EARNINGS MANAGEMENT AND FINANCIAL PERFORMANCE OF COMPANIES LISTED WITH NSE IN KENYA.

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) ACCOUNTING OPTION, THE UNIVERSITY OF NAIROBI.

SEPTEMBER, 2022

DECLARATION.

I declare that the work is my unique work and has never been presented to any Institution or any other University apart from the University of Nairobi for academic purposes

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DEDICATION

The Study Project is dedicated to my family. My father, Mr. Stephen Juma Odhiambo for the financial support, my wife Pauline Akoth for the patience and support and my lovely daughter Braylynn Caysie that she may achieve much in life.

ACKNOWLEDGEMENT

I give thanks to God for the energy and stability at this time of study.

I recognize the exemplary work and guidance done by my supervisor, Dr. Joshua Wanjare during this research proposal period. My sincere thanks to you for your support.

I have no exact words to appropriately appreciate my fellow students on the discussions and motivations we instilled in each other during this tedious and elaborate exercise. A special shout out to Accounting students; Mr. Nyangidi and Ambuso George for support and encouragement.

A special thank you to my employer Judicial Service Commission (JSC) for according me a conducive environment to undertake my research project. I say thank you and specifically to my immediate boss Hon James Ongondo, Head of Station Siaya Law Courts for the time and space accorded during the study.

Finally, I would like to thank my father in supporting me to achieve my goals. My wife for ensuring that everything is in place to facilitate the project and my academics. My daughter for being an inspiration to make me work harder.

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LIST OF ABBREVIATIONS AND ACRONYMS

BOD	Board of Directors
BV	Book Value
CAR	Capital Adequacy Ratio
CEO	Chief Executive Officer
COG	Cost of Goods Sold
CMA	Capital Market Authority
DAA	Discretionary Adjustment Accruals
EM	Earnings Management
FISD	Financial Services Division
GAAP	Generally Accepted Accounting Principles
ICPAK	Institute of Certified Public Accountants of Kenya
MV	Market Value
NIM	Net Income Margin
NSE	Nairobi Stock Exchange
REM	Real Earnings Management
ROA	Return on Assets
ROE	Return on Equity
SIIA	Software and Information Industry Association
SPSS	Statistical Package of Social Science

DEFINITION OF TERMS

Earnings Management can be defined as the managers utilization of its authority to manipulate financial information to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depends on reported accounting numbers (Healy & Whalen, 1999)

Financial Performance refers to the procedure of determining the method involved with estimating the outcomes of the organization(s) policies and activities financial terms (Bowman and Navissi, 2013).

Profitability can be described as the capacity of the institution to raise profits that enables it to fund expansion, remain competitive and improve capital (Ongore & Kusa, 2013)

Capital can be defined as the amount of funds available to operate the business (Arie, 2005).

Corporate Governance refers to the structures that give direction on how a firm formulates its goals, set strategies and plans, monitor and reports its performance as well as manage the risks (Essa et al 2016)

ABSTRACT

Earnings management activities have become a technique utilized by many institutions in today's business operations. Despite the concept being applied wrongly by some companies which has led to the collapse of major firms like Worldcom, Enron among others, a number of other companies has used the EM practices to enhance the firms' performance. The main object of this research focused on assessing the impact of EM on the performance of public limited companies within Kenya. This research used earnings management as its independent variable and the financial performance as the dependent variable. Capital availability, size of the firm and profitability applied as control items. The research study applied descriptive research design. 13 sampled companies within NSE as at 31st December, 2020 were used as the population of the research study. The project used the data from secondary sources obtained from the reported financial information and other individual companies' periodic reports. This research study used stratified sampling approach and the data analysis was done using correlation and multiple regression analysis. The SPSS software was deployed in the evaluation of the research in relation to the goal of the research. The research established that the relationship between EM and financial performance of the listed companies is positive. In summary the research work discovered a positive and significant relationship between earnings management, size of the firm and profitability amongst companies quoted within NSE.

CHAPTER ONE: INTRODUCTION

1.1. Background of the study

The idea about Earnings Management appears as one of the contemporary scholarly improvements in the act of present day institutions' administration. The increased utilization of book keeping data by analysts, managers as well as other stakeholders in examining the economic health of an organization makes an incentive for administrators to control the profit to impact the economic results. To the investors and stockholders, increase in share prices or EPS has been the motivation towards the investments. This is seen through earnings per share at the final period of the bookkeeping. Investors see current earnings per share as both the recent profits as well as future possible profitability. Therefore despite the management's effort to allocate the funds towards expansion of the business, they would as well consider the distribution of profit to the shareholders through earnings per share to make the stocks attractive. This two overlapping objectives between the management and the stockholders further necessitates earning management idea (Akenbor & Ibanichuka, 2012). Consequently, Financial Performance of a firm can be determined by estimating the outcomes of the institution establishment approaches and tasks in financial terms. It is the company's monetary capability throughout a given timeframe (Outa 2018). Rahman (2013) expressed that organizations are estimated by the current worth of its future profits, investors and examiners look to the allure of a specific stock. Organizations with helpless profit possibilities have lower share cost than those with great possibilities. Income management thusly assume a significant part in deciding offer costs and performance of an organization.

Various theories has been used to expound on the concept of EM and its relationship with performance of the firm. This research used the Agency, Stewardship and

Resource Dependency theories to support the review. Jensen and Meckling (1976) stated that Agency hypothesis extrapolates the connection between the shareholders and the managers of the firms. The connection results into agency costs when each party attempts to maximize their benefits. This has necessitated extensive EM practices amongst managers to window dress the financial reports given to the shareholders. Jensen & Meckling (1976) further posits that the owners of the firm comfort themselves that the managers will make better decisions when appropriately rewarded and kept on watch. This therefore necessitates the monitoring of the managers by the directors which according to the Stewardship theory has a duty of safeguarding the interests of the shareholders. According to Pfeffer and Salancik (1978) Resource Dependency theory posits the significance of the role played by the directors especially in monitoring and controlling the actions of the managers.

In the recent past a number of research works have been done as regards the connection between earnings management and monetary performance which has given mixed results. Altinas, Sari and Otluoglu (2017) examined existence of income management activities in Turkish manufacturing firms and regression analysis showed that poor performing firms practice more earnings management to conceal their low performance. Ndungu (2017) conducted an empirical study to ascertain effects of EM on performance of non-financial organizations. Study showed that various firms get involved in income manipulation activities and that EM enhanced monetary outcomes of the firms. Jeruto, Egessa and Alala (2021) also did research to find out the influence of income manipulation on the monetary outcomes of the Agricultural firms quoted with NSE. Results indicated that EM activities has a connection with the return on assets of the companies studied. The mixed results can be confirmed by the difficulty in having a uniform explanation on the connection that exist between the income

manipulation and the performance as well as employed methodologies. This debate therefore exists since ever and cannot be decided easily. My research study is hence encouraged by lack of studies relating to determination of effects of earning managements on the monetary outcomes of the companies listed with NSE in Kenya. This is because accounting legislation in Kenya is known for its rigidity provided by bodies like Institute of Certified Public accountants of Kenya (ICPAK), Capital Market Authority (CMA) and Nairobi Stock Exchange (NSE) among other bodies.

