EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE IN MANUFACTURING AND ALLIED FIRMS IN KENYA

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MASTER OF SCIENCE IN COMMERCE (FINANCE AND ACCOUNTING)

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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I do hereby confirm that I have examined the master's dissertation of

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And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed.

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ABSTRACT

The study investigated the effect of corporate governance on financial performance of manufacturing and allied firms in Kenya. The objective of the study was to establish the relationship between the corporate governance characteristics: board composition, board remuneration, and director's equity holdings on financial performance measured using ROA and ROE. A cross-sectional survey design was used in the study. Of the target population of 62 listed companies at the NSE, the 9 companies under the manufacturing and allied segment were selected for the study. Secondary data was collected from statements of financial performance such as balance sheets and income statements of individual companies. All the data collected was analyzed by first entering the raw data into an Excel spreadsheet and uploading it to the Statistical Packages for Social Sciences (SPSS Version 21) software for descriptive and inferential statistical measures. Pooled cross-sectional time-series data analysis was used to establish the relationship between corporate governance and financial performance and descriptive narrative was used to explain and interpret the findings. Descriptive statistics showed that the highest proportion of independent directors was 76% of the total number of directors. The highest annual average of board remuneration was KES 12,438,100, while the lowest was KES 2,795,200. There was a wide variation in the amount of compensation awarded to directors. There were very low levels of director's equity holding, with the exception of one company, where the Government held a shareholding of 20%. The findings show that there was a positive and significant relationship between board composition ($p=0.002$), board remuneration ($p=0.004$), and director's equity holding ($p=0.031$) and ROA. There was no significant relationship between corporate governance variables and ROE. Firm size was positively and significantly associated with both ROE and ROA. Corporate governance variables have positive impact on performance of manufacturing and allied firms. The study recommends that manufacturing and allied companies listed at the NSE can pursue sound corporate governance frameworks as a way of improving financial performance.

Keywords: corporate governance, board composition, board remuneration, director's equity holding, financial performance, return on equity (ROE), return on assets (ROA)

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ACRONYMS AND ABBREVIATIONS

BC: Board Compensation

BR: Board Remuneration

CEO: Chief Executive Officer

CMA: Capital Market Authority

DE: Director's Equity Holding

FS: Firm Size

GDP: Gross Domestic Product

KCC: Kenya Co-operative Creameries

KES: Kenya Shillings

KIPPRA: Kenya Institute for Policy Research and Analysis

NSE: Nairobi Securities Exchange

OECD: Organizational Economic for Corporation and Development

OLS: Ordinary Least Squares

ROA: Return on Assets

ROE: Return on Equity

SPSS: Statistical Packages for Social Sciences

TERMS AND DEFINITIONS

Board composition: This is defined as the proportion of representation of non-executive directors on the board.

Corporate Governance: At the basic level, it refers to the methods by which suppliers of finance control managers in order to ensure that their capital cannot be expropriated and that they earn a return on their investment. According to OECD (2004), corporate governance is defined as the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance. The OECD definition informed this study.

Financial Performance: This is a measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time. In this study, the measures of financial performance were return on assets (ROA) and return on equity (ROE).

Return on Assets: A measure of a company's profitability, equal to a fiscal year's earnings divided by its total assets, expressed as a percentage.

Return on Equity: A measure of how well a company used reinvested earnings to generate additional earnings, equal to a fiscal year's after-tax income (after preferred stock dividends but before common stock dividends) divided by book value, expressed as a percentage.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Corporate governance has become a central pillar of corporate sector growth in the 21st century, both in developed and developing nations (Erkens, Hung, and Matos, 2012). As companies in developing countries begin to access international capital and as foreign investors begin to acquire stakes in local companies, the design of well laid out governance structure has increasingly become important for corporate sector growth (Sarkar, Sarkar, and Sen, 2012). An argument has been advanced from time to time that the corporate governance structure of a firm affects its ability to respond to external factors that influence its financial performance (Miring'u and Muoria, 2011).

1.1.1. Corporate governance

Corporate governance is a structure whereby managers at the organizational apex are controlled through the board of directors, its associated structures, executive incentive, and other schemes of monitoring and bonding (Donaldson, 1990). Shleifer and Vishny (1997) defined it as "ways in which suppliers of finance to companies assure themselves of getting a return on their investment" (p.737). Cadbury (1992) defined it as "the system by which companies are directed and controlled" (p. 14). Carney and Gedalovic (2001) defined it as "a socially constructed force of field of driving and preventing forces that shape a firm's strategic behavior" (p. 337). Millstein (2004) defines it as "that blend of law, regulation and appropriate voluntary private sector practices which enables the corporation to attract financial and human capital, perform efficiently and thereby perpetuate itself by generating long term economic value for its shareholders, while respecting the interests of stakeholders and society as a whole." Corporate governance can also be understood as the "the whole set of legal, cultural, and institutional arrangements that determine what public corporations can

do, who controls them, how that control is exercised, and how the risks and return from the activities they undertake are allocated" (Sarkar, Sarkar, and Sen, 2012 p. 2).

While various definitions abound, the most comprehensive definition of corporate governance, and which is adopted in corporate governance frameworks around the world was given by the Organization for Economic Cooperation and Development (OECD). According to the OECD (2004), corporate governance refers to the "rules and practices that govern the relationship between the managers and shareholders of corporations, as well as stakeholders like employees and creditors – contributes to growth and financial stability by underpinning market confidence, financial market integrity and economic efficiency (OECD, 2004, p.1).

OECD defined corporate governance as the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance (OECD, 2004). The corporate governance in any country is one component of the wider institutional structure responsible for regulating the relationships between the management of any firm who control the resources and activities and the social and economic stakeholders who possess legitimate interest in the activities of the firm (Carney and Gedajkovic, 2001).

The board of directors has the authority to direct, organize, and control the corporate entity. It relates to the relationship between the legitimate stakeholders in a firm and makes certain that there is appropriate direction in the company for reasonable return on investments (Abdul-Qadir and Kwanbo, 2012). The board develops the processes, systems, practices and procedures that govern institutions; as well as the resolution of collective action problems

among dispersed investors and the reconciliation of conflicts of interest between various corporate claim holders (Becht et al, 2005). Therefore, the corporate governance structure of the firm specifies how the rights and responsibilities of various participants are distributed in the corporation. The board, managers, shareholders and all other stakeholders are guided by specific rules and procedures for making decisions on corporate affairs (Abdul-Qadir and Kwanbo, 2012; Akinsulire, 2006).

There are other perspectives on corporate governance, the corporation's perspective and the public policy perspectives. The corporation's perspective is about maximizing value subject to meeting the corporation's financial, legal, contractual, and other obligations. This perspective stresses the need for boards of directors to balance the interests of shareholders with those of other stakeholders – employees, customers, suppliers, investors, etc. - in order to achieve long term sustained value for the corporation. From a public policy perspective, corporate governance is about nurturing enterprises while ensuring accountability in the exercise of power and patronage by firms. The role of public policy is to provide firms with the incentives and discipline to minimize the divergence between private and social returns and to protect the interests of stakeholders. These two perspectives provide a framework for corporate governance that reflects the interplay between internal incentives and external forces that govern the behaviour and performance of the firm (Abdul-Qadir and Kwanbo, 2012).

Corporate governance is different from corporate management, even though sometimes they are used interchangeably in some books. While corporate management refers to the general process by which decisions are made in any firm, corporate government refers to the set of rules and practices that are established to ensure that the corporation is serving the interests of the shareholders. Gomez (1997) provides an important distinction by stating that management is more or less rationalized mechanical organization of the hierarchies of

power to achieve efficiency, once the objectives have been defined, while governance is the choice of objectives and the means to achieve them in order to check that they have actually been achieved in the interest of the parties in the enterprise. From these distinctions, it is apparent that corporate governance plays a supervisory role.

Even though the term 'corporate governance' is relatively new in literature, the aspects of business that it addresses are not (Manawaduge, 2012). One of the first pioneering studies that brought to the fore issues of corporate governance was Berle and Means (1932) who raised issues of separation of ownership and control in large organizations and differentiated the interests of managers and owners of the firms. Thus, as Tricker (2000) suggests, corporate issues can only arise when a corporate entity has only acquired the status of legal entity, in which the ownership of the firm must be separated from the management. Owing to this separation, there must be good governance practices to ensure that the interests of the owners are secured (Manawaduge, 2012).

The concept of corporate governance gained prominence in the 1980s because this period was characterized by stock market crashes in different parts of the world and failure of some corporations due to poor governance practices (Dagli, Eyuboglu, and Ayadin, 2012). As more corporate entities in different parts of the world collapsed in 1980s, there was a change of attitude with much higher performance expectations being placed on management boards of firms (Cutting and Kouzim, 2000). There was also a growing realization that managers are to run firms while boards are to ensure that firms are run effectively and in the right direction (Gompers, Ishii, and Metrick, 2003). Even though, corporate governance is a considerably modern approach, having been in use for only two decades; it has gained importance internationally and the quality of corporate governance is used as an indicator of the financial performance of companies (Dagli, Eyuboglu, and Ayadin, 2012).

1.1.2. Financial performance

The recent financial crisis stimulated the re-emergence of the question of sound corporate governance in financial institutions. In light of the corporate financial scandals and high profile bankruptcies like the Lehman Brothers Holdings, the focus on corporate governance issues has increased to minimize economic risks and foster public and investor confidence in the financial market (Aebi, Sabato, and Schmid, 2011). While the Enron and WorldCom scandals of the 1990s led to the development of new accounting practices, the 2007-2008financial crises has increased awareness and the need for appropriate risk management structures and techniques in financial organizations. Public policy makers around the world are leading reforms on corporate governance structures, particularly the role it plays in financial risk management and improves financial performance (Aebi, Sabato, and Schmid, 2011; OECD, 2009).

There are various legitimate reasons why nurturing and promoting corporate governance in both developing and developed countries can promote economic growth and improve the living standards of its citizens. Markets are an integral component of any economy and corporate governance plays a very important role in the growth and regulation of markets. Good corporate governance practices ensure integrity, transparency, accountability and enforceability in the market place. Further, corporate governance practices ensure that there is efficient allocation of resources and guarantee investors substantial returns on their investor. As a framework of investor protection, it encourages investment (Gakeri, 2013).

Corporate governance is also about commitment to values and ethical business conduct. Since it details how an organization is managed, it also concerns itself with timely and accurate disclosures of information regarding the financial position, performance, ownership, and governance of the company. The fact that corporate governance improves

public understanding of the structure, activities, and policies in the company makes it easier for the firm to attract investors and enhance the trust and confidence given to it by stakeholders (Panchasara, 2012). Ethical business conduct is important because corporate governance structures were developed to deal with corporate scams and failures. It has been established by various researchers that various financial scandals in the world can be attributed to weak corporate structures. Thus, one of the most fundamental principles in corporate governance is transparency and ethics. Given the current global challenges, adoption of sound corporate governance practices by business and economic enterprises lies at the heart of living, working, surviving, succeeding, and excelling into the future (Panchasara, 2012).

Various research findings recommended that companies with good governance practices perform better in commercial terms across the world. Adopting corporate governances best practices improve access to external financing, lower the cost of capital, improve operational performance, increase firm valuation, improve share performance, and reduce the risk of corporate crises and scandals. Good corporate governance will ensure the interest of every stakeholder including the investors by offering premium price, companies with higher access to finance and reduction of risks resulting improved profitability, the public sector through the development of stronger capital market, increased investment, and high economic growth, and a business relationship among the stakeholders which is based on the pillars of good corporate governance i.e. transparency, accountability, fairness and responsibility (Bhavik, 2012). High corporate governance is associated with efficient corporate management and high valuation. It is for this reason that jurisdictions that have better corporate governance structures perform much better than those without, or with poor structures. Corporate governance ensures that the investments are secure and well managed hence good systems

attract high levels of direct investment. Corporations with good corporate governance structures are more likely to attract investors. The contribution of corporate governance to capital formation, maximization of shareholder value and protection of investor rights is widely acknowledged and documented. In the same vein, corporate governance promotes market integrity, investor confidence and economic growth (Ongore and K'Obonyo, 2011).

Globally, corporate governance has become indispensable to the development of deep and vibrant securities markets, since strong corporate governance is essential for deep and vibrant security markets. It is because of this reason that many jurisdictions in the world have adopted non-binding codes and guidelines that promote the principles of corporate governance. This is so because countries recognize that even though corporate governance may not be a source of economic growth, it plays a major role in facilitating the efficient functioning of various economic factors (OECD, 2009).

1.1.3. The Manufacturing Sector in Kenya

The manufacturing sector in Kenya constitutes 70 per cent of the industrial sector contribution to GDP, with building, construction, mining and quarrying cumulatively contributing the remaining 30 per cent. Kenya Vision 2030 identifies the manufacturing sector as one of the key drivers for realizing a sustained annual GDP growth of 10 per cent (KIPPRA, 2013). The manufacturing industry in Kenya consists of food and beverage industry, paper manufacturing, plastic manufacturing, metal and allied industry. According to the Kenya association of Manufacturers, the manufacturing industry in Kenya contributes an average of 18 per cent of the GDP and employs more than 2.3 million people both in the formal and informal sector (Cliff and Willy, 2014). The contribution of the manufacturing sector to GDP has continued to stagnate at about 10 per cent, with contribution to wage employment on a declining trend (KIPPRA, 2013).

The Kenya Association of Manufacturers (KAM) indicates that there were over one hundred and fifty manufacturing firms in Kenya as at 2012. This excludes cottage industries which largely operate in the informal sector or "Jua Kali" and whose financial data is difficult to obtain. The manufacturing firms can be classified into the industries or segments of; building construction and mining, chemical and allied, energy and electrical or electronics, food and beverage, leather and footwear, metal and allowed, pharmaceuticals and medical equipment, plastic and rubber, textiles and apparels and timber wood and furniture . The Ownership of manufacturing firms in Kenya is diverse with some being state corporations, private or family businesses or public companies whose shares are listed in Nairobi Securities Exchange (NSE) Governance structures for public companies are largely dictated by NSE and Capital Market Authority (CMA). Most of the private companies have boards of directors but their corporate governance structures are unregulated. The state owned companies are regulated by the Acts of parliament that formed them (Marikio, 2014). The study concentrates on manufacturing and allied firms listed at the NSE.

1.2. Statement of the Problem

The relationship between corporate governance and financial performance remains unclear. Other studies show that good governance is essential to sustainable profitability and growth in firms (Bhavik, 2012), while others have failed to establish any effect of corporate governance on financial performance (Ongore and K'Obonyo, 2011). Further, corporate governance frameworks vary industry to industry and country to country (Bebchuk and Hamdani, 2009; Black, Carvalho, and Gorga, 2010) and the effect may differ between developed, emerging, and developing markets (Durnev and Fauver, 2007). Despite the conflicting findings in literature, poor corporate governance mechanisms continue to be implicated in corporate failures globally and locally.

In the 2007-2008 financial crisis, an unprecedented number of large financial institutions collapsed resulting in a freeze of the global credit market and significant negative effect on the financial performance of companies (Erkens, Hung, and Matos, 2012). The crisis has been linked to the failure of corporate governance. In Kenya, various reports have shown that there are cases where companies are used as instruments of fraud. In the 1980s, more than 33 banks collapsed (Musikali, 2014). Over the past decade, many manufacturing parastatals including, Kenya Co-operative Creameries (KCC), collapsed. The recent near collapse of Uchumi Supermarkets, a publicly listed company, is another case in point (Riungu, 2009). Investigations in these cases reveal that these collapses are linked to corporate governance issues.

The manufacturing sector in Kenya constitutes 70% of the industrial sector contribution to GDP, with building, construction, mining and quarrying cumulatively contributing the remaining 30% (KIPPRA, 2013). Kenya needs to create a competitive manufacturing sector if it is to meet its ambitious goal of becoming a globally competitive and prosperous upper-middle-income country with a high quality of life by 2030 (Government of Kenya, 2007). Policy makers in Kenya appreciate that accelerated investments is required in the manufacturing sector and that the ability of the board of directors to ensure their profitability is instrumental if the country is to achieve Vision 2030's target of the manufacturing industry delivering 30% of the GDP (Lekaram, 2014).

This study will investigate the effect of corporate governance on the financial performance of manufacturing and allied firms listed at the Nairobi Securities Exchange. The corporate governance variables in the study will be the board remuneration, board composition, and director's equity holding. Financial performance will be measured through the variables: return on assets (ROA) and return on equity (ROE).

1.3. Purpose of the Study

The purpose of the study was to investigate the effect of corporate governance on financial performance of manufacturing and allied firms listed at the Nairobi Securities Exchange.

1.4. Objectives of the Study

1. To determine the effect of board composition on financial performance of listed manufacturing and allied companies.
2. To determine the effect of board remuneration on financial performance of listed manufacturing and allied companies.
3. To determine the effect of director's equity holdings on the financial performance of listed manufacturing and allied companies.

1.5. Research Questions

1. What is the effect of board composition on financial performance of listed manufacturing and allied companies?
2. What is the effect of board remuneration on financial performance of listed manufacturing and allied companies?
3. What is the effect of director's equity holdings on the financial performance of listed manufacturing and allied companies?

1.6. Significance of the Study

The study will be beneficial to listed companies, the Capital Market Authority, and academicians and researchers.

1.6.1. Listed Companies

In the aftermath of the financial crisis, there is a renewed focus on corporate reforms to ensure the stability and growth of the financial market. In response, different companies have been implementing corporate governance mechanisms in compliance with new guidelines. The findings are useful to listed manufacturing and allied companies in identifying

mechanisms of corporate governance and how they affect financial performance. The listed firms can use the empirical findings to guide their implementation of corporate governance principles.

1.6.2. Capital Market Authority (CMA)

CMA is responsible for the development and monitoring compliance to corporate governance guidelines in Kenya. This study takes a more holistic approach towards corporate governance developments, asking whether improvement in governance is associated with improvement in firm performance. The comprehensive analysis of literature on the effect of corporate governance offers what other countries have achieved in ensuring compliance to corporate guidelines and what CMA can learn to improve corporate governance in Kenya. These developments offer a unique opportunity to understand whether the guidelines developed and monitored by CMA have been beneficial to listed firms.

1.6.3. Researchers and Academicians

This thesis contributes to and merges distinct and different streams of research on the sources of the correlation between corporate governance and firm performance. A large number of variables will be analyzed to give a better view of how different components of corporate governance effect on financial performance. It captures all the measures of corporate governance in literature board characteristics (board remuneration, board composition, and director's equity holding) and expands financial analysis to cover (ROA) and return on equity (ROE). As such, the study will offer the most comprehensive and current examination of the effect of corporate governance on financial performance among manufacturing and allied firms, hence contribute to the growth of knowledge in the field. The study can serve as a stepping stone for future researchers who want to conduct further studies on related topic.

1.7. Scope of the Study

The scope of the study is limited to investigating the effect of corporate governance on financial performance among listed manufacturing and allied companies at the Nairobi Securities Exchange (NSE). The corporate governance variables in the study were board remuneration, board composition and director's equity holding. Financial performance was measured through the variables: return on assets (ROA) and return on equity (ROE). The study covered a 10 year period: 2005-2014.

