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**MEDITATING EFFECT OF CODE COMPLIANCE IMPLEMENTATION
ON THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE
AND FINANCIAL PERFORMANCE OF LISTED FIRMS IN KENYA**

BY

EVELYN WAIRIMU KANJAGUA

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF
COMMERCE AT STRATHMORE UNIVERSITY**



STRATHMORE BUSINESS SCHOOL

STRATHMORE UNIVERSITY

NAIROBI, KENYA

APRIL, 2025

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, the project contains no material previously published or written by another except where due reference is made in the project itself.

Signature _____ Date: _____

Evelyn Wairimu Kanjagua

MCOM/114738/18

This thesis has been submitted for examination with my approval as the University supervisor.

Signature _____ Date: _____

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Executive Dean

Strathmore University Business School

Director Office of Graduate Studies

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I would like to express my sincere gratitude to all those who have supported and contributed to the completion of this thesis.

I wish to acknowledge my family, whose unwavering support and encouragement have been a constant source of strength throughout my research journey.

I am also deeply grateful to my supervisor for her dedication and commitment to guiding me through this process; her insights and expertise have been invaluable to the development of this work.

To my partner, I extend my heartfelt thanks for the continual encouragement and motivation to see this project through to its completion.



DEDICATION

I dedicate this thesis to my family especially my dad(RIP) who would have been so proud of this achievement.



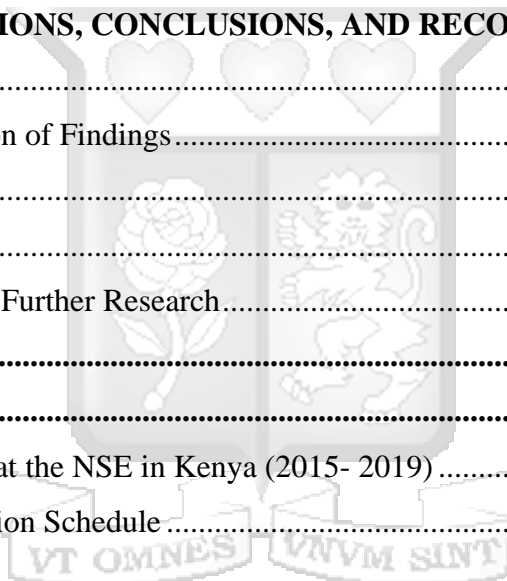
ABSTRACT

There is growing recognition that robust corporate governance practices can enhance transparency, accountability, and investor confidence, which are crucial for financial growth. Compliance with corporate governance codes is expected to mitigate risks, improve decision-making, and foster sustainable financial performance among listed firms. This study sought to establish the mediating effect of corporate governance code compliance implementation on the relationship between corporate governance and financial performance of listed firms in Kenya. It also sought to establish the controlling effect of risk management on the relationship between corporate governance and financial performance of listed firms in Kenya. The study adopted agency and stakeholder theories based on positivism philosophy and correlational research design. The study targeted 41 firms listed at the NSE for ten years between 2014 and 2023. It was based on balanced panel secondary data from the annual reports of individual firms from the NSE website. This study adopted an event study methodology in the data collection. This was done 4 years before the code and 6 years after the code. The data was gathered via data collection sheet and analysed through descriptive and inferential techniques. The inferential statistics involved the use of multiple regression analysis. The findings showed that integrated reporting requirements, governance audit and mandatory director training had a positive effect on financial performance. However, board structure had a negative effect on financial performance. On the other hand, risk management showed a positive controlling effect on the relationship between corporate governance code implementation and financial performance. The findings showed that corporate governance code implementation had a positive but insignificant effect on financial performance. The study concluded that corporate governance code implementation had an insignificant effect on the relationship between corporate governance and financial performance of listed firms in Kenya. This study recommends that listed firms increase integrated reporting, governance audits and adoption of corporate governance code for improved financial performance among listed firms in Kenya. There is need for the listed firms to ensure balanced board composition with a reduced number of executive director and increased independent directors in the board. The study recommends similar studies based on other factors influencing financial performance, other listed firms, and primary data. This study is limited by the variables, scope and methodologies adopted.

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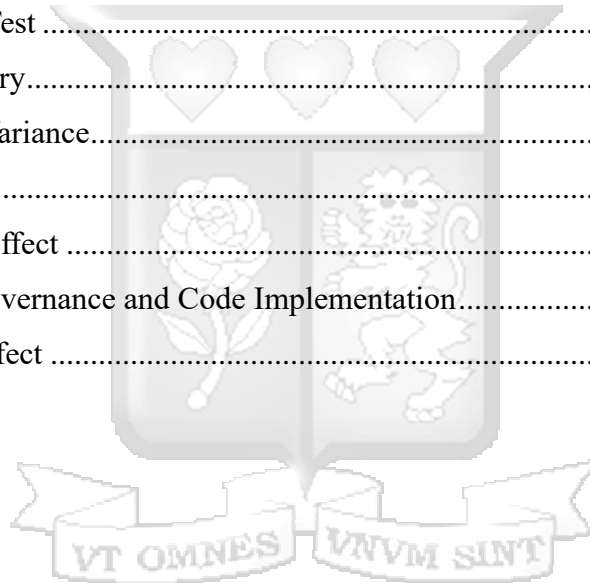
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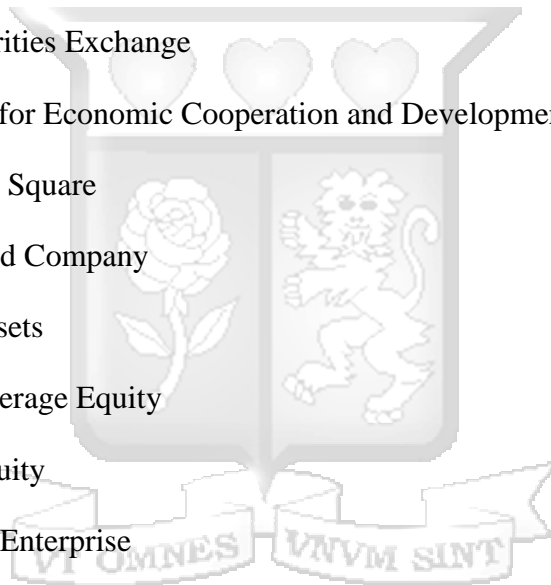
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LIST OF ABBREVIATIONS AND ACRONYMS

2SLS	Two-Stage Least-Squares
CSR	Corporate Social Responsibility
ESG	Environmental, Social and Governance
ABSA	Amalgamated Banks of South Africa Limited
ANOVA	Analysis of Variance
BAT	British American Tobacco
BHS	British Homes Stores
BOC	Branch Office Collection
BSE	Bombay Stock Exchange
CBK	Central Bank of Kenya
CBN	Central Bank of Nigeria
CBRR	Capital Budget Realisation Ratio
CIC	Co-operative Insurance Company
CMA	Capital Market Authority
CMC	Cooper Motor Corporation
CSE	Colombo Stock Exchange
EABL	East African Breweries Limited
EAPC	East African Portland Cement
ERM	Enterprise Risk Management
FGLS	Feasible Generalised Least Square
GCGC	German Corporate Governance Code
HFC	Housing Finance Corporation
I&M	Investments & Mortgages

IR	Integrated Reporting
IRDQI	Integrated Reporting Disclosure Quality Index
JSE	Johannesburg Stock Exchange
KCB	Kenya Commercial Bank
KQ	Kenya Airways
KRA	Kenya Revenue Authority
NMG	Nation Media Group
NSE	Nigeria Stock Exchange
NSE	Nairobi Securities Exchange
OECD	Organisation for Economic Cooperation and Development
OLS	Ordinal Least Square
Plc	Public Limited Company
ROA	Return on Assets
ROAE	Return on Average Equity
ROE	Return on Equity
SOE	State-Owned Enterprise
TQ	Tobin Q
UK	United Kingdom
US	United States
VIF	Variance Inflation Factor
VW	Volkswagen
WPP	Wire and Plastic Products



CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

It is not a recent development that corporate governance is necessary to restrict conflicts of interest between management and shareholders, particularly the expenses these conflicts cause (Reuter, 2022). According to Jiang and Kim (2020), controlling managers is necessary to prevent losses. Financial scandals, as seen at VW Emissions Scandal, Carillion, Patisserie Valerie and British Homes Stores (BHS) in United Kingdom (2018) and Tesco and Toshiba in 2015, and the accompanying monetary losses have strengthened this claim. Other organizations such as the India's Golden Quadrilateral in 2015 failed from financial misconduct and poor governance of corporations (Arangil, 2022). We've seen that these kinds of scandals may lead to severe declines in the financial markets, job losses, and the value of pension plans. For instance, the largest American pension fund suffered a loss of more than \$1 billion as a result of its holdings in WorldCom (Reuter, 2022). In the recent years 2008-2009 financial crisis exposed Lehman Brothers Holdings and an indication of weaknesses in the Corporate Governance structure i.e. corporate governance failures, corporate incompetence, and financial fraud and abuse was cited to be the cause (Deb, 2021).

Financial performance is an indicator of how effectively an organisation may utilise assets in the generation of sales (Helmold & Samara, 2019). The two most common metrics for performance are ROE and ROA. ROE evaluates accounting revenues for a time frame that encompasses each shilling of the investors' value, while ROA evaluates return for every shilling spent on assets (Chouaibi, Chouaibi & Rossi, 2022). Tien, Anh and Ngoc (2020) identified ROA, asset age, firm size, ROE, and return on sales as indicators of financial performance. This study adopted ROE in measuring financial performance.

The significance of financial performance has also underscored the need for robust corporate governance frameworks to safeguard firms from mismanagement and financial scandals. Various nations have established corporate governance codes to enhance accountability, efficiency, and profitability (Chouaibi, Chouaibi & Rossi, 2022). The UK Corporate Governance Code of 2018, the US Sarbanes-Oxley SOX (2002), and the Organisation for Economic Cooperation and

Development (OECD) of 2004 are examples of developed country corporate governance codes. Another code that cuts across all commonwealth countries is the Commonwealth Code. This code approaches corporate governance as a tool for ensuring profitability of corporations, their efficiency, probity, responsibility, transparency and accountability. The German Corporate Governance Code is another code that has been adopted in the developed countries to guide corporate governance among publicly listed firms in Germany. A new edition relating German Corporate Governance Code (GCGC 2022) was adopted in government's panel on the code. The Code is a regulatory framework adopted in developed countries, specifically designed to enhance transparency, accountability, and ethical management among publicly listed firms in Germany, ensuring compliance with international corporate governance standards. The German Corporate Governance Code mandates a two-tier board system with distinct supervisory and management roles, whereas the Commonwealth Corporate Governance Code generally promotes a unitary board structure and serves as a broad guideline rather than a legally binding framework.

African nations have an extremely high rate of company failures as a result of their weak corporate cultures (Godfrey et al., 2019). African nations experience notably high business failure rates, particularly among Micro, Small, and Medium Enterprises (MSMEs). According to World Bank (2022), 80% of MSMEs in Africa fail within the first five years of establishment. In South Africa, the small business failure rate is reported to be as high as 71% within the first year. The Securities and Exchange Commission of Nigeria established a committee in 2000 with the goal of regaining public trust. The group's initial report outlined a code for corporations within the country. The Central Bank of Nigeria issued a code akin to this in 2000 (Areneke et al., 2022). The Egyptian Corporate Governance Code was published in October 2005 by Egyptian Institute of Directors (EIoD) as a set of rules and regulations for the businesses listed on Egyptian Exchange, with authorization from the Ministry of Investment (Hassan et al, 2020). Comparable code includes the Institute of Directors South Africa's Kings Code I, II, III, and IV, as well as Ghana's Securities and Exchange Commission's 2010 Code of Best Practices for Corporate Governance. These codes were designed to enhance corporate ethics in terms of responsibility and openness in the management of public institutions (Corvino, Doni & Bianchi Martini, 2020).

Kenya has not been left behind in the establishment of corporate codes to ensure improved corporate governance among firms. Kenya developed a code in 2015 in their urge to streamline the management of listed firms in the country. The code of Corporate Governance Practices for

Issuers of Securities to the Public, 2015 (The Code) was enacted by the Capital Market Authority due to the industry changes to make sure that Kenya can garner both domestic as well as foreign interests and investments. (CMA, 2019). The code was introduced in 2015 and became effective in March 2017 superseding the principles of the 2002 code.

The code has changed to recognise that disobedience was permitted under specific conditions and to make sure that the regulations are principle-based instead of rules-based (Capital Markets Authority, 2022). Most European countries have embraced the comply or explain strategy, which lowers the danger that businesses may just follow the letter of the laws instead of adhering to their spirit i.e. box ticking behaviour (Campbell, Jerzemowska, & Krzyszto, 2019). The implementation of a comply or explain principle-based corporate governance strategy allows organisations to be flexible and customise their business activities to their unique conditions, thus boosting efficiency and transparency in corporate governance (CMA, 2022).

The code outlines the concepts along with suggestions for frameworks and procedures that issuers ought to put in place to ensure effective corporate governance. There is also a reporting system in place and the reporting template provides guidelines for each firm to evaluate its corporate governance practices against the Code each financial year. Compliance is an integral component of corporate annual report disclosure duties, and each publicly traded company is expected to publicise on an annual basis, within its yearly reports, a statement from the directors regarding if the company complies with corporate guidelines.

The relationship involving compliance with corporate governance codes and financial performances has recently been extensively considered in academia (Affes & Jarboui, 2023; Farooq, Noor & Ali, 2022; Alodat et al., 2022; Farah et al., 2021). The correlation is based on corporate governance code provisions around board structure, integrated reporting, stakeholder relations, risk management framework, governance evaluation, board composition, board remuneration among others. Okeke (2022) found a direct link involving CGC and financial performance of Nigerian banks. This is supported by Berhe (2023) who found that board structure as an element of CGC produced a favourable and substantial impacts on performances. Pereira and Filipe (2018) also found that mandatory training of board members as an element of CGC improved financial performances significantly. However, Gunarathne and Priyadarshanie (2023) displayed a negative connection between the code implementation and financial performance.

