

**EFFECT OF CORPORATE GOVERNANCE CHARACTERISTICS ON
QUALITY OF FINANCIAL DICLOSURE BY COMMERCIAL AND SERVICE
COMPANIES IN KENYA**

Ndiema Boiyo Philip

**A Thesis submitted to the School of Business and Economics in partial fulfillment
for the requirements for the award of the Degree of Master of Business
Administration in Accounting of Masinde Muliro University of Science and
Technology.**

August 2025

DECLARATION AND CERTIFICATION

This Thesis is my original work prepared with no other than the indicated sources and support and has not been presented elsewhere for a degree or any other award.

Signature:..... Date:.....

Ndiema Boiyo Philip

MBA/G/02-56578/2016

CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance of Masinde Muliro University of Science and Technology of a Thesis entitled, “*Effect of Corporate governance characteristics on quality of financial disclosure by Commercial and Service Companies in Kenya*”.

Signature:..... Date:.....

Prof Tibbs Yugi Charles

Department of Accounting and Finance

Masinde Muliro University of Science and Technology.

Signature:..... Date:.....

Prof Alala Ondiek Bennedict

Department of Accounting and Finance

Masinde Muliro University of Science and Technology.

Signature:..... Date:.....

COPYRIGHT

This Thesis is a copyright protected by laws on intellectual property. All rights reserved.
No part of this publication may be reproduced, stored in a retrieval system, or be transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the prior permission of the owner and of the dean of School of Business and Economics of Masinde Muliro University of Science and Technology

DEDICATION

I dedicate this work to my Mum Truphena Boiyo, my brother Christopher and Shem; Donald and Arnold Ndiema who aided me financially, morally and psychologically while piecing together this document together.

ACKNOWLEDGEMENT

I thank the almighty Father at above for granting me wisdom and zeal to undertake this work, for without Him I would not have reached this far. I appreciate my Supervisors, Prof Tibbs Charles and Prof Alala Bennedict, for the tireless efforts put in ensuring that I produce quality work in spite of the busy schedule. He ensured quality was maintained.

I also value the contribution of my family members for their continued support, more so financially. They became a motivation at the time of despair. Their prayers unlocked all deadlocks. I salute my real comrades for their precious contribution to this work. I recognize Maureen for her electronic support and brother Erick Kibet for his continued supervision. My gratitude to Masinde Muliro University of Science and Technology for giving me a chance through the School of Graduate Studies to undertake my MBA in accounting.

ABSTRACT

Notwithstanding a stringent legal framework, corporate governance in Kenya persists in deteriorating. Numerous corporations have been defined by scandals. Directors have engaged in unlawful or disingenuous conduct against their shareholders. This is concerning, particularly given that several of the listed companies were deregistered. The collapse of Uchumi Supermarkets followed purported manipulation of financial records amounting to Ksh 1.04 billion. The main objective of the study was to establish the effect of corporate governance characteristics on quality of financial disclosure by Commercial and Service Companies in Kenya. The study had the following specific objectives to determine the effect of board accountability on quality of financial disclosure by Commercial and Service Companies in Kenya, to examine the effect of shareholder rights on quality of financial disclosure by Commercial and Service Companies in Kenya, to assess the effect of corporate behaviour on quality of financial disclosure by Commercial and Service Companies in Kenya and to determine the moderating effect of firm size on the relationship between corporate governance characteristics and quality of financial disclosure by Commercial and Service Companies in Kenya.. The study adopted descriptive and correlational research design. The target population was commercial and service companies departments in charge of financial statements making thus accounting and finance giving 145 stakeholders of which sample size was 106 utilized. The stratified and basic random sampling techniques were employed. Closed-ended questions were employed for primary data collection. A pilot research was executed at Nairobi Business Ventures Ltd. The researcher employed Cronbach's Alpha to assess reliability at a threshold of 0.7. Establish validation through the application of multiple factor analyses, employing variable rotation, and excluding variables with a factor loading below 0.4. Descriptive statistics, including frequencies, percentages, measures of central tendency and dispersion, as well as inferential statistics such as regression and Pearson's correlation analysis, were calculated using SPSS version 23. Data was presented as tables and figures. There was a positive significant influence of board accountability, shareholder rights and corporate behaviour on financial disclosure among Commercial and Service Companies in Kenya. Firm moderates the relationship between Commercial and Service Companies' financial disclosure and corporate governance. The study concludes that board accountability is a viable measure in ensuring quality of financial disclosure. Shareholder rights significantly influences financial disclosure of Commercial and Service Companies by ensuring Commercial and Service Companies adhere to owner's rights. Corporate behaviour is a significant predictor of financial disclosure of Commercial and Service Companies, since it helps in building a well accountable organization. Firm size as a new initiative to boost Commercial and Service Companies growth path as far as corporate governance and financial disclosure is concerned. The study recommends that Commercial and Service Companies should formulate feasible board accountability policies that guides board on financial disclosure. Commercial and Service Companies should adhere to shareholder rights requirements as stipulated by law to avoid non disclosure tendencies in the organizations. Commercial and Service Companies should enact feasible corporate behavior that guides and caution against unethical practices that may compromise financial disclosure. Commercial and

Service Companies should embrace viable firm size initiatives as possible such as market share goals and profitability.

TABLE OF CONTENTS

DECLARATION AND CERTIFICATION	ii
DEDICATION	iv
ACKNOWLEDGEMENT	v
ABSTRACT	vi
LIST OF TABLES	ix
ABBREVIATIONS AND ACRONYMS	xi
OPERATIONAL DEFINITION OF TERMS	xii
CHAPTER ONE	1
1.1 Background of the Study	1
1.2 Statement of the problem.....	8
1.3 Objectives of the Study.....	9
1.3.1 General Objective	9
1.3.2 Specific Objectives	9
1.4 Research Hypothesis.....	10
1.5 Significance of the Study	10
1.6 Scope of the Study	11
1.7 Limitations of the Study	12
CHAPTER TWO	13
LITERATURE REVIEW	13
2.1 Introduction.....	13
2.3 Conceptual Review	18
2.3.1 Board accountability	18
2.3 Empirical Review	24
2.3.1 Board accountability and quality of financial disclosure.....	24
2.3.2 Shareholder rights and quality of financial disclosure.....	30
2.3.3 Corporate behavior and quality of financial disclosure	33
2.3.4 Firm Size.....	37
2.5 Conceptual Framework.....	41
CHAPTER THREE	43
RESEARCH METHODOLOGY	43
3.1 Introduction.....	43
3.2 Study Area	43
3.3 Research Design	43
3.4 Target Population.....	43
3.5 Sampling Techniques and Sample Size	44
3.6 Data Collection Instruments	46
3.7 Data Collection Procedures	47
3.8 Pilot Testing.....	47
3.9 Validity of Instruments	47
3.10 Reliability of Instruments	48

3.11 Data Processing and Analysis.....	48
3.11.1 Regression Assumptions / Diagnostic Tests.....	50
3.12 Ethical Consideration.....	51
CHAPTER FOUR.....	52
RESEARCH FINDINGS AND DISCUSSIONS	52
4.1. Introduction.....	52
4.2 Reliability of research instruments	52
4.3 Response rate	52
4.4 Analysis of Demographic data.....	53
4.5 Descriptive statistics	54
4.5.1 Descriptive statistics: Board accountability.....	55
4.5.2 Descriptive statistics: Shareholder rights.....	57
4.5.3 Descriptive statistics: Corporate Behaviour.....	59
4.5.4 Descriptive statistics: Firm size	60
4.6 Inferential statistics	64
4.6.1 Assumptions of Regression Analysis.....	64
4.6.2 Simple Linear Regression Results	66
4.6.2.1 The linear influence of Board accountability on Commercial and Service Companies' financial disclosure	66
4.6.2.2 The linear influence of Shareholder rights on Commercial and Service Companies' financial disclosure	68
4.6.2.3 The linear influence of corporate behaviour on Commercial and Service Companies' financial disclosure	70
4.6.3 Multiple regression analysis.....	71
4.6.4 Firm size Moderating effect on the relationship between Corporate Governance and Financial Disclosure.....	73
4.6.4 Hypothesis testing.....	78
CHAPTER FIVE	79
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	79
5.1 Introduction.....	79
5.2 Summary of Research findings.....	79
5.2.1 Board accountability policy and financial disclosure	79
5.2.2 Shareholder Right and Financial Disclosure.....	80
5.2.3 Corporate behaviour and financial disclosure.....	80
5.2.3 Firm Size.....	81
5.3 Conclusions.....	81
5.4 Recommendations.....	82
5.5 Areas for further research	83
REFERENCES.....	84
APPENDICES	92
APPENDIX 1: Commercial and Service Companies in Kenya	92
APPENDIX II: Introductory Letter.....	94
APPENDIX III: Questionnaire.....	95
Appendix III: Normality Test Results-Histograms	101
Appendix IV: Directorate of Post Graduate Studies	104
Appendix V: National Commission for Science, Technology and Innovation	105

LIST OF TABLES

Table 3. 1 : Target Population.....	43
Table 3. 2 : Sample size	46
Table 4.1 : Results of Reliability test.....	52
Table 4.2: Demographic data	53
Table 4.3: Descriptive statistics; Board accountability.....	55
Table 4.4 Descriptive statistics; Shareholder rights.....	57
Table 4.5 Descriptive statistics; Corporate behaviour	59
Table 4.6. Descriptive statistics; Firm size	61
Table 4.7 Quality of financial disclosure	62
Table 4.8: Correlation analysis	65
Table 4.9: Direct influence of Board accountability on Commercial and Service Companies financial disclosure	67
Table 4.10: Direct influence of Shareholder rights on Commercial and Service Companies financial disclosure	68
Table 4.11: Direct influence of corporate behaviour on Commercial and Service Companies financial performance	70
Table 4.12: Multiple regression analysis	72
Table 4.13: Model Summary for Moderating Variable of firm size.....	73
Table 4.14: Model Fitness (ANOVA Table)	75
Table 4.15: Regression Coefficients for Moderating Variable of firm size.....	76
Table 4.16: Null Hypotheses.....	78

LIST OF FIGURES

Figure 2.1 Conceptual Framework.....	41
--------------------------------------	----

ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CMA	Capital Markets Authority
GOK	Government of Kenya
IASB	International Accounting standard Board
NGO	Non Governmental Organization
NSE	Nairobi Security Exchange
ROA	Return on Asset
ROE	Return on Equity
SPSS	Statistical Package for Social Sciences
USA	United States of America

OPERATIONAL DEFINITION OF TERMS

Board accountability	Refers to taking responsibility by leaders of a company for their actions executed through board composition, decision making, communication, ethical standards, assessment and feedback mechanism.
Corporate behavior	Refers to moral approach by company leadership exercised through integrity, stewardship, social responsibility, external recognition and rating and stakeholder engagement.
corporate governance characteristic	Refers to company leadership attributes is explained by board accountability, shareholder rights and shareholder rights
Firm size	Refers to the capacity of a company to expand measured through market Firm size, assets, sales, number of employees and profitability.
Quality of financial disclosure	Refers to clarity, transparency, completeness, accuracy, consistency, comparability, compliance with accounting standards, audit assurance and benchmarking in a company
Shareholder rights	Refers to specific entitlements that company owners deserves based on shareholder engagement, fair treatment, decision making, comparative analysis, regulatory compliance and access of information.

CHAPTER ONE

1.1 Background of the Study

Corporate Governance refers to the framework and mechanisms employed to steer and oversee the business operations of a company, aimed at fostering prosperity and ensuring accurate corporate accounting. The primary goal is to achieve long-term value for shareholders, while also considering the interests of various stakeholders (Agaba Bosco & Kabagambe, 2023). Corporate Governance refers to the framework through which organizations are guided and regulated. It involves a system of relations between the company directors, shareholders, and other stakeholders because it concerns the power of the directors and major shareholders over minor interests, the rights of employees, creditors, and other stakeholders (Muriithi, 2019). It resolves the complex problems revolving around the conflicts of interest, formulates plans to prevent corporate misconduct, and balances the interests of the stakeholders by applying incentive mechanisms. Corporate Governance has been perceived as being an ethical duty of corporations, and a moral responsibility. Corporate Governance has come up with different structures that have been adopted in different parts of the world. As defined by Almashhadani et al. (2022), corporate governance concerns the ways of how an organization is organized and managed in such a way that the interests of all stakeholders will be safeguarded at the same time as the return on investments will be adequate. Corporate governance as defined by Arayssi (2018) refers to a system of policies and guidelines that would help in making sure managers earnestly follow the tenets of value-based management.

Corporate governance theories have been evolving tremendously over time. Organizations throughout the world have been struggling to include governance in their structures. The theoretical views on the concept of corporate governance were developed, starting with the agency theory then expanded to the stewardship theory and stakeholder theory, and later developed into the resource dependency theory, transaction cost theory, political theory and other theories of ethics such as the business ethics theory, the virtue ethics theory and the feminist ethics theory, the discourse theory and the postmodern ethics theory (Abdulla and Valentine, 2011).

According to Mulili and Wong (2010), countries that followed civil law such as France, Germany, Italy and Netherlands had corporate structures that prioritised the interests of the stakeholders. On the other hand, countries having a common law tradition such as Australia, the United Kingdom, the United States, Canada, and New Zealand have developed a structure where they put more emphasis on the returns or interests of shareholders. The topic of Corporate Governance has assumed more relevance because of its high importance in enhancing economic development and progress of countries. Failure to have efficient Corporate Governance is a major cause of the failure of many other successful businesses.

The study that was done by Tower, Hancock, and Taplin involved 60 Australian, Hong Kong, Malaysian, Philippine, Singapore, and Thailand companies. The variables of country, accountability of the boards, shareholder rights, and corporate behavior were investigated separately. The number of days that were in between the end of the reporting period and the date when it was included into the report of the directors was also considered in the analysis. The dependent variable is the index of disclosure which

is calculated in the framework of a two-step procedure that first of all eliminates hidden factors and then includes them in the analysis. The study explained the importance of financial reporting. The production of the disclosure index, based on the original form, showed high scores of the IAS compliance in Australia, Thailand, Malaysia, and Singapore (90%), in Hong Kong and the Philippines (89% and 88%). Nevertheless, the level of the evaluation that followed showed a relatively low level, but it is not a major issue to worry about. The authors (Agutu, 2022) state that the accountability of the board, rights of shareholders, and the corporate conduct have strong impacts on the quality of online financial reporting. The existing literature is inclined to support the opinion that good Corporate Governance can positively affect the organizational performance (Wangui, 2019). It is through the economic prosperity of a country that a reflection of the effectiveness of the enterprises is seen. The lack of development witnessed in emerging countries could therefore be attributed to lack of good Corporate Governance practices. Therefore, the emphasis on efficient Corporate Governance in the existing literature is considered to be one of the most critical challenges that the progress of such countries as Kenya faces.

The collapse of the institutions such as Skye Bank, Diamond Bank, Savannah Bank, Oceanic Bank, African Petroleum, and Intercontinental Bank in Nigeria makes it evident that it is crucially important to consider ethical considerations first (Agaba, Bosco & Kabagambe, 2023). In addition, Kibukamusoke and Ssewankambo (2019) presented a positive significant relationship between corporate governance and quality of financial reporting in Uganda. In contrast, Muhanguzi et al. (2019) claimed that there is a gap in the corporate governance law that undermines quality of financial reporting in Uganda, which requires improvement. In addition, Kaawaase et al. (2021) state that the

responsibility of the board, shareholder rights, and corporate behavior accounts for the slow change of the corporate governance model in Uganda.

The concept of Corporate Governance is now gaining momentum in Kenya, following the patterns in other countries (Ekadah and Mboya, 2021). This phenomenon is partially explained by the failure of the corporate bodies and poor functioning of the public and the private corporations (Barako, Hancock & Izan, 2006). The CMA later enforced that Corporate Governance practices on listed companies be put in place. Corporate Governance practices were mainly focused on the board issues such as board composition, the role played by the audit committee, and the separation of the CEO and the role played by the Chair. In addition, the focus was made on the entitlements of the shareholders. Kenyan listed companies must comply with the stipulations of the Companies Act, the rules of the Capital Markets Authority, and the rules of the listing regulations of the Nairobi Securities Exchange.

According to Yusoff et al. (2019), accountability goes beyond giving explanations by means of a plausible story of what had happened and the evaluation and resolution of conflicting demands, including moral ones. Accountability is a concept that changes with time and space, focusing on the potential of the future and basing on the past performances, and combining the performance reports with the goals and projections. According to Carnegie and Napier (2023), adoption of corporate governance systems facilitates an organization to hold the corporate managers accountable as stakeholders agents. Such accountability is informed by the fact that it grants power and motivations to the employees in promoting wealth creation strategies. According to Nour et al. (2023), provision of more comprehensive information does not necessarily lead to higher accountability. However, the article has not shown that information disclosure

does not create accountability. Pernelet and Brennan (2023) identified two accountability dimensions, namely, public accountability, in which the public is viewed as a partner and democratically-related concerns and trust; and managerial responsibility, which is related to the daily activities of the organization. In the context of management accountability, the provision of detailed information does not serve the main purpose of increasing public accountability, but works as a tool of making principals implement control over agents (managers) and as a tool of justified previous decisions and actions. Thompson and Alleyne (2023) established that higher accountability is generally understood to improve the visibility and openness of organizational operations leading to appropriate organizational behavior eventually affecting the performance of the organization. It is increasingly being used in political writings and policy-making documents and it gives a picture of openness and trustworthiness.

The studies that have been done on the topic of shareholder rights have taken place in various settings such as the United States (Ertimur et al., 2010), the European Union cooperatives (Bijman et al., 2012), and business in Spain and the United Kingdom (Castrillo, Marcos, Manuel & Martin, 2010). There is also research in various industries and one of the industries that have been researched is the banking industry (Kiambati, Karanja, Katuse & Waititu, 2013). Most of the studies indicate that shareholder rights determine the quality of financial reporting, but a few give opposing findings. It has been found that quality of financial reporting is associated with shareholder rights (Kanthapanit, 2013). Chugh, Meador, and Meador (2010) noted that the enterprises that had lower shareholder rights were more stable and not compromised with the quality of

financial reporting. The bigger organizations are significantly less likely to use assurance in the U.S. which decreases with time. The relevance of sustainability assurance in terms of value is increasingly increasing with time (Peters and Romi 2015).

As it has been previously stated, the level of voluntary disclosure is highly dependent on the size of a firm (Agaba et al, 2023). The larger corporations are attributed to increased resources that can be used in the production of high quality information and the cost involved are reduced due to economies of scale. The positive association between firm size and the level of voluntary disclosure of information has been proven constantly within the body of accounting literature (Wanyama & Olweny, 2013). Sahore and Verma, 2017 explain the existence of a positive relationship between the magnitude of firms and the extent of information shared by businesses listed on the Toronto Stock Exchange on their corporate governance activities in 1997. To reduce the agency costs incurred in excess cash flow, major corporations may implement effective Corporate Governance strategies. The firms with large amounts of free cash flow may not invest the cash in a way that would benefit the interests of all the shareholders. Smaller businesses tend to have a faster growth curve than the larger ones, hence the need to be more dependent on financial sources. Large and small entrepreneurs can have reasons to adopt good Corporate Governance practices on a voluntary basis (Agutu, 2022).

IASB (2010) argues that a high-quality financial reporting is one that follows objective standards and the natural qualitative nature of financial reporting. One of the arguments that the IASB (2010) presents is that the primary purpose of financial reporting is to

provide high-quality financial reporting which is a crucial source of economic decision information to capital providers and other stakeholders. Moreover, the qualitative aspects are the key qualities of information that make it more useful to be used in the decision-making process. The key characteristics include the basic characteristics such as as relevance and faithful representation and the improvement characteristics such as comparability, understandability and timeliness. The relevance of the accounting information is fulfilled when it has either predictive or confirmatory information whereas faithful representation is reflected when the information is complete and unbiased (IASB, 2010).

The financial data should be presented in a concise manner as well as in clear form to make it understandable to the users. Quality of comparability is achieved when financial statements users are able to compare the trends of the financial performance and position of a firm over a period of time and also compare the financial performance and position of various firms. Timeliness of financial information is related to the availability of data to users before it loses its capacity to influence decision. These qualitative matters about financial information have given rise to a model on assessing financial reporting quality. The given methodology introduces qualitative characteristics to consider the usefulness of financial reporting information in making decisions through the simultaneous consideration of multiple elements of information, including the financial and non-financial reporting (Beest, Braam & Boelens, 2019).

The accrual approach to assessing the financial reporting quality measures the level of earnings management within the current regulations based on the assumption that managers use discretionary accruals to manage the outcomes (Beet et al., 2019); therefore, it explains why accrual-based accounting is prevalent in financial reports. Therefore, the higher the degree of discretionary accrual accounting, the greater the gap between actual economic performance and that reflected in the financial reports (which means accounting manipulation) and, in turn, the lower the quality of such financial information and its utilization in decision-making. The value relevance method of measuring financial reporting quality measures the relevancy and reliability of financial reporting through correlation of stock returns and earnings figures. The stock price will be assumed to be the market price of the corporation, with accounting figures being the price of the firm based on accounting practices (Beest et al., 2019). In case of association between these two metrics, accounting information can be regarded as relevant and reliable (Agutu, 2022).

According to Schipper and Vincent (2013), the model is a great tool to examine the earnings persistence, predictive power, and variability as part of the earnings quality. Financial reports quality cannot be observed directly, and it depends on the perceptions of the users who may differ depending on the situation (Braam & Beest, 2013). It is difficult to measure quality directly as many users have different tastes. This is why numerous researchers choose to evaluate quality through the analysis of the attributes that are believed to influence the quality of financial statements such as earnings management, financial statement restatement, and timeliness (Beest et al., 2019). According to Braam and Beest (2013), the empirical studies which assess the quality of

financial information are more likely to focus on specific attributes such as the quality of earnings and the relevance of values. They maintain that the quality of financial reporting has a broader and more complex structure, and positively suggest that many dimensions of information be evaluated simultaneously in the determination of decision usefulness. This assessment must combine financial, non-financial and disclosure factors that are present in corporate reports. Business and support The companies identified in Kenya will include 60 businesses in six sectors, which are financial services, telecommunications and IT, retail and consumer services, hospitality and tourism, security services, and construction, real estate, and logistics.

1.2 Statement of the problem

Despite a restrictive regulatory framework, the situation in corporate governance in Kenya continues to deteriorate (Agutu, 2022). According to Muriithi (2019), in many corporations, scandals have been characteristic. Directors have also been involved in illegal activities or they have proved untruthful in dealing with shareholders. This is worrying especially considering the fact that some of the companies in the list like the Mumias sugar and the Eveready have been deregistered. Other examples of inconsistencies in financial reporting in the corporate world include the Enron and the WorldCom cases of the United States. Examples of poor corporate governance that resulted in scandals in Kenya include the collapse of the Euro Bank in 2004, the discovery of secret overseas bank accounts in which some directors at CMC Motors defrauded the company (Madiavale, 2011) as cited in Iraya, Mwangi, and Muchoki (2015), and the alleged manipulation of financial records worth Ksh 1.04 billion at the Uchumi Supermarkets by the CFO and the CEO (Herbling, 2016). Institutional investors in Kenya assess the quality of financial reports as ranging from fair to good, believing

that further enhancements in financial reporting are necessary (Kariuki & Jagongo, 2023). Their downfall can be attributed to corporate governance standards and the quality of financial reporting. Significant action is required to rectify this situation; otherwise, we may witness further corporate failures and dysfunctions. Research on corporate governance has predominated in financial sectors (Muiru, Kyongo, and Onchomba, 2018; Chepkwony and Omwenga, 2021). Furthermore this studies delve into financial performance Sahore and Verma, 2017 as well as Wangui, 2019 hence need for study on quality of online financial disclosure. This study established the effect of corporate governance characteristics on quality of financial disclosure by Commercial and Service Companies in Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of the study was to establish the effect of corporate governance characteristics on quality of financial disclosure by Commercial and Service Companies in Kenya.

1.3.2 Specific Objectives

The study has the following specific objectives:

- i) To determine the effect of board accountability on quality of financial disclosure by Commercial and Service Companies in Kenya.
- ii) To examine the effect of shareholder rights on quality of financial disclosure by Commercial and Service Companies in Kenya.

- iii) To assess the effect of corporate behaviour on quality of financial disclosure by Commercial and Service Companies in Kenya.
- iv) To determine the moderating effect of firm size on the relationship between corporate governance characteristics and quality of financial disclosure by Commercial and Service Companies in Kenya.

1.4 Research Hypothesis

- i) Board accountability has no significant effect on quality of financial disclosure by Commercial and Service Companies in Kenya.
- ii) Shareholder rights have no significant influence on quality of financial disclosure by Commercial and Service Companies in Kenya.
- iii) Corporate behaviour has no significant influence on quality of financial disclosure by listed Commercial and Service Companies in Kenya.
- iv) Firm size has no moderating significant effect on the relationship between corporate governance characteristics and quality of financial disclosure by Commercial and Service Companies in Kenya.

1.5 Significance of the Study

The anticipated outcomes of this study are poised to benefit the corporate sector, particularly firms listed on the NSE, as well as management, investors, and the academic community at large.

The corporate sector in Kenya, particularly commercial and service listed companies, may find this study invaluable for scrutinizing corporate accountability, shareholder rights, and the attributes of corporate behavior, all of which are crucial for enhancing the quality of financial reporting. The research may elucidate the manner in which the sizes

of NSE firms contribute to the overarching objectives of corporate governance and the integrity of financial reporting.

The government might consider the study pertinent for formulating policies on corporate governance aimed at enhancing corporate accountability, safeguarding shareholder rights, and shaping attributes of corporate behavior. The research findings could enable the government to enhance its strategic planning for markets involving listed firms. This could potentially play a significant role in enhancing corporate governance practices. The study's findings provide the regulator (CMA) with insights into the level of adherence to corporate governance practices and the quality of financial reporting in Kenya. This information serves as a foundation for policy formulation aimed at identifying measures that can safeguard and enhance the quality of financial reporting within the corporate sector.

Scholars: This research holds potential significance for future academics keen on exploring the nuances of corporate accountability, the rights of shareholders, the characteristics of corporate behavior, as well as the interplay between firm size and the quality of financial reporting. It may prove beneficial to establish a foundation based on both empirical and theoretical concepts.

1.6 Scope of the Study

The study focused on 60 Commercial and service companies in Kenya. The study was projected to last between May 2024 to October 2025. The study examined corporate accountability, shareholder rights and corporate behavior attributes for better quality financial reporting. This was moderated by firm size.

1.7 Limitations of the Study

The research found out that the participants appeared hesitant to share information, fearing it will affect their individual and corporate reputations. The refusal of some respondents to send back the surveys, incomplete surveys, or simply not taking part in the questionnaire were another limitation. The above limitations were addressed by assuring anonymity of the respondents and that information would be anonymous and that information would only be used in academic purposes. The researcher obtained a research authorization and included an introductory letter of the University which facilitated in their persuasion greatly.

The former was busy with a tight schedule at work; therefore, he took more time to fill in the questionnaire than was initially estimated. This limitation was ameliorated by the use of follow-up study and increasing the survey time. The bias of the respondents in providing the accurate information was a cause of concern on the reliability and credibility of the data obtained; this limitation was overcome by designing the questionnaire in such a manner that any inconsistencies in responses are identified.

CHAPTER TWO

LITERATUREREVIEW

2.1 Introduction

This part of the study provides a summary and critique of the academic literature related to the study objectives. The chapter also analyzes different theories that elucidate corporate governance and the quality of financial reporting. It offers a critique of the theories and a conceptual framework elucidating the interrelationship between independent and dependent variables in the context of the moderating variable.

2.2 Theoretical Review

Coley and Goia (2011) described a theory as a conceptual assertion that elucidates the interrelations among concepts, offering reasons for the existence of such relationships. Neuman (2006) characterizes a theory as a framework of interrelated concepts that synthesizes and structures information regarding the world. The agency theory and stakeholder theory are the principal frameworks underpinning the idea of Corporate Governance (Mulili & Wong, 2010). The research was informed by agency theory, stewardship theory, and transaction cost theory.

2.2.1 Agency Theory

Jensen and Meckling (1976) articulate the concept of an agency relationship as a contractual arrangement wherein the principal appoints an agent to execute a service on their behalf, thereby endowing the agent with the authority to make decisions. Within a corporate framework, as articulated by agency theory, shareholders assume the role of

principals while managers function as agents, operating in service of the interests of the principals. This situation leads to a distinct division between ownership and control within a corporation, as posited by Berle and Means (1932), who contended that there exists an absence of adequate oversight on corporate managers, resulting in managerial decisions that may deviate from the interests of shareholders. In order to preempt managerial opportunism, it is essential for a board of directors to oversee managerial actions in representation of shareholders (Donaldson & Davis, 1991).

The core premise of agency theory posits that the agent operates from a standpoint of self-interest and opportunism, which consequently results in actions that may not align with the best interests of the principal. This dynamic gives rise to principal-agent conflicts, particularly when the control of a company is distinct from its ownership. The principal-agent conflict is fundamentally rooted in the concept of agency theory, wherein the agent is granted authority by the principal to act on their behalf. This delegated authority enables the agent to pursue their own utility, often to the detriment of the principal's utility (Davis et al., 1997).

According to Jensen and Meckling (1976), principals must pay agency and monitoring expenses in order to resolve principal-agent conflicts. Agency costs include things like performance-based compensation and bonuses, which aim to incentivize agents to align their interests with the principal's. On the other hand, monitoring costs include things like external audits, which are incurred to ensure agents remain faithful to the principal's interests.

The purpose of agency theory in corporate governance is to ensure that agents uphold their fiduciary duties to their principals (shareholders) by providing insight into principal-agent conflicts and the various tools for resolving them. Given this

background, agency theory clarifies why trustworthