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Effect of corporate risk disclosures on firm value of listed firms in Kenya.

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Effect of Corporate Risk Disclosures on Firm Value of Listed firms in Kenya.

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, this thesis contains no material previously published or written by another person except where due reference is made.

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Approval

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ABSTRACT

Listed corporations in Kenya encounter internal and external hurdles that jeopardize their competitive edge over the years, resulting in distressed cases, decline in share price, and in severe situations, entire destruction of value, resulting in delisting. The Nairobi Securities Exchange has witnessed significant growth in recent years, but there are questions about the market setting a premium on the deliberate efforts of information asymmetry and corporate governance practices. The general objective of the study is to investigate the effect of corporate risk disclosure on firm value of entities trading at the NSE. The research was supported by the Efficient Market Hypothesis theory, Signaling theory and the Agency theory. The study followed a positivist philosophy focused as it attempts to establish findings from the study variables by empirically demonstrating the influence and effect corporate risk disclosure has on NSE listed entities in Kenya. The study utilized secondary data acquired by content analysis from annual audited reports of 64 NSE listed corporations over 2015-2022. SPSS version 25 and Stata version 18 was used for the balanced panel data analysis in the descriptive statistics, regression analysis, and diagnostic tests employed. The regression results reveal a negative and statistically significant effect of corporate risk disclosure on firm value. This research adds to literature by presenting the findings of an emerging capital market in a developing country and recommends further can adopt further reports like integrated annual reports that will bring out more disclosures and risk statements. Further studies can adopt additional regression models with different type of dataset, have additional control variables and use other measures of firm value like Market to book value to provide a supplementary viewpoint on the relationship between risk disclosure and firm value.

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ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
CMA	Capital Markets Authority
CRD	Corporate Risk Disclosure
CSR	Corporate Social Responsibility
ESG	Environmental, Social, and Governance
EU	European Union
FRD	Financial risk disclosure
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
NACOSTI	National Commission for Science and Technology
NFRD	Non-financial risk disclosure
NSE	Nairobi Securities Exchange
SUBS	Strathmore University Business School

DEFINITION OF TERMS

Corporate risk disclosure is referred to as knowledge communication about the operations, traits, and strategies of a firm as well as any external variables that might have an impact on the anticipated outcomes (Beretta & Bozzolan, 2004)**.**

Firm value is known to be, the opinion investors have regarding an entity worth in relation to stock price (Sukesti et al., 2019).

Financial risk disclosure is explained as information that entities are required to report about their financial performance and position, including risks to their financial stability, interest rates, currency, market stability, credit, operations, all explained in their annual reports and other financial statements (Bufarwa et al., 2020).

Non-financial risk disclosure is a category of disclosure that has no basis in founded on traditional financial data. It gives stakeholders insight into important areas of a company's value generation that extends well beyond its financial statements(Fijałkowska & Hadro, 2022).

DEDICATION

This thesis is dedicated to my family, my father Charles Ang'edu, my mother Ruth, my brothers Jude and Fabian, and close guardians whose presence, support, and love have been my source of zeal, encouragement, inspiration and diligence to always pursue excellence. GOD bless you all.

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CHAPTER ONE
INTRODUCTION

The chapter presents an outline on the review of corporate risk disclosure and firm value. The chapter starts with an in-depth background of the founding elements of how disclosures come out emanating from risk, risk management, the behavior of firm value and regulatory roles. Then a problem statement specifies on the problem of the study followed by the study research objectives and questions to give direction of the study. The scope of the study shows the extent and coverage of the study and finally the significance of the study to various users and chapter summary.

1.1 Background of the Study

In light of increased trade conflict, unstable political environments, and uncertainty in policy, both advanced and emerging markets have seen a slowdown in the pace of global economic growth (CBK, 2018). The current operating environment has been characterized by progression in accounting improprieties, the financial crisis and growing regulatory requirements emphasizing the need for corporation information transparency(Elshandidy & Neri, 2015). The nature of market relations increases environmental uncertainty, making it crucial for organizations to undertake initiatives with multiple potential outcomes. The occurrence of these outcomes determines the level of risk involved in the organization's activities (Giner et al., 2020). In order to mitigate the undesirable impact of risks on firm performance, organizations must identify and disclose their risks in uncertain business environments.

In Kenya, attaining good overall business performance has posed a challenge for Nairobi Securities Exchange listed enterprises (Walela et al., 2022). Empirical studies underline that despite various reforms and regulations, issues like financial distress, currency fluctuations, and liquidity problems continue to afflict firms in Kenya (Charles et al., 2021). There were lower closing prices for developed and emerging market shares, reflecting the general negative mood across global markets, an analysis of the Nairobi All Share Index and NSE 20 Share Index trajectory indicating an overall index fall throughout quarter two 2019. According to Muigai (2016) financial difficulty can negatively impact an entity's performance, resulting in lower returns for the company. Financial distress is persistent, for instance the 2008 financial crisis revealed inadequacies in credit risk management and company risk assessment approaches (Hernandez Tinoco & Wilson, 2013). Koske et al. (2019) observed that listed corporations are enduring financial hardship, as seen by an

upsurge in delisting of corporations and placing a number under statutory management. From 2009 to 2018, at least 6 firms listed on the NSE faced financial difficulties and got into liquidation (Walela et al., 2022).The East African (2023) reported, last quarter 2023, had NSE ranked worst performing market in Africa with the blue-chip NSE 20 Share Index retreating by 10 percent and NSE All Share Index down 25.3 percent. Listed entities have across years issued profit warnings 17 companies (2019), business daily reported 13 firms (2023) making share prices fall by a deeper margin. These issues bring about the need for implementation of macroeconomic and microeconomic measures to maintain value which is the long- term objective of corporates (Susanti, 2023).

Firm value (FV) an economic estimate, is a crucial concept to both the corporate and other stakeholders, including lenders, acquirers, managers, and investors as it reflects the market worth of the enterprise (Daferighe, 2014). Further, Firm value can be influenced by endogenous firm specific as well as exogenous outside factors (Gharaibeh & Qader, 2017). With a high share price, shareholder wealth rises, such that the business value is generally the market cost of the business' shares, indicating possibility of investors' chances (Sudiyatno et al., 2021). Higher firm values indicate greater prosperity for shareholders (Susanti, 2023). The enterprise worth can be shown using share prices indicators, Tobin's Q and Market-to-Book (MTB) value (Sudiyatno et al., 2021).

Various researchers used market-to-book ratio (Hassan et al., 2009; Sudiyatno et al., 2021) another combined various estimations of corporation value for instance market to book value ratio, return on assets (ROA) and Tobin's Q (Siagian et al., 2013). Tobin's Q is most suitable to calculate FV than return on equity which shows merely accounting efficiency over long-term corporate value (Fooladi et al., 2014). This study will measure entity value using Tobin's Q, as it is acknowledged as a most appropriate measure for firm value even being notably employed in economic, accounting, and finance literature (Afriani & Utama, 2014; Alqatan et al., 2019; Enache & Hussainey, 2020;).

Given firm management has little influence over external influences to its value, this study focuses on a firm-specific component, Corporate Risk Disclosure (CRD). The significance of disclosing has been highlighted after vast crumbles worldwide, and suitable information is needed by various stakeholders to weigh entity risk profile (Linsley & Shrives, 2006). According to Madhani (2016) reporting can be classified as mandatory or voluntary reporting. Mitigation of the undesirable consequences of risks on enterprise performance, will require organizations to disclose their risks

in uncertain business environments.

Elshandidy and Neri(2015)finds that the current global business environment is characterized by progression in accounting improprieties, the financial crisis and growing regulatory requirements emphasizing the need for risk disclosure. Non-Financial Risk Disclosures (NFRD) enhance stock market performance and is key in the journey to achieve sustainable benefits long term (Linsley & Shrives, 2006). Policymakers and regulators are called to enhance the standards of NFRD by advancing, evaluating and implementing NFRD requirements (Mbithi et al., 2023).

Previous studies (Agustia et al., 2022; Ibrahim & Aboud, 2023; Latif et al., 2022; Temiz, 2021) investigated the association of CRD and firm value, the findings were significantly positive. However, other studies have provided inconsistent results being explained by various factors. Contextual differences emerge for an empirical examining the link between enterprise performance, and environmental and social disclosure for a developing Morocco and highly developed South Africa. Results indicated reporting as having positive significant outcome on entity performance in South Africa only (Khlif et al., 2015). Haj-Salem et al. (2020) finds conceptual differences explaining CRD have an unfavorable outcome on entity value and also that the sample focused on non-investment firms excluding outliers' investment firms that are different risk disclosure practices and governance policies. Methodological differences; adopting quantitative methods explains the findings of empirical evidence on Saudi firms showing no correlation occurring between sustainability disclosures of listed entities and financial performance (Haidar & Sohail, 2021).

Due to the complexity of listed firms' activities and the wide range of risks involved, providing comprehensive and standardized risk disclosures becomes challenging in such circumstances (Nahar et al., 2016). Additionally, Scanella and Polizzi (2021) indicates that disclosing sensitive information may expose listed firms to competitive risks and potential market reactions, requiring a delicate balance between transparency and protecting proprietary information. Few literatures investigated the outcomes of corporate reporting on corporation value (Bravo, 2017). Therefore, the study's primary purpose is to provide verifiable information on economic effects of risk disclosure by analyzing firm values in corporations. This study broadens previous studies by assessing the advantages resulting from of corporate risk disclosure as explained by financial and non-financial disclosures presented in year reports of listed corporations in Kenya.

1.1.1 NSE Listed firms

The Company's act No.17 of 2015 (Government of Kenya, 2015) sets the Risk disclosure framework to provide an optimal setting for corporate activities, encouraging transparency and accountability, The Act requires listed enterprises to include significant uncertainties in their published yearly reports protecting shareholder interests, and enhancing company efficiency. The Companies Act of 2015, which outlines the fundamental standards for reporting, serves as the foundation for Kenya's corporate reporting regulations (Injeni et al., 2021).

The International Accounting Standards Board states disclosure of risk standards; IAS 32, IAS 30, IFRS 9 and IFRS 7 (Mbithi et al., 2022). Abhayawansa and Adams (2021) observes the recommendation of the development of non-financial reporting standards. According to Mbithi et al (2022) the law specifically requires enterprises to identify the key risks factors affecting their operations, with the risk mitigation strategies in place but there is need for a comprehensive framework for risk reporting practices.

Establishment of the Nairobi Securities Exchange dates back to 1954 when it was formally incorporated as a voluntary organization of stock brokers. The NSE has 64 listed companies spanning diverse sectors (NSE, 2024). The NSE has undergone significant transformations aimed at enhancing its operational efficiency. One noteworthy change involved the establishment of the Central Depository and Settlement Corporation, a move that streamlined market processes (NSE, 2023). NSE specific disclosure (2023) guidelines are intended to assist investors and other stakeholders in understanding risks and how those identified risk elements are managed. The transformation of the market through demutualization, deregulation, and automation has shifted control from brokers who previously manipulated the market through coordinated signals.

Capital Market Authority has prioritized responsibility in corporation regulation which entails monitoring of entities listed in NSE in terms of liquidity, capital and many significant factors with the objective of maintaining their financial stability (CMA, 2023). The listed firms are required to report on different scopes of Risks majorly material ones (NSE, 2014). In 2016, the CMA provided a revision of business corporate governance guidelines, which advised entities companies to take on integrated disclosure voluntarily (CMA, 2016).

Institute of Certified Public Accountants of Kenya oversees regulation of accountancy practice in

Kenyan corporations (Injeni et al., 2021). With the aim to improve the standard for corporate reporting, ICPAK collaborating with NSE and CMA, established an award Financial Reporting Excellence in 1986 (McFie, 2010). The FIRE award aims to encourage high standards disclosure and conformity in enterprises of East Africa, both public and private (Mathuva, 2018). Entity managers need to realize the significant legislations that encourage non-financial reporting and standard ethics for they improve business performance while minimizing risk and internal business costs (Rossi & Harjoto, 2020).

1.2 Problem definition

According (CMA, 2024a) the capital markets registered a 13.3% contraction in the third quarter of 2018. The Financial Stability Reports (CBK, 2024) indicate that leading equities market indicators worsened in the first half of 2020 following decline in 2019 explained by decline in foreign investors participation at the NSE and weak corporate governance. The NSE's all-share index reported the longest streak in quarterly losses since 2017 (Ombok, 2023). Since March 2023, eleven firms announced profit warnings and shares of Longhorn Publishers, Crown paints Plc, Unga Group, WPP ScanGroup, Sasini, Car & General, and Kenya Power – having fell by 4.8 percent - 50.1 percent to year end (Mwaniki, 2023).