However, Sidki, Boerger and Boll (2023) found no significant link between the two parameters. Farooq, Noor and Ali (2022) found an insignificant relation involving board training and return on equity.

In Kenya, Abang'a et al (2022), exhibited governance audit was significantly and positively linked to financial performance. This creates the need for a study on compliance to corporate governance code and its effect on financial performance. Despite the existence of numerous researchers that have looked into corporate governance, there is need to establish if the code that has been put in place by the CMA in Kenya had a mediating effect in the financial performance of the companies listed as compared to those the regulations of 2002 that were in place. The studies mainly focused on corporate governance without taking into consideration the mediation that comes with implementation of corporate governance code in its effect on financial performance.

Although there is substantial literature on the relationship between corporate governance and financial performance, key knowledge gaps remain, particularly in the context of listed firms in Kenya. Research often overlooks how the detailed process of corporate governance code compliance implementation directly affects financial outcomes, treating compliance as a simple binary (compliance vs. non-compliance) rather than exploring the effectiveness of implementation strategies. Additionally, most studies generalize findings from developed markets, which may not accurately reflect Kenya's unique regulatory and economic environment, leaving a gap in country-specific insights. The impact of corporate governance code compliance on different aspects of financial performance, such as profitability, market valuation, and operational efficiency, remains underexplored, as does the influence of firm-specific factors like size, industry, and ownership structure. Furthermore, existing research often lacks longitudinal analysis, focusing instead on short-term impacts without addressing the sustainability of financial benefits over time.

1.1.1 Corporate Governance

This study mainly focuses on the provisions of corporate governance which relates to integrated reporting, governance audit, director training, board structure and risk management. Integrated reporting is the process of expressing the way a company's plan of action, governance, performance, and opportunities contributes to value creation across all periods of time. It depends on integrative thinking. Using many reporting lines to express the entire range of elements that significantly impact a company's ability to produce value across time, integrated reporting

encourages an improved and unified strategy for business reporting. This variable was measured in integrated reports in the period of study.

An impartial assessment of a company's governance is known as a governance audit. The article examines the governance structure's design as well as its current state of operation. It evaluates whether an entity has enough mechanisms for oversight to ensure sound governance. Publicly listed organizations have their internal audit department perform the governance audit. It can also be done by the audit committee which is a requirement in corporate governance codes. In this study, governance audit was measured in terms of size of audit committee. Ayinde (2022) claims that the purpose of a governance audit is to strengthen and improve a company's financial reporting procedures while collaborating with management and internal auditors to increase corporate accountability. Additionally, the audit guarantees that business affairs are properly conducted in accordance with recognised legal and ethical norms. Errors elimination, regulatory compliance oversight, enhanced voluntary disclosures, and risk management and internal control system monitoring are all supported by auditing. Compliance to the provisions of the governance creates efficiency in the board of management which in turn leads to improved managerial and firm performance.

The corporate governance codes recommend mandatory training of directors within the publicly listed institutions. Director training seeks to provide the information directors need to fulfil corporate governance compliance within their institution (Merendino & Melville, 2019). Director training was measured by the number of hours the directors have spent receiving training within their institution. Board structure can reflect various degrees of heterogeneity. Common measures of board structure include the ratio of executive directors, which is the measure used in this research. The board of directors comprises executive directors and non-executive directors (Yermack, 2019). For this study, the board structure was measured by the number of executive directors in the board. Balanced boards got extra non-executive directors than their executive counterparts. According to Judge and Zeithaml (2022), there is evidence that poorly structured boards are less efficient because directors are less participative and less cohesive. Therefore, we expect the board structure to influence firm performance positively (Yermack, 2019).

Pérez-Cornejo, de Quevedo-Puente and Delgado-García (2019) note that, in corporate governance, risk management is necessary because both in the company and in the environment in which it

operates, there are uncertainties about the nature of the threats in achieving the objectives, or the nature of the opportunities. The purpose of risk management is to identify potential problems before they occur so that risk-handling activities may be planned and invoked as needed across the life of the product or project to mitigate adverse impacts on achieving objectives (Solomon, 2020). In this study, risk management will be measured through risk management framework based on its existence.

1.1.2 Compliance to Corporate Governance Code

The OECD (2004) as cited by Lu and Batten (2023) defines corporate governance code as the guidelines that define the core ways by which companies are managed. Compliance to corporate governance code therefore helps to ensure that corporations use their capital effectively, consider both internal and external interests and there is accountability by the board to both the firm and the shareholders. The CMA (2022) defines a corporate governance code as the standards and framework used to supervise and manage the company's commercial operations in order to improve profitability and its accounting practices while generating long-term value for investors while taking into consideration the interests of all stakeholders. Mrabure and Abhulimhen-Iyoha (2020) defines corporate governance code as a guide for board members and directors, setting out how they should approach governance in their organisation. This essentially means that good corporate governance code is necessary for the long-term profitability of a business.

1.1.3 Corporate Governance Code Compliance and Financial Performance

Compliance to corporate governance codes can translate into a higher financial performance. Each element of the corporate governance code is assumed to increase the financial performance ratios. Empirically, corporate governance code compliance implementation has shown a relationship with firm's financial performance. Biekpe (2017) found that corporate governance has no link with financial performances. Mburu, Nyaruri and Omurwa (2019) found a direct connection around corporate governance and financial performance. This was through improved efficiency in the board.

Corporate governance in Kenya has evolved over time with both local and global factors shaping it. The regulatory framework consists of legislation and codes such as that of Companies Act (2015), Capital Markets Authority (CMA) Corporate Governance Code (2016), Mwongozo Code (2015) for state corporations, and prudential rules by Central Bank of Kenya (CBK) for banks.

Such codes instill vital principles of governance like board independence, responsibility, openness, shareholders' rights, and ethical management. Despite all this, Kenya still experiences governance issues like lax regulation compliance, political interference in state corporations, board diversity constraints, and frequent corporate scandals like those in that of Imperial Bank and Chase Bank. Implementation of CMA Corporate Governance Code (2016) has been a notable reform in advancing governance in listed companies.

The code mandates board-level audit committees, publication of board remuneration, and conducting frequent governance reviews. It also brings on board a provision that separates CEO and board chairman to hold someone to account. Yet, compliance remains patchy with some of those companies failing to embrace the code fully due to resistances to it, lax application, and corporate culture weaknesses. The recent innovations like increased regulatory supervision, mandatory reporting of governance and embracing Environmental, Social and Governance (ESG) principles indicate that Kenya is moving forward in advancing corporate governance. In the future, tighter supervision, board capacity building, and increasing participation of stakeholders will be important to ensuring long-term practice of governance that enhances business stability and national development.

1.1.4 Listed Firms in Kenya

The Nairobi Securities Exchange (NSE) has played a major role in mobilising resources and facilitating capital raising for enterprises. By allowing enterprises to privatise, NSE guarantee that shareholding is generally divided amongst population (NSE, 2022). Since 1995, when governments allowed overseas investors to make investments in locally traded organisations, the NSE has supported capital inflows (NSE, 2022).

In Kenya, the Nairobi Securities Exchange (NSE) has 67 traded businesses split into eleven (11) groups based on their economic activities (NSE, 2019). The indices are used to track the market's performance and, by extension, the performance of individual firms. The present research investigates whether or not the 2015 corporate governance code impacts performance of organisations listed at NSE. Firms listed on NSE use various corporate governance practices guided by the code of 2015.

Financial performance challenges in listed companies in Kenya are realized in various areas, including equity, assets, profitability, and cost. Poor performance by management have contributed

to the collapse of Uchumi Supermarkets, CMC Motors, and Mumias Sugar in Kenya (CMA, 2022). The Uchumi board was charged with understating and then selling off the company's important assets at a discount. They ultimately were determined not guilty of these accusations. The upper management of Mumias has been implicated of financial violations, notably manipulating with accounts to reflect profits when none existed, and CMC was duped by its own chairman (Mulili & Wong, 2021).

Another example is Safaricom, which saw its net profit decline by 17.7% although its earnings before interest and tax (EBIT) grew by 31.9% in the half year of 2024 (CMA, 2024). This was largely due to depreciation of the Ethiopian birr against its revenue in Ethiopia. Kenya Airways, after years of losses, recorded an operating profit of 10.53 billion shillings (\$80.38 million) in 2023, its first since 2017 (NSE, 2023). However, the airline's recovery is precarious, and it still has fiscal problems to grapple with. Furthermore, most companies are experiencing low equity financing, and it is difficult to maintain a strong capital base, and they rely on debt financing, which is an additional risk to their long-term stability.

Asset management and profitability-wise, companies like Kenya Electricity Generating Company (KenGen) have been resilient. KenGen recorded a 64% increase in pretax profit to 7.95 billion shillings in 2024, as revenue declined by 4% (NSE, 2024). The earnings boost was supported by a reduction of 14% in operating costs. However, many other listed companies continue to face rising operating costs that are eating into profitability. The combination of volatile market factors, external economic pressures, and complexity of asset management has made it hard for Kenyan firms to post steady financial growth (CMA, 2024). Furthermore, high cost of doing business and the need for greater equity capital are also chronic issues that continue to hamper them from posting remarkable and sustainable financial performances.

1.2 Problem Statement

Recent scandals and East Asian financial crisis have indicated inadequate corporate governance structures among publicly listed firms calling for implementation of corporate governance codes (Dony, Joseph & James, 2019; Che Haat, Rahman, & Mahenthiran, 2018). Kenya is no exception in enacting revised guidelines for corporate governance. If organisations that were compliant with corporate governance weren't improving their performances, then it would be questionable on the need to comply with the revised code (Mburu, Nyaruri, & Omurwa, 2019).

Listed firms in Kenya continue to be marred with inefficacious board structures, poor integrated reporting, inadequate governance audits and low levels of director training (CMA, 2023). Financial performance has also been rampant among the listed firms. The listed firms in Kenya, have shown dwindling financial performance in the recent years. For example, KCB and ABSA which experienced a 40% and 89% decline in their profits in 2021 (CBK, 2021). Further, firms like KQ have continuously made losses in the last ten years indicating deep financial performance issues in the listed firm (NSE, 2023).

Empirical studies have been done in relation to this research. For example, Alabdullah, Ahmed and Kanaan-Jebna (2022) in Iraq and Udeh, Otuedon and Aruomah (2023) in Nigeria, found positive relationship between implementation of corporate governance code and financial performance. These were similar to Udeh, Otuedon and Aruomah (2023) in Nigerian banks. However, in Sri Lanka, Gunarathne and Priyadarshanie (2023) found an inverse connection. In India, Al-Homaidi et al (2019) found an insignificant relationship similar to Farooq, Noor and Ali (2022) in Pakistan. In Kenya, Grace (2018) investigated corporate governance and performances of financial companies but focused on financial institutions in Kenya and based their research on data collected for the year 2018. Kigotho (2014) studied the way corporate governance on the financial performances of listed companies. He adopted corporate governance assuming corporate governance code (2015) compliance. Further, it was done for the period between 2009 to 2013. This shows that research gaps existed which this study sought to fill by undertaking research on the effects of corporate governance code (2015) compliance on financial performances of listed firms in Kenya.

1.3 Research Objectives

Generally, study sought to establish mediating effects of governance code implementation on the relationship between corporate governance and financial performances of listed firms in Kenya. Specifically, it sought to:

- i. establish the effect of integrated reporting requirements on financial performances of listed firms in Kenya
- ii. determine the influence of governance audit on financial performances of listed firms in Kenya

- iii. establish the influence of mandatory director training on financial performances of listed firms in Kenya
- iv. find out how board structure influence financial performances of listed firms in Kenya
- v. establish the controlling effect of risk management on the relationship between corporate governance and financial performance of listed firms in Kenya
- vi. to establish the mediating effect of implementation of corporate governance code on the relationship between corporate governance and financial performance of listed firms in Kenya

1.4 Research Questions

- i. What is the effect of integrated reporting on financial performances of listed firms in Kenya?
- ii. To what extent do governance audits influence financial performances of listed firms in Kenya?
- iii. What is the influence of mandatory director training on financial performances of listed firms in Kenya?
- iv. How does board structure affect financial performance of listed firms in Kenya?
- v. What is the mediating effect of implementation of corporate governance code on the relationship between corporate governance and financial performance of listed firms in Kenya

1.5 Scope of the Study

The research sought to show how corporate governance code of 2015 influences financial performances of listed firms in Kenya. It identified if the corporate governance code of 2015 has played a role in ensuring that there is financial soundness of the listed companies. The study targeted 41 listed firms between 2014 and 2023. The research will look into corporate governance aspects of the code, the implementation level of its compliance and financial performance. The governance aspects included integrated reporting, governance audit, and board structure. Financial performance was measured through return on equity. It was done as an event study where the researcher checked on financial performances before and after the corporate governance's code of 2015. All the 41 listed firms within the period were involved.

1.6 Significance of the Study

Greater pressure has been applied to Kenyan listed companies to embrace provision of corporate governance codes to instil more openness, responsibility, and ethical conduct in listed companies. Despite Corporate Governance Code (2015), enacted to consolidate the governance framework to prevent such issues to take hold, companies have continued to grapple with issues of corporate governance up to date, leading to poor financial management, lack of effective board supervision, and erosion of investors' trust. The financial performance issues seen in recent years can be traced to non-adherence to governance practice, a factor that evokes questions on the efficacy and effect of current regulatory framework.

This study is helpful to various stakeholders as it informs practice, policy, and theory. In terms of policies, research provides empirical information that can inform regulatory agencies such as Capital Markets Authority (CMA), the Nairobi Securities Exchange (NSE), and Kenya Revenue Authority (KRA). The regulators can make use of statistical findings to actualize areas of compliance and enforceable loopholes that translate to more efficient legal frameworks and enforceable policies of governance to enhance corporate governance and finance performance of listed companies in Kenya.