CHAPTER TWO

LITERATURE REVIEW

2.1.Introduction

This chapter presents a review of literature that has been written on the concept of corporate governance and critically reviews the relationship between board composition, board remuneration, and director's equity holding on financial performance. The literature review closes with a presentation of the conceptual framework.

2.2.Theoretical Framework

Corporate governance is a multifaceted discipline due to the growing complexity of organizations as a result of globalization. It follows that theories of corporate governance must capture the efficiency of corporate governance mechanisms in different contextual conditions. There are three principal theories of corporate governance: agency theory, stewardship theory, and stakeholder theory.

2.2.1. Agency Theory

The agency theory originated from the seminal papers of Alchian and Demsetz (1972) and Jensen and Meckling (1976). The theory is based on the contractual view of the firm, and focuses on the relationship between the principals such as shareholders and the agents such as the executives and managers of the company. According to Jensen and Meckling (1976), this relationship is a contractual arrangement where the principal engages the agent to perform some service. It is the expectation of the principal that the agent will act in their best interests, however due to opportunistic behaviour, the agent may not necessarily act in the best interest of the principal (Padilla, 2002). According to Jensen and Meckling (1976), managers are agents that have been employed by shareholders to maximize shareholder returns.

The shareholders are the principals. Since the managers do not own the resources, they may commit moral hazards such as shirking their duties to enjoy leisure or hide their

inefficiency to avoid the loss of rewards, or in other words, engage in actions that enhance their own personal wealth at the expense of the principals. This is what Jensen and Meckling (1976) identified as the agency problem. To minimize the potential for such agency problems, the scholars noted that two important steps must be met: first, the principal-agent risk-bearing mechanism must be designed efficiently and second, the design must be monitored through the nexus of organizations and contracts. The principal needs to set appropriate incentives for the agent and also establish monitoring mechanisms to control any deviant activities of the agent, which are classified as the 'monitoring costs' (Jensen and Meckling, 1976).

A set of monitoring mechanisms such as setting budget restrictions and operating rules can be used to deal with the agency problem. The agent may spend resources in guaranteeing that he or she would not take actions which would harm the principal which is included under 'bonding costs'. Even after incurring monitoring and bonding costs, the principal may suffer loss since the agent's decisions may be different to those that would maximize the principal's welfare. The monetary equivalent of such loss is classified as the 'residual loss'. Therefore, agency costs are the total of 1) monitoring costs, 2) bonding costs and 3) residual loss. These costs must constantly be managed and monitored. Due to the existence of these costs and internal inefficiencies, agency theory proposes that the purpose of corporate governance mechanisms is to provide shareholders with some assurance that managers will try to achieve outcomes that are in the shareholders interests (Manawaduge, 2012).

It can be surmised that the internal and external governance mechanisms such as effective board structure, compensation contracts, active monitoring of executives through concentrated ownership and corporate control, play an important role in aligning the interests of the agents and principals. As such, the agency theory provides a broad analytical

framework that can be utilized in examining how corporate governance systems can successfully curb opportunistic managerial behaviour and in the process secure a fair return on investment for the suppliers of finance.

2.2.2. Stewardship Theory

This theory was developed by Donaldson and Davis (1991 and 1993) to provide a new perspective of understanding the existing relationships between ownership and management of the company. Stewardship theory is defined by Davis, Schoorman and Donaldson (1997) as "a steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximized". In this theory, company executives and managers working for shareholders are called as stewards. Unlike agency theory, stewards protect company and make profit for the shareholders. It is not on the perspective of individualism as agency theory (Donaldson and Davis, 1991), they aim to achieve firms' targets and integrate their goals as the top of management. Stewardship perspective comes up with that stewards are satisfied and motivated when organization achieves its targets. "The executive manager, under this theory, far from being an opportunistic shirker, essentially wants to do a good job, to be a good steward of the corporate assets. Thus, stewardship theory holds that there is no inherent, general problem of executive motivation.

The theory holds that there is no conflict of interest between managers and owners, and that the goal of governance is, precisely, to find the mechanisms and structure that facilitate the most effective coordination between the two parties (Donaldson, 1990). Stewardship theory holds that there is no inherent problem of executive control, meaning that organizational managers tend to be benign in their actions (Donaldson, 2008). The essential assumption underlying the prescriptions of Stewardship Theory is that the behaviours of the manager are aligned with the interests of the principals. Stewardship Theory places greater

value on goal convergence among the parties involved in corporate governance than on the agent's self-interest (Van Slyke, 2006). The model of man in the stewardship theory s model of man is rational as well, but perceives greater utility in cooperative behaviours than in self-serving behaviours, whose utility function is maximized when the shareholders' wealth is maximized. The steward perceives that the utility gained from interest alignment and collaborative behaviour with the principal is higher than the utility that can be gained through individualistic, self-serving behaviours.

As opposed to the agency theory, stewardship theory holds that managers are not opportunistic agents but rather good stewards of corporations. It assumes that managers diligently work towards owner's interests by securing high corporate profits and maximizing shareholder returns. Thus, the main difference between stewardship theory and agency theory is in the motives of the managers. The theory is derived from the economic model of human behaviour which poses the assumption that people are inherently motivated to work and perform a good job; hence there is no conflict between the managers and owners of the corporation (Gay, 2002).

In this case, optimal corporate governance structures serve the function of coordinating the firms to perform effectively and better the interests of the owners. As such managers are principally motivated by the need to achieve their responsibilities in the best way possible. It is for this reason that corporations should be managed by specialist executive managers and should be freed from rigid executive control by non-executive director boards. This is based on the understanding that studies that examine board composition assume that independent boards are a prerequisite to good performance. In the same vein, non-executive board of directors are touted as being ineffective control device and may not positively influence the performance of a firm. The stewardship theory argues that high corporate performance can be achieved when a majority of the board members are inside directors that

work on a daily basis to maximize shareholder value. Stewardship theory asserts that managers are naturally trustworthy and there are no agency costs associated with managers. The theory therefore positively views CEO duality and favours boards that are composed of specialist executive directors rather than independent outside directors (Manawaduge, 2012).

The agency theory adopts a model of man as a rational actor who seeks to maximize his or her utility with the least possible expenditure (Jensen and Meckling, 1976), and is self-interested and opportunistic; but the stewardship theory criticizes these reductionist assumptions by a pro-management view. Pastoriza and Arino (2009) criticize the stewardship theory as a static theory that considers the relationship of the principal and agent to be static at a single point in time and assumes that no learning takes place between individuals despite their interactions. As such it does not take into account the dynamics of interactions that can lead to a change in the preferences of the agent and by extension their actions, with regard to the principal's self-interest (Pastoriza and Arino, 2009). Turnbull (1997) disagrees with the 'naturally trustworthy' argument by stating that the inclination of managers to act as stewards or self-serving agents may be dependent on the cultural and institutional context and that both the agency and stewardship theory should be understood as a sub-set of political and other models of corporate governance. It follows that establishing the validity of either theoretical arguments, as well as the role that corporate governance mechanisms play should be evaluated with due consideration to the political framework within which the corporations are operating.

In relation to financial performance, given the absence of an inner motivational problem among executives, there is the question of how far executives can achieve the good corporate performance to which they aspire. Thus, stewardship theory holds that performance variations arise from whether the structural situation in which the executive is located facilitates effective action by the executive. The issue becomes whether or not the

organization structure helps the executive to formulate and implement plans for high corporate performance" (Donaldson, 1995). According to the theory, managers have propensity and devotion for success of firm. Thus, managers perform the company under company goals and satisfaction of shareholders and other participants. It is apperceived by the theory that managers perform actions as stewards for the shareholders' benefits (Tricker, 2009).

2.2.3. Stakeholder Theory

The theory states that a company holds corporate accountability to a wide range of stakeholders. The basic definition of stakeholder theory is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1984). This theory views the firm as a system of stakeholders operating within the larger system of the society in which the corporation operates. It is this host society that provides both the legal framework and the market structure that support the activities of the firm. The theory is built from the definition of a firm as multilateral agreements between enterprise and stakeholders. This is opposed to the idea that a firm is a bundle of assets that belong to shareholders; rather firms are institutional arrangements that govern the relationship between all the parties that contribute to the firm-specific assets. Freeman (1994) note that the original list of stakeholders includes shareholders, employees, customers, lenders and suppliers. Thus, it uses a wider understanding of stakeholder as any group or individual that can affect or is affected by the objective of the organization.

According to Jones and Wicks (1999) the following are the essential premises of the theory: first, a corporation has relationships with many constituent groups (stakeholders) that are affected by its decisions; second, that the theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders; third, that the interests of all (legitimate) stakeholders have intrinsic value, and no set of interests is

assumed to dominate others; and lastly that the theory's main focus is managerial decision making.

The main difference between agency theory and stakeholder theory is in the understanding of stakeholders. The theory holds that like customers, suppliers, employees, and local communities, shareholders also have a stake in, and are affected by, the firm's successes or failures. Therefore, in the same way that the enterprise owes special and particular duties to the investors, it also has duties to the various stakeholder groups. The firm and its management has special obligations to ensure that shareholders receive a fair return on their investment, but at the same time have obligations to other stakeholders which may go above and beyond those required by law (Masdoor, 2011).

It is important to note that corporate law in most countries gives shareholders preeminent status as the owners of the firm. These shareholders have the authority to elect the board of directors, which in turn are given the authority to hire and fire senior executives and approve or reject important policies and strategies of the firm. This preeminent status explains the right of shareholders to treat the firm as a vehicle for maximizing return on investment (Heath and Norman, 2004). The responsibility of the board, in this case, is to ensure that the firm respects its legal and contractual obligations to other stakeholder groups. The shareholders, through the board, also have the right to instruct the managers to consider the ultimate purpose of the firm to be maximization of profits and shareholder value. This extraordinary status and control that shareholders have under corporate law means that little attention is often paid to defending the rights of other stakeholders. Thus, the stakeholder theory demonstrates why the interests of other stakeholders should be taken into account (Heath and Norman, 2004).

