EFFECT OF CORPORATE DISCLOSURE ON FINANCIAL PERFORMANCE OF FIRMS LISTED ON NAIROBI SECURITIES EXCHANGE, KENYA.

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A Thesis Submitted to the School of Business and Economics in Partial Fulfilment of the requirements for Award of the Degree of Master of Business Administration (Accounting) at Masinde Muliro University of Science and Technology.

JULY, 2021.

DECLARATION.

This thesis is my original work and has not been presented for the award of a degree in any other university.

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Certification

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DEDICATION.

The research thesis is dedicated to my family for their unwavering support and encouragement throughout my academic journey. They saw education as a treasure whose value cannot be underestimated. I also dedicate it to my supervisors and all my lecturers for their continued support throughout this research.

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ABBREVIATIONS AND ACRONYMS.

ADF Augmented Dickey –Fuller tests

CDS: Central depository system

CMA: Capital Market Authority

CSR: Corporate Social Responsibility

DCI Disclosure Check Index

FASB Financial Accounting Standards Board

FD: Financial disclosure

FP: Financial performance

FS Firm size

IFRS: International Financial Reporting Standards

MNC: Multinational Corporation

NSE: Nairobi Stock Exchange

PAT: Positive Agency Theory

RD: Risk disclosure

ROA: Return on asset

ROI: Return on Investment

SAD: Social accounting disclosure

VIF: Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS.

Financial disclosure: can be defined as the act of availing a company's financial information to investors', banks and other interested stakeholders. It can be termed as the processes of communicating a firm's financial performance to capital markets and any other interested investors outside the organization. In this study financial disclosure was measured using financial policy disclosure and investment policy disclosure. Financial policy disclosure is the disclosure of roles, authority and responsibilities for essential financial management activities and decisions. Investment policy disclosure on the other hand is the disclosure of general investment goals and objectives that the manager should employ.

Financial performance: can be described as a standard of how well an organization can use its resources from its basic mode of business to generate income. It can also be termed as a measure of the general financial health of a firm over a given period of time.

Firm size: The size of a firm can be defined by total assets, number of employees and total sales owned by a firm. This study used total assets as a measure of firm size of the different firms listed on NSE.

Risk disclosure: refers to the act of revealing and communicating all fundamental risk information belonging to a company which may affect its investment decisions to interested stakeholders. It was measured using market risk and liquidity risk disclosures. Market risk disclosure is the disclosure of risk of losses on financial investments caused by adverse price movements. Liquidity risk disclosure is the disclosure of financial risks that for a certain period of time a given financial asset or commodity cannot be traded quickly enough in the market without impacting the market price.

Return on Assets: It is the total income owned and controlled by a firm divided by total assets.

Social accounting Information disclosure: can be termed as the act of availing activities of an entity which impact upon the fiscal, physical or emotional well-being of those who are directly associated with the entity by geographic proximity or as investors, employees,

beneficiaries of services, clients or those who are indirectly affected by the entity's operations. It was measured using disclosure of charitable donations and employee data.

ABSTRACT.

Investors today are more cautious when making decisions on matters investment. They request to be equipped with information for them to be able to make informed decisions on where to put their money. This trait has been attributed to a decline in financial performance and the rising trend of corporate failures both locally and globally. The study was aimed at determining whether corporate disclosure had an effect on financial performance of companies listed on Nairobi Securities Exchange, Kenya. The specific objectives that were used in the research were: to establish the effect of social accounting disclosure, risk disclosure and financial disclosure on financial performance of firms listed on Nairobi Securities Exchange. The research was also aimed at determining the moderating effect of firm size on the relationship between corporate disclosure and financial performance of firms listed on Nairobi Securities Exchange. The researcher used three theories namely: Signalling theory, Agency theory and the stakeholder theory. The research adopted a longitudinal research design. The researcher targeted all firms listed on NSE. Purposive sampling was used in the research to select the 42 listed companies that had a complete set of data over a six year period (2013-2018).Secondary data was collected using a disclosure check index retrieved from annual financial statements of the listed firms. Diagnostic tests were carried out and correlation analysis used to show the strength of the relationship between the independent and dependent variables. Data was analysed using descriptive and inferential statistics with the aid of STATA software. Results of the study revealed that social accounting disclosure and risk disclosure had a negative insignificant effect on financial performance therefore the null hypothesis were accepted. Financial disclosure had a positive significant effect on financial performance of companies listed on NSE.The null hypothesis for the third objective was therefore rejected. The study recommended that listed companies should enhance the level of financial information disclosure so as to realise superior financial performance and also reduce agency costs. This study will be of great importance to stock market partakers who will be able to make fundamental analysis on the effect of corporate disclosure on financial performance of listed firms on NSE.
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CHAPTER ONE

INTRODUCTION

1.1Background Information

Corporate disclosure is a cardinal pillar of corporate governance that facilitates informed decision making at different levels of the organization (Nyamongo, 2017).Corporate governance is defined as the system by which business corporations are directed and controlled (Cadbury, 2012).It plays an important role in ensuring that issues related to information asymmetry and agency costs of firms are addressed. Previous empirical evidence has shown that disclosures reduce information asymmetry which leads to reduced risks and increased protection of investors from losses and poor decision making (Sahore, 2017).

Accounting scholars have come up with different definitions of corporate disclosure. This is due to legal systems; regulations and historical development that vary from one country to another.Haely (2015) defined corporate disclosure as the communication of information by the management towards people outside the organization. Corporate disclosure can also be defined as the communication of economic information, whether financial or non-financial quantitative or otherwise concerning a company's financial position and performance (Adina, 2016). Disclosures are revelations of how well or bad directors have performed in relation to investments.They are majorly categorized as compulsory and voluntary.The two types of disclosure are of equal importance in their own dimension (Musyoka, 2017)

Recent studies on corporate disclosure have revealed numerous scandals and collapse of major corporations like Tyco, Enron, WorldCom and bank of credit international in the United Kingdom and the United States of America. This has created worldwide interest in issues of corporate governance and particularly the area of corporate disclosure within the organizations (Lakhal, 2015).In Africa; questions have been raised of several organizations such as Stanbic bank in Uganda and Tanzania which have been in the media for all wrong reasons. Kenya is not an exemption to these cases as several companies like Kenya airways, Mumias sugar, Pan paper

and Uchumi have all been characterized with increased cases of mismanagement that has been widely attributed to lack of proper corporate disclosure of the company results (Muturi, 2018).

Considering increased interest on Nairobi securities exchange as an important avenue to foreign and domestic investments, it is important that investor confidence is enhanced. Corporate disclosure today has transformed to providing more comprehensive and proactive disclosures instead of the release of corporate governance details or policies in a reactive fashion.It is essential that this disclosures are done with the interest of investors at heart rather than immediate profits which is normally the primary aim of most managers within the institutions (Atandi, 2017).More notably, is that the information released by managers to primary users can only be relevant if it is capable of making a difference in the decisions they make. If too much irrelevant information is produced, users may overlook the relevant information.

With the rapid changes on corporate disclosure, consideration has been given on the same as a way of trying to breach information gap between the management and owners. Important to note is that public outcries over high profile corporate scandals have led to a call for increased disclosure for the firms to try and minimize this incidences (Mugo, 2014).Increased commitment in comprehensive and quality corporate disclosure can assist eliminate such scandals.

It is therefore necessary that companies act in good faith in order to improve the effectiveness of disclosures. However, mandatory disclosure requirements should be enforced to ensure that companies with an incentive to avoid making the necessary disclosures are compelled to provide a minimum level of information. Failure to ensure even compliance would result to curtailing the efforts of International financial reporting standards on reducing information costs and risks (Derouiche, 2019).

Tarus (2013) observed that the interest gap between an agent and principal is widened. Therefore, there is need to mitigate this problem and emphasise on the need for full disclosure for information to facilitate better decision making. This study viewed corporate disclosure in three different aspects namely: social accounting disclosure, risk disclosure and financial disclosure. Sharif (2015) on the other hand researched on the effects of corporate disclosure

practices on firm performance. His results showed that corporate disclosure practices had a positive effect on company performance and a negative effect on company leverage.

Muriithi (2018) carried out a study on the influence of corporate disclosures on financial performance of companies listed in securities exchange in East Africa. His results revealed that there was a positive and significant relationship between financial disclosures, governance disclosure, risk disclosure, social disclosure and financial performance of listed companies in East Africa. He concluded that there was need for listed companies to enhance their level of information disclosure so as to minimize monitoring and agency cost and ultimately steer superior performance.

Hood (2015) researched on the relationship between voluntary disclosure and financial performance of companies quoted at the Nairobi securities exchange. He recommended that managers in organizations disclose more information voluntarily not only for purposes of obtaining cheaper capital but also to increase transparency and accountability.

1.1.1 Overview of the Nairobi Securities Exchange

In 1954, the Nairobi securities Exchange was established with its offices based in Nairobi. It started as a charitable organization of stock intermediaries registered under the societies act. It was given the mandate for providing a trading platform for listed securities and overseeing its member firms. Significant changes have occurred since then that have seen Nairobi securities exchange transform into a significant securities exchange market in Africa with about sixty five listed firms that have been categorized into eleven sectors namely agricultural sector, automobiles and accessories,banking,commercial and services, construction and allied, energy and petroleum,insurance,investment,telecommunication and technology, manufacturing and allied (NSE handbook, 2018).

The Nairobi securities exchange was formed in order to meet several objectives. Some of the objectives were to provide a substitute strategy for raising capital to young and small medium sized firms that thought it was hard to meet more strict quoting requirements of the main investment segment market (MIMS),to encourage the liquidity of organizations than enormous investor base through quoting of existing marketable shares and not for raising capital and

furthermore offer investment chances to individual and investors specifically institutions who need to broaden their portfolios and to access parts of the economy that are encountering development (Gathuo, 2017).

In 1989 the Capital Market Authority was formed through the Capital Market Authority Act, Cap 485 A.It was given a mandate to regulate and oversee the orderly development of Kenya's capital markets (Gathuo, 2017).It targets to protect investors' interests particularly those trading in Nairobi securities exchange by cushioning them from financial losses arising from the failures of licensed brokers or dealers to meet contractual obligations.

Since its inception, the Nairobi Securities exchange has undergone rapid transformation to enable it mobilize local savings as well as expand market to attract foreign capital investments. Corporate disclosure has therefore become an important aspect for enhancing trust and confidence of the market by both local and foreign investors (Musyoka, 2017).

In the year 2006,the Nairobi securities exchange introduced an automated trading system which was aimed at ensuring that that orders are harmonized automatically and are implemented by stock brokers on the basis of first come first serve. The automated trading system has now been linked to central bank of Kenya and the central depository system thereby facilitating electronic trading of government bonds (Musyoka, 2017).

In the year 2011 the Nairobi stock exchange changed its name to Nairobi securities exchange. This was with an aim to progress into full service securities exchange which would support clearing, trading and settlement of equities, debts and other associated instruments (NSE,2013).Today,NSE is playing a vital role in the growth of Kenyas economy by encouraging savings and investments as well as helping local and international companies access cost effective capital.

Some of the functions of NSE include: providing a fair efficient and transparent securities market to investors using electronic trading system, mobilizing savings for investment, giving room for growth of related financial services sector among others (NSE,2015).Currently the NSE has 65 listed companies from different sectors of the economy.

1.2 Statement of problem

Nearly a third of the companies trading on the Nairobi securities exchange did not comply with corporate governance rules for the year 2019 as shown from findings by the regulator. At least 11 issuers of securities to the public failed to publicly disclose part or a large chunk of information for scrutiny to help existing and potential investors make informed decisions (Muthaura, 2019).

The capital market authority report that covered the year ended June 2018 revealed that dismal corporate disclosure by the companies listed on Nairobi Securities Exchange has been the cause of most corporate scandals in Kenya. This has resulted into losses running into billions of shillings for investors and even the collapse of some companies (CMA, 2018). Several companies like Kenya airways, Mumias sugar, Pan Paper and Uchumi have had different financial challenges leaving many investors with doubts on their investments,

Africa opportunity fund limited was listed by the London stock exchange as one of the investors who experienced significant losses following corporate malpractices at Kenya power that saw its share collapse to sh.4.That has not only been the case as investors in East African Portland Cement Company, National bank of Kenya, Mumias Sugar Company and Uchumi supermarkets have incurred losses of not less than 80 billion (CMA, 2018).

Studies on corporate disclosure have been carried out across the world with several conclusions arrived at by different researchers. Few studies have however been done on the effect of corporate disclosure on financial performance of firms listed at the Nairobi Securities Exchange, Kenya. Contradicting results have also been arrived at by the researchers who conducted a study on the same and therefore there is need to carry out further research.

Sharma (2017) carried out a study on corporate disclosure and financial performance of selected Indian manufacturing and non-manufacturing companies. His results showed that there was a negative relationship between corporate disclosure and financial performance. He recommends for the study to be done in other countries outside India and in different sectors.

Muriithi (2018) researched on the influence of corporate disclosures on financial performance of companies listed in securities exchanges in East Africa. His results showed that there was a

positive and significant relationship corporate disclosure and financial performance of listed companies in East Africa. However, he recommends the need to carry out the study for each independent country securities exchange.

1.3 Research objectives

The study was guided by general and specific objectives as discussed below:

1.3.1 General objective

To determine the effect of corporate disclosure on financial performance of firms listed on Nairobi securities exchange.

1.3.2 Specific objective

i. To determine the effect of social accounting information disclosure on financial performance of firms listed on Nairobi Securities exchange, Kenya.
ii. To establish the effect of risk disclosure on financial performance of firms listed on Nairobi Securities exchange, Kenya.
iii. To determine the effect of financial disclosure on financial performance of firms listed on Nairobi Securities exchange, Kenya.
iv. To determine the moderating effect of firm size on the relationship between corporate disclosure and financial performance of firms listed on Nairobi Securities exchange, Kenya.

1.4 Hypotheses of the study

This study will be guided by the following hypothesis:

H_{o1}: Social accounting Information disclosure has no significant effect on financial performance of firms listed on Nairobi Securities Exchange.

H_{o2}: Risk disclosure has no significant effect on financial performance of firms listed on Nairobi Securities Exchange.

H_{o3}: Financial disclosure has no significant effect on financial performance of firms listed on Nairobi Securities Exchange.

H_{o4}: Firm size has no significant moderating effect on the relationship between corporate disclosure and financial performance of firms listed on Nairobi Securities Exchange.

1.5 Significance of the study

The capital market is a crucial enabler for driving the growth and development of any thriving economy. Kenya being a growing economy it is important that investors have adequate information before investing. Corporate disclosure therefore becomes an important aspect for investors when making investment decisions. This study will therefore be of great importance to stock market partakers who will be able to make fundamental analysis on the effect of corporate disclosure on financial performance of listed firms on NSE.

Secondly, this study will also be of great essence to investors who will be able to understand the relationship between corporate disclosure and financial performance hence better decision making during investment and in turn avoid losses.

Thirdly, this study would help the government in proper assessment of revenue generated. Policy makers in government will also find this research important in setting new policies on corporate disclosure. Finally this study will contribute to the body of literature and will also provide a basis for further studies on corporate disclosure and financial performance.

1.6 Scope of the Study

The study covered 42 listed firms that had a complete set of data over a six year period (2013-2018).A financial review of the companies was carried out as per the company's annual reports that were available from individual company websites.

1.7Limitations of the study

Secondary data from audited financial statements of firms listed on NSE, Kenya was used by the researcher. There were chances of undetected errors even though the reports met the requirements of International reporting standards.

Secondly, only 42 companies had a complete set of data over the six year period (2013-2018).This led to generalization of the results which may be limited.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed literature on corporate disclosure of companies listed on NSE. The chapter also discussed the key theories underlying corporate disclosure, developed a conceptual framework, reviewed variables and expounded on research gaps on the effect of corporate disclosure on financial performance of companies listed on NSE.

2.2 Theoretical Review.

Theories provide a generalized explanation as to occurrence of issues affecting research as a whole. It is therefore important that the researcher becomes conversant with the theories applicable to his area of research (Kombo & Tromp, 2009).Several theories aligned to corporate disclosure and their relationships to financial performance have been developed. This study was guided by the following three theories: agency theory, stakeholder theory and the signalling theory.

2.2.1 Agency theory

Agency theory is an economic theory that was advanced by Jensen and Meckling in 1976.Over the years the theory has widely been used by different accounting researchers to explain and understand corporate disclosure phenomena in different countries with different social, political and economic backgrounds. Some of these researchers include :(Adede 2014,Lakhal 2015 and Oguti 2019)

According to Jensen (1976) there is a significant and positive relationship between agency conflicts and ownership control. This conflict arises because there is a possibility that management may pursue individual interests at the expense of the shareholders. Predominantly, the attitude of managers will always trigger the choice of the capital

structure. If they are opposed to taking risks they will always maintain lower gearing levels while risk takers will always increase their financial risk.

In order to reduce agency costs, it is important that managers disclose information about their actions and the actual economic status of their organizations. This information will reduce the chances of information asymmetry between shareholders and management and in turn ensure maximum returns to shareholders investments. There is therefore need to reduce information asymmetry that may lead to high information gathering costs being incurred by the shareholders which may hinder development of a healthy relationship between the agents and their principal. Subsequently, monitoring costs may also be reduced and this may trigger better financial performance (Boshnak, 2017).Since most shareholders are interested in wealth maximization, it is important to ensure optimal corporate disclosure within the respective companies.

Corporate disclosure is said to have a direct relationship with Agency theory because it presents an opportunity to apply positive agency theory (PAT).This is attributed to the fact that managers are in a position to have better access to the company information and ceteris paribus can make reliable, timely and credible communication to the market to optimize the value of the firm to the advantage of all stakeholders (Oguti, 2019).

This theory is therefore appropriate since there in need for dissemination of corporate information to aid in decision making and consequently enhance financial performance of listed companies in Kenya (Adede, 2014).The theory encourages organizations to make all the necessary disclosures such as financial disclosure, risk disclosure and social accounting disclosure which are important variables in the study.

2.2.2 Stakeholder Theory

Stakeholder theory postulates that a firm should always create value for all stakeholders, not just shareholders (Freeman, 1983).This view is in contrast with the long-held shareholder theory proposed by economist Milton Friedman. His theory posits that the only stakeholders that a company should take care of are the shareholders.

By contrast Freeman (1983) suggests that a company's stakeholders are not only the shareholders but those groups without whose support the organization ceases to exist. These groups include: employees, customers, political action groups, suppliers, environmental groups and many others.

Through the stakeholder theory we are able to view the corporate environment as an ecosystem of related groups that need to be considered and satisfied to keep the company healthy and successful in the long-term (Omran & El-Galfy, 2014).A company can therefore never ignore its stakeholders and truly succeed in its operations.

Managers are expected to work round the clock to ensure that all stakeholders are satisfied with their performance. This can be achieved through proper corporate disclosure to the external parties. Through this, the organization is able to achieve higher productivity through employee satisfaction, improved retention/referrals from happy customers, and increased investment from financiers among others (Boshnak, 2017).

It is also through this theory that we are able to get an explanation why companies involve themselves in corporate social responsibility (CSR) activities as a strategy to maximize their Returns on Investment (ROI).However by trying to maximize their profits and Return on Investment, managers must ensure that they practice proper corporate disclosure. This is with an aim to ensure that the credibility of financial reporting is not weakened hence exposing most stakeholders to losses (Atandi, 2017).

This theory is appropriate to the study as it emphasizes on the need for corporate disclosure in organizations beneficial to all stakeholders such as social accounting disclosure which is one of the variables in the study.

2.2.3 Signaling Theory

Signalling theory was developed by Michael Spence in 1973 to explain information asymmetry in labour markets. Accounting researchers across the world have used this theory to explain why firms have an incentive to disclose additional information to the capital market. Some of the researchers who have applied this theory in their research include :

(Adede 2014,Oguti 2019 and Boshnak 2017).Signalling is common in a market with information asymmetry. It clearly illustrates why corporate disclosure is necessary for firms to compete successfully in the market for risk capital (Omran& El-Galfy, 2014).Chiang (2005) showed that there is significant positive relationship between superior information disclosure and firm performance.

This theory tackles a fundamental problem of communication, that is; how can an agent (receiver)establish whether another agent(signaller) is telling the truth about the state of affairs or an event in which the signaller might have interest in. Conversely,how can the signaller persuade the receiver that he is telling the truth. These two questions would always arise every time the interests between the signallers and receivers collide and there is asymmetric information. The signaller is always in a better position to know the truth than the receiver is.

This theory can be applied from an investment perspective where managers who are agents are expected to disclose additional information to convince stakeholders that there investment is safe. In practice companies which consistently share positive information with members of the public always attain superior performance. It can be concluded that proper corporate disclosure signals positive financial performance (Muriithi, 2018).

It is important to note that managers who practice proper corporate disclosure improve the reputation and image of their organizations and encourage new investors to invest in their organizations (Omran& El-Galfy, 2014).This theory is appropriate to the study as it encourages disclosure of additional information such as risk disclosure which is one of the variables for this study.

2.3 Conceptual framework

A conceptual framework is a diagrammatic presentation of variables showing the connection between the dependent variable and independent variables (Mugenda, 2009).The dimensions of corporate disclosure used were: Financial disclosure, risk disclosure and social accounting disclosure. Financial performance is the dependent variable with Firm size as the moderating variable.

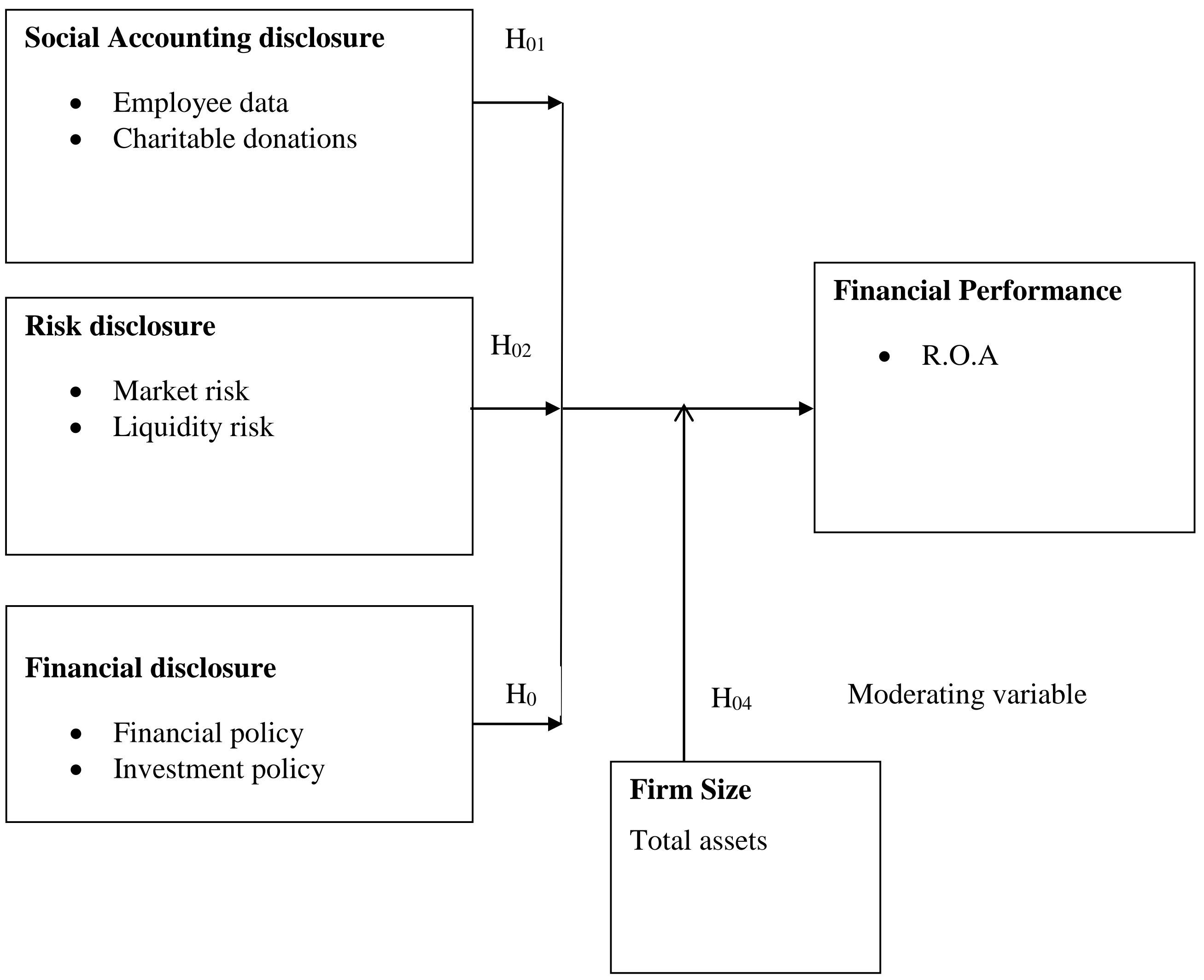

Figure 2.1: Conceptual framework

Source: Researcher conceptualization (2020)

2.4 Review of Variables

This section reviewed all variables used in the study as highlighted in the conceptual framework.

2.4.1 Financial disclosure and financial performance.

The value of most companies in Kenya is depicted through their financial statements. Financial disclosures provide internal and external stakeholders of the business with additional information regarding business operations. It is important that a good corporate governance system should consider financial disclosure as fundamental. This would ensure effective and efficient business operations with high levels of disclosure where managers are accountable for their actions (Nyamongo, 2017).

In most cases small businesses have very minimal disclosures to make in their financial statements as compared to larger firms which are compelled to provide additional information to lenders and investors. These disclosures should done in accordance with the generally acceptable accounting principles or voluntary to assist the management and other interested stakeholders in decision making. (Hood, 2015).

It is prudent that companies alert the relevant stakeholders on changes that may occur with regards to accounting policies. Changes in inventory valuation, depreciation methods, application of generally accepted accounting standards and similar accounting changes may require disclosure. This would help stakeholders understand the reasons as to why financial information may look different (Derouiche, 2019).

Standard setters and policy makers should consider financial disclosure not only in the context of recent financial crisis but also in the light of other matters that are perceived by investors to be influencing the financial reporting environment. They should consider factors such as political uncertainty and risks, increasing globalization, increased complexity of businesses among others (Adede, 2014).

Jahanshad (2014) investigated the relationship between financial information transparency and financial performance of listed companies in Tehran stock exchange for a six year period (2006-2011).94 companies in the Tehran stock exchange were studied and after measurement of information transparency and financial performance of the companies the results suggested that their was a significant positive relationship between financial information transparency and financial performance at 95% confidence level.

In another study,Edogbanya (2016) examined company financial disclosure and firm performance in Nigeria. He used the disclosure scoring index to measure financial disclosure. The research used secondary data from listed firms. Financial performance was measured using Tobin q and ROA.The study found out that transparency of relevant information can lead to firm performance as shown with significant positive relationship with Tobin's q and significant negative relationship with return on assets.

However, Musili (2019) researched on the effect of financial reporting on the organizational performance of public corporations under the ministry of tourism in Kenya. The study established that financial reporting had a negative effect on organizational performance of public corporations under ministry of tourism in Kenya.

Listed companies ought to try to increase the level of financial information disclosure and minimize chances of information asymmetry which will trigger positive financial performance. This would help current and potential investors' to gather the required information which can influence their decision making (Muriithi, 2018).

2.4.2 Risk disclosure and financial performance

Risk disclosure has been defined by Beretta and Bozzolan (2014) as the communication of information on factors which have the potential to affect expected returns. While dealing with these factors, it is upon the management to ensure that they disclose any information that may be deemed useful to the needs of the users. Moreover, these disclosures can be categorised as financial, non-financial or strategic dependent upon the intended purpose and elements within the disclosed information (Musyoka, 2017).

In most cases managers have more information about the company than potential investors, shareholders, suppliers, creditors and other stakeholders outside the firm. It is therefore incumbent upon the managers to ensure that information on what they know about the company is passed to interested outsiders. This would get them informed not only about the financial health of the business but also the potential risks(Motari, 2017).

Risk disclosures can also in one way or another help to increase the investor confidence. This is brought about due to increased transparency. Several scholars argue that risk disclosure is an integral part of business disclosure because it provides greater transparency and enhances investor confidence. (Sergio Beretta,Saverio Bozzolan, 2014).With proper risk disclosure shareholders and investors are assured of the firm's ability to meet its financial obligations when they fall due be it in favourable or unfavourable economic conditions. This improves the corporation's image and informs stakeholders of the management's ability to manage risks (Latridis, 2008).

A firm that does frequent risk disclosures has better financial forecasting which in turn minimizes volatility and losses. Past researchers have found out that companies with voluntary disclosures have lower capital costs while deducting asymmetry and financing costs. This in turn increases participants in the stock market which in turn contributes to the success of the firm (Lakhal, 2015).

Latridis (2008) also argues that for a firm to raise capital in the debt markets an extensive risk disclosure is necessary since it improves a company's image as well as communicating to the stakeholders how best managers are in managing risks. According to Wagner (2006) most of profitable companies have a good policy for disclosure of risks. The management is also able to find ways on how to reduce the impact or to avert the risks.

Kumar (2018) carried out a study on financial risk disclosure and financial attributes among publicly traded manufacturing companies: Evidence from Bangladesh.30 disclosure identifiers were used to calculate financial risk disclosure indices. The disclosure identifiers were obtained through content analysis of the annual reports of 48 manufacturing companies over a 6 year period (2010=2015) in Bangladesh. The results indicated that firm size, financial performance and auditor type are positively and significantly associated with the level of financial risk disclosure.

Oyerogba (2014) researched on risk disclosure in the published financial statements and firm performance:Evidence from Nigeria listed companies.The study targerted all 258 listed companies.Risk managers from all this listed companies were sampled.The results revealed

that operational risk disclosure,strategic risk disclosure and financial risk disclosure are statistically significant in explaining performance of listed companies.

Locally, Atandi (2017) carried out a research on the effects of risk disclosure on Kenyas listed companies' financial performance. The study used 64 firms listed in the Nairobi securities exchange by the year ended 2016.The research utilised both secondary and primary data. The study found that operational risk disclosure, financial risk disclosure and strategic risk disclosure had a positive effect on financial performance. He recommends that listed companies should exhibit high standards and propensity to disclose risks and that listed companies should disclose adequate information and increase the ease of access to that information.

Kiende (2017) researched on the effect of corporate risk management disclosure practices on financial performance of non-financial service firms listed on Nairobi securities exchange. Content analysis of sampled listed companies annual reports was undertaken to examine risk management practices.32 listed companies were sampled out and the results indicated that there was a strong significant positive relationship between risk disclosure and financial performance of firms listed on NSE.

2.4.3 Social accounting Information disclosure and financial performance

Social accounting disclosure can be defined as the process of communicating the social and environmental effects of an organisation's economic actions to a particular interest group within the society or to the society at large. It entails extending accountability beyond the normal norm of financial accountability to a wider approach of accountability. This is because managers within the firm have wider responsibilities in ensuring effective and efficient operation other than making money for the shareholders (Waweru, 2018).

It is therefore the obligation of managers to make decisions and pursue policies that are socially desirable and which require the business to operate in a system so as to fulfil the expectations of the general public. Drawing from previous studies, social accounting information disclosure carries an aura of legitimacy. However, social accounting disclosure

has not been done comprehensively by most of the companies trading in the Nairobi securities exchange (Ali, 2015).

Social accounting information disclosure is related to ethical and moral aspects about corporate decision making and behaviour. It addresses complex issues like: environmental protection, human resource management, health and safety at work and relationships with suppliers and customers. Through social accounting information disclosure shareholder satisfaction is improved. It also brings about a positive effect on corporate reputation and reduces financial risks incurred by the firm (Hernandez, 2015).

In the recent times focus has been placed on social accounting disclosure. Many firms have implemented CSR activities in their operations. Several researchers around the world have also written publications on social accounting disclosure. Different arguments have been brought up on the same. According to Davis (1975) increase in social transparency brings forth a company's social influence. When a company is unable to disclose its social activities in the form of tax payment, employment, provision of quality products among others it may result in a loss of social power which is a necessary ingredient in bargaining for customers in the market. Sometimes, companies are reluctant to invest in social activities because of their subjective nature which make it difficult for comparing costs and associated benefits thus making accounting for these classes of activities complex

Thi (2018) carried out a study on corporate social responsibility disclosure on financial performace.The study was carried out using a two-step generalised method of moment technique. The instrumental variables for balanced panel data were obtained through the annual reports and sustainable development reports for the 43 enterprises listed on the Vietnam stock market between 2006 to 2016.The results showed the level of corporate social responsibility disclosure had a positive effect on return on asset.

Daferighe (2019) researched on social accounting practices and profitability of companies in Nigeria.The study obtained data from 15 companies that were purposely selected from oil and gas,manufacturing,and building and construction sector of the Nigerian economy from 2009 to 2015.The study concluded that,incvestment in social activities has insignificant

positive relationship with ROE of companies in Nigeria.It reccommends that companies should cautiously support health issues that will enhance companies economic benefits in the long run.

In another study,Mansaray (2017) researched on the impact of corporate social responsibility disclosure on financial performance of firms in Africa.He selected 158 companies from 6 African countries and grouped them into 6 industries.Empirical results showed that unlike sales and manufacturing,health and phamacy industries,CSR negatively affects financial performance of firms in the short run.

Kiende (2017) in her study on the effect of corporate environmental disclosure on financial performance of firms listed at Nairobi securities exchange found environmental disclosure to have a positive and significant effect on financial performance. The study recommended that firms should engage in environmental disclosure because it leads to increased financial performance.

2.4.4 Firm size and financial performance.

Firm size is an important predictor of performance in most organizations. There is no single measure that can reflect the size of a firm because firms are different in nature. Therefore, different researchers use different measures or combinations to measure firm size. The size of a firm can be defined by total assets, number of employees and total sales. In most cases, the profitability of larger firms is always better than the profitability of smaller firms. This is due to economies of scale and larger market share which gives them a strategic position for more profits. This makes it difficult for smaller firms to compete larger firms (Karuga, 2017).

Eyigege (2018) carried out a research on the influence of firm size on financial performance. Five deposit money banks were sampled and firm size proxied by log of total asset. Financial performance was measured by profitability with a proxy of return on assets. The study found out that firm size has insignificant negative influence on financial performance as a result of diseconomies of scale. The researcher recommended that the industry should

minimize the cost of expansion and enjoy maximum benefits of economies of scale in addition to other factors that may stimulate financial performance.

Shafiee (2010) in her study on the relationship between ownership structure and firm performance used firm size as a moderator. She measured firm size using the logarithm of total sales while firm performance was measured using Tobin q. She found that size of the firm has insignificant effect on Tobin q.Her results are in line with Maniagi (2018) who researched on the influence of financial risk on performance of commercial banks in Kenya. He incorporated firm size as a control variable which was measured total assets. His results revealed that firm size had no significant effect on the performance of commercial banks in Kenya.

Odalo (2016) researched on the relationship between company size and financial performance in Agricultural firms listed in the Nairobi securities exchange, Kenya Secondary data was extracted from annual reports comprising of financial statements from the period 2003 to 2013 and analysed using a pooled OLS model. Company size was measured using total assets while financial performance was measured by Return on assets, return on equity and earnings per share. The results indicated that company size as measured by total assets affects financial performance of agricultural firms listed in NSE positively and significantly. Company size had positive and statistical significance on all the three indicators of financial performance disclosing that large firms were found to have a competitive advantage over small firms.

Studies that support a negative relationship base their arguments on agency theory. They argue that the conflict between shareholders and managers leads to increased agency cost or information asymmetry (Karuga, 2017).This study used firm size as a moderating variable to determine the moderating effect on the relationship between corporate disclosure and financial performance.

2.4.5 Financial Performance

Financial performance can be defined as a measure that evaluates how adequate a firm is able to utilize its assets from the essential business to make revenue (Vedran, 2012).It plays

a significant role in enhancing investor confidence. This is because it depicts the financial health of the company in comparison to other firms in the industry. It is normally viewed as to how best managers can utilize the resources available to the firm to enhance value. Shareholders are always interested in wealth maximization and are only convinced that wealth maximization can be achieved when a company is performing well from time to time.

The financial health of a firm can be measured through financial ratios. Examples of these financial ratios include: Ratio of retained earnings, Return on Equity (ROE), Return on Asset (ROA) among others. From financial performance, conclusions can be made on whether shareholders goals of wealth maximization are being met or not. Investors in this case should be well equipped with information on where to invest their resources and expect optimal returns (Tarus, 2013).

Managers' ability to utilize resources available to the firm is also gauged through the financial performance of their respective firms. This is because the shareholders who perceive managers as their agents are more interested in wealth maximization and this can only be realised when a company is experiencing good financial performance (Musyoka, 2017).

Financial performance of companies trading in shares and debts is usually shown in the securities of the respective companies. However, an increase in the value of securities is not necessarily as a result of improved performance but other contributing factors. This study therefore used Return on Asset (ROA) as a measure of financial performance of companies listed on NSE.A higher return on assets signifies more corporate proficiency in the utilization of the assets. Several studies have used ROA as a measure of financial performance. This is an indication that it is a significant determinant for financial performance..

Sharif (2015) carried out a research on the effects of corporate disclosure practices on firm performance, risk and dividend policy. He used ROA as a measure of financial performance.

His results revealed corporate disclosures had positive effects on the performance of the companies.

Musyoka (2017) carried out a study on the effect of voluntary disclosure on financial performance of firms listed at Nairobi securities exchange. She sampled out 43 companies which had been actively trading on NSE between 2006-2015 and used return on assets as a measure of financial performance. The results of her study revealed that there was a positive relationship between disclosures on financial policy, investment policy, sales growth, financial liquidity, research and development and firm performance. Moreover, these disclosures explained 63% of the variations in financial performance.

Al-Matari (2012) in his research on the effect of board characteristics on firm performance from 136 non-financial listed companies in Kuwaiti stock market used firm size as a control variable. He adopted a correlation research design and collected secondary data from annual reports for the companies for the year 2009.The results of the study indicated that firm size had no significant effect on ROA which was used as a measure for financial performance.

2.5 Empirical review

According Rahman and Salim (2010) there is transparency on disclosure when a company provides timely, adequate and reliable picture of its condition and operation as well as financial and economic performance in terms of quality and content through its financial statements annual reports and performance evaluations.

Pehlevan (2015) carried out a study on the effects of corporate disclosure practices on firm performance, risk and dividend policy.The researcher adopted an enhanced transparency disclosure index to measure disclosure and transparency more accurately. The study selected a sample of 95 listed companies in Bursa Malaysia. The results showed that corporate disclosure practices have significant positive effects on company performance and negative effects on company leverage. The study found that corporate transparency levels had no significant relationship with bankruptcy risk and dividend payouts.He recommended that there was need for further research to be done in other countries for comparability.

Modugu (2017) investigated on firm performance and corporate disclosure level of listed companies in Nigeria. The data used in the study was obtained from 60 companies listed on the Nigerian stock exchange from the various sectors of the country's economy. Corporate disclosure was categorized as mandatory, voluntary and total disclosure. The regression results showed that there was no significant relationship between profitability and the three components of disclosure. The findings suggest that improved financial performance of the companies does not necessarily induce them to disclose more information as widely reported by previous studies.

In Kenya,Njeri (2013) carried out a study on the relationship between disclosure, transparency practices and financial performance of licensed insurance companies in Kenya. Financial disclosure, ownership structure disclosure and social and board disclosure were used as the independent variables of the study. Financial performance of the respective firms was measured using return on asset ratio. The study used transparency and disclosure attributes In order to test whether transparency and disclosure affected performance of the firms. Disclosure attributes were for 5 years and were extracted from annual reports of 40 licensed companies. Her results showed that financial information disclosure, ownership structure and investor relations ownership disclosure are positively correlated to financial performance.

Hood (2015) researched on the relationship between voluntary disclosure and financial performance of companies quoted at the Nairobi securities exchange. Annual reports from 10 listed companies from NSE 20 share index were investigated from year 2011-2013.A disclosure checklist consisting 49 voluntary disclosure items of information was used .Findings revealed that the individual predictor variables produced mixed results when regressed against ROI.However,the multivariate regression analysis depicted a strong positive relationship between voluntary disclosure and financial performance. He recommended that managers in organizations should disclose more information not only for purposes of obtaining cheaper capital but also to increase transparency and accountability in annual reporting. This would boost confidence of investors as they make financial and investment decisions.

Motari (2017) carried out a study on the effects of risk disclosure on Kenya's listed companies' financial performance. He used data from 64 listed companies for the year ended 2016.Both secondary and primary data were used by the researcher. The results indicated that operational risk disclosure, financial risk disclosure and strategic risk disclosure had a significant positive effect on financial performance of companies listed on Nairobi securities exchange. He recommends that companies should disclose additional risk information other than minimum disclosure requirements set by the NSE.They should also ensure that this information is understandable and comparable.

2.6 Critique of Existing Literature

Pahlevan (2015) carried out a study on the effects of corporate disclosure practices on firm performance, risk and dividend policy. The researcher adopted an enhanced transparency disclosure index to measure disclosure and transparency more accurately. The study selected a sample of 95 listed companies in Bursa Malaysia. The results showed that corporate disclosure practices have significant positive effects on company performance and negative effects on company leverage. However, the results might be completely different for companies listed on Nairobi securities exchange, Kenya

Modugu (2017) investigated on firm performance and corporate disclosure level of listed companies in Nigeria. His findings suggested that improved performance of companies does not necessarily induce them to disclose more information as widely reported by previous researchers. These results cannot be used to assess trends of disclosure in Kenya.

In Kenya Njeri (2013) researched on the relationship between transparency, disclosure and financial performance of insurance companies in Kenya. . Her results showed that financial information disclosure, ownership structure and investor relations ownership disclosure are positively correlated to financial performance. The results cannot be taken to represent companies from other sectors listed on Nairobi securities exchange.

Hood (2015) researched on the relationship between voluntary disclosure and financial performance of companies quoted at the Nairobi securities exchange. Annual reports from 10 listed companies from NSE 20 share index were investigated from year 2011-2013.This

results cannot be taken to represent all companies listed on Nairobi securities exchange. The research covered a shorter period of three years as it only investigated reports within 2011-2013.

Motari (2017) researched on the effects of risk disclosure practices on financial performance of listed companies in Kenya. Data from 64 listed companies for the year ended 2016 was used for the study. Both secondary and primary data were used in the research. His results showed that operational risk disclosure practices, financial risk disclosure practices and strategic risk disclosure practices had a significant positive effect on financial performance of companies listed on NSE, Kenya. This results however cannot be conclusively used to assess the risk disclosure trends of companies listed on NSE as the research was only carried out over a one year period (2016).Different results may be arrived at if the research is conducted over a longer period of time.

2.7 Summary of the Literature

Financial performance can be measured both financially and non-financially. These measures are important to stakeholders as they depict the financial health of the business.Examples of these financial ratios include: Ratio of retained earnings, Return on Equity (ROE) and Return on Asset (ROA) among others. From financial performance, conclusions can be made on whether shareholders goals of wealth maximization are being met or not. Investors in this case should be well equipped with information on where to invest their resources and expect optimal returns (Tarus, 2013).Benchmarking can also help compare a company's performance with others. Using market share as an indicator benchmarking can ensure that a company is motivated to achieve superior performance (Muriithi, 2018)

Managers have three important decisions to make in terms of investment decisions, financing decisions and dividend decisions. This makes financial performance key to their success in ensuring efficient and effective operations of the business. They have to ensure that shareholders get returns on their investments so as to improve investor confidence in the organizations (Hutchinson, 2009).

This study reviewed three theories. Signalling theory was discussed and it advanced that proper corporate disclosure signals positive financial performance. The stakeholders' theory was also discussed and it advocated that managers must work around the clock to ensure that not only shareholders but all stakeholders are satisfied with the extent of disclosure. Lastly, the study reviewed the agency theory which advanced that in order to reduce agency costs it is important that managers disclose information about their actions and the actual economic status of the organization (Derouiche, 2019).

2.8 Research gap

From the literature reviewed, previous researchers have left out a few important variables like financial disclosure, risk disclosure and social accounting disclosure and the interaction between the various types of disclosures. Very few studies have also been considered for developing nations like Kenya and other sub-Saharan African countries. There is need to conduct this study in Kenya in order to make conclusive decisions on the relationship between corporate disclosure and financial performance

Njeri (2013) researched on the relationship between transparency, disclosure and financial performance of insurance companies in Kenya. She carried out her research for five years and recommended future research to be done for a longer period. She also recommends that the study be extended to other sectors. In addition, she recommends that future research should include additional information provided by the company through company websites.

Muriithi (2019) carried out a study on the influence of corporate disclosure on financial performance of companies listed in securities exchanges in East Africa. The study drew respondents from east Africa. However there is need to carry out the study for each independent country. This will necessitate comparison of study findings and minimize possibilities of generalizing the current findings.

Sahore (2017) in her paper on corporate disclosures and financial performance of selected Indian manufacturing and non-manufacturing companies recommended the study be extended outside Asia. She did the research for a period of five years and recommended future research to be done for a longer period.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter addresses the methodology that was used in gathering, analysing and reporting the data. The various subsections discussed include: Research design, target population, sampling procedure, data collection instruments, and finally data analysis.

3.2 Research design

Research design refers to the general strategy that adopted by a researcher to integrate the different components of the study in a logical and coherent way in order to effectively address the research problem. It is a blueprint that guides the research process from the formulation of the research questions and hypothesis to reporting the research findings. The study adopted a longitudinal research design to collect and analyse data. Longitudinal research design was adopted because it involves studying variables over an extended period of time (Gimblett, 2006).The researcher conducted several observations over a six year period (2013-2018) on company's corporate disclosure in order to ascertain its effect on financial performance. The variables under study were: financial disclosure, risk disclosure, social accounting disclosure and firm size as the moderating variable.

3.3 Target population

Target population implies the entire group of individuals, objects or items from which the researcher wants information from (Ranjit, 2015).Mugenda&Mugenda (2003) refer to population as an entire group of individuals having a common observable characteristic.65 firms were listed on Nairobi securities exchange.However,23 firms did not have a complete set of data over the six year period (2013-2018).The researcher, therefore used a target population of 42 firms that had a complete set of data during the period of research. Each firm was then observed over a six year period in order to make conclusive empirical analysis on corporate disclosure.

3.4 Sampling Procedure and Sample size

A sample can be defined as a finite part of a population under study which can be used to gain generalized information representing the entire population (Kombo & Tromp, 2009).It can also be described as a collection of representative units chosen from the universe (Kombo & Tromp, 2009).

Different researcher use different approaches for sample selection. However, this may vary with costs, efforts and skills required. A sample is said to be of quality if it represents the population with respect to the variables of the study.

This study adopted purposive sampling technique. This was because firms that had a complete set of data over the six year period were used as a representation of the entire population.42 firms listed on Nairobi securities exchange that had a complete set of data for the six year period (2013-2018) were considered for the study.

3.5 Data collection Instruments

Secondary data drawn from audited financial reports of firms listed on Nairobi securities exchange was utilized in this research. Secondary data is data that has already been collected and is readily available from other sources (Juneja, 2015).Data was collected from individual companies audited financial statements retrieved from the company's annual reports. The requirement was that the firms were to have a complete set of data over a six year period (2013-2018)

3.6 Data collection procedures

The study used secondary data for the six year period (2013-2018) from audited financial statements of firms listed on Nairobi securities exchange that were obtained from the company's websites. Data was then collected using the disclosure check index which enabled the researcher compute the level of disclosure and the individual company's financial performance through return asset. Scoring approach was used for items disclosed

with score of (1) given if a company has provided information and (0) if information is not provided (Muriithi, 2018).

Level of disclosure=Actual items disclosed / Total possible items in the index.

Table 3.1Operationalization of study variables

Variable	Name of variable	Operationalization	Measurement
Dependent variable	Financial performance	Return on assets (ROA)	Net profit after Tax/total assets.
Independent Variable	Financial disclosure	Financial policy Financial liquidity	Actual items disclosed/Total items in the index
	Risk disclosure	Market risk Liquidity risk	Actual items disclosed/Total items in the index
	Social accounting disclosure	Employee data Charitable donations	Actual items disclosed/Total items in the index
Moderating variable	Firm size	Asset Turnover	Sales/Total Assets

Source: Author 2020

3.7 Data analysis and presentation techniques

Descriptive and inferential statistics were used in data analysis. Descriptive statistics comprised of measures such as skweness and kurtosis for the variables under study. Correlation analysis was carried out to show the strength of the relationship between the

variables under study. Normality test was carried out on secondary data before regression was undertaken. Regression analysis was also carried out to show the nature of relationship between dependent and independent variables (Kothari, Andrew and Leone, 2005). The researcher used the Hausman test to choose between fixed effects model and random effects model.The fixed effect model assumes that there are unique attributes for models which assume the presence of unique, time constant attributes of variables that are as a result of random variation which does not correlate with individual regressors.Microsoft excel and STATA statistical packages aided in the analysis of the data. Data was then presented in tables. A multivariate regression model was used to link the independent variables to the dependent variable as shown below:

Without a moderator;

$ROA_{it}=\beta_0+ \beta_1 FD_{it} + \beta_2 RD_{it} + \beta_3 SAD_{it} + \varepsilon_{it}$

With a moderating variable

$ROA_{it}= \beta_0+ \beta_1 FD_FS_{it}+ \beta_2 RD_FS_{it}+ \beta_3 SAD_FS_{it} + \varepsilon_{it}$

Where:

ROA_{it}=Financial performance

β_0 = Level of fitted lines

$\beta_1, \beta_2, \beta_3$= Regression coefficient

FD_{it}= Financial disclosure for firm i in period t

RD_{it}=Risk disclosure for firm i in period t

SAD_{it}=Social Accounting disclosure for firm i in period t

FS_{it}= Firm size for firm i

ε_{it}=Error term

FD_FS_{it}= Financial disclosure measures multiplied by Firm size for firm i in period t

RD_FS_{it} = Risk disclosure measures multiplied by firm size for firm i in period t

SAD_FS_{it}=Social accounting disclosure measure multiplied by firm size for firm i in period t.

3.7.1 Diagnostic Tests

Diagnostic tests are tests which are carried out on data variables to ensure that they conform to the multiple regression analysis assumptions and in turn make the results more robust and valid. The study conducted the following diagnostic tests: Normality, multicollinearity, auto-correlation and homoscedasticity.

3.7.1.1 Normality

Normality tests are carried out to determine if a data set is properly modelled by a normal distribution. The researcher used the Jarque-Bera test to test for normality Skweness and kurtosis was also used to test for the assumption of a normal distribution. To test for the assumption of a normal distribution; skewness should be within the range of ±2 .Kurtosis values should be within a range of ±7 (Bryne, 2010).

3.7.1.2 Multicollinearity test.

Multicollinearity exists when an independent variable is highly correlated with one or more other independent variables in a multiple regression. It is a problem because it undermines the statistical significance of an independent variable. To detect if the variables were highly correlated, the researcher checked the variance inflation factor (Cai, 2017).A VIF (variance inflation factor) of more than 5 indicates poor estimates.

3.7.1.3Auto correlation

Auto correlation was carried out to establish whether residuals were correlated over time. Ordinary least square regression assumptions require that residuals should not be correlated over time. The study employed the Wooldridge F –test to test for auto correlation. The null hypothesis in this test is rejected if the p value is less than 0.05.

3.7.1.4 Homoscedasticity

Homoscedasticity test was used to test if the independent variables had equal variance. If not then we can conclude that there is a problem of heteroskedasticity.The study used a p-p plot to test for homoscedasticity.

3.7.2 Unit root test

Unit test is performed to determine whether a time series variable is non-stationary and has a unit root. The researcher used the augmented dickey fuller test and the Hadri test to evaluate stationarity of the variables in the model.

3.8 Ethical considerations

It is important that researchers familiarize and adhere to the ethical code of the institution. This must be observed in writing research proposals, research projects, dissertations and theses (Saunders, 2012).

The researcher used secondary data and had to adhere to data sharing policies and confidentiality rules. Data was also reported accurately. Certification was sought from National commission for science technology and innovation (NACOSTI) and the university directorate before proceeding with the research.

CHAPTER FOUR

RESULTS AND DISCUSSIONS OF FINDINGS.

4.1 Introduction

This chapter focused on the secondary data analysis, interpretation and discussion of findings on the effect of corporate disclosure on financial performance of companies listed on NSE, Kenya.Desriptive statistics on the variables of the study have been presented and discussed. The chapter also reviewed the various regression diagnostic tests which included: normality, autocorrelation, homoscedasticity and multicollinerity.Regression results for the study are also presented and discussed.

4.2 Descriptive statistics.

Descriptive statistics are important because they enable presentation of data in a way that allows for simpler interpretation (Maingi, 2016).From the results in table 4.1, Social accounting disclosure, financial disclosure and firm size were positively skewed with the probability of skweness being 0.0004, 0.0301 and 0.0185 respectively. Risk disclosure was perfectly symmetrical with skweness of 0.0000.

Table 4.1: Descriptive statistics

Jarque-Bera normality test

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	Chi (2)	Prob>chi2
SAD	252	0.0004	0.5625	8.396	0.1150
RD	252	0.0000	0.0000	7.794	0.2031
FD	252	0.0301	0.0018	8.544	0.1040
FS	252	0.0185	0.1430	7.722	0.1899
ROA	252	0.0000	0.0000	7.641	0.1819

Source: Research data (2020)

The researcher used two statistical methods to test for normality.Bryne (2010)argued that data is considered to be normal if skweness is between -2 to +2 and kurtosis is between -7 to and +7.From the table above, skweness ranges between 0.0000 to 0.0301 and kurtosis between 0.0000 to 0.5625 indicating that all the variables are normal. This was supported by the Jarque-bera test which is used to test whether a given series is normal or not. The probabilities for SAD, RD, FD, FS and ROA were 0.1150, 0.2031, 0.1040, 0.1899 and 0.1819 respectively. The null hypothesis shows that the series are normally distributed whereas the alternative hypothesis shows that the series are not normally distributed. Applying the Jarque bera test, normality was accepted at 5% significance level. This implied that the null hypothesis (H_O: normality) cannot be rejected. Therefore the residuals were normally distributed.

4.3 Diagnostic tests Results

Diagnostic tests are carried out on data variables to ensure that they conform to the multiple regression analysis assumptions and in turn make the results more robust and valid. It was therefore important to perform diagnostic tests for regression analysis. The results were as discussed below:

4.3.1 Unit root test

The researcher used the Hadri test to evaluate stationarity of the variables in the model.Stationarity means that the mean, variance and autocorrelation of a variable does not change with time.A variable that has no unit root was said to be stationary.

The results were as shown in table 4.2 below:

Table 4.2: Unit root tests

Hadri test

	Chi^2	P
ROA	2.0530	0.0162
SAD	2.4729	0.0067
RD	3.8241	0.0001
FD	9.0583	0.0000
FS	8.0800	0.0000

H_0: Presence of unit roots

Source: Field data (2020)

The results in table 4.2 above were used establish whether the variables under study were stationary or not. The Hadri test was carried out to avoid regression results that are factitious as a result of using non-stationary series.

The results for the Hadri test showed that all variables had p values of < 0.05 with return on assets at (0.0162), social accounting disclosure (0.0067), risk disclosure (0.0001), financial disclosure (0.0000) and firm size (0.0000).This was a clear indication for the absence of unit roots at 5% significance level for the Hadri test.

4.3.2 Correlation analysis

Correlation analysis was carried out to show the strength of the relationship between financial performance, social accounting disclosure, risk disclosure and financial disclosure. The results were as shown in the table below:

Table 4.3: Correlation coefficients

	SAD	RD	FD	FS	ROA
SAD	1.0000				
RD	0.0095	1.0000			
	0.8804				
FD	0.2054*	0.1855*	1.0000		
	0.0010	0.0031			
FS	0.2006*	0.0867	0.1717*	1.0000	
	0.0014	0.1702	0.0063		
ROA	0.1882*	-0.1538*	0.0823	-0.0974	1.0000
	0.0027	0.0145	0.1926	0.1231	

Source: Field data (2020)

A correlation coefficient of 0.1882 for social accounting disclosure depicted a weak but positive correlation with financial performance. These results are consistent with Muriithi (2019) who found out that Social accounting disclosure was weakly but positively correlated to financial performance.

Financial disclosure had a correlation coefficient of 0.0823.This was interpreted to mean that financial disclosure was weakly but positively correlated to return on assets. The results are in agreement with Musyoka (2017) through her study effect of voluntary disclosure on

financial performance of companies listed on NSE.She found financial disclosure to have a weak but positive correlation to ROA.

Risk disclosure had correlation coefficient of -0.1538.The researcher concluded that risk disclosure had a negative and weak correlation with ROA. These results are consistent with Atandi (2017) who examined the effects of risk disclosure on financial performance and found out that risk disclosure was negatively and weakly correlated with financial performance.

Firm size had a correlation coefficient of -0.0974.This can be interpreted to mean that firm size was weakly and negatively correlated with return on Assets.The results from table 4.3 above also revealed that none of the correlation coefficients was greater than 0.8.This meant that there was no high correlation between the independent variables, therefore there was no multicollinearity.

4.3.3 Autocorrelation

Auto correlation was carried out to establish whether residuals were correlated over time. Ordinary least square regression assumptions require that residuals should not be correlated over time. The study used the Wooldridge test to test for the assumption of autocorrelation as shown in table 4.4 below.

Table 4.4: Wooldridge test for autocorrelation

Wooldridge test for autocorrelation in panel data
H0: no first order autocorrelation
F(1, 41) = 0.031
Prob> F = 0.8607

Source: Field data (2020)

The null hypothesis was that no first order correlation existed. From the table above, the p-value (p=0.8607) was greater than 0.05, the study therefore failed to reject the null hypothesis at 0.05 level of significance. These results were interpreted to mean that the data

adhered to the assumption of residuals not being correlated hence adequate for panel regression analysis.

4.3.4 Multicollinearity

It is said to exist when one independent variable is highly correlated with the other independent variables in a multiple regression. When multicollinearity is present standard errors and confidence intervals may increase which may in turn make the estimates of the coefficients to be unstable for the individual predictors (Maingi, 2016). The researcher used Variance Inflation factor to test for multicollinearity.The VIF was calculated with the objective of finding out the level of multicollinearity that can be tolerated without causing problems in regression analysis. The results are as presented in table 4.5 below:

Table 4.5: Variance Inflation factors and tolerance

VAR	VIF	TOLERANCE (1/VIF)
Social accounting disclosure	1.0450	0.9569
Risk disclosure	1.0365	0.9647
Financial disclosure	1.0821	0.9241

Source: Field data (2020)

From table 4.5 above, the VIF's for the variables were 1.0450, 1.0365 and 1.0821 for social accounting disclosure, risk disclosure and financial disclosure respectively. According to Maingi (2016), the principle of broad application is that a VIF greater than 10 is not tolerable because it presents the problem of multicollinerity.All the variables for this study had a VIF of less than 10 which implied that there was no problem of multicollinearity.The results also indicated tolerance to be greater than 0.1 and the researcher concluded that the problem of multicollinerity was not present.

4.3.5 Homoscedasticity test

Homoscedasticity test tests if independent variables have equal variance. If not then we can conclude that there is a problem of heteroskedasticity.This was tested using a p-p plot as shown below:

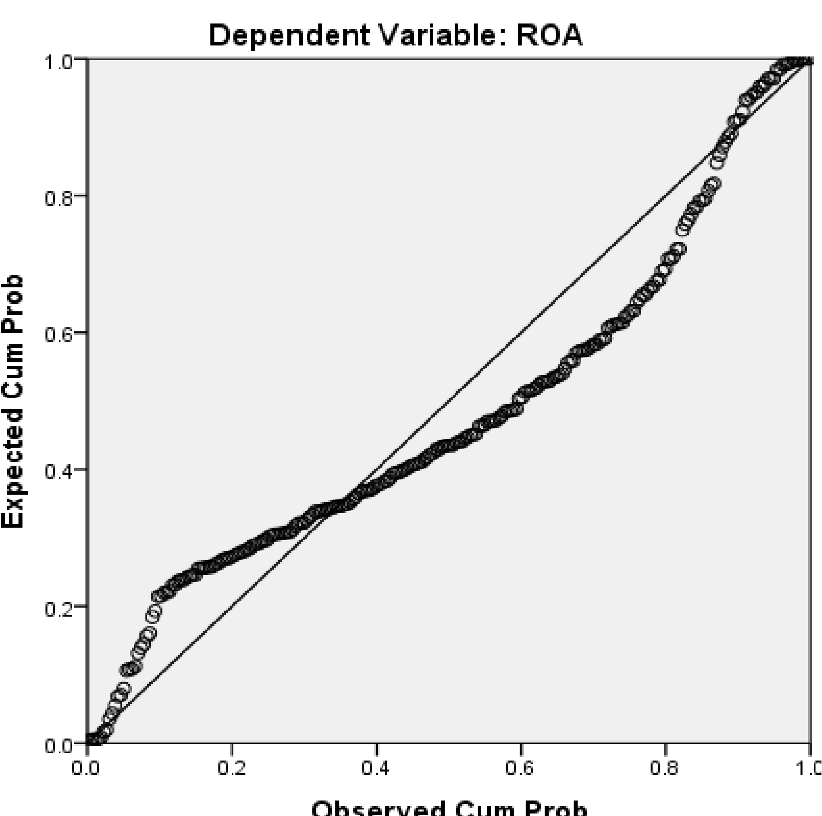

Figure 4.1: p-p plot: homoscedasticity test

The p-p plot results for homoscedasticity test shows that there is a small deviation from the line of best fit. According to Maniagi (2018) the results can be interpreted to mean that the data used in this research is homoscedastic. The research therefore adopted a multiple regression model since there was no heteroscedasticity.

4.4 Regression results for secondary data

Results for regression analysis are presented in this section. Hausman test as discussed below was carried out to determine whether to use random or fixed effect model.

4.4.1 Test for fixed and random effects.

The study carried out the Hausman test to determine whether to use the fixed or random effect model. When we fail to accept the null hypothesis, it means that fixed effect is favourable (Rothstein, 2010).The fixed effect model is used to find out whether variables under study have similar characteristics whereas the random effect model finds out whether they have different characteristics. The results were as shown in table 4.6 below:

Table 4.6: Hausman Test

Hausman Test
Ho:difference in coefficients not systematic
F=3.35
P=0.0201

Source: Field data (2020)

The results in table 4.6 indicated a probability of 0.0201 which is less than the critical p value of (0.05) or 5% significance level. This implies that it is appropriate to use the fixed effects model. The researcher therefore failed to accept the null hypothesis that the difference in coefficients was not systematic. This study therefore adopted the fixed effect (within) regression model as the p value was less than 0.05.

4.4.2 Social accounting disclosure and financial performance.

The researcher's first objective of the study sought to find out the effect of social accounting disclosure on financial performance of companies listed on NSE, Kenya. The findings were as indicated in table 4.7 below.

Table 4.7: Fixed effect regression on social accounting disclosure versus financial performance

R-sq:	F(1,209) = 0.48
within = 0.0023	Prob> F = 0.4894
between = 0.0728	
overall = 0.0354	
Prob> F = 0.4894	

ROA	Coef.	Std. Err.	T	P>|t|	[95% Conf. Interval]	
SAD	-.0450047	.0649835	-0.69	0.489	-0.1731118	0.0831025
_cons	.0723036	.0156309	4.63	0.000	0.0414892	.103118

Source: Field data (2020)

From table 4.7 above, the results obtained from the fixed effect model the value of R-squared was 0.0023.This showed that social accounting disclosure accounted for 0.23% of the changes in financial performance of companies listed on NSE, Kenya.

From the findings, social accounting disclosure had a regression coefficient of -0.0450047 implying that a unit change in social accounting disclosure would result to 0.0450047 unit change in financial performance in the opposite direction. Social accounting disclosure was then said to have a negative and insignificant effect on financial performance of companies listed on NSE, Kenya with a p value of 0.4894 at 0.05level of significance.

These results of this study are agree with Jitaree (2015) who researched on corporate social responsibility and financial performance. His results indicated that social accounting disclosure had an insignificant effect on financial performance. However, the results are not in line with Muriithi (2019) who researched on the influence of corporate disclosure on

financial performance of listed companies in east Africa and found social accounting disclosure to have a positive and significant effect on financial performance. The regression model is as shown below:

ROA=0.723036-0.0450047SAD

From the regression model if social accounting disclosure is held constant financial performance will be at 0.723036.

4.4.3 Risk disclosure and financial performance.

The researcher's second objective sought to find out the effect of risk disclosure on financial performance of companies listed on NSE, Kenya. The findings were as indicated in table 4.8 below.

Table 4.8: Fixed effect regression on risk disclosure versus financial performance

R-sq: F(1,209) = 1.16

within = 0.0055 Prob> F = 0.2822

between = 0.0338

overall = 0.0237

Prob> F = 0.4894

ROA	Coef.	Std. Err.	T	P>|t|	[95% Conf. Interval]	
RD	-.1183024	.1097183	-1.08	0.282	-0.3345989	.0979941
_cons	.1487811	.080733	1.84	0.067	-0.0103742	.3079364

Source: Field data (2020)

From table 4.8 above, an R squared of 0.0055 reveals that 0.55 % of the variance in financial performance can be accounted for by risk disclosure.Risk disclosure had a regression coefficient of -0.1183024 implying that a unit change in risk disclosure would result to

0.1183024 unit change in financial performance in the opposite direction. Risk disclosure was then said to have a negative and insignificant effect on financial performance of companies listed on NSE, Kenya with a p value of 0.282 at 5% significance level.

These results are consistent with Berger (2006) who researched on risk reporting and found a negative and insignificant relationship between disclosure of risks and business profitability. However the results are contrary with those of Atandi (2017) who researched on the effect of risk disclosure on Kenya's listed company's financial performance found out that risk disclosure has a significant positive effect on financial performance of listed companies in Kenya

The regression model is as show below

ROA=0.1487811-0.1183024RD

From the regression model when risk disclosure is held constant financial performance will be at 0.1487811.

4.4.4 Financial disclosure and financial performance.

The third objective of the study sought to find out the effect of financial disclosure on financial performance of companies listed on NSE, Kenya. The findings were as indicated in table 4.9 below.

Table 4.9: Fixed effect regression on financial disclosure versus financial performance

R-sq:	F(1,209) = 7.82
within = 0.0361	Prob> F = 0.0057
between = 0.0001	
overall = 0.0068	

ROA	Coef.	Std. Err.	T	P>|t|	[95% Conf.	Interval]
FD	.0985671	.0352536	2.80	0.006	0.0290689	.1680652
_cons	-.0042643	.0239665	-0.18	0.859	-0.0515113	.0429827

Source: Field data (2020)

From table 4.9 above, an R squared of 0.0361 reveals that 3.61% of the variance in financial performance can be accounted for by financial disclosure. The results revealed that financial disclosure had a regression coefficient of 0.0985671.This implied that a unit change in financial disclosure would result to 0.0985671 unit change in financial performance in the same direction. Financial disclosure was then said to have a positive and significant effect on financial performance of companies listed on NSE, Kenya with a p value of 0.006 at 5% significance level.

These results are consistent with Tarus (2013) who researched on corporate disclosure: Evidence from Kenya. He found out that financial disclosure had a positive and significant effect on firm performance. However the results are inconsistent with Sahore (2017) who researched on corporate disclosures and financial performance of selected Indian Manufacturing and non-manufacturing companies and found financial disclosure to have an insignificant effect on firm performance.

The regression model is as shown below:

ROA=-0.042643+0.0985671FD

From the regression model if financial disclosure is held constant financial performance will be at 0.042643.

4.5 Multiple regressions

4.5.1: Full model without a moderator

Table 4.10: Full model without moderation

R-sq:		F(1,209)	=	3.35
within = 0.0462		Prob> F	=	0.0201
between = 0.0065				
overall = 0.0149				

ROA	Coef.	Std. Err.	T	P>|t|	[95% Conf. Interval]	
SAD	-.0515248	.0640053	-0.81	0.422	-0.1777107	.074661
RD	-.1413467	.1084027	-1.30	0.194	-0.3550616	.0723683
FD	.1011676	.035289	2.87	0.005	0.0315957	.1707396
_cons	.1098518	.0842696	1.30	0.194	-0.0562849	.2759886

Source: Field data (2020)

As shown from the findings, the study found an R squared of 0.0462.Which indicates that 4.62% variation in financial performance can be explained jointly by social accounting disclosure, risk disclosure and financial disclosure.From the results, social accounting disclosure had a regression coefficient of -0.0515248.This implies that when risk disclosure and financial disclosure are held constant, a unit change in social accounting disclosure would result to 0.0515248 unit change in financial performance in the opposite direction.

From this model, social accounting disclosure had a negative and insignificant effect on financial performance of companies listed on NSE with a p value of 0.422 at 0.05 level of significance.This results are agree with Jitaree (2015) through his study on corporate social responsibility and financial performance. He found social accounting disclosure to have an insignificant effect on financial performance. However, the results are not in line with Muriithi (2019) who researched on the influence of corporate disclosure on financial performance of listed companies in east Africa and found social accounting disclosure to have a positive and significant effect on financial performance

From the findings, risk disclosure had a regression coefficient of -0.1413467.This implies that a unit change in risk disclosure would result to 0.1413467 unit change in financial performance in the opposite direction. From this model, risk disclosure had a negative and insignificant effect on financial performance of companies listed on NSE with a p value of 0.194 at 0.05 significance level. The results are in line with Kiende (2017) who carried out a study on the effect of corporate risk management disclosure on financial performance of non-financial service firms listed on NSE.She found risk disclosure to have an insignificant effect on financial performance. However, the results are not in line with Atandi (2017) who researched on the effect of risk disclosure on Kenya's listed company's financial performance and found risk disclosure to have a significant effect on financial performance of listed companies in Kenya

Financial disclosure had a regression coefficient of 0.1098518.This implies that a unit change in financial disclosure will result to 0.1098518 unit change in financial performance in the same direction. From this model, financial disclosure had a positive and significant effect on financial performance of firms listed on NSE Kenya with a p value of 0.005 at 0.05 level of significance. These results are consistent with Tarus (2013) who researched on corporate disclosure: Evidence from Kenya. He found out that financial disclosure had a positive and significant effect on firm performance. However; the results are inconsistent with Sahore (2017) who researched on corporate disclosures and financial performance of selected Indian Manufacturing and non-manufacturing companies and found financial disclosure to have an insignificant effect on firm performance

The multiple regression model was as shown below:

ROA=0.1098518 + 0.1011676FD - 0.1413467RD - 0.0515248SAD

From the regression model if financial disclosure, risk disclosure and social accounting disclosure are held constant financial performance will be 0.1098518.

4.5.2 Full model with a moderator.

The fourth objective of the study was to determine the moderating effect of firm size on the relationship between corporate disclosure and financial performance of firms listed on NSE, Kenya.

Table 4.11: Full model with a moderator.

R-sq:	F(1,209) = 3.81
within = 0.0523	Prob> F = 0.0110
between = 0.0095	
overall = 0.0166	

ROA	Coef.	Std. Err.	T	P>|t|	[95% Conf. Interval]	
SAD_FS	-.0030975	.0035191	-0.88	0.380	-.0100354	.0038404
RD_FS	-.0104404	.0042609	-2.45	0.015	-.0188407	-.0020401
FD_FS	.005189	.0020707	2.51	0.013	.0011067	.0092714
_cons	.1430309	.0512939	2.79	0.006	.0419055	.2441563

Source: Field data (2020)

From the results in table 4.11 above, when firm size is introduced as a moderator R squared changed from 0.0462 to 0.0523 which indicates that 5.23% of the variation in financial performance can jointly be attributed to social accounting disclosure, risk disclosure and

financial disclosure. However, social accounting disclosure maintained an insignificant effect on financial performance with a p value of 0.380 at 0.05 level of significance. Social accounting disclosure had a regression coefficient of -0.0030975.This implies that when risk disclosure and financial disclosure are held constant, a unit change in social accounting disclosure would result to 0.0030975 unit change in financial performance in the opposite direction. From this model, social accounting disclosure had a negative and insignificant effect on financial performance of companies listed on NSE.This results are in line with Jitaree (2015) who researched on corporate social responsibility and financial performance. He found social accounting disclosure to have an insignificant effect on financial performance. However, the results are not in line with Muriithi (2019) who researched on the influence of corporate disclosure on financial performance of listed companies in east Africa and found social accounting disclosure to have a positive and significant effect on financial performance

When firm size was introduced, risk disclosure changed from insignificant to significant with a p value of 0.015 at 5% level of significance. Risk disclosure had a regression coefficient of -0.0104404.This implies that a unit change in risk disclosure would result to 0.0104404 unit change in financial performance in the opposite direction. From this model, risk disclosure had a negative and insignificant effect on financial performance of companies listed on NSE.From this model, risk disclosure had a negative and significant effect on financial performance of companies listed on NSE.The results are in line with Atandi (2017) who researched on the effect of risk disclosure on Kenya's listed company's financial performance found out that risk disclosure has a significant effect on financial performance of listed companies in Kenya. These results are not in line with Kiende (2017) who researched on the effect of corporate risk management disclosure on financial performance of non-financial service firms listed on NSE and found risk disclosure to have an insignificant effect on financial performance.

When firm size was introduced, financial disclosure remained significant with a p value of 0.013 at 0.05 level of significance. Financial disclosure had a regression coefficient of 0.005189.This implies that a unit change in financial disclosure will result to 0.005189 unit

change in financial performance in the same direction. From this model, financial disclosure had a positive and significant effect on financial performance. These results are consistent with Tarus (2013) who researched on corporate disclosure: Evidence from Kenya. He found out that financial disclosure had a positive and significant effect on firm performance. However,the results are inconsistent with Sahore (2017) who researched on corporate disclosures and financial performance of selected Indian Manufacturing and non-manufacturing companies and found financial disclosure to have an insignificant effect on firm performance.

From the findings we can therefore conclude that firm size had a significant moderating effect on the relationship between corporate disclosure and financial performance of companies listed on Nairobi securities exchange, Kenya. The regression model was as shown below:

ROA=0.1430309 + 0.005189 FD_FS – 0.0104404 RD_FS – 0.0030975 SAD_FS

From the regression model when firm size is introduced and financial disclosure, risk disclosure and social accounting disclosure are held constant,financial performance will be 0.1430309.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The general objective of the study was to find out the effect of corporate disclosure on financial performance of companies listed on NSE,Kenya.The study was guided by three specific objectives which were to determine the effect of social accounting disclosure, risk disclosure and financial disclosure on financial performance of firms listed on NSE Kenya. This chapter outlines a summary of the findings and draws conclusions from them which form a basis for the recommendations. It also provides suggestions for future research.

5.2 Summary of the findings.

The study was carried out with a general objective of determining the effect of corporate disclosure on financial performance of companies listed on NSE, Kenya. The three specific objectives that guided the research were: to determine the effect of financial disclosure, risk disclosure and social accounting disclosure on financial performance of firms listed on NSE, Kenya. The study was also aimed at determining the moderating effect of firm size on the relationship between corporate disclosure and financial performance of firms listed on NSE, Kenya.The relationship between the variables was clearly illustrated in the conceptual framework.

Data was collected from individual company's annual reports over a six year period (2013-2018).The disclosure check index was used to measure the level of disclosure among firms listed on NSE. Stationarity of data was checked by carrying out the unit root test using Augmented dickey fuller test which was supported with the Hadri test.The researcher did not find the presence of unit roots.

The fixed effect model was embraced after carrying out the Hausman test to determine whether to use fixed or random effects. In this research, the researcher adopted the fixed effects model. Linear regression for each variable was then carried out. Data was analysed

with aid of STATA software. Quantitative data was analysed using descriptive and inferential statistics. The results were as follows:

5.2.1 Social accounting disclosure and its effect on financial performance.

The first objective of the study sought to establish the effect of social accounting disclosure on financial performance of firms listed on NSE, Kenya. Correlation results for panel data showed a positive weak but significant relationship between social accounting disclosure and financial performance. Correlation results were also very low an indication that there was no multicollinerity.Fixed effect simple regression analysis showed that social accounting disclosure had a negative insignificant effect on financial performance of firms listed on NSE, Kenya with a p value of 0.489.. Thus social accounting disclosure had an insignificant effect on financial performance of firms listed on NSE; Kenya. Therefore the first null hypothesis was accepted.

5.2.2 Risk disclosure and its effect on financial performance.

The second specific objective of the study was to establish the effect of risk disclosure on financial performance of firms listed on NSE,Kenya.Correlation results for panel data showed a negative, weak but significant relationship between risk disclosure and financial performance. Correlation results were also very low an indication that there was no multicollinerity.Fixed effect simple regression analysis showed that risk disclosure had a negative insignificant effect on financial performance of firms listed on NSE,Kenya with a p value of 0.282.The fixed effect multiple regression model revealed that when other variables are controlled, a unit change in risk disclosure would result to an insignificant change in financial performance in the opposite direction. Thus risk disclosure had an insignificant effect on financial performance of firms listed on NSE;Kenya. Therefore the second null hypothesis was accepted.

5.2.3 Financial disclosure and its effect on financial performance.

The researcher's third specific objective was to determine the effect of financial disclosure on financial performance of firms listed on Nairobi securities exchange, Kenya. Correlation

results for panel data revealed that there was a positive weak and insignificant relationship between financial disclosure and financial performance. Correlation results were also very low an indication that there was no multicollinerity Fixed effect simple regression analysis showed that financial disclosure had a positive significant effect on financial performance of firms listed on NSE, Kenya with a p value of 0.006.The fixed effect multiple regression model revealed that when other variables are controlled, a unit change in financial disclosure would result to a significant change in financial performance in the same direction. Financial disclosure therefore had a significant effect on financial performance of firms listed on NSE, Kenya. Hence, the study failed to accept the null hypothesis.

5.2.4 Firm size moderating effect

The forth objective of the study was to establish the moderating effect of firm size on the relationship between corporate disclosure and financial performance of listed firms on NSE, Kenya.

When firm size was introduced as a moderator, social accounting disclosure had a negative insignificant effect on financial performance of firms listed on NSE with a p value of 0.380.Risk disclosure changed from insignificant to significant with a p value of 0.015 at 0.05 confidence level. Financial disclosure had a significant effect on financial performance of firms listed on NSE with a p value of 0.013 at 0.05 level of confidence.

From the regression results of the study, firm size was found to have a significant moderating effect on the relationship between corporate disclosure and financial performance. The forth null hypothesis was therefore rejected.

5.3 Conclusion.

Based on study findings, a number of logical conclusions can be made as discussed below:

5.3.1 Effect of Social accounting disclosure on financial performance.

Based on study findings, it is imperative to conclude that social accounting disclosure had a negative and insignificant effect on financial performance of firms listed on NSE, Kenya.

This could mean that an increase in social accounting disclosure leads to an insignificant decrease in financial performance. Thus it can be concluded that an increase social accounting information disclosure led to an insignificant decrease in financial performance.

5.3.2 Effect of risk disclosure on financial performance.

From the results, risk disclosure had a negative insignificant effect on financial performance of firms listed on NSE, Kenya. The researcher therefore concluded that an increase in the risk disclosure leads to an insignificant decrease in financial performance.

5.3.3 Effect of financial disclosure on financial performance

Financial disclosure had a positive and significant effect on financial performance of firms listed on NSE, Kenya. This could mean that an increase in disclosure of financial and investment policies led to a significant increase in financial performance. It can therefore be concluded that increased financial disclosure minimizes the level of information asymmetry between management and investors thus encouraging investment which in turn stimulates financial performance.

5.3.4 Moderating effect of firm size on financial performance

Based on the results, firm size had a significant moderating effect on the relationship between corporate disclosure and financial performance of firms listed on NSE, Kenya. This could mean that an increase in firm size could lead to a significant increase on the effect of social accounting disclosure, risk disclosure and financial disclosure on financial performance of firms listed on NSE, Kenya. Large firms experience a significant effect of social accounting disclosure, risk disclosure and financial disclosure on financial performance compared to smaller firms.

5.4 Recommendations of the study.

The study recommends that companies should enhance the level of financial information disclosure so as to realise superior financial performance. This will boost investor confidence and attract both local and international investors.

It also recommends that managers should assess their asset growth and find out to what extend does firm size start to have an effect on the relationship between corporate disclosure and financial performance.

5.5 Contribution of the research

This research contributes to the current literature by going forward to look at the moderating effect of firm size on the relationship between corporate disclosure and financial performance. The study has also provided a base for policy makers in government who are tasked with setting new policies on corporate disclosure on the effect of corporate disclosure on financial performance of the firms.

5.6 Areas for further study

The study drew its conclusions from annual reports of firms listed on NSE; Kenya over a six year period (2013-2018).There is need for the study to be carried out in other countries over a longer period. This will make comparison of the study findings possible and minimize possibilities of generalising them.

Further research can also be carried out on non-listed firms so as to get an insight on the effect of corporate disclosure on all firms whether listed or non-listed. This would facilitate broad based analysis on the effect of corporate disclosure on financial performance. Research should also be carried out to determine future trends and challenges facing corporate disclosure with regard to the changing digital economy.

Future studies could include both primary and secondary data as this study only based its conclusion on secondary data.

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APPENDICIES

Appendix I: Letter of Introduction

FranklineGidali,

P.O BOX, 190-50100,

Kakamega.

Date………………………………………………….

Respondent……………………………………..

Company name………………………………..

Dear sir/madam,

RE: REQUEST FOR RESEARCH DATA

I am a student at MasindeMuliro University of Science and Technology, undertaking a research study on the effect of corporate disclosure on financial performance of companies listed on NSE,Kenya. The research is being carried out as part of the requirements in obtaining a Master degree of Business Administration. You have been selected to form part of the study and would appreciate if you participate in the study as a respondent by responding to questions in the accompanying disclosure check index. The information you provide shall be treated entirely for academic purposes and shall strictly be treated as private and confidential. Your participation will make this study a success.

Your co-operation will be highly appreciated.

Yours sincerely,

…………………………

GIDALI FRANKLINE.

(MBA Student)

Appendix II: Disclosure check index

		2013	2014	2015	2016	2017	2018
A	**FINANCIAL DISCLOSURE**						
Information related to financial policy disclosure							
1	Earnings per share						
2	Dividend policy						
3	Size of shareholding						
4	Analysis of financial ratio						
Information related to financial liquidity disclosure							
5	Earnings and cash flow forecasts						
6	Estimate of capital increase						
B	**RISK DISCLOSURE**						
1	Market risk						
2	Liquidity risk						
3	Credit risk						
4	Interest rate risk						

5	Risk training and sensitization						
C	**SOCIAL ACCOUNTING DISCLOSURE**						
1	Employee data						
2	Charitable donations						
3	Community programs						
4	Redundancy information						
5	Recruitment problems						
D	**FIRM SIZE** (Total Assets)						
E	**FINANCIAL PERFORMANCE**						
	ROA=Net Income/Average total assets						

Appendix III: Companies listed on NSE.

1. Safaricom ltd
2. StanlibFahari
3. Kurwitu ventures
4. Home Africa ltd
5. Unga group ltd
6. Flame Tree group holdings ltd.
7. Mumias sugar co.ltd.
8. Kenya orchards ltd.
9. Eveready East Africa ltd.
10. East African breweries ltd.
11. Carbacid Investments ltd
12. British American Tobacco Kenya ltd.
13. B.O.C Kenya ltd
14. A.Baumann& Co. Ltd.
15. Nairobi securities exchange ltd.
16. Trans-Century ltd.
17. Olympia capital Holdings ltd.
18. Centum investment co.ltd
19. Pan Africa Insurance Holding Ltd.
20. Liberty Kenya holdings ltd.
21. Kenya Re-insurance corporation ltd.
22. Jubilee holdins ltd.
23. Eaagads ltd.
24. Kakuzi ltd.
25. Kapchorua Tea co.ltd.
26. Williamson Tea
27. Limuru Tea co.ltd.
28. Rea Vipingo plantations ltd
29. Sasini ltd.

30. Car & General ltd.
31. Marshalls (E.A) ltd.
32. Sameer Africa ltd
33. Barclays bank of Kenya
34. Cfc Stanbic of Kenya ltd.
35. Diamond Trust Bank Kenya ltd
36. Equity Bank ltd.
37. Housing finance co.Kenya ltd
38. I&M Holdings ltd
39. Kenya commercial bank ltd
40. National Bank of Kenya ltd
41. NIC Bank ltd
42. Standard chartered bank Kenya ltd.
43. The co-operative bank of Kenya ltd
44. Express Kenya ltd
45. Hutchings Biemer ltd
46. Kenya Airways ltd
47. Longhorn Kenya ltd
48. Nation media group ltd
49. Scan group ltd
50. Standard group ltd
51. TPS Eastern Africa ltd.
52. Atlas development
53. Uchumi supermarket ltd
54. ARM cement ltd
55. Bamburi cement ltd
56. Crown Berger ltd.
57. E.A cables ltd
58. E.A Portland cement ltd
59. Kengen ltd

60. KenolKobil ltd
61. Kenya power and lighting co.ltd.
62. Total Kenya ltd.
63. Umeme ltd
64. British American Investmentts co.(Kenya) ltd.
65. CIC Insurance group ltd.

Appendix IV: Approval letter

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)

Tel: 056-30870
Fax: 056-30153
E-mail: directordps@mmust.ac.ke
Website: www.mmust.ac.ke

P.O Box 190
Kakamega – 50100
Kenya

Directorate of Postgraduate Studies

Ref: MMU/COR: 509099

Date: 29th Sept, 2020

Gidali Muhindi Frankline,
MBA/G/01-52965/2018,
P.O. Box 190-50100,
KAKAMEGA.

Dear Mr. Gidali,

RE: APPROVAL OF PROPOSAL

I am pleased to inform you that the Directorate of Postgraduate Studies has considered and approved your Masters proposal entitled: ***"Effect of Corporate Disclosure on Financial Performance of Firms Listed on Nairobi Securities Exchange, Kenya."*** and appointed the following as supervisors:

1. Dr. Benedict Ondiek Alala - SOBE, MMUST
2. Dr. Maniagi Musiega - SOBE, MMUST

You are required to submit through your supervisor(s) progress reports every three months to the Director Postgraduate Studies. Such reports should be copied to the following: Chairman, School of Business and Economics Graduate Studies Committee and Chairman, Business Administration Department. Kindly adhere to research ethics consideration in conducting research.

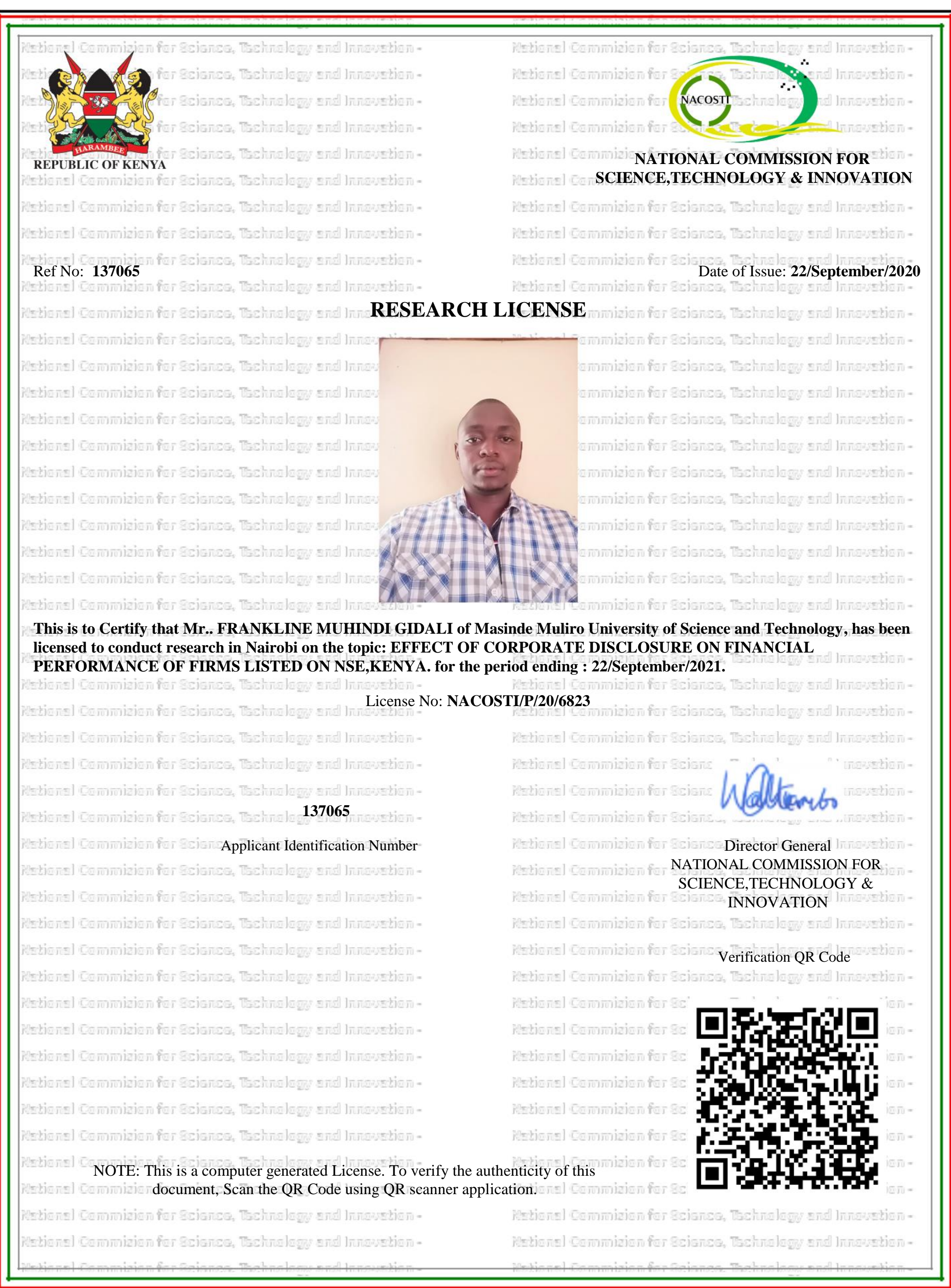
It is the policy and regulations of the University that you observe a deadline of two years from the date of registration to complete your Masters thesis. Do not hesitate to consult this office in case of any problem encountered in the course of your work.

We wish you the best in your research and hope the study will make original contribution to knowledge.

Yours Sincerely,

DEAN
SCHOOL OF GRADUATE STUDIES
MASINDE MULIRO UNIVERSITY
OF SCIENCE & TECHNOLOGY

Appendix V:Research license



REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **137065**

Date of Issue: **22/September/2020**

RESEARCH LICENSE

This is to Certify that Mr.. FRANKLINE MUHINDI GIDALI of Masinde Muliro University of Science and Technology, has been licensed to conduct research in Nairobi on the topic: EFFECT OF CORPORATE DISCLOSURE ON FINANCIAL PERFORMANCE OF FIRMS LISTED ON NSE,KENYA. for the period ending : 22/September/2021.

License No: **NACOSTI/P/20/6823**

137065

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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