookkeeping wages more timely that of monetary advantages. Its measure is net income scaled by the lagged marketplace price of equity (Khan & Watts, 2009). Accruals quality is the shift in working capital accumulations yearly and its measure is the percentage change in the cumulative values of accounts receivables (Ball & Shivakumar, 2006).

There are various measures and models for discretionary accruals. The measure for earnings management utilizing discretionary accruals that involves the net income subtracted by net cash flow from operations (IASB, 2015), is the simplest measure. The cash flow measure of discretionary accruals developed by Hribar and Collins (2002) entails the following formulae; $((NI_t/TA_{t-1})-(OCF_t/TA_{t-1}))$. The balance sheet approach of measuring discretionary accruals developed by Kothari et al. (2005) entails the following formulae; $((\Delta CA_t/TA_{t-1})-(\Delta Cash_t/TA_{t-1})-(\Delta CL_t/TA_{t-1})+(\Delta SD_t/TA_{t-1})-(Dep_t/TA_{t-1}))$. The Jones Model developed by Jones (1991) regresses the; reciprocal of total accruals of the preceding period $(1/TA_{t-1})$, $(\Delta Rev_t/TA_{t-1})$, $(\Delta PPE_t/TA_{t-1})$ to obtain coefficients to forecast discretionary accruals. Dechow et al. (1995) modified the Jones model by replacing change in revenues by subtracting change in receivables from a change in revenues. Subsequently, Kothari, Leone & Wasley added another variable, Return on Assets (ROA) to Dechow et al's. (1995) Modified Jones Model. The current study utilized the Jones Model as a measure of discretionary accruals.

1.1.3 Corporate Governance and Financial Reporting Quality

Among the key roles, which can be dealt with by corporate governance, is guaranteeing quality of the financial reporting process (Cohen et al, 2004). The beginning point of the preparation of financial reporting is corporate governance (Norwani et al., 2011). The relationship of the various parties in the reporting field is key to attaining high quality financial reporting document. For instance, the composition and characteristics of the audit committee and board is related with the quality of financing reporting because this two elements of corporate governance aid in overseeing the top management (SOX, 2002; Smaili & Labelle, 2013).

Audit committees constantly strengthen the auditors' position in the quality of financial reporting (Cohen et al. 2004), thus enhancing the auditors' standing with respect to excessive management behaviour, which may decrease the quality of reporting (Carcello & Neal, 2003). High quality financial reports are delivered when the internal and external auditors work together with the support of the audit and boards committees (Cohen et al. 2004).

In comparison to outsourced Internal Audit Function (IAF) which reports to the audit committee, the possibility of an in house IAF to prevent financial reporting fraud when reporting to the board is lower even though cases of fraud will be reported if found (James, 2003). The advantage of IAF is that it assists in reducing the opportunistic behaviours of management and as a result affected the quality of financial reporting by an entity. Internal audit function performs the traditional monitoring function which as a result translates to improved financial reporting quality (Prawitt, Smith & Wood, 2009).

Corporate governance failures have laid emphasis on the role of Enterprise Risk Management (ERM) in mitigating fraudulent reporting (Desender & Lafuente, 2010), this makes ERM a

valuable component of governance structure, and it takes a holistic view of a firm's risk of which financial reporting is a component. Gao and Hsu (2016) in their study of ERM and accounting quality, find a positive association amongst adoption of ERM and quality of accounting and accounting information usefulness.

The overall financial accounting and reporting framework in Kenya is guided by the Companies Act (CAP 486) and it outlines the minimum requirement of financial reporting. The acts mandates companies to provide financial accounts which indicates the their true and fair view of their status, though it does not give the reporting standards which ought to be adopted. The mandate to give the guidelines on the accounting and auditing standards in Kenya are given to the Institute of Certified Public Accountants (ICPAK). ICPAK adopted the use of IFRS in the year 1999 and hence beginning 2000, companies in Kenya are mandated to comply with the IFRS.

The Capital Market Authority, CMA (2002a in the fifth schedule (continuing obligations) mandates listed firms to prepare financial reports that comprise of audited financial within four months upon financial year closure. CMA (2002a) additionally requires that the financial statement ought to contain the income statement, statement of financial position statement of changes in equity, cash flow statement and accounting policies adopted and explanatory notes. According to the CMA (2002a), directors ought to choose and implement accounting policies which are in line with the International Accounting Standards (IAS). In absence of specific requirements, directors ought to come up with policies which guarantee the users of the financial statement that the information contained in the financial statements can be relied upon in terms of accuracy, bias, completeness, and abides by the principle of substance over legal

form of transactions. It is important to note that CMA (200ba) stresses on presenting and classifying items to uphold period by period unless stated otherwise.

1.1.4 Nairobi Securities Exchange

Stockbrokers in the year 1954 founded the Nairobi Securities Exchange (NSE) as a charitable association and it was mandated the role of regulating trading activities as well as developing the securities market. Currently the NSE has grown and developed to be among the best and leading African Exchanges and it is now used as an iconic trading facility by both local and international investors that want to venture into the Kenya economy and African at large. The focus of NSE is on both fixed income and variable income securities. There are 64 listed firms, an Exchange Traded Fund (ETF), an Income Real Estate Investment Trust(I-REIT) and a future derivatives market in The NSE (CMA, 2016).

The NSE performs a key role in the economic growth of the country through encouraging savings and investments as well as helping local and foreign companies raise capital. The Kenyan Capital Markets Authority is the regulator of NSE. The Authority is a member of the World Federation of Exchange and it is the founding member of both East African Securities Exchanges (EASEA) and African Securities Exchange Association (ASEA). NSE is also a member of the Association of Futures Market together with being a partner exchange in the United Nation-led sustainable stock exchanges initiative (Mutai, 2014). The NSE has had a remarkable growth since the inception of organized stock markets operations in the 1950s where it has grown with regards to the products and services offered. There has been a high growth even in term of listed firm currently having more than 60 listed firms (CMA, 2016).

The CMA in the year 2002 issued guidelines on Corporate Governance Practices for firms publicly listed in Kenya. From the guidelines, the CMA proposes that in the listed companies' boards, there should be a non-executive independent nominating committees for proposing new nominees to the board. The guidelines also stipulate that the board membership ought to be comprised by a one third of the member being independent and non-executive directors. The guidelines also opine that the board size ought not be too large such that it inhibits meeting discussion or small such that the board lack diversity with regards to skills and experiences need for the board to be effective (CMA,2000b).

CMA (2002b) proposes a duality of non-board chairman-CEO position, and that an independent non-executive director be appointed chairman of the Board. The CMA guidelines also stipulate that the board should for an audit committee comprised of at least three independent and non-executive directors that report to the board. The audit committee has other requirements that it should comply with which are that the committee chair ought to be independent and non-executive and one committee member ought to have a professional qualification in accounting or audit and be in good standing with the relevant professional body. The various duties allocated to the audit committee are; overseeing the financial reporting processes and internal control of the company effectively, appointing the external auditors, deciding on the audit fees and questioning the resignation and dismissal of external auditors and finally ensuring the independence of external auditors. Additionally, the audit committee is mandated the responsibility of matters related to IAD for instance determining its scope, ensuring its independence, evaluating its effectiveness, performance review and approving the or termination of senior staff members of the function.

ICPAK introduced the financial reporting standards in 1998. This standard was to be operational for all financial statements periods beginning 1st January 1999. Kenya national accounting standard includes both the fill IFRS and the IFRS for Small and Medium Enterprises (SMEs). Different governmental regulatory bodies such as Central Bank of Kenya (CBK) issues regulations that have incorporated the requirements on how to use IFRS. Other institutions issuing similar regulations includes; Insurance regulatory Authority of Kenya (IRA), Retirement Benefits Authority (RBA) and the CMA. Moreover, the NSE, on publication of company's rules, uses these accounting standards (Hoti & Nuhiu, 2011).

These developments coupled by lack of the literature regarding the effects of corporate governance principles and IFRS having been made mandatory for use in reporting by the listed companies (Mutai, 2014), establishes the current study aimed to establish whether there is evidence to suggest improvement in quality of financial reports and how it is effected by corporate governance.

1.2 Research Problem

Levitt (1998) states that good corporate governance by boards of directors influences the financial reporting quality, hence resulting in positive effects on investors' confidence. Agency theory argues that the adoption of effective corporate governance practices resultsto improved quality in financial reporting that facilitates decision making by users of financial information (Jensen & Meckling, 1976). Beest, Braam, and Boelens (2009) noted that equity holders are the major consumers of accounting information disclosed in the financial statements. To uphold quality of the financial reports can be ensured by good corporate governance principles.

Kenya has encountered several scandals, which have led the dismissal of directors and liquidation of firms. These scandals depict that corporate governance is significant for the going concern of a company. For instance, the closure of Dubai bank and the placing of Imperial bank under receivership were as a result of the infringement of Central Bank regulations. The failures of these institutions necessitate the formulation and implementation of robust Corporate Governance policies (Waweru, 2014). Kariuki and Jagongo (2013) in their study found that according to institutional investors, the financial reports quality in Kenya is rated between fair to good and this mean that there are improvements that are not yet attained in financial reporting. The further found out that financial reporting improved greatly by introduction of international accounting standards. On the contrast, Outa (2011) revealed inconclusive findings on accounting quality improvement following adoption of IFRS in Kenya signifying related sentiment to that of investment community. According to CMA (2016), close to half of the listed firms at NSE, have corporate governance failures therefore exposing the risk of capital loss that investors face. Equivalents of 44% cent of the listed firms have diversely breached corporate governance requirements such as transparency. Hence, an analysis of corporate governance and addressing its effect on financial reporting quality of listed firms will be useful in addressing the failures of some companies listed in security exchanges.

Several studies have been done on corporate governance and how it affects financial reporting quality. In the global front, Zufliati et al. (2018) established that corporate governance and financial reporting quality had significant influence on information. In the regional arena, Abubakar (2017) established that large numbers of non-executive directors presents a significant negative threat to quality of financial reports. Akeju and Babatude (2016) established that there is a significant positive linkage between corporate governance mechanisms and financial reporting quality. Bako (2013) established that board size and

independence had an insignificant effect on quality of financial reporting. Klai and Omri (2011) indicated that family shareholding, block shareholding, and foreign ownership reduces the financial information quality and the control by governments and financial institutions exhibited good quality financial disclosure.

In the local scene, Metet (2018) revealed a strong positive linkage in value of the firm and financial reporting quality index. Rotich (2017) established that board size and audit committee presence had significant and positive effects on the financial reporting quality but board independence and frequency of board meetings exhibited significant and negative effects on financial reporting quality. Ouma (2017) indicated the existence of significant and positive linkages between reporting quality and financial performance. Koros (2016) showed that adoption of IFRS has positively and significantly enhanced the financial reporting quality.

The studies reviewed did not include all the aspects of corporate governance highlighted in the current study that entailed; board independence, presence of audit board committee, and board size. The studies reviewed did not also utilize discretionary accruals as a measure of financial reporting quality. These present a conceptual gap. The studies by Zufliati et al. (2018), Metet (2018), Ouma (2017), and Koros (2016) did not relate corporate governance to financial reporting quality thus also presenting a conceptual gap. The global and regional studies reviewed in this section were not done in the Kenyan context thus presenting a contextual gap. Thus, the aim of this research was filling the research gaps and responding to the research question: What is the influence of corporate governance on financial reporting quality of firms listed at the Nairobi Securities Exchange?

1.3 Research Objectives

The broad objective of this research was to establish the effect of corporate governance on financial reporting quality of firms listed at the Nairobi Securities Exchange.

1.4 Value of the Study

The study findings will be quite beneficial to scholars, academicians and more so researchers since it will add on the current knowledge base, in addition to being a reference source. Additionally, the study will provide a suggestion of areas that further research should be done on, which could benefit both academicians and scholar's knowledge on gaining better insights in the area of corporate governance together with its effects on FRQ.

This study will further be an enabler to the government and the financial markets regulatory agencies, mainly the CMA, in coming up with policies that will ensure proper composition of the boards of commercial banks, which will protect the shareholders welfare as a result of increased transparency. In addition, the study will also assist the legislators in formulating better regulations to improve the governance of listed companies and support contemporary practices to safeguard resources and interests of the investors.

The study is important to equity investors, debt security holders, consultants, firm management, as well as the public. This will enable them to appreciate the significance of good governance practices on FRQ that will empower them in making investment decisions that are informed on the true intrinsic information of the listed firms. The findings of the study will provide a more in-depth understanding into the relationship and effects of corporate governance on FRQ, and listed firms, and other firms generally, can utilize this knowledge to establish better governance practices which will aid in better financial reporting which will be a signal to shareholders and

will consequently result in increase in the firms value. The study will also equip investors and

the public intending to invest their funds in firms with best corporate governance practices to

protect their wealth.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The purpose of the chapter is to create insights on the theories of corporate governance to help in the comprehension of its concepts, structures, and the empirical literature on how it influences FRQ of listed firms. The significance of the chapter is to establish the probable knowledge gaps in the studies undertaken previously by scholars on the effect of board composition on financial reporting quality and the moderating effect of firm size on the relationship.

2.2 Theoretical Foundation

The literature review explores the work conducted by other scholars concerning the influence of governance on the FRQ of listed firms. The section encompasses the detailed knowledge of related concepts and provides a platform on which the results will be built upon and in addition, overcome the shortcomings of the study. Theories are essential in the various sections as they establish the phenomena and principles that relate to the topic. The theoretical framework depicts the interrelationship between different ideologies and provides the guidelines for the project or business endeavour (Lyon, 1977). The study focussed on the resource dependency, stakeholder, and agency theories.

2.2.1 Resource Dependency Theory

Pfeffer and Salancik (1978) postulated the Resource Dependency Theory (RDT). The theory holds that the board is a critical linkage between the company and the crucial resources required to achieve superior financial results and that organizations function depending on its dependence level on its resources. In endeavouring to lessen dependency on specific resources as well as maintaining independence over other resources, organization operates upon their

environments. Thus, the appointment of directors represents an organization's need for the skill set and resources such as financing (Pfeffer & Salancik, 1978). The theory opined that organizations have a way in which they select individuals with resources and qualities that they need and the organization is willing to pay them for their efforts and connections.

Pfeffer (1972) opines that a board allows a firm to reduce dependence or gain resources. Pfeffer and Salancik (1978) further notes that there are four benefits which are brought about by directors to organizations; legitimacy, preferential access to resources, information which comes through counsel and advices and accessibility to information channels between environmental contingencies and the firm. Provan (1980) discovered that firms which have the ability attracting and appointing influential member of community to join their board are able to gain important resources from the surroundings. Precisely, Pfeffer and Salancik (1978) discover that firms that are regulated ought to have more board members who are outsiders and mainly those who possess relevant experience. Luoma and Goodstein (1999) gives an affirmation to this, discovering that firms in industries that are more regulated usually have a bigger percentage of stakeholder's directors, while Johnson and Greening (1999) opine that corporate social performance is improved by having stakeholder's directors.

This theory is applicable to the current study as the aim of the theory is minimizing the dependence amongst the management that is in charge of the operations control and the board of directors that charged with providing strategic control. This can be achieved through preparation of quality financial reports. In order to achieve this, proper corporate governance practices should be enacted. In the past reviews on the literature of corporate governance, it has been concluded that RDT is supported in many cases than other perspectives of the board (Zahra & Pearce, 1989; Johnson et al., 1996). Therefore, despite agency theory being used

more than RDT in studying boards, the empirical literature up to now is of the opinion that RDT is a better theory for gaining understanding of boards.

2.2.2 Stakeholder Theory

Freeman (1984) coined the Stakeholder Theory advocating for the insertion of corporate answerability for the varied shareholders in an institution. The association is key in influencing the financial outcomes of a company. In perspective, the theory perceives the organization as an input-output model encompassing numerous shareholders of the company, such as the suppliers, employees, stockbrokers, administrative bodies, audit committee, and community with the stakeholders playing an input role and the output being a company's financial outcomes. The basic proposition of the theory is that the organization's success in achieving accountability standards relies on how relationships with the firm stakeholders are successfully managed. When viewed as such, the conventional view that success is dependent only upon maximising shareholder wealth is left insufficient.

A stakeholder, according to Fernando (2009), is either an individual whose actions affect positively or negatively the attainment of business goals and objectives. Due to increased awareness, there is need for organizations to extend their financial planning through the use of audit committees in order to adapt to changing demands. The same applies for corporate disclosure, which should be incorporated in periodic or annual reports. Other stakeholder theory scholars argue that the management in the organization has a relationship with the employees, suppliers, business partners, and are responsible for guiding the activities between the groups both externally and internally. The theory further stipulates that in a typical business environment, all the stakeholders are equal and should not be discriminated by the management

since it creates a bad relationship, which can negatively affect productivity and decision-making (Sendjaya, Sarros & Santora, 2016).

The theory links to the current study because managers must develop relationships and inspire their stakeholders, who are mainly shareholders and the public who invest in their respective firms. To achieve this, concrete corporate governance measures must be put in place with the goal of maximizing shareholders wealth. Good corporate governance principles will enable financial reporting quality, which indicates minimal earnings management.

2.2.3 Agency Theory

Jensen and Meckling advanced the Agency Theory in 1976. According to the theory, an association exists amongst the firm's shareholders (principals) and the managers and executives (agents) of the firm. Jensen and Meckling's (1976) view point on the theory commends that the separation amongst possession and management could lead in agency difficulties being witnessed by modern firms. The principal who provides the agent with policymaking authority agency bears the expenses emanating from the discrepancy of shareholder's interest with those of firm's bosses.

The agency cost is defined as the summation of bonding expenses, monitoring costs and residual damages. Monitoring expenses refers to the cost incurred by the principal in constraining the negative actions of the agent. Bonding cost refers to the cost which is made by the agent in effort of convincing the principal of their commitment. The residual loss can be defined as the differential between ownership input and the agent output. In spite of monitoring together with bonding expenses, experienced, residual loss will still be incurred because bosses together with stockholder interests not being completely unified (Deegan & Unerman, 2006).

As per Jensen and Meckling (1976), alignment of interests happens when harmony exists amongst objectives of agents acting within a firm together with those of the firm in totality. Incentives like stock options, gratuities, and profit associated pay could be employed as a mechanism of bring into line the agents interest together with those of the principal interests since these are unswervingly connected to how well the findings of administration decision aids the shareholders. This requires for agents to carry out their jobs while maintaining the interest of the principal in mind. The agents are managed by regulations established by the principals with maximisation of shareholder value as the core aim (Jensen & Meckling, 1976). However, Fama and Jensen (2005) caution that the managements' earnings should not be based on the company earnings as creates a toxic environment for managing the earnings of the company. To counter this aspect, audit committees have been established as a watchdog to ensure executives are kept in check.

This theory is applicable to this study as it brings out the role of corporate governance and audit and risk committees as a go-between the ownership and management of companies and in solving agency conflict in the event it arises. The agency conflict can be in terms of earnings management. Outside shareholders cannot costlessly observe the managers' actions, and the costs of adhering to the corporate governance code and constituting a Board of Directors (BOD) are some of the monitoring costs to ensure shareholders wealth is maximized. Thus, good corporate governance practices can enable financial reporting quality, which indicates minimal earnings management.

2.3 Determinants of Financial Reporting Quality

This section will elaborate on the various determinants of financial reporting quality. These are; corporate governance, accounting standards, leverage, and firm size.

2.3.1 Corporate Governance

According to the National Association of Corporate Directors (2006), corporate governance denotes how an establishment or organization is governed. Systems of good governance may, therefore, be considered as apparatuses for instituting the foundation of control and ownership of institutions within the economy. Company law and other forms of regulations enforce adherence to the existing systems of corporate governance. Bairathi (2009) refers corporate governance as a system through which business corporations are controlled and directed in favour of all the stakeholders.

Among the key roles that can be dealt with by corporate governance is guaranteeing quality of the financial reporting process (Cohen et al, 2004). The beginning point of the preparation of financial reporting is corporate governance (Norwani et al., 2011). The relationship of the various parties in the reporting field is key to attaining high quality financial reporting document. For instance, the composition and characteristics of the audit committee and board is related with the quality of financing reporting because this two corporate governance arms aid in overseeing the top management (SOX, 2002; Smaili & Labelle, 2013).

2.3.2 Accounting Standards

Accounting standards constitute the authoritative standards that guide financial reporting and are a key source of the Generally Accepted Accounting Principles (GAAP).The accounting standards defines how transactions as well as other events are recognized, measured, presented and disclosed in the financial statements. The differences in accounting principles used in the preparation of financial reports amongst local and international standards will be a significant factor influencing the quality of financial reporting (Ouma, 2017). Barth et al. (2008) contends

that earning smoothing practices are less in companies apply international accounting standard practices. This hence improves the financial reporting quality.

2.3.3 Leverage

Leverage refers to an investment strategy which uses borrowed money more precisely it is use of borrowed capital or financial instruments in order to increase the potential on return on investment. Leverage might also denote the total debt a firm uses in financing its assets (Myers, 1984). A "highly leverage" investment, property or a company implies that debt exceed equity. A firm with a higher proportion of debt has a motivation to increase its financial reporting/disclosure (Brealey, Myers & Allen, 2017). Highly leveraged firms have incentive to voluntary advance the corporate level reporting to stakeholders in financial statements (Jensen & Meckling, 1976). Further, Botosan and Plumlee (2002) noted that financial information disclosure reduces agency costs and therefore making creditors to analyse the company volatility and thus request for more information on resources safeguard.

2.3.4 Firm Size

Firm size denotes the scale of a firms' operations (Ehikioya, 2009). Three main measures are applied when measuring firm size and they include, sales, market value of equity and total assets. The three measures are the mostly used measure of firm size in empirical studies done on corporate finance (Guest, 2008). Hassan and Farouk (2014) in their study revealed that the likelihood of firms experiencing agency problems increased as the firm size increased. Kim, Liu, and Rhee (2003) indicate that the operation and activities of large firms tends to be more sophisticated in comparison to small firms. This makes it challenging for analyst together with other stakeholders to recognize the nature of these sophisticated operations and activities which creates opportunity for earnings manipulations by managers. This was in line with the agency

theory preposition, Jensen (1986) that revealed that agency cost is higher in large firms which makes them have more unethical practices. More so, analyst put more pressure on large firms, which make managers seek meeting their expectations (Barton & Simko, 2002). On the contrast, Bassiouny (2016) revealed existence of insignificant relationship amongst financial reporting quality and firm size.

2.4 Empirical Review

In the global arena, Zulfiati et al (2018) conducted a research aimed on establishing the how profitability and corporate governance affected earning management in the context of manufacturing firms listed in SGX and BEI. The targeted population was 243 companies and secondary data was obtained from the company's financial reports over the period 2011 to 2014. The research findings indicated a significant influence on QFR by Corporate Governance (CG). The study did not include all the aspects of corporate governance highlighted in the current study that entail board independence, presence of audit board committee, and board size. The study did not also utilize discretionary accruals as a measure of FRQ. These present a conceptual gap. Since the study was done outside the Kenyan context, the study aimed at filing the contextual gap

Anderson, Gillan, and Deli (2003) did an examination of the association amongst information content of earnings, earnings response coefficients and board and audit committee structure. The study was done in the year 2001 and a sample of over 1,200 firms was used. The findings established that the higher the independence and activities of the full board the more informative the earnings were. Additionally, those firms that had distinct Chief Executive officer and the chair of the board had more earnings that are informative. More so, the study revealed that audit committee characteristics have an effect on the earnings information.

Particularly in firms whose audit committee composition is small, the earnings are more informative. Though the study found out that the audit committee's independence, in addition to the full board's independence, is unrelated to the information quality of earnings, according to the report. The study did not utilize discretionary accruals as a measure of FRQ. This presents a conceptual gap. Since the study was done outside the Kenya context, the study aimed at filing the contextual gap

Hamdan (2011) analysed the association amongst the likelihood of a firm having an unqualified report as a proxy for financial reports quality and the audit committees' characteristics. The study was done at the public shareholding Industrial Companies Listed at Amman Bourse. The study considered the regulations of Jordanian Securities Commission on corporate governance guidelines. Descriptive statistics and the logistic regression and pooled data regression analysis were employed. The period under study was between 2001 to 2006, where 50 firms in the industrial sector were sampled. To control the association amongst the dependent and independent variables, several control variables were added in the model. The study revealed that the audit committee size positively affected the financial expertise of its member on the external auditors' report. The ownership of the members of the audit committee in the share of the business in the external auditor's report has, on the other hand, had a negative effect. Further, there was no effect of the independence of members of the audit committee on the type of auditor's report. The study did not utilize discretionary accruals as a measure of FRQ. This presents a conceptual gap. Since the study was done outside the Kenya context, the study aimed at filing the contextual gap.

In the regional front, Abubakar (2017) did a research on effects of board attributes and audit quality on financial reporting of quoted food product companies in Nigeria. The population was all the nine food product companies. However, eight of them were sampled for a five years

period, from the year 2012 to 2016. Secondary data was obtained from the firm's annual reports. The study findings exhibited a positive but insignificant link between board size, board equity, audit size and audit tenure in isolation, and QFR of the quoted food manufacturing companies in Nigeria. The study concluded that board independence might not guarantee that managers would not manipulate earnings. The study did not utilize discretionary accruals as a measure of financial reporting quality. This presents a conceptual gap. Since the study was done outside the Kenya context, the study aimed at filing the contextual gap.

Akeju and Babatunde (2016) conducted a study on corporate governance and financial reporting quality in Nigeria. The population was 40 companies listed on the Nigeria Stock Exchange from 2006 to 2015. The study established a significant positive association amongst corporate governance mechanisms and QFR in the companies listed on the Nigeria Stock Exchange. The study concluded that CG augments QFR. The study did not include all the aspects of corporate governance highlighted in the current study that entail board independence, presence of audit board committee, and board size. The study did not also utilize discretionary accruals as a measure of financial reporting quality. This presents a conceptual gap. Since the study was done outside the Kenya context, the study aimed at filing the contextual gap.

