

**THE EFFECT OF CORPORATE GOVERNANCE ON THE
SHARE PRICE OF COMPANIES LISTED AT NAIROBI
SECURITY EXCHANGE**

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DECLARATION

I declare that this project as is my original work and has never been submitted anywhere for a degree or qualification of the same in any other University.

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This research project has been submitted for examination with my approval as University supervisor

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ABSTRACT

Corporate governance is one of the most important issues for all local and international companies at the present time. The global financial crisis, which adversely affected world economy, has put the concept of corporate governance at center stage. Governance rules and regulations around the world aim at minimizing the abuse of shareholder interests by top management. Companies listed in NSE face various challenges such as; keeping in pace globalizations, government policies and regulation, integrity, client demands, resource management, market and customer loyalty, risk management, business complexity, competition and inadequate capital.

The purpose of this study was to find out effects of corporate governance on the share price of companies listed in NSE. The population of interest in this study was companies listed in NSE, whose number stood at 64 as at 30th June, 2015. The study relied on a descriptive approach for the purpose of description of the responses of the sample of the study about their views on the level of corporate governance in companies listed on the NSE. The study relied on both primary and secondary data. Descriptive statistics was computed for all the variables to ensure quality of data. Regression was used as a main tool to measure the relationship between the dependent variable and the independent variable. Correlation was used to measure the significance level of the relationship.

The study found that the board of Directors positively and significantly influenced the share price, responsibilities effective framework for corporate governance positively and insignificantly influenced the share price, role of stakeholders in corporate governance positively and insignificantly influenced the share price, disclosure and transparency negatively and significantly influenced the share price, responsibilities of the rights of shareholders and key ownership functions positively and insignificantly influenced the share price, and that equal treatment of shareholders positively and significantly influenced the share price of companies at NSE. The study recommended that the management of the listed firms should strive to achieve an optimal board of Directors for their firms in order to enhance their firms' value hence leading to an increase in their firms' share prices.

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ABBREVIATIONS AND ACCRONYMS

AGM	Annual General Meeting
ASE	Amman Stock Exchange
CDS	Central Depository System
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CG	Corporate Governance
CMA	Capital Market Authority
CPRA	Comparison Period Return Approach
CV	Curriculum Vitae
ECGI	European Corporate Governance Institute
FM	Finance Manager
FSB	Financial Stability Board
GDP	Gross Domestic Product
ICPAK	Institute of Certified Public Accountants
IFC	International Finance Corporation
MD	Managing Director
NASI	Nairobi All Share Index
NSE	Nairobi Stock Exchange
OECD	Organization for Economic Co-operation and Development
SPSS	Statistical Package for Social Sciences
IFRS	International Financial Reporting Standard

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate governance is one of the most important issues for all local and international companies at the present time. The global financial crisis, which adversely affected world economy, has put the concept of corporate governance at center stage. Governance rules and regulations around the world aim at minimizing the abuse of shareholder interests by top management. They seek to enhance the performance of the board of directors in companies, promote internal control, monitor the implementation of strategies, identify the roles and responsibilities of shareholders, the board of directors, stakeholders and top management. In addition, they emphasize the importance of transparency and disclosure. (Capital Market Authority of Saudi Arabia, 2015)

Contemporary corporate governance started in 1992 with the Cadbury report in the UK. Corporate Governance mechanisms assure investors in companies that they will receive adequate returns on their investments (Shleifer and Vishny, 1997). If these mechanisms did not exist or did not function properly, outside investors would not lend to firms or buy their equity securities. Corporate Governance issues arise wherever contracts are incomplete / immature and agency problems exist.

The main objective of corporate governance is to encourage accountability, transparency, fairness, disclosure and responsibility which are core values for the success of all businesses (Malik, 2012). Elements of corporate governance are: good board practice, control environment, transparent discussion, well-defined shareholders rights and board commitment.

Share price movement is not independent in nature and both intrinsic as well as extrinsic factors have been established to exercise influence over stock price movements. In this study I determine the effects of corporate governance on share price of companies listed in NSE.

1.1.1 Corporate Governance

Organization for Economic Co-operation and Development (OECD) defines Corporate Governance as a set of relationships, between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined (OECD, 2004). As owners of the company, the shareholders elect the directors to oversee the operation and performance of the business on their behalf. The directors are accountable to the body of shareholders that elect them (Tirole, 2006).

Corporate governance helps in defining the relation between the company and its general environment, the social and political systems in which it operates. Corporate governance is linked to economic performance. The way management and control are organized affects the company's performance and its long run competitiveness. Corporate governance determines the conditions for access to capital markets and the degree of investors' confidence (Brownbridge, 2007).

A standard framework to analyze corporate governance practices is provided by the OECD principles of corporate governance. These principles acknowledge not only the importance of legal protection, but also of other mechanisms of corporate governance. The principles look at; basis for effective framework of corporate governance,

shareholders rights and ownership function, equal treatment of shareholders, roles of stakeholder, transparency and disclosure and responsibilities of the board.

Corporate Governance is developed as a way of ensuring that owners of funds receive a return on their investment by protecting against management expropriation or use of the investment capital to finance pitiable projects. Specifically, corporate governance deals with the ways in which suppliers of equity finance to companies assure themselves of getting a return on their investment in an ethical and bare way (Shleifer and Vishy, 1997).

Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders and should facilitate effective monitoring, thereby encouraging firms to use resources more efficiently (Yasser, 2011).

1.1.2 Share Price

Collins dictionary define share price as the price of an individual share in a company. Share price indices are calculated from the prices of common shares of companies traded on national or foreign stock exchanges. They are usually determined by the stock exchange, using the closing daily values for the monthly data, and normally expressed as simple arithmetic averages of the daily data. A share price index measures how the value of the stocks in the index is changing, a share return index tells the investor what their “return” is, meaning how much money they would make as a result of investing in that basket of shares. A price index measures changes in the market capitalisation of the basket of shares in the index whereas a return index adds on to the price index the value of dividend payments, assuming they are re-invested in

the same stocks. Occasionally agencies such as central banks will compile share indices (OECD, 2014).

Currently the NSE has a total of 64 listed companies. Basing an index on only 20 blue chip companies out of a stock market with 64 listed companies makes the NSE 20 share index biased. However introduction of the NSE ALL Share Index (NASI) with its base year being 1st January 2008 and a base value of 100 have aimed to resolve this biasness. The introduction of NASI was part of some of the recommendations by the IFC and regulators of world stock markets to ensure a comprehensive dissemination of market information to investors (Osoro and Ambrose, 2013). To be effective, an index should be accurate. This implies that the index movement must correspond to all underlying price movements at the market. Where there is no correspondence, cause may be as a result of the bias. This therefore misleads the parties who rely on the index for decision making. Unlike the 20 share index, which measures price movement in selected, relatively stable and best performing 20 listed companies, NASI incorporates all listed companies irrespective of their performance and their time of listing. NASI is calculated based on market capitalization, meaning that it reflects the total value of all listed companies at the NSE (Osoro and Ambrose, 2013).

To measure share price, I calculated Price Earnings ratio for companies listed in NSE. The price earnings ratio is a much more indicative means for the real value of the share than the price alone.

1.1.3 Effects of Corporate Governance on the Share Price

Corporate governance plays an important role in the stability of financial markets and increases the competitiveness of public shareholding companies through enhanced

transparency, improved corporate governance, and to achieve a balance of interests between the company's management, shareholders, employees, creditors and other parties of interest. All this will contribute to lowering the cost of capital, and thus make access to lower-cost sources of funding for future projects of the company (Talal and Mostafa, 2014). When the cost of capital is low market forces will create high demand for that share and as demand increase share price will increase.

In recent years a number of governance measurements or scores have been established whereby researchers and governance rating companies can monitor and assess the level of compliance made by companies in their financial statements, the measurements are usually numerical scores derived by allocating points to each governance measure complied with which can be ranked against other companies scores(Walker, 2013).

In Kenya the Capital Markets Authority issues the Guidelines, for observance by public listed companies, in order to enhance corporate governance practices by such companies.

1.1.4 Nairobi Securities Exchange

The Nairobi Securities Exchange (NSE) was founded in 1954 and is Kenya's only stock exchange. It has traditionally been a mutual organization owned by its member brokers, but from September 2014 the NSE listed its 194,625,000 issued and fully paid up shares on the Main Investment Market Segment (MIMS) under a new sector Investment Services of the bourse after a successful Initial Public Offering. The IPO sought to raise Kshs.627 million by selling 66 million new shares at a price of Kshs. 9.50 per share. 17,859 investors applied for 504,189,700 new shares worth Kshs. 4.789 billion; a subscription rate of 763.9%, garnering an oversubscription of

663.92%. Following its self-listing the exchange becomes the second African security Exchange after the Johannesburg Stock Exchange to be listed.

There are 64 listed companies in NSE as at 30th June 2015 comprises with a daily trading volume of over United States Dollar (USD) 6 million and a total market capitalization of approximately USD 21 billion.

The NSE in 2006 introduced an Automated Trading System (ATS) which ensures that orders are matched automatically and are executed on a first come/first serve basis. The ATS has now been linked to the Central Bank of Kenya and the CDS thereby allowing electronic trading of Government bonds. Short selling and same day turn-around trades are not permitted. Aggregate foreign ownership limit of NSE listed companies is 75%. Almost all NSE listed companies are open to additional foreign investment, including multinational subsidiaries.

1.1.5 Context of the Corporate Governance and its Effects on the Share Price

This research considers the issue of improved compliance with provisions contained within recognised governance frameworks to see if there is evidence that investors consider governance scores when making investment decisions and that such considerations identify shares that have the potential to increase in value if the firm improves compliance and disclosure with recommended provisions.

Jin and Myers (2006), document higher stock price synchronicity for firms with low transparency. They argue that in opaque environments, lesser amount of firm-specific information is revealed to outside investors. Therefore, firm-specific information explains a smaller proportion of the overall return variation. Unlike Jin and Myers (2006), Chan and Hameed (2006) associate transparency with high stock price synchronicity. They document positive relationship between analyst

following proxy for transparent information environment and stock price synchronicity. They argue that since analysts specialize by industry, greater analyst following leads to disclosure of more industry-wide and market-wide information. As a result, most of information incorporated into the stock prices is either industry-wide or market-wide information, thereby causing high synchronicity.

Ownership concentration and operational complexity relates to agency conflicts and information asymmetries. Higher information asymmetries deter institutional investors to invest in these firms, thereby exposing these firms to distinct risk experienced by their marginal investors. Claessens et al. (2000), document that more than two-third of firms in emerging markets is controlled by a single shareholder. Concentration of ownership in the hands of a few allows managers and controlling shareholders to evade effective disclosure of information (Leuz et al., 2003). Poor information disclosure worsens information asymmetries between insiders and outsiders and result in agency problems.