1.1.1 Earnings Management

The monetary reports are exceptionally essential records in the securities exchanges. Different market partners get data about the organization through the monetary records provided by the administration. The supervisors in this way enjoy the benefit of knowing the classified data which may be accessible to the investors and other partners (Sayari 2013). As indicated by Zimmerman (2007). The data imbalance between the administration and different partners requires the control of bookkeeping information to serve the administration interest. The actions by the directors and bookkeepers of manipulating financial records determined to boost their fulfilment to the detriment of the investors gain can be described as earnings management.

According to a publication by Healy & whalen (1999, p.368), Earning management happens when administrators use tact to control monetary data to either deceive some parties about monetary information of the company or to influence definitive outcomes that depend upon declared accounting numbers. SEC (1999) believes earnings manipulation activities are various techniques for trickery utilized to adjust the picture of the monetary presentation, the activities however are not in line with GAAPS. Mulford and Comiskey (2002) on the other hand view EM as a helpful control of bookkeeping results, more so organization profits to accomplish explicit targets.

Garcia Lara et al. (2005) demonstrate that earnings management is a deliberately executed administration practice, pioneered as well as instructive with the reason to report wanted outcomes particular from the genuine ones. Scot (2009) further determines earnings management as the decision of bookkeeping arrangements or activities that can influence income to accomplish a particular goal.

Furthermore, the act of earnings manipulation is affected by various factors namely; organization size, liabilities, profitability and growth (Alareeni, 2018). Jenesen & Meckling (1976) say that, according to Agency hypothesis, bigger organizations can manage prominent agency costs which makes the activity rampant in smaller. This was repeated by Degeorge et al. (1999) who established that bigger organizations control profit to keep away from misfortunes. To the contrary, Meek et al. (2007) give that big organizations got greater obligations to the corporate governance requirements than smaller organizations which decreases income manipulation activities.

Other scholars clarify that the magnitude of the financial obligation positively affects earnings manipulation activities. A more significant level of obligation will enable the organization to utilize more prominent degree of income manipulation to diminish the impact of this obligation on the organization's benefit (Press and Weintrop, 1990; Mohrman, 1996). Others then again gives an opposite view that there is a negative connection among debt and EM due to the restricted limit of the administrators to control income as an outcome to the debts (Shirzad and Haghighi, 2015).

Moreover, other research works attribute that there is a connection between EM and profitability. For example, Burgstahler and Dichev (1997) postulate that administrators use income manipulations to change misfortune into benefit. To add on a few administrators decide on practicing income manipulation when the projected profits is predicted to be lower than the earlier years (Carslaw, 1988; Thomas 1989).

Furthermore, the rate of growth also can have influence earnings management; the higher the rate of growth the less need to manage earnings and vice versa (Alareena, 2018).

Consequently, earnings management as defined by various scholars has a common notion of intentional/deliberate manipulation of figures reported in the financial statements by the management. In summary earnings manage is simply accruals management that is, use of accruals to accomplish pre-set management goals.

According to Jesus & Emma (2013) there are various methods of determining earnings management, however the most appropriate method is discretionary accruals. Similarly, Iraya, Mwangi & Muchoki (2015) used the discretionary accruals to measure earnings management. This study too will adopt the discretionary accruals to measure earnings management.

1.1.2 Financial Performance

Financial performance can be described as the level to which monetary goals are being or has been achieved. In a broader scope, it involves determination of the outcomes of the organization(s) strategies and practices in financial perspective. It can be applied to determine the organization's financial capability within a particular period of time and also to make comparison of identical companies within a sector (Yekira & Okeoma, 2013).

According to (Bowman and Navissi, 2013), the idea of financial performance is greatly pegged on the chance that an organization is the willful connection of gainful assets that is, capital, physical and human resources with the ultimate aim of achieving a shared reason. Some individuals offering the benefits will just offer them to the company in the event that they are content with the regard they receive consequently, in regards to the elective employment of the benefits. In as much as the regard utilized

the contributed assets is to or more prominent than the regard targeted by those contributing the advantages, the benefits will keep on being made accessible to the organization and the organization will keep on existing (Boynton, Dobbins & Plesko, 2012).

Financial Performance is determined in a number of ways, this includes profitability, wealth maximization and use of elements of financial statements such as sales, assets and equity. However profitability is the most driving factor that makes people invest. The profitability of a business venture is measured using profitability ratios such as return on assets (ROA), return on equity and profit margin (Yekira & Okeoma, 2013). In this study the financial performance of the firm will be measured using ROA and the share prices of the firms.

1.1.3 Earnings Management and Financial Performance.

Several empirical studies indicate that there exist a negative relationship between earnings management and the financial performance of the firms (Farooqi, Harris & Ngo, 2014). Hassan & Ahmed (2012) found that the collections accounting approach is the frequently used practice of earnings management that is used by management to either boost or reduce reported earnings. This clearly shows that the collections based earnings management contortions the financial performance of an organization

However, even though Harrison and Freeman (1999) argued that the relationship between the earnings management and the firm's performance depends on the organization's management style, Fernandes and Ferreira (2007) concluded that collections based earnings management may negatively influence stockholders' access to real financial performance of an organization. Therefore, this may influence the long term performance of the organization in relation to the reaction to the to the stocks.

1.1.4 Firms Listed at the Nairobi Security Exchange.

Nairobi Securities Exchange (NSE) was established in 1954 as Nairobi Stock Exchange based in Nairobi the capital of Kenya.

NSE presently has 65 listed companies across various sectors of the economy.

There are no limits provided to foreign investors to trade in NSE. They can take up shares freely subject to a minimum reserve ratio of 25% for domestic investors for every listed company. The bourse is regulated by the Capital Market Authority (CMA) as established in 1989 through the Capital Market Authority Act, Cap 485A to control the capital markets in Kenya.

1.2. Research Problem

It is evident that corporate managers practice earnings management by distortion of accruals without having direct effects on cash flow (Oraby 2017). These include under provisioning of bad debts, deferring asset disposition, asset impairment and the salvage value of long term resources. The administration can as well undertake income manipulation by distorting actual exercises through /the working choices during the period with direct effect on income to accomplish a specified income goal. Zhaohui Xu et al (2007) gave models like innovation, capital ventures, overproduction, or sales and removal of long term assets.

Further, Generally accepted accounting practices (GAAPS) enables earnings management by allowing collections accounting. Collections allows better timing and coordination of incomes and costs when determining the firm's performance. According to Dechow and Skinner (2010) indicate that accumulation accounting inadequacy is that it enables earnings management.

In the new past, it has been a tendency of the income manipulation resulting into corporate disappointments that have affected many organizations. Among the affected

firms include: Enron, Parmalat, global Crossing, Health South, Hollinger, and Tyco (Sayari 2013). Locally, the collapse of renowned companies like Uchumi supermarkets, Mumias Sugar Ltd, Imperial Bank, Chase Bank among other firms has manifested the shortcomings on reliability of financial reports presented to the users (Hussain & Chand, 2013).