Metet (2018) conducted a study on the effects of financial reporting quality on value of companies registered at the NSE .The population was all the firms registered at the NSE. Secondary data was extracted from published annual financial reports for the period of between 2014 and 2018. The established the existence of a very strong positive association between firm value and FRQ index. The study did not relate corporate governance to financial reporting quality thus presenting a conceptual gap.

Ouma (2017) conducted a study linking reporting quality and financial performance of firms quoted at the NSE. The study population was all the 65 companies listed at the NSE. Secondary data was obtained from the firm's annual financial statements for a 5-year period, from the year 2012 to 2016. The study findings indicated the existence of a connection amongst FRQ and financial performance. The study did not relate corporate governance to financial reporting quality thus presenting a conceptual gap.

Koros (2016) conducted a study to ascertain the link amongst International Financial Reporting Standards and Quality of financial reporting of registered firms in Kenya. The population of the study was all the 60 firms registered at the NSE. Secondary data was obtained from NSE handbook and companies annual reports for a period of five years, from the year 2011 to 2015. The study findings indicated that the adoption of IFRS and the continued compliance with new amendments and improvements to IFRS has improved the FRQ though the improvement is not significant. The study did not relate corporate governance to financial reporting quality thus presenting a conceptual gap.

Odit (2015) did an examination on the effect of corporate governance on timeliness of financial reporting of firms registered at the NSE. The study population was all 60 firms listed at the NSE. Secondary data was extracted from published financials and annual reports of the firms over a five-year period, from the year 2009 to 2014. The research findings exhibited that variation in the corporate governance mechanisms, specifically increase in board size, increased the number of days before release, which negatively affected the timeliness of financial reporting. The study related corporate governance to timeliness of financial reporting and not to financial reporting quality. Thus, this presents a conceptual gap.

2.5 Summary of Research Gaps

The studies reviewed did not utilize discretionary accruals as a measure of financial reporting quality. Some of the studies reviewed did not include all the aspects of corporate governance highlighted in the current study that entailed; board independence, presence of audit board committee, and board size. Additionally, some of the studies reviewed did not relate corporate governance to financial reporting quality. These present a conceptual gap. The global and regional studies reviewed in this section were not done in the Kenyan context thus presenting a contextual gap. Consequently, the current research sought to fill the research gaps by establishing the influence of corporate governance on financial reporting quality of firms listed at the NSE.

2.6 Conceptual Framework

Rocco and Plakhotnik (2009) opine that a conceptual framework establishes the basis for research questions and objectives of a study through anchoring the study in the appropriate knowledge constructs. Clearly illustrated, the structure enables the researcher to make deductions. For this research, the independent variable was corporate governance, and the elements entailing board independence, audit and risk committee, and board size denoted corporate governance. The study's control variable was firm size, whereas the dependent variable was quality financial reporting. The conceptual framework is illustrated in Figure 2.1.

Independent Variables

Corporate Governance

Dependent Variable

Board Independence
- Independent Directors/Total Directors on the Board

Audit Committee
• Log Number of Audit Committee Meetings

Board Size
• Log Total Number of Board Members

Financial Reporting Quality
• Jones Model of Discretionary Accruals $= \beta 0 + \beta_1(1/TA_{t-1}) + \beta_2(\Delta Rev_t/TA_{t-1}) + \beta_3(\Delta PPE_t/TA_{t-1})$

Control Variable

Firm Size
• Log Total Assets
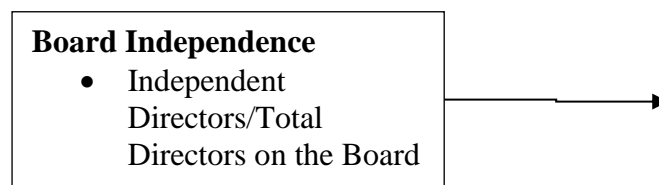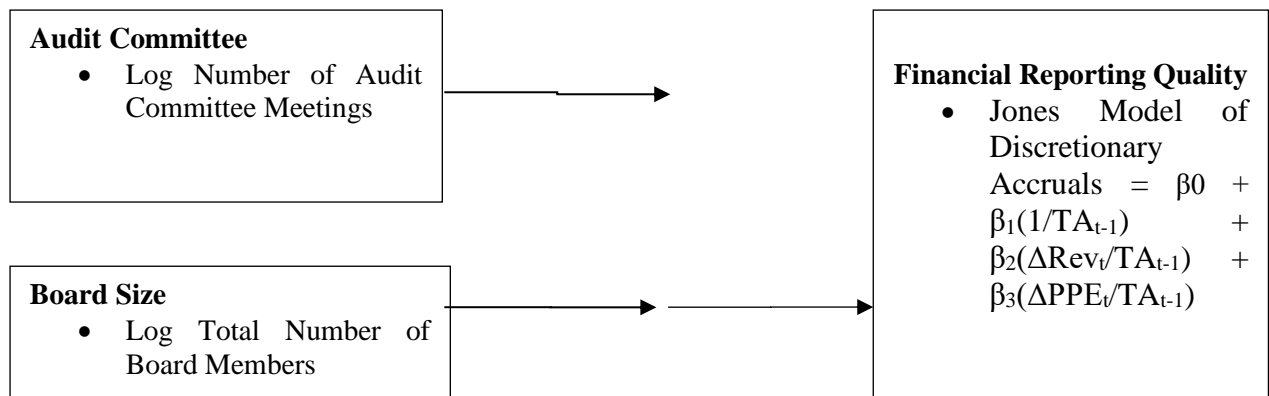
Figure 2.1: Conceptual Model

Among the key roles, which can be dealt with by corporate governance, is guaranteeing quality of the financial reporting process (Cohen et al, 2004). The beginning point of the preparation of financial reporting is corporate governance (Norwani et al., 2011). The relationship of the various parties in the reporting field is key to attaining high quality financial reporting document. For instance, the composition and characteristics of the audit committee and board is related with the quality of financing reporting because this two corporate governance arms aid in overseeing the top management (SOX, 2002; Smaili & Labelle, 2013).

Hassan and Farouk (2014) in their study revealed that the likelihood of firms experiencing agency problems increased as the firm size increased. Kim, Liu, and Rhee (2003) indicates that the operation and activities of large firms tends to be more sophisticated in comparison to small firms. This makes it challenging for analyst together with other stakeholders to recognize the nature of these sophisticated operations and activities which creates opportunity for earnings manipulations by managers. This was in line with the agency theory preposition, Jensen (1986)

that revealed that agency cost is higher in large firms which makes them have more unethical practices. More so, analyst put more pressure on large firms which make managers seek meeting their expectations (Barton & Simko, 2002). On the contrast, Bassiouny (2016) revealed existence of insignificant relationship amongst financial reporting quality and firm size.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter is the blueprint of the research study where it lays out the methodology of the study. The chapter contains several subsections, which include research design expounding on the design applicable to the study, target population detailing the population of interest and sampling method applicable if any. Data collection is also looked into where data required is specified and how it is going to be collected. Finally, the chapter show the data analysis technique that will be applied by the researcher.

3.2 Research Design

Creswell (2015), a research design means a description of how one is planning to conduct the study. The study subjects and the site of study are selected through the basis. It is a systematic plan to study a problem and it involves the actual execution and implementation of the research plans. The study utilized the descriptive research design in a bid to measure the data trends that exists in reference to the topic of study. According to Nassaji (2015) the descriptive method gives the researcher a way to compare and contrast the different types of data in order to ascertain the trends that exist therein. The study chose the descriptive research design since it could be used to describe different phenomenon and their characteristics. In addition, the data sets produced through the descriptive method help to summarize and support assertion of facts. This study was a formal study since it borrows from applicable theories and it uses different literatures to guide it. In addition, it was an ex - post facto study since the variables were measured rather than manipulated. It was a field environment with the country as the unit of study. This design considered factors such as the method of study, the variables applied in the research, and data collection methods.

3.3 Target Population

Zikmund, Babin, Carr, and Griffin (2010) refers population to the total number of individuals or people in a study. The population normally has characteristics that are alike. Grabich (2012) opines that a grouping of elements, events, or people, which are being examined with the goal being provision of answer to research question, denotes a study population. In this study, the population of the study was all 67 firms listed at NSE shown in Appendix I. Since all the whole population was examined, the study was a census.

3.4 Data Collection

Data collection process is very important because of the fact that it has an effect on the authenticity of the study findings. The secondary data was gathered from the individual listed firm's annual reports and financial statements. The annual unit of analysis was used. Data was collected on an annual basis from 2016 to 2020. Data on; net income, cash flows from operations, total assets, number of independent directors, total directors in the board, and presence/absence of an audit committee was gathered.

3.5 Data Analysis

In order to simplify the analysis, interpret and comprehend the data collected, it was arranged, tabulated, and simplified. Upon organizing the data, the panel data was analyzed through aid of statistical analysis software known as STATA Version 14. Multiple linear regression and correlation analysis was done. Correlation analysis was able to establish the strength and association firm size and corporate governance on the FRQ of firms listed at the NSE. On the other hand, regression analysis was used to establish the significance of the association amongst the study variables. Tables were used to present the quantitative results found.

The study utilized the confidence level at 95%. At 0.05 level, the findings were set to be statistical significant and this means that for values to be significant they ought to be below 0.05 In forecasting financial reporting quality a statistical inference technique was used in concluding the accuracy of the model. The 95% confidence level was used to test the model significance. The significance values determined how the predictor variables relate to the response variables.

3.5.1 The Model of Analysis

The research objectives were accomplished by undertaking multiple linear regression analysis, which examined whether the independent variables have any effect of the financial reporting quality. The statistical tests were undertaken at a significance level of 95%, which implies that the margin of error is up to 5%. The below model was applied;

$$Y_{i(t+1)} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \epsilon$$

Where:

$Y_{i(t+1)}$ = Financial Reporting Quality

α = Constant

$\beta_{1 - } \beta_4$ = Beta coefficients

X_{1it} = Board Independence

X_{2it} = Audit and Risk Committee

X_{3it} = Board Size

X_{4it} = Firm Size

ϵ = error term

The model Jones Model of Discretionary Accruals, which measured discretionary accruals as an aspect of earnings management and which was used to measure FRQ in the study, is enumerated below;

$$Y_t = \alpha + \beta_1(1/TA_{t-1}) + \beta_2(\Delta Rev_t/TA_{t-1}) + \beta_3(\Delta PPE_t/TA_{t-1}) + \epsilon$$

Where;

Y_t = Discretionary Accruals

α = Constant

$\beta_1 - \beta_4$ = Beta coefficients

TA_{t-1} = Total Accruals

ΔRev_t = Change in Revenue

ΔPPE_t = Change in Property Plant and Equipment

ϵ = error term

Total accruals is estimated as;

$$TA_t = \Delta CA_t - \Delta Cash_t - \Delta CL_t + \Delta SD_t + \Delta DEP_t$$

Where;

TA_t = Total Accruals

ΔCA_t = Change in Current Assets

$\Delta Cash_t$ = Change in Cash and Cash Equivalents

ΔCL_t = Change in Current Liabilities

ΔSD_t = Change in Short-Term Debt

ΔDEP_t = Change in Depreciation

3.5.2 Diagnostic Tests

Various assumptions are made so as to ensure the validity of the linear regression models. The assumption includes; no Multi-collinearity, random sampling of observation, zero conditional mean, linear regression model is "linear in parameters", spherical errors: no auto correlation and there is homoscedasticity and finally the optional assumption; normal distribution of error terms. The first five assumptions of the linear regression model, OLS Regression estimators as indicated by Gauss-Markov Theorem are the best linear non-biased estimators (Grewal et al., 2004). These assumptions are paramount when undertaking regression and violation of any of them would me that the regression estimates are rendered unreliable and incorrect. Precisely violation would lead to incorrect meaning of the regression estimates of the variation of the estimate would be unreliable leading to confidence intervals which are extreme, either too wide or too narrow (Gall et al., 2006).

In order to ensure that the assumptions are fulfilled so as to have the Best Linear Unbiased Estimators, the researcher ought to undertake diagnostic tests. Regression diagnostics evaluate model assumptions and test whether or not there are interpretations with a large, unjustified effect. The data collected was subjected to diagnostic test such as autocorrelation, multicollinearity, linearity and normality so as to find if it is appropriate for conducting linear regression model. The Shapiro-Wilk test was applied to test for normality, this is appropriate to test distributions of Gaussian nature which have specific mean and variance. Linearity implies a direct proportional link between the dependent and independent variable, which follows a corresponding variance in the dependent variable (Gall et al., 2006). To test for linearity, homoscedasticity was determined and was establish through the Breusch-Pagan Cook-Weisberg Test for Homoscedasticity.

Variance Inflation Factors (VIF) was applied in testing for multicollinearity and show ed whether the predictor variables have a significant correlation on each other. Grewal *et al.* (2004) notes that the primary reason for existence of multicollinearity is having small sample sizes, low measure reliability and low explained variables in the independent variables. Durbin-Watson Statistic tested for existence of autocorrelation.

In addition, unit root testing was performed on the panel data to prevent false regression results. The purpose of unit root testing is to verify whether or not the macroeconomic variables under analysis have been integrated of order one (1, 1) before undertaking estimation procedure. Fisher-type unit root test was used. Hausman specification test was done in order to establish whether the applied variables have a fixed effect overtime or have changing and random effect over time. Variables have a random effect was the null hypothesis while variable have a fixed effect was the alternate hypothesis. The null hypothesis was therefore be rejected if the value of the meaning is less than α (0.05) and if the significance value was more than α (0.05), the null hypothesis was be rejected.

Table 3.1: Operationalization of the Study Variables

Variable	Measurement

Financial Reporting Quality	Earnings management considered in terms of discretionary accruals which will be measured by the Jones Model of Discretionary Accruals $= \beta_0 + \beta_1(1/TA_{t-1}) + \beta_2(\Delta Rev_t/TA_{t-1}) + \beta_3(\Delta PPE_t/TA_{t-1})$
Board Independence	Denoted as; Independent Directors/Total Directors on the Board (Campbell & Mínguez-Vera, 2008).
Audit and Risk Committee	Logarithm of number of audit committee meetings
Board Size	Logarithm of total directors on the board (Lipton & Lorsch, 1992).
Bank Size	Natural logarithm of average value of book of entire properties of a bank during the period (Munyambonera, 2011).

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND INTERPRETATION

4.1 Introduction

The present chapter focuses on the analysis of data, discussion, and interpretation of the results, which are all presented in the previous chapter. It is divided into three parts, which are as follows: diagnostic tests, inferential statistics, and the interpretation and discussion of findings.

4.2 Response Rate

This study had a population target of all 64 listed firms at the Nairobi Securities Exchange (NSE), as indicated in Appendix I. A census was done to investigate the listed firms. Nonetheless, two firms that merged in 2019, which included NIC Bank PLC and CBA Bank PLC, were analysed as separate entities and also Deacons PLC, which was delisted in 2018, was analysed. This was because the current study used unbalanced panel data analysis. The study therefore used data from 66 listed firms to perform the analysis.

4.3 Diagnostic Tests

To guarantee the Best Linear Unbiased Estimators, diagnostic tests were performed prior to performing linear regression (BLUE). Normality tests, homoscedasticity tests, multicollinearity tests, autocorrelation tests were among the diagnostic tests used in this research. To determine normality of the distribution, Shapiro-Wilk test was used. Test of Breusch-Pagan was employed to determine while to establish multi-collinearity, tolerance and VIF were adopted. The Durbin-Watson d statistic was utilized in the study to test for autocorrelation. Additionally, the Fisher-type unit root test was used to conduct the unit root test, while the Hausman test was also conducted to determine if regression of fixed or variable effects by the panel should be performed.

4.3.1 Normality Test

Table 4.1 emphasizes testing of normal distribution for the study variables.

Table 4.1: Normality Test

Variable	Obs	W	V	z	Prob>z
LnFirmSize	281	0.97285	5.459	3.972	0.00004
FinancialR~y	281	0.71962	56.374	9.435	0.00000
BoardIndip~e	281	0.07078	186.827	12.238	0.00000
LnAuditand~e	281	0.99012	1.986	1.606	0.05413
LnBoardSize	281	0.97876	4.271	3.397	0.00034

The significance values for the financial reporting quality, board independence, board size and firm size variables are less than the α value (0.05) as indicated in Table 4.1. Therefore, the variables' data series are not normally distributed. Standardization is the cure for non-normal data. The data series of all variables were thus normalized as a means to correct distribution non-normality. However, the significance value for audit and risk committee variable is less than the α value (0.05). Therefore, the variable's data series is normally distributed.

4.3.2 Homoscedasticity Test

Table 4.2 includes homoscedasticity tests of every independent variable used in the research. The test is used to establish if all the residuals have a constant variance.

Table 4.2: Breusch-Pagan/Cook-Weisberg Test for Heteroscedasticity

Ho:	Constant variance
Variables: fitted values	FinancialReportingQuality
chi2(1) = 13.32	
Prob > chi2 = 0.0003	

The null hypothesis is that there is no homoscedasticity. The study employed a 5% significance levels. The study findings established significance value of (Prob > chi2= 0.0003), which is below the study critical value of (α=0.05) leading to rejection of null hypothesis. Thus, all the

predictor variable data series employed in the study are heteroscedastic. The current research used robust standard error which is an approach to heteroscedasticity of unbiased standard errors in OLS coefficients.

4.3.3 Test for Multicollinearity

In testing for multicollinearity, Variance Inflation Factors (VIF) were carried out and Table 4.3 below exhibits the findings.

Table 4.3: VIF Multicollinearity Statistics

Variable	VIF	1/VIF
LnAuditand~e	1.99	0.502642
LnBoardSize	1.67	0.599863
LnFirmSize	1.52	0.656851
BoardIndip~e	1.01	0.98663
Mean VIF	1.55	

In statistics, the general principle is that the VIF values ought to be more than 1 and less than 10. According to this study findings, the VIF values for all the independent variables applied are all greater than 1 and less than 10. This suggests that the independent variables applied in the study do not exhibit multicollinearity.

4.3.4 Tests for Autocorrelation

In autocorrelation testing amongst the predictor variables, the researcher used the Durbin Watson statistics. As per the findings the Durbin Watson d statistics is $(5, 281) = 1.356908$. Normally, the Durbin Watson statistics is between value 0 and 4. The value of 2 is revealed in instance where there is no autocorrelation. When the Durbin Watson value is between 0 and below 2, this means that positive autocorrelation exists whereas on the other hand a value more than 2 and less than 4 shows that there is negative autocorrelation. A general principle in statistic indicates that when the Durbin Watson statistic ranges between 1.5 to 2.5 it is regarded

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as relatively normal and value not ranging within there are value which are of concern (Shenoy & Sharma, 2015). However, Field (2009) states that values above 3 and below 1 are a clear reason to be concerned. Nonetheless, the panel data applied in the current study does not exhibit serial autocorrelation because the Durbin Watson d statistics obtained meets the stated threshold.

4.3.5 Unit Root Test

Table 4.4 presents the unit root test findings, which was undertaken on the data series financial reporting quality.

Table 4.4: Unit Root Test for Financial Reporting Quality

Fisher-type unit-root test for LS.FinancialReportingQuality			
Based on augmented Dickey-Fuller tests			
Ho: All panels contain unit roots	Number of panels =		57
Ha: At least one panel is stationary	Avg. number of periods =		2.89
AR parameter: Panel-specific	Asymptotics: T -> Infinity		
Panel means: Included			
Time trend: Not included			
Drift term: Not included	ADF regressions: 0 lags		
		Statistic	p-value
Inverse chi-squared(108) P		0.0000	1.0000
Inverse normal Z		.	.
Inverse logit t(4) L*		.	.
Modified inv. chi-squared Pm		-7.3485	1.0000

According to the null hypothesis, there is unit root in financial reporting quality whereas the alternative hypothesis holds that there is stationarity of the variable. Because the significance values for the P and Pm tests are greater than the study critical value of (α=0.05), thus, the null hypothesis is not rejected implying that the data series has unit root. The variable data series was first differentiated as unit root remedy.

Table 4.5 exhibits the findings of the unit root test done on board independence.

Table 4.5: Unit Root Test for Board Independence

Fisher-type unit-root test for LS.BoardIndipendence			
Based on augmented Dickey-Fuller tests			
Ho: All panels contain unit roots	Number of panels =		57
Ha: At least one panel is stationary	Avg. number of periods =		2.89
AR parameter: Panel-specific	Asymptotics: T -> Infinity		
Panel means: Included			
Time trend: Not included			
Drift term: Not included	ADF regressions: 0 lags		
Statistic p-value			
Inverse chi-squared(108) P	0.0000	1.0000	
Inverse normal Z	.	.	
Inverse logit t(4) L*	.	.	
Modified inv. chi-squared Pm	-7.3485	1.0000	

According to the null hypothesis, there is unit root in board independence whereas the alternative hypothesis holds that there is stationarity of the variable. Because all the significance value for the P and Pm tests are greater than the study critical value of (α=0.05), thus, the null hypothesis is not rejected implying that the data series has unit root. The variable data series was first differentiated as unit root remedy.

Table 4.6 exhibits the findings of the unit root test done on audit and risk committee. According to the null hypothesis, there is unit root in audit and risk committee whereas the alternative hypothesis holds that there is stationarity of the variable. Because all the significance value for the P and Pm tests are greater than the study critical value of (α=0.05), thus, the null hypothesis is not rejected implying that the data series has unit root. The variable data series was first differentiated as unit root remedy.

Table 4.6: Unit Root Test for Audit and Risk Committee

Fisher-type unit-root test for LS.LnAuditandRiskCommittee			
Based on augmented Dickey-Fuller tests			
Ho: All panels contain unit roots	Number of panels =		57
Ha: At least one panel is stationary	Avg. number of periods =		2.89
AR parameter: Panel-specific	Asymptotics: T -> Infinity		
Panel means: Included			
Time trend: Not included			
Drift term: Not included	ADF regressions: 0 lags		
	Statistic	p-value	
Inverse chi-squared(108) P	0.0000	1.0000	
Inverse normal Z	.	.	
Inverse logit t(4) L*	.	.	
Modified inv. chi-squared Pm	-7.3485	1.0000	

Table 4.7 exhibits the findings of the unit root test done on board size.

Table 4.7: Unit Root Test for Cash Flows from Board Size

Fisher-type unit-root test for LS.LnBoardSize			
Based on augmented Dickey-Fuller tests			
Ho: All panels contain unit roots	Number of panels =		57
Ha: At least one panel is stationary	Avg. number of periods =		2.89
AR parameter: Panel-specific	Asymptotics: T -> Infinity		
Panel means: Included			
Time trend: Not included			
Drift term: Not included	ADF regressions: 0 lags		
	Statistic	p-value	
Inverse chi-squared(108) P	0.0000	1.0000	
Inverse normal Z	.	.	
Inverse logit t(4) L*	.	.	
Modified inv. chi-squared Pm	-7.3485	1.0000	

According to the null hypothesis, there is unit root in board size whereas the alternative hypothesis holds that there is stationarity of the variable. Because all the significance value for the P and Pm tests are greater than the study critical value of (α=0.05), thus, the null hypothesis is not rejected implying that the data series has unit root. The variable data series was first differentiated as unit root remedy.

Table 4.8 exhibits the findings of the unit root test done on firm size.

Table 4.8: Unit Root Test for Firm Size

Fisher-type unit-root test for LS.FirmSize				
Based on augmented Dickey-Fuller tests				
Ho: All panels contain unit roots			Number of panels =	57
Ha: At least one panel is stationary			Avg. number of periods =	2.89
AR parameter: Panel-specific			Asymptotics: T -> Infinity	
Panel means: Included				
Time trend: Not included				
Drift term: Not included			ADF regressions: 0 lags	
		Statistic	p-value	
Inverse chi-squared(108)	P	0.0000	1.0000	
Inverse normal	Z	.	.	
Inverse logit t(4)	L*	.	.	
Modified inv. chi-squared	Pm	-7.3485	1.0000	

According to the null hypothesis, there is unit root in firm size whereas the alternative hypothesis holds that there is stationarity of the variable. Because all the significance value for the P and Pm tests are greater than the study critical value of ($\alpha=0.05$), thus, the null hypothesis is not rejected implying that the data series has unit root. The variable data series was first differentiated as unit root remedy.

4.3.6 Test for Random and Fixed Effects

In determining if the variables had a fixed effect or a random and changing effect overtime, the researcher undertook the Hausman test. Table 4.9 presents the findings on the Hausman test of specification.

Table 4.9: Hausman Test of Specification

	---- Coefficients ----			
	(b)	**(B)**	**(b-B)**	**sqrt(diag(V_b-V_B))**
	fe	**re**	**Difference**	**S.E.**
BoardIndip~e	0.002391	0.003285	-0.00089	0.006669
LnAuditand~e	-0.37934	-0.06829	-0.31106	0.867188
LnBoardSize	-1.34148	-0.10186	-1.23961	0.607149

LnFirmSize	-0.17025	0.005445	-0.17569	0.239403

```
                        b = consistent under Ho and Ha; obtained from xtreg
          B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

              chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                      =          4.54
              Prob>chi2 =      0.3376
```

In this test the null hypothesis was that the variables have random effect whereas the variables have fixed effect was the alternative hypothesis. The null hypothesis would be rejected if the significance value produced is below the alpha value (α=0.05) whereas on the contrast it would not be rejected when the significance value is greater the alpha value (α=0.05). If the statistics of the Hausman chi-square tests are negative the alternative hypothesis taken since the p value equals asymptotically 1. As indicated by the findings (Prob>chi2=0.3376), the variables have a random effect and a random effect panel model will be applied. This is a result of the significance value being greater than the alpha value (α=0.05), which lead to the null hypothesis not being rejected.

4.4 Inferential Statistics

The researcher did the inferential statistics with the aim of establishing the association, direction, and strength of the relationship amongst the independent variables utilized in the study on financial reporting quality. The inferential statistics undertaken consisted of correlation analysis and multiple linear regression analysis.

4.4.1 Correlation Analysis

Correlation analysis indicates the relationship that exist between two variables. The association varies from strong negative correlation to perfect positive correlation. The researcher employed

the Pearson correlation analysis to establish the association of the independent and control variables utilized in the study on the financial performance of commercial banks. The study was applied at 95% confidence level and a two tail test was used .

Table 4.10: Correlation Analysis

```
             Financ~y BoardI~e LnAudi~e LnBoar~e LnFirm~e
─────────────┼───────────────────────────────────────────
FinancialR~y │   1.0000


BoardIndip~e │   0.0032   1.0000
             │   0.9568

LnAuditand~e │  -0.0458   0.0927   1.0000
             │   0.4442   0.1209

 LnBoardSize │  -0.0361   0.1115   0.6212*  1.0000
             │   0.5465   0.0619   0.0000

  LnFirmSize │  -0.0200   0.0659   0.5750*  0.4449*  1.0000
             │   0.7390   0.2713   0.0000   0.0000
```

As shown in table 4.10, with significance level at 5%, board independence, audit and risk committee, board size, and firm size do not have a significant correlation with financial reporting quality at the 5% significance level. This is because its significance value is greater than the study's critical value ($\alpha=0.05$).

4.3.2 Multiple Linear Regression

The effect of the corporate governance aspects entailing; board independence, audit and risk committee, and board size on financial reporting quality was established through the random effect panel multiple regression analysis which was undertaken at the significance level of 5%. The researcher compared the significance value shown in the ANOVA model with those got from the study. The significance values obtained for the model coefficients were also compared to the significance value of 0.05. Table 4.11 exhibits the findings.

Table 4.11: Fixed Effects Panel Multiple Linear Regression

```
Random-effects GLS regression              Number of obs      =        223
Group variable: Number                     Number of groups   =         58

R-sq:  within  = 0.0273                     Obs per group: min =          1
       between = 0.0020                                     avg =        3.8
       overall = 0.0204                                     max =          4

                                            Wald chi2(4)       =      23.73
corr(u_i, X)    = 0 (assumed)               Prob > chi2        =     0.0001

                              (Std. Err. adjusted for 58 clusters in Number)
```

dzFinRepQual	Coef.	Robust Std. Err.	z	P>|z|	[95% Conf. Interval]	
dzBoardInd	.0073708	.0067758	1.09	0.277	-.0059096	.0206512
dAud_and_R~e	-.7733419	1.058026	-0.73	0.465	-2.847036	1.300352
dzBoardSize	-.716676	.4691154	-1.53	0.127	-1.636125	.2027734
dzFirmSize	.6086764	.6467972	0.94	0.347	-.6590229	1.876376
_cons	.0154923	.0514118	0.30	0.763	-.085273	.1162576

sigma_u	0		
sigma_e	1.2032758		
rho	0	(fraction of variance due to u_i)	

Prior to carrying out the multiple linear regression analysis, the variables had to be modified as the normality, homoscedasticity, and stationarity criteria were not met. Since all the variables used in the current study, apart from audit and risk committee, did not meet the normality condition, they were standardised in order to correct the non-normality. The "robust standard errors'" approach for identifying unbiased standard errors in OLS coefficients during heteroscedasticity was used because of the data series of predictors used during the current study showing heteroscedasticity. Finally, the data series of all the variables was first differentiated as unit root remedy.

The R^2 indicates that the variations in the dependent variable (financial reporting quality) which emanates from the changes in the independent variables. The overall R^2 value from the findings

is 0.0204 which implies that 2.04% of financial reporting quality changes are as a result of changes in the model entailing corporate governance aspects that include; board independence, audit and risk committee, and board size, as well as firm size. This implied that other variables which are not incorporated in the model are attributable to the 97.96% of the changes in financial reporting quality.

Table 4.11 further illustrates that the model entailing corporate governance that include; board independence, audit and risk committee, and board size, as well as firm size, significantly predicts financial reporting quality. This is because the significance value obtained for the model (Prob> chi2=0.0000) is less than the study critical value (α=0.05).

The results in Table 4.11 finally demonstrates that board independence, audit and risk committee, board size, and firm size do not have a significant relationship with financial reporting quality. This is because their respective significance levels are greater than the study critical value (α=0.05).

4.4 Interpretation and Discussion of Findings

This study aimed at finding the effect of corporate governance on financial reporting quality of firms listed at the Nairobi Securities Exchange. It specifically aimed at unravelling the impact of the corporate governance aspects entailing; board independence, audit and risk committee, and board size, as well as firm size on the financial reporting quality of firms listed at the Nairobi Securities Exchange.

The study findings established that board independence, audit and risk committee, board size, and firm size do not have a significant correlation with financial reporting quality at the 5%

significance level. Further study findings established that the model entailing; entailing corporate governance that include; board independence, audit and risk committee, and board size, as well as firm size, explains financial reporting quality to a very least extent with a coefficient of determination value of 2.04%. Additional study findings were that that the model entailing corporate governance that include; board independence, audit and risk committee, and board size, as well as firm size, significantly predicts financial reporting quality. Final study findings were that board independence, audit and risk committee, board size, and firm size do not have a significant relationship with financial reporting quality.

The Resource Dependency Theory (RDT) aim is minimizing the dependence amongst the management that is in charge of the operations control and the board of directors that charged with providing strategic control. This can be achieved through preparation of quality financial reports. The Stakeholder Theory implies that managers must develop relationships and inspire their stakeholders, who are mainly shareholders and the public who invest in their respective firms. To achieve this, concrete corporate governance measures must be put in place with the goal of maximizing shareholders wealth. Good corporate governance principles will enable financial reporting quality, which indicates minimal earnings management. The study finding that corporate governance has a significant impact on financial reporting quality is in agreement with the resource dependency and stakeholders' theories.

The Agency Theory brings out the role of corporate governance and audit and risk committees as a go-between the ownership and management of companies and in solving the agency conflict in the event it arises. The agency conflict can be in terms of earnings management. Outside shareholders cannot costlessly observe the managers' actions, and the costs of adhering to the corporate governance code and constituting a Board of Directors (BOD) are some of the monitoring costs to ensure shareholders wealth is maximized. Thus, good corporate governance

practices can enable financial reporting quality, which indicates minimal earnings management. The study finding that corporate governance has a significant impact on financial reporting quality is in tandem with this theory. However, the additional study finding that audit and risk committee does not have a significant impact on financial reporting quality is not in tandem with this theory.

Earnings management stems from agency problems, the separation of management and ownership, and information asymmetry, management having comparative information over outsiders. Owing to the widely publicized financial reporting frauds, regulators have reacted to this through making reforms on the corporate governance structures contending that the credibility of financing reporting is immensely improved by having strong corporate governance structures (Farber, 2005). The study finding that corporate governance has a significant impact on financial reporting quality is in agreement with these assertions.

Dechow, Sloan, and Sweeney (1996) while analyzing governance structures shows that the probability of manipulation of earning is systematically associated with the weaknesses in the oversight of management such as lack of audit committee and insider board membership domination. The study findings that board independence and audit and risk committee do not have a significant impact on financial reporting quality is not congruent to these assertion.
Among the key roles, which can be dealt with by corporate governance, is guaranteeing quality of the financial reporting process (Cohen et al, 2004). The beginning point of the preparation of financial reporting is corporate governance (Norwani et al., 2011). The study finding that corporate governance has a significant impact on financial reporting quality is parallel to these assertions.

The relationship of the various parties in the reporting field is key to attaining high quality financial reporting document. For instance, the composition and characteristics of the audit committee and board is related with the quality of financing reporting because this two elements of corporate governance aid in overseeing the top management (SOX, 2002; Smaili & Labelle, 2013). The study finding that board independence, audit and risk committee, and board size do not have a significant impact on financial reporting quality is not congruent to this assertion.

Audit committees constantly strengthen the auditors' position in the quality of financial reporting (Cohen et al. 2004), thus enhancing the auditors' standing with respect to excessive management behavior, which may decrease the quality of reporting (Carcello & Neal, 2003). High quality financial reports are delivered when the internal and external auditors work together with the support of the audit and boards committees (Cohen et al. 2004). The study finding that the audit and risk committee does not have a significant impact on financial reporting quality is not in tandem to this assertions.

In comparison to outsourced Internal Audit Function (IAF) which reports to the audit committee, the possibility of an in house IAF to prevent financial reporting fraud when reporting to the board is lower even though cases of fraud will be reported if found (James, 2003). The advantage of IAF is that it assists in reducing the opportunistic behaviours of management and as a result affected the quality of financial reporting by an entity. Internal audit function performs the traditional monitoring function which as a result translates to improved financial reporting quality (Prawitt, Smith & Wood, 2009). The study finding that the audit and risk committee does not have a significant impact on financial reporting quality is not in tandem to this assertions.

Zulfiati et al (2018) conducted a research aimed on establishing the how profitability and corporate governance affected earning management in the context of manufacturing firms listed in SGX and BEI. The research findings indicated a significant influence on QFR by Corporate Governance (CG). The current study finding that corporate governance has a significant impact on financial reporting quality is parallel to this finding.

Anderson, Gillan, and Deli (2003) did an examination of the association amongst information content of earnings, earnings response coefficients and board and audit committee structure. The study findings established that the higher the independence of the full board the more informative the earnings were. Further, the study revealed that audit committee characteristics have an effect on the earnings information. Particularly in firms whose audit committee composition is small, the earnings are more informative. The study findings that board independence and audit and risk committee do not have a significant impact on financial reporting quality is not in tandem to this findings.

Hamdan (2011) analyzed the association amongst the likelihood of a firm having an unqualified report as a proxy for financial reports quality and the audit committees' characteristics. These was done at the public shareholding Industrial Companies Listed at Amman Bourse. The study revealed that the audit committee size positively affected the financial expertise of its member on the external auditors' report. The ownership of the members of the audit committee in the share of the business in the external auditor's report has, on the other hand, had a negative effect. Further, there was no effect of the independence of members of the audit committee on the type of auditor's report. The study findings that board independence and audit and risk

committee do not have a significant impact on financial reporting quality is not in tandem to these findings.

Abubakar (2017) did a research on effects of board attributes and audit quality on financial reporting of quoted food product companies in Nigeria. The population was all the nine food product companies. The study findings exhibited a positive but insignificant link between board size, audit committee size, and audit committee tenure in isolation, and QFR of the quoted food manufacturing companies in Nigeria. The study findings that board independence, audit and risk committee, and board size do not have a significant impact on financial reporting quality is not in tandem to these findings.

Akeju and Babatunde (2016) conducted a study on corporate governance and financial reporting quality in Nigeria. The population was 40 companies listed on the Nigeria Stock Exchange. The study established a significant positive association amongst corporate governance mechanisms and QFR in the companies listed on the Nigeria Stock Exchange. The current study finding that corporate governance has a significant impact on financial reporting quality is congruent to this finding.

Odit (2015) did an examination on the effect of corporate governance on timeliness of financial reporting of firms registered at the NSE. The study population was all 60 firms listed at the NSE. The research findings exhibited that variation in the corporate governance mechanisms, specifically increase in board size, negatively affected the timeliness of financial reporting. The current study finding that corporate governance has a significant impact on financial reporting quality is in tandem to this finding. The additional study finding that board size does not have a significant relationship with financial reporting quality is not congruent this finding

CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The overview of the research results, as well as conclusions and suggestions for policymakers and practitioners, are all included in this section. In addition, the study limitations and recommendations for further research are discussed.

5.2 Summary

The main goal of the current study was to determine the effect of corporate governance on financial reporting quality of firms listed at the Nairobi Securities Exchange. It also specifically aimed at unravelling the impact of the corporate governance aspects entailing; board independence, audit and risk committee, and board size, as well as firm size, on the financial reporting quality of firms listed at the Nairobi Securities Exchange. The analysis of the data collected and the interpretation of the results were therefore carried out in accordance with the stated general and specific goals.

Multiple linear regression and correlation analysis were comprehensively used to achieve the study objectives. The examination of the correlation used in the research found out that board independence, audit and risk committee, board size, and firm size do not have a significant correlation with financial reporting quality. The multiple linear regression revealed that the model entailing; entailing corporate governance that include; board independence, audit and risk committee, and board size, as well as firm size, explains financial reporting quality to a very least extent with a coefficient of determination value of 2.04%. Additional study findings were that that the model entailing corporate governance that include; board independence, audit and risk committee, and board size, as well as firm size, does not significantly predict financial

reporting quality. Final study findings were that board independence, audit and risk committee, board size, and firm size do not have a significant relationship with financial reporting quality.