1.2 Research Problem

Since there is a moral hazard problem that managers will pursue their own interests instead of the shareholders, some argue that there is a need for checks and balances on managerial behavior. Thus the concept of corporate governance arose (Farooq, Omar, and Ahmed, 2007). One of the possibilities of investor to achieve the greatest return on investment made is to gaining understanding of the claim that adoption of OECD principle of corporate governance by firms positively affects share price. Corporate governance aims to protect loss of investments due to the abuse of power in a manner that is not in the investors' interest. It also aims to maximize the return on investments, shareholders' rights and the investment value. It also limits cases of conflicts of interest, since a company's commitment to implementing the governance.

Companies listed in NSE face various challenges such as; keeping in pace globalizations, government policies and regulation, integrity, client demands, resource management, market and customer loyalty, risk management, business complexity, competition and inadequate capital. There is need for prudent management of affairs of companies listed in NSE to overcome these challenges. One of strategies to overcome these is adoption of OECD principles of corporate governance which set the basic standard for international corporate governance.

The years 2001 and 2002 witnessed the famous corporate scandal involving a leading public firm in United States of America by the name of Enron. In Kenya, the investors of Uchumi Supermarket and Cooper Motors Corporation (CMC) holdings witnessed in the last decade the suspension of the companies from trading at the NSE primarily because of agency related problems.

Various studies relating to this study have been conducted for example the importance of corporate governance practices cannot be understated as they are strong determinants in the survival or collapse of corporate bodies (Schilling, 2003). Improvement in corporate governance as found out by researchers such as Sanda et al (2005) results in improved performance. As a result, the need to strengthen corporate governance has become critical for promotion of sustainable development and self-dependence on the continent of Africa (Littlefield, 2003). Transformation into self-sustaining organizations will mean the introduction of investors as major stakeholders in the industry which will increase the need for control and accountability (Wainaina, 2003). To attract capital flows, there is need for organizations to address the mechanism and ways of promoting corporate governance practices.

A number of studies have been done on corporate governance practices for instance Tsamenyi et al (2007) observes that corporate governance studies in developing countries are limited and available only on an individual country basis. A study by Walker (2013) on Corporate Governance and its effect on Share Price establishes that although there are signs that improved governance positively affects firm value, the effect is short lived, as investors appear to have already accounted for improved governance compliance and that share prices have already stabilised at new 'governance reflected' levels. Based on research that was conducted by Coomber and Watson (2000), investors are willing to pay premium price to the company that has good corporate governance.

Locally a number of studies have been done on corporate governance and company performance (Lang'at, 2006; Manyuru, 2005; Gitari, 2008; Nambiro, 2008). However, these studies have mainly focused on relationship between governance structures and performance. While, some (Wang'ombe, 2003; Ademba, 2006; Mwangi, 2002) have merely surveyed the corporate governance practices and systems adopted by various companies. There are no studies conducted to find out effects of corporate governance on share price of companies listed in NSE. Hence this study sought to investigate the effects of corporate governance on share price of companies listed in NSE.

1.3 Objectives of the Study

Objective of this study was to determine the effect of corporate governance on the share price of companies listed on NSE.

1.4 Value of the Study

This research will find out effects of corporate governance on the share price of

companies listed at NSE. The results of this study will be valuable to the various stakeholders in the Kenyan economy as illustrated;

Corporate governance contributes to the enhancement of the efficiency of the economy, since this will help the stability of capital markets enhance the level of transparency, and attract internal and external investments.

Adoption of good corporate governance will help companies achieve better performance with effective management and ideal working environment, which in turn would enhance the economic value of the company. In addition, corporate governance helps companies reach the financial markets and have access to the funding needed, at a lower cost. This will help the company expand its activity, minimize financial risks, and enhance trust with the stakeholders.

Corporate governance aims to protect loss of investments due to the abuse of power in a manner that is not in the investors' interest. It also aims to maximize the return on investments, shareholders' rights and the investment value. It also limits cases of conflicts of interest, since a company's commitment to implementing the governance.

The finding of our research will help the policy makers to improve corporate governance in the county, as a vital step in rebuilding public trust in companies and financial markets. This can be achieved by setting appropriate corporate governance policies considering emerging aspects and ensure compliance with the policies.

This study brings in new feature of reforms in corporate governance which focuses on improving the relationships between the management, board of directors, controlling shareholders, minority shareholders and other stakeholders, in order to improve accountability, responsibility, transparency, and fairness. The Principles of Corporate

Governance of the OECD set the basic international standard for corporate governance. The OECD Principles are one of the 12 key standards for sound financial systems of the Financial Stability Board (FSB) and form the basis for the corporate governance component of the Report on the Observance of Standards and Codes of the World Bank Group. The OECD Principles are organised into six principles; ensuring the basis for an effective corporate governance framework, the rights of shareholders and key ownership functions, the equitable treatment of shareholders, the role of stakeholders, disclosure and transparency and the responsibilities of the board.

This study have prioritized effect of every principle of corporate governance on the share price, it also contains new variables from previous studies, such as the principles of corporate governance and share price.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are theoretical review, agency theory, stewardship theory, stakeholders theory, the resources dependence theory, determinates of share price, empirical review and summary of literature review.

2.2 Theoretical Review

Corporate Governance is defined by CMA act (2002) as the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholder long term value while taking into account the interest of other stakeholders. Various theories have been put forward to help us understand the concept of Corporate Governance. Neuman (2006) defines a theory as a system of interconnected ideas that condense and organize knowledge about the world. The following are theories underlying the concept of Corporate Governance:

2.2.1 Agency Theory

Agency theory is defined as the relationship between the principal and agent, such as shareholders and agents such as the company executives and managers. In this theory, shareholders who are the owners or principals of the company, hires the agents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder's agents (Clarke, 2004). Agency theory suggests that employees or managers in organizations can be self-interested. In agency theory

shareholders expect the agents to act and make decisions in the principal's interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals (Padilla, 2000). The agent may be succumbed to self-interest, opportunistic behavior and falling short of congruence between the aspirations of the principal and the agent's pursuits. Even the understanding of risk defers in its approach. Although with such setbacks, agency theory was introduced basically as a separation of ownership and control (Bhimani, 2008). The agents are controlled by principal-made rules, with the aim of maximizing shareholders value. Hence, a more individualistic view is applied in this theory (Clark, 2004).

Indeed, agency theory can be employed to explore the relationship between the ownership and management structure. However, where there is a separation, the agency model can be applied to align the goals of the management with that of the owners. The model of an employee portrayed in the agency theory is more of a self-interested, individualistic and are bounded rationality where rewards and punishments seem to take priority (Jensen & Meckling, 1976).

The theory of agency was first explicitly modeled by Jensen and Meckling (1976) in their study of the structure of the firm. Agency theory addresses all exchanges involving cooperative effort and delegation of work and decision making by one party (called the principal) to another (called the agent). Jensen and Meckling describe an agency relationship as a contract (implicit or explicit) in which one or more persons, (the principal(s) which involves the delegation of some decision-making authority to the agent. It is taken as unquestionable that an uninformed principal can benefit from this delegation to an informed agent and that it is in fact optimal for an uninformed principal to do so given their lack of skills, information, qualifications, knowledge, and experience (Bendor et al., 2001).

2.2.2 Stewardship Theory

A steward is defined by Davis, Schoorman & Donaldson (1997) as one who protects and maximizes shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximized. In this perspective, stewards are company executives and managers working for the shareholders, protects and make profits for the shareholders. Stewardship theory stresses not on the perspective of individualism, but rather on the role of top management being as stewards, integrating their goals as part of the organization. The stewardship perspective suggests that stewards are satisfied and motivated when organizational success is attained.

It stresses on the position of employees or executives to act more autonomously so that the shareholders' returns are maximized. Indeed, this can minimize the costs aimed at monitoring and controlling behaviors (Daly et al., 2003). On the other end, Daly et al. (2003) argued that in order to protect their reputations as decision makers in organizations, executives and directors are inclined to operate the firm to maximize financial performance as well as shareholders' profits. In this sense, it is believed that the firm's performance can directly impact perceptions of their individual performance. Moreover, stewardship theory suggests unifying the role of the CEO and the chairman so as to reduce agency costs and to have greater role as stewards in the organization. It was evident that there would be better safeguarding of the interest of the shareholders.

2.2.3 Stakeholders Theory

Wheeler et al, (2002) argued that stakeholder theory was derived from a combination of the sociological and organizational disciplines. Stakeholder theory can be defined as any group or individual who can affect or is affected by the achievement of the

organization's objectives. Stakeholders theorists suggest that managers in organizations have a network of relationships to serve this include the suppliers, employees and business partners. And it was argued that this group of network is important other than owner-manager employee relationship as in agency theory. On the other end, Sundaram & Inkpen (2004) contend that stakeholder theory attempts to address the group of stakeholders deserving and requiring management's attention. One of the most important contributors to stakeholder theory is R. Edward Freeman.

2.2.4 The Resources Dependence Theory

The resource dependence approach, developed by Pfeffer (1973) and Pfeffer and Salancik (1978), emphasizes that non-executive directors enhance the ability of a firm to protect itself against the external environment, reduce uncertainty, or co-opt resources that increase the firm's ability to raise funds or increase its status and recognition. Firms attempt to reduce the uncertainty of outside influences to ensure the availability of resources necessary to their survival and development. The board is hence seen as one of a number of instruments that may facilitate access to resources critical to company success. There are four primary types of broadly defined resources provided by boards of directors. These are advice, counsel, and know-how; legitimacy and reputation; channels for communicating information between external organizations and the firm; and preferential access to commitments or support from important actors outside the firm (Pfeffer and Salancik, 1978). This resource role is played by board of directors mainly through their social and professional networks (Johannisson and Huse, 2000), and through interlocking directorates (Lang and Lockhart, 1990).

An organization can manage increasing dependency by adapting to or avoiding external demands, by executing the following Resources Dependence Theory

(RDT) strategies: the first being altering organizational interdependence through integration, merger and diversification; by secondly establishing collective structures to form a negotiated environment; and using legal, political or social action to form a created environment (Pfeffer & Salancik, 1978). Much of RDT is fixed upon insight that power and dependency are intimately related as, Pfeffer & Salancik (1978) suggested and argued for specific sets of strategies to manage the external environment and discuss the conditions under which they are appropriate.

2.3 Determinates of Share Price

Share price is used as a benchmark to gauge performance of a firm and its variations as an indicator of the economic health or otherwise of a firm hence the need to be conversant with the factors that could adversely affect share prices (Gatua, 2013).

2.3.1 Supply and Demand

In most industries the law of supply and demand is an accepted theory to explain the price of products and services. One industry that overlooked the significance of the law of supply and demand in the past is the stock market. Experts attributed the Stock Bubble of the 1990s to an overly simple theory; it was believed that rising prices in stocks were caused by an underlying rise of companies' value. The price of stocks in the 1990s is today better understood as derived from a shortage of equities in the market (Oswin, 2005).

According to Oswin (2005), the law of supply and demand is the cause behind bear and bull markets. Oswin (2005) states that during the Great Stock Bubble " Investors' determination to buy equities exceeded issuers willingness to satisfy their demand for

stocks” (p. 4). Furthermore, Oswin (2005) notes, “issuers competed with investors in buying back company shares, contributing to the shortage” (p. 4).

2.3.2 Government policies

Government policies, firm’s and industry’s performance have effects on demand behavior of investors, both in the primary and secondary markets. The factors affecting the price of a share can be viewed from the macro and micro economic perspectives.

Macroeconomic factors include politics, general economic conditions i.e. how the economy is performing, government regulations, etc. Then there may be other factors like demand and supply conditions which can be influenced by the performance of the company and, of course, the performance of the company vis-a-vis the industry and the other players in the industry. (Nasif, 2010)

2.3.3 Earnings

The most important factor that affects the share price of a company is its earnings. Earnings are the profit a company makes, and in the long run no company can survive without them. If a company never makes money, it isn't going to stay in business. The reason behind this is that analysts base their future value of a company on their earnings projection. If a company's results surpass expectation, the price jumps up. If a company's results disappoint, then the price will fall (Investopedia, 2015).

2.3.4 Inflation

Fama (1981) argues that expected inflation is negatively correlated with anticipated real activity, which in turn is positively related to returns on the stock market. Therefore, stock market returns should be negatively correlated with expected inflation, which is often proxied by the short-term interest rate.

2.3.5 Stock Dividend and Share Split

The effect of stock dividend and share split on the stock price may not be positive. The stock dividend, and a stock split, will increase the number of shares outstanding, and with all other things remaining the same, the stock price will fall. Therefore, the stock price would dilute from either a stock dividend or a stock split (Investopedia, 2015).

2.3.6 Capital structure

According to Nirmala (2011) that more debt content in the capital structure of a firm decreases, its share price rise and vice versa. This indicates that investors prefer firms with lower debt content, since increased use of debt by a firm lowers the earnings available for equity shareholders and investors become apprehensive about their returns.

Another view in this aspect is when company with a high proportion of debt capital compare to equity capital utilizes more of borrowed fund in operations activities to generate more earnings than it would have without this outside financing. If this were to increase earnings by a greater amount than the debt cost (interest), then the shareholders benefit as more earnings are being spread among the same amount of shareholders thus increase in share price.

2.3.6 Corporate Governance

Corporate governance affects share price in the manner that firms with high levels of financial transparency, observation of stake holder right and effective board face lower cost of shares, thus demand of this share goes up which raises price of share.

Corporate Governance is developed as a way of ensuring that owners of funds receive a return on their investment by protecting against management expropriation or use of the investment capital to finance pitiable projects. Specifically, corporate governance deals with the ways in which suppliers of equity finance to companies assure themselves of getting a return on their investment in an ethical and bare way (Shleifer and Vishy, 1997).

2.4 Empirical Review

This section considers various empirical studies conducted as well as related literature to establish the effect of Corporate Governance on share price.

Zaloom's (2013) did a study entitled: "Disclosure of commitment to implement guidelines on corporate governance and its impact on the value of the company. Empirical Study on service companies listed and traded on the ASE," This study aimed to explore the extent of the obligation to apply guidelines on corporate governance in service companies Jordanian public shareholding, through classification guidelines on corporate governance into four groups. The study aimed to test the impact of the rules guiding their own, and to achieve the objectives of the study were used method of content analysis (content) of the reality of the annual reports of companies service, through the application of index specially prepared for companies, and reached the study sample (109) Company for the year (2013), and the researcher used multiple regression analysis to show the impact of guidelines on corporate governance in the company's value, and the study found that the highest level of commitment was to the rules guiding the special disclosure and transparency (95%), and less reached the level of commitment to the rules guiding the special meetings of the General Authority (86%). With regard to the rules guiding the corporate governance of the four above in the value of a company in the service

companies of Jordan, the study found that there is no trace of these rules for each group in the value of the company, to the lack of awareness of the importance of the rules of corporate governance in the value of the company by investors and regulators.

Ezzine's (2012) did a study entitled: Analysis of accidental Saudi companies to discuss the impact of corporate governance on the performance of the stock price during the financial crisis: The study aimed to find the effect of corporate governance mechanisms on the performance of Saudi companies during the recent financial crisis, and the sample included 96 companies listed in the Saudi market from companies' communications, information technology, industrial investment, the multilateral Investment, cement, media, electronic publishing, industry petrochemicals, retail, construction, construction and real estate investment. It was for the years (2007-2008). The study concluded that results of which there is an inverse relationship between the size of board of directors, and the separation of the positions of chairman of the board and the executive director with the performance of the share price. However, it did not reach any link between the board of directors, and the performance of companies.

Locally, several studies have been done on the effect of corporate governance on organizational performance. Ngugi (2007) did a study on the relationship between corporate governance structures and the performance of insurance companies in Kenya and found that inside directors are more familiar with the firm's activities and they can act as monitors to top management especially if they perceive the opportunity to advance into positions held by incompetent executives. The study also found that the effectiveness of a board depends on the optimal mix of inside and outside directors concluding that an optimal board composition lead to better performance of the companies.

Gatauwa (2008) studied the relationship between corporate governance practices and stock market liquidity for firms listed on the NSE. The study found that greater disclosure enhances stock market liquidity, thereby reducing the cost of capital. The commitment of management team to increase the level of disclosure also lowers the information asymmetry between managers and shareholders and lowers the cost of capital. Matengo (2008) also conducted a study on the relationship between corporate governance practices and performance the case of banking industries in Kenya. The study found that good corporate governance will lead to lower firm risk and subsequently to a lower cost of capital. The study also found that separation of ownership and control maximizes shareholders wealth.

2.5 Summary of the Literature Review

The literature review has provided clear indication regarding the effects of corporate governance on the share price of companies listed in NSE. The theoretical literature and empirical literature have shown that corporate governance improved share performance and the financial performance of the firms. To understand the topic this study has also review various theories which explain the concept of corporate governance. The empirical result established statistical significant and that there is either negative or positive relationship between corporate governance and share price. Lastly this study has also review other determinates of share price apart from corporate governance.

It is evident that previous studies on corporate governance are on financial performance, stock market liquidity and value of the company. This study have covered a wide range of corporate governance elements contain in corporate governance principle issued by OECD, which considers emerging issue such as institution investor, a feature of modern financial market. This study will also find out

how share price will correspond with adherence to international standard of corporate governance. Another difference from previous studies is that this study contains new variables, such as the principles of corporate governance and share price of companies listed in NSE.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methods that have been used in order to achieve the objectives outlined in Chapter One. Specifically, it describes the research design, population of the study, sampling design, data collection, data analysis and methodology employed.

3.2 Research Design

Kumar, (2005) defined a research design as a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically. A research design helps a researcher to conceptualize an operational plan to undertake the various procedures and tasks required to complete the study and to ensure that these procedures are adequate to obtain valid, objective and accurate answers to the research questions.

The study relied on a descriptive approach for the purpose of description of the responses of the sample of the study about their views on the level of corporate governance in companies listed on the NSE, researcher have use the analytical method to measure the effects of the application of principles of corporate governance on the share price of the companies listed on the NSE, through the use of statistical methods to test the suitability reliability of the study instrument.

According to Mugenda and Mugenda (1999) the purpose of descriptive research is to determine and report the way things are and it helps in establishing the current status of the population under study. The design chosen for this study is due to its ability to

ensure minimization of bias and maximization of reliability of data collected.

3.3 Population

Cooper and Schindler (2005) define a population as the total collection of elements about which the researcher wishes to make some inferences. The population of interest in this study was companies listed in NSE, whose number stood at 64 as at 30th June, 2015. The targeted population in this was senior managers among the sampled companies listed in NSE. This is because they are the most appropriate to respond to the objectives of this study.

3.4 Sample

I have sampled 70% (45 respondents) of listed company such that each company was equally represented in the sample size. I adopted stratified sampling technique to ensure each stratum represent companies in the same industries thus ensuring equal representation of all industries listed in NSE. After the completion of the identification of the study sample, questionnaires were distributed to the identified sample size and retrieved.

3.5 Data Collection

The study relied on both primary and secondary data. A structured questionnaire was used to collect the primary data. The questionnaires are preferred in this study because it is cheap method of collecting data, it also ensure that all indicators of the study are included, it eliminate biasness of interviewer and take short time to collect data.

The questionnaire was structured into six parts which sought to gather data on six principles of corporate governance as issued by OECD. Each principle was given a weight of 16.67% and finally rating of each sampled company listed in NSE was

calculated.

The most basic measure of share price involves the company's earnings. To analyse dependable variable I collect data of each sampled company listed in NSE on current market price of share and corresponding earning per share to calculate price earnings ratio. Generally, shares with price earnings ratio higher than the broader market price earnings ratio are considered expensive, while lower price earnings ratio shares are considered to be cheap. Price earnings ratio is preferred since comparison to be carried out is for the same industry, which is one of condition for using price earnings ratio.

Secondary data sources relied on was information in an annual report and on a company's website and included financial statements, corporate governance reports, codes and policies, sustainability reports, public and regulatory filings filed with the regulator, that is CMA and the NSE, notices for the Annual General Meeting (AGM) of Shareholders, reports on results of AGM, AGM minutes, and the Company Charter. Only information which is publicly available and which is be easily accessible and understood was used in the assessment. To be given points in the data process, disclosure had to be unambiguous and sufficiently complete. Secondary data is easy to collect owing to the ease of availability. The period of study was 2015.

3.6 Data Analysis

After administering the questionnaire, coding was done and the data converted into numerical codes for statistical analysis. SPSS version 20.0 was use for data analysis. Descriptive statistics was computed for all the variables to ensure quality of data. Regression was used as a main tool to measure the relationship between the dependent variable and the independent variable. Correlation was used to measure the

significance level of the relationship.

The relationship of corporate governance and share price (price earnings ratio) was determined and find to this study was declared.

3.6.1 The Analytical Model

The six principles of corporate governance that may affect share price of companies listed in NSE were used as variables in this study. The following model reflected the findings of the study. The regression equation took the following form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon \dots \dots \dots i$$

Where:

Y = Share Price represented by price earnings ratio.

β_0 = Constant variable

X₁ = Basis for an effective framework for corporate governance (promotes transparent and efficient markets, creates incentive to market participation, consistent with the rule of law and division of responsibilities)

X₂ = The rights of shareholders and key ownership functions (right to secure company ownership, transfer shares, obtain information, participate in voting at AGM, share profit and elect and remove board members)

X₃ = Equal treatment of shareholders (disclose to the board their interest in matters that affect the company, mechanisms that provide effective redress for complaints of shareholders, Voting procedure, equitable treatment of all shareholders including minority)

X₄ = The role of stakeholders in corporate governance (Information disclosure, Stakeholders have opportunity to obtain effective redress for violation of their

right, communication of concern about illegal or unethical practices, provision of performance enhancing employee benefits)

X₅ = Disclosure and transparency (financial reports are disclosed in a timely manner and are publicly available, Annual audits, Responsibilities disclosure)

X₆ = Responsibilities of the Board of Directors (act on a fully inform basis, in good faith, with due diligence and care, and best interest of the company and shareholders, and treats all shareholders fairly, adherence to code of ethics, Non-executive board members exercise objective independent judgment in corporate affairs)

E = Error term account for other possible factors that could influence Y

The dependent variable in this case is denoted as Y and is a representative of price earnings ratio for companies listed on the NSE.

Independent variables in this case are, the principles of corporate governance issued by OECD, namely, (Basis for an effective framework for corporate governance, the rights of shareholders and key ownership functions, equal treatment of shareholders, role of stakeholders in corporate governance, disclosure and transparency, the responsibilities of the board of directors).

The following Statistical Techniques were used to process the data that have been obtained through field study of the surveyed sample:

1. **Cronbach's alpha coefficient:** it was used to test the reliability of the study instrument which the data were collected, in other words, is used to test (internal consistency of the paragraphs of the questionnaire).
2. **Test (VIF) Variance Inflation Factors:** This test is used to verify the

existence of the problem of overlapping multiple linear (Multi-collinearity) between the independent variables.

3. **Test Kolmukrov - Samir Nov:** (One-Sample K-S Test) was used to verify that the data variables of the study are subject to the normal distribution (Distribution Normal) or not.
4. **Simple linear regression analysis:** was used to measure the effects of every principle of corporate governance principles each separately on the share price in the companies listed in NSE.
5. **Multiple linear regression analysis of the progressive:** was used to measure the effects of the principles of corporate governance on the share price in the companies listed in NSE.

Study Instrument scale adopted in this study was five points Likert scale, for being one of the most metrics used to measure the opinions and responses due to its ease of understanding.

A scale was adopted to measure the degree of evaluation of the study conducted.

The expected relationship is that principles of corporate governance enhance the share price. The tests was conducted at 95% level of confidence ($\alpha=0.05$).

3.6.2 Data Reliability and Validity

Reliability has to do with the quality of measurement. Reliability is the consistency or repeatability of your measures.

Validity indicates whether the items measure what they are designed to measure (Borg and Gall 1989). The study use content validity to examine whether the instruments answer the research questions.

Face validity was verified through a group of experts and guidance of project

supervisor who had experience and knowledge in accounting and methodology of scientific research and applied statistics to take advantage of their expertise and their stocks of knowledge, making the tool more accurate and objective measurement. The purpose behind questionnaire was verify the affiliation of paragraphs to the variables of the model, and the paragraphs language formulation accuracy. It will take into account all the observations of experts and project supervisor, where been rephrased some paragraphs of questionnaire and delete others, and add some of the other paragraphs of the dimensions of the variables of the model.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

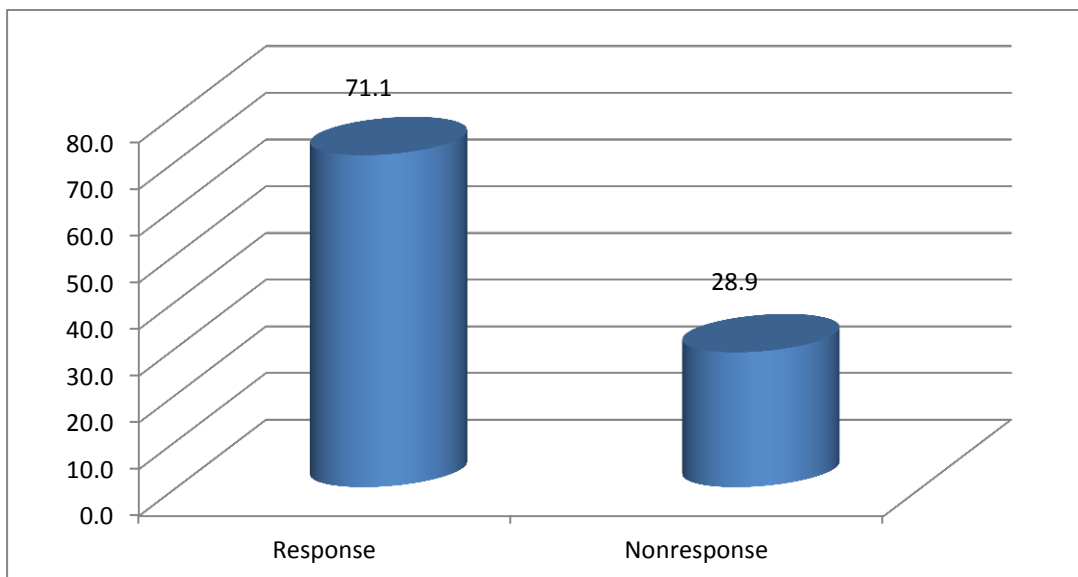
4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on the effects of corporate governance on share price of the firms listed in Nairobi Security Exchange. The data was gathered both from the questionnaire and secondary data. The questionnaire was designed in line with the objectives of the study and secondary data was obtained from published financial report of listed companies.

4.2 Response Rate

The sample size for quantitative data was 45 respondents. Those filled and returned questionnaires were 32 respondents making a response rate of 71.1%. According to Mugenda and Mugenda (1999), a response rate of 50% is adequate for analysis and reporting. This means that the response rate for this study was adequate and therefore enough for data analysis and interpretation. The figure below shows the response rate.

Figure 4.1: Response Rate



4.2 Descriptive Statistics

This section explains the characteristics of corporate governance factors that affects the share price of companies listed in NSE. Some demographic variables include; basis for an effective framework for corporate governance, the rights of shareholders and key ownership functions, equal treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency and responsibilities of the Board of Directors which were tested using T-tests, ANOVA.

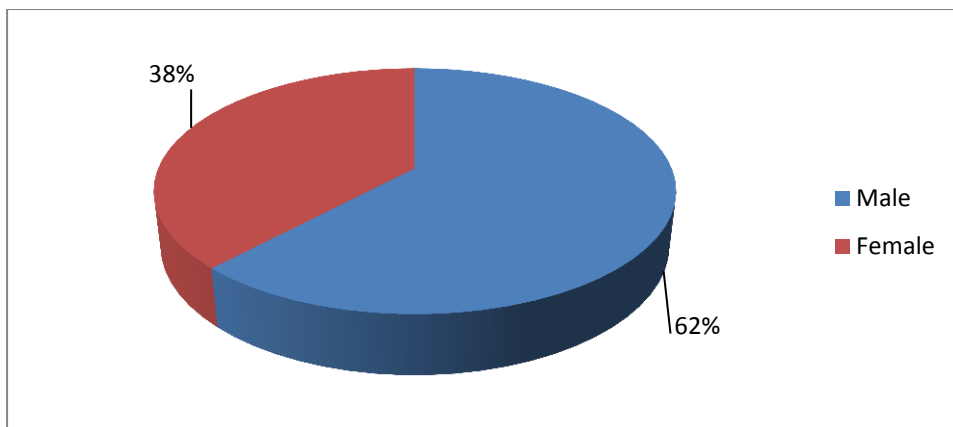
4.2.1 Demographic Information

The study sought to ascertain the background information of the respondents involved in the study which included; gender, age and period of time respondents have lived in the area. The background information points at the respondents' suitability in answering the questions.

4.2.1.1 Respondents Gender

The respondents were requested to indicate their gender. The findings are as presented in figure 4.2.

Figure 4.2: Respondents Gender

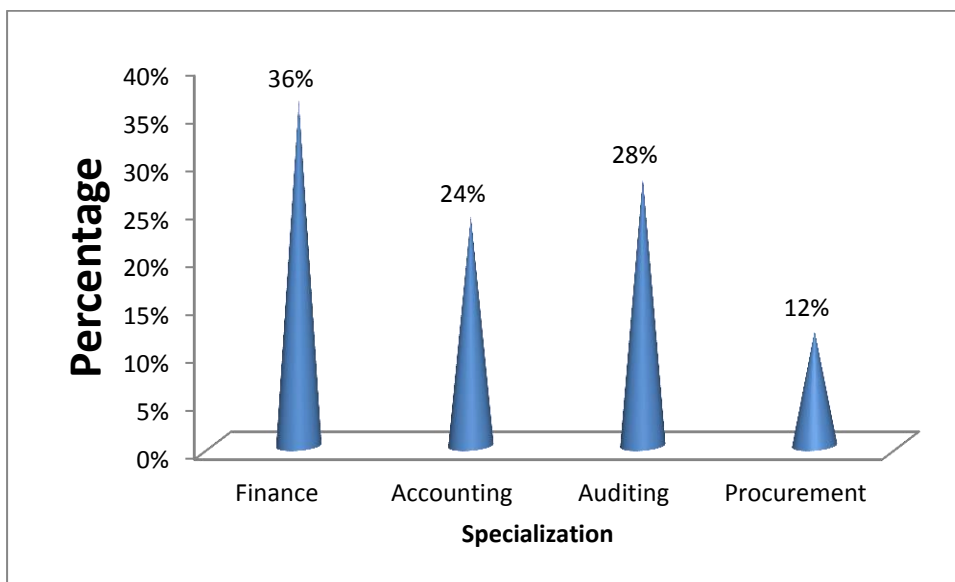


The study established that most of the respondents (62%) were male, while 38% were females. This implies that all most of the senior managers among the sampled companies listed in NSE were male.

4.2.1.2 Specialization

The respondents were asked to indicate their area of specialization. Findings are as shown in figure

Figure 4.3: Specialization

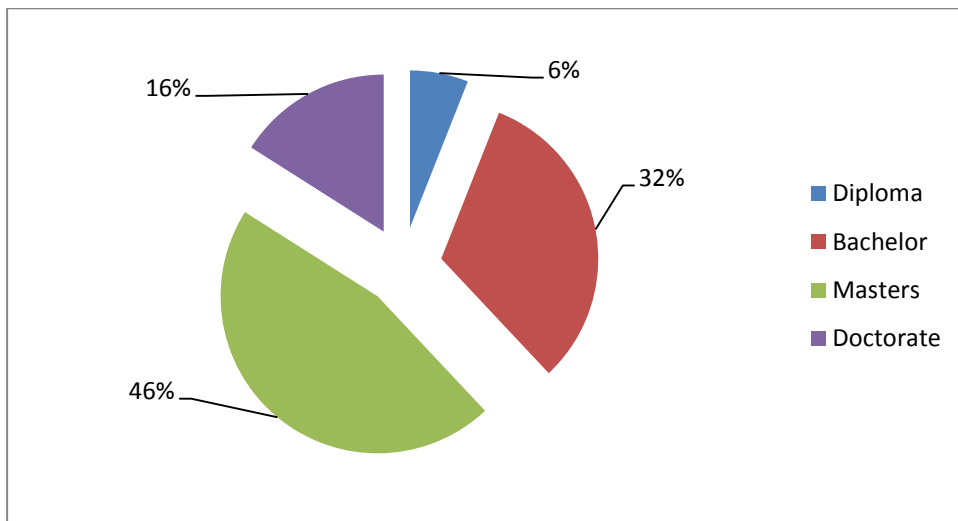


From the findings above, most of respondents (36%) specialized in finance, 28% in auditing, 24% in accounting while 12% specialized in procurement. This implies that most of senior managers among the sampled companies listed in NSE specialized in finance.

4.2.1.3 Respondents' level of education

In order to understand the respondents' level of education in the organization, the respondents were asked to indicate their level of education.

Figure 4.4: Respondents' level of education

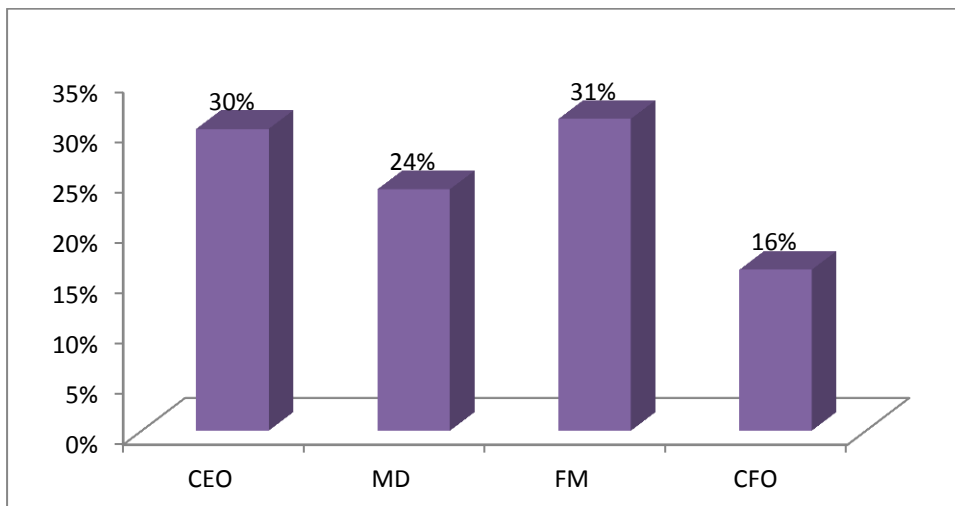


From the findings above, most of respondents (46%), had masters, 32% of the respondent had bachelor education, 16% had doctorate education while 6% indicated their highest level of education as diploma certificate. This shows that most of senior managers among the sampled companies listed in NSE have attained masters education thus had rich information and knowledge on the effect of corporate governance on the share price.

4.2.1.4 Job title

In order to understand the respondents' job title in the organization, the respondents were asked to indicate their job title.

Figure 4.5: Job title

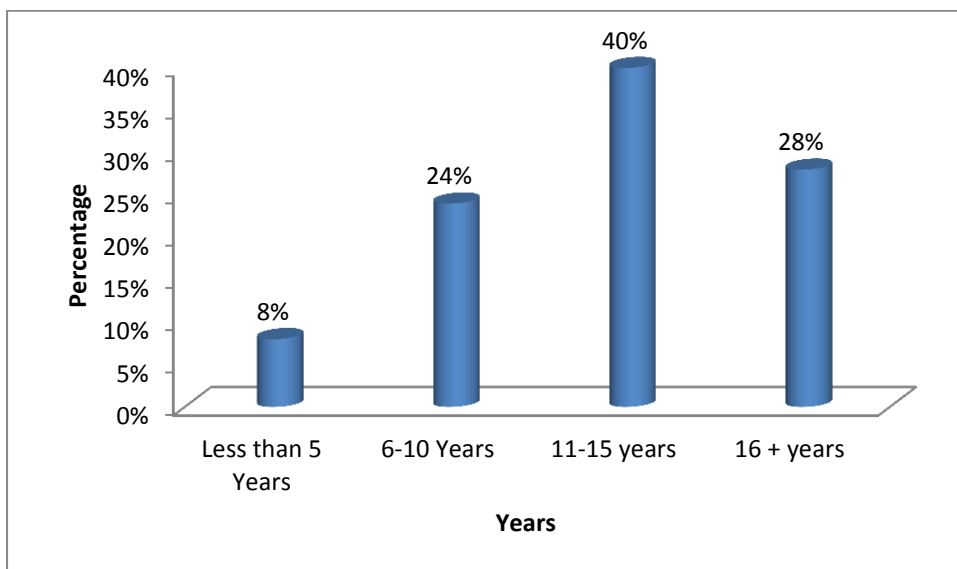


As per the findings in the Figure 4.4 above, most of the respondents 31% were financial managers, 30 % were chief executive officers, 24 % were managing directors while 16 % were credit finance officers. This implies that majority of the respondents were financial managers.

4.2.1.5 Working Experience

In order to find out the period in which the senior managers had worked for their companies the respondents were asked to indicate the duration in which they have been working at their companies.

Figure 4.6: Working Experience

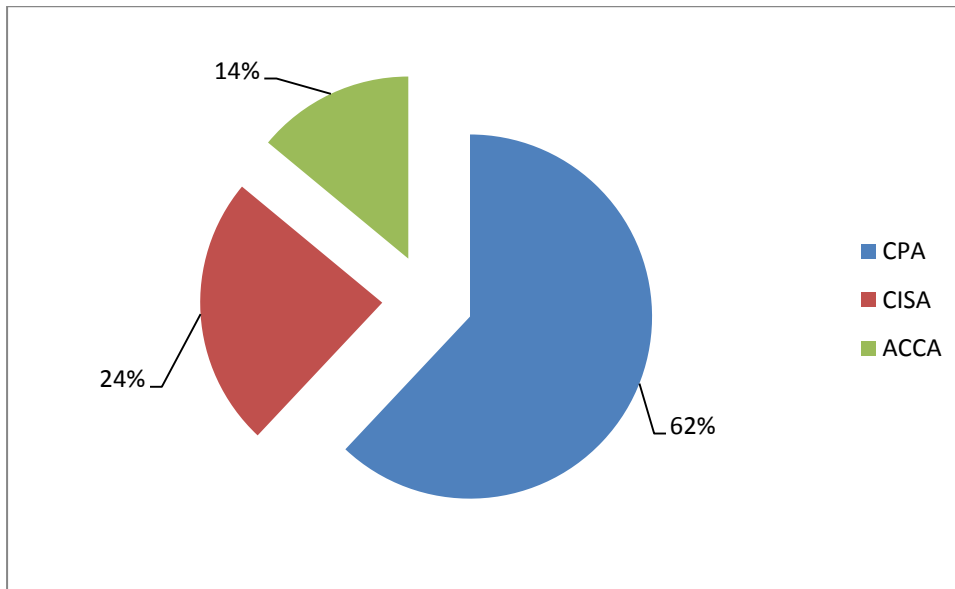


From the findings, majority of the respondents (40%) had a working experience of between 11-15 years old, 28% had a working experience of 16 years and above, and 24 % had a working experience of between 6-10 years while 8 % had a working experience of Less than 5 years of age. The findings indicate that majority of the senior managers among the sampled companies listed in NSE had a working experience of 11-15 years and thus had an extensive experience hence increasing the reliability of the information given.

4.2.1.6 Professional Certificate

The respondents were asked to indicate their professional certificate. The findings are as shown in Figure 4.7

Figure 4.7: Professional Certificate



From the findings, majority of the respondents (62%) were CPA holders, 24% were CISA holders, and 14 % were ACCA holders. The findings indicate that majority of the senior managers among the sampled companies listed in NSE were CPA holders.

4.2.2 Existence of a basis for an effective framework for corporate governance

The respondents were asked to indicate their level of agreement with various statements as they are reflected in their company with regard to the principle of ensuring the existence of a basis for an effective framework for corporate governance. The responses were placed on the five Likert scale where 1 =Strongly Disagree, 2=disagree 3= Neutral 4=Agree and 5=Strongly Agree. The findings are as shown in Table 4.1

Table 4.1: Existence of a basis for an effective framework for corporate governance

Paragraphs	Mean	Standard
Company's corporate governance framework promotes transparent and efficient markets.	4.2314	.7412
Company's corporate governance framework creates incentive to market participation.	3.7882	.1234
Company's corporate governance is consistent with the rule of law i.e. constitution Chapter 2 article 10 (1).	3.7644	.2346
There is division of responsibilities between the BOD, CMA has authority, integrity and resources to fulfil their duty in a professional and objective manner.	2.9124	.4174
	3.3142	.0147

From the findings in the table 4.1 above, most of the respondents strongly agreed that company's corporate governance framework promotes transparent and efficient markets (mean=4.806). In addition, respondents agreed that Company's corporate governance framework creates incentive to market participation (mean=3.7882), Company's corporate governance is consistent with the rule of law i.e. constitution Chapter 2 article 10 (1) (mean=3.7644), and CMA has authority, integrity and resources to fulfil their duty in a professional and objective manner (mean=3.3142). On the other hand, they disagreed that there is division of responsibilities between the BOD, Management and regulatory (CMA) (mean=2.9124). This implies that company's corporate governance framework promotes transparent and efficient markets.

4.2.3 Rights of shareholders and key ownership functions

The respondents were asked to indicate their level of agreement with various statements as they are reflected in their company with regard to the principle of the rights of shareholders and key ownership functions. The responses were placed on the five Likert scale where 1 =Strongly Disagree, 2=disagree 3= Neutral 4=Agree and 5=Strongly Agree. The findings are as shown in table 4.2

Table 4.2: Rights of shareholders and key ownership functions

Paragraphs	Mean	Standard deviation
Basic shareholder right include right to secure company ownership, transfer shares, obtain information, participate in voting at AGM, share profit and elect and remove board members	3.1243	.1442
Shareholders have right to participation, consult each other and sufficiently informed on decision concerning fundamental corporate changes e.g mergers, acquisitions, divestments and / or takeovers.	3.4121	.4124
Shareholder have opportunity to participate effectively, be informed and vote in AGM	3.935	.1423
There is disclosure of capital structure and arrangement that enable certain shareholders to obtain a degree of control disproportional to their equity ownership.	2.246	.2423
Rules and procedures governing the acquisition of corporate control in NSE are efficient and transparent.	2.876	.1244

As per the findings in the Table 4.2 above, most of the respondents agreed that; shareholder have opportunity to participate effectively, be informed and vote in AGM (mean=3.935), Shareholders have right to participation, consult each other and sufficiently informed on decision concerning fundamental corporate changes e.g

mergers, acquisitions, divestments and, or takeovers (mean=3.4121), and that basic shareholder right include right to secure company ownership, transfer shares, obtain information, participate in voting at AGM, share profit and elect and remove board members (mean=3.1243). On the other hand, they disagreed that rules and procedures governing the acquisition of corporate control in NSE are efficient and transparent (mean=2.876) and that there is disclosure of capital structure and arrangement that enable certain shareholders to obtain a degree of control disproportional to their equity ownership (mean=2.246). This indicates that shareholder have opportunity to participate effectively, be informed and vote in AGM and that they have right to participation, consult each other and sufficiently informed on decision concerning fundamental corporate changes e.g mergers, acquisitions, divestments and, or takeovers

4.2.4 Equal treatment of shareholders

The respondents were asked to indicate their level of agreement with various statements as they are reflected in their company with regard to the principle of equal treatment of shareholders. The responses were placed on the five Likert scale where 1 =Strongly Disagree, 2=disagree 3= Neutral 4=Agree and 5=Strongly Agree. The findings are as shown in table 4.3

Table 4.3: Equal treatment of shareholders

Paragraphs	Mean	Standard deviation
Members of the board and key executive disclose to the board their interest in matters that affect the company.	3.6011	.1487
There are mechanisms that provide effective redress for complaints of shareholders.	2.7946	.1244
Voting is cast by custodian or nominee in manner agreed upon with the beneficial owner of the share.	3.0124	.8796
Process and procedures for AGM allow for equitable treatment of all shareholders including minority.	2.8761	.3467
Inside trading and abusive self-trading is prohibited.	3.0142	.6784

The findings in the Table 4.3 above reveal that, most of the respondents agreed that; members of the board and key executive disclose to the board their interest in matters that affect the company (mean=3.6011), inside trading and abusive self-trading is prohibited, (mean=3.0142) and voting is cast by custodian or nominee in manner agreed upon with the beneficial owner of the share (mean=3.0124). On the other hand, they disagreed that process and procedures for AGM allow for equitable treatment of all shareholders including minority (mean=2.8761), and that there are mechanisms that provide effective redress for complaints of shareholders (mean=2.7946). This depicts that members of the board and key executive disclose to the board their interest in matters that affect the company.

4.2.5 Role of stakeholders in corporate governance

The respondents were asked to indicate their level of agreement with various statements as they are reflected in their company with regard to the principle of role of

stakeholders in corporate governance. The responses were placed on the five Likert scale where 1 =Strongly Disagree, 2=disagree 3= Neutral 4=Agree and 5=Strongly Agree. The findings are as shown in table 4.4

Table 4.4: Role of stakeholders in corporate governance

Paragraphs	Mean	Standard deviation
Information is disclosed to all stakeholders by relationship with all the clarity and transparency.	2.7789	.4764
Company recognises company obligations (in law and agreements) to key stakeholders and engages them.	3.4201	.0476
Stakeholders who are protected by law, has opportunity to obtain effective redress for violation of their right.	4.0123	.7864
Stakeholders are free to communicate their concern about illegal or unethical practices to the board without compromising their right.	3.2413	.4742
The company provides a range of performance enhancing employee benefits to align company and employee interests.	3.0012	.1232

From the findings above, most of the respondents strongly agreed that stakeholders who are protected by law, has opportunity to obtain effective redress for violation of their right. (mean=4.0123). In addition respondents agreed that: company recognizes company obligations (in law and agreements) to key stakeholders and engages them (mean=3.4201), stakeholders are free to communicate their concern about illegal or unethical practices to the board without compromising their right (mean=3.2413), and that the company provides a range of performance enhancing employee benefits to align company and employee interests (mean=3.0012). On the other hand, they disagreed that information is disclosed to all stakeholders by relationship with all the

clarity and transparency (mean=2.7789). The findings reveal that stakeholders who are protected by law, has opportunity to obtain effective redress for violation of their right.

4.2.6 Disclosure and transparency

The respondents were asked to indicate their level of agreement with various statements as they are reflected in their company with regard to the principle of disclosure and transparency. The responses were placed on the five Likert scale where 1 =Strongly Disagree, 2=disagree 3= Neutral 4=Agree and 5=Strongly Agree. The findings are as shown in table 4.5

Table 4.5: Disclosure and transparency

Paragraphs	Mean	Standard deviation
The financial reports are disclosed in a timely manner and they are publicly available.	3.8124	.2782
Financial reports are prepared in accordance with IFRS and declaration of the same in made.	3.3642	.4331
Annual audit was conducted by independent, competent and qualified auditor who was accountable to shareholders. .	3.1241	.3124
Responsibilities and tasks entrusted to the board of directors and executive management are disclosed in the annual reports.	2.8421	.6424
There is objective and effective approach that address the promotion of analysis or advice by analyst, brokers and rating agencies.	2.7914	.2374

The findings in the Table 4.5 above reveal that most of the respondents agreed that; the financial reports are disclosed in a timely manner and they are publicly available (mean=3.8124), financial reports are prepared in accordance with IFRS and

declaration of the same in made (mean=3.3642), and that annual audit was conducted by independent, competent and qualified auditor who was accountable to shareholders (mean=3.1241). On the other hand, they disagreed that responsibilities and tasks entrusted to the board of directors and executive management are disclosed in the annual reports (mean=2.8421), and that there is objective and effective approach that address the promotion of analysis or advice by analyst, brokers and rating agencies (mean=2.7914). This implies that the financial reports are disclosed in a timely manner and they are publicly available and that they are prepared in accordance with IFRS and declaration of the same in made

4.2.7 Principle responsibilities of the Board of Directors

The respondents were asked to indicate their level of agreement with various statements as they are reflected in their company with regard to the principle of responsibilities of the Board of Directors. The responses were placed on the five Likert scale where 1 =Strongly Disagree, 2=disagree 3= Neutral 4=Agree and 5=Strongly Agree. The findings are as shown in table 4.6

Table 4.6: Responsibilities of the Board of Directors

Paragraphs	Mean	Standard deviation
BOD act on a fully inform basis, in good faith, with due diligence and care, and best interest of the company and shareholders, and treats all shareholders fairly.	2.9126	.1212
The BOD formed audit committees in accordance with the standards of their own, and their work is independent.	3.1423	.4631
BOD has code of ethic in place and adhered to it.	2.8971	.1234
BOD clearly understands their roles and responsibilities and it ensure execution of the same e.g. setting strategic objective, monitoring key executive and ensuring integrity of organization reports.	2.9631	.9844
Non-executive board members are sufficient to exercise objective independent judgement in corporate affairs.	2.7412	.6774

The findings in the Table 4.6 above reveal that most of the respondents agreed that the BOD formed audit committees in accordance with the standards of their own, and their work is independent (mean=3.1423). On the other hand, they disagreed that: BOD clearly understands their roles and responsibilities and it ensure execution of the same e.g. setting strategic objective, monitoring key executive and ensuring integrity of organization reports (mean=2.9631), BOD act on a fully inform basis, in good faith, with due diligence and care, and best interest of the company and shareholders, and treats all shareholders fairly (mean=2.9126), BOD has code of ethic in place and adhered to it (mean=2.8971) and that non-executive board members are sufficient to exercise objective independent judgement in corporate affairs (mean=2.7412). This

implies that BOD formed audit committees in accordance with the standards of their own, and their work is independent.

4.3 Inferential Statistics

The study further applied general Linear Model to determine the predictive power of the effect of corporate governance on the share price of companies listed at Nairobi security exchange. This included regression analysis, the Model, Analysis of Variance and coefficient of determination.

4.3.1 Regression Analysis

In addition, the researcher conducted a multiple regression analysis so as to test relationship among variables (independent) on the effect of corporate governance on the share price. The researcher applied the statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions for the study.

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (share price) that is explained by all the six independent variables (Basis for an effective framework for corporate governance, the rights of shareholders and key ownership functions, equal treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency, and the responsibilities of the Board of Directors).

4.3.2 Model Summary

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.929 ^a	.862	.829	9.58682

Source: Author (2015)

The six independent variables that were studied, explain only 86.2% on the influence of corporate governance on the share price represented by the R^2 . This therefore means that other factors not studied in this research contribute 13.8% of the influence of corporate governance on the share price. Therefore, further research should be conducted to investigate the other factors (13.8%) that affect the share price.

4.3.3 ANOVA Results

Table 4.8 ANOVA of the Regression

Model		Sum of Squares	of Df	Mean Square	F	Sig.
1	Regression	14381.610	6	2396.935	26.080	.000 ^b
	Residual	2297.680	25	91.907		
	Total	16679.289	31			

Source: Author (2015)

The significance value is 0.000 which is less than 0.05 thus the model is statistically significant in predicting how (operational efficiency, inflation rate, size of the bank, discount rates, and treasury bill rates) affect share price. The F critical at 5% level of

significance was 2.25. Since F calculated is greater than the F critical (value = 26.080), this shows that the overall model was significant.

4.3.4 Coefficient of Correlation

Basis for an effective framework for corporate governance, the rights of shareholders and key ownership functions, equal treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency, and the responsibilities of the Board of Directors

Table 4.9: Coefficient of Correlation

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-109.233	12.613		-8.661	.000
1					
Basis for an effective framework for corporate governance	2.011	1.745	.186	1.152	.260
the rights of shareholders and key ownership functions	.750	2.412	.059	.311	.759
equal treatment of shareholders	12.900	2.434	.984	5.299	.000
the role of stakeholders in corporate governance	1.948	1.474	.145	1.322	.198
disclosure and transparency	-10.145	1.886	-.841	-5.379	.000
responsibilities of the Board of Directors	4.282	2.045	.333	2.094	.047

Source: Author (2015)

Multiple regression analysis was conducted as to determine the relationship between the share price and the six variables. As per the SPSS generated table below, regression equation

$(Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon)$ becomes:

$(Y = -109.233 + 2.011 X_1 + .750 X_2 + 12.900 X_3 + 1.948 X_4 - 10.145 X_5 + 4.282 X_6)$

According to the regression equation established, taking all factors into account (Basis for an effective framework for corporate governance, the rights of shareholders and key ownership functions, equal treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency, and the responsibilities of the Board of Directors) constant at zero, share price will be -109.233. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in basis for an effective framework for corporate governance will lead to a 2.011 increase in share price, a unit increase in the rights of shareholders and key ownership functions will lead to a .750 increase in share price, a unit increase in equal treatment of shareholders will lead to a 12.900 increase in share price, a unit increase in the role of stakeholders in corporate governance will lead to a 1.948 increase in share price, a unit increase in disclosure and transparency will lead to a 10.145 decrease in share price, while a unit increase in responsibilities of the Board of Directors will lead to a 4.282 increase in share price.

This infers that equal treatment of shareholders contribute most to the share price, followed by responsibilities of the board of directors. At 5% level of significance and 95% level of confidence, only equal treatment of shareholders, disclosure and transparency, and responsibilities of the Board of Directors were significant in share price. On the other hand, the role of stakeholders in corporate governance, the rights

of shareholders and key ownership functions, and basis for an effective framework for corporate governance were insignificant in share price.

4.4 Summary and Interpretation of Findings

The findings of the study revealed that company's corporate governance framework promotes transparent and efficient markets and that shareholder have opportunity to participate effectively, be informed and vote in AGM and that they have right to participation, consult each other and sufficiently informed on decision concerning fundamental corporate changes e.g mergers, acquisitions, divestments and, or takeovers. According to Ngugi (2007) inside directors are more familiar with the firm's activities and they can act as monitors to top management especially if they perceive the opportunity to advance into positions held by incompetent executives. The study also found that the effectiveness of a board depends on the optimal mix of inside and outside directors concluding that an optimal board composition lead to better performance of the companies. This study also established that members of the board and key executive disclose to the board their interest in matters that affect the company and those stakeholders who are protected by law, has opportunity to obtain effective redress for violation of their right. In addition, the study found out that the financial reports are disclosed in a timely manner and they are publicly available and that they are prepared in accordance with IFRS and declaration of the same in made. Moreover it was observed from the study that BOD formed audit committees in accordance with the standards of their own, and their work is independent. Similarly, Gatauwa (2008) studied the relationship between corporate governance practices and stock market liquidity for firms listed on the NSE.

The study found that greater disclosure enhances stock market liquidity, thereby reducing the cost of capital. The commitment of management team to increase the

level of disclosure also lowers the information asymmetry between managers and shareholders and lowers the cost of capital. Matengo (2008) also conducted a study on the relationship between corporate governance practices and performance the case of banking industries in Kenya. The study found that good corporate governance will lead to lower firm risk and subsequently to a lower cost of capital. The study also found that separation of ownership and control maximizes shareholders wealth.

From the regression model, the study found out that only equal treatment of shareholders, disclosure and transparency, and responsibilities of the Board of Directors were significant in share price. Corporate governance plays an important role in the stability of financial markets and increases the competitiveness of public shareholding companies through enhanced transparency, improved corporate governance, and to achieve a balance of interests between the company's management, shareholders, employees, creditors and other parties of interest. All this will contribute to lowering the cost of capital, and thus make access to lower-cost sources of funding for future projects of the company (Talal and Mostafa, 2014).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary, conclusion and recommendations of the main findings on the effect of operational efficiency on interest rate spread among commercial banks in Kenya

5.2 Summary of Findings

The study established that company's corporate governance framework promotes transparent and efficient markets and that shareholder have opportunity to participate effectively, be informed and vote in AGM and that they have right to participation, consult each other and sufficiently informed on decision concerning fundamental corporate changes e.g mergers, acquisitions, divestments and, or takeovers

This study also established that members of the board and key executive disclose to the board their interest in matters that affect the company and those stakeholders who are protected by law, has opportunity to obtain effective redress for violation of their right. In addition, the study found out that the financial reports are disclosed in a timely manner and they are publicly available and that they are prepared in accordance with IFRS and declaration of the same in made. Moreover it was observed from the study that BOD formed audit committees in accordance with the standards of their own, and their work is independent.

The study established that only equal treatment of shareholders, disclosure and transparency, and responsibilities of the Board of Directors were significant in share

price. All of the variables influenced it positively except for disclosure and transparency, which had a negative influence.

The study established that taking all factors into account (Basis for an effective framework for corporate governance, the rights of shareholders and key ownership functions, equal treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency, and the responsibilities of the Board of Directors) constant at zero, share price will be -109.233. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in basis for an effective framework for corporate governance will lead to a 2.011 increase in share price, a unit increase in the rights of shareholders and key ownership functions will lead to a .750 increase in share price, a unit increase in equal treatment of shareholders will lead to a 12.900 increase in share price, a unit increase in the role of stakeholders in corporate governance will lead to a 1.948 increase in share price, a unit increase in disclosure and transparency will lead to a 10.145 decrease in share price, while a unit increase in responsibilities of the Board of Directors will lead to a 4.282 increase in share price.

5.3 Conclusions

The study concludes that company's corporate governance framework promotes transparent and efficient markets and that shareholder have opportunity to participate effectively, be informed and vote in AGM and that they have right to participation, consult each other and sufficiently informed on decision concerning fundamental corporate changes e.g mergers, acquisitions, divestments and, or takeovers

This study also concluded that members of the board and key executive disclose to the board their interest in matters that affect the company and those stakeholders who are

protected by law, has opportunity to obtain effective redress for violation of their right. In addition, the study concludes out that the financial reports are disclosed in a timely manner and they are publicly available and that they are prepared in accordance with IFRS and declaration of the same in made. Moreover it was observed from the study that BOD formed audit committees in accordance with the standards of their own, and their work is independent.

The study concludes that only equal treatment of shareholders, disclosure and transparency, and responsibilities of the Board of Directors were significant in share price. All of the variables influenced it positively except for disclosure and transparency, which had a negative influence.

The study concludes that the board of Directors positively and significantly influenced the share price of companies at NSE, responsibilities effective framework for corporate governance positively and insignificantly influenced the share price of companies at NSE, role of stakeholders in corporate governance positively and insignificantly influenced the share price of companies at NSE, disclosure and transparency negatively and significantly influenced the share price of companies at NSE, responsibilities of the rights of shareholders and key ownership functions positively and insignificantly influenced the share price of companies at NSE, and that equal treatment of shareholders positively and significantly influenced the share price of companies at NSE

5.4 Limitation of the Study

The main purpose of this study was to investigate or establish the effect of corporate governance on the share price of companies listed at Nairobi security exchange, companies considered some information sensitive and confidential and thus the

researcher has to convince them that the main purpose of information is academic research only and may not be used for any other intentions.

A second limitation of this study is that the findings are applicable to Kenyan companies and within the period of study. It is not established whether the results are applicable outside Kenya or not. As to whether the findings are applicable after the study was conducted the study has not expressly given that indication.

The third limitation of this study is that share prices keeps on changing from period to period depending on prevailing economic situations in the country hence the findings may not reflect the true effect of corporate governance on the share price of companies listed at Nairobi security exchange for a period considered.

The fourth limitation of this study is the quality of data collected was affected by the fact that the researcher could not control the attitude of the respondents during the data collection. This may affect the reliability and suitability of the data.

The fifth limitation was that the nature of data from the annual statements affected the results in an unanticipated manner or limits the power of the tests to detect associations. This may be created by variation of statistical figures illustrating the key variables measurements. However, the use of secondary data provided an opportunity to search for a more genuine and intrinsic relationship between the variables. This afforded the researcher the benefits of a greater focus on analyzing the available data more closely in a way that would enhance the achievement of the study objectives.

5.5 Recommendations

5.5.1 Policy Recommendations

From the findings, the study established that board of Directors as a corporate governance practice positively affected the share prices of the companies listed in the NSE. Therefore the study recommends that the management of the listed firms should strive to achieve an optimal board of Directors for their firms in order to enhance their firms' value hence leading to an increase in their firms' share prices.

From the findings, the study established that effective framework for corporate governance as a corporate governance practice positively affected the share prices of the companies listed in the NSE. Therefore the study recommends that the management of the listed firms should strive to achieve an effective framework for corporate governance for their firms in order to enhance their firms' value hence leading to an increase in their firms' share prices.

From the findings, the study established that disclosure and transparency as a corporate governance practice negatively affected the share prices of the companies listed in the NSE. Therefore the study recommends that the management of the listed firms should avoid disruptive and non-value adding disclosure and transparency in order to enhance their firm's financial performance hence leading to an increase in their firms' share prices

5.5.2 Suggestions for Further Research

Since this study explored the effect of corporate governance on share prices of companies quoted in the NSE, the study recommends that similar study should be done in other countries for comparison purposes and to allow for generalization of

findings on the effect of corporate governance on the share prices of quoted companies.

The study also recommend that further study should be done focusing on secondary data only which is easily accessible overcoming the limitation of no response encountered in this study.

The period of the study should also be increased to 20 years or more to cover as much variance as possible in the corporate governance practices and the volatility of the share prices in the listed companies.

As this study explored the effect of corporate governance on share prices of companies quoted in the NSE, the study recommends that similar study should be done to explore the effect of corporate governance on firm survival of the listed firms in Kenya.

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APPENDICES

Appendix I: Letter of Introduction

LETTER OF INTRODUCTION

Evans Kipngeno Ronoh

P.O. Box 45250-00100,

Nairobi.

To: _____

Dear Sir/Madam,

RE: INTRODUCTION LETTER FOR EVANS KIPNGENO RONO

I am a student pursuing a master of science in finance programme at the University of Nairobi. The second Part of the course requires me to conduct a research project on a specified topic on my field of study. Consequently, I am carrying out a study on “Effects of corporate governance on the share price of companies listed at Nairobi Security Exchange”

I will therefore be grateful if you provide me with the information requested in the attached questionnaire. This information will be treated with confidentiality and will solely be used for the purposes of this study.

Thank you in advance for your co-operation

Yours faithfully,

Evans K. Rono

Student at University of Nairobi, School of Business

Appendix II: Questionnaire

Section I: Personal information and functional:

- Kindly put signal (X) at the appropriate choice:

1 Sex: Male () Female ()

2 Specialization:(eg Finance or Accounting)

3 Qualification: Diploma (), Bachelor (), Masters () or Doctorate ()

4 Job title: CEO () MD () FM () CFO () (Other please indicate.....)

5 Years of Experience: Less than 5 Years () 6-10 Years () 11-15 years ()
16 + years ()

6 Professional Certificate: (Please indicate.....) e.g CPA, CISA or
ACCA

Section II: Questions

Kindly indicate where the study sample under test to extent of your agreement for each paragraph of the questionnaire as follows:

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
5	4	3	2	1

1. Principle of ensuring the existence of a basis for an effective framework for corporate governance:

Paragraphs		5	4	3	2	1
1	Company's corporate governance framework promotes transparent and efficient markets.					
2	Company's corporate governance framework creates incentive to market participation.					
3	Company's corporate governance is consistent with the rule of law i.e. constitution Chapter 2 article 10 (1).					
4	There is division of responsibilities between the BOD, Management and regulatory (CMA).					
5	CMA has authority, integrity and resources to fulfil their duty in a professional and objective manner.					

2. Principle of the rights of shareholders and key ownership functions:

Paragraphs		5	4	3	2	1
6	Basic shareholder right include right to secure company ownership, transfer shares, obtain information, participate in voting at AGM, share profit and elect and remove board members					

7	Shareholders have right to participation, consult each other and sufficiently informed on decision concerning fundamental corporate changes e.g mergers, acquisitions, divestments and / or takeovers.					
8	Shareholder have opportunity to participate effectively, be informed and vote in AGM					
9	There is disclosure of capital structure and arrangement that enable certain shareholders to obtain a degree of control disproportional to their equity ownership.					
10	Rules and procedures governing the acquisition of corporate control in NSE are efficient and transparent.					

3. Principle of equal treatment of shareholders:

Paragraphs		5	4	3	2	1
11	Members of the board and key executive disclose to the board their interest in matters that affect the company.					
12	There are mechanisms that provide effective redress for complaints of shareholders.					
13	Voting is cast by custodian or nominee in manner agreed upon with the beneficial owner of the share.					
14	Process and procedures for AGM allow for equitable treatment of all shareholders including minority.					
15	Inside trading and abusive self-trading is prohibited.					

4. Principle role of stakeholders in corporate governance:

Paragraphs		5	4	3	2	1
16	Information is disclosed to all stakeholders by relationship with all the clarity and transparency.					

17	Company recognises company obligations (in law and agreements) to key stakeholders and engages them.					
18	Stakeholders who are protected by law, has opportunity to obtain effective redress for violation of their right.					
19	Stakeholders are free to communicate their concern about illegal or unethical practices to the board without compromising their right.					
20	The company provides a range of performance enhancing employee benefits to align company and employee interests.					

5. The principle of disclosure and transparency:

Paragraphs		5	4	3	2	1
21	The financial reports are disclosed in a timely manner and they are publicly available.					
22	Financial reports are prepared in accordance with IFRS and declaration of the same in made.					
23	Annual audit was conducted by independent, competent and qualified auditor who was accountable to shareholders. .					
24	Responsibilities and tasks entrusted to the board of directors and executive management are disclosed in the annual reports.					
25	There is objective and effective approach that address the promotion of analysis or advice by analyst, brokers and rating agencies					

6. Principle responsibilities of the Board of Directors:

Paragraphs		5	4	3	2	1
26	BOD act on a fully inform basis, in good faith, with due diligence and care, and best interest of the company and shareholders, and treats all shareholders fairly.					

27	The BOD formed audit committees in accordance with the standards of their own, and their work is independent.					
28	BOD has code of ethic in place and adhered to it.					
29	BOD clearly understands their roles and responsibilities and it ensure execution of the same e.g. setting strategic objective, monitoring key executive and ensuring integrity of organization reports.					
30	Non-executive board members are sufficient to exercise objective independent judgement in corporate affairs.					

Appendix III: Companies listed in NSE

AGRICULTURAL

Eaagads Ltd

Kakuzi Ltd

Kapchorua Tea Co. Ltd

The Limuru Tea Co. Ltd

Rea Vipingo Plantations Ltd

Sasini Ltd

Williamson Tea Kenya Ltd

AUTOMOBILES & ACCESSORIES

Car & General (K) Ltd

Marshalls (E.A.) Ltd

Sameer Africa Ltd

BANKING

Barclays Bank of Kenya Ltd

CFC Stanbic of Kenya Holdings Ltd

Diamond Trust Bank Kenya Ltd

Equity Bank Ltd

Housing Finance Co. Kenya Ltd

I&M Holdings Ltd

Kenya Commercial Bank Ltd

National Bank of Kenya Ltd

NIC Bank Ltd

Standard Chartered Bank Kenya Ltd

The Co-operative Bank of Kenya Ltd

COMMERCIAL AND SERVICES

Express Kenya Ltd

Hutchings Biemer Ltd

Kenya Airways Ltd

Longhorn Kenya Ltd

Nation Media Group Ltd

Scangroup Ltd

Standard Group Ltd

TPS Eastern Africa Ltd

Uchumi Supermarket Ltd

CONSTRUCTION & ALLIED

ARM Cement Ltd

Bamburi Cement Ltd

Crown Paints Kenya Ltd

E.A.Cables Ltd

E.A.Portland Cement Co. Ltd

ENERGY & PETROLEUM

KenGen Co. Ltd

KenolKobil Ltd

Kenya Power & Lighting Co Ltd

Kenya Power & Lighting Ltd 4% Pref 20.00

Kenya Power & Lighting Ltd 7% Pref 20.00

Total Kenya Ltd

Umeme Ltd

INSURANCE

British-American Investments Co.(Kenya) Ltd

CIC Insurance Group Ltd

Jubilee Holdings Ltd

Kenya Re Insurance Corporation Ltd

Liberty Kenya Holdings Ltd

Pan Africa Insurance Holdings Ltd

INVESTMENT

Centum Investment Co Ltd

Olympia Capital Holdings Ltd

Trans-Century Ltd

INVESTMENT SERVICES

Nairobi Securities Exchange Ltd Ord 4.00

MANUFACTURING & ALLIED

A.Baumann & Co Ltd

B.O.C Kenya Ltd

British American Tobacco Kenya Ltd

Carbacid Investments Ltd

East African Breweries Ltd

Eveready East Africa Ltd

Kenya Orchards Ltd

Mumias Sugar Co. Ltd

Unga Group Ltd

TELECOMMUNICATION & TECHNOLOGY

Safaricom Ltd

GROWTH ENTERPRISE MARKET SEGMENT (GEMS)

Flame Tree Group Holdings Ltd Ord 0.825

Home Afrika Ltd

Appendix IV: Research Data

Company	Industry	Current price	Earnings Price per share	P/E Ratio	CG Rating %	Principle 1	Principle 2	Principle 3	Principle 4	Principle 5	Principle 6	Total
Eaagads Ltd Ord 1.25	AGRICULTURAL	32.75	-1.3	25.192 308	53.35	10.00	8.67	7.34	10.67	8.67	8.00	53.35
Rea Vipingo Plantations Ltd Ord 5.00	AGRICULTURAL	27.5	7.37	3.7313 4328	58.01	12.00	10.00	8.67	10.67	8.67	8.00	58.01
Kakuzi Ord.5.00	AGRICULTURAL	325	8.17	39.779 6818	72.69	14.00	12.67	11.34	12.67	10.67	11.34	72.69
Sameer Africa Ltd Ord 5.00	AUTOMOBILES AND ACCESSORIES	4.6	-0.24	- 19.166 667	53.35	10.67	8.67	8.00	9.34	8.67	8.00	53.35
Car and General (K) Ltd Ord 5.00	AUTOMOBILES AND ACCESSORIES	7.7	0.43	17.906 9767	73.35	14.00	11.34	12.00	14.67	12.67	8.67	73.35
CFC Stanbic Holdings Ltd ord.5.00	BANKING	97.5	14.38	6.7802 5035	61.35	12.00	10.00	9.34	11.34	10.00	8.67	61.35
NIC Bank Ltd Ord 5.00	BANKING	49.5	7.07	7.0014 1443	63.36	11.34	10.00	8.67	13.34	10.67	9.34	63.36
Diamond Trust Bank Kenya Ltd Ord 4.00	BANKING	204	21.92	9.3065 6934	56.68	8.67	10.00	9.34	8.67	10.00	10.00	56.68

Equity Bank Ltd Ord 0.50	BANKING	43.25	4.63	9.3412 527	57.36	9.34	10.67	9.34	8.67	8.67	10.67	57.36
Kenya Commercial Bank Ltd Ord 1.00	BANKING	49.25	5.63	8.7477 7975	54.69	8.67	9.34	9.34	8.67	8.67	10.00	54.69
Kenya Airways Ltd Ord 5.00	COMMERCIA L AND SERVICES	5.25	13.35	- 0.3932 584	54.02	11.34	9.34	8.67	8.00	8.67	8.00	54.02
Express Ltd Ord 5.00	COMMERCIA L AND SERVICES	4.6	-2.18	- 2.1100 917	52.68	11.34	8.00	8.00	10.00	8.00	7.34	52.68
Standard Group Ltd Ord 5.00	COMMERCIA L AND SERVICES	38.75	2.57	15.077 821	68.02	13.34	8.67	12.00	12.00	12.67	9.34	68.02
Atlas Development and Support Services	COMMERCIA L AND SERVICES	9.5	-0.15	- 63.333 333	57.34	8.00	8.67	8.00	12.00	12.00	8.67	57.34
Scangroup Ltd Ord 1.00	COMMERCIA L AND SERVICES	38	1.5	25.333 3333	70.02	13.34	12.00	11.34	12.00	10.67	10.67	70.02
Nation Media Group Ltd.	COMMERCIA L AND SERVICES	178	13.1	13.587 7863	65.35	12.00	8.67	12.00	11.34	12.67	8.67	65.35
Athi River Mining Ord 5.00	CONSTRUCTI ON AND ALLIED	61	3.01	20.265 7807	71.35	12.67	12.67	10.67	12.00	12.00	11.34	71.35
E.A.Portland	CONSTRUCTI	59	-4.3	-	56.7							56.7

Cement Ltd Ord 5.00	ON AND ALLIED			13.720 93		11.34	9.34	9.34	10.00	9.34	7.34	
Crown Berger Ltd Ord 5.00	CONSTRUCTI ON AND ALLIED	65	0.83	78.313 253	86.02	15.34	14.67	14.00	13.34	14.00	14.67	86.02
Total Kenya Ltd Ord 5.00	ENERGY AND PETROLEUM	21.75	2.26	9.6238 9381	62.03	10.00	9.34	8.67	13.34	9.34	11.34	62.03
KenGen Ltd Ord. 2.50	ENERGY AND PETROLEUM	8.3	1.29	6.4341 0853	53.36	9.34	8.67	9.34	8.67	8.00	9.34	53.36
CIC Insurance Group Ltd Ord 1.00	INSURANCE	7.7	0.43	17.906 9767	74.02	14.00	13.34	11.34	10.67	12.67	12.00	74.02
Kenya Re-Insurance Corporation Ltd Ord 2.50	INSURANCE	16.65	4.48	3.7165 1786	56.02	10.67	9.34	8.67	10.67	8.67	8.00	56.02
Centum Investment Co Ltd Ord 0.50	INVESTMENT SERVICES	54	10.44	5.1724 1379	51.34	8.00	8.00	10.00	8.00	8.67	8.67	51.34
Home Afrika Ltd Ord 1.00	INVESTMENT SERVICES	2.45	0.05	49	76.69	14.67	13.34	12.00	12.67	10.67	13.34	76.69
Nairobi Securities Exchange Ltd Ord 4.00	INVESTMENT SERVICES	20.75	1.35	15.370 3704	70.69	13.34	10.67	12.00	10.67	13.34	10.67	70.69
British American Tobacco Kenya Ltd Ord 10.00	MANUFACTU RING AND ALLIED	736	42.55	17.297 2973	72.02	14.00	12.00	12.67	10.67	13.34	9.34	72.02
East African	MANUFACTU	310	11.31	27.409	76.02							76.02

Breweries Ltd Ord 2.00	RING AND ALLIED			3722		14.67	12.00	12.67	12.00	13.34	11.34	
Unga Group Ltd Ord 5.00	MANUFACTU RING AND ALLIED	42.75	6.35	6.7322 8346	68.03	13.34	10.67	10.67	11.34	11.34	10.67	68.03
Barclays Bank of Kenya Ltd	BANKING	13.85	1.54	8.9935 0649	69.35	14.00	11.34	10.00	12.00	11.34	10.67	69.35
Eveready East Africa Ltd	MANUFACTU RING AND ALLIED	3.5	-0.85	- 4.1176 471	50.68	10.67	8.00	8.00	8.67	8.00	7.34	50.68
Safaricom Ltd Ord 0.05	TELECOMMU NICATION AND TECHNOLOG Y	15.35	0.8	19.187 5	76.02	14.67	12.67	12.67	11.34	12.67	12.00	76.02
Average						11.90	10.40	10.19	10.94	10.59	9.80	63.81 125