According to Dyreng *et al.* 2011), despite the problem of EM and its impact on the performance of the companies is given to be big in developing nations, the degree of the problem in Kenya is yet to be established. This is because few empirical research works have been carried out about the concept of EM and its influence on the monetary performance of various companies.

Despite various scholars publishing findings on corporate governance, disclosure and institution performance, little has been presented on EM practices. According to Jesus and Emma (2013) they postulates that several studies concentrates on benefit as a proportion of monetary performance of the institutions plus little attention given to the role played by EM on the firm performance. This has made understanding EM concept problematic despite the extensive use of accrual accounting system in most of the firms in Kenya.

Therefore this study will study the gap left by researchers on the role played by EM practices by corporate manages in determining the firms performance especially during this period that there is much use of earning management in Kenya due to the new Finance Bill and the upcoming general election. This study will be directed by the objective question: What is the effect of earnings management on the financial performance of the firms quoted with NSE?

1.3 Objective of the Study

To identify the connection between earnings management and financial performance of firms listed with Nairobi Stock Exchange within Kenya.

1.4 Value of the Study

The research discoveries in this review will be important for future references to the scholars, learners as well as researchers who may want to undertake the research on the related topic. The research is of importance to the scholars and researchers in coming up with more areas of research on the related topics that need further research. This will assist in the improvement of information in the line of research works. The study will be of value to government and agencies like CMA, ICPAK and shareholders in development and execution of approaches and rules overseeing arrangements to guarantee the best ways of performance are put in place. The study also presents important information that can assist the ICPAK to develop rules which can be applied for guiding Finance discipline and improve the management standards within the republic of Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section gives a comprehensive analysis plus discussion to the research works that were previously made about the relevant topic of research. It pinpoints various factors that affects earnings management and its effects to the publicly quoted companies. This chapter majorly concentrates on the theoretical establishment, literature review of other research works, determinants of financial performance of the firms and the synopsis of the review of other writings.

2.2 Theoretical Review

Earnings management pertains utilizing the opportunities that results into accounting decisions that alters the reported figures of the financial statements. For instance a small change in the provision for bad debts can have a substantial effect on reported net income. The theories that will be used in this discussion include the Agency, the Stakeholders, Resource Based, the Stewardship and the Information asymmetry theories.

2.2.1 The Agency Theory

This theory was advanced by Alchian and Demsetz (1972) and supported further by Jensen and Meckling (1976), which argued that the partition of proprietorship and the executive results into agency costs due to the disagreement in goals that exist among the managers and the shareholders as every party attempt to optimize their benefits. The theory demonstrates the connection that exists between the owners and the management. According to Arie (2005), the Agency theory demonstrates how owners of the firm hire the management to control activities of the companies on their behalf. The agency problem however arises when the managers opt to undertake decision making without the knowledge of the owners of the organization. Therefore, this conflict can be dealt with by

reducing malpractices by the managers of the firm and ensuring optimum coherence of interests among them and customers by avoiding issues of data indifference (Tamimi and Saedi, 2014).

Corporate management can be practiced alongside the main objective of optimizing the managements' interest to the detriment of other stakeholders, this is called earnings management. Corporate management can decide on a number of practices that gives a positive effect on the net income values in the financial statements, though the positivity is at the expense of other stakeholders. According to Jansen and Meckling (1976) the agency theory is important specifying the actions of an individual when one gives the authority to another expecting that the agent to choose a decision that represents the best interest of the principal. The agency theory informs this research because gives clarification on the concept of earnings management. According to (Booth & Schulz 2004), management's remuneration usually depends on the organization's earnings. The managers therefore manipulate earnings to report high figures in order to earn more.

However the supporters of earnings management argues that, it is the only way through which the management can enhance the financial statements of a firm without circumventing the accounting principles and standards.

2.2.2 Resource Dependency Theory

The theory was developed by Pfeffer (1973) and Pfeffer and Salancik (1978). It postulates the significance of the role undertaken by the board of directors (BODs) in providing the resources that would improve the organizations performance. The BODs improve organizational performance by providing access to resources (Daily et al., 2003); through links with the external environment to apportion resources and create buffer against adverse external changes (Hillman et al., 2000).

Farooqi and Ngo (2014) categorize directors into four namely: insiders, business experts, support specialists and community influential. Insiders are current and former individuals that give expertise in specific areas to the management of the organization. The business experts are current, former managers and directors of other big size organizations that give expertise on strategy, decision making and problem solving. The third category are support specialists which include lawyers, bankers, and insurance firms among others that offer assistance in their specialized areas. The finally category is community influential. These include; political leaders, religious leaders and community leaders.

According to Zahra and Pearce (1989) Resource Dependency Theory is very important to the organization since the different expertise offered by the directors improves the quality of their decisions. The theory is suitable for bigger boards, since the coordination and agreement are harder to arrive at in bigger boards (Booth and Deli, 1996); Dalton et al., (1999). However large boards do not lead to great firm value when risk is measured by the vitality of share returns, board independence is affected negatively.

2.2.3 Stewardship Theory

This theory was developed by Donaldson and Davis (1991) and further supported by Davis, Schoorman and Donaldson (1997). It is an opposite of the agency theory in which managers are motivated to work in the best interest of their principals.

This theory argues that the management can be inspired through the enthusiasm to meet and attain maximum utility by undertaking risky jobs; thus the inspiration supersedes the monetary rewards.

The Stewardship theory supports the need for management to be more independent in their performance to optimize the shareholders stock returns.

In addition the managers need the authority from the principals and the appreciation from other stakeholders' i.e. the, clients, workmates among others to perfectly

accomplish their duties. Therefore the principals must empower the managers by coming up with good governance structure, mechanisms, power and information to enhance their independence, anchored on trust to make decisions that would reduce the liabilities while attaining organization's goals (Donaldson and Davis, 1991.)

Contrary to Agency theory, Stewardship Theory focusses on duties of top level managers as the administrators who manages all the operations of a firm. Daily et al. (2003) postulates that managers and directors are always geared towards protecting their image by making sure their organizations are well managed to get maximum financial returns.

2.3 Determinants of Financial Performance of institutions

The Financial performance of Business entities are affected by a number of factors. These include capital availability, size of firm, management effectiveness and earnings capability

2.3.1 Capital availability

One of the most important variables that influences the performance of a firm is capital. The capital can either be raised internally through retained earnings or be acquired externally through loans and bonds. Capital represents the amount of funds available to operate the business. It gives a cushion during extreme circumstances of the organization. The availability of the capital enables the firm to uptake the market and operational risks by absorbing the losses and protecting the firm's debtors.

It is imperative to maintain the adequate level of capital within the organization for the smooth running of the business. Capital adequacy is calculated in terms of CAR (Arie, 2005). It's calculated using the figure for capital structure and the organization's resources. According to (Algharaballi, 2013), the CAR must be at least 8%. A bigger ratio shows the organization is in a greater risk of bankruptcy due to exorbitant

misfortunes. A smaller CAR figure indicates that the organization is at a base edge and have a greater capability of tackling the bankruptcy risk.