The stakeholder view of corporate governance focuses on the needs and concerns of all stakeholder groups and how their interests are taken into account and protected by

corporate managers. As such, corporate governance is a control mechanism that has been designed to ensure efficient operation of the corporation on behalf of the stakeholders. These control mechanisms are necessary because ownership and control are separated. According to John and Senbet (1998), corporate governance is a means through which stakeholders apply control over a corporation by exercising rights that have been established in an existing legal and regulatory framework, and by corporate bylaws.

From this explanation, it is evident that the stakeholder theory can be reconciled with the agency theory when the classical agency relationship between the agent and principals is broadened to incorporate the relationships between the managers and all stakeholders (Manawaduge, 2012). The adoption if the stakeholder theory has played a major role in the re-examination of corporate mission, mission and values and the development of various performance measures to the various stakeholders. In fact the stakeholder approach is recognized as a commercial necessity owing to the importance of competitive advantage that draws dominantly from intangible assets of a firm (Heath and Norman, 2004). Again, because the approach takes into account the nature of relationship between all stakeholders, it has become commonplace for firms to increasingly incorporate environmental quality and social equity, in addition to the traditional measures, when evaluating economic performance. This theory also provides a framework for understanding the current course of corporate governance with regard to how it is influenced by societal pressures, and how firms re-adjust to take into account the interests of a wider community of stakeholders (Masdoor, 2011).

2.3. Empirical Review

The empirical review presents a critical analysis of studies that have been done, around the world and in Kenya, on the relationship between board composition, board remuneration, director's equity holding, and firm size and financial performance.

2.3.1. Board Composition

Board composition is an important governance mechanism because the presence of nonexecutive directors represents an effective tool of monitoring the actions of the executive directors and of providing that the they take policies which will enhance shareholders wealth (Fama, 1980). Non-executive directors are independent from the company and from top managers. Board independence means the proportion of independent non-executive directors relative to the total number of directors (Chaghadari, 2011). Empirical research present mixed results about relationship between company performance and board independence from different perspectives (Shan and Xu, 2012).

There is an apparent presumption that boards with significant outside directors will make different and perhaps better decisions than boards dominated by insiders. Non-executive directors can play an important role in the effective resolution of agency problems and their presence on the board can lead to more effective decision-making. However, the results of empirical studies are mixed. A number of studies, from around the world, indicate that non-executive directors have been effective in monitoring managers and protecting the interests of shareholders, resulting in a positive impact on performance, stock returns, credit ratings, and auditing. (Uadiale, 2010)

Dehaene et al. (2001) find that the percentage of outside directors is positively related to the performance of Belgian firms. Connelly and Limpaphayom (2004) find that board composition has a positive relation with profitability and a negative relation with the risk-taking behaviour of life insurance firms in Thailand. Rosenstein and Wyatt (1990) find a positive stock price reaction at the announcement of the appointment of an additional outside director, implying that the proportion of outside directors affects shareholders' wealth. Bhojraj and Sengupta (2003) and Ashbaugh-Skaife, Collins and Kinney (2006) also find that firms with greater proportion of independent outside directors on the board are assigned

higher bond and credit ratings respectively. Furthermore, O' Sullivan (2000) examines a sample of 402 UK quoted companies and suggests that non-executive directors encourage more intensive audits as a complement to their own monitoring role while the reduction in agency costs is expected. However, there is also a fair amount of studies that tend not to support this positive perspective. Some of them report a negative and statistically significant relationship with Tobin's Q (Agrawal and Knoeber, 1996; Yermack, 1996) while others find no significant relationship between accounting performance measures and the proportion of non-executive directors (Vafeas and Theodorou, 1998; Weir, Laing and McKnight, 2002; Haniffa and Hudaib, 2006).

Based on a large survey of firms with non-executive directors in the Netherlands, Hooghiemstra and van Manen (2004) conclude that stakeholders are not generally satisfied with the way non-executives operate. Haniffa et al (2006) summarize a number of views expressed in the literature which may justify this non-positive relationship, such as that high proportion of non-executive directors may engulf the company in excessive monitoring, be harmful to companies as they may stifle strategic actions, lack real independence, and lack the business knowledge to be truly effective (Baysinger and Butler, 1985; Patton and Baker, 1987; Demb and Neubauer, 1992; Goodstein, Gautum and Boeker, 1994).

2.3.2. Board Remuneration

The debate of CEOs being paid exorbitant sums is not a new one. Investors expect the CEO who is being paid high to perform and prove his worth. The average CEO compensation is about 209 times that of a typical U.S factory worker. Although in other countries like Germany and Japan, it is not that high (25 and 20 times respectively), but still great disparity exists between the two classes. Conventionally the executive compensation had been linked to performance and it was deemed that the high pay for a CEO (for his expertise) was

justified. But there has been an exponential increase in all the pay levels of CEOs irrespective of their performances (Sheikh and Wang, 2012).

In the UK steps have been taken to increase the transparency and improve the accountability of the CEO such as the introduction of Greenbury report (1995), Hampel report (1998), DTI consultation paper (the department of trade and industry), the directors remuneration report regulation (2002) and many others (Ferri and Maber, 2009) (Htay, Aung, Rashid and Adnan 2012). Similarly in the Unites States there has been the introduction of Sarbanes- Oxley Act of 2002. Although it was in a response to major scandals like Enron and WorldCom, but it has been linked to excessive CEO compensation (Farmer, 2008). In relation to the second issue discussed in this study (Board of directors), the Sarbanes Oxley Act also tried to restrict the corporate board structure (Chen, 2012; Pokrashenko, 2012).

The chief executive pay has several components namely salary, bonus, stock options, stocks, pensions and perquisites. For my analysis, two measures of compensation are used. The first is the cash compensation which includes salary and bonus. In previous papers like Agarwal (1981), Finkelstein and Boyd (1998) it is shown that the chief executive officer's cash compensation is a good proxy for total pay of CEO. The second is total compensation which includes salary, bonus, pension, perquisites, stocks and stock options. The main problem faced here is the evaluation of stock options. Most companies which have sanctioned options to the CEO have given the value of stock options in the financial statements using the Black-Sholes model. This problem had been faced by Core et al. (1999) and although they used 25 % of the exercise price, they remedied this problem by using three different measures of CEO compensation (namely salary, cash compensation and total compensation). The results were very similar.

It is often believed that it is the role of the executive directors of a company to create value and profits for the company. There are studies that have showed a positive relationship between board remuneration and company performance, which is stronger for book values than for stock market measures. Industry performance also explains the remuneration and provides useful information to evaluate board behaviour (Scholtz and Smit, 2012).

According to Zhu, Tin, and Ma (2009), the independent directors of a board can impact CEO pay performance more effectively if a compensation committee provides information and assist them in designing relevant executive pay schemes. The researchers established that there is a significant relationship between CEO pay and performance when a larger proportion of independent directors serve on the board. This association is more evident in those firms which have a compensation committee. Ndoro (2012) established that the organizational size, CEOs qualification and CEO‟s tenure have a positive bearing on executive pay. However, the results suggest that the sector of the organization and CEO duality have no impact while and CEO experience had significantly negative relations with CEO pay.

2.3.3. Director's Equity Holding

Many empirical studies rely on "officer and director equity" to capture insider equity ownership. Some board members will serve as officers in the firm (inside directors), while the remainder will be non-management members of the board. Irrespective of the nature of the relationship a director may have with the firm, the board, as a decision-making body, operates within the boundaries of the corporation. On this basis, then, board members are subject to the same alignment incentives as corporate officers. Jensen (1993), for example, does not distinguish officers and directors with his observation that agency problems are likely to occur when officers and directors do not directly share in the appreciation of their

firms' equity. Substantial equity stakes, however, provide these individuals with enhanced incentives to effectively manage firm performance for the benefit of shareholders.

Regardless of whether inside equity holders are categorized as CEOs, officers, or directors, the alignment perspective suggested by agency theory principles supports a positive relationship between insider equity holdings and firm performance. The central issue is that equity stakes will resolve conflicts of interest between corporate insiders and shareholders, with a resultant impact on shareholder value (Dalton and Daily, 2002).

In Nigeria, Abdul-Qadir and Kwanbo (2012) examined the effects of corporate governance on the performance of Nigerian banking sector. The secondary source of data was sought from published annual reports of the quoted banks. In examining the level of corporate governance disclosure of the sampled banks, a disclosure index was developed and guided by the Central Bank of Nigeria code of governance. The Person Correlation and the regression analysis were used to find out whether there is a relationship between the corporate governance variables and firms performance. The study revealed that a negative but significant relationship exists between board size and the financial performance of these banks while a positive and significant relationship was also observed between directors' equity interest, level of corporate governance disclosure index and performance of the sampled banks. The study recommends that efforts to improve corporate governance should focus on the value of the stock ownership of board members and that steps should be taken for mandatory compliance with the code of corporate governance.

Mang'unyi (2011) explored the ownership structure and corporate governance and its effects on performance of selected banks in Kenya. The study revealed that there was no significant difference between type of ownership and financial performance and between the banks ownership structure and corporate governance practices. Ongore (2011) investigated the effects of ownership structure on listed companies in Kenya. Using Pearson's Product

Moment Correlation and Logistic Regression, the study established that ownership concentration and government ownership have significant negative relationships with firm performance.

2.3.4. Firm Size

Firm size confers different abilities to companies. Large firms are more likely to exploit economies of scale and enjoy higher negotiation power over their clients and suppliers (Serrasqueiro and Macas Nunes, 2008). In addition, they face less difficulty in getting access to credit for investment, have broader pools of qualified human capital, and may achieve greater strategic diversification (Yang and Chen, 2009). On the other hand, small firms exhibit certain characteristics which can counterbalance the handicaps attributed to their smallness. They suffer less from the agency problem and are characterized by more flexible non-hierarchical structures, which may be the appropriate organizational forms in changing business environments (Yang and Chen, 2009).

Existing empirical evidence has not been unambiguous, lending support to both a positive and a negative impact of firm size on performance. Yang and Chen, (2009) compared the technical efficiency of SMEs with that of large firms and were inconclusive about the relationship when choosing different estimation methods. In a study on Portuguese companies Serrasqueiro and Nunes (2008) found that size is related positively to performance but only for the sample of SMEs and not for large firms. A similar finding by Diaz and Sanchez (2008) in the Spanish context suggested that SMEs were more efficient than large firms lending support to earlier studies that identified an inverse relationship between size and performance. These studies imply a relationship between firm size and performance that might not necessarily be linear, as illustrated in Barrett et al. (2010) and Yoon (2004) which conclude that company growth beyond optimal level can deteriorate performance.

Jointly, existing studies suggest that small firms may face an incentive to grow with the prospect of exploiting various benefits attributed to larger size. A successful growth strategy would require a firm's growth to not be seriously restricted by factors exogenous to the firm. Namely, when forces outside managerial control confine the firm's growth potential, increasing firm size might not be a realistic strategy to increasing performance.

Firms operating in small economies can be highly exposed to such forces. Small economy size may limit the capacity of managers to implement a growth strategy and to some extremes challenge the long-term viability of the firm. Small economies are characterized by small local market sizes and their lack of economies of scale affects firms particularly in sectors where substantial fixed and sunk costs are prerequisites for operation. Moreover, their limited scope for skilled labour substantially reduces firms' procurement options. Small economies may sustain only a very small number of large firms, relative to the overall market size. Hence, they exhibit a predisposition towards monopolistic markets particularly in markets where the minimum efficient scale of operation (MES) of the firm is very close or larger than the total market size. Notwithstanding a firm's incentive to grow to improve its performance, economy size will restrain that potential, raising additional managerial challenges (Diaz and Sanchez, 2008).

In conclusion, the size of a company is an important determinant of company performance. Company size is often measured by the asset base. Larger companies are more likely to go public since they are able to absorb the costs and fees associated with listing. Smaller companies are less likely because they are financially constrained, which disables their capacity to access external financing through IPOs (Carpenter and Rondi, 2006).

2.4. Research Gap

Existing literature shows that the empirical studies examining the relationship between corporate governance and financial performance, across the world, have generated

inconclusive results (Gani and Jermias, 2006; Larcker et al., 2007; Mashayekhi and Bazaz, 2008; Stanwick and Stanwick, 2010; Bauer et al., 2008; and Ghazali, 2010, among others). There are studies that demonstrate a positive effect of corporate governance on firms' performance (such as Hossain et al., 2000; Hassan, 2011, among others), while others report a negative association between corporate governance and firms' performance (Hutchinson, 2002), yet others report no impact of corporate governance on firms' performance (Ponnu, 2008; Guptaet al., 2009).

There are several possible explanations for the inconclusive results. The first is that there are institutional differences across countries in which these studies were carried out. Some of these studies are conducted in European and Western context (Hossain et al., 2000; Weir et al., 2002; Hutchinson, 2002; Hutchinson and Gul, 2004; Gupta et al., 2009; Stanwick and Stanwick, 2010). Other studies are conducted in Asian countries such as Malaysia (Ponnu, 2008; Haatet al., 2008; Ghazali, 2010) and China (Sami et al., 2011) as well as in Middle Eastern countries such as Egypt (Kholeif, 2008) and Iran (Mashayekhi and Bazaz, 2008), and others in African countries. The intra-countries institutional differences partially explains the governance-performance relationship inconclusive results and, at the same time, raises concern about whether the principles of corporate governance which originated from developed countries are applicable in other countries.

The choice of performance variables might also play a role in explaining the governance-performance relationship mixed results. Some studies utilize accounting-based performance measures such as return on assets (ROA), return on equity (ROE), asset turnover, or earning per share (Hutchinson and Gul, 2004; Gani and Jermias, 2006; Kholeif, 2008; Mashayekhi and Bazaz, 2008) while others use market-based performance measures such Tobin's Q (Yermack, 1996; Weiret al., 2002; Aljifri and Moustafa, 2007; Haatet al., 2008; Ghazali, 2010). This critical review will present most of the studies that have been

done on the relationship between corporate governance and financial performance, especially those that are closely related to his study. The review will cover studies both in the developed and developing world, the later with specific focus on Africa and Kenya.

Most studies in Kenya have focused on selected corporate governance characteristics such as board size and composition, ownership structure, CEO duality and leverage, while the measures for financial performance have been similar (ROA, ROE, and DY). None of these studies have examined corporate governance and financial performance specifically among manufacturing and allied companies listed at the NSE. This study will fill the knowledge gap by investigating three corporate characteristics of corporate governance (board composition, board remuneration, and director's equity) on financial performance (profitability (ROA, ROE) among financial services listed companies at the NSE.

2.5. Conceptual Framework

This study investigated the effect of corporate governance on financial performance of listed firms in Kenya. The figure below shows the relationship between the independent variables (corporate governance) and dependent variable (financial performance).

FIGURE 1

Conceptual Framework

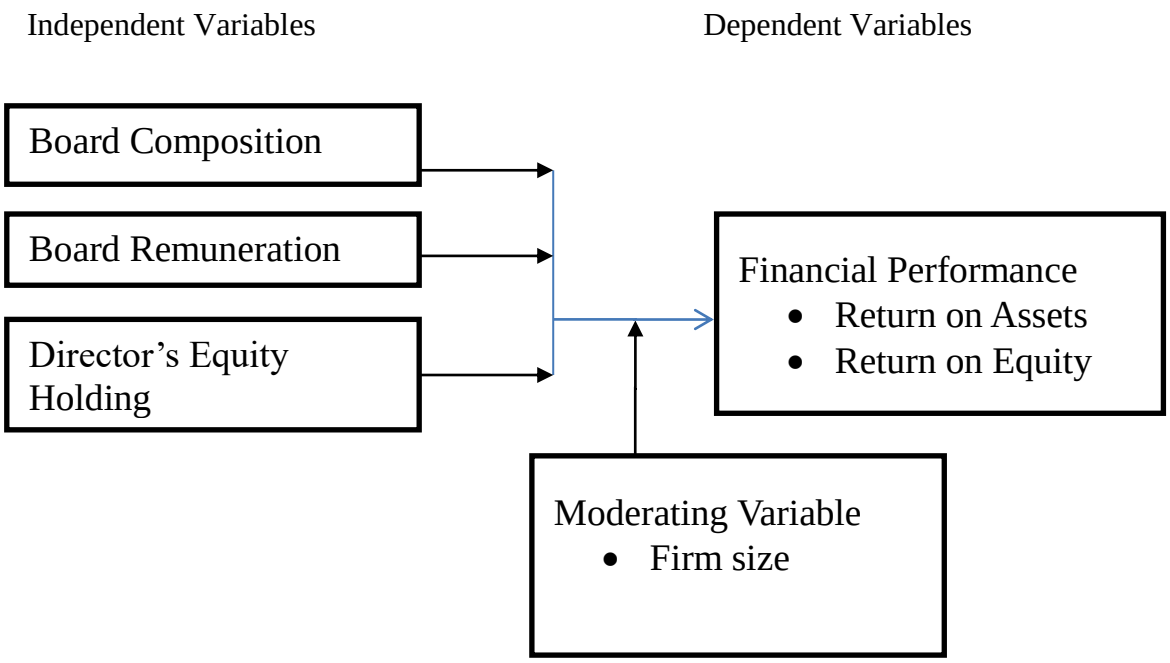

TABLE 1

Operationalization of variables

Hypothesis	**Independent variable**		**Dependent Variable**		**Hypothesized Relationship**
	Variable	Measurement	Variable	Measurement	
H1: There is a significant relationship between the board composition on financial performance of listed manufacturing and allied companies.	Board composition	Executive/ total number of directors	Financial performance	ROE ROA	+
H2: There is a significant relationship between the board remuneration on financial performance of listed manufacturing and allied companies?	Board remuneration	Level of compensation	Financial performance	ROE ROA	+
H3: There is a significant relationship between the director's equity holdings on the financial performance of listed manufacturing and allied companies.	Equity holding	% of shares held by directors	Financial performance	ROE ROA	+

CHAPTER THREE

RESEARCH METHODOLOGY

3.1.Introduction

This chapter presents the methodology used to investigate the research questions. The section contains the research design, target population, sampling techniques and sample size, data collection procedures, pilot study, validity and reliability tests, and data analysis methods.

3.2.Research Design

The study used a descriptive research design. To determine whether a correlation exists between corporate governance and firm performance, the study used both qualitative and quantitative descriptive research survey. Descriptive survey is concerned primarily with addressing the particular characteristics of a specific population of subjects at either a fixed point in time or at varying times for comparative purposes (Gill and Johnson, 2006).

3.3. Population and Sampling Design

The section presents the targeted industry segment, the sampling design used to select the data sources, in terms of sample frame, sample size, and sampling technique.