5.3 Conclusion

This section contains the research's conclusion. The conclusion is written in accordance with the study's overarching objective. The study's broad objective was to determine the effect of corporate governance on financial reporting quality of firms listed at the Nairobi Securities Exchange. The study concluded that corporate governance significantly impacts on financial reporting quality. The study's also specifically aimed at unravelling the impact of the corporate governance aspects entailing; board independence, audit and risk committee, and board size, as well as firm size, on the financial reporting quality of firms listed at the Nairobi Securities Exchange. The study concluded that board independence, audit and risk committee, board size, firm size neither have a significant association nor relationship with financial reporting quality.

5.4 Recommendations

Those who will conduct future research in the area of finance will benefit from the results of this study in regards to corporate governance and financial reporting quality. Subsequent researchers interested in corporate governance and financial reporting quality will use the study results as a reference. The study will bring about financial reporting quality and and minimization of fraud. Similarly, the work will provide resourceful material for future scholars and researcher interested in the subject of corporate governance and financial reporting quality.

Policy recommendations are made to the government officials and policy formulators in the financial sector, mainly the regulator, the Capital Markets Authority (CMA), and the Treasury, that since it has been established that corporate governance has a significant influence on

financial reporting quality, the policy makers should utilize corporate governance when endeavouring to boost financial reporting quality, and by extension fraud, in order to boost the credibility of the capital markets. The research project findings will serve as a road-map for key government bodies and authorities as they develop policies and procedures to strengthen the financial sector. The current study findings will provide empirical findings to the government and other relevant agency to help guide the formulation and implementation of relevant policies and regulation.

The finding of the study that corporate governance has a significant influence on financial reporting quality generates recommendations to the financial analysts to utilize corporate governance when analysing the financial statements of listed firms when trying to estimate their intrinsic values. Henceforth, this study will offer them immeasurable insights, which will help them when advising their clients. Additionally, the current study findings that corporate governance has a significant influence on financial reporting generates recommendations to consultants and listed firms practitioners to utilize corporate governance when trying to bolster financial reporting quality and minimize the principle-agent conflict..

5.5 Recommendations for Further Study

To explore the impact of corporate governance on financial reporting quality is very important for financial sector policy makers, mainly regulators such as the Capital Markets Authority (CMA), and as well as National Treasury, practitioners in the capital markets, financial analysts, managers of listed firms, and consultants.

However, the current study has been performed in the context of capital markets; the same study might be repeated on other market segments and also across various sectors of the economy to see if the current study results were contained. The present research has been

performed solely in Kenya, additional investigations may be carried out in Kenya, in African or global settings to determine if current results of the studies are conveyed.

The present research has solely included the corporate governance aspects that included; board independence, audit and risk committee, and board size. Further research can be done when including other aspects of corporate governance. Additionally, a research may be carried out to see if there are variables that moderate, intervene, or mediate the connection between corporate governance and financial reporting quality.

This study has only utilized secondary data, the study can be followed by studies using primary data. This may either compliment or criticize the current study findings. The statistical analytical techniques of the present research were multiple linear regressions and correlation analyses. Additional methodologies for statistical analysis, for instance; descriptive statistics, cluster analyses, discriminant analysis, granger causality, components analysis, among other methodologies, can be incorporated in further studies.

5.6 Limitations of the Study

The present research was a formal study and it applied the deductive research approach for the reason that it was guided by pertinent literature and theories to further test the theories and empirical literature findings. Employing theories and previous empirical literature assists in laying the groundwork for comprehending the research issue being investigated. However, there was absence of previous researches on the effect of government bond yields on the equity market segment performance. The research was carried out solely in the Kenyan capital markets sector in view of time and financial limitations, which does not clearly demonstrate

the present outcome if other sectors of economy are taken into consideration. In addition, there would be more uncertainty if comparable research were repeated in other nations.

Although the research engaged secondary sources of data, there were some major challenges like some of the data being not readily available; especially data on collateral and it took great lengths and costs to obtain it. The data was not utilized in their raw form and further calculations and manipulations of the data were required. Impending delays were experienced due to data processing and further editing before the compilation by the researcher.

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APPENDICES

Appendix 1: Companies Listed at the Nairobi Securities Exchange

Agricultural	
Ticker	**Company Name**
EGAD	Eaagads Limited
KUKZ	Kakuzi Limited
KAPC	Kapchorua Tea Company Limited
LIMT	Limuru Tea Company Limited
SASN	Sasini Tea and Coffee
WTK	Williamson Tea Kenya Limited

Automobiles and Accessories	
Ticker	**Company Name**
G&G	Car & General Kenya

Banking	
Ticker	**Company Name**
BBK	Barclays Bank of Kenya
CFC	CfC Stanbic Holdings
DTK	Diamond Trust Bank Group
EQTY	Equity Group Holdings Limited
HFCK	Housing Finance Company of Kenya
I&M	I&M Holdings Limited
KCB	Kenya Commercial Bank Group
NBK	National Bank of Kenya
NIC	National Industrial Credit Bank
SCBK	Standard Chartered of Kenya
COOP	Cooperative Bank of Kenya

Commercial and Services	
Ticker	**Company Name**
XPRS	Express Kenya Limited
KQ	Kenya Airways
LKL	Longhorn Kenya Limited
EVRD	Eveready East Africa
SCAN	Scangroup
NMG	Nation Media Group
SGL	Standard Group Limited
FIRE	Sameer Africa Limited
TPSE	TPS Serena
UCHM	Uchumi Supermarkets

Construction and Allied	
Ticker	**Company Name**
ARM	ARM Cement Limited
BAMB	Bamburi Cement Limited
BERG	Crown-Berger (Kenya)
CABL	East African Cables Limited
PORT	East Africa Portland Cement Company

Energy and Petroleum	
Ticker	**Company Name**
KEGN	Kengen
KENO	KenolKobil
KPLC	Kenya Power and Lighting Company
TOTL	Total Kenya Limited
UMME	Umeme

Insurance Segment	
Ticker	**Company Name**
BRIT	British-American Investments Company
CIC	CIC Insurance Group
CFCI	Liberty Kenya Holdings Limited
JUB	Jubilee Holdings Limited
KNRE	Kenya Reinsurance Corporation
PAFR	Sanlam Kenya Plc

Investments	
Ticker	**Company Name**
ICDC	Centum Investment Company
OCH	Olympia Capital Holdings
HAFR	Home Afrika Ltd
TCL	TransCentury Investments

Investment Services	
Ticker	**Company Name**
NSE	Nairobi Securities Exchange

Manufacturing and Allied	
Ticker	**Company Name**
BOC	BOC Kenya Limited
BAT	British American Tobacco Limited
CARB	Carbacid Investments Limited
EABL	East African Breweries
EVRD	Eveready East Africa
ORCH	Kenya Orchards Limited
MSC	Mumias Sugar Company Limited
UNGA	Unga Group

Telecommunication and Technology	
Ticker	**Company Name**
SCOM	Safaricom

Source: Nairobi Securities Exchange Website (2020)

Appendix II: Data Collection Form

Name of Commercial Bank					
	Year				
Data	2016	2017	2018	2019	2020
Net Income					
Cash flows from operations					
Financial Reporting Quality					
Number of Independent Directors					
Total Directors on the Board					
Board Independence					
Number of Audit Committee Meetings					
Audit Committee					
Board Size (Log Total Directors on the Board)					
Total Assets					
Bank Size (Ln Total Assets)					

Appendix III: Research Data

Number	COMPANY	Year	Financial Reporting Quality	Board Independence	Audit and Risk Committee	Ln Audit and Risk Committee	Board Size	Ln Board Size	Firm Size	Ln Firm Size
1	Athi river mining	2017	-0.91722	0.142587	3	1.098612	5	1.609438	42699067	17.56969
1	Athi river mining	2016	0.044655	0.156601	3	1.098612	5	1.609438	51058802	17.74849
2	Bamburi	2020	-0.13398	0.198897	3	1.098612	5	1.609438	49085000	17.70906
2	Bamburi	2019	-0.54019	0.149015	3	1.098612	5	1.609438	50357000	17.73465
2	Bamburi	2018	-0.12377	0.232486	3	1.098612	5	1.609438	47203000	17.66997
2	Bamburi	2017	0.824321	0.260567	3	1.098612	5	1.609438	40811000	17.52446
2	Bamburi	2016	0.741889	0.281607	3	1.098612	5	1.609438	42030000	17.55389
3	Car & General	2020	0.079971	0.338338	3	1.098612	9	2.197225	11483744	16.25644
3	Car & General	2019	0.166037	0.413896	3	1.098612	9	2.197225	10173507	16.1353
3	Car & General	2018	-0.16494	0.075441	3	1.098612	6	1.791759	9267544	16.04203
3	Car & General	2017	0.197601	0.084557	3	1.098612	6	1.791759	9705198	16.08817
3	Car & General	2016	0.177841	0.05864	3	1.098612	6	1.791759	8988047	16.01141
4	Carbacid	2020	0.049551	0.088242	2	0.693147	6	1.791759	3503501	15.06927
4	Carbacid	2019	0.002143	0.082817	2	0.693147	6	1.791759	3371233	15.03079
4	Carbacid	2018	0.805675	0.04199	2	0.693147	5	1.609438	3306974	15.01154
4	Carbacid	2017	-0.38961	0.05212	2	0.693147	5	1.609438	3081768	14.94101
4	Carbacid	2016	-0.35065	0.055575	3	1.098612	5	1.609438	2968727	14.90364
5	Crown Berger	2020	-0.01652	0.061028	3	1.098612	7	1.94591	5106474.911	15.44602
5	Crown Berger	2019	-0.01652	0.056016	3	1.098612	7	1.94591	5475693	15.51583
5	Crown Berger	2018	0.287215	0.020248	3	1.098612	6	1.791759	5871607	15.58564
5	Crown Berger	2017	-0.06164	0.013942	3	1.098612	6	1.791759	5059029	15.43669
5	Crown Berger	2016	-0.21899	0.020719	3	1.098612	6	1.791759	4539148	15.32825
6	East Africa Cables	2020	-0.67551	0.071348	4	1.386294	8	2.079442	6274877	15.65206
6	East Africa Cables	2019	-0.67551	0.093559	4	1.386294	8	2.079442	6603660	15.70313

6	East Africa Cables	2018	-0.07767	0.058022	4	1.386294	5	1.609438	7038421	15.76689
6	East Africa Cables	2017	-0.62214	0.019204	4	1.386294	5	1.609438	7548406	15.83685
6	East Africa Cables	2016	-0.55992	0.036807	4	1.386294	5	1.609438	8384143	15.94185
7	E.A Portland	2020	-0.49249	0.016216	3	1.098612	5	1.609438	52859296.27	17.78314
7	E.A Portland	2019	-0.49249	0.025674	3	1.098612	5	1.609438	38027520	17.45382
7	E.A Portland	2018	-0.40219	0.105893	3	1.098612	5	1.609438	27357388	17.1245
7	E.A Portland	2017	-1.09787	0.074548	3	1.098612	5	1.609438	27842120	17.14206
7	E.A Portland	2016	-0.98809	0.083097	3	1.098612	5	1.609438	23112582	16.95589
8	Eveready	2020	-1.10095	0.079748	2	0.693147	6	1.791759	248526	12.4233
8	Eveready	2019	-0.20255	0.05533	2	0.693147	5	1.609438	573768	13.25998
8	Eveready	2018	0.664412	0.117572	2	0.693147	5	1.609438	772652	13.55758
8	Eveready	2017	-0.61493	0.152744	3	1.098612	5	1.609438	1082806	13.89507
8	Eveready	2016	-0.55344	0.153299	3	1.098612	5	1.609438	1511665	14.22872
9	Kakuzi	2020	1.632144	0.256803	3	1.098612	7	1.94591	3868015	15.16825
9	Kakuzi	2019	1.262394	0.063832	3	1.098612	7	1.94591	5941042	15.5974
9	Kakuzi	2018	-0.20903	0.072183	3	1.098612	7	1.94591	5746126	15.56404
9	Kakuzi	2017	0.332151	0.075357	3	1.098612	7	1.94591	5064414	15.43775
9	Kakuzi	2016	0.298936	0.072421	3	1.098612	7	1.94591	3025108	14.92246
10	Kengen	2020	1.040299	0.087024	4	1.386294	12	2.484907	381994696.7	19.76092
10	Kengen	2019	1.040299	0.034188	4	1.386294	12	2.484907	379353005	19.75398
10	Kengen	2018	1.54535	0.038997	4	1.386294	12	2.484907	376729582	19.74704
10	Kengen	2017	-0.21829	0.061985	4	1.386294	12	2.484907	366738366	19.72016
10	Kengen	2016	-0.19646	0.100865	4	1.386294	12	2.484907	342520000	19.65184
11	Kenolkobil	2018	0.742307	0.097942	3	1.098612	12	2.484907	23996790.6	16.99343
11	Kenolkobil	2017	0.60865	0.260113	3	1.098612	9	2.197225	24099030	16.99768
11	Kenolkobil	2016	0.499059	0.209829	3	1.098612	9	2.197225	24201705	17.00193
12	KPLC	2020	-0.53532	0.369459	4	1.386294	9	2.197225	381994696.7	19.76092
12	KPLC	2019	-0.53532	0.024078	4	1.386294	9	2.197225	336655189	19.63457
12	KPLC	2018	-0.14528	0.032489	4	1.386294	9	2.197225	331236232	19.61834

12	KPLC	2017	-0.05937	0.066567	4	1.386294	9	2.197225	289582797	19.48395
12	KPLC	2016	-0.05344	0.062905	4	1.386294	9	2.197225	275493150	19.43407
13	KQ	2020	-0.06816	0.068335	5	1.609438	16	2.772589	195673000	19.09196
13	KQ	2019	-0.00171	38.55386	5	1.609438	15	2.70805	136634000	18.73282
13	KQ	2018	-0.17904	0.003733	5	1.609438	15	2.70805	147623000	18.81017
13	KQ	2017	-0.37224	0.00951	5	1.609438	15	2.70805	155685000	18.86335
13	KQ	2016	-0.33502	0.062172	5	1.609438	15	2.70805	182063000	19.01986
14	Safaricom	2020	0.16449	0.162821	5	1.609438	19	2.944439	142517000	18.77497
14	Safaricom	2019	0.336252	0.376961	5	1.609438	19	2.944439	167439000	18.93613
14	Safaricom	2018	0.63119	0.17352	5	1.609438	18	2.890372	161686996	18.90117
14	Safaricom	2017	0.133475	0.144779	5	1.609438	17	2.833213	159182485	18.88556
14	Safaricom	2016	0.120128	0.02715	5	1.609438	16	2.772589	156957626	18.87149
15	Sameer	2020	-0.91368	0.062831	3	1.098612	13	2.564949	1530847	14.24133
15	Sameer	2019	-0.31024	0.055331	3	1.098612	13	2.564949	2587824	14.76633
15	Sameer	2018	-0.2195	0.070971	3	1.098612	13	2.564949	2969868	14.90403
15	Sameer	2017	-0.27051	0.087258	3	1.098612	13	2.564949	3290867	15.00666
15	Sameer	2016	-0.24346	0.03673	3	1.098612	10	2.302585	3751225	15.13759
16	Sasini	2020	0.840908	0.119665	2	0.693147	11	2.397895	14674359	16.50161
16	Sasini	2019	0.429175	0.192311	2	0.693147	10	2.302585	12961380	16.37748
16	Sasini	2018	0.842084	0.161751	2	0.693147	10	2.302585	13196025	16.39543
16	Sasini	2017	-0.17299	0.14087	2	0.693147	10	2.302585	16818463	16.63799
16	Sasini	2016	-0.15569	0.23456	2	0.693147	10	2.302585	16044527	16.59088
17	Standard Group	2020	-1.02948	0.319539	4	1.386294	13	2.564949	4195946	15.24963
17	Standard Group	2019	0.21278	0.40781	4	1.386294	13	2.564949	4676133	15.35798
17	Standard Group	2018	0.454154	0.488169	4	1.386294	13	2.564949	4459637	15.31058
17	Standard Group	2017	-0.01823	0.414518	4	1.386294	13	2.564949	4404931	15.29824
17	Standard Group	2016	-0.01641	0.091624	4	1.386294	13	2.564949	4355614	15.28698
18	Total Kenya	2020	0.105505	0.110786	3	1.098612	7	1.94591	37564704	17.44158
18	Total Kenya	2019	-0.3072	0.108837	3	1.098612	7	1.94591	39258921	17.48569

18	Total Kenya	2018	0.11129	0.146674	3	1.098612	7	1.94591	38012115	17.45342
18	Total Kenya	2017	0.184679	0.109011	3	1.098612	7	1.94591	36185372	17.40417
18	Total Kenya	2016	0.166211	0.030406	3	1.098612	6	1.791759	34225035	17.34847
19	TransCentury	2020	-0.57861	0.016902	3	1.098612	9	2.197225	14824651.38	16.5118
19	TransCentury	2019	-0.57861	0.045261	3	1.098612	9	2.197225	16668181	16.62901
19	TransCentury	2018	-0.56619	0.075699	2	0.693147	9	2.197225	18740964	16.74622
19	TransCentury	2017	-0.89649	0.068909	2	0.693147	9	2.197225	18911552	16.75528
19	TransCentury	2016	-0.80684	0.08421	2	0.693147	9	2.197225	18911552	16.75528
20	Uchumi	2020	-1.05601	0.092266	4	1.386294	10	2.302585	3238324.842	14.99057
20	Uchumi	2019	-1.05601	0.092856	4	1.386294	9	2.197225	3743413.09	15.13551
20	Uchumi	2018	-1.05601	0.106354	4	1.386294	9	2.197225	4327281	15.28045
20	Uchumi	2017	-1.05601	0.153432	4	1.386294	9	2.197225	5002216	15.42539
20	Uchumi	2016	-0.95041	0.079161	4	1.386294	9	2.197225	6412996	15.67384
21	Unga Group	2020	-0.09614	0.187085	3	1.098612	5	1.609438	10646066	16.1807
21	Unga Group	2019	0.625289	0.074499	3	1.098612	5	1.609438	9932664	16.11134
21	Unga Group	2018	-0.58281	0.092206	3	1.098612	5	1.609438	9455316	16.06209
21	Unga Group	2017	0.053791	0.043739	3	1.098612	5	1.609438	8351559	15.93796
21	Unga Group	2016	0.048412	0.069246	3	1.098612	5	1.609438	8671788	15.97559
22	Nation Media	2020	-0.32854	0.108094	4	1.386294	12	2.484907	5184700	15.46122
22	Nation Media	2019	1.113138	0.249376	4	1.386294	12	2.484907	11198000	16.23125
22	Nation Media	2018	-0.59862	0.235644	4	1.386294	12	2.484907	11320300	16.24211
22	Nation Media	2017	0.442946	0.024811	4	1.386294	10	2.302585	12174100	16.31482
22	Nation Media	2016	0.398652	0.028896	4	1.386294	10	2.302585	12696700	16.35685
23	BOC Kenya	2020	0.238221	0.086969	2	0.693147	9	2.197225	1992637	14.50497
23	BOC Kenya	2019	0.3539	0.107885	2	0.693147	9	2.197225	2141747	14.57713
23	BOC Kenya	2018	-0.32623	0.09785	2	0.693147	9	2.197225	2228669	14.61692
23	BOC Kenya	2017	-0.09641	0.051749	2	0.693147	9	2.197225	2223838	14.61475
23	BOC Kenya	2016	-0.08677	0.171973	2	0.693147	9	2.197225	2320956	14.65749
24	EABL	2020	-0.16183	0.133097	5	1.609438	15	2.70805	87065000	18.28217

24	EABL	2019	-0.32809	0.044587	5	1.609438	12	2.484907	71246826	18.08166
24	EABL	2018	-0.1757	0.070521	5	1.609438	12	2.484907	66667000	18.01522
24	EABL	2017	-0.51337	0.076585	5	1.609438	12	2.484907	61747000	17.93856
24	EABL	2016	-0.46204	0.062676	5	1.609438	12	2.484907	66940000	18.01931
25	Eaagads Ltd	2020	-0.46066	0.101634	3	1.098612	7	1.94591	942324	13.7561
25	Eaagads Ltd	2019	-0.45929	0.158984	3	1.098612	7	1.94591	905895	13.71668
25	Eaagads Ltd	2018	-0.45793	0.180676	3	1.098612	7	1.94591	922802	13.73517
25	Eaagads Ltd	2017	-0.45656	0.382469	3	1.098612	7	1.94591	761165	13.54261
25	Eaagads Ltd	2016	-0.45521	0.137373	3	1.098612	7	1.94591	429934	12.97139
26	Williamson Tea	2020	-0.15785	0.082132	3	1.098612	5	1.609438	8271918	15.92838
26	Williamson Tea	2019	0.502101	0.071794	3	1.098612	5	1.609438	9505074	16.06734
26	Williamson Tea	2018	-0.7021	0.093989	3	1.098612	5	1.609438	8364127	15.93946
26	Williamson Tea	2017	-0.23785	0.193136	3	1.098612	5	1.609438	8931395	16.00508
26	Williamson Tea	2016	-0.21406	0.111631	3	1.098612	5	1.609438	8558558	15.96244
27	Kapchorua Tea	2020	-0.23124	0.174942	2	0.693147	8	2.079442	2033173	14.52511
27	Kapchorua Tea	2019	0.762448	0.300077	2	0.693147	8	2.079442	2489043	14.72741
27	Kapchorua Tea	2018	-1.02579	0.39131	2	0.693147	8	2.079442	2030309	14.5237
27	Kapchorua Tea	2017	0.543956	0.356402	2	0.693147	8	2.079442	2144587	14.57846
27	Kapchorua Tea	2016	0.48956	0.091158	2	0.693147	8	2.079442	1983239	14.50024
28	Limuru Tea	2020	0.545527	0.112556	3	1.098612	9	2.197225	96055	11.47268
28	Limuru Tea	2019	0.014167	0.108874	3	1.098612	9	2.197225	268255	12.49969
28	Limuru Tea	2018	-1.43821	0.122387	3	1.098612	9	2.197225	262009	12.47613
28	Limuru Tea	2017	-0.34285	0.051925	3	1.098612	7	1.94591	282193	12.55035
28	Limuru Tea	2016	-0.30856	0.08276	3	1.098612	7	1.94591	313768	12.65641
31	Express	2020	0.382547	0.10561	2	0.693147	8	2.079442	471737	13.06418
31	Express	2019	-0.23143	0.13184	2	0.693147	8	2.079442	320942	12.67902
31	Express	2018	-1.26016	0.121141	2	0.693147	8	2.079442	375032.453	12.83477
31	Express	2017	-0.25861	0.016997	2	0.693147	8	2.079442	379575.823	12.84681
31	Express	2016	-0.23275	0.036167	2	0.693147	6	1.791759	441897.928	12.99883

33	TPS	2020	-0.19996	0.048638	3	1.098612	7	1.94591	17986459	16.70513
33	TPS	2019	-0.1029	0.060628	3	1.098612	7	1.94591	17598123	16.6833
33	TPS	2018	-0.00229	0.101807	3	1.098612	7	1.94591	17486823	16.67696
33	TPS	2017	0.133257	0.102476	3	1.098612	7	1.94591	16983115	16.64773
33	TPS	2016	0.119931	0.883219	3	1.098612	7	1.94591	15815800	16.57652
34	Scan Group	2020	-0.86803	0.728984	4	1.386294	9	2.197225	12803173	16.3652
34	Scan Group	2019	-0.40969	1.252762	4	1.386294	9	2.197225	14425198	16.48449
34	Scan Group	2018	0.136482	0.852075	4	1.386294	9	2.197225	13758912	16.4372
34	Scan Group	2017	4.346261	0.128411	4	1.386294	7	1.94591	13486398	16.41719
34	Scan Group	2016	3.911635	0.238262	4	1.386294	7	1.94591	12468479	16.33871
38	Jubilee	2020	0.146582	0.277979	5	1.609438	14	2.639057	130076938	18.68364
38	Jubilee	2019	0.019334	0.203514	5	1.609438	14	2.639057	114167639	18.55318
38	Jubilee	2018	-0.1736	0.196844	5	1.609438	14	2.639057	104967530	18.46916
38	Jubilee	2017	0.362981	0.041057	5	1.609438	14	2.639057	90567743	18.32161
38	Jubilee	2016	0.326683	0.050478	5	1.609438	14	2.639057	82378010	18.22683
39	Pan Africa	2020	-0.28307	0.066608	3	1.098612	9	2.197225	29032606	17.18393
39	Pan Africa	2019	0.068075	0.094487	3	1.098612	9	2.197225	29101630	17.1863
39	Pan Africa	2018	-1.47246	0.099785	3	1.098612	9	2.197225	29811484	17.2104
39	Pan Africa	2017	2.957618	0.101469	3	1.098612	9	2.197225	28442590	17.1634
39	Pan Africa	2016	2.661856	0.082852	3	1.098612	9	2.197225	27109278	17.11539
41	Kenya Re	2020	1.448464	0.089614	4	1.386294	11	2.397895	50362970	17.73477
41	Kenya Re	2019	-0.25511	0.116908	4	1.386294	11	2.397895	44362634	17.60791
41	Kenya Re	2018	0.033127	0.095342	4	1.386294	11	2.397895	42732667	17.57047
41	Kenya Re	2017	0.649637	0.333161	4	1.386294	11	2.397895	38494310	17.46602
41	Kenya Re	2016	0.584674	0.167674	4	1.386294	11	2.397895	35954134	17.39775
42	Liberty	2020	0.090021	0.42705	3	1.098612	5	1.609438	38221854	17.45892
42	Liberty	2019	-0.09147	0.559789	3	1.098612	5	1.609438	36579039	17.41499
42	Liberty	2018	0.729891	0.711125	3	1.098612	5	1.609438	37118566	17.42963
42	Liberty	2017	-0.19562	0.110295	3	1.098612	5	1.609438	34920271	17.36858

42	Liberty	2016	-0.17606	0.115611	3	1.098612	5	1.609438	34533689	17.35745
43	Britam	2020	-0.22317	0.241553	5	1.609438	8	2.079442	125243565	18.64577
43	Britam	2019	0.414419	0.221108	5	1.609438	8	2.079442	103656332	18.45659
43	Britam	2018	-0.54632	0.285687	5	1.609438	6	1.791759	99024857	18.41088
43	Britam	2017	0.139995	0.017977	5	1.609438	5	1.609438	83642609	18.24206
43	Britam	2016	0.125996	0.018557	5	1.609438	5	1.609438	77632352	18.16749
44	CIC	2020	0.294971	0.043568	3	1.098612	9	2.197225	35303370	17.37949
44	CIC	2019	-0.15237	0.127634	3	1.098612	9	2.197225	33046419	17.31342
44	CIC	2018	-0.43806	0.243238	3	1.098612	9	2.197225	30505376	17.23341
44	CIC	2017	-0.17395	0.032926	3	1.098612	9	2.197225	26826686	17.10491
44	CIC	2016	-0.15656	0.025465	3	1.098612	9	2.197225	24920235	17.03119
45	Olympia	2020	-0.0585	0.000803	2	0.693147	6	1.791759	1626599	14.302
45	Olympia	2019	-0.13762	0.030833	2	0.693147	6	1.791759	1658883	14.32166
45	Olympia	2018	-0.09948	0.05063	2	0.693147	6	1.791759	1638796	14.30947
45	Olympia	2017	0.288051	0.45578	2	0.693147	6	1.791759	1527522	14.23916
45	Olympia	2016	0.259246	0.341121	2	0.693147	6	1.791759	1531409	14.2417
46	Centum	2020	0.385931	0.300785	3	1.098612	7	1.94591	101763653	18.43816
46	Centum	2019	0.431475	0.366607	3	1.098612	7	1.94591	96288084	18.38286
46	Centum	2018	1.370096	0.25037	3	1.098612	7	1.94591	88385608	18.29722
46	Centum	2017	-0.13753	0.140646	3	1.098612	7	1.94591	78053536	18.17291
46	Centum	2016	-0.12378	0.185831	3	1.098612	7	1.94591	72340320	18.09689
47	Home Africa	2020	4.641617	0.049129	2	0.693147	6	1.791759	4347807.922	15.28518
47	Home Africa	2019	-0.44369	0.097735	2	0.693147	6	1.791759	4502462	15.32013
47	Home Africa	2018	-0.23827	0.08974	2	0.693147	6	1.791759	4477827.992	15.31465
47	Home Africa	2017	-0.25727	0.525061	2	0.693147	6	1.791759	3930010.782	15.18415
47	Home Africa	2016	-0.23154	0.510959	2	0.693147	6	1.791759	3862315.696	15.16678
49	NSE	2020	-0.07673	0.545007	6	1.791759	12	2.484907	2242401	14.62306
49	NSE	2019	-0.53032	0.480539	6	1.791759	12	2.484907	2218388	14.61229
49	NSE	2018	0.740613	0.4533	6	1.791759	12	2.484907	2108220	14.56135

49	NSE	2017	-0.10579	0.245258	5	1.609438	12	2.484907	2013745	14.51551
49	NSE	2016	-0.09521	0.484903	5	1.609438	12	2.484907	1918235	14.46692
50	BAT	2020	-0.29184	0.397802	5	1.609438	11	2.397895	21936362	16.90366
50	BAT	2019	-0.04621	0.276666	5	1.609438	11	2.397895	18338257	16.7245
50	BAT	2018	0.004732	0.229708	5	1.609438	11	2.397895	17805588	16.69502
50	BAT	2017	-0.1594	0.638179	5	1.609438	11	2.397895	18499800	16.73327
50	BAT	2016	-0.14346	0.664973	5	1.609438	11	2.397895	18681184	16.74303
51	MUMIAS	2018	-1.29973	0.6089	4	1.386294	13	2.564949	15735609	16.57144
51	MUMIAS	2017	-0.41954	0.660352	4	1.386294	12	2.484907	24091095	16.99735
51	MUMIAS	2016	-0.70758	0.573227	4	1.386294	12	2.484907	26801136	17.10395
52	Longhorn Publishers Limited	2020	0.178688	0.327588	3	1.098612	7	1.94591	2344234	14.66747
52	Longhorn Publishers Limited	2019	-0.44141	0.164565	3	1.098612	7	1.94591	2407529	14.69411
52	Longhorn Publishers Limited	2018	-0.20214	0.139971	3	1.098612	7	1.94591	1858734	14.43541
52	Longhorn Publishers Limited	2017	3.212884	0.178053	3	1.098612	7	1.94591	1866944	14.43981
52	Longhorn Publishers Limited	2016	2.891595	0.190083	3	1.098612	7	1.94591	689320	13.44346
53	Deacons (East Africa) PLC	2018	-0.43545	0.165615	2	0.693147	6	1.791759	1056807.5	13.87076
53	Deacons (East Africa) PLC	2017	-0.79552	0.053454	2	0.693147	6	1.791759	1552835	14.25559
53	Deacons (East Africa) PLC	2016	-1.45333	0.245705	2	0.693147	6	1.791759	2281680	14.64042
54	FTG Holdings	2020	-0.02652	0.530862	2	0.693147	7	1.94591	2281167.941	14.6402
54	FTG Holdings	2019	0.055109	0.362549	2	0.693147	7	1.94591	1839271.808	14.42488
54	FTG Holdings	2018	-0.05945	0.287122	2	0.693147	7	1.94591	1680769.788	14.33476
54	FTG Holdings	2017	0.476195	0.23584	2	0.693147	7	1.94591	1521194.765	14.23501
54	FTG Holdings	2016	0.428575	0.753383	2	0.693147	7	1.94591	1326531.265	14.09808

55	Kenya Orchards	2020	0.086288	0.75196	2	0.693147	5	1.609438	136003.754	11.82044
55	Kenya Orchards	2019	4.753569	0.799359	2	0.693147	5	1.609438	114565.709	11.6489
55	Kenya Orchards	2018	1.229971	0.771517	2	0.693147	5	1.609438	108278.261	11.59246
55	Kenya Orchards	2017	-0.15406	0.818065	2	0.693147	5	1.609438	89241.627	11.3991
55	Kenya Orchards	2016	-0.13865	0.139979	2	0.693147	5	1.609438	78731.223	11.2738
56	Barclays Bank	2020	-0.01633	0.270022	6	1.791759	15	2.70805	373981781	19.73972
56	Barclays Bank	2019	-0.06204	0.372891	6	1.791759	15	2.70805	325313000	19.6003
56	Barclays Bank	2018	-0.04443	0.214868	6	1.791759	15	2.70805	271572000	19.41974
56	Barclays Bank	2017	0.076124	0.364812	6	1.791759	15	2.70805	259718000	19.37511
56	Barclays Bank	2016	0.068512	0.503078	6	1.791759	15	2.70805	240877000	19.2998
57	Co-operative bank of Kenya	2020	0.014838	0.604177	5	1.609438	12	2.484907	457008946	19.94021
57	Co-operative bank of Kenya	2019	-0.21798	0.722276	5	1.609438	12	2.484907	413670710	19.84058
57	Co-operative bank of Kenya	2018	0.004056	0.764672	5	1.609438	12	2.484907	386857657	19.77357
57	Co-operative bank of Kenya	2017	0.26964	0.840757	5	1.609438	12	2.484907	351828577	19.67865
57	Co-operative bank of Kenya	2016	0.242676	0.820038	5	1.609438	12	2.484907	342499809	19.65178
58	Diamond Trust Bank	2020	-0.03124	0.789926	3	1.098612	9	2.197225	386230186	19.77194
58	Diamond Trust Bank	2019	-0.07757	0.790098	3	1.098612	9	2.197225	377719314	19.74966
58	Diamond Trust Bank	2018	-0.06589	0.787852	3	1.098612	9	2.197225	363303400	19.71075
58	Diamond Trust Bank	2017	-0.17768	0.580188	3	1.098612	9	2.197225	328044501	19.60866
58	Diamond Trust Bank	2016	-0.15991	0.500991	3	1.098612	9	2.197225	271608597	19.41987
59	Equity Bank	2020	0.0999	0.573723	6	1.791759	17	2.833213	673682541	20.32827
59	Equity Bank	2019	-0.06798	0.315569	6	1.791759	17	2.833213	573384000	20.16707
59	Equity Bank	2018	-0.05765	0.252287	6	1.791759	16	2.772589	524465745	20.07789
59	Equity Bank	2017	-0.1301	0.148603	6	1.791759	16	2.772589	473713133	19.97611
59	Equity Bank	2016	-0.11709	0.256718	6	1.791759	16	2.772589	428062514	19.87478

60	Housing finance Company ltd	2020	-0.05745	0.269936	3	1.098612	12	2.484907	56454918	17.84895
60	Housing finance Company ltd	2019	-0.06983	0.518577	3	1.098612	12	2.484907	60549350	17.91897
60	Housing finance Company ltd	2018	-0.03796	0.506208	3	1.098612	11	2.397895	67541116	18.02825
60	Housing finance Company ltd	2017	0.098317	0.491392	3	1.098612	11	2.397895	71930140	18.09121
60	Housing finance Company ltd	2016	0.088485	0.57521	3	1.098612	11	2.397895	71659434	18.08744
61	I&M Bank	2020	-0.19713	0.529047	3	1.098612	7	1.94591	274027749	19.42874
61	I&M Bank	2019	-0.29433	0.241266	3	1.098612	7	1.94591	248639566	19.33151
61	I&M Bank	2018	-0.0192	0.20963	3	1.098612	7	1.94591	240110741	19.29661
61	I&M Bank	2017	-0.04817	0.183957	3	1.098612	7	1.94591	210542393	19.1652
61	I&M Bank	2016	-0.04335	0.062577	3	1.098612	7	1.94591	191723542	19.07157
62	KCB Bank	2020	0.098477	0.117223	5	1.609438	13	2.564949	898572213	20.61632
62	KCB Bank	2019	0.002646	0.283151	5	1.609438	13	2.564949	714312591	20.38683
62	KCB Bank	2018	-0.01887	0.251371	5	1.609438	13	2.564949	646668939	20.28735
62	KCB Bank	2017	0.058932	0.286605	5	1.609438	12	2.484907	595239643	20.20447
62	KCB Bank	2016	0.053038	0.272885	5	1.609438	12	2.484907	558094154	20.14004
63	National Bank of Kenya	2020	-0.0886	0.283219	4	1.386294	11	2.397895	112028747	18.53427
63	National Bank of Kenya	2019	-0.1362	0.213638	4	1.386294	11	2.397895	114849105	18.55913
63	National Bank of Kenya	2018	-0.05264	0.921773	4	1.386294	11	2.397895	109873140	18.51484
63	National Bank of Kenya	2017	-0.03711	0.208042	3	1.098612	11	2.397895	112086130	18.53478
63	National Bank of Kenya	2016	-0.0334	0.252272	3	1.098612	11	2.397895	125440316	18.64734
64	NIC Plc bank	2020	-0.06448	0.247391	3	1.098612	9	2.197225	210666601.4	19.16579
64	NIC Plc bank	2019	-0.06448	0.20962	3	1.098612	9	2.197225	208407417	19.15501

64	NIC Plc bank	2018	-0.19602	0.209582	3	1.098612	9	2.197225	206172460	19.14422
64	NIC Plc bank	2017	0.003136	0.217766	3	1.098612	9	2.197225	169458985	18.94812
64	NIC Plc bank	2016	0.002823	0.213661	3	1.098612	9	2.197225	165788268	18.92622
65	Stanbic Bank Kenya Ltd	2020	-0.19638	0.203943	3	1.098612	8	2.079442	292705136	19.49468
65	Stanbic Bank Kenya Ltd	2019	-0.11565	0.211024	3	1.098612	8	2.079442	280953012	19.4537
65	Stanbic Bank Kenya Ltd	2018	-0.16677	0.216773	3	1.098612	7	1.94591	248738719	19.33191
65	Stanbic Bank Kenya Ltd	2017	0.014812	0.200511	3	1.098612	7	1.94591	214682729	19.18467
65	Stanbic Bank Kenya Ltd	2016	0.013331	0.213418	3	1.098612	7	1.94591	208451915	19.15522
66	Standard Chartered Bank	2020	0.033353	0.235843	3	1.098612	9	2.197225	302139056	19.5264
66	Standard Chartered Bank	2019	-0.11177	0.473935	3	1.098612	9	2.197225	285404023	19.46942
66	Standard Chartered Bank	2018	-0.11416	0.330436	3	1.098612	9	2.197225	285724441	19.47054
66	Standard Chartered Bank	2017	-0.01876	0.367788	3	1.098612	9	2.197225	250482000	19.3389
66	Standard Chartered Bank	2016	-0.01688	0.369548	3	1.098612	9	2.197225	233965447	19.27068