2.3.2. Size of firm

The size of firm is among the factors severally researched on by scholars as regards the monetary outcome of the organization. The size of the firm is normally measured in relation to the resources. The findings from various researchers have never agreed on the impact on size of firm on the monetary outcome of a firm.

The size of the firm organization in relation to the firm's assets is very important factor to the earning ability of the firm due to another of factors. The companies with big asset base have the potential to open branches to other regions with less competition or areas with unreached market. This action can result in improved customer base for the firm (Goddard et al., 2014).

2.3.3 Management effectiveness

According to (Reddy, 2010), corporate governance refers to the structures that give direction on how a firm formulates its goals, set strategies and plans, monitor and reports its performance as well as manage the risks.

Researchers also give that great corporate governance activities by effective managers bolster the monetary outcome of the institution (Chugh et al., 2009).

Good corporate governance practices enable the executive and other managers to unearth and manage operational uncertainties associated with the firm and also gives a proper way for adherence to the laws and regulations.

The effectiveness of management practices can be measured using financial ratios such as total asset growth, growth rate and earnings growth rate. The success of the corporate is manifested through the analysis of the management styles, organizational culture, control systems and others (Ongore & Kusa, 2013).

Further the capability of corporate managers to use the firm's resources appropriately, minimize operational costs and maximize resultant income can be ascertained by financial ratios. Operating profit to income ratio is especially the most important in determining the management efficiency. The higher the operating profit to total income, the more efficient the management is in relation to operational efficiency and income generation. Therefore better corporate practices lead to better firm performance.

2.3.4 Profitability

This refers to firm's earnings ability. This is the ability of the firm to raise profits that enables it to finance extensions, stay relevant and improve its sources of finance. Profits for the organization is supposed to uptake the firm's losses and boost the capital. Earning capability of the organization can be analyzed using several ratios such as ROE, ROA and NIM, (Ongore & Kusa, 2013). The measurements are analyzed in the rating system of 1 to 5. For this system of determining earnings capability, 1 indicates firm got a better income which can provide sufficient capital, provide for loans and provide buffer for operation costs. A rating of 5 indicates losses in the firm and manifest insolvency of the institution in a near future (Hassan & Ahmed, 2012).

2.4 Empirical Review

Several research works on EM indicate that this topic can be discussed in two broad ways i.e. Informational and opportunistic categories. Further previous researchers have grouped EM into two; the real earnings management (REM) i.e., one influencing the flow of cash and management of accruals which involves adjustments of accounting methods and the estimates

In addition, prior research analyzed the use of various financial attributes of EM. The researchers concentrated on the impact of financial determinants that could be applied to assess its link with the company' undertakings.

According to Amadi (2016) the variance of organizations' undertakings in terms of accruals i.e., debtors, sales, and overall management costs, and net difference in accruals and the company's share price outcome in line to matching analysts' income prediction. The results of the research indicated a substantial difference in variability and share returns of the companies which march and/or supersedes the examiners' predictions and the ones that dont.

Altintas, Sari and Otluoglu (2017) investigated existence of EM activities by analyzing monetary data for the manufacturing firms in Turkey. Results from regression analysis showed poor performing firms undertake to increase earnings management practices so as to conceal their low performance. In addition the findings show the existence of substantial connection between income and return on shares that there is a huge positive connection among income and adjusted market share returns for the selected firms. In spite of this no substantial variance between markets return of well and poor performing firms.

Dewi, Tanjung, Sri & Rieke (2020) studied efficiency of organization's productivity performance and EM to share prices for Indonesian listed manufacturing companies. The outcome of the empirical review showed the performance of firms determined by the ROA and DER is capable of having substantial impact on share prices of Indonesian companies.

Oraby (2017) analyses effects of EM practices to the financial data importance in Saudi Arabia firms. The results of the study show that returns on share are of strong value relevance. In addition real income manipulation affects stock prices and the value relevance.

Habbash and Haddad (2019) evaluates the connection that exist between EM and CSR in Saudi firms. The study manifest that (CSR) connects positively to EM as it increases

in firms investing in CSR. Further, Shetwi (2020) examines factors that affect EM during the IPO event which shows that EM is significantly and negatively affected the size of the company. Small companies manage their earnings more than large companies.

Madubuko, Ogbu and Chukwemeke (2019) examined the effect of EM on share price of quoted firms within Nigeria. The conclusion for the studies indicates that DAA gives management of the firms listed in Nigerian the opportunity to distort income and thus stock prices.

Moshi (2016) conducted an empirical study on the effects of EM on firm profitability. The research was done among the manufacturing organizations quoted at Dar-es-salaam stock market.

Results to this study showed that various manufacturing firms in DSE are involved in earnings management. A number of companies were found to be managing income downwards. The link that exist between EM and productivity in relation to the results reveals that, EM has influence on institution's productivity however the influence is pegged on the factors applied in determining EM.

Ndung'u (2017) carried out an empirical study to determine the effect of income manipulation activities to the monetary performance of the non –monetary companies quoted within NSE. The research discovered that income control improved monetary performance of the organizations and that the firms attempted different income control activities i.e., income timing, income projections, moving of profit and income acknowledgement to upgrade monetary performance. Further outcomes show that expenses control activities also improved monetary performance of non-monetary organizations quoted with NSE and that better expenditure control.

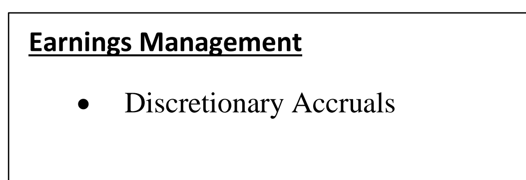
Ngunjiri (2017) undertook a research to determine the relationship between the EM and monetary performance of the companies listed with NSE. The regression analysis results showed that the EM, the size of the firm and the ratio of the book value to market value substantially affected the monetary performance of organizations quoted with NSE.

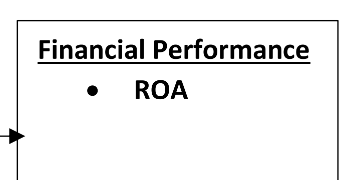
Jeruto, Egessa and Alala (2021) conducted an empirical research work to ascertain the influence of earnings manipulation on the monetary performance of Agricultural firms quoted with NSE. The results of that research is that earnings manipulation has a positive relationship with the ROA of the firms under study.

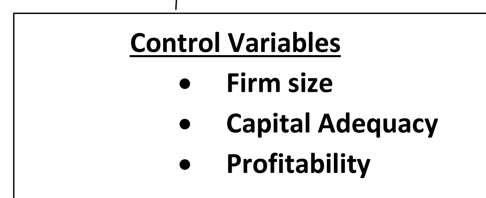
2.5 Conceptual Framework

The conceptual framework gives the relationship between the variables in the study. Mugenda and Mugenda (2013) give that conceptual framework is model which gives the connection between the explained and the explanatory constructs. In this research proposal the relationship between Earnings Management, firm size, management effectiveness, capital availability, profitability and the financial performance is expected to be positive.