3.3.1. Population

Greenm, Camilli and Elmore (2006) defined the target population of a study as "the population from which we would want to collect data if we were conducting a complete census rather than a sample survey. There are 62 companies listed at the NSE. These companies are classified into eight industry categories: Agricultural, Commercial and Services, Telecommunication and Technology, Automobiles and Accessories, Banking, Insurance, Investment, and Manufacturing and Allied. The target population is the manufacturing and allied companies listed at the NSE.

3.3.2. Sampling Design

This sub-section describes the sample frame and details the sample technique used to compute the sample size for the study.

Sampling Frame

The sample frame was composed of the nine (9) manufacturing and allied companies listed on the Nairobi Stock Exchange.

Sampling Technique

Census was used to generate the sample size. A census study occurs if the entire population is very small or it is reasonable to include the entire population. Data was collected from each company in the population. The sampling technique is justified due to the small number companies under investigation.

Sample Size

A sample size of the nine (9) manufacturing and allied companies listed on the Nairobi Stock Exchange. Observations were collected over a ten-year period, 2005-2014. The companies under investigation are:

1. BOC Kenya Ltd
2. British American Tobacco Kenya Ltd
3. Carbacid Investments Ltd
4. East African Breweries Ltd
5. Mumias Sugar Co. Ltd
6. Unga Group Ltd
7. Eveready East Africa Ltd
8. Kenya Orchards Ltd
9. A.Baumann CO Ltd

3.4.Data Collection Methods

The researcher collected secondary data for the study. A secondary data collection sheet was used to collect data on both the independent and dependent variables. Data on independent variables included board composition, board remuneration, and director's equity holding. Data for financial performance included Return on Assets (ROA) and Return on Equity (ROE). All the data for both the corporate governance and financial performance variables were obtained from the annual audited financial statements over the 10-year frame: 2005-2014.

3.5.Data Analysis Methods

All the data collected from audited annual financial statements were entered an Excel spreadsheet, cleaned and uploaded to the Statistical Packages for Social Sciences (SPSS Version 21) software for descriptive and inferential statistical analysis. The variables were analyzed for measures of central tendency (mean and standard variation), frequencies and percentages and findings presented in frequency tables and graphs (Houser 1998; Creswell 2009).

Pooled cross-sectional time-series data analysis was done using the MIXED procedure (Analyze>Mixed models>Linear regression procedure in SPSS), to estimate the relationship between board governance parameters (board composition, board remuneration, and director's equity holding) and financial performance measures (return on equity and return on assets), with and without the moderating variable (firm size).

3.6.Model Specification

A multiple regression model was be used to test the relationship between the corporate governance and financial performance variables. The model took the form of:

$Y = \beta 0 + \beta 1BC + \beta 2BR + \beta 3DE + \beta 3FS + Ɛ$.....i

Where:

Y = Financial Performance (ROA/ROE)

X1 = Board Composition (BC)

X2 = Board Remuneration (BR)

X3 = Director's Equity Holdings (DE)

X4: Firm size (FS)

Ɛ = Error term

β1, β2, β3, β4 = slope of the regression equation

3.7.Ethical Considerations

The researcher sought authorizations from the Faculty. However, all the secondary data used was published in the public domain and archived by the regulator of listed companies: CMA. There were no risks and benefits that companies incurred or gained by being included in the study. Further, this study is for academic purposes only and the researcher does not have any other undeclared conflicts of interest.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1.Introduction

The chapter presents the results of the study. The findings are aligned with the objectives of the study. The chapter presents the descriptive statistics for the independent and dependent variables and inferential statistics showing the relationships between the corporate governance variables and financial performance among manufacturing and allied companies listed at the Nairobi Securities Exchange.

4.2.General Information

The study investigated the effect of corporate governance on financial performance of listed manufacturing firms in Kenya. Corporate governance was operationalized as: board composition (BC), board remuneration (BR), and director's equity holding (DE). Financial performance was operationalized as return on assets (ROA) and return on equity (ROE). Firm size (FS) was measured as total assets and was used as the moderating variable. Secondary data was collected from annual financial statement reports of listed manufacturing companies at the Nairobi Securities Exchange (NSE). Of the 9 listed companies, 6 met the criteria for the duration under study, which is 2005 to 2014.The companies included in the study were BOC Kenya, British American Tobacco (BAT), Carbacid Investments (CAB), East African Breweries Ltd (EABL), Mumias Sugar Company (MSC), and Eveready East Africa Ltd (EV).

All the statements of annual financial statement reports for the 6 companies were obtained from the Capital Markets Authority (CMA) archives and the websites of individual companies. Raw data on all the independent and dependent variables was obtained and summarized in tabular form before analysis. Descriptive analysis was used to compute the means and standard deviation for the independent and dependent variables. Linear regression

was used to establish the relationship between corporate governance and financial performance.

4.2.1. Board Composition

Board composition was defined as the ratio of executive directors to the total number of directors in each company. The findings show that Carbacid Investments had the highest number of executive directors (M=0.24, SD=0.02), followed by EABL (M=0.23, SD=0.08), and BAT (M=0.21, SD=0.06). The other companies, BOC, Eveready, and MSC had comparatively lower number of executive directors. This means that the highest proportion of executive directors was 24% and lowest 8%; implying that independent directors constituted 76% at Carbacid and 92% at Mumias Sugar Company. The results are shown in Table 2.

TABLE 2

Board Composition

	Mean	Std. Deviation
BOC	.17	.09
BAT	.21	.06
CARBACID	.24	.02
EABL	.23	.08
MSC	.08	.00
EVEREADY	.14	.06
Valid N (listwise)		

4.2.2. Board Remuneration

Board remuneration is the fees paid to directors at the end of every financial year, and is declared in the audited annual financial statements. Board remuneration did not include other emoluments included in key management compensation. The results show that on average, BAT (M=12,438,100) and EABL (M=9,994,400) had the highest level of compensation over the 10 years, when compared to other manufacturing and allied firms. The average annual compensation for Carbacid was KES 7,909,100; Eveready, KES 5,298,500; MSC, KES 4,342,700 and the lowest average compensation was from BOC at KES 2, 795, 200. The findings are presented in Table 3.

TABLE 3

Board Remuneration

	Mean	Std. Deviation
BOC	2795200.00	899017.59
BAT	12438100.00	4067667.51
CARBACID	7909100.00	4203279.02
EABL	9994400.00	4016171.76
MSC	4342700.00	1152169.17
EVEREADY	5298500.00	1211760.18
Valid N (listwise)		

4.2.3. Director's Equity Holding

Director's equity holding is the ratio of the number of shares held by directors to the total shareholding in the company. There were low ratios for shareholding, with some companies not declaring any director's equity shareholding in the audited annual financial statements. The highest shareholding was in MSC with an average of 0.20 (20%). This was attributed to the 306,000,000 (20%) the Government of Kenya holds in Mumias Sugar Company through the Permanent Secretary, Treasury. Carbacid Ltd also has a relatively moderate shareholding of 0.13 (13%), on average, over the 10 years. Director's shareholding in other companies was: EABL (M=0.0012), BOC (0.0014) and Eveready (0.0001). Directors did not hold any company shares in BAT. The averages for the ten years are presented in Table 4.

TABLE 4

Director's Equity Holding

	Mean	Std. Deviation
BOC	.0012	.00232
BAT	.0000	.00000
CARBACID	.1264	.01522
EABL	.0014	.00133
MSC	.2009	.00039
EVEREADY	.0001	.00042
Valid N (listwise)		

4.2.4. Firm Size

The firm size, measured as total assets, was used as the moderating variable in the study. The findings in Table 5 show that EABL is the biggest manufacturing firm listed at the NSE, with

average assets of KES 38,885,171,200 and Mumias Sugar Company, with total assets at 18,681,379,000 over the ten years. The size of other companies, ranked in descending order, are BAT (KES 6,755,797,800), BOC (KES 1,934,648,900), Carbacid (KES 1,570,378,600) and lastly, Eveready East Africa Ltd, with assets of KES 996,956,900.

TABLE 5

Firm Size

	Mean	Std. Deviation
BOC	1934648900.00	419164193.05
BAT	6755797800.00	1966754326.50
CARBACID	1570378600.00	535252280.25
EABL	38885171200.00	11343778440.28
MSC	18681379000.00	6305236583.24
EVEREADY	996956900.00	134191875.79
Valid N (listwise)		

4.2.5. Return on Equity (ROE)

Return on Equity (ROE) is the ratio of net profits to shareholder's funds. Over the ten years, EABL had the highest ROE at 51%, followed by BAT at 39%. There were higher returns for MSC (22%), Carbacid (20%), and BOC (20%). However, Eveready yielded returns of only 8% in average over the 2005-2014 periods. The results are presented in Table 6.

TABLE 6

Return on Equity

	Mean	Std. Deviation
BOC	.20	.11
BAT	.39	.09
CARBACID	.20	.05
EABL	.51	.30
MSC	.22	.30
EVEREADY	.08	.41
Valid N (listwise)		

4.2.6. Return on Assets

Return on Assets (ROA) is the ratio of net profit to total assets. The findings in Table 7 show that the highest ROA for the 10 year period was reported by BAT at M=0.32 (32%) and EABL at M=0.27 (27%). The financial performance for BOC and Carbacid was moderate at 14% and 17% respectively. However, the financial performance for Mumias Sugar Company (7%) and Eveready (4%) was dismal.

TABLE 7

Return on Assets

	Mean	Std. Deviation
BOC	.14	.10
BAT	.32	.08
CARBACID	.17	.04
EABL	.27	.17
MSC	.07	.09
EVEREADY	.04	.13
Valid N (listwise)		

4.3.Effect of Board Composition on Financial Performance

Linear regression was used to establish the relationship between board composition and financial performance. The regression coefficients show that there is no statistically significant association between board composition and ROE, p=0.186 α 0.05 level, among manufacturing firms listed at the Nairobi Securities Exchange, as shown in Table 8.