A major issue with firms is achieving and ways of maintaining value (Gharaibeh & Qader, 2017). The presence of risk looms as a threat to both the financial stability and the long-term survival of firms, influencing their levels of firm value (Muriithi & Waweru, 2017). Performance measures how capable a corporation is able to increase returns on the investments for stakeholders and owners (Mwangi et al., 2014). To ensure transparency and the prioritized safeguarding of stakeholders interests, the disclosure of these risks has become crucial in the realm of listed firms (Giner et al., 2020). Corporate risk disclosure is a method of enhancing firm credibility by helping investors grasp the approach of corporate management in the corporation (Abdullah, 2019). Similar to Cabedo and Tirado (2004), we classify risk as financial risk and non-financial risk. Transparent and accurate risk disclosure enhances market discipline, boosts investor confidence, and contributes to financial stability (Al-Maghzom et al., 2016a). The NSE presents an adequate sample of listed firms from various industries. Chung et al.,(2015b) describes in depth voluntary disclosure as transparency surpassing legal requirements for financial reporting and remuneration information. Voluntary information disclosure by the firm may indicate that managers prioritize investor interests and

benefit from a supportive board. The literature on risk management makes the case that businesses can profit from risk management because high levels of risk raise the present value of financial distress expenses and can result in less-than-ideal investment if renegotiations and external funding are expensive.

In Egypt, literature on listed entities obtained a positively significant relationship between corporate risk reporting and company profitability (Razek, 2014). A study on top listed Indian firms found that elevated risk disclosures resulted in low firm value with corporate governance having a moderating effect (Jain & Raithatha, 2021). In Saudi Arabia a study introduced risk management as a balancing element on the association of risk information reporting and enterprise value, the findings changed, no evidence concerning firm performance to becoming significantly positive (Abdelhalim, 2021). In Malaysia, a study aimed at firms that disclose risks in their yearly reports show an important effect on entity performance (Latif et al., 2022). An investigation of Indian non-financial firms that included corporate governance as a factor revealed the association to be positive between corporate risk reporting and enterprise value (Khandelwal et al., 2023). Very few studies have examined the impacts of risk disclosure on entity worth (Bravo, 2017; Elshandidy et al., 2013; Haj-Salem et al., 2020). From available literature, there is very small scale evidence of studies that have been done in Kenya to investigate this association therefore this study attempts to broaden the existing research through adding present empirical analysis to the present literature gap.

1.3 Research Objectives

1.3.1 General Objective

The general objective of the study is to investigate the relationship of corporate risk disclosure and firm value of Kenyan listed entities.

1.3.2 Specific Research Objectives

i) To examine the effect of financial risk disclosure on firm value of NSE listed companies in Kenya.
ii) To determine the effect of non-financial risk disclosure on firm value of NSE listed companies in Kenya.
iii) To examine the effect of corporate risk disclosure on firm value of NSE listed companies in Kenya.

1.4 Research Questions

i) What is the effect of financial risk disclosure on firm value of NSE listed companies in Kenya?
ii) What is the effect of non – financial risk disclosure on firm value of NSE listed companies in Kenya?
iii) What is the effect of corporate risk disclosure on firm value of NSE listed companies in Kenya?

1.5 Scope of study

This study included all 64 (NSE, 2024) listed entities of NSE as studies investigating outcomes of disclosure requirements in capital markets of developing countries are limited. The study will cover an 8- year period between 2015 and 2022. 2016 saw the implementation of the Companies act 2015 that aimed at strengthening accountability of boards and proper exercise of fiduciary duties by directors(CMA, 2015). 2021 saw the NSE release Environmental, Social, and Governance Disclosures Guidance Manual to aid listed entities in standardizing ESG reporting(NSE, 2021). These years also present a declining trend of performance in the diverse industries. 2018 Quarter 2, the performance of the NSE 20 share index has been on a decline, attributed with fall in prices of at least six listed companies by more than thirty percent including ARM Cement Ltd, Deacons, Uchumi, Nairobi Business Ventures Ltd, National Bank of Kenya and Umeme (CMA, 2024a).

1.6 Significance of the Study

1.6.1 Practitioners and firm governance

This study will provide insights to listed entities regarding the consequences of risk disclosures on their enterprise worth. If literature observes positive improvement in entity value as a result of effective risk reporting practices, listed firms may be encouraged to improve their risk disclosure frameworks (Haj-Salem et al., 2020). This can involve enhancing the standards, timeliness, and comprehensibility of risks information provided for stakeholder access. The listed firms can also use the study's findings to benchmark their risk disclosure practices against industry peers and adopt best practices.

1.6.2 Policy makers and regulators

The findings of the study can inform policy decisions related to risk management and disclosure requirements. If the study reveals that increased risk disclosure leads to better firm value outcomes for entities, regulators may consider implementing regulations that mandate comprehensive risk disclosure practices. This can enhance transparency and facilitate informed decision-making by stakeholders, and contribute to the overall stability and resilience of capital market.

1.6.3 Academics and researchers

This study can add value to the current business knowledge, specifically in areas relating to risk identification, mitigation and disclosure. The research will shed light on the association between

risk reporting, financial performance, market value, and investor behavior. These findings will also stimulate further research and exploration of the mechanisms through which risk disclosure affects firm value and contribute to the development of new theoretical frameworks.

1.7 Chapter summary

The first section gives detailed historical information on the meaning of firm value, the parties with keen interest on the firm value, why firm value is important and why there needs to be mechanisms to maintain FV. The chapter covers the goals that the research hopes to accomplish as well as the reasoning for the investigation. The next chapter will conduct a thorough literature assessment of similar works to determine the state of research on the outcomes of corporate risk disclosure on firm value of entities listed on the NSE.

CHAPTER TWO
LITERATURE REVIEW

This chapter reviews literature on corporate risk disclosure as well as entity value of NSE listed entities in Kenya. This chapter consists of a theory framework, empirical review of literature, a synopsis of research gaps, a conceptualized framework, and summary of the chapter. This will give a description on existing literature about the consequences of risk disclosures on enterprise value of listed corporations.

2.1 Theoretical review

Several theories will be useful in providing a valid argument of the need for corporate reporting and the impact on enterprise value. This study has been in light of the following theories; Stakeholder Theory, Efficient Market Hypothesis theory, Signaling Theory and Resource Dependency Theory to give an in-depth explanation of the objectives stated for the study. The multi-theoretical choice has offered a broad conceptual lens to analyze, explain, and identify approaches for CRD that can achieve high disclosure quality (Mbithi et al., 2020).

2.1.1 Stakeholder Theory

Stakeholder Theory, was originally explained by Edward Freeman in 1984, posits that corporations have obligations to shareholders and multiple stakeholders (Freeman, 1984). This theory holds that corporations should strive to create value for everyone, and that decisions should be made with their interests in consideration (Parmar et al., 2010). Organizations adopt risk disclosure as a tool to manage their information requirements and obtain their approval. This suggests that an organization must adapt more when its stakeholders are more powerful.

The stakeholder theory implies, the bare minimum of acceptable accountability to stakeholders is the disclosure of practices and information, which empowers them to make decisions about the firm's relationships. The managers' role is to gradually raise the interest of different stakeholders, the stakeholders' theory also encourages voluntary disclosure (Freeman, 1984). Transparent and comprehensive risk disclosures play a crucial role in positively affecting firm value. When listed firms provide clear and accurate risk information to stakeholders, it builds trust and confidence. This increased trust can lead to various positive outcomes, such as enhanced investor confidence, reduced regulatory scrutiny, and improved customer relations.

Stakeholder theory has been utilized in empirical studies to examine the effect reporting has in different settings such as (Kilonzo, 2020) used the stakeholder theory to find out how entities can

use human resource accounting information reporting to inform their stakeholders how it arranges and accounts for their key resource (human resource) to enhance and attract investor confidence. According to Kerry (2021) the Stakeholder theory was adopted to find out the consequence of voluntary accounting disclosures (financial information reporting, forward looking information reporting and environment accounting) on enterprise results of Kenyan insurance corporations. The present study adopted the stakeholder theory to recognize stakeholders' interests thereby requiring provision of risk disclosure for reduction of information asymmetry.

2.1.2 Efficient Market Hypothesis theory

Efficient Market Hypothesis theory was proposed by economist Fama (1965) suggesting an efficient market concept proposition that claims, new information is quickly reflected in stock prices, making the term random walk used in the finance literature assert that the current market prices of securities fully reflect all available and relevant information. For the investor and financial management, the idea is particularly important since it borders on the anticipated profit that they stand to gain from the market, which depends on their reaction to changes in security prices and other pertinent information(Apolaagoa et al., 2020). This theory is used in this study because it makes the assumption that market participants may behave regularly or logically. It is common for an investor to react unusually in response to odd facts, or it is also normal for them to follow the crowd. The stock price is a universal indicator of all pertinent information that investors share. Additionally, it says that investors are unable to take advantage of the market since they must act and make decisions based on information about the market.

2.1.3 Signaling Theory

Signaling Theory, was suggested by Akerlof (1970) and was developed initially by Michael Spence (1973) in order to provide a framework for comprehending how information asymmetries can be resolved through sending signals. The outcome of marketplace signaling on the financial markets has been researched, with this theory as a major theoretical base foundation that is often used in various management researches (Bergh et al., 2014). According to the signaling theory, corporate risk disclosures can solve the information gap between inside stakeholders and outside stakeholders (S. P. Kothari et al., 2008).

In contrast, the signaling theory suggests that investors may not easily distinguish high-quality

companies from low-quality companies based on how well the former can recognize and manage risk (Akerlof, 1970). It is imperative that corporations freely share information, signaling markets about diverse measures done to enjoy advantages resulting from transparent reporting (Saggar & Singh, 2017). Social metrics of firm worth play a crucial role in the institutional and competitive contexts of businesses because they lower search costs and stakeholder uncertainty when choosing which businesses to trade control over resources(Rindova, 2005). This theory has been significant to the current study as it shows the link between disclosure information and the firm value.

2.1.4 Resource dependency theory

The Resource dependency theory was developed by Jeffrey Pfeffer and Gerald Salancik in their 1978 book, to give a knowing on the relationships that organizations have with their surroundings and how these relationships impact organizational behavior (Pfeffer & Salancik, 1978). This theory has been applied in various CRD studies. According to Al-Hadi et al (2016) perspective, companies with greater resources might be able to establish a separate risk panel that enhances risk management practices.

This theory was used in studies to analyze CRD practices in various situations, including financial and non-financial firms (Elamer et al., 2019; Said Mokhtar & Mellett, 2013). According to Mbithi et al. (2020) resource dependency theory is helpful, but it falls short in explaining and forecasting CRD behavior because it suggests that corporations are self-interested organizations that disclose corporate risks for strategic purposes rather than emphasizing accountability and responsibility. This theory is important for the study since illustrates the positive link for firms adopting risk management and disclosure operations in vision of developing a reputable image and realization of long term value (Ntim et al., 2013).

2.2 Empirical Literature Review

2.2.1 Financial risk disclosure and firm value

The European Union, the International Accounting Standards Board (IASB), and other national standard setters established explicit requirements on corporations to disclose the main financial risks classified by IFRS 7 into four categories: market, credit, liquidity, and price risks and uncertainties that they face (Dicuonzo et al., 2017). Many developing countries, which are more economically susceptible, have not yet completely implemented international disclosure rules

from which they could benefit. Prior to making an investment decision, as such investors must assess the information provided by corporations to determine the magnitude of risk they are exposed to.

The NSE gives specific guidelines on financial risk types such as credit risk, market risk, liquidity risk and operational risk mandatory to be disclosed risk disclosures in their annual reports and other public filings. These disclosures are intended to assist investors and other stakeholders in understanding the risks that the firm faces and how those risks are managed(NSE, 2023). There were lower closing prices for developed and emerging market shares, reflecting the general negative mood across global markets, an analysis of the NASI and NSE 20 Share Index trajectory indicating an overall index fall throughout quarter two 2019.

The Basel framework classifies risk disclosures into six categories: board and management structure related to risk management, credit risk, market risk, liquidity risk, capital management and operational risk, and other risks. Within each category, the framework outlines mandatory and non-mandatory details for disclosure, emphasizing both qualitative and quantitative publication of information (Ellili & Nobanee, 2017). There is empirical literature on financial risk disclosures, its determinants and relationships with corporate characteristics(Agustin et al., 2021; Dey et al., 2018; Dicuonzo et al., 2017; El-Haddad, 2021; Iqbal et al., 2024).

There is need to define the economic benefits of this financial risk disclosure and the current study seeks to define this. According to Beretta and Bozzolan (2004) , stakeholders may not be adequately informed about the firm's financial situation by financial risk disclosure alone owing to the fact that operating and market risks may not be included in the financial statements but yet have an impact on the company's performance.

2.2.2 Non – Financial risk disclosure and firm value

In the EU, the Non-Financial Reporting Directive advocates that listed companies must report on the principal risks related to those matters linked to the undertaking's operations, including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks (European Parliament, 2019). In line with sustainability, capital market information users are increasingly needing quality information above quantity and numbers, which non-financial risk information

suffices. Guthrie et al., (2020) indicates the existence of the problem being that ordinary financial reports overlook other risks that are detrimental to the long-term viability of the organization and to society at large, their focus being only on financial business risk.

The empirical literature on corporate responsibility has primarily concentrated on affluent and developed countries, with emerging markets attracting less attention despite their growing significance in international activities however, studies have brought into picture not only levels, Kenya: Ponnu and Okoth (2009), Nigeria: Ite (2004), South Africa Coetzee & Van Staden (2011) and from Barako and Brown (2008) determinants , but also the consequences of corporate social and environmental policy disclosure initiatives specifically in the African context(Khlif et al., 2015a).

According to Linsley and Shrives (2006) NFRD enhance stock market performance and is key in the journey to achieve sustainable benefits long term. Research has been done on NFRDs, and the regulator is eager to make sure that these disclosures are easily adopted by enterprises that post information (Government of Kenya, 2015) . There are no particular binding requirements created for non-financial risk information, in contrast to financial risk disclosures, which are regulated and frequently mandated to be disclosed by authorities. The standards and guidelines on non-financial reporting, such as integrated reporting or CSR/sustainability reporting, may, nevertheless, place more emphasis on the requirement of risk information disclosure(Fijałkowska & Hadro, 2022).

The market value of the companies, as determined by the annual average market price per share, was positively and significantly correlated with the risk disclosure, corporate social responsibility disclosure, chairman's statement, and related party disclosure in annual reports, according to a study examining the value relevance of non-financial disclosures in Kenyan listed banks' reports.(Elikanah, 2019) similar to (Khlif et al., 2015a; Megeid, 2024). NFRDs are significant in provision of non-financial information about key business aspects building on what financial statements provide. According to a study by regulators and policymakers there is invitation to improve the quality of NFRD through developing, reviewing and enforcing NFRD guidelines (Mbithi et al., 2023). Companies need to motivated by evidence based research on what benefits are gotten from this type of disclosure hence the aim of this study to provide more detail on the economic consequence of disclosures.

2.2.3 Corporate risk disclosure and firm value

Existing literature presents evidence on impacts of various explanations and categories of disclosures on entity value proxies differently. Elbannan and Elbannan (2015a) examined whether Egyptian bank risk disclosures relate with operating performance and market value and found that market participants value banks that provide high-level risk disclosures because they tend to internalize performance lessons more thoroughly. In addition, the regression results revealed, that risk disclosure has a significant and positive effect on firm performance and value.

In Malaysia, Abdullah et al (2015) investigated the consequence of voluntary risk management reporting on entity value and observed a positive and significant link with entity value. The researcher hypothesizes that negative voluntary risk management disclosure will tend to have a negative and significant association with entity value, the adopted regression analysis tool finds that negative voluntary risk management disclosure is not significantly linked to entity value. As anticipated, the relation between beneficial voluntary risk management disclosure and entity value is substantial and favorable.

The above findings are slightly differed from Khlif et al., (2015a) whose results show that social and environmental disclosure has a significant positive effect on corporate performance only in the South African setting not Morocco. This is further concurred by Adelopo (2017) whose findings reveal a significant negative relationship between the extent of historic narrative disclosures and current and future firm performance, and a significant positive relationship between forward looking narrative risk disclosures and both current and future firm performance in the case of UK distressed banks non-financial risk disclosure. Similarly, Abdullah (2019) studied elements that determine corporate risk disclosure including the type of company, size of the entity, and entity profitability, as well as the consequence of corporate risk disclosure on corporation value and found concurring results with (Ibrahim & Aboud, 2023).

Conversely, Haj-Salem, et al (2020) investigated on the collective outcome of corporate risk disclosure and of corporate governance on entity value in an emerging market Tunisia, and found corporate reporting to have negative and significant effect on corporation value. Also, family ownership negatively affects the value of a corporation. However, this same study found that the size of the board, the independence an audit panel, and the inclusion of women positions on the entity board all contribute to higher business value.

Giner et al (2020) investigated whether company risk reporting mandated by IFRS 7 and Pillar 3 are value meaningful for investors in helping them make decisions about investments. From the mentioned guidelines, they developed financial risk disclosure indices that differentiated among qualitative and quantitative risk types, as well as credit, access to liquidity, and market volatility. The findings assert, there is a favorable relationship between bank value and numerous types of known risk disclosures. It also indicates that disclosure enhances standard risk value metrics.

Based on the arguments presented by Agustia et al. (2022) investigating gender variations in board diversity and the outcomes of environmentally friendly disclosure on corporation value, considering economic, social, and environment factors listed on the Indonesian entities, period 2016 to 2018, the study proposed and found that sustainability disclosure can determine changes in firm value and if the organization incorporates more sustainability reporting items, they likely to produce more favorable outcomes. In a study by Ibrahim and Aboud (2023) examining the influence of risk reporting in listed UK corporations, the findings present a positive relationship between risk related information and enterprise value. The study used four diverse scoring techniques to determine the degree of risk disclosure and accordingly to it doesn't matter what kind of RD a company uses; the markets will always value a company more highly if it discloses more risk information, regardless of how reliable that information is.

2.2.4 Control variables

Firms Various corporate characteristics and corporate governance attributes affect firm value including board independence, board composition, firm size, capital composition structure, disclosure, corporate social responsibility(Lonkani, 2018). In the current study, various control variables are utilized to investigate the relationship of risk disclosures and firm value given the controls in place: Leverage, liquidity, profitability, CG quality, growth, tangibility and dividend paout. Gharaibeh & Qader (2017) determined; market capitalization, growth opportunities, profitability, and solvency of the firm have statistically significant relationships with firm value which this study also adopts as control variables. Previous studies have also employed this variable in their studies(Jain & Raithatha, 2021; Latif et al., 2022).

2.3 Summary of the literature review

The table summarizes the literature review with specific details of supporting theories, sample and the resulting findings.

Table 2.1 Summary of empirical literature

Author	Country (Period)	Theory	Sample	Findings
Abdullah et al (2015)	Malaysia, 2011	Signaling theory, Attribution theory, Agency theory	395 non-financial firms on main market of Bursa	Voluntary Risk Management Disclosure has a positive and substantial association with FV. Damaging voluntary risk management disclosure is not significantly related to FV
Chung et al (2015b)	Taiwan.2005-2009	Signaling theory, Entrenchment theory	986 firms in Taiwan country	Excess executive compensation is negatively related to firm value but that voluntary disclosure practices moderate this relationship. Excess executive compensation has a positive effect on firm value when firms disclose comprehensive information voluntarily
Khlif et al (2015a)	South Africa and Morocco. 2004-2009	Economic theory, Stakeholder theory, Legitimacy theory, Financial theory	84 selected sector companies in Casablanca and Johannesburg stock exchange	Results show that social and environmental disclosure has a significant positive effect on corporate performance only in the South African setting.
Abdullah (2019	Indonesia. 2015-2017	Stakeholder theory, Agency theory, Signaling theory,	73 non-financial firms on Indonesia sharia stock index	Company type, company size, and margin all have considerable effect on CRD, while CRD alone has a significant and positive consequence on FV.
Al-dubai & Abdelhalim(2021)	Saudi Arabia. 2018.	Agency theory, Signaling theory, Economic theory, Social and political theory	72 non-financial Saudi listed firms	The findings show no evidence that risk disclosure and risk management disclosure matter concerning firm performance measured by the average of earning per share when they are examined individually.
Ibrahim and Aboud (2023)	United Kingdom. 2005-2015.	Agency theory, Signalling theory, capital	FTSE All-Share 629	We find a positive relation between risk information and FV

		need theory, legitimacy theory, stakeholder theory, political costs theory, proprietary cost theory		
Khandelwal et al(2023)	India. 2011-2019		205 non-financial indian firms listed on Bombay stock exchange	A joint examination of both CRD and CG mechanisms reveals positive association between CRD and firm value.

2.4 Conceptual Framework

This section will highlight the independent variable, dependent variable and control variables of the study followed by the conceptual model framework representing the stated variables. The conceptual framework presents the association between the study independent variable which is corporate risk disclosure and the dependent variable, Firm value controlled by the following variables: Leverage, liquidity, firm size, profitability and governance quality.