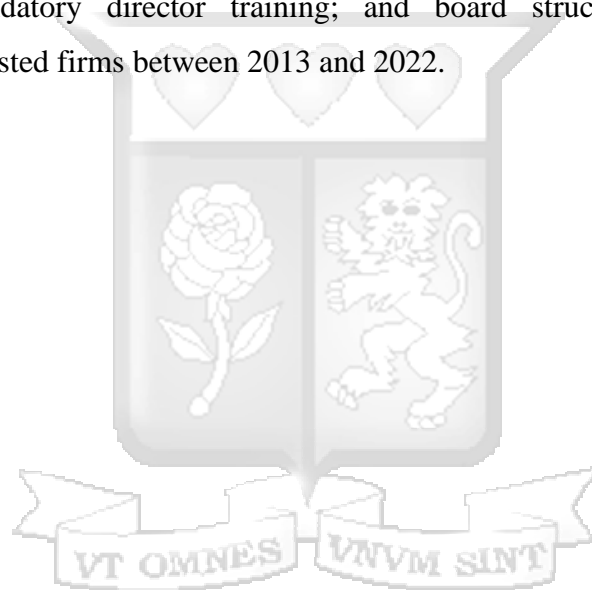
Practically, research offers astute recommendations to board members, top management, and incumbent and potential investors of public corporations. Such stakeholders can make investment decision and also develop a corporate governance benchmark to evaluate governance compliance through embracing research recommendations. Effective corporate governance structure can also aid organizational efficiency, risk management, and long-term finance sustainability.

Theoretically, it contributes to corporate governance literature by filling literature gaps. It exists in literature in that no empirical study on corporate governance compliance and financial performance of listed Kenyan companies has been conducted. Despite several studies that have been conducted on corporate governance in industrialized countries, especially with regard to governance structure, firm-level governance issues, and regulatory efficacy, it remains under-researched in Kenya. The study enhances application of corporate governance theory through applying modern governance constructs in emerging market environments with a window to conduct additional research. The study will be used by academics and researchers as a point of

reference for academic research, policymaking, and additional empirical research regarding corporate governance practice in Kenya and other developing countries.

1.7 Chapter Summary

The introductory part of this study showed that corporate governance codes compliance influenced organization's financial performances. Chapter also showed that a research problem exists in terms of performance among listed institutions. Further knowledge gaps exist in the area of corporate governance codes compliance and financial performances. It's important to establish effect of corporate governance code compliance implementation on financial performances of listed firms in Kenya. Specifically, it sought to establish the influence of integrated reporting requirements; governance audit; mandatory director training; and board structure influence financial performances targeting listed firms between 2013 and 2022.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter makes a review of literature related to variables. In specific it reviews the theoretical foundations before looking into academic studies relating to the topic of research. It also brings out the knowledge and researching gaps from the empirical reviews. The chapter closes with a conceptual and operational presentation of study parameters.

2.2 Theoretical framework

This study adopted a multi-theoretical approach. This approach was preferred as no one theory could explain corporate governance code and financial performances in isolation. This called for various theories with each of the theories explaining the key variables in the study. Stakeholder and agency theories are supporting this research. The stakeholder, propounded by Edward Freeman in 1984, states that where a business is set up, the managers of that business may not be the owners of the business. The agency theory states that persons or workers must be made to account for their duties and obligations.

2.2.1 Stakeholder theory

Propounded by Freeman (1984), the hypothesis posits that where a business is set up, the managers of that business may not be the owners. In that case, the manager is merely an agent. The manager enters into contracts with other persons such as customers and creditors even though ultimately the business is for the benefit of the owners. However, the customers and creditors have contract rights against the owners (Freeman, Dmytriyev & Phillips, 2021).

The theory assumes that a firm has a responsibility towards public service as public opinion, which shapes the law, is a factor in its subsistence. Therefore, there are three parties who are interested in a listed firm: the shareholders, the customers and the general public. The listed firms have a legal obligation to the community that should be met voluntarily without necessitating legal compulsion (Freudenreich, Lüdeke-Freund & Schaltegger, 2020). The listed firm also has to be good citizen. Thus, the managers of a listed firm, in decision-making, should concern themselves with the welfare of not only the stockholders but additional parties like workers, consumers, and the general public.

Stakeholder Theory contends that companies should be operating in the best interests of all stakeholders, and not just shareholders. This is particularly the case in Kenya, where companies are being asked to consider the impact of their activities on a broad range of stakeholders, from employees and customers to communities, government, and investors. Corporate governance codes, such as those that the Capital Markets Authority (CMA) has come up with in Kenya, not only address shareholder value but also the well-being of other stakeholders, specifically social responsibility, environmental performance, and transparency. Kenyan businesses, and listed businesses in particular, are increasingly under pressure to be responsive to stakeholder interests to maintain legitimacy, attract investment, and establish long-term sustainability. In the Kenyan context, firms that comply with corporate governance codes are seen as more legitimate to their stakeholders, with the ability to enhance their financial performance. Such firms are seen as transparent, accountable, and engaged with their local communities and other stakeholders.

This theory guided the obligations of firms towards the stakeholders based on the corporate governance code. The theory enabled the researcher to get an understanding on the obligations as provided by the corporate governance code of 2015. For management, there needed to follow requirements of the code to avoid issues that may reduce customer value. By adhering to the Code, firms are expected to enhance their governance structures, improve board oversight, and ensure more effective management, all of which can contribute to improved financial outcomes such as profitability, return on assets, and overall firm valuation.

This theory supported integrated reporting, board structure, governance audit and risk management. This theory supports integrated reporting, board structure, governance audits, and risk management by emphasizing the need for firms to align their operations with the interests of their stakeholders. Integrated reporting ensures that firms provide a comprehensive view of their financial and non-financial performance, allowing stakeholders to make informed decisions. A strong board structure, guided by the principles of corporate governance, ensures effective oversight and decision-making, contributing to improved financial performance. Governance audits help assess the adherence to corporate governance standards, identifying areas of improvement to mitigate risks. Effective risk management, supported by robust governance frameworks, ensures that firms are better equipped to handle uncertainties, thus enhancing long-term financial stability and performance.

2.2.2 Agency Theory

With foundations in economics theories, agency theory, first presented by Alchian and Demsetz (1972) then expanded upon by Jensen and Meckling (1976) looks at the corporation as a nexus of contracts. The management is a type of labour but with the special role of decision-making. The only stake the manager holds in the corporation is that its success or otherwise affects how much he can earn. However, despite this, there must be a way of disciplining him. This is done through the managerial labour markets which prefer performing labour as opposed to loss-making labour (Basterretxea, Cornforth & Heras-Saizarbitoria, 2022). There is the aspect of compensation that is based upon performance. The better the manager performs the better he earns. Discipline can also be carried out through internal monitoring by the board of directors as well as inclusion of outsiders in the board to take up the monitoring function (Naciti, Cesaroni & Pulejo, 2021).

According to this view, individuals or workers must be held responsible for completing their duties and obligations. A strong governance structure needs its employees (Chouaibi et al., 2022). According to the agency hypothesis, corporate governance should be implemented to reduce the possibility that managements may act against the welfares of owners. According to agency theory, in order to enable more efficient and effective supervision over the shareholders and management of listed companies, corporate governance rules ought to be carefully put into place and closely observed.

Agency theory is interested in conflicts of interest between managers (agents) and different objective shareholders (principals). In Kenya, the majority of firms, especially family-owned firms or controlling owner firms, are likely to suffer from agency problems where owners and managers might not have congruent interests. Agency problems in Kenya may arise when managers prioritize their personal goals (e.g., increased compensation or job security) over shareholder value maximization. Consequently, the Capital Markets Authority (CMA) and other Kenyan regulatory bodies have mandated corporate governance codes aimed at reconciling managerial and shareholders' interests through greater monitoring, incentives, and governance structures (e.g., independent directors, performance-based executive compensation, and robust audit committees).

This theory supported the board structure, mandatory director training and board structure. According to Agency Theory, corporate governance should be implemented in listed firms in Kenya to reduce the risk that management may act in ways that conflict with the interests of

shareholders. This theory argues that to enable more efficient and effective supervision of management by shareholders, it is essential for corporate governance rules to be carefully put in place and strictly adhered to. In the context of Kenyan listed firms, Agency Theory supports the establishment of a strong board structure that facilitates proper oversight, as well as mandatory director training to ensure that board members are well-equipped to make informed decisions and effectively monitor management's actions. By doing so, firms can align the interests of management with those of shareholders and improve overall corporate performance.

2.3 Empirical Review

The findings from different authors on the impact of revised Codes have showed mixed impact of it. In Malaysian, there was a decrease trend of the financial performances on companies despite introduction of a Code (Haji, 2017). Although the updated code was implemented, there were still instances of fundamental criteria non-compliance. Just board meetings, both before and after the updated code, had a significant negative correlation to the company's success, according to the regressed findings; firm size and leverage, on the other hand, had a substantial positive association (Haji, 2017). The code therefore lacked strategic influence in aiding the performance in Malaysian business environment.

2.3.1 Integrated Reporting Requirements and Financial Performance

Various research is done on integrated reporting requirements. They, however, have produced different results on the connection between integrated reporting and financial performances. A number of them has produced positive relationships between the two. Soriya and Rastogi (2023), for instance, looked into how integrated reporting affected Indian companies' financial performances. The Integrated Reporting Disclosure Quality Index (IRDQI), which evaluates the transparency procedures, was created by manual content evaluation of ninety-three reports across 2017–2020. Additionally, statistical models based on panel data were employed to observe the association of financial performance and IRDQI. Empirical investigation demonstrated that, although having little bearing on firm value (Tobin's Q), IRDQI is favourably and substantially correlated with operational performance (ROA). The survey also showed that IR aspects and guiding concepts were on the rise. The study looked at integrated reporting through IRDQI other than existence of integrated reports showing a conceptual gap. Further, financial performance was measured through Tobin's Q and ROA adding to the gaps.

Another study that showed positive relationship was that of Albetairi et al. (2018) investigates integrated reporting (IR) and how it affects financial performance of five Bahraini listed insurance businesses. Analyses were done via content, descriptive, and linear regressions during a four-year period, from 2012 to 2015. Return on Assets (ROA) in connection with integrated reporting came out positively and significantly correlated. The involvement of Bahraini listed insurance businesses other than Kenyan listed studies creating a contextual gap. In addition, measuring financial performance in terms of ROA other than ROE created a conceptual gap. The adoption of content analysis for a period between 2012 and 2015 created a methodological gap.

On the other end, some studies showed negative link between the two variables (Gunarathne & Priyadarshanie, 2023; Matemane & Wentzel, 2019). In Sri Lankan listed businesses, Gunarathne and Priyadarshanie (2023), assembled secondary data from reports of publicly traded businesses on the Colombo Stock Exchange (CSE). Data from five consecutive fiscal years, from 2016 to 2020, was gathered from fifty businesses. Each of the 19 sectors was represented in the sample of 50 enterprises that were chosen through the use of the stratified sampling approach. This work is within the positivist category and is associated with the deductive method. This investigation uses panel regression. The results indicate that integrated reporting produced detrimental effects on financial performances. The focus on Sri Lankan other than Kenyan listed businesses created a contextual gap. The period from 2016 to 2020 established methodological gaps in the study.

On the other hand, Matemane and Wentzel (2019), in South African listed banks listed on the Johannesburg Stock Exchange (JSE), looked at a timeframe spanning 2010 through 2014. Integrated reports for the banking institutions formed the primary sources of secondary data examined. Because integrated reporting hadn't yet been required, just the financial statements were employed for the years 2005 through 2009. The study employed a longitudinal research approach that integrated mixed methods based on Feasible Generalised Least Square (FGLS). The findings show that there were no appreciable variations in the financial performances pre, and post periods integrated reporting was implemented. Contextual gaps existed where the study involved South African listed banks other than Kenyan listed companies. The study was done for the years 2005 through 2009 which was different from the period that the present study focused on. The study also used FGLS model other than OLS model creating a methodological gap.

However, a study by Opanyi and Omare (2022) studied the effects of integrated reporting on firm values of Kenyan publicly traded companies in Kenya and showed that no significant affiliation existed around integrated reporting requirements and financial performance from 2015 to 2019. The study examined the level of <IR> in yearly reports of fifty-six listed corporations on NSE through content analysis methodologies. Based on the IIRC framework, the study created proxies for the Integrated Reporting Index. Panel data regression was utilised in the study to show the connection around <IR> and company value. According to the study, among Kenyan listed companies, IR was inversely correlated with TQ and favourably correlated with ROA. The results also demonstrated that companies using the IR Framework perform better in terms of ROA and less well in terms of TQ. The IIRC framework other than integrated reports were used to measure IR creating a conceptual gap. Further, IR was related to firm value other than financial performances adding to the gaps.

2.3.2 Governance Audit and Financial Performance

Despite various research having looked at governance audit and financial performance and how they relate with each other, they have produced mixed results. Some have shown positive relationship (Alabdullah, Ahmed & Kanaan-Jebna; 2022; Nuryana and Surjandari, 2019) while others have shown negative (Abang'a et al., 2022) and insignificant relationship (Al-Homaidi et al., 2019) between the two. In their study, Alabdullah, Ahmed and Kanaan-Jebna (2022) looked at corporate governance system and financial performances in Iraq. It did this by analysing concepts, models, and data from previous investigations in in corporate governance, its roles in internal control systems, and how it affects business financial performance. Board members, audit, independence, dualities, and their effects on the financial success of the company are just a few of the mechanisms that this study explained in relation to the function of corporate governance. The study was done in Iraq other than Kenya creating a contextual gap. The study was done as a literature review bringing in methodological gaps.

Moreover, Nuryana and Surjandari (2019), who also found a positive relationship, studied the effect of good corporate governance mechanisms on financial performances of organizations. This research project utilised purposeful sampling with twenty-five manufacturing businesses traded on the Indonesia Stock Exchange based on financial reports that were made public between 2012 and 2016. The evaluation approach makes utilises both simple and multiple regression. Generally,

corporate governance code implementation led to improved financial performance. Governance audit as a corporate governance mechanism positively and significantly related to financial performances. Firms in Indonesia Stock Exchange other than NSE were involved creating a contextual gap. Further, period between 2012 and 2016 brought methodological gap.

In addition, Abang'a et al. (2022) investigated financial performances of Kenyan state-owned enterprises (SOEs) and found an inverse association around the two. Its goal was to present the findings of a study on how individual and collective corporate governance elements affected the financial performance of forty-five Kenya's SOEs between 2015 and 2018. From panel data outcomes, capital budget realisation ratio (CBRR) was significantly and negatively correlated with board meetings, board skill, and governance audit. The study involved SOEs other than listed firms creating a contextual gap. Further, the focus on period between 2015 and 2018 created a methodological difference and gap. However, al-Homaidi et al.'s (2019) investigation in thirty Indian hotel enterprises covered the years 2013-2016. Utilising balanced panel data of operators traded at Bombay Stock Exchange (BSE), it adopted correlational and regression analytics. They showed an insignificant relationship. From the findings, governance audit had an insignificant effect on financial performances. The focus on Bombay Stock Exchange (BSE) other than NSE created a contextual gap. The involvement of Indian hotel other than Kenyan listed enterprises added to the gaps. The period between years 2013-2016 brought out a methodological gap.

2.3.3 Director Training and Financial Performance

Various researchers have looked at director training and financial performance. The studies have found that director training and financial performance. A key study that established a positive relationship was that of Pereira and Filipe (2018) who studied board members' quality of training link to bank performances in Portugal. The financial performance of banks was checked via financial ratios such return on average equity (ROAE) and return on average assets (ROAA). The educational backgrounds of board members are represented by three indices: Eduindex, which represents all academic degrees in subjects like business and economics; EduindexDP, which represents all degrees from esteemed domestic business schools; and EduindexFP, which represents all degrees from esteemed international business schools. Mandatory training of board members improved financial performance significantly. The adoption of ROAE and ROAA other

than ROE to measure financial performance created a conceptual gap. The involvement of banks in Portugal other than listed firms in Kenya created a contextual gap.

On the other hand, Farooq et al. (2022) on corporate governance and firm performance based on empirical evidence from Pakistan showed that director training and financial performance related insignificantly. The pool of companies was categorised as small or large according to the amount of their assets. The governance quality of the company samples is measured by the governance index, which relies on 29 governance requirements including the audit committee, board committee, ownership, and remuneration structure of the particular organisation. Higher levels of governance quality are indicated by higher governance indices, and conversely. Firm profits are assessed using metrics related to accounting and market value. To get rid of the simultaneous equation bias, the researchers estimated the model using the two-stage least-squares (2SLS) technique. Board member training improved market indices (Tobin's Q) and accounting return yet showed little effect on return on equity. The adoption of two-stage least-squares other than OLS model created a methodological gap. The study involved firms in Pakistan other than listed companies in Kenya creating a contextual gap.

Another study that produced no relationship around director training and financial performances was done by Sidki, Boerger and Boll (2023) on the impact of corporate governance on financial performance on fifty-eight SOEs in Germany spanning around 2011 and 2016. The OLS regression was used in the research. To ascertain the education, management, and industry experience of the 3350 supervisory board members, a compilation of their personal profiles was made. The theories are refuted by the quantitative evaluations, which reveal no relationship between any competence characteristic and the financial performances of businesses. The study involved SOEs other than listed companies creating a contextual gap.

2.3.4 Board structure and Financial Performance

In the empirical literature on board structures and financial performance, researchers have shown that the two parameters related differently. For example, the study by Berhe (2023) on board structures and bank performances based on Ethiopia companies showed that board structure and financial performance had a positive relationship. Utilising panel data from 14 Ethiopian commercial banks spanning a 9-year period from 2011 to 2019, the study yields 126 bank-year data. The research's conclusions demonstrate that board composition significantly and favourably

affected performance of banks. Similar findings were obtained by Okeke (2022) on a quasi-experimental research approach on thirty-three (33) listed deposit money institutions on the Nigeria Stock Exchange (NSE). Eighteen (18) businesses made up the sample, and the ten-year period under consideration is 2010–2019. The annual reports of the sampled companies provided the research's data, which were analysed using both descriptive and inferential statistics. Generally, there was a favourable connection around board structure and the banks' financial performance. Deposit money institutions companies on Nigeria Stock Exchange other than Kenyan listed companies created a contextual gap. Further, 9-year period from 2011 to 2019 created a methodological gap where the relationships may be different.

However, Assenga (2021) who studied influences of board structure on firm financial performances of Tanzanian publicly traded companies, on the other hand, showed that board structure and financial performances related negatively. This investigation adopted OLS regression analyses on 120 firm-year data derived from yearly reports and OSIRIS dataset. The research employs a representative group of listed Tanzanian enterprises from 2006 to 2018. The findings indicated that a company's financial success increases with a more limited board structure, a higher percentage of independent directors, and no dual leadership. The study looked at listed Tanzanian enterprises other than Kenyan ones creating a contextual gap. Focus on the period from 2006 to 2018 created a methodological gap.

Research conducted by Fernando (2022) reported conflicting outcomes regarding financial performance metrics. The data collected from a selection of 96 listed companies in 19 categories on Sri Lanka's Colombo Stock Exchange was analysed using correlation and panel regression techniques. The outcomes showed that there exists not a substantial relationship across total governance ratings and ROA. Nevertheless, ROE exhibited no meaningful association with the amount of adherence of the board structure. Furthermore, Tobin's Q and the board structure do not significantly correlate. Findings of the panel regression analysis showed no consistent relation around ROA and board structure. Additionally, a strong positive correlation between board structure and ROE was found. The study adopted correlation model as the main model other than regression creating a methodological gap. Further, the study was done on listed firms in Sri Lanka's Colombo Stock Exchange other than Kenya creating a contextual gap.

Despite a number of studies showing significant results, Udeh, Otuedon and Aruomah (2023) found an insignificant connection involving board structure and financial performances in reference to Nigeria code of corporate governance. The study adopts a secondary source of data. The data were analysed using, analysis of variance (ANOVA) and regression were adopted for analysis. The result revealed that compliance with CBN best practices for board structure was not significant statistically in relation to financial performances. This was a Nigerian study other than a Kenyan one creating a contextual gap.

2.3.5 Risk Management and Financial Performance

Risk management will be treated as a control variable in the study. Risk management should be treated as a control variable in a study examining the corporate governance, corporate governance code implementation, and financial performance, even though it is a significant aspect of corporate governance. The reason is the function it performs in the general system of corporate governance and its potential to influence the dependent variable (financial performance) on its own, independent of the other aspects of governance (Noja et al., 2021). While risk management is an element of corporate governance, it is also a separate variable that can exert a direct effect on a firm's financial performance in manners that are distinct from other governance practices such as board structure, director training, or governance audit (Jallali & Zoghlami, 2022). For example, how well a firm is successful in identifying, evaluating, and mitigating risks can exert a significant impact on its financial stability and long-run profitability. If risk management is included as an individual variable, it will hide the effect of the other governance practices on financial performance as risk management initiatives can be a confounding variable (Kalia & Gill, 2023).

By treating risk management as a control variable, the study can isolate the specific impact of corporate governance practices on financial performance. This ensures that the results reflect the influence of the corporate governance code and its implementation without being skewed by the direct effects of risk management practices. In essence, risk management is controlled for because it is a key factor influencing financial performance, thus allowing the study to more accurately assess the unique contributions of corporate governance implementation to financial performance.

Risk management and financial performances were reviewed together in academic studies. However, the studies have researched on the risk management and how it relates to financial performance producing different results. Oudat and Ali (2021) evaluated the influence of risks

management on bank financial performances traded on the Bahrain stock exchange within 2015 through to 2019. To fulfil the goal, panel regression evaluation of data method was used on data gathered from banks' yearly financial statements. Results showed that there are insignificant relationships between risks management and financial performances. The study was based on firms listed at Bahrain stock exchange other than NSE creating a contextual gap. In addition, the study showed methodological gaps with a focus on the period between 2015 through to 2019.

Turyakira et al. (2023) investigation into corporate governance, risks management and performances of SOEs in Uganda found a favourable association between risks management and financial performances via a longitudinal design. Data was gathered from thirty-four Commercial SOEs. The correlation and regression coefficients were utilised in examination of the information where risks management mediated the association involving board structures and performances. The SOEs in Uganda were involved creating a contextual gap as the present research involved firms listed in Kenya. A longitudinal design was adopted creating a methodological gap.

Rezeki and Pulungan (2022) scrutinized impacts of enterprise risk management implementation on organisational performances and discovered a favourable association between the two factors. The investigation used a descriptive research design with mixed methodologies. The research used a target population of 96 and a multi-level random sample of 38 executives from diverse subcategories. The survey data was acquired utilising a structured questionnaire. The results were analysed qualitatively and quantitatively. Multiple regression techniques were applied to determine if the internal controls and risk management influenced the financial performances of Rwandan commercial banking institutions. It was discovered that an ERM had a strong connection with financial performance. The data was analysed qualitatively and quantitatively indicating methodological gaps as the present data was analysed through quantitative techniques. Further, descriptive research design with mixed methodologies from primary other than secondary data was adopted adding to the gaps. The involvement of Rwandan commercial banking other than Kenyan listed institutions added to the gaps by bringing in a difference in contexts.

Despite bulk of research indicating a substantial association of risk management and financial performances, Ahmed and Nganga (2019) discovered no link between the two. They investigated internal controls systems and the financial performances of county administrations in Kenya's coastline area. The investigator used a descriptive study design on thirty staff members from

county administrations in the Coastal area with 40 finance directors. Primary data was gathered employing questionnaires and examined via mean and standard deviations in addition to regressions. Research discovered a favourable but insignificant influence of risk assessment, monitoring, and control on financial performance. Involvement of county administrations at the coast other than listed firms created contextual gaps. The adoption of primary data based on descriptive study design created a methodological gap. In addition, the focus on internal controls systems other than risk management created a conceptual gap.

2.3.6 Corporate governance code and Financial Performance

Moreover, Nuryana and Surjandari (2019), who also found a positive relationship, studied the effect of good corporate governance mechanisms on financial performances of organizations. This research project utilised purposeful sampling with twenty-five manufacturing businesses traded on the Indonesia Stock Exchange based on financial reports that were made public between 2012 and 2016. The evaluation approach made utilises both simple and multiple regression. Generally, corporate governance code implementation led to improved financial performance. Involved manufacturing firms in Indonesia Stock Exchange other than NSE creating a contextual gap. Further, the focus on the period between 2012 and 2016 created a methodological gap.

Ejura et al. (2023) research project looked at how Nigerian deposit money banks' financial performance was impacted by their corporate governance code. The research's data came from the 13 deposit money banks in Nigeria's audited annual reports and accounts. Descriptive statistics were used in the examination. The research's analysis reveals that director compensation produces a negative, negligible impact on return on equity in Nigerian banks, and board development has a negative, negligible impact on ROA. The influence was not statistically noteworthy. Nigerian deposit money banks were involved creating a difference in contexts. Descriptive statistics only were used for analysis creating research methodological gaps.

Mwangi and Karugu (2021) used a quantitative research design, focusing on secondary data analysis of financial performance indicators such as ROE and ROA from a sample of listed firms in Kenya. Data was collected from financial statements and annual reports of firms adhering to the CMA Code of Corporate Governance. The study found that firms that complied with the Corporate Governance Code had better financial performance. Specifically, companies with higher levels of compliance exhibited superior profitability, reflected in higher ROE and ROA, compared to firms

with lower compliance levels. This indicated that adherence to the governance code led to better management controls and more efficient use of assets, thereby enhancing financial stability. The adoption of quantitative research design created methodological gaps.

Njuguna (2020) conducted a cross-sectional study using quantitative data from firms listed on the Nairobi Securities Exchange (NSE). The study involved a survey of financial data from firms over a period of 5 years, focusing on compliance with the Corporate Governance Code and its effects on profitability, revenue growth, and cost management. The research concluded that adherence to the CMA's governance structures, such as the establishment of audit and remuneration committees, significantly impacted key financial indicators, including profitability, revenue growth, and cost management. Firms with strong governance practices performed better financially, with improved bottom-line results and better resource allocation. This was a cross-sectional study which created a methodological gap.

Wachira (2022) employed a longitudinal design, examining financial data over a 5-year period from Kenyan listed companies. It used a mixed-methods approach, combining qualitative interviews with company directors and quantitative analysis of financial performance metrics. The research found that companies with stronger corporate governance frameworks, especially those compliant with the CMA Code, enjoyed improved investor confidence. This, in turn, enhanced firm performance in key areas such as cost management, revenue generation, and long-term profitability. Firms that adhered to the governance code were also able to secure better financing terms due to higher perceived stability and transparency. The study adopted a mixed-methods approach other than quantitative methods creating a methodological gap.

Another study that found a positive relationship was that of Mutua and Njeru (2023) who utilized a quantitative research design that involved regression analysis to determine the relationship between corporate governance code compliance and financial outcomes. Data was gathered from annual financial reports and corporate governance disclosures of Kenyan listed firms. The study found a positive correlation between governance code compliance and financial performance. Firms with independent board structures, transparent management practices, and well-implemented auditing systems, as recommended by the CMA Code, showed significant improvements in financial outcomes. These included growth in assets, enhanced shareholder

returns, and better management of resources. The study adopted quantitative research design with the present adopting a correlational research design bring in methodological gaps.

2.4 Summary of Research Gaps

Table 2.1: Summary of Research Gaps

Authors	Jurisdiction	Purpose	Findings	Gaps	Addressing the gap
Oudat & Ali (2021)	Bahrain	The Underlying Effect of Risk Management on Banks' Financial Performance	There was an insignificant relationship between risk management and financial performance	Contextual: based on commercial and investment banks in Bahrain	Focused on listed firms in Kenya
Gunarathne and Priyadarshanie (2023)	Sri Lanka	The impacts of integrated reporting on firm performances of listed firms	The study found that there was an inverse impact of integrated reporting on financial performance	Conceptual: Looked at firm performance in general other than financial performance	Looked at financial performance as the dependent variable
Matemane and Wentzel (2019)	South Africa	Integrated reporting and financial performances of Listed South African banks	Integrated reporting had no significant effects on financial performances	Contextual: Based on South African listed banks	Involved all Kenyan listed firms

Soriya and Rastogi (2023)	India	The impacts of integrated reporting on financial performances in India	integrated reporting was positively and significantly associated with operational performance	Contextual: Based on Indian firms	Involved Kenyan listed firms
Alabdullah, Ahmed and Kanaan-Jebna (2022)	Iraq	Corporate governance systems and financial performances	corporate governance's audit improved firm financial performance	Conceptual: Adopted corporate governance system as the independent variable	Adopts corporate governance code as the independent variable
Al-Homaidi et al (2019)	India	the impact of corporate governance mechanisms on financial performance of hotel companies from India.	From the findings, governance audit had an insignificant effect on financial performance.	Conceptual: Involved corporate governance mechanisms as the independent variable. Contextual: Done in hotels	Adopted corporate governance code as the independent variable. Involved listed firms
Farooq, Noor and Ali (2022)	Pakistan	Corporate governance and firm performances: empirical	Training of board members had insignificant impact on	Conceptual: Studied Corporates governance	Adopts corporate governance code as the independent variable.

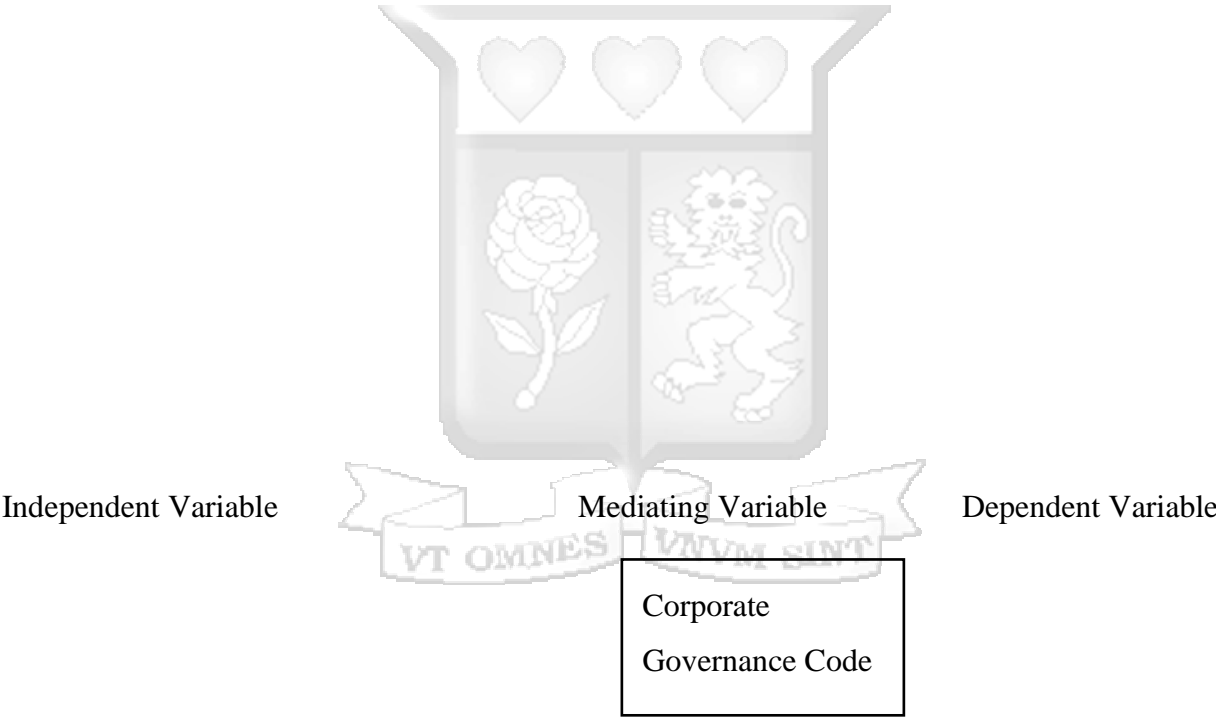
		evidence from Pakistan.	return on equity	other than the code	
Udeh, Otuedon and Aruomah (2023)	Nigeria	appraisal of Nigerian banks compliance with the Central Bank of Nigeria code of corporate governance and its effect on bank performances	board structure was statistically insignificant in relation to financial performance.	Contextual: Looked at compliances with the Central Bank of Nigeria code	Looked at corporate governance code for listed firms
Berhe (2023)	Ethiopia	Relationship between board structure and bank performance based on evidence from Ethiopia.	Board structure had a positive and significant impacts on bank performances	Contextual: Based on banking institutions in Ethiopia	Involved listed firms in Kenya

Source: Researcher (2025)

2.5 Conceptual Framework

A conceptual framework describes the relationship around variables. The independent variables were elements of the corporate governance-2015. They include integrated reporting, governance

audit, mandatory training, and board structure. The dependent variable was financial performance reflected by return on equity. Corporate governance code compliance was used as the mediating variable with risk management acting as the control variable. This is shown by figure 2.1.



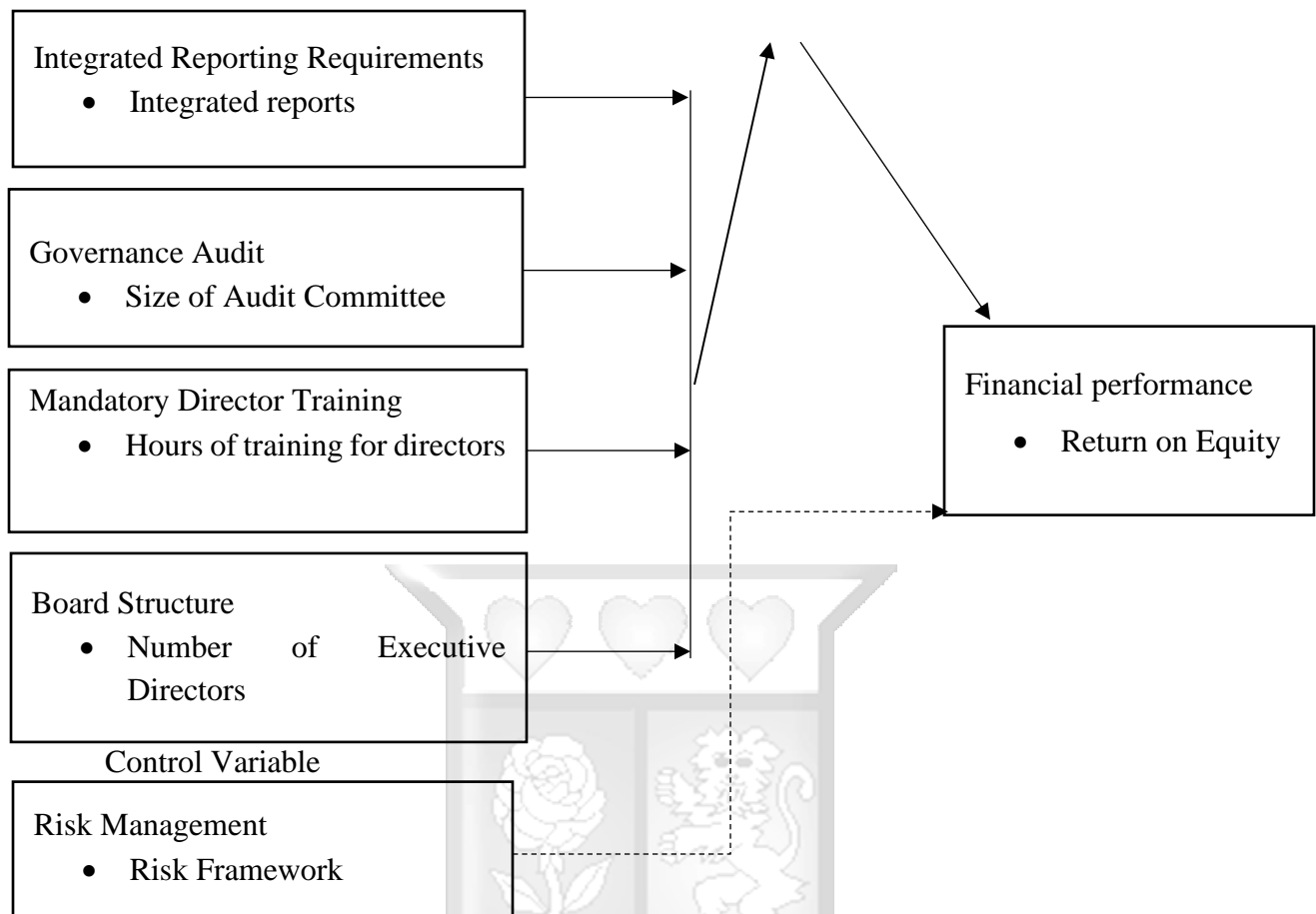


Figure 2.1: Conceptual Framework

Source: Researcher (2025)

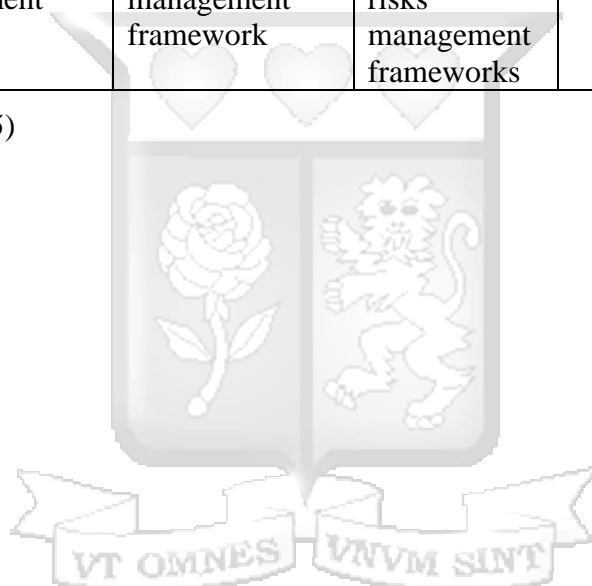
2.6 Operationalization of Variables

Table 2.2: Operationalization Framework

Variables		Indicators	Measurement	Scale	Sources	Theories
Type	Name					
Dependent	Financial Performances	Return on equity	Net income to total equity	Ratio	Bhatt and Bhatt (2017)	Agency Theory
Independent	integrated reporting requirements	Integrated reports	Existence of annual integrated reports	Nominal	Vitolla, Raimo & Rubino (2020)	Stakeholders' theory
	governance audit	Size of Audit Committee	Number of members in the audit committee	Ratio	Cook, van Bommel & Turnhout (2016)	Stakeholders' theory

	mandatory director training	Training hours	Numbers of hours of training for directors	Ratio	Merendino & Melville (2019).	Agency Theory
	board structure	Executive directors	Ratio of executive directors to total size	Ratio	Berhe (2023)	Agency Theory
Mediating	Corporate governance code implementation	compliance to the code	Whether implemented 80% of the provisions of the code	Nominal	Lu and Batten (2023)	Agency Theory
Control	Risk management	Risk management framework	Existence of risks management frameworks	Nominal	Gennaro & Nietlispach (2021)	Stakeholder's theory

Source: Researcher (2025)



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

A comprehensive explanation of the researching methodologies was covered in depth in this chapter. The research design, target population, sampling strategy, data collections techniques, data collection procedures and data analysis were covered.

3.2 Research Philosophy

Research philosophy is the implicit belief system that guides how research is conducted, affecting the methods, data collection, and analysis techniques used in a study (Mbanaso, Abrahams & Okafor, 2023). The most contentious philosophies are positivism, interpretivism, pragmatism, and critical realism. Positivism assumes knowledge as being factual and discoverable by employing observable and quantifiable facts. Scientists adhering to this school of thought focus on quantitative data and attempt to establish cause-and-effect through the application of scientific methods such as experiments and surveys (Tamminen & Poucher, 2020). Interpretivism asserts that reality is subjective and created through man's experience, focusing on qualitative research such as interviews and case studies to find the meaning of individuals' actions (Nickerson, 2022). Pragmatism contains elements of qualitative and quantitative methods in the sense that it allows researchers to utilize the research strategies that best give a solution to the research issue and produce concrete outcomes (Saliya, 2023). Finally, critical realism provides the concept that while reality is independent of human understanding, it is subject to social and historical contexts, and mixed methods can be used to discover underlying explanations of phenomena (Williamson, 2021).

This study was based on positivism philosophy. When conducting corporate governance, the implementation of corporate governance code, and financial performance study, positivism is highly relevant because it enables the researcher to objectively measure their relationships. Through the application of statistical methods such as regression analysis, the researcher can determine whether there exists a cause-and-effect relationship between financial performance and corporate governance code and its implementation. Philosophy also enabled researcher to use quantitative techniques for analysis. This made the philosophy ideal in that it enabled the use of quantitative analysis methods to measure the effects of corporate governance code on financial performances.

3.3 Research Design

Research design is a general plan or template that the gathering, measurement, and analysis of data adhere to (Chali, Eshete & Debela, 2022). It keeps the research aims well and economically achieved. Various research designs exist to utilize for different questions of research as well as purposes of research. Descriptive, experimental, correlational, and causal-comparative are just some of the main research designs (Takona, 2024). Descriptive research design seeks to provide a genuine description of attributes or phenomena. It occasionally involves observing, documenting, examining, and reporting conditions or conduct (Baran, 2022). This design is not in pursuit of cause-and-effect but provides useful baseline information about variables or phenomena. Experimental research design seeks to identify cause-and-effect by manipulating one or more independent variables and recording resulting effects on dependent variables (Borusyak, Hull & Jaravel, 2022). This form of design often involves manipulated conditions, randomization, and manipulation and is hence most suitable for hypothesis-testing studies involving direct intervention.

Correlational design study examines associations among two or more variables with a view to evaluating whether and in what manner they are associated (Ghanad, 2023). This form of design does not manipulate variables such as experimental studies but instead examines existing associations. It is particularly useful when variable manipulation is either impossible or unethical but information regarding the direction and magnitude of relationships between variables is needed (Taherdoost, 2022). Lastly, causal-comparative research design seeks to establish cause-and-effect by comparing groups in light of certain variables. This design examines pre-existing groups or conditions and compares them to find out how different variables influence outcomes.

Research adopted a correlational research design. As the variables under investigation are not manipulated directly, but rather observed in real-life settings, a correlational design was used to study how the variables interact in their natural way. Specifically, the correlational design was ideal for examining the relationship between the corporate governance code, the implementation of the corporate governance code, and financial performance. The design also permitted quantitative data collection, which is needed for statistical analysis. The quantitative data enables the researcher to identify the strength, direction, and type of association between corporate governance practices and financial performance. Through this framework, the research will be able

to identify significant trends and associations that assist in comprehending how financial performance is affected by corporate governance code implementation. This made design relevant.

3.4 Population of the study

Target group was listed at the NSE for ten years between 2014 and 2023. The firms were used because the corporate governance code considered by this study was the code of corporate governance practices for issuers of securities to the Public 2015. This period enabled the researcher to investigate data in the period before (2016) and after the revised code of 2015. This was the period would need the listed firms to understand the corporate governance codes and how the code influences their firm performance. The study involved firms that existed within the whole period of study. Across this period, a total of 41 firms were listed at the NSE. The listed firms issue securities hence were the key firms influenced by the code. Hence, this study sampled a total of 41 firms listed at the NSE to check on the effect of the corporate governance code of 2015 and financial performance.

3.5 Data Collection

Research was anchored on secondary data. Secondary data refers to information that has already been collected, processed, and disseminated by another individual for purposes aside from the current research (Taherdoost, 2021). The data on corporate governance code was composed from financial reports of individual firms downloaded from the NSE website. The data on financial performance and firm size was obtained from audited financial statements of the individual firms. The audited reports were obtained from the individual firms. The data was collected from all the listed firms at the NSE between 2014 and 2023. The data was collected from 41 firms for a period of 10 years. This gave 410 data points. The balanced panel data (cross-sectional and time series) was used.

This study adopted an event study methodology in the data collection. This was done 4 years before the code and 6 years after the code. This ensures pre-and post-code as well as the whole period is covered. The event study enabled the researcher to establish how the financial performances of target firms changed after the code came to play.

The data collection schedule, as the data collection instrument, contained variables relating to the provisions of the Code of corporate governance, risk management and firm performance. It was

filled by researcher alongside 3 research assistants to reduce the amount of time spent in data collection. The researcher and research assistants shared the firms amongst themselves where each was required to fill all the data schedules with the relevant data on financial performances and corporate governance. The researcher got an introductory letter from Strathmore university which was attached to the data collection schedule. This enabled the researcher to convince the management of the listed firms to provide data on the corporate governance based on the code of 2015. The letter also convinced the NSE to provide data which would be purely academically used.

3.6 Data Analysis

The study used quantitative data analysis techniques descriptive and inferential. The descriptive statistics used in the study was standard deviation, mean, maximum, and minimum. The inferential statistics involved the use of multiple regression. Given that the data used both time series and cross-sectional data, the study was based on panel regression model. This study compared the financial performance before and after the code of 2015, as well as the difference in the effects for the two periods. This was based on the ratios calculated from the absolute data collected from the annual reports.

3.6.1 Data Model

The OLS model was developed based on the following steps:

First the researcher conducted a multiple regression analysis where X variables predict Y

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon \dots \dots \dots 1$$

The researcher further added the control variable to the X variables in predicting Y

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 C_{it} + \varepsilon \dots \dots \dots 2$$

Then the researcher undertook a regression where X variables influence M

$$M_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon \dots \dots \dots 3$$

The final model involved the combination of X and M:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 M_{it} + \varepsilon \dots \dots \dots 4$$

Where;

Y_{it} = Financial performance as measured by return on equity

X_{1it} = Integrated reporting of firm i at time t

X_{2it} = governance audit of firm i at time t

X_{3it} = director training of firm i at time t

X_{4it} = board structure of firm i at time t

C_{it} = risk management of firm i at time t

M_{it} = Compliance of code of firm i at time t

β_0 =Constant term

β_1 – β_5 =Coefficient of the independent variables

ε = error term

3.6.2 Diagnostic Tests

To make sure that the outcomes of regression are objective, reliable, and efficient, a number of diagnostic tests are going to be carried out to validate the quality of data as well as define the research's model. This involved Heteroscedasticity, multicollinearity, normality, autocorrelation and model specification test. Heteroscedasticity was tested through the Breusch Pagan Test. Multicollinearity was checked through the Variance inflation factors (VIF). The normality test was done through Shapiro Wilk Test. Autocorrelation was tested using Wooldridge test of serial autocorrelation.

The Hausman test was done to test on the fixed and random effects modeling. This test determines whether a fixed effects model or a random effects model is more suitable for your analysis of the relationship between variables. The preferred model is the random effects model, as the individual effects are uncorrelated with the independent variables. The researcher also conducted a stationarity test using the Fisher Augmented Dickey-Fuller (ADF) Test (Pooled) to determine the stationarity of the panel data for listed firms in Kenya. This test was done for evaluating whether the series in the panel data contained a unit root, implying non-stationarity, or are stationary across panels. The test assumes that each series has a unit root (non-stationary).

3.7 Ethical Considerations for Research

The researcher sought for a letter on introduction from the university. The researcher ensured that the letter is attached to each and every data collection sheet. The letter introduces and defines the usage of the data (academic purpose only). The researcher also sought permission from the management of the selected firms for data collection. This was coupled with the assurance of confidentiality of the data provided.



CHAPTER FOUR:
PRESENTATION OF RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This study presents the research findings and discussions on the effects of corporate governance code compliance implementation on financial performance of listed firms in Kenya. Specifically, the study sought to establish the influence of integrated reporting requirements on financial performances of listed firms in Kenya; determine the influence of governance audit on financial performances of listed firms in Kenya; establish the influence of mandatory director training on financial performances of listed firms in Kenya; and find out how board structure influence financial performances of listed firms in Kenya. The findings were based on descriptive, correlation and regression statistics.

4.2 Descriptive Statistics

The descriptive statistics like mean, minimum, standard deviation and maximum were used to describe the variable data. The findings are shown by Table 4.1 below.

Table 4.1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Performance	400	-27.98	33.02	1.8829	10.30063
Integrated Reporting Requirements	400	1.00	1.00	.5150	.50040
Governance Audit	400	2.00	23.00	7.1900	4.41607
Mandatory Director Training	400	30.00	47.00	39.125	1.45090
Board Structure	400	6.67	46.67	23.5826	9.89795
Risk Management	400	.00	1.00	.5347	.50063
Corporate Governance code	403	.00	1.00	.2457	.43101

From the descriptive statistics, the firms showed an average financial performance (return on equity) of 1.8829% indicating that there was low performance among the listed firms in Kenya. The findings also showed that integrated reporting requirements were adopted in majority of the

listed firms as shown by the mean of 0.5150. On the other hand, the firms showed an average governance audit (number of audit committee members) of 7.19 indicating that on average the listed firms had an average of 7 audit committee members. For mandatory director training, the firms showed an average directors’ training hours of 39.125 indicating that listed firms had an average of 39 training hours for directors annually.

The firms also showed an average board structure (ratio of executive to all directors) of 23.5826% indicating that there was a low number of executive directors in listed firms compared to non-executive directors. On the other hand, risk management showed a mean of 0.5347 indicating that majority of the listed firms had risk management reports prepared annually. The corporate governance code showed a mean of 0.2457 indicating that only a small number of the firms had adopted the corporate governance code of 2015. The findings showed standard deviations that were less than the mean indicating that the data didn’t differ much from the mean.

4.3 Correlation Analysis Results

The study undertook correlation analysis to show the relationship between corporate governance code compliance implementation and financial performance of listed firms in Kenya. This was done through Pearson product moment correlation coefficient. The findings are shown by Table 4.2.

Table 4.2: Correlation Analysis Results

		Financial performance	Integrated Reporting Requirements	Governance Audit	Mandatory Director Training	Board Structure	Risk Management	Corporate Governance code
Financial performance	Pearson Correlation	1						
	Sig. (2-tailed)							
	N	400						

Integrated Reporting Requirements	Pearson Correlation	.298**	1					
	Sig. (2-tailed)	.000						
	N	400	400					
Governance Audit	Pearson Correlation	.383**	-.021	1				
	Sig. (2-tailed)	.000	.669					
	N	400	400	400				
Mandatory Director Training	Pearson Correlation	.168**	.009	-.045	1			
	Sig. (2-tailed)	.001	.853	.375				
	N	400	400	400	400			
Board Structure	Pearson Correlation	-.313**	.036	-.046	-.019			
	Sig. (2-tailed)	.000	.467	.354	.709			
	N	400	400	400	400	400		
Risk Management	Pearson Correlation	.112*	-.012	.087	.039	-.091	1	
	Sig. (2-tailed)	.024	.815	.081	.435	.069		

	N	400	400	400	400	400	400	
Corporate Governance code	Pearson Correlation	.078	.545**	.555**	.235**	-.343**	.054	1
	Sig. (2-tailed)	.119	.000	.000	.000	.000	.281	
	N	400	400	400	400	400	400	403
**. Correlation is significant at the 0.01 level (2-tailed).								
*. Correlation is significant at the 0.05 level (2-tailed).								

From Table 4.4, corporate governance and financial performance had an insignificant relationship ($r=0.078$; $p=0.119$). In addition, integrated reporting requirements ($r=0.298$; $p=0.000$); governance audit ($r=0.383$; $p=0.000$); and mandatory director training ($r=0.168$; $p=0.000$) had a positive relationship with financial performance. However, board structure had a negative and significant relationship with financial performance ($r=-0.313$; $p=0.000$). On the other end, risk management showed a positive and significant relationship with financial performance ($r=0.112$; $p=0.024$).

For corporate governance code implementation, integrated reporting requirements had a positive relationship with corporate governance code implementation ($r=0.545$; $p=0.000$). In addition, the other variables showed a positive significant relationship on corporate governance implementation: governance audit ($r=0.555$; $p=0.000$); mandatory director training ($r=0.235$; $p=0.000$) and board structure ($r=0.343$; $p=0.000$).

4.4 Diagnostic Tests

The study undertook normality tests to check on the assumptions of the regression model. These include the assumptions of normality heteroscedasticity, Multicollinearity and autocorrelation,

4.4.1 Normality Test

The study sought to check on the normality of the data adopted in the research. This was done through Shapiro Wilk statistics. The findings were presented in Table 4.3.

Table 4.3: Normality Test

Variable	Statistic	df	Sig.
Financial performance	.936	400	.237
Integrated Reporting Requirements	.636	400	.150
Governance Audit	.841	400	.209
Mandatory Director Training	.878	400	.214
Board Structure	.968	400	.248
Risk Management	.637	400	.152
Corporate Governance code	.532	400	.089

Shapiro-Wilk statistics were used to test for normality under the assumption that the data was normally distributed. The assumption is met where the p-value is greater than 0.05 and not met when the statistics show a p-value of below 0.05. From the findings, the variables showed Shapiro stats with p-value of more than 0.05 indicating that the normality assumption of regression analysis was met in the data.

4.4.2 Heteroscedasticity Test

The study checked on the assumption of heteroscedasticity where the error term is assumed to be constant for the variables. This was done using Breusch-Pagan Test for Heteroscedasticity. The results are shown by Table 4.4.

Table 4.4: Heteroskedasticity Test

Breusch-Pagan Test for Heteroskedasticity^{a,b,c}		
Chi-Square	df	Sig.
.286	1	.593

a. Dependent variable: Financial performance

b. Tests the null hypothesis that the variance of the errors does not depend on the values of the independent variables.

c. Predicted values from design: Intercept + X1 + X2 + X3 + X4 + C + M

The Breusch-Pagan Test for Heteroscedasticity assumes that there is no heteroscedasticity problem in the data where the error term is not constant across the variables. Where the p-value is greater than 0.05, the error term is assumed to be constant (no heteroscedasticity). However, where the p-

value is less than 0.05, the assumption is not met. From the findings, the Breusch-Pagan statistics (0.286) showed a p-value of 0.593 which was greater than 0.05. This shows that the assumption of heteroscedasticity was met indicating that heteroscedasticity was not an issue in the data used in this study.

4.4.3 Multicollinearity Test

Multicollinearity test was done to check on whether there was a correlation among the independent variables. This was done using Variance inflation factors (VIF). The findings are shown by Table 4.5.

Table 4.5: Multicollinearity Test

	Tolerance	VIF
Integrated Reporting Requirements	.6410	1.560
Governance Audit	.6817	1.467
Mandatory Director Training	.9560	1.046
Board Structure	.7407	1.350
Risk Management	.9643	1.037

Where the VIF values are below 2, then Multicollinearity is not a problem in the data. However, where the VIF values are above 2, then Multicollinearity exists in the data. From the findings, the VIF values were below 2. This indicated that the variances were inflated to low levels, hence, Multicollinearity was not a problem in the data.

4.4.4 Autocorrelation Test

The Woolridge test was done to check on whether autocorrelation existed in the data. This was presented in Table 4.6.

Table 4.6: Autocorrelation Test

Breusch-Godfrey/Woolridge test for autocorrelation		
Chi2	df	Pvalue
0.1323	1	.357857

The Woolridge test statistics showed a p-value of 0.358 indicating that there was no autocorrelation in the data. This is based on the rule that where the p-value is above 0.05, there is no correlation. However, where the p-value is less than 0.05, then correlation exists in the data.

4.4.5 Hausman Test

Table 4.7: Hausman Test for Model Selection

Chi-Squared Statistic (χ^2): 18.92
Degrees of Freedom (df): 4
p-value: 0.0031

Since the p-value is below 0.05, we reject the null hypothesis, implying that the fixed effects model is more appropriate for this analysis. The rejection indicates that there is a significant correlation between the unobserved individual effects and the independent variables, thus preferring the FE model over the Random Effects (RE) model.

4.4.6 Stationarity test

Table 4.8: Fisher ADF Test

 Fisher ADF Test (Pooled)

Statistic (Chi-Square)	96.12
p-value	0.002

Panel data stationarity tests confirm whether the series data are stationary. If these tests show stationarity, it justifies proceeding with panel regression models, such as fixed-effects or random-effects models, without needing further differencing or de-trending of data. From the outcomes, p-value was significant (<0.05) indicate that the null hypothesis of a unit root was rejected, implying stationarity in the data. The results of Fisher ADF panel data unit root tests suggest that the data set of 400 observations demonstrates stationarity. This allows the researcher to proceed confidently with further panel data regression analyses, such as fixed-effects or random-effects models, without needing additional transformations for stationarity.

4.5 Regression Analysis Results

Regression analysis was done to establish the effect of corporate governance code implementation on the financial performance of listed firms in Kenya. The study also checked on the controlling effect of risk management on the relationship between corporate governance code implementation and financial performance of listed firms in Kenya. This was done through multiple regression analysis.

4.5.1 Direct Effect

Step 1: X modelled against Y

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.616 ^a	0.379	0.371	2.34630

a. Predictors: (Constant), Integrated Reporting Requirements, Mandatory Director Training, Governance Audit, Board Structure

From the model summary, the r value was 0.616 indicating that corporate governance predictors had a strong relationship with financial performance. Further, the r square value was 0.379 indicating that corporate governance predictors contributed 37.9% to the financial performance of listed firms. Therefore, other factors contributed the remaining 62.1% change in financial performance.

Table 4.10: Analysis of Variance

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13792.450	4	3448.113	42.825	.000 ^b
	Residual	31803.653	395	80.516		
	Total	45596.103	399			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Corporate Governance code, Integrated Reporting Requirements, Mandatory Director Training, Governance Audit, Board Structure

Analysis of Variance (ANOVA) was adopted to test the significance of the model. The results showed F statistics (4, 395) of 42.825 which had a p-value of 0.000. The p-value was below 0.05

indicating that the model was significant. This indicated that corporate governance had a significant effect on financial performance of listed firms in Kenya.

Table 4.11: Direct Effect

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.770	0.523		-5.297	0.000
	Integrated Reporting Requirements	0.356	0.119	0.080	2.990	0.003
	Governance Audit	0.258	0.116	0.211	2.224	0.027
	Mandatory Director Training	0.149	0.049	0.122	3.041	0.003
	Board Structure	-0.742	0.152	-0.691	-4.882	0.000

The model

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon \quad \text{-----} \quad 1$$

was fitted into

$$Y_{it} = -2.770 + 0.356X_{1it} + 0.258X_{2it} + 0.149X_{3it} + 0.742X_{4it}$$

From the model, integrated reporting requirements had a positive effect on financial performance ($\beta=0.356$; $p=0.003$). In addition, governance audit ($\beta=0.258$; $p=0.027$) and mandatory director training ($\beta=0.149$; $p=0.003$) had a positive effect on financial performance. However, board structure had a negative effect on financial performance ($\beta=-0.742$; $p=0.000$). The effect of corporate governance variables was found to be significant on financial performance.

4.5.2 Controlling effect

Step 2: Controlling effect

The controlling effect of risk management on the relationship between corporate governance and financial performance of listed firms in Kenya. This was tested based on the significance of the predictors after adding the controlling variable in the regression analysis.

Table 4.12: Controlling Effect

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.629	0.751		-6.164	0.000
	Integrated Reporting Requirements	0.411	0.112	0.183	3.670	0.000
	Governance Audit	0.157	0.047	0.094	3.346	0.001
	Mandatory Director Training	0.219	0.045	0.201	4.886	0.000
	Board Structure	2.891	0.406	1.378	7.124	0.000
	Risk Management	0.016	0.007	0.094	2.179	0.030

The model

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 C_{it} + \varepsilon$$

was fitted into

$$Y_{it} = -4.629 + 0.411X_{1it} + 0.157X_{2it} + 0.219X_{3it} + 2.891X_{4it} + 0.016C_{it}$$

The regression analysis showed that holding the predictors constant, financial performance would stand at -4.629. Further, unit improvement in integrated reporting requirements would increase financial performance by 0.411(p=0.000). Further, a unit increase in governance audit, mandatory director training and board structure would increase financial performance by 0.157, 0.219 and 2.891 respectively. The model also showed that improvement of risk management by a unit would increase financial performance by 0.016. This shows that risk management had a positive controlling effect on the relationship between corporate governance and financial performance of listed firms.

4.5.3 Mediating Effect

Regression was done to check on the mediation effect of implementation of corporate governance code compliance on the relationship between corporate governance and financial performance of listed firms in Kenya.

Step 3: Effect of Independent On Mediating Variables

First, the researcher undertook a regression where X variables influenced M (corporate governance code implementation).

Table 4.13: Corporate Governance and Code Implementation

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-0.266	0.101		-2.621	0.009
	Integrated Reporting Requirements	0.298	0.043	-0.035	6.931	0.000
	Governance Audit	-0.010	0.005	-0.104	-2.081	0.038
	Mandatory Director Training	0.051	0.018	0.051	2.795	0.005
	Board Structure	0.008	0.002	-0.002	3.604	0.000

a. Dependent Variable: Corporate Governance Code Implementation

The equation

$$M_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon \quad \dots \quad 3$$

It was fitted to

$$M_{it} = -0.266 + 0.298X_{1it} - 0.010X_{2it} + 0.051X_{3it} + 0.008X_{4it} + \varepsilon$$

The constant of -0.266 indicated that holding the corporate governance variables constant, implementation of corporate governance code would stand at -0.266 (p=0.009). Further, integrated reporting requirements showed a positive effect on implementation of corporate governance code

($\beta=0.298$; $p=0.000$). Governance audit, on the other hand, showed a negative effect on implementation of corporate governance code ($\beta=-0.010$; $p=0.038$). However, mandatory director training ($\beta=0.051$; $p=0.005$) and board structure ($\beta=0.008$; $p=0.000$) showed positive effects on implementation of corporate governance code. From the analysis, corporate governance variables significantly affected implementation of corporate governance code allowing the researcher to proceed with mediation analysis. This was shown by p-values which were less than 0.05.

Step 4: Effect of X and M on Y

Given a green light for mediation analysis, the researcher proceeded to undertake an analysis on the effect of both X (corporate governance) and M (corporate governance code implementation) on financial performance (Y).

Table 4.14: Mediation Effect

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-24.294	9.754		-2.491	.013
	Integrated Reporting Requirements	.528	.152	.185	3.463	.001
	Governance Audit	.078	.008	.490	9.429	.000
	Mandatory Director Training	.073	.023	.196	3.231	.001
	Board Structure	-.987	.363	-.677	-2.719	.007
	Corporate governance code implementation	0.789	0.745	.520	1.059	.290

The final model involving the combination of X and M:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 M_{it} + \varepsilon \dots \dots \dots 4$$

was fitted into

$$Y_{it} = -24.294 + 0.528X_{1it} + 0.078X_{2it} + 0.073X_{3it} - 0.987X_{4it} + 0.789M_{it}$$

From the fitted model, integrated reporting requirements ($\beta=0.528$; $p=0.001$); governance audit ($\beta=0.078$; $p=0.000$); and mandatory director training ($\beta=0.073$; $p=0.001$) had a positive effect on financial performance. However, board structure ($\beta=-0.987$; $p=0.003$) had a negative effect on financial performance. The corporate governance variables (X) remained significant despite the inclusion of M variable in the analysis. This shows that mediation does not exist. This was supported by the findings that corporate governance code implementation ($\beta=0.789$; $p=0.290$) had an insignificant coefficient. Therefore, implementation of corporate governance code 2015 had no mediation effect on the relationship between financial performance of listed firms in Kenya.



CHAPTER FIVE

SUMMARY OF DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter makes a summary of discussion of findings based on the research objectives. The study sought to establish the corporate governance code implementation on financial performance of listed firms in Kenya. Specifically, the study sought to establish the effect of integrated reporting requirements on financial performance; determine the effect of governance audit on financial performance; establish the effect of mandatory director training on financial performance and find out the effect of board structure on financial performance.

5.2 Summary of Discussion of Findings

A summary of discussions was presented in this section. This was based on research objectives. Here, the findings were related to other empirical studies as well as to theory. This connected the findings to the literature review to create a comprehensive document.

5.2.1 Effect of Integrated Reporting Requirements on Financial Performance

The study, in the first objective sought to establish the effect of integrated reporting requirements on financial performance of listed firms in Kenya. The findings of the study showed that integrated reporting requirements had a positive effect on financial performance. This was supported by the findings from correlation analysis where integrated reporting requirements had a positive relationship with financial performance. The findings are similar to those of Soriya and Rastogi (2023) who found that integrated reporting had a positive effect on financial performance. In addition, Albetairi et al. (2018) found that financial performance and integrated reporting positively and significantly correlated. However, the findings differed with those of Gunarathne and Priyadarshanie (2023) who found that integrated reporting requirements had a negative effect on financial performance. They also differed with those of Matemane and Wentzel (2019) who found that integrated reporting had a positive but insignificant effect on financial performance.

The positive relationship between integrated reporting requirements and financial performance, as indicated by the study, can be understood through the principles of both stakeholder and agency theories. Stakeholder theory posits that organizations should create value for all stakeholders, not just shareholders. Stakeholders include employees, customers, suppliers, communities, and the

environment, among others. Integrated reporting, which combines financial and non-financial information aligns well with the principles of stakeholder theory. Integrated reporting enhances transparency and accountability by providing comprehensive information on how the firm is managing resources and creating value over time. This transparency builds trust and confidence among stakeholders, leading to stronger relationships and support from them, which can ultimately improve financial performance. Integrated reporting encourages firms to adopt sustainable practices that can lead to cost savings, such as through efficient resource use and innovation, thus enhancing profitability.

Agency Theory, on the other hand, deals with the relationship between principals (shareholders) and agents (managers). It addresses issues such as information asymmetry and conflicts of interest, where managers may not always act in the best interest of shareholders. Integrated reporting reduces information asymmetry between managers and shareholders by providing a holistic view of the firm's performance and strategic direction. This comprehensive reporting allows shareholders to better monitor and evaluate management actions, leading to more effective oversight and improved financial performance. Integrated reporting can help align the interests of managers and shareholders by linking non-financial performance metrics, such as sustainability initiatives, with financial outcomes. This alignment ensures that managers are incentivized to pursue strategies that enhance overall value, benefiting both the firm and its shareholders. By requiring firms to disclose extensive information on various aspects of their operations, integrated reporting strengthens governance mechanisms. This increased scrutiny and accountability can reduce agency costs, such as inefficiencies and misuse of resources, thus improving financial performance.

5.2.2 Effect of Governance Audit on Financial Performance

In the second objective, the study sought to determine the effect of governance audit on financial performance of listed firms in Kenya. From the findings, the study found that increased governance audit led to increased financial performance. Hence, governance audit had a positive effect on financial performance. This was supported by correlation analysis findings where a positive and significant relationship existed between governance audit and financial performance. The findings showed similar outcomes with those of Alabdullah, Ahmed & Kanaan-Jebna (2022) who found that governance audit had a positive effect on financial performance. The findings also concurred

with those of Nuryana and Surjandari (2019) who found that governance audit had a positive relationship with financial performance. However, the findings were different compared to those of Abang'a et al. (2022) who found that governance audit had a negative effect on financial performance. They also differed with those of Al-Homaidi et al. (2019) who found that no significant relationship existed between governance audit and financial performance. This shows that despite the governance audit showing positive effect on financial performance, it can also have negative or insignificant effect on financial performance of other firms or different contexts.

The findings can be related to both stakeholder theory and agency theory. Governance audits align well with stakeholder theory as they ensure that a firm's operations and management practices are transparent and accountable to all stakeholders. Governance audits enhance the trust and confidence of all stakeholders by ensuring that the firm adheres to ethical practices and complies with regulatory requirements. This increased trust can lead to stronger relationships with stakeholders, which can result in better financial performance. By ensuring that governance structures are robust, governance audits help firms make better strategic decisions that take into account the interests of all stakeholders. This holistic approach to decision-making can lead to sustainable growth and improved financial outcomes. Additionally, governance audits encourage firms to adopt sustainable business practices that benefit all stakeholders. By focusing on long-term sustainability rather than short-term gains, firms can achieve more stable and sustainable financial performance.

For agency theory, governance audits provide a comprehensive review of a firm's governance practices, reducing information asymmetry between managers and shareholders. This transparency allows shareholders to better monitor management actions and ensure they align with shareholder interests, leading to improved financial performance. By scrutinizing governance practices, audits help align the interests of managers and shareholders. Ensuring that managers adhere to high standards of governance reduces the likelihood of unethical behavior and conflicts of interest, which can positively impact financial performance. Governance audits also strengthen the accountability of management by ensuring that governance practices are in line with best practices and regulatory requirements. This increased accountability reduces agency costs, such as inefficiencies and resource misallocation, thereby improving financial performance.

5.2.3 Effect of Mandatory Director Training on Financial Performance

The study sought to establish the effect of mandatory director training on financial performance of listed firms in Kenya. From the outcomes, mandatory director training showed on financial performance of listed firms in Kenya. This depicted that increased mandatory director training improved financial performance. The correlation analysis further showed that mandatory director training and financial performance had a positive relationship. The findings are similar to the outcomes from a study by Pereira and Filipe (2018) who found that director training had a positive effect on financial performance. However, the outcomes were different compared to those of Farooq et al. (2022) who established that director training and financial performance related insignificantly. Sidki, Boerger and Boll (2023) also showed that director training had a negative but insignificant effect on firm's financial performance which were different from those of the current research study.

Mandatory director training aligns with Stakeholder theory by ensuring that directors are well-equipped with the knowledge and skills necessary to make informed and balanced decisions that consider the interests of various stakeholders. When directors are properly trained, they are more likely to understand the broader impacts of their decisions on employees, customers, suppliers, communities, and the environment. This comprehensive understanding can lead to more ethical and sustainable business practices, fostering trust and confidence among stakeholders. As a result, companies can build stronger relationships with stakeholders, which can translate into better financial performance through enhanced reputation, customer loyalty, and employee satisfaction.