Independent Variables **Dependent Variables**







2.6 Summary of the Literature Review

Results of different empirical research works find the earnings manipulation practices to have impact on monetary performance of the organizations. A better part of the research studies on the earnings management and financial performance are foreign, for instance, A research study by (Oraby (2017) investigated the effects of EM techniques on bookkeeping information significance with the application to quoted organizations in Saudi Stock market. Arar, Al-Sheikh & Hardan (2018) analyzed the relationship between EM and share price liquidity for Service institutions quoted in Amman Stock Exchange.

Ball & Foster (2002) examined EM between the larger firms in London Stock Market (LSM). The results were that large firms practice minimum earnings manipulation.

Locally, Ngunjiri (2017), examined effects of EM on the productivity of the firms. In this research the focus will therefore be on the determination of the relationship between EM, financial performance, size of the firm, profitability, capital availability and management effectiveness of the publicly listed organizations within Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the steps to be undertaken in carrying out the research. It explains the techniques to be deployed for determination of earnings management impact on the financial performance on the publicly listed companies in Kenya. The chapter enumerates on research design, target population, sampling procedure, sample size, research instruments, data collection, reliability and validity of instruments and methods of data analysis.

3.2 Research Design

Research design has been described as the structure that assist in undertaking the research method and analysis of data gathered (Bryman & Bell, 2007). In this study, a descriptive research design will be adopted.

3.3 Target Population

According to Ngechu (2004), a target population is defined as set of people, services, elements, and events, groups of things or households that are being investigated. The population of the study will comprise the employees of the 60 firms listed with NSE in Kenya as at 31st December 2020. The population is small hence the study will adopt census approach.

3.4 Sampling Method

Ngechu (2004) states that sampling assist in ensuring that certain elements within the population are being picked as representatives to the identified population. The research adopted stratified sampling method where the target population will grouped according to the sectors after which one firm will be picked randomly from the sector to give a total of 14 firms.

3.5 Data Collection

There are various techniques of collecting data Ngechu (2004). The decision on the method is based on the subject matter, research problem, goals, research design, projected data and findings. This research utilized secondary sources of data. The information was extracted from Nairobi Stock Exchange database and accounting statements for organizations for a period between 2017-2020 sourced from Nairobi Stock Exchange. Yearly reports about the quoted companies within the NSE will be used to obtain the secondary data.

3.6 Data analysis

In reference to (Saunders et al, 2009), Data analysis refers to the processing of assembled data to get a meaningful information. In this research study, data collected was analyzed using descriptive and inferential (correlation and multiple regression analysis) statistics. This kind of data analysis will be carried out with the help of SPSS software.

3.6.1 Analytical Model

The regression coefficients was applied to determine the regression models that shows the general connection between the variables in the research. The model is computed as

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + \beta X_4 + £$$

Whereby:

Y= Financial Performance (Determined by ROA)

X_1= Earnings Management that will be measured using discretionary accruals. This study will use the following discretionary accrual model;

$EMj = X_1$=Discretionary accruals

$$EMj = Taj/Aj - [\alpha_0 (1/Aj) + \alpha_1 ((\Delta REVj - \Delta RECj)/Aj) + \alpha_2 (PPE/Aj)]$$

Where;

TA is the Total Accruals

A = start of the year total asset

Δ**REV**= Adjustment in income

Δ**REC**= Adjustment in accounts receivables

PPE= Property, Plant and Equipment

j= the firm,

$\alpha_0, \alpha_1, \alpha_2$ = Parameters for the factors

X_2= Firm Size (Determined by Log of Total Assets)

X_3= Profitability (Net profit)

$\beta_1 ...... \beta_n$=Coefficients for each independent variable

α= Constant

£= Standard Error term

3.6.2 Significance Test

Test of significance will be done by use F-statistic to determine the extent to which EM impacts on the organization's monetary performance. The model of the coefficients of the independent variables and their p – values will be utilized. Adjusted R-squared will also be utilized.

The test will be performed at 95% confidence level and at 5% significance level to test whether there will be any substantial relationship between earnings management and financial performance of the listed firms.

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

The section gives in-depth analysis plus outcomes to the research in a manner outlined within study methodology. Main aim of the research work was to determine the connection that exist between the EM and financial performance of the firms quoted with NSE. The collected data were specifically obtained from the secondary sources which were audited monetary reports published by the listed companies. The data was gathered from 13 companies representing each sector of the firms quoted with Nairobi Stock Market

4.2 Descriptive Statistics

These are actions which explain the overall idea of the information being studied. Descriptive statistics provided explanation about the nature of reaction from primary and/ or secondary information. Descriptive statistics for this study were: mean (M), standard deviation (Std. dev), minimum (Min) and maximum (Max). The analysis was done on the performance, earnings management, size of the firm and net profit. The descriptive statistics outcomes shown in the following tables.

4.2.1 Financial Performance (ROA)

The results as tabulated in table 4.1 show the trend of ROA values over the 4-year timeline between 2017 and 2020. The least figure for ROA was a mean of 0.01 in the year 2018 while the highest figure was a mean of 0.045 in the year 2017. This gave a

negative change in ROA figures for the 4 year period. This continuous fall in the value of ROA for the 4 year time shows that the financial performance of the firms listed with Nairobi Stock Exchange has been declining over the last 4 years. Further the standard deviation figures shows the difference that existed in the financial performance of the listed companies.

Table 4.1 Financial Performance (ROA)

Yr	N.	Mean	Std. Dev.
2017	13	.045	.053
2018	13	.010	.012
2019	13	.033	.038
2020	13	.028	.032

4.2.2 Earnings Management

Table 4.2 shows the outcome on the descriptive statistics for earnings management for the period between 2017 and 2020. Earnings management is an explanation accorded to accounting decisions that affect the final financial statements. The means shows a continuous increase in the earnings management figures for the 13 sampled companies listed with Nairobi Stock Exchange for the period between 2017 and 2020. The highest mean was recorded in 2019 with the mean of 0.722 while the smallest was reported in 2018 with the mean of 0.393. Further the values of the standard deviation portray the difference in forward engagements for the various firms.

Table 4.2. Earnings Management.

Year	N	Mean	Std. Dev.
2017	13	.41868	1.78769
2018	13	.39277	1.61419
2019	13	.72248	1.04239
2020	13	.59285	.870975

4.2.3 Firm Size

Table 4.6 shows the outcomes on the descriptive statistics for size of firm for the years 2017 to 2020. The means shows a steady increase in the size of the firm for the 13 sampled companies listed with the Nairobi Stock Exchange with the lowest recorded as 0.885 in the year 2017 and the highest being 0.924 in 2020. Further, the standard deviation values for the firm size are high, showing that the data points are spread out over a big range of values, to mean that there is high level of variance in the data. There is a narrow gap between the maximum and minimum size, to mean that there is small variability of size change in NSE.

Table 4.3 Firm Size

Year	N.	Mean.	Std. Deviation.
2017	13	.88477	.964244
2018	13	.89431	.974566
2019	13	.92246	.957147
2020	13	.92415	.965085

4.2.4 Profitability

Table 4.5 gives the outcome on the descriptive statistics for the profitability for the years between 2017 and 2020. The means show an irregular pattern in the net profit for the 13 sampled companies listed with Nairobi Stock Exchange with the lowest being -80.06 in the year 2019 and the highest being 4.557 in 2020. Further the standard deviation values are high for net profits, showing that the data points are spread out over a large range of values, indicating that there is high level of variability in the data. There is a wide gap between the maximum and minimum net profit meaning there is high variability of change in NSE.

Table 4.4 Profitability

Year	N	Mean	Std. Deviation
2017	13	1.69331	3.049138
2018	13	-52.4622	192.1071
2019	13	-80.0635	295.0384
2020	13	4.55677	11.93417

4.3. Inferential Statistics.

4.3.1. Model Summary.

Coefficient of determination (R square) explains the extent to which change in the dependent variable can be explained by the change in the independent variable or the percentage of variation in the dependent variable that is explained by the independent variables. From this study outcomes, the independent variables examined i.e. earnings management, firm size and profitability, extrapolates 22.1% of variance in financial performance of the companies quoted in the NSE as given by the R^2. This indicates that other variables not examined in this study is attributed to 77.9% of the difference in the dependent variable.

Table 4.5: Model Summary.

Model.	R.	R. square	Adjusted R. Square	Std. Error of the Estimate.
1	.470[a]	.221	.172	400.506551

a. Predictors: (Constant), Earnings management, Firm size and Profitability
b. Dependent Variable: Financial performance of the listed firms

4.3.2 ANOVA (Variance Analysis)

Analysis of Variance (ANOVA) involves the calculations which give values about the levels of variability within a regression model and establish the ground for tests of signicance. As shown from the research results on table 4.6, the significance figure is 0.007 which is less than 0.05, therefore the model is statistically significant in estimating how earnings management, firm size and profitability affects return on assets of the companies listed with NSE. The F statistic was significant (as it equaled 4.437) and this is an indication that the model had a good fit.

Table 4.6.Analysis of Variance (ANOVA).

Model.		Sum of Squares.	df .	Mean Square	F.	Sig.
1	Regression	2183041.845	3	727680.615	4.537	.007[b]
	Residual	7699463.893	48	160405.498		
	Total	9882505.738	51			

a Dependent Variable: Return on Assets
b Predictors: (Constant), Firm size, Profitability, Earnings management

4.3.3. Regression Analysis results.

Table 4.7. Coefficient of Correlation.

Model.	Unstandardized Coefficients B	Std Error	Standardized Coefficients Beta	t statistics	Sig.
(Constant)	.029	.016		1.811	.076
Profitability	.717	.326	.284	2.195	.033
E.M	4.882	43.703	.015	.112	.912
Firm Size	1.571	63.710	.334	2.467	.017

a. Dependent Variable: Return on Assets

In line with the results of regression analysis on Table 4.7 the study's regression model determined is;

$$\mathbf{Y= 0.029 +4.882X_1+0.717X_2+1.571X_3+0.016}$$

In the equation above, considering all the variables i.e. Earnings management, firm size profitability, constant at zero the return on assets for the companies listed with NSE would be 0.029. The equation also indicates that EM had a significant effect on the ROA for quoted companies with a coefficient of 4.882 as well as firm size and profitability also had a positive effect with the coefficients of firm size being 0.717 and profitability1.571.

At 5% level of significance and 95% level of confidence, earnings management had 0.912 level of significance; profitability had 0.033 while firm size had 0.017 level of confidence indicating that the most significant variable earnings management followed by profitability and then firm size respectively.

4.4 Interpretation of the findings

In accordance with research results for the independent variables i.e. earnings management, firm size and profitability that were studied, explain 22.10% of difference for financial performance of quoted companies as denoted by R^2. It shows that other the other variables not included in this research got 77.9% of difference in the dependent factor.

This research outcomes manifested the existence of substantial positive connection between earnings management and the performance of the companies quoted in Nairobi

Stock Exchange (β=4.88 and P value ≤ 0.05). Consequently, a unit increase in earnings management will cause an increase in company's financial performance by 4.88

The study also determined a substantial positive relationship between firm size and financial performance of the firms listed in the NSE (β=1.571 and a P value ≤ 0.05). Therefore a unit increase in firm size would cause an increase to organization's financial performance by 1.571

There was also a substantial positive relationship between the profitability and the financial performance of the companies listed with the NSE (β=0.717 and P value ≤ 0.05). Therefore, a unit increase in profitability will cause an increase in return on assets by 0.717.

4.5 Discussion of the findings

The outcome of the research showed earnings management had a significant impact on the performance of companies quoted with NSE. This study showed that a single increase in earnings management increases performance 4.88 units. These results are in line with Moshi (2016) who noted that EM has a substantial positive impact on the company's published monetary performance, however the nature of the effect is pegged on the factors used in the calculation of earnings management. The findings also agreed with those of Mohamed (2010) who assessed effects of EM to share prices of companies listed with NSE. This study showed that a number of firms attempts to block losses by undertaking mass production to bring down the cost of goods that has been sold, also to enhance profits for the organizations, to bring down optional expenses and also offer price discounts for short term sales increase (Cohen & Zarowin,2010)

Various empirical research works concluded that there were observable negative relationship between EM and performance of firms (Farooqi, Harris & Ngo, 2014).

According to Ahmed (2012) postulated that collections accounting are the mostly used practices of earnings management undertaken by the managers to either improve or reduce reported earnings, this is an indication that collection based EM has negative impact on financial performance of a firm. Despite Harrison and Freeman (1999) postulating that the link that exist between EM and organization's financial performance varies based on the firm's management ability, Fernandes and Ferreira (2007) determined that collections dependent EM can inversely influence stockholders' proper experience of real monetary performance of a firm. Therefore, it might affect the future performance of the company.

This study results also showed that firm size positively and substantially affects the published monetary outcome of the companies quoted within Nairobi Security Exchange. It therefore indicates that for a unit increase in firm size increases financial performance by 1.571 units. This outcome is in line with that of Echesa (2016) who determined that the size of the firm that is calculated by the log of Assets to base 10 had a significant positive impact on the monetary outcome on the organizations quoted with Nairobi Security Exchange. Naran (2013) also identified there is a significant positive connection between the size of the firm and the financial performance

This study also found a substantial relationship between the net profits and the return on assets for the firms listed with the NSE. It indicates that for a unit increase in net profit there would be an increase to ROA by 0.717 units for the firms listed with Nairobi Stock Exchange. Raj & Ramesh (2012) assessed net profit to ROA ratio impact on Japanese stock market. The research work established companies with big net profits have got high ROA while those with low net profit have low ROA values.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gave a synopsis of the analysis in chapter four and the important research outcomes. It as well gave conclusions and importance of the research results and also gave recommendations. The limitations of the study were also highlighted and the suggestion for further research were also provided. The study sorted to ascertain the connection between earnings management and the financial performance of companies listed within Nairobi Stock Exchange.

5.2 Summary of Findings

The goal of this research was to determine the connection between the earnings management and the monetary performance of the organizations listed within NSE. The ROA represented the performance of the firm within Nairobi Stock Exchange. The financial performance (ROA) was selected as the dependent factor, the EM determined by Discretionary Accruals was used as independent variable while size of the firm and profitability measured by net profit was used as control variables. The research work deployed descriptive research design. The study used secondary data sources to obtain the data for the study. The collected data was obtained from reported monetary records of the firms quoted with NSE and the data collected was finally analyzed through the use of SPSS software

Observed trend of the firm's performance (ROA) for the 4-yr timeline from 2017 to 2020 showed a positive difference on the mean figures for ROA of 0.029 for the year. The steady decline in financial performance through ROA figures through those 4-year

time shows how the monetary performance of listed companies have been going down for the 4 years covered.

Earnings management is a concept attributed to financial choices that affect monetary reporting results. The values for the Means show an irregular changes in the value of the earnings management for the 13 sampled companies listed with Nairobi Stock Exchange for the years between 2017 and 2020. The descriptive statistics outcome for the size of the firm for the years 2017 to 2020 shows a steady improvement in the size of the firm for the 13 sampled firms listed with Nairobi Stock Exchange. For the profitability the descriptive statistics findings for the years 2017 to 2020 show an irregular pattern for the sampled 13 firms listed at Nairobi Stock Exchange

The research outcomes indicated substantial positive relationship between earnings management and return on assets i.e. financial performance of the companies quoted at the Nairobi Stock Exchange. This therefore means that an increase in the earnings management unit would result into the increase in company's financial performance. In addition the study discovered that there was a substantial positive connection between firm size and financial performance of the sampled companies listed with Nairobi Stock Exchange, thus a unit increase in firm size would result in an increase in the company's financial performance. The study results also indicated that there is a positive connection between profitability and the financial performance of the sampled 13 firms listed with the Nairobi Stock Exchange, thus a unit increase in the net profit causes an increase in the company's financial performance.

5.3 Conclusions

This research work discovered that monetary outcome of the quoted companies improved between 2017 and 2020 as shown by a positive difference in Return On

Assets Mean figure of 0.029 during the period. The study results manifested that EM practices have a significant and positive influence to the monetary performance of the organizations listed at Nairobi Stock Exchange. The results concluded that earnings management have a positive notable influence on financial performance of companies listed with NSE for the years 2017 to 2020. In addition the research conclude that there is steady increase in the size of the firm for the 13 sampled firms listed with the Nairobi Stock Exchange. Further, the study concludes that there was an irregular pattern on the profitability for the sampled 13 firms listed with Nairobi Stock Exchange.

5.4. Limitations.

This research met several impediments. The research was done within a timeline of four years between 2017 and 2020. There is no indication whether similar results would be obtained if a longer timeline was involved. It's even tough to confirm whether same findings will be obtained in case of the period after the end of 2020. The type of the data obtained from the published accounting records restricted the capability of the tests to determine the relationships. This is due to variation in the values representing important factor measurements. The existence of substantial variability difference in the in the selected accounting records will seriously influence the outcome of the study. The earnings management is also seen as unethical and a threat to securities law. The firms which practice income manipulation can end up engaging in unethical activities to conceal their deeds.

This research utilized secondary data that was obtained from published financial statements and not primary data which is more accurate/original. The research also utilized the selected independent and control variables mostly due to limited data availability. Another serious limitation for this research is the selection of the model.

The model selected for this research work was seen be less significant in elaborating the connection that exist among the variables. The Multiple Linear Regression Model was applied to this research for purposes of data analysis. Because of disadvantages encountered while utilizing Regression Models e.g. an error or confusing findings with the changes in the figures of the variable, the scholar finds it difficult to give a general outcome with conviction. Further in case additional data is fed to the model, the projected connection between the factors can be compromised.

5.5 Recommendations

The study showed that earnings management have a positive significant effect on financial performance of companies listed with NSE and the research recommends that all the dependents of the monetary records particularly the ones intending to make decisions based upon them should undertake critical assessment on whether the firm in question is undertaking the earnings management practices to ensure they make correct decisions.

The study further discovered that the size of the firm a positive substantial influence on the financial performance of the companies listed with NSE. The study suggests that the top managers of the companies quoted with NSE to come up with the strategic plans for growth and expansion in sizes e.g. growth in market and securities. For instance the companies attain growth through merger and acquisition in which firms can merge with others to form a large firm serving a large market. This practice can help improve the performance of the companies

The study also indicated a positive effect between profitability and financial performance of the firms listed with NSE. The study suggests there is need for top managers to ensure there is positive improvement to the net profits by coming up with practices that increase the net profits of the companies listed with NSE. This can enhance the demand for the companies' shares and hence increase their value.

5.6. Suggestions for further studies.

This study involved four year timeline from 2017 to 2020, future research works could expand the scope and increase the number of years e.g. 10 years under study in determining the connection between earnings management and financial performance of the companies quoted with NSE. This research did not research on all variables

affecting financial performance and this study suggests that potential upcoming studies to incorporate other factors like governance and liquidity.

This study further proposes that more research works can be undertaken to establish the impact of EM on the financial performance for non-quoted firms within the Republic of Kenya. The upcoming studies can also contemplate comparing the results with those with other developing countries.

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APPENDICES

Appendix 1- Firms Listed on NSE

SECTOR	S/N	LISTED FIRMS AT NSE
Agricultural	1	Eaagads Co Ltd
	2	Kapchorua Tea Co. Limited
	3	Kakuzi Ltd
	4	Limuru Tea Company Ltd.
	5	Rea Vipingo Limited
	6	Sasini Ltd Company
	7	Williamson Tea Limited
Automobiles and Accessories.	8	Car & General (K) Ltd Company
Banking Sector	9	Absa Kenya PLC
	10	Stanbic Holdings.
	11	HF Groups Limited
	12	NCBA Groups Plc
	13	The Co-operative Bank Limited
	14	I & M Holdings
	15	KCB Group Ltd
	16	Standard Chartered Bank
	17	BK Group PLC
	18	DTB Ltd
	19	National Bank of Kenya Ltd
	20	Equity Bank Ltd
Commercial and Services	21	Express Ltd
	22	Sameer Africa Ltd
	23	Standard Group Ltd
	24	Uchumi Supermarket Ltd
	25	Nairobi Business Ventures Ltd
	26	Kenya Airways Ltd
	27	TPS Eastern Africa Ltd
	28	Longhorn Publishers