TABLE 8

Board Composition and ROA Regression Coefficients

Parameter	Estimate	Std. Error	Df	T	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Intercept	.157957	.087120	58	1.813	.075	-.016433	.332348
BC	.593001	.442991	58	1.339	.186	-.293741	1.479744

a. Dependent Variable: ROE.

Using panel data analysis, the relationship between board composition, and the second financial performance variable; ROA, presented in Table 9, shows that there is a significant relationship between board composition and ROA, p=0.002 α 0.05 level.

TABLE 9

Board Composition and ROA Regression Coefficients

Parameter	Estimate	Std. Error	df	T	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Intercept	.045203	.042790	58	1.056	.295	-.040450	.130856
BC	.700168	.217578	58	3.218	.002	.264639	1.135698

a. Dependent Variable: ROA.

4.4.Effect of Board Remuneration on Financial Performance

Linear regression analysis was run to establish the nature of the relationship between board remuneration and financial performance among manufacturing and allied companies at the NSE. The results indicate that there is no statistically significant relationship between board remuneration and ROE, p= 0.106 α 0.05 level. The results are presented in Table 10.

TABLE 10

Board Remuneration and ROE Regression Coefficients

Parameter	Estimate	Std. Error	df	T	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Intercept	-1.202682	.893569	58	-1.346	.184	-2.991355	.585990
BR	.094084	.057256	58	1.643	.106	-.020527	.208694

a. Dependent Variable: ROE.

The analysis for the association between board remuneration and ROE, presented in Table 11, shows that there is a positive and significant relationship between board remuneration and return on assets, p=0.004 α 0.05 level, among manufacturing and allied companies listed at the NSE.

TABLE 11

Board Remuneration and ROA Regression Coefficients

Parameter	Estimate	Std. Error	df	t	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Intercept	-1.179323	.446061	58.000	-2.644	.011	-2.072211	-.286435
BR	.086590	.028582	58.000	3.030	.004	.029378	.143802

a. Dependent Variable: ROA.

4.5.Effect of Director's Equity Holding on Financial Performance

Regression analysis was carried out to establish the relationship between director's equity holding and financial performance. The results suggest no statistically significant relationship, with regression coefficient for the association being, p=0.326 α 0.05 level, for manufacturing and allied companies listed at NSE.

TABLE 12

Board Director's Equity Holding and ROE Regression Coefficients

Parameter	Estimate	Std. Error	df	T	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Intercept	.288564	.043170	58	6.684	.000	.202151	.374978
DE	-.441547	.446094	58	-.990	.326	-1.334500	.451406

a. Dependent Variable: ROE.

In the same vein, the study did not find evidence suggesting a positive association between director's equity holding and ROE among manufacturing and allied firms listed at the NSE. The results in Table 13 demonstrates a statistically significant relationship between director's equity holding and financial performance of the companies, as measured by ROA, P=0.031 α 0.05 level.

TABLE 13

Board Director's Equity Holding and ROE Regression Coefficients

Parameter	Estimate	Std. Error	df	T	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Intercept	.198410	.021950	58	9.039	.000	.154473	.242348
DE	-.502939	.226819	58	-2.217	.031	-.956967	-.048910

a. Dependent Variable: ROA.

4.6.Effect of Firm Size on Financial Performance

The results indicate a significant association between the firm size and the return on equity in listed manufacturing companies in Kenya, with regression coefficient showing a significance of 0.002, α 0.05 level, as shown in Table 14.

TABLE 14

Firm Size on Financial Performance

Parameter	Estimate	Std. Error	df	T	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Intercept	-1.524378	.539730	58	-2.824	.006	-2.604764	-.443992
FS	.080259	.024170	58	3.321	.002	.031877	.128640

a. Dependent Variable: ROE.

The results also indicated a statistically significant relationship between firm size and ROA in manufacturing and allied companies, as measured by ROA, P=0.0318 α 0.05 level. The results are presented in Table 15.

TABLE 15

Firm Size on Financial Performance

Parameter	Estimate	Std. Error	df	T	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Intercept	-.546540	.294451	58	-1.856	.069	-1.135948	.042868
FS	.032193	.013186	58	2.441	.018	.005798	.058587

a. Dependent Variable: ROA.

4.7.Effect of Corporate Governance on Financial Performance

Multiple regressions were performed to establish the relationship between corporate governance and corporate governance. Multiple regressions showed that overall, corporate governance does not affect the return on equity of manufacturing and allied companies listed at the NSE. According to the results presented in Table 16, there was no statistically significant relationship between corporate governance measures: board composition (p=0.289), board remuneration (p=0.957) and director's equity holding (p=0.217) on the return on equity. However, there was a positive and significant effect of the moderating

variable, firm size, on the financial performance of listed manufacturing and allied firms in Kenya.

TABLE 16

Corporate Governance and ROE

Parameter	Estimate	Std. Error	Df	T	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Intercept	-1.702094	.880495	55	-1.933	.058	-3.466647	.062458
BC	.483339	.451316	55	1.071	.289	-.421119	1.387797
BR	-.003260	.060651	55	-.054	.957	-.124807	.118287
DE	-.554601	.443914	55	-1.249	.217	-1.444224	.335023
FS	.087973	.026522	55.000	3.317	.002	.034822	.141124

a. Dependent Variable: ROE.

Multiple regression analysis show a positive and significant relationship between board composition (p=0.023) and the moderating variable, firm size (p=0.016) on the returns on asset. However, the study did not establish a significant relationship between board remuneration (p=0.251) and director's equity holding (p=0.077) on return on asset.

TABLE 17

Corporate Governance and ROA

Parameter	Estimate	Std. Error	Df	t	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Intercept	-1.157957	.431248	55.000	-2.685	.010	-2.022197	-.293716
BC	.516561	.221045	55	2.337	.023	.073577	.959546
BR	.034485	.029706	55	1.161	.251	-.025047	.094016
DE	-.391819	.217420	55	-1.802	.077	-.827538	.043899
FS	.032291	.012990	55.000	2.486	.016	.006259	.058323

a. Dependent Variable: ROA.

CHAPTER FIVE
CONCLUSION AND RECOMMENDATIONS

5.1.Introduction

The chapter presents the summary of the study, the conclusions arrived at, and recommendations based on the findings of the study are provided. The summary of findings is aligned with the research questions investigated.

5.2.Summary of Findings

The findings of the study show that there is a positive and significant relationship between corporate governance measures and ROA, but not with ROE, while firm size was found to have a significant relationship with both ROE and ROA. This section recaps the findings in summary.

5.2.1. The Effect of Board Composition on Financial Performance

The board composition is the ratio of executive directors to the total number of directors. The findings show that on average, the highest board composition was 0.24 in and the lowest was 0.06 in BAT. This means that in the manufacturing and allied sector, the highest proportion of executive directors was 24% of the total number of directors; hence 76% were independent directors. Regression findings show that there was a statistically significant relationship between board composition and ROA ($p=0.002$) but not with ROE ($p=0.186$). The results disagree with researchers who have reported that there is no significant relationship between board composition and financial performance.

In a study carried out by Paul, Friday, and Godwin (2011), the researchers concluded that independent directors do not have create any value in companies and that there is no explicit and clear relationship between board composition and firm performance. The same findings were reported by Rashid et al (2010) who stated that while independent directors have benefits in fostering transparency in the firm, they do not add any economic value and so have no effect on financial performance. This study shows that companies should pursue

optimal board composition as a way of enhancing financial performance. It is important that an optimal board that contains a mix of inside, independent, and perhaps also affiliated directors, who bring different skills and knowledge to the board, should be maintained.

5.2.2. The Effect of Board Remuneration on Financial Performance

There were significant variations between companies on the amount of annual remuneration made to the boards. The highest annual average of board remuneration was KES 12,438,100, while the lowest was KES 2, 795, 200. This shows a wide variation in the amount of compensation awarded to directors in listed manufacturing and allied companies. While regression results demonstrate that there is a statistically significant relationship between board remuneration (P=0.04).

This study agrees with what has been reported by other researchers. Yatim (2010) demonstrated an association between the board remuneration financial performance. Some researchers have reported no relationship between board compensation and financial performance, or found inconclusive results, such as Conyon and Schwalbac (2000). This study reported that while there is a positive and significant relationship between board remuneration and ROA, there is no relationship with ROE. Nonetheless, high levels of remuneration encourage directors to perform their roles more effectively.

5.2.3. The Effect of Director's Equity Holdings on the Financial Performance

Evidence shows that some companies do not allow directors to hold shares, and even where it is allowed, the proportion held by directors is negligible. The findings demonstrate very low levels of director's equity holding in listed manufacturing and allied firms, with the exception of Mumias Sugar Company, at 20% and attributed to the Government's shareholding in the firm. Companies like BAT did not report any director equity shareholding on their financial statements, while the proportion of equity held by directors in Eveready, EABL, and BOC

was negligible. Overall, the study found a statistically significant relationship between director's equity holding and return on assets.

On a sample of S&P 1500 firms, Gong and Li (2007) established that stock option incentives for outside directors are relatively associated with the likelihood of firms meeting/beating earnings benchmarks. Thus, stock option compensation to directors improves oversight of the reporting process and reduces earnings management. Thus, director's equity ownership positively impacts on the profitability of listed commercial and allied firms at the Nairobi Securities Exchange.

5.2.4. The Effect of Firm Size on the Financial Performance

The findings showed a positive and significant relationship between firm size and all the measures of financial performance among manufacturing and allied companies listed at the Nairobi Securities Exchange, notably p =0.002 for ROE and p=0.0318 for ROA. This implies that firm size is related to profitability in the manufacturing sector. This can be explained through the neoclassical view of the firm and the concept of economies of scale. Economies of scale may occur for various reasons such as financial (a large firm can get a better interest rate and also a better discount rate due to a large quantity that it buys); organizational reason (specialization and division of labour); technical reason (division of high fixed costs across large number of units) etc. In line with this concept, a positive relationship between firm size and profitability is expected.

The nature of the relationship between firm size and economic performance has received considerable attention in the literature but has provoked vigorous debate as existing literatures provide conflicting results (Symeou, 2012). Some industries, organizations and sectors link large firms to better performance in line with the neoclassical theory of firm size while some research findings support the conceptual framework that advocates a negative relationship between firm size and profitability. While the financial performance of a firm is

influenced by a number of internal and external factors, the positive relationship in the findings can be attributed to the fact that the companies enjoy economies of scale (Pervan & Visic, 2012). This is unique in the manufacturing and allied sector, where the nature of production processes demands a heavy fixed asset base and sometimes a complex production process that requires the installation of machineries, plants, and equipment. With growing automation, manufacturing and allied firms are able to leverage on technical economies of scale to improve profitability.

5.3.Conclusions

The primary objective of this research is to find out the relationship in governance variables and firm financial performance. Findings show that there is a positive and statistically significant relationship between board composition, board remuneration, director's equity holding and the return on assets among manufacturing and allied firms at the NSE. The same results, however, did not apply to the return on equity among these firms. Firm size was found to have a positive and significant effect on both ROA and ROE for all the companies listed under the manufacturing and allied segment. Thus we find that corporate governance variables and measures have positive impact on performance of manufacturing and allied firms. Corporate governance enhances transparency and monitoring of managerial decisions. These firms can pursue best corporate governance practices for achieving high profitability.

5.4.Recommendations and Implications of Study

Based on the findings of the research, the study recommends that:

The number of independent director is optimal and it helps to maintain transparency in the firm's activities. The board composition affects financial performance in manufacturing and allied firms listed at NSE. This means that manufacturing and allied firms must create an optimal balance between the ratio of executive and non-executive directors as a strategy for improving the management and performance firms.

There is a positive effect of board remuneration on the ROE in the financial services industry. Individual companies can rely on market data to establish the best mix of fixed and variable remuneration options, whether it is director's fees and allowances, attendance fees, cash equity, or company equity. The same would apply for the best mix of insurance to ensure that their directors are committed to maximizing shareholder value.

Efforts to improve the performance of the board should also focus on the stock ownership of board members, since the study demonstrates that director's equity holding is related to the financial performance of the firm. Stock ownership can be used to increase the profitability of poorly performing manufacturing and allied firms.

The findings also show that the manufacturing and allied firms can continue to take advantage of economies of scale, and that increased asset base has the potential of maintaining a positive shift in the financial performance of the companies. To this end, increased automation will result in more quality output and guarantees customer satisfaction.

5.4.Limitations of the Study

There are a few limitations in the study that can be tackled through further studies. First, the study has focused on the relationship between corporate governance and financial performance in the manufacturing and allied industry segment. Further research may explore the effect of corporate governance on financial performance in other industry segments. Second, there are only nine companies in the manufacturing and allied segment at the NSE. Further studies can expand the scope of the manufacturing sector by examining non-listed manufacturing companies to determine if the association between corporate governance and financial performance agrees or disagrees with the findings of this study.

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APPENDICES
APPENDIX I
Authorization Letter

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KCAU/SGS/MSc/Sept.15/34

9th September 2015

To whom it may concern,

Dear Sir/Madam,

RE: KITHUKU STEPHEN MUTHOKA REG NO. 14/00280

It is my distinct pleasure to introduce to you Mr. Stephen Muthoka who is a student in our institution pursuing a Master of Science in Commerce degree at the School of Business and Public Management.

Stephen is conducting a research on a topic titled: "*Effects of Corporate Governance on Financial Performance. A Case of Listed Manufacturing Companies*", which is part of the requirements of the program he is pursuing. The research as well as the data procured thereof shall be used for academic purposes only.

Any assistance accorded to him is highly appreciated.

In case of further inquiry, do not hesitate to contact the undersigned.

Yours faithfully,

08 SEP 2015

Dr. R. Muchiri Mwangi
Dean, School of Graduate Studies & Research

APPENDIX II
Data Collection Sheet

Table A2: Companies

1. BOC Kenya Ltd	[ ]
2. British American Tobacco Kenya Ltd	[ ]
3. Carbacid Investments Ltd	[ ]
4. East African Breweries Ltd	[ ]
5. Mumias Sugar Co. Ltd	[ ]
6. Unga Group Ltd	[ ]
7. Eveready East Africa Ltd	[ ]
8. Kenya Orchards Ltd	[ ]
9. A.Baumann CO Ltd	[ ]

Table B2: Variables

YEAR	CORPORATE GOVERNANCE			FINANCIAL PERFORMANCE	
	BC	BR	DE	ROE	ROA
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					
2013					

APPENDIX III

Data for Corporate Governance and Financial Performance

Table A3: Data for Variables

BC	BR	DE	FS (Ln Total assets)	ROE	ROA	YEAR	COMPANY
0.29	1741000	0	21	0.3	0.29	2005	BOC
0.17	7319000	0	22.24	0.36	0.3	2005	BAT
0.2	3709000	0.11	20.72	0.14	0.11	2005	Carbacid
0.31	15504000	0	23.85	0.31	0.21	2005	EABL
0.08	3143000	0.2	23.18	0.19	0.12	2005	Mumias
0.11	3814000	0	20.52	0.67	0.23	2005	Eveready EA
0.29	2150000	0	21.02	0.24	0.17	2006	BOC
0.17	9841000	0	22.16	0.29	0.24	2006	BAT
0.2	3827000	0.11	20.75	0.13	0.12	2006	Carbacid
0.27	11984000	0	24.17	0.29	0.22	2006	EABL
0.08	3143000	0.2	23.2	0.2	0.13	2006	Mumias
0.29	4896000	0	20.64	0.37	0.18	2006	Eveready EA
0.29	1940000	0	21.34	0.19	0.14	2007	BOC
0.15	8237000	0	22.27	0.3	0.24	2007	BAT
0.25	4356000	0.11	20.81	0.16	0.14	2007	Carbacid
0.36	10612000	0	24.16	0.29	0.2	2007	EABL
0.08	3143000	0.2	23.2	0.71	0.12	2007	Mumias
0.22	5956000	0	20.9	0.34	0.15	2007	Eveready EA
0.25	1778000	0	21.34	0.14	0.1	2008	BOC
0.27	11176000	0	22.5	0.35	0.29	2008	BAT
0.25	4578000	0.11	20.91	0.16	0.14	2008	Carbacid
0.18	3720000	0	24.2	0.41	0.57	2008	EABL
0.08	2791000	0.2	23.37	0.71	0.09	2008	Mumias
0.1	6458000	0	20.55	0.04	0.02	2008	Eveready EA
0.09	3106000	0	21.38	0.14	0.03	2009	BOC
0.36	9051000	0	22.5	0.32	0.25	2009	BAT
0.25	4910000	0.11	21.04	0.22	0.19	2009	Carbacid
0.18	3840000	0	24.27	0.36	0.24	2009	EABL
0.08	5207000	0.2	23.58	0.15	0.09	2009	Mumias
0.1	5579000	0	20.72	0.07	0.03	2009	Eveready EA
0.11	3173000	0	21.37	0.08	0.06	2010	BOC
0.2	12979000	0	22.67	0.34	0.25	2010	BAT
0.25	8638000	0.13	21.14	0.24	0.2	2010	Carbacid
0.17	13170000	0	24.37	0.38	0.24	2010	EABL
0.08	5500000	0.2	23.63	0.16	0.09	2010	Mumias
0.13	4440000	0	20.88	0.02	0.01	2010	Eveready EA
0.11	3018000	0	21.32	0.05	0.03	2011	BOC
0.2	13021000	0	22.85	0.48	0.37	2011	BAT
0.25	9182000	0.15	21.28	0.23	0.2	2011	Carbacid
0.33	8311000	0	24.63	0.42	0.23	2011	EABL

0.08	5500000	0.2	23.87	0.26	0.18	2011	Mumias
0.11	4170000	0	20.74	-0.35	-0.12	2011	Eveready EA
0.1	2797000	0	21.59	0.38	0.27	2012	BOC
0.2	15752000	0	22.93	0.36	0.36	2012	BAT
0.25	12586000	0.15	21.42	0.24	0.19	2012	Carbacid
0.18	9762000	0	24.48	1.24	0.6	2012	EABL
0.08	5500000	0.2	24.03	0.14	0.07	2012	Mumias
0.14	4345000	0	20.86	0.25	0.06	2012	Eveready EA
0.1	3844000	0	21.56	0.35	0.28	2013	BOC
0.2	18302000	0	22.86	0.49	0.44	2013	BAT
0.25	12655000	0.15	21.51	0.25	0.22	2013	Carbacid
0.17	8728000	0	24.48	0.8	0.12	2013	EABL
0.08	4500000	0.2	24.03	-0.2	-0.1	2013	Mumias
0.11	5580000	0	20.66	0.22	0.05	2013	Eveready EA
0.11	4405000	0.01	21.69	0.13	0.1	2014	BOC
0.2	18703000	0	22.95	0.52	0.46	2014	BAT
0.2	14650000	0.13	21.65	0.23	0.19	2014	Carbacid
0.18	14313000	0	24.86	0.56	0.11	2014	EABL
0.08	5000000	0.2	23.88	-0.14	-0.06	2014	Mumias
0.13	7747000	0	20.65	-0.81	-0.19	2014	Eveready EA