Fig. 2.1 Conceptual Framework

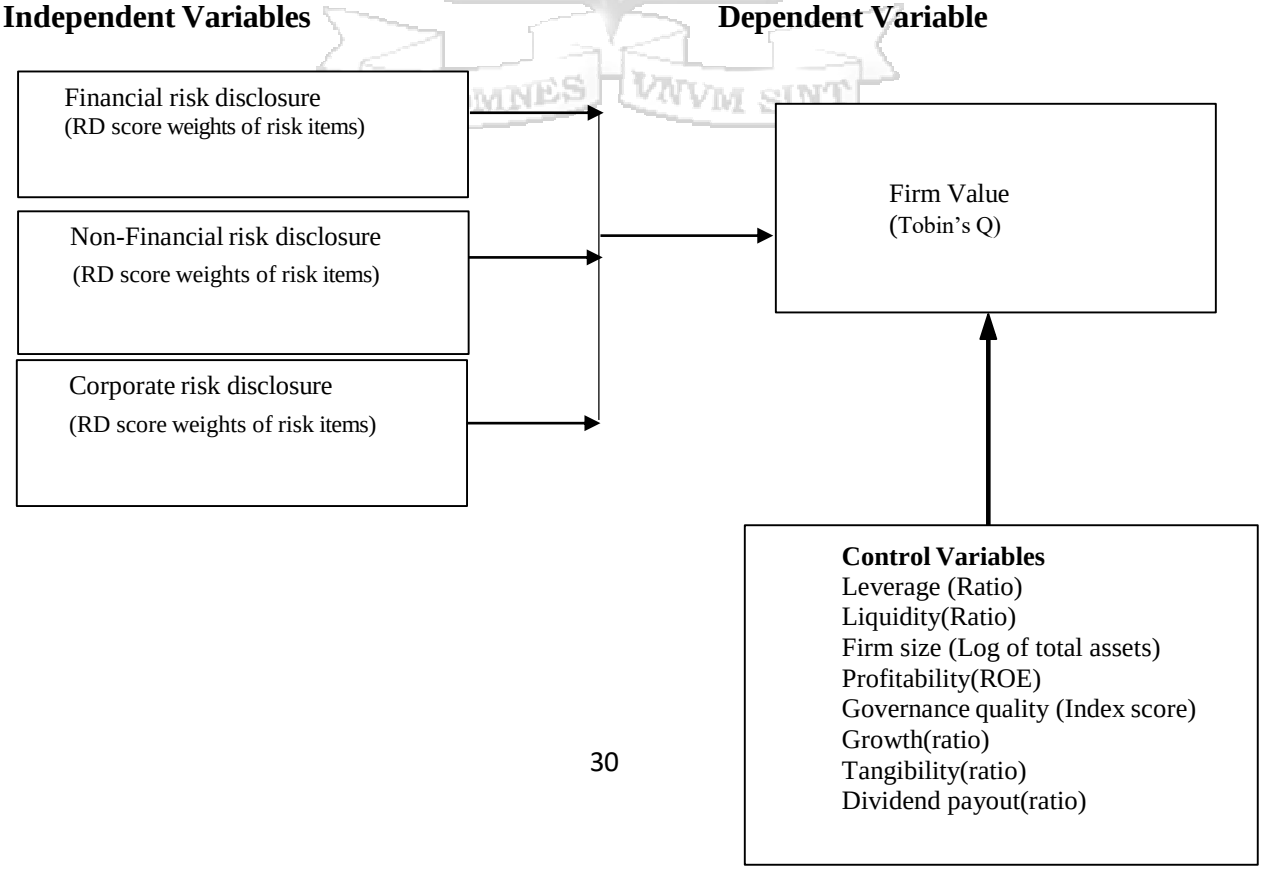


Table 2.2 Operationalization of variables

Variable	Measurement	Measurements	Supporting literature	Supporting theory
Dependent				
Firm value	Tobin's Q	Book value of total assets minus the book value of equity plus the market value of equity, then divided by the book value of the assets	(Akhtar et al., 2023)	Efficient Market Hypothesis theory
Independent				
Corporate risk disclosure	CRD Score	RD score capturing the comparative weights of different risk items	(CMA, 2012; Mbithi et al., 2022; NSE, 2014)	Agency theory
Financial risk disclosure	FRD Score	RD score capturing the comparative weights of different risk items	(CMA, 2012)	Signaling theory
Non-financial risk disclosure	NFRD Score	RD score capturing the comparative weights of different risk items	(Mbithi et al., 2022)	Institutional theory
Control				
Leverage	LEV	Percentage of total debt to total assets	(Latif et al., 2022)	Agency theory
Liquidity	CR	Ratio of current assets to current liabilities	(Mathuva et al., 2019)	Signaling theory
Firm size	FS	Natural Logarithm of total assets	(Latif et al., 2022)	Agency theory
Profitability	ROE	profit after tax scaled by the total equity	(Mbithi et al., 2022)	Signaling theory
Corporate Governance quality	CG-Index score	Actual CG score to the maximum possible CG characteristics in the CG-Index	(Mathuva et al., 2019)	Agency theory
Grow	Grow ratio	Firm growth measured as the percentage change of sale revenue	(Ibrahim & Aboud, 2023)	Signaling theory
Tangibility	Tangible ratio	Net PPE/Total Assets	(Chung et al., 2015b)	Institutional theory
Dividend payout	Dpayout ratio	Total Dividends divided by Total Net Income	(Ibrahim & Aboud, 2023)	Agency theory

2.5 Literature summary

Extant literature has had a continuous growth in disclosure studies. Disclosure has been investigated in various categories including intellectual capital disclosure, voluntary risk management disclosure, corporate internet disclosure, environmental, social and environmental disclosure, voluntary beneficial risk management disclosure and voluntary damaging risk management disclosure. Robust and large capital markets in developed countries have been on the forefront to advocate for more comprehensive disclosures in annual reports, setting the pace for emerging markets in Africa in this case Kenya to examine its context.

2.6 Research gaps

From previous research, the current study has adopted gaps to add literature into existing findings. In Malaysia, Abdullah (2015) suggests focusing on more than one year data to incorporates multiple economic conditions aligning to In Indonesia's Abdullah (2019) that advocates extension of study to all industry sectors. Agustia et al. (2022) recommends greater investigation into the outcomes of disclosures, particularly, the value of entities - Contextual and geographical gap.

After South Africa and Morocco, Khlif et al (2015) suggests the need to address disclosure consequences on other African markets & this current study addresses this conceptual gap since the economic consequence of firm value in Kenya is yet to be thoroughly researched. Haj-Salem, et al (2020) recommends to observe high growth and low growth listed entities concurring with Giner et al (2020) that presents the need for financial and non- financial sectors research.

In Nigeria, a study on risk disclosure defined risk disclosures financially and concurred with a UK study that advocated for the need to incorporate different definitions of risk disclosure scores in further emerging markets research.

A Methodology gap exists. Various previous studies (Ibrahim & Aboud, 2023; Jain & Raithatha, 2021; Latif et al., 2022), have used the Ordinary Least Squares regression, fixed effect regressions. This study bridges this gap through research methods by using random effect model to generate new insights and adequately explore this area of literature. The NSE is a vibrant and very promising market having maintained a substantive number of companies trading actively

across the years with stable regulatory policies and compliance thereby complementing Khlif et al (2015a) suggestion on the need to address the same disclosure questions on other African markets other than leading countries South Africa and Morocco.

Many firms on the have issued profit warnings(Content, 2020; Mwaniki, 2023) across the years providing need for future studies to focus on the disclosure practices of listed companies comparing profitable with non-profitable companies similar to Haj- Salem et al., (2020) advocating for an observation of the collective effect of listed companies through the distinction of high- growth and low- growth firms.

This study has distinctively build on previous disclosure literature, apart from drivers, performance consequences, to an additional economic consequence from the market complementing the recommendations of Agustia et al. (2022) on greater investigation into the outcomes of disclosures, particularly, the value of entities. This study is focusing on a unique sample, over an extended time period that has had new implementations of guidelines on disclosures, and has seen the market survive unique world issues.

2.7 Chapter summary

This chapter summarizes the theory frameworks, conceptual framework and empirical literature review and gives a picture of the gaps that the current study will fill in contribution to research. This introduces the next chapter that will discuss the methodological journey that will be adopted in carrying out the study. Following this chapter is an outline of the design, population, sampling, techniques of collecting data, analysis of data, quality of research and finally ethics considerations.

CHAPTER THREE
RESEARCH METHODOLOGY

This chapter discusses how the study will be undertaken and the way the data will be analyzed in order to ensure that the findings are valid and reliable. Research methodology is the specific procedures that are performed in the identification, selection, processing, and analysis of the received raw data related to the problem under investigation. This section explains the research philosophy, design of research, population and samples, collection of data procedures, and analysis of data methods. This section describes the ethical considerations that will be considered throughout the study.

3.1 Research philosophy

A research philosophy is an underlying idea and assumptions that a researcher holds on knowledge generation and establishment, that guides how data for a study will be acquired, evaluated, and interpreted (J. Creswell, 2009). Philips and Burbules (2000) states that research tries to create meaningful statements that can explain the circumstance of concern or clarify on the causal relationship of interest. According to Creswell (2009) post positivists reflect on the importance of identifying and assessing the causes that influence outcomes. The study used a post positivist philosophy as it attempts to establish objective facts from the study variables by empirically demonstrating the influence and effect corporate risk disclosure has on NSE listed entities in Kenya.

3.2 Research Design

Kerlinger (1986) refers to research design as the structure and technique used to answer research questions while maintaining ideal control over variables. The design of a research is a systematic path that a researcher follows as response to queries on the proposed research path objectively, accurately and economically (Kumar, 2018). Saunders et al. (2020) observes that descriptive studies attempt to assess the relationship of one variable to another after an event has occurred. Similar to Creswell and Creswell (2017) , McFie (2010) and Waweru (2016) the study adopted a descriptive design, as historical data on disclosures was used to explain firm value through quantitative consideration of trends of a population by studying. This confirmed the suitability of the selected research design for the study firm value.

3.3 Population and Sampling

Kothari (2004) explains that a population is all of the items being considered in any subject of inquiry. The present study population was all the listed corporations trading at NSE in the period 2015-2022, which were provided in Appendix 2. This period of study was significant in that in 2017, out of the 64 listed companies 12 listed companies issued profit warnings due to fallen performance; Standard Chartered Bank, Standard Group, Britam Holdings, Bamburi, HF Group and Flame, BOC Kenya, Deacons East Africa, Mumias Sugar, Nairobi Business Ventures and Unga Group (CMA, 2024a).

Kenya had the highest most private equity and venture capital deals and volumes, totaling 61 during 2017 and 2018, among East African countries but is yet to completely exploit the potential of its financial markets to enhance the growth it aims (Cytonn, 2019). In June 2020, equities market capitalization fell by 17.2 percent, and in that year overall Kenya's economy is estimated to have performed below its potential (CBK, 2024).

The sample of the study entailed all 64 firms which diligently traded on NSE capital market over the study period 2015 - 2022. The below sample was drawn from the diverse industry sectors (NSE, 2024). Firms with missing data listed firms were not included to minimize the influence of missing inferences and observations. (Abraham & Cox, 2007; Elshandidy & Neri, 2015; Ibrahim & Aboud, 2023). The study population was therefore 43 firms.

Table 3.1 Listed firms in the sample

	No. of firms (2015-2022)	**No. of Observations**
Initial expected sample from 2015- 2022	64	512
Less: Firms with missing data	10	80
Less: Firms suspended	4	32
Less: Firms delisted	7	56
Final Study sample	43	344

Source: ((NSE, 2024))

3.4 Data Collection Method

The current study used secondary based data specifically annual audited reports publicly published by the firms in the period 2018-2022. Published yearly reports were obtained from CMA repository (CMA, 2024b). Annual documents are an essential form of corporate disclosure and constitute a strong indicator for the extent a company is financial transparent (McFie, 2010). An index of disclosure is a comprehensive listing of selected items that are likely to be reported by an enterprise (Hossain, 2008). An index of disclosure (Appendix 1) was developed and used in the current study to determine the different levels of disclosures in the listed firms consistent with (Mbithi et al., 2022). In accordance with Mangena and Pike (2005) and Hossain (2008) the study adopted an unweighted disclosure index scored as 0 or 1 (0 implies risk item is not disclosed; 1 implies risk item is disclosed). The study utilized the unweighted disclosure index, as various studies suggest that weighing disclosure items does not significantly impact findings, as entities disclose significant and insignificant items alike (Cooke, 1989; Ho & Shun Wong, 2001; Wallace & Naser, 1995).

3.5 Data Analysis

The initial data collected targeting 64 companies and data cleaning was done to ensure complete data for all the companies available across the eight-year period, thereby by transforming it from unbalanced to balanced panel data. Using panel data has the benefit of increasing the number of observations for analysis(Xu et al., 2007). In accordance with Shamoo and Resnik (2009) data analysis using panel data and diagnostic tests is reliable to draw inductive inferences and distinguish real phenomena from random fluctuations. The study adopted balanced panel data for its combination of time series data and cross-sectional data, suitable for this investigation as the data was collected over an eight-year period for the listed companies(Abrevaya, 2013).

The study conducted descriptive statistics to describe Tobin's Q using measures like mean, minimum, maximum and standard deviation. Ibrahim and Aboud (2023) used Bivariate analysis conducted through the Pearson Correlation test and similarly this study conducted the correlation test to determine the type of association between the variables. In concurrence with other disclosure studies (Abdullah, 2019; Al-Maghzom et al., 2016b; Khandelwal et al., 2023; Lajili & Zeghal, 2005), content analysis will be adopted to as an examining metric of CRD in NSE listed firms' annual reports in line with Abraham and Stevenson (2007) to enable the researcher get required information from the published annual reports similar to various studies.

Regression analysis was used to examine the further association between the study's corporate risk reporting forms and firm value (Rustiarini & Suryandari, 2021). The disclosure scores gotten from corporate risk disclosure index will be panel regressed against the independent variables holding the stated control variables, using following the panel regression model equations is used with and without considering the control variables and adjusted for all the independent variables accordingly:

$Tobin_{it} = \beta 0 + \beta 1FRD_{it} + \beta 2LEV_{it} + \beta 3CR_{it} + \beta 4FS_{it} + \beta 5ROE_{it} + \beta 6CG_{it} + \beta 7Grow_{it} + \beta 8Tang_{it} + \beta 9Dpay_{it} + \varepsilon_{it}$

Where $Tobin_{it}$ is Firm value, FRD_{it} is Financial risk disclosure; LEV_{it} is leverage; CR_{it} Is Liquidity; FS_{it} is Firm size, ROE_{it} is Profitability; CG_{it} is Corporate governance quality; $Grow_{it}$ Is Growth; $Tang_{it}$ is Tangibility; $Dpay_{it}$ is Dividend payout; ε_{it} is error term. β_0 represents the intercept, β_1, β_2, β_3, β_4 , β_5, β_6, β_7, β_8 and β_9 are the corresponding coefficients for each respective independent variable and control variable.

Panel regression models

A panel data set is a dataset that shows how entities (i) behave across time (t). Three models can be considered for Panel data: The fixed effects model considers entities with unique attributes that might or might not impact predictor variables and/or the result. Random effects model assumes that variations across entities are random and uncorrelated with the predictor or other independent variables in the model. In Pooled OLS model the panel data can be viewed as a single, sizable pooled dataset when there is no dependence among the separate groups, according to the pooled OLS model. Pooled Ordinary Least Squares can be used to directly estimate the model parameters(Bai & Li, 2014; Kyriazidou, 1997; Xu et al., 2007).

Among the three models, the most appropriate was selected by conducting the Hausman test, Chow test and Lagrange multiplier test. In addition to that, Regression Diagnostic tests: Autocorrelation test, Heteroscedasticity test, Multi-collinearity test and Normality test were carried out to evaluate the assumptions of the model and look into the presence of observations that have a significant, unwarranted impact on the analysis(Kyriazidou, 1997).

3.6 Diagnostic tests

The study collected a panel data set in which behaviors of the firms were observed across the period 2015 to 2022 and deemed it necessary for the conduction of a number of diagnostic tests to ensure the collected data meets the requirements of a precise regression analysis modelling.

3.6.1 Normality test

Normality tests are used in statistics to assess whether a set of data is well-modeled by a normal distribution and to estimate the likelihood that a random variable underlying the data set will follow a normal distribution(Khatun, 2021). If our data is not normally distributed, the resulting mean will not accurately reflect our data which may result from choosing the incorrect representative value for a data set and calculating the significance level based on that representative value(Mishra et al., 2019).

3.6.2 Heteroscedasticity test

The heteroscedasticity test was used to test whether an OLS estimator would be suitable for the panel data of this study(Laskar & King, 1997). The study adopted the Wald test to examine the heteroscedasticity in the regression models adopted for the study. Heteroscedasticity is when the variance of the residuals is uneven throughout a range of measured values(Raza et al., 2023). The findings of the analysis could be erroneous if heteroscedasticity is present and this also indicates the population included in the regression has unequal variance(Astivia & Zumbo, 2019).

3.6.3 Multi-collinearity test

Test for multi-collinearity was carried out using the Variance Inflation Factor test checked whether the model had been inflated by the introduction of the control variables which could have affected the regression results adversely(Murray et al., 2012). The study used the VIF test to check the extent to which multi collinearity has inflated the variance of a regression coefficient. VIFs that exceed the cut off 10 indicate inflated of the model(Bhandari, 2020).

3.6.4 Autocorrelation test

The autocorrelation test determines whether the residuals, or errors, in your panel data model exhibit autocorrelation(Wooldridge, 2000). When error terms in one-time period are connected

with errors in prior time periods, this is known as serial correlation or autocorrelation (Drukker, 2003). The study adopted the autocorrelation test to determine the presence of correlation in the variables model. In order to verify on autocorrelation, serial correlation coefficient value should be less than 0.05(Wooldridge, 2010).

3.7 Research quality

Study research validity is vital in determining the quality a research. Validity refers to the ability to make significant inferences from specific instrument scores therefore this study aimed to assure external validity by providing precise descriptions through repeatability as an adequate basis for comparison (J. Creswell, 2009). The study reliability was enhanced by collecting the data from audited annual published reports, giving other researchers access and confirmation of similar data allowing study replication.

3. 8 Ethical issues

Ethical considerations are crucial for any research and the study aims to comply with ethical codes. The researcher will seek to obtain ethical endorsement from the Strathmore University Institutional Ethics Committee. Then the researcher will then obtain a data collection license from National Commission for Science, Technology, and Innovation (NACOSTI). There will be exercise of confidentiality when collecting the data and ensuring that the study is purely for academic purposes. This study will ensure all sources and methods used to obtain and analyze data will be academically acknowledged through appropriate referencing to avoid plagiarism.

3.9 Chapter summary

This chapter summarizes the research philosophy, research design, population and sampling process, data collection methods and data analysis to give a picture of how the current study data will contribute to research. Following this chapter is outcomes of what the current study investigated.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF FINDINGS

This chapter presents the collected data, the procedures and findings of data analysis. Annual reports that have been audited provided the secondary data. The summary of diagnostic tests is specifically presented in this chapter, together with data analysis of descriptive statistics, correlation test and panel regression results for the various models. Finally, the chapter concludes with an overall summary of the presented discussions in line with.

4.1 Sample representation

The data collection status for the listed companies was as shown in table 4.1. A balanced panel data was achieved eliminating 10 companies that had missing reports, 7 companies that were delisted and 4 companies that were suspended during the study period. Thus, secondary data analyzed was from 43 listed companies for each of the eight-years yielding a response rate of 67%. The response rate was considered sufficient for further analysis and publication of the study findings.

Table 4.1 Graphical presentation of sectors with their percentage representation

Category	Total	Percentage
Agricultural	7	10.9%
Automobiles and accessories	1	1.6%
Banks	12	18.8%
Commercial and services	11	17.2%
Construction sector	5	7.8%
Energy and petroleum	4	6.3%
Insurance firms	6	9.4%
Investment companies	5	7.8%
Investment Services firms	1	1.6%
Manufacturing and Allied	9	14.1%
Telecommunication firms	1	1.6%
Real Estate Investment Trust	1	1.6%
Exchange Traded Funds	1	1.6%
Total	**64**	**100%**

4.2 Summary of results of secondary data

The study focus is the analysis of secondary data obtained from annual reports between the period 2015-2022. The data analysis was first focused on describing the contents of the sample using descriptive analysis which entailed understanding the details of the sample. The summary of descriptive analysis is presented using averages showing the minimum, maximum, mean, standard deviation, skewness and kurtosis as shown in Table 4.2.

4.2.1 Descriptive statistics

Table 4.2 Summary of Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Dependent Variable									
TOBIN	344	0.23	8.24	1.3042	1.13187	3.418	0.131	13.467	0.262
Independent Variables									
FRD	344	0.11	1.00	0.7171	0.20966	-0.535	0.131	-0.482	0.262
NFRD	344	0.365	0.865	0.6713	0.140256	-1.319	0.131	0.394	0.262
CRD	344	0.70	1.87	1.3883	0.30817	-0.832	0.131	-0.001	0.262
Control Variables									
LEV	344	0.00	1.35	0.1265	0.19524	2.638	0.131	9.220	0.262
CR	344	0.00	12.08	1.8212	1.84455	3.153	0.131	11.870	0.262
FS	344	14.51	29.60	23.6820	2.36553	-0.413	0.131	0.241	0.262
ROE	344	-2.76	4.69	0.1125	0.47833	1.930	0.131	34.178	0.262
CG	344	0.38	1.13	0.7575	0.23935	-0.283	0.131	-1.431	0.262
Grow	344	-1.00	9.74	0.0976	0.84638	9.398	0.131	100.635	0.262
Tangible	344	0.000	0.923	0.22901	0.264586	0.986	0.131	-0.356	0.262
Dpayout	344	-3.61	10.90	0.3324	0.83691	5.920	0.131	76.557	0.262
Valid N (listwise)	344								

Table 4.2 exhibits the descriptive statistics for all the models' variables. The findings of the descriptive statistics table show the distribution inferences of the variables in this research. Analyzing data from 344 observations, the summary reveals a wide range of Tobin's Q values, spanning from a minimum of 0.23 to a maximum of 8.24. On average, companies exhibit a Tobin's Q slightly above 1 with considerable variability as evidenced by a standard deviation of 1.13187.

The distribution of Tobin's Q is positively skewed (skewness = 3.418), suggesting a tendency for some companies to have significantly higher market values. Furthermore, the kurtosis of 13.467 indicates heavy tails in the distribution, indicating a higher likelihood of extreme deviations from the mean.

Further, the descriptive statistics shows that, listed firms reported an average of 71% financial risk disclosures, followed by 67% Non-financial risk disclosures during the period 2015-2022. This suggests that firms have kept emphasis on financial reporting and non-financial information can be prioritized to match the numbers.

The mean value for FRD is 0.7171 with a standard deviation of 0.20966. The range was between a minimum of 0.11 and a maximum of 1 and the data was negatively skewed (-0.535) which shows that majority of firms are on the left side of the distribution. As compared to FRD, the NFRD shows a mean value of 0.67129 with a standard deviation of 0.140256. The range was between a minimum of 0.365 and a maximum of 0.865 and the data was negatively skewed (-1.319) which is similar to FRD. The mean of Tobin is 1.3042, with a minimum value of 0.23 and a maximum value of 8.24. This mean is not far from the mean of 1.58 revealed by Khlif et al.(2015b) in South Africa, but is significantly lower than 1.86 in Morocco. The mean is higher than 1.21 and 1.02 means, as revealed by Elbannan and Elbannan (2015b) in sample of Egyptian banks. Klap-per and Love (2004) disclosed several Tobin's Q means rang-ing from 1.16 in Turkey to 3.67 in Taiwan with an overall mean of 2.09. Nekhili et al. (2017) found a Tobin mean of 1.15 in France . Chung et al. (2015a) reported a mean of 1.41 in Taiwan.

4.2.2 Stationarity test

This was the first step of data analysis to ensure our data leads to reliable model outputs and accurate predictions. The Augmented Dickey-Fuller test (ADF) is a statistical test used to determine whether a time series is stationary or nonstationary(Baum, 2000). The current study conducted the Augmented Dickey-Fuller (ADF) test to compare the alternative hypothesis of stationarity with the null hypothesis of non-stationarity. The null hypothesis is rejected if the ADF statistic is less than the p value at the 5% level of significance(Witt & Kurths, 2002).

The Augmented Dickey-Fuller(ADF) test was conducted to determine the characteristics of the time series data of the research study. The stationarity test results are presented in table 4.3.

Table 4.3 Stationarity test results

Variable	Statistic		Value	P-value
TOBIN	Inverse chi-squared(86)	P	396.9085	0.0000
	Inverse normal	Z	-10.3333	0.0000
FRD	Inverse chi-squared(86)	P	141.0197	0.0002
	Inverse normal	Z	-3.6772	0.0001
NFRD	Inverse chi-squared(86)	P	328.5299	0.0000
	Inverse normal	Z	-8.3891	0.0000
CRD	Inverse chi-squared(86)	P	183.4890	0.0000
	Inverse normal	Z	-4.6789	0.0000
LEV	Inverse chi-squared(86)	P	228.7904	0.0000
	Inverse normal	Z	-5.8659	0.0000
CR	Inverse chi-squared(86)	P	442.5096	0.0000
	Inverse normal	Z	-9.6398	0.0000
FS	Inverse chi-squared(86)	P	174.2201	0.0000
	Inverse normal	Z	-1.4659	0.0713
ROE	Inverse chi-squared(86)	P	352.5202	0.0000
	Inverse normal	Z	-10.0786	0.0000
CG_lag1	Inverse chi-squared(86)	P	216.2619	0.0000
	Inverse normal	Z	-14.0745	0.0000
Grow	Inverse chi-squared(86)	P	279.4348	0.0000
	Inverse normal	Z	-9.5354	0.0000
Tangible	Inverse chi-squared(86)	P	258.0882	0.0000
	Inverse normal	Z	-6.4108	0.0000
Dpayout	Inverse chi-squared(86)	P	287.4713	0.0000
	Inverse normal	Z	-9.2388	0.0000

All the study variables except CG showed stationarity given that their p-values were lower than 0.05. The CG variable was found to be non-stationary and was transformed to make it stationary using Lag 1.

4.3 Diagnostic tests

This study selected a balanced panel data which necessitated conducting various types of diagnostic tests before running the regression including Normality test, Heteroscedasticity test, autocorrelation test and multi-collinearity test. Following are the results of the various diagnostic checks discussed.

4.3.1 Normality test

The Normality test was conducted to provide more insights about the distribution of the data the research study. In addition to Skewness and Kurtosis in table 4.2, the study used Kolmogorov-Smirnov test and Shapiro-Wilk test to test for normality. The results are presented in Table 4.4.

Table 4.4 Normality test results

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
TOBIN	.259	344	.000	.599	344	.000
FRD	.181	344	.000	.921	344	.000
NFRD	.246	344	.000	.768	344	.000
CRD	.115	344	.000	.918	344	.000
LEV	.259	344	.000	.678	344	.000
CR	.249	344	.000	.644	344	.000
FS	.060	344	.004	.977	344	.000
ROE	.288	344	.000	.567	344	.000
CG	.217	344	.000	.861	344	.000
Grow	.334	344	.000	.278	344	.000
Tangible	.206	344	.000	.810	344	.000
Payout	.297	344	.000	.551	344	.000
a. Lilliefors Significance Correction						

The table 4.4 above shows that, all the variables were not normal since the p-value was less than 5% significance level. Since our sample size was large, using the Central Limit Theorem (CLT) the study assumed the data is normal. CLT states that as the sample size (n) increases, the data will approach the distribution of the population.

4.3.2 Autocorrelation test in panel data

The presence of serial correlation presence indicate that the study variables defy the assumptions of simple regression(Wooldridge, 2010). The test checked for first-order autocorrelation in a panel data model's error and the findings are presented in Table 4.4.

Table 4.4 Autocorrelation test in panel data

H0: no first-order autocorrelation
F(1, 42) = 1.781
Prob > F = 0.1892

The null hypothesis is no serial correlation. The F-statistic and the corresponding p-value (F (1,42) =1.782, p > 0.05) indicate that null hypothesis of no first order autocorrelation is failed to be rejected hence no presence of serial correlation.

4.3.3 Multi- collinearity test

The Variance Inflation Factor test (VIF) was conducted to determine how much the variance of the regression coefficient is inflated given the introduction of control variables to the model of the research study. The VIF test results are presented in Table 4.5.

Table 4.5 Multi-collinearity test results

Variable	VIF	1/VIF
FRD	1.5200	0.658247
NFRD	1.4700	0.677972
FS	1.3700	0.729172
CG_lag1	1.2100	0.824543
LEV	1.1600	0.861881
CR	1.1300	0.886513
covid_19	1.0900	0.920601
Payout	1.0700	0.934314
Tangible	1.0700	0.935714
Grow	1.0600	0.941706
ROE	1.0400	0.957654
Mean VIF	1.2000	

According to the findings in Table 4.5 above the VIF of all independent variables is below 10 implying no inflation. ((Murray et al., 2012)).

4.3.4 Heteroscedasticity

The Wald test was conducted to determines if heteroscedasticity is present in the data of the research study. The test results showed heteroscedasticity was present since the residual vs fitted plot in appendix 7 showing association between the residuals and fitted values. This was corrected through logarithmic transformation.

4.4 Panel data analysis model

4.4.1 Model selection

4.4.1.1 Hausman test

The study adopted the Hausman specification test using the Hausman statistic to compare the estimated coefficients from the fixed effect and random effect models(Baltagi, 2014; Liu, 2010).

Ho: Select Random effect model (p>0.05)

H1: Select Fixed effect model (p<0.05)

The Hausman test was conducted to compare Random effects model and Fixed effect model for selection of the most appropriate regression model for the research study. The Hausman test results are presented in table 4.6.

Table 4.6 Hausman test

---- Coefficients ----				
	(b)	(B)	(b-B)	sqrt(diag (V_b-V_B))
	fixed	random	Difference	Std. err.
FRD	-1.184525	-1.031904	-0.152621	0.0772548
NFRD	0.7117738	0.7173336	-0.0055597	0.0844577
LEV	0.2833736	0.3491688	-0.0657952	0.0726185
CR	-0.0277257	-0.0324543	0.0047286	0.006286
FS	-0.0754808	-0.0689477	-0.0065332	0.017156
ROE	0.1043297	0.1227963	-0.0184666	0.0116601
CG_lag1	0.0020646	-0.0664333	0.068498	0.2054559
Grow	0.0328929	0.0325497	0.0003432	0.0071209
Tangible	0.2450752	0.2262321	0.0188431	0.0763078
Payout	0.2456552	0.2504459	-0.0047907	0.0077623
----------	----------	----------	----------	----------
b = Consistent under H0 and Ha; obtained from xtreg.				
B = Inconsistent under Ha, efficient under H0; obtained from xtreg.				
Test of H0: Difference in coefficients not systematic				
chi2(10) = (b-B)'[(V_b-V_B)^(-1)](b-B)				
= 12.10				
Prob > chi2 = 0.2785				

Based on the results of the hypothesis testing, the value of p being 0.2785 >0.05 therefore we select Random Effects model suggesting that the Random Effects model is the most suitable regression model for the study analysis.

4.4.1.2 Chow tests: Fixed vs Pooled OLS tests

The Chow test is a statistical test that determines the fit of a regression model as most appropriate estimate analysis of panel data(Binkley & Young, 2018). Where by:

Ho: Select Pooled OLS regression model (p>0.05)

H1: Select Fixed effect regression model (p<0.05)

The study adopted the test to identify the most suitable regression model for further analysis. The Chow test was conducted to determine the best appropriate regression model between Pooled OLS and Fixed effect model for the panel data. The chow test results are presented in table 4.7.

Table 4.7 Chow tests: Fixed vs Pooled OLS tests

F test that all u_i=0: F(42, 290) = 8.77 Prob > F = 0.0000

According to Cantrell et al., (1991) the result of the chow test, p value 0.0000<0.05, suggests to choose fixed effect regression model which further suggests an additional test to be conducted to choose the most appropriate model.

4.4.1.3 Breusch and Pagan Lagrangian multiplier test for random effects

The Lagrange multiplier test is a hypothesis test that determines whether random effects are significant in a study's panel data model(Rehal, 2022). In accordance to Franklin (2005) the study adopted the LM test given that chow test and Hausman test satisfied the conditions, and tested following hypothesis:

Ho: Select Pooled OLS regression model (p>0.05)

H1: Select Random effect regression model (p<0.05)

The Lagrange multiplier (LM) test was conducted to determine whether Random effects regression model is better than Pooled OLS regression model for the research study. The LM rest results are presented in table 4.8.

Table 4.8 Breusch and Pagan Lagrangian multiplier test

Breusch and Pagan Lagrangian multiplier test for random effects
TOBIN[COMPANY,t] = Xb + u[COMPANY] + e[COMPANY,t]
Estimated results:
| Var SD = sqrt(Var)
---------+----------
TOBIN | 1.276093 1.129643
e | .5902194 .7682574
u | .6042484 .7773342
Test: Var(u) = 0
chibar2(01) = 259.03
Prob > chibar2 = 0.0000

Based on the results of the hypothesis testing, the p value is 0.0000 <0.05 this validates H1 suggesting that the Random Effects model is the most suitable regression model for the study analysis.

4.5 Correlation analysis results

The study conducted correlation analysis to determine the extent of association between the variables measured by a correlation coefficient. The correlation test result is presented in Table 4.9 and a scatter plot showing the results is presented in Appendix 8.

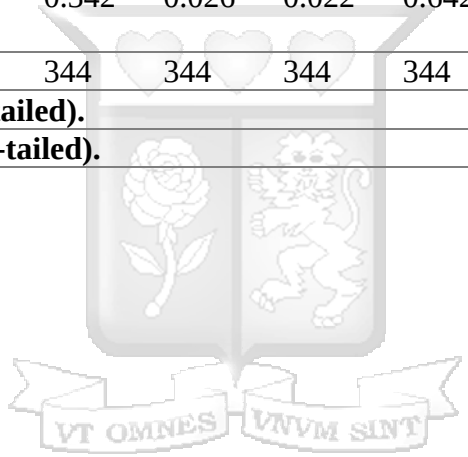
Table 4.9 Correlation Analysis

Correlations												
		TOBIN	FRD	NFRD	CRD	LEV	CR	FS	ROE	CG	Grow	Tangible	Dpayout
TOBIN	Pearson Correlation	1											
	Sig. (2-tailed)												
FRD	Pearson Correlation	-0.074	1										
	Sig. (2-tailed)	0.172											
NFRD	Pearson Correlation	0.007	.533**	1									
	Sig. (2-tailed)	0.894	0.000										
CRD	Pearson Correlation	-0.049	0.063	0.044	1								
	Sig. (2-tailed)	0.363	0.241	0.418									
LEV	Pearson Correlation	.119*	-0.040	-0.054	-0.021	1							
	Sig. (2-tailed)	0.028	0.454	0.320	0.691								
CR	Pearson Correlation	-0.063	-0.068	-0.056	-0.003	-.244**	1						
	Sig. (2-tailed)	0.244	0.210	0.303	0.952	0.000							
FS	Pearson Correlation	-.144**	.326**	.253**	-0.056	-0.070	-.148**	1					
	Sig. (2-tailed)	0.008	0.000	0.000	0.297	0.197	0.006						
ROE	Pearson Correlation	0.084	0.019	0.006	-0.052	-0.036	-0.013	.168**	1				
	Sig. (2-tailed)	0.118	0.723	0.908	0.341	0.506	0.816	0.002					
CG	Pearson	-.130*	.191**	.283**	0.016	-.184**	0.041	.388**	0.012	1			

	Correlation												
	Sig. (2-tailed)	0.016	0.000	0.000	0.760	0.001	0.450	0.000	0.822				
Grow	Pearson Correlation	-0.012	-0.051	-0.080	0.103	-0.093	0.082	.119*	0.061	0.029	1		
	Sig. (2-tailed)	0.820	0.348	0.139	0.056	0.086	0.128	0.027	0.256	0.591			
Tangible	Pearson Correlation	.110*	-.153**	-0.056	0.012	.142**	0.023	-0.024	0.016	0.004	0.005	1	
	Sig. (2-tailed)	0.042	0.004	0.301	0.825	0.008	0.675	0.662	0.770	0.936	0.923		
Dpayout	Pearson Correlation	.200**	-0.031	-0.020	0.051	-.120*	.123*	0.025	0.057	0.096	-0.024	.108*	1
	Sig. (2-tailed)	0.000	0.569	0.712	0.342	0.026	0.022	0.642	0.291	0.076	0.659	0.046	
	N	344	344	344	344	344	344	344	344	344	344	344	344

***. Correlation is significant at the 0.05 level (2-tailed).**

****. Correlation is significant at the 0.01 level (2-tailed).**



The findings show that the correlation coefficient between FRD and firm value was negative and not significant *(r (344) = -0.074, p > 0.05).* This implies that the relationship between FRD and firm value was weak. The findings also show that the correlation coefficient between NFRD and firm value was positive and not significant *(r (344) = 0.007, p > 0.05).* This implies that the relationship between NFRD and firm value was very weak. Leverage 1%, Firm size 5% concurrent to Abdullah (2019), corporate governance 1%, Tangibility 1% and Dividend payout 5%. are significantly related to firm value whilst control variables Liquidity, Margin and Growth showed to not be significantly related with firm value. CRD correlation coefficient with firm value was a negative and not significant *(r (344) = -0.049, p > 0.05).* This implies that the relationship between CRD and firm value was weak. Generally none of the correlation coefficients of the Tobin variable was found to be significant with any of the three measures of risk disclosure concurrent to(Ibrahim & Aboud, 2023).

4.6 Regression analysis

The study conducted a panel regression analysis based on the outcomes of the Hausman tests section 4.4.1.1, Chow test section 4.4.1.2 and Lagrange multiplier test section 4.4.1.3. Random effects model was considered most appropriate for the panel data. The regression summary is presented in Table 4.10. The overall regression models coefficient of determinations was as follows:

Objective 1:

Table 4.10 Random effect Regression model analysis - FRD Model 1 and Model 2

Dependent Variable	**TOBIN's Q**	
Independent variables	**Model 1**	**Model 2**
FRD	-0.9198***	-0.8006***
	(0.2600)	(0.2544)
LEV		0.3399
		(0.2763)
CR		-0.0335
		(0.0279)
FS		-0.0627**
		(0.0316)
ROE		0.1189
		(0.0945)

CG_lag1		-0.0330
		(0.3270)
Grow		0.0265
		(0.0535)
Tangible		0.2225
		(0.2170)
Payout		0.2458***
		(0.0548)
COVID_19		0.0205
		(0.2510)
Constant	1.9637***	3.2515***
	(0.2273)	(0.7779)
Observations	344	343
R-squared Overall	0.00546	0.0771
RMSE	0.8	0.773
Wald chi2	12.51	41.79
P value	0.0004	0.0000
Control variables	No	Yes
Standard errors in parentheses		
****p<0.01, **p<0.05,*p<0.1*		

Model 1, Financial risk disclosure against Tobin Q. R-squared was 0.55% indicating that FRD explained 0.00546 of the variance in Tobin's Q. The Wald chi-squared test statistic is 12.51 with 1 degree of freedom. This test is used to assess the overall significance of the model, and the resulting p-value is 0.0004, which is well below the conventional threshold of 0.05. This indicates that the model is statistically significant, suggesting that FRD has a significant effect on Tobin's Q even though r squared is low.

Model 2, Financial risk disclosure + Control variables against Tobin Q had R-squared improve to 8% when control variables were added in the model. This shows that 7% of the variation in Tobin's Q is explained by the additional predictors. These was statistically significant (Wald chi2(10) = 41.79, Prob > chi2 = 0.0000<.05), suggesting that FRD has a significant effect on Tobin's Q control variables considered.

Objective 2:

Table 4.11 Random effect Regression model analysis - NFRD Model 3 and Model 4

Dependent Variable	**Tobin's Q**	
Independent variables	**Model 3**	**Model 4**
NFRD	-0.2283	0.0296
	(0.3811)	(0.3745)
LEV		0.3688
		(0.2808)
CR		-0.0329
		(0.0283)
FS		-0.0721**
		(0.0324)
ROE		0.1298
		(0.0959)
CG_lag1		-0.0053
		(0.3339)
Grow		0.0444
		(0.0543)
Tangible		0.1879
		(0.2205)
Payout		0.2545***
		(0.0557)
COVID_19		-0.0195
		(0.0882)
Constant	1.4574***	2.8641***
	(0.2868)	(0.7960)
Observations	344	343
R-squared	0.0000524	0.0981
RMSE	0.816	0.783
Wald chi2	0.359	30.88
P value	0.5490	0.0006
Control variables	No	Yes
Standard errors in parentheses		
****p<0.01, **p<0.05,*p<0.1*		

Model 3, Non -financial risk disclosure against Tobin Q. R-squared was 0.00524% indicating that NFRD explained 0.0000524 of the variance in Tobin's Q. The Wald chi-squared test statistic is 0.359 with 1 degree of freedom. This test is used to assess the overall significance of the model, and the resulting p-value is 0.5490, which is above the conventional threshold of 0.05. This indicates that the model is statistically not significant, suggesting that NFRDs have no significant effect on Tobin's Q.

Model 4, Non- financial risk disclosure + Control variables against Tobin Q had R-squared improved to 9%. this shows that an additional 8% of the variation in Tobin's Q is explained by the additional control variables. These was statistically (Wald chi2(10) = 30.88, Prob > chi2 = 0.0006<.05), suggesting that NFRD statistically has no significant effect on Tobin's Q with control variables considered.

Objective 3:

Table 4.12 Random effect Regression model analysis - CRD Model 5 and Model 6

Dependent Variable	**Tobin's Q**	
Independent variables	**Model 5**	**Model 6**
CRD	-0.4819***	-0.3705*
	(0.1794)	(0.1771)
LEV		0.3501
		(0.2759)
CR		-0.0339
		(0.0282)
FS		-0.0627**
		(0.0320)
ROE		0.1206
		(0.0956)
CG_lag1		-0.0093
		(0.3296)
Grow		0.0296
		(0.0543)
Tangible		0.2102
		-0.2193
Dpayout		0.2463***
		(0.0555)
COVID_19		-0.0254
		(0.0878)
Constant	1.9732***	3.1846***
	(0.2809)	(0.7880)
Observations	344	343
R-squared Overall	3%	10%
RMSE	0.807	0.782
Wald chi2	7.216	35.75
P value	0.0072	0.0001
Control variables	No	Yes
Standard errors in parentheses		
****p<0.01, **p<0.05,*p<0.1*		

Model 5, Corporate risk disclosure against Tobin Q. R-squared was 3% indicating that CRD explained 3% of the variance in Tobin's Q. The Wald chi-squared test statistic was 7.216 with 1 degree of freedom. This test is used to assess the overall significance of the model, and the resulting p-value is 0.0072, which is below the conventional threshold of 0.05. The regression suggesting that CRD has a negative and significant effect on Tobin's Q.

Model 6, Corporate risk disclosure + Control variables against Tobin Q had the R-squared improve to 10% when control variables were added in the model. This shows that 7% of the variation in Tobin's Q is explained inclusive the control variables predictors. The regression model finding that CRD has a negative and significant effect on Tobin's Q control variables considered.

4.7 Chapter summary

The chapter analyzes the data and presents the results for the diagnostic tests and data analysis. Diagnostic tests were undertaken to test suitability of the study data. Descriptive statistics give the inference descriptions of the model. Results of the various diagnostic tests are discussed followed by correlation analysis that shows the levels of relationship significance between the variables. The panel data regression analysis results conclude this chapter with the next giving the analysis of findings discussions, conclusion, recommendations for various users, suggestions for further research and limitations of the study.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the results of the study findings, presents the conclusions and gives recommendations drawn from the current study and from empirical literature. The summary of the study gives a brief flow of the background to the problem statement to the empirical literature, research methodology, data collection and analysis and the findings discussion is presented as per the objectives of the study. The final part gives the conclusion, recommendations, limitations of the current study and suggestions for further research in the same literature line.

5.2 Summary of the main findings

The first objective of the study sought to examine the effect of financial risk disclosure on firm value of NSE listed companies. The correlation results observed that financial risk disclosure and firm value are negative and not significantly related. According to the regression results, FRD was found to have a negative & statistically significant effect on firm value. Control variables considered, FRD maintained a negative significant effect on firm value, which suggests that a unit increase in FRD will result in the reduction of firms' value similar to Neto et al., (2023) findings indicating that financial risk disclosure information is not valued by the market which contradicts Thai and Birt (2019) that find, FRDs provide useful information to equity investors for investment decisions.

The second objective of the study sought to determine the effect of non-financial risk disclosure on firm value of NSE listed companies. The correlation findings revealed that NFRD has a positive and not significant relationship with firm value comparable to Khlif et al (2015a) whose results show that in refined analysis, the association of firm value becomes significant and positive for South Africa only, similar to Agustia et al (2022) while it is negative and significant for Morocco. The model found that NFRDs have no significant effect on firm value. This study findings also observed that in consideration of control variables NFRD has a positive and statistically no significant effect on firm value differing with Prakash et al (2011) that found carbon emissions has a negative effect on company value and Mahmudah et al., (2023) that found CSR has a negative effect on firm value.

Finally, the third objective of the study sought to examine the effect of corporate risk disclosure on firm value of NSE listed companies. CRD correlation coefficient with firm value was negative and not significant implying a weak and inverse relationship. The CRD negative and significant effect asserts (Haj-Salem et al., 2020; Jain & Raithatha, 2021; Latif et al., 2022). The study also observed that the R-squared improved in consideration of control variables implying that firm factors are an important aid in describing the model. Further the study found significant relationships between the control variables to firm value: Leverage positive, Firm size negative, corporate governance negative, Tangibility positive and Dividend payout negative. The results also found that firm size had a negative and statistically significant controlling effect and dividend payout had a positive and statistically significant controlling effect.

5.3 Conclusions

The study reviewed empirical literature and established the effect between corporate risk disclosure and firm value variables. The study found that FRD had a negative significant effect on firm value which confirms stakeholders concerns that financial statements do not adequately represent the underlying informative scores of firm investments. Moreover, prior studies have questioned the usefulness of purely financial reporting practices even though some studies provide evidence of consistent earnings thereby enhanced firm value with higher financial risk reporting. NFRD had no significant effect on firm value which suggests that non-financial risk disclosures remain a challenge for firms in developing markets and consistent to proprietary cost theory that argues that risk disclosures are a costly affair.

Thereby, none of the coefficients of firm value is significantly related with the measures of risk disclosure. From other studies it is clear that in investment decisions, it is significant to assess clarity of operational information contributing to the firm value aside from the financial aspects. Further, the results conclude that corporate risk disclosure has a negative significant effect on firm value contradicting the signaling theory that argues that the market appreciates the signals of reporting. Generally, the disclosures showed an improved effect in the presence of control variables and an explanation the relevance of the association the control aspects have on firm value. Regardless of these findings, the research is contributive to value relevant literature, providing insight on how the market sets a premium on reported information.

5.4 Recommendations

5.4.1 Practitioners and firm governance

Based on the findings the study recommends that Practitioners and firm governance should adopt the idea of high-quality corporate risk disclosures of extensive scope that management can potentially acquire sustainable higher firm value as a result. The study analysis indicated that financial risk disclosures have a negative effect on firm value, non-financial disclosures have no affect firm value whilst both, as corporate risk disclosures positively affect firm value.

5.4.2 Policy makers and regulators

The study recommends that policy makers and regulators can use empirical evidence regarding the economic consequence of corporate risk disclosure to aid in corporate governance regulation setting in terms of developing governance policies that not only regulate but also encourage managers to report comprehensive risk information of high quality. Accordingly, the current government regulations require boards, audit and risk committees to prioritize on transparency of corporate risk information and the findings here in complement this.

5.5 Contribution to knowledge

Our results contribute to research accounting literature by giving initial understanding of corporate risk disclosure practices in Kenya, where as a developing and emerging market, the corporate risk disclosure practices are still at an early phase. These findings motivate academic scholars to expound their research on the various benefits that corporations can acquire from continuously improving on disclosure. Additionally, the study contributed to the empirical field for reference in the formulation, and development of standardized detailed global accounting standards geared to various risk disclosure requirements.

5.6 Limitations of the study

The study adopted a balanced panel data from annual reports to give full observations which may have potentially left out a reliable sample inference. In addition, the study intended to utilize all the 64 listed firms as at March 2024, however, 21 firms were excluded from the analysis because of missing reports before the study period, suspension during the study period, mergers and delisting also made it difficult to get all observations of a balanced panel data. Eventually only 43

firms were considered for the study analysis. The left out sample could potentially alter the study findings if all firms are utilized in a similar analysis at a future time.

The findings contradict the arguments of stakeholders' theory whereby stakeholders prefer to be adequately informed and when uncertainty is reduced, investor confidence increases thereby higher value, resource dependency theory that the preferred choice of investment is on educated users and signaling theory that advocates for marketplace signaling to attract funding, in regards to the significance of disclosure. Efficient Market Hypothesis theory clears information asymmetry and assumes certainty ground for good investment reputation however the study findings contradict this argument. These results refute the theories adopted indicating that firms with higher CRD levels are likely to have a lower firm value, providing literature evidence of the economic consequence of CRD.

The study defined risk disclosures as financial and non-financial risk disclosures in the context of the listed firms. The concepts of risk could be extensive to different contexts. Further drawback of the study is that it used content analysis based on weighted index in determining disclosure or non-disclosure. The inherent limitation of content analysis is the assumption of similarity in content disclosure.

5.7 Suggestions for further research

The study suggests further research on the effect of corporate risk disclosures on sectorial distributions such as manufacturing, commercial services, energy services which the study found to embrace various types of disclosures. Given that the study used secondary data from annual reports, further studies call for adoption of further reports like integrated annual reports that will bring out further disclosures and risk statements. The study considered balanced panel data of listed companies between the period 2015- 2022, further studies can consider other types of panel data over an extended time period to bring out a more inclusive sample of the disclosures. Further research can use various measures of firm of value to provide a supplementary viewpoint on the relationship between risk disclosure and firm value.

5.7 Chapter summary

This chapter brings to summary the investigation of the effect of corporate risk disclosure and firm value. The chapter presents the summary of findings, conclusion limitation and recommendations for the study. The study identified significant and positive associations between control variables that significantly related to firm value whilst control variables. In addition, the financial risk disclosures were highest disclosed items in the annual reports, the non-financial disclosure requirements being less and shallow. The control variables Leverage, Firm size, corporate governance, Tangibility and Dividend payout established a positive significance on firm value whilst Liquidity, Margin and Growth showed to not be significantly related with firm value. The study recommends for enhanced quality financial and non-financial risk disclosure requirements. Development of specific guidelines and regulatory framework for the disclosures is advocated for. The study provides suggestions for future research to contribute to further research.

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APPENDICES

Appendix 1: Introductory Letter

Ole Sangale Rd, Madaraka Estate,
P.O Box 59857 00200, Nairobi, Kenya,
Cell: +254 703 414/6/7, Twitter: @SBSKenya
Email: info@sbs.ac.ke or visit www.sbs.strathmore.edu

Strathmore UNIVERSITY
BUSINESS SCHOOL

15th April 2024

To Whom It May Concern,

RE: FACILITATION OF RESEARCH – ANG'EDU EULALIA

This is to introduce Ang'edu Eulalia who is a Master of Commerce (MCOM) Student at Strathmore University Business School, admission number MCOM/123999/22. As part of our MCOM Programme, Eulalia is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MCOM course. To this effect, Eulalia would like to request appropriate data from your organization.

Eulalia is undertaking a research paper on "**EFFECT OF CORPORATE RISK MANAGEMENT DISCLOSURE ON FIRM VALUE OF LISTED ENTITIES IN KENYA.**" The information obtained shall be treated confidentially and shall be used for academic purposes only.

Our MCOM Programme seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours sincerely,

Njoki Kiagiri
Manager – Graduate Programmes
Strathmore University Business School.

Strathmore Business School is a Proud member of:
Association of African Business Schools AABS EFMD AACSB

Appendix 2: SU-IERC Ethical Approval

Strathmore UNIVERSITY

23rd April 2024

Ms Ang'edu Eulalia,
eulalia.angedu@strathmore.edu

Dear Ms Ang'edu,

RE: Effect of Corporate Risk Management Disclosure on Firm Value of Listed Entities in Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above SU-masters research proposal. Your application reference number is **SU-ISERC2182/24.** The approval period is from **23rd April 2024 to 22nd April 2025.**
This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
v. Clearance for the export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) https://research-portal.nacosti.go.ke/ and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC

STRATHMORE UNIVERSITY INSTITUTIONAL SCIENTIFIC AND ETHICAL REVIEW COMMITTEE
(SU-ISERC)
23-Apr-2024
Email:ethicsreview@strathmore.edu
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Appendix 3: NACOSTI License

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 295427

Date of Issue: 30/April/2024

RESEARCH LICENSE

This is to Certify that Ms.. Eulalia Ang'edu of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: EFFECT OF CORPORATE RISK MANAGEMENT DISCLOSURE ON FIRM VALUE OF LISTED ENTITIES IN KENYA for the period ending : 30/April/2025.

License No: NACOSTI/P/24/35144

295427

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Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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See overleaf for conditions

Appendix 4: Corporate Risk Disclosure Index

Financial Risk Disclosure	**FRD Items**	**Score range**
(i)Financial risks	1.Interest rate	0-1
	2.Exchange rates	0-1
	3. Commodity prices	0-1
	4. Liquidity	0-1
	5. Credit/default	0-1
	6. Capital adequacy/insolvency	0-1
	7. Equity prices	0-1
	8. Financial derivatives/instrument	0-1
	9. Executive compensation/bonus/pension commitments	0-1
	10. Disclosures to help users understand financial risks	0-1
Non-financial risk disclosure	**NFRD items**	**Score range**
(ii)Business risks	11. Competition/proprietary/copyright	0-1
	12. Business processes and procedures/operations	0-1
	13. Technology/information technology	0-1
	14. Health and safety	0-1
	15. Environment	0-1
	16. Reputation/goodwill/image/brand name	0-1
	17. Compliance	0-1
	18. Legal	0-1

	19. Sourcing/raw material/Supply chain	0-1

	20. Production/product development	0-1
	21. Marketing/customer satisfaction/boycott	0-1
	22. Social contribution/community support	0-1
	23. Internal audit and control	0-1
	24. Human resources/employee/labor turnover/unrest	0-1
	25. Integrity/management and employee fraud	0-1
	26. Governance/leadership and management	0-1
	27. Non/financial disclosure/communication	0-1
	28. Off balance sheet/contingent assets and liabilities	0-1
	29. Product/service failure	0-1
	30. Asset Portfolio risk	0-1
	31. Contract duration	0-1
	32. Concentration risk (product/customer, region)	0-1
	33. Diversification (product/service, location)	0-1
	34. Counterparty	0-1
	35. Business ethics/corruption	0-1
	36. Stock/service obsolescence and shrinkage	0-1
	37. Disclosures to help users understand business	0-1
	38. Disclosure of risk management section	0-1
	39. Disclosure of risk mgt. policies/board responsibilities	0-1
	40. Disclosure of risk governance/committee existence	0-1

	41. Disclosure of risk committee composition	0-1

	42. Disclosure on existence ERM	0-1
	43. Risk committee chairperson independence	0-1
	44. Disclosure of risk committee meetings attendance	0-1
	45. Disclosure of risk committee remittances	0-1
	46. Disclosure of risk committee membership	0-1
	47. Absence of threats and opportunities under Business Review section	0-1
(iii)Strategic risks	48. Sovereign/politics/election violence	0-1
	49. Regulation	0-1
	50. Taxation	0-1
	51. GDP growth/market demand/aggregate demand	0-1
	52. Unemployment rate	0-1
	53. Inflation rate	0-1
	54. Natural disasters/terrorism/pandemic/Locust invasion	0-1
	55. Money supply/quantitative easing	0-1
	56. Oil price	0-1
	57. Public/budget deficit	0-1
	58. Industry/Market share	0-1
	59. Performance measurement	0-1
	60. Management of growth	0-1
	61. New alliances/joint ventures/partnership	0-1

	62. Disclosures to help users understand strategy risks	0-1

Source: (Mbithi et al., 2022)

Appendix 5: List of Listed firms in Kenya

COMPANIES	
AGRICULTURAL	**AUTOMOBILES & ACCESSORIES**
Eaagads Ltd.	Car and General (K) Ltd.
Kapchorua Tea Kenya Plc.	**BANKING**
Kakuzi Plc	Absa Bank Kenya PLC.
Limuru Tea Co. Ltd.	Stanbic Holdings Plc.
Rea Vipingo Plantations Ltd.	I & M Holdings Ltd.
Sasini Plc.	Diamond Trust Bank Kenya Ltd
Williamson Tea Kenya Plc.	HF Group Ltd.
COMMERCIAL & SERVICES	KCB Group Ltd.
Express Kenya Plc.	National Bank of Kenya Ltd.
Kenya Airways Ltd.	NCBA Group Plc.
Nation Media Group Plc.	Standard Chartered Bank Kenya Ltd.
Standard Group Plc.	Equity Group Plc.
TPS Eastern Africa (Serena) Ltd.	The Co-operative Bank of Kenya Ltd
WPP Scangroup Plc.	BK Group Plc.
Uchumi Supermarket Plc.	**CONSTRUCTION & ALLIED**
Longhorn Publishers Plc.	ARM Cement Plc.
Deacons (East Africa) Plc.	Bamburi Cement Ltd.
Sameer Africa Plc	Crown Paints Kenya Plc.
Nairobi Business Ventures Ltd.	E.A Cables Ltd.
ENERGY & PETROLEUM	E.A Portland Cement Ltd.
Total Kenya Ltd.	**INSURANCE**

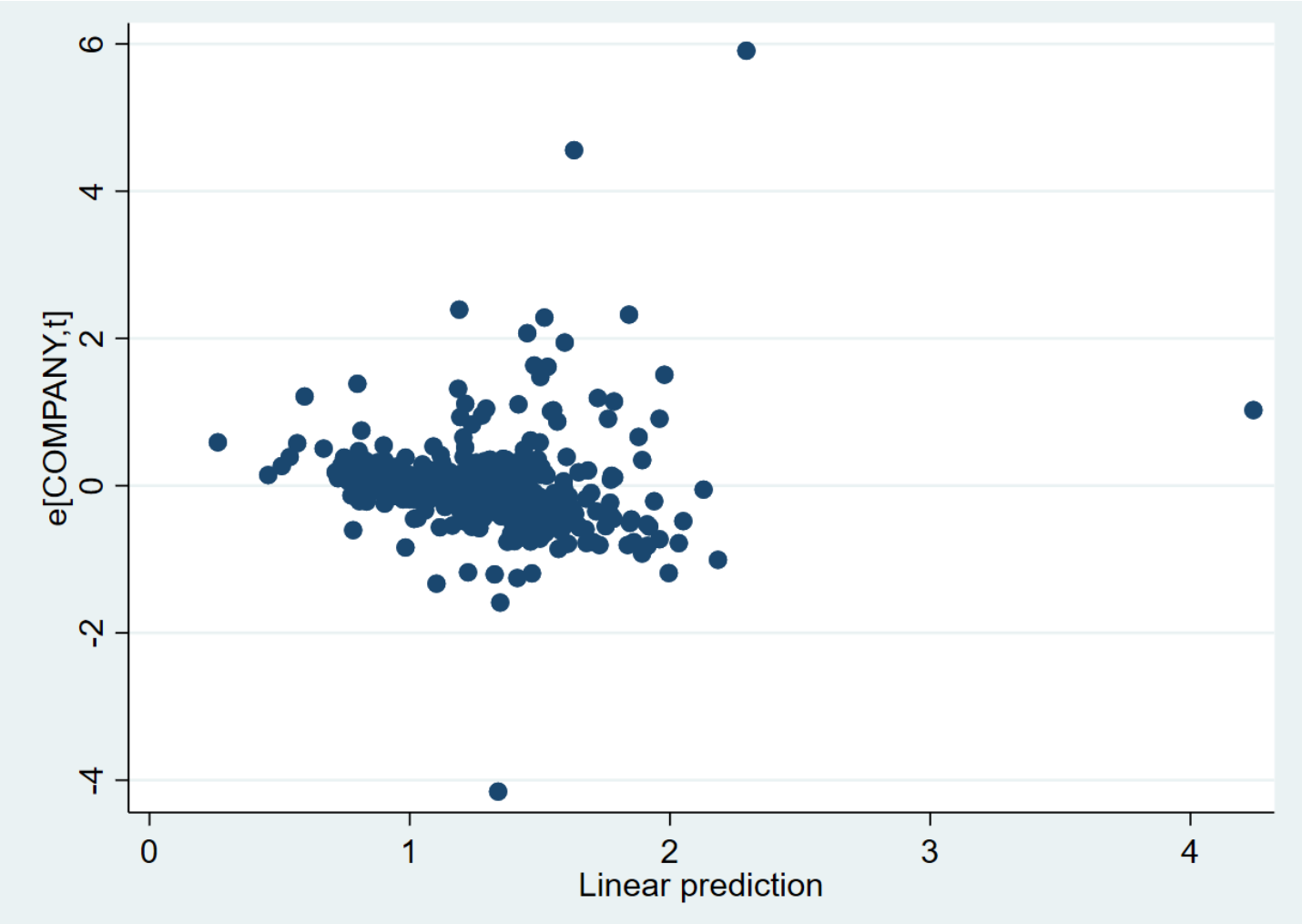
KenGen Plc.	Jubilee Holdings Ltd
Kenya Power & Lighting Plc.	Sanlam Kenya Plc.
Umeme Ltd	Kenya Re - Insurance Corporation Ltd.
INVESTMENT	Liberty Kenya Holdings
Olympia Capital Holdings Ltd.	Britam Holdings Plc.
Centum Investment Plc.	CIC Insurance Group Ltd.
Trans - Century Plc.	**INVESTMENT SERVICES**
Home Afrika Ltd.	Nairobi Securities Exchange Ltd.
Kurwitu Ventures Ltd.	**TELECOMMUNICATION**
MANUFACTURING & ALLIED	Safaricom Plc.
B.O.C Kenya Plc.	**REAL ESTATE INVESTMENT TRUST**
British American Tobacco Kenya Plc.	ILAM Fahari I-REIT
Carbacid Investments Plc.	**EXCHANGE TRADED FUNDS**
East African Breweries Ltd.	ABSA New Gold ETF
Mumias Sugar Co. Ltd.	
Unga Group Ltd.	
Eveready east Africa Ltd.	
Kenya Orchards Ltd.	
Flame Tree Group Holdings Ltd.	

Source: Nairobi Securities Exchange website as of 1st May 2024 (NSE, 2024)

Appendix 6 : List of firms Suspended , Delisted and those with missing reports

S/No.	Company Name	Suspended	Delisted	Missing reports
1	Rea Vipingo		✔	
2	Marshalls (EA)		✔	
3	National Bank of Kenya			✔
4	Kenya orchards ltd			✔
5	Kurwitu Ventures			✔
6	ARM Cement		✔	
7	Uchumi Supermarkets		✔	
8	Kenol Kobil		✔	
9	Eaagads ltd			✔
10	BK group			✔
11	New Gold issuer ltd			✔
12	Stanlib Fahari I-REIT			✔
13	Umeme ltd		✔	
14	Mumias sugar co. ltd	✔		
15	Deacons		✔	
16	Absa plc			✔
17	E.A Cables	✔		
18	E.A Portland ltd	✔		
19	Transcentury	✔		
20	Standard group			✔
21	Centum			✔

Appendix 7: Residuals vs. fitted values plot



Appendix 8: Scatter plot for correlation analysis