	29	Nation Media Group
	30	Scangroup Ltd
	31	Deacons(East Africa) PLC
Construction and Allied	32	Athi River Mining
	33	Crown Paints Co. Ltd
	34	Bamburi Cement Co. Ltd
	35	East African Cables Ltd
	36	East Africa. Portland Cement Ltd
Energy and Petroleum	37	Kenya Power & Lightning Co.
	38	Total Kenya Ltd
	39	Umeme Ltd
	40	KenGen Co. Ltd
Insurance	41	Jubilee Group Holdings Ltd
	42	Sanlam PLC
	43	Kenya Re-Insurance Co. Ltd
	44	Liberty Holdings Ltd
	45	Britam Holdings Co Ltd
	46	CIC Insurance Group Ltd Co.
Investments	47	Olympia Capital Holdings
	48	Trans-Century Ltd Co.
	49	Centum Co Ltd
	50	Home Afrika Co. Ltd
	51	Kurwitu Ventures Ltd
Investment Services.	52	NSE Co. Ltd
Manufacturing and Allied.	53	BOC Co. Ltd
	54	British America Tobacco(K) Ltd
	55	Mumias Sugar Co. Ltd.
	56	Kenya Orchard Co.
	57	Carbacid Investment Ltd
	58	Unga Group Hodings Ltd.
	59	Flame Tree Group Holdings Ltd
	60	EABL Plc

	61	Eveready East Africa Co.
Telecommunications and Technology.	62	Safaricom Ltd Co.
Real Estate Investments Trust.	63	Stanlib Fahari Co. Ltd
Exchange Traded Funds.	64	New Gold Issuer Ltd Co.

Appendix 2- Profitability

NET PROFIT FOR SELECTED LISTED COMPANIES IN BILLIONS					
S/No	**Company**	**2017**	**2018**	**2019**	**2020**
1	Sasini Ltd	0.0143	0.0428	0.0519	0.0543
2	Car and General (K) Ltd	0.219	0.0814	0.182	0.225
3	KCB Group Ltd	0.0197	0.02399	0.02517	0.01961
4	Sameer Africa Ltd	0.0804	-691.82	-061.9	43.48
5	E.A. Cables Ltd	0.176	0.0839	0.727	0.33
6	Kenya Power and Lightening Co	5.28	1.917	0.262	-0.939
7	Jubilee Holdings Ltd	4.23	4.176	4.017	4.087
8	Centum Investment Co. Ltd	1.571	1.041	4.120	4.628
9	Nairobi Stock Exchange Ltd	0.209	0.182	0.0608	0.191
10	East Africa Breweries Ltd	10.022	2.059	11.515	7.020
11	Safaricom Ltd	0.048	0.053	0.062	0.0733
12	Stanlib Fahari	0.171	0.193	0.175	0.148
13	New Gold Issuer Ltd	-0.0274	-0.0416	-0.0735	-0.0793

Appendix 3 - Earnings Management

Earnings Management for the Sampled Companies					
S/No	**Company**	**2017**	**2018**	**2019**	**2020**
1	Sasini Ltd	0.7185	0.7013	0.7536	0.800
2	Car and General (K) Ltd	0.5458	0.586	0.5256	0.5807
3	KCB Group Ltd	-1.377	-1.277	-0.968	-0.753
4	Sameer Africa Ltd	1.597	1.411	0.3483	0.3696
5	E.A. Cables Ltd	0.7598	0.6882	0.563	0.6242
6	Kenya Power and Lightening Co	1.157	1.162	1.315	1.332
7	Jubilee Holdings Ltd	0.311	0.262	0.8498	0.224
8	Centum Investment Co. Ltd	0.271	0.251	0.253	0.123
9	Nairobi Stock Exchange Ltd	-0.047	-0.0253	-0.0526	-0.090
10	East Africa Breweries Ltd	1.794	1.926	0.5397	0.169
11	Safaricom Ltd	-3.955	-3.622	2.653	1.772
12	Stanlib Fahari	3.795	3.165	2.78	2.5656
13	New Gold Issuer Ltd	-0.128	-0.122	-0.168	-0.008

Appendix 4 - Firm Size

Size of the Firm.(log of assets) for the sampled companies					
S/No	**Company**	**2017**	**2018**	**2019**	**2020**
1	Sasini Ltd	0.941	0.952	0.959	0.965
2	Car and General (K) Ltd	0.967	1.01	1.06	1.08
3	KCB Group Ltd	-0.19	-0.146	-0.047	-0.0056
4	Sameer Africa Ltd	0.23	0.114	0.185	0.02
5	E.A. Cables Ltd	0.847	0.82	0.798	0.773
6	Kenya Power and Lightening Co	2.52	2.53	2.51	2.51
7	Jubilee Holdings Ltd	2.02	2.06	2.11	2.16
8	Centum Investment Co. Ltd	1.95	1.98	2.01	2.00
9	Nairobi Stock Exchange Ltd	0.32	0.34	0.35	0.36
10	East Africa Breweries Ltd	1.824	1.853	1.857	1.887
11	Safaricom Ltd	-0.793	-0.78	-0.721	-0.676
12	Stanlib Fahari	0.575	0.586	0.587	0.589
13	New Gold Issuer Ltd	0.291	0.306	0.334	0.352

Appendix 5 - Return on Assets

Return on Assets (ROA) for the sampled companies					
S/No	**Company**	**2017**	**2018**	**2019**	**2020**
1	Sasini Ltd	0.4237	0.1499	0.1577	0.1748
2	Car and General (K) Ltd	0.108	0.0904	0.2165	0.1272
3	KCB Group Ltd	0.00905	0.00994	0.0107	0.0103
4	Sameer Africa Ltd	0.0091	-0.1596	-0.0012	0.0018

5	E.A. Cables Ltd	0.00344	0.00466	0.00396	0.0033
6	Kenya Power and Lightening Co	0.0036	0.00353	0.00247	0.00244
7	Jubilee Holdings Ltd	0.0036	0.00408	0.00396	0.0044
8	Centum Investment Co. Ltd	0.0094	0.00928	0.00937	0.01736
9	Nairobi Stock Exchange Ltd	0.00344	0.00349	0.00388	0.00422
10	East Africa Breweries Ltd	0.000949	0.000971	0.00619	0.00495
11	Safaricom Ltd	0.000757	0.000711	0.00076	0.000807
12	Stanlib Fahari	0.0139	0.01159	0.011	0.012
13	New Gold Issuer Ltd	-0.00325	-0.00332	-0.00342	-0.0035

Appendix 6 – Correction Certificate

UNIVERSITY OF NAIROBI

FACULTY OF BUSINESS & MANAGEMENT SCIENCE

PROPOSAL CORRECTION FORM

Student Name: KENNEDY OMONDI JUMA

Registration Number: D61/12449/2018

Department: FINANCE AND ACCOUNTING

Specialization: ACCOUNTING

Title of Project Proposal: **EARNINGS MANAGEMENT AND FINANCIAL PERFORMANCE OF COMPANIES LISTED WITH NSE IN KENYA**

The student has done all the corrections as suggested during the proposal presentation and can now proceed to collect data.

Name of Supervisor: DR. JOSHUA WANJARE

Signature Date: 20/11/2021

Name of Chairman of Panel………………………………………….

Signature ……………………………… Date ………………………………..