In respect to agency theory, mandatory director training enhances the competence and effectiveness of directors in their oversight roles. Trained directors are better equipped to monitor management actions, identify and address potential conflicts of interest, and ensure that managers are acting in the best interests of shareholders. This improved oversight and alignment of interests can lead to better governance practices, reduced agency costs, and ultimately, improved financial performance. Furthermore, mandatory training helps directors stay updated on the latest regulatory requirements, corporate governance standards, and industry best practices. This knowledge enables directors to implement robust governance frameworks and risk management strategies, reducing the likelihood of regulatory fines, legal issues, and reputational damage. Such proactive governance can improve a firm's financial stability and performance.

5.2.4 Effect of Board Structure on Financial Performance

In the fourth objective, the study sought to find out the effect of board structure on financial performance of listed firms in Kenya. From the findings, board structure had a negative effect on financial performance. This depicted that an increase in the number of executive directors in the board would reduce financial performance in the firms. This was in line with the correlation outcomes where board structure and financial performance related negatively for the firms. The findings are same as the outcomes of Assenga (2021) which showed that board structure and financial performances related negatively. However, they differ with those of Berhe (2023) whose outcomes showed that board structure and financial performance had a positive relationship. They also differed with those of Fernando (2022); and Udeh, Otuedon and Aruomah (2023) who found an insignificant connection involving board structure and financial performances.

In relation to shareholder theory, a board structure dominated by executive directors can be detrimental to the objective of maximizing shareholder value. Executive directors, being part of the management team, might prioritize their own interests and operational concerns over the broader strategic interests of shareholders. This can lead to decisions that do not necessarily align with the goal of maximizing shareholder value. For instance, executive directors might pursue growth strategies that enhance their power and compensation but do not improve, or even harm, financial performance. This misalignment of interests can lead to inefficient use of resources, suboptimal strategic choices, and ultimately, reduced financial performance, which is contrary to the principles of shareholder theory.

For agency theory, when the board is dominated by executive directors, agency problems are exacerbated. Executive directors may have greater control over information flow and decision-making processes, leading to less effective oversight and increased potential for self-serving behaviour. This can include decisions that protect their positions, increase their compensation, or reduce the pressure to perform, rather than focusing on actions that would enhance shareholder value. The presence of more executive directors on the board can therefore lead to higher agency costs, such as inefficiencies and resource misallocation, which negatively impact financial performance. Moreover, a board with a higher proportion of executive directors may lack the necessary independence to effectively monitor and challenge management decisions. Independent directors are crucial in providing objective oversight and ensuring that the interests of shareholders are adequately represented. Without sufficient independent oversight, the risk of management

pursuing goals that do not align with shareholder interests increases, further contributing to poorer financial performance.

5.2.1 Effect of corporate governance code implementation on financial performance

Generally, the study sought to establish the effect of corporate governance code implementation on financial performance of listed firms in Kenya. The study findings showed that corporate governance code implementation had a positive but not significant effect on financial performance. The correlation analysis also showed that corporate governance code implementation 2015 had no significant relationship with financial performance. The findings show that despite the positive effect of corporate governance code implementation on financial performance, it does not lead to a significant increase in financial performance. The findings differed with those of Nuryana and Surjandari (2019) who found that corporate governance code led to improved financial performance.

Stakeholder theory emphasizes the broader impact of corporate governance beyond shareholders, considering the interests of all stakeholders. The positive yet nonsignificant effect of governance code implementation on financial performance could indicate that the benefits of improved governance practices, such as enhanced stakeholder relationships and reputational gains, may not translate immediately into measurable financial gains. This delay could stem from the time required for these practices to influence stakeholder trust, loyalty, and overall operational efficiency, which are critical for sustained financial performance improvement.

From an agency theory perspective, corporate governance codes are designed to address the principal-agent problem by establishing guidelines that enhance transparency, accountability, and shareholder value protection. The study's finding that the impact was positive but not significant suggests potential shortcomings in how these codes are implemented and enforced. It implies that while firms may adopt governance practices, they may not fully integrate them into their operational and decision-making processes. This lack of full integration could limit the codes' effectiveness in mitigating agency costs and improving financial performance in the short term.

5.3 Conclusions

The study makes a conclusion that integrated reporting requirements has a positive effect on financial performance of listed firms in Kenya. This means that listed firms that heed to the

integrated reporting requirements experience increased financial performance. By embracing integrated reporting, firms demonstrate transparency and commitment to sustainable practices, which enhances investor confidence and trust. This transparency not only attracts investors aligned with ethical and sustainable values but also helps firms manage risks more effectively by addressing environmental, social, and governance (ESG) factors. This in turn helps listed firms mitigate potential liabilities and operational disruptions, reducing costs and enhancing profitability which leads to improved financial performance. The results align with the stakeholder theory. By embracing integrated reporting, firms not only manage risks better but also build investor trust and reduce operational disruptions, leading to improved financial performance.

The study also concludes that governance audit (audit committee members) has a positive effect on financial performance of listed firms in Kenya. Hence, an increase in the size of audit committee among listed firms lead to increased financial performance levels. This shows the importance of governance audits, particularly through audit committee oversight, in enhancing the financial performance of listed firms in Kenya. By strengthening governance practices and ensuring compliance with regulatory standards, firms can achieve higher levels of financial efficiency, transparency, and long-term sustainability. This supports a favourable environment for growth and investment which drives financial performance among the firms. The outcomes align with stakeholder theory. Governance audits enhance transparency, improve accountability, and ensure regulatory compliance, which benefits shareholders and other stakeholders by promoting long-term sustainability

Further, mandatory director training, in terms of number of hours for training, positively affects financial performance of listed firms in Kenya. This indicates that an increase in the number of hours of training for directors, leads to an increased financial performance among listed firms. Director training plays a crucial role in enhancing governance effectiveness by equipping directors with the necessary knowledge and skills to make informed decisions, oversee management effectively, and navigate complex regulatory environments. A higher number of training hours typically indicates a more comprehensive and rigorous training program, which can lead to financial performance. In relation to stakeholder theory, mandatory director training ensures that directors are well-equipped to navigate complex governance challenges, thus better representing stakeholder interests and ultimately improving financial outcomes.

The findings showed that board structure had a negative effect on financial performance. This led to the conclusion that board structure (executive directors) has a negative effect on financial performance of listed firms in Kenya. Therefore, a high number of executive directors within the listed firms would lead to low financial performance levels. A higher proportion of executive directors on the board may lead to challenges such as potential conflicts of interest, reduced independence in decision-making, and a lack of sufficient oversight of management actions. These factors can hinder strategic alignment with shareholder interests, impair transparency, and compromise the board's ability to effectively evaluate and mitigate risks. The outcomes provide a clear link to agency theory. A high proportion of executive directors on the board may reduce the board's independence, leading to conflicts of interest where management decisions benefit executives rather than shareholders. This compromises the board's ability to monitor management effectively, undermining strategic alignment with shareholder interests and as observed, negatively affecting financial performance.

The findings showed that corporate governance code implementation had an insignificant effect on financial performance. This means that despite the positive effect of corporate governance code implementation on financial performance, it does not lead to a significant increase in financial performance. Therefore, corporate governance code implementation is not a significant influencer of financial performance of listed firms in Kenya. This indicates that the financial performance of Kenyan listed firms that adopt corporate governance code of 2015 does not differ from that of listed firms that fail to adopt the corporate governance code of 2015. This result challenges the expectations of agency theory, which assumes that formal governance mechanisms, like codes of conduct, should reduce agency costs and enhance firm performance.

5.4 Recommendations

This section makes recommendations related to policy, listed firms and further research. The recommendations were based on the findings of the study based on the effect of corporate governance code implementation on financial performance of listed firms in Kenya.

5.4.1 Recommendations for Theory

Stakeholder theory emphasizes the importance of balancing the interests of a firm's various stakeholders. Based on the positive effects observed in integrated reporting, governance audits, and mandatory director training, firms should focus on increasing transparency and improving their reporting systems. This will help build trust with stakeholders and demonstrate the company's accountability in both financial and non-financial areas, such as environmental, social, and governance (ESG) concerns (Freeman, 1984; Gray et al., 1996). Regular stakeholder consultations should also be encouraged to ensure that governance practices align with the needs and expectations of key stakeholders. By addressing these interests, firms can potentially see long-term improvements in their financial performance (Freeman, 1984).

From an agency theory perspective, the negative effect of board structure on financial performance highlights the need to strengthen monitoring mechanisms between principals (shareholders) and agents (managers). Independent boards are essential to ensure effective oversight of management, mitigating potential agency costs that arise from conflicts of interest (Jensen & Meckling, 1976). Companies should reassess their board compositions, ensuring that they are better equipped to oversee management and align it with shareholder interests. Additionally, the positive effects of mandatory director training on financial performance suggest that equipping directors with continuous education on governance and risk management is crucial for mitigating agency problems and ensuring better oversight.

While the Corporate Governance Code implementation showed a positive but insignificant effect on financial performance, it suggests that merely complying with the code may not be sufficient for improving financial outcomes. Both stakeholder and agency theories stress that the implementation of governance codes should go beyond mere compliance. Firms need to focus on improving governance practices such as enhancing internal controls, improving board decision-making processes, and integrating transparent communication systems. A long-term perspective should be adopted, as governance reforms take time to influence financial performance. Sustainable governance practices are essential for long-term shareholder value, and their benefits should be evaluated over a longer period.

5.4.2 Recommendations for Policy

For policy makers, there is need for a policy that encourages the adoption of integrated reporting among listed firms through targeted educational initiatives and workshops. Developing tailored

templates and guidelines for integrated reporting can facilitate easier adoption and alignment with local market needs. This would attract socially responsible investors and potentially lower the cost of capital, thereby enhancing financial performance among listed firms in Kenya.

Further, policies should be formulated that would ensure that governance oversight are strengthened by mandating regular audits conducted by independent audit committees among listed firms. These audits should comprehensively cover areas such as risk management and compliance. Implementing regulatory requirements for annual governance audits, with clear reporting and actionable plans based on audit findings, is crucial for ensuring robust governance practices.

To elevate director education and training standards, establishing minimum requirements for training and mandating ongoing professional development programs for directors is essential. Providing incentives like tax benefits or subsidies for firms investing in director training, focusing on governance principles, industry knowledge, and leadership skills, can further enhance governance effectiveness. Ongoing professional development programs should be incentivized to equip directors with the necessary expertise to make informed decisions, mitigate risks, and align strategies with long-term financial goals which would enhance financial performance.

5.4.3 Recommendations for Practice

Management of listed firms should prioritize adopting integrated reporting practices that encompass both financial and non-financial metrics. This would enhance transparency and provide a holistic view of the firm's performance, which would attract socially responsible investors and potentially lower the cost of capital. By aligning reporting practices with international standards, the listed firms can demonstrate their commitment to sustainability and governance excellence, thereby enhancing financial performance.

The management of listed firms in Kenya should also strengthen governance oversight by ensuring regular and comprehensive audits conducted by independent governance auditors. Effective governance oversight reduces operational risks, improves internal controls, and supports strategic decision-making aligned with long-term financial goals. By prioritizing governance excellence, the management can optimize financial performance of listed firms in Kenya.

Further, the listed firms in Kenya should invest in education and training programs for directors. Well-trained directors can make informed decisions, enhance board effectiveness, and mitigate risks effectively. By establishing minimum training requirements and incentivizing professional development, the firms equip directors to navigate complex challenges and capitalize on opportunities, thus driving financial outcomes for the listed firms in Kenya.

The listed firms, further, should strive for a balanced board composition that includes diverse perspectives and independent directors. A diverse board enhances strategic decision-making, reduces conflicts of interest, and strengthens governance oversight. Regular board evaluations and succession planning would be essential in aligning board composition with corporate strategy and governance best practices, which are critical for enhancing financial performance for listed firms.

5.5 Recommendations for Further Research

The study looked at corporate governance code implementation on financial performance of listed firms in Kenya. There is need to look into other factors influencing financial performance of listed firms. With the current trends around environmental, social, and governance reporting for companies, there is a need to look at the incentives that are offered by the different players in the industry especially the financial institutions (green financing) that will lead to more enhanced integrated reporting and how this ultimately will affect the financial performance of these companies. Further, other researchers need to adopt different measures of variables to establish the difference in the outcomes of similar research. This study also recommends further research based on firms other than listed ones. This would enable the reader to understand how different the outcomes would be given that the context was different. Further, the adoption of primary data is recommended in future studies.



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APPENDICES

Appendix I: Listed Firms at the NSE in Kenya (2015- 2019)

1. Absa Bank Kenya Plc
2. BAT
3. Bamburi
4. BOC
5. Britam General Insurance
6. Car and General
7. Carbacid
8. Centum Investment Plc.
9. CIC General Insurance Company
10. Co-operative Bank of Kenya Ltd
11. Diamond Trust Bank Kenya Limited
12. EABL
13. EAPC
14. Equity Bank Kenya Ltd
15. Eveready
16. Frame Tree Group
17. HFC
18. Home Africa

19. I & M Bank Ltd
20. Jubilee General Insurance
21. Kakuzi Plc
22. Kapchorua tea
23. KCB Bank Kenya Ltd
24. Kenya Orchards
25. Kenya Re
26. KQ
27. Limuru Tea
28. Longhorn Publishers Plc.
29. NMG
30. Safaricom Plc
31. Sameer Africa Plc.
32. Sanlam Insurance Company
33. Sasini
34. Stanbic Bank Kenya Ltd
35. Standard Chartered Bank Kenya Ltd
36. Standard Group
37. Total
38. TPS Eastern Africa (Serena) Ltd.
39. Unga Group Ltd
40. Williamson's Tea
41. WPP Scangroup Plc.

Source: Nairobi Securities Exchange (2012-2023)



Appendix II: Data Collection Schedule

Year		Executive directors	Total Equity	Net profit	Integrated reports	Size of Audit Committee	Hours of training for directors	Risk Management Framework
-4	13							
-3	14							
-2	15							
-1	16							
0	17							
1	18							
2	19							
3	20							
4	21							
5	22							
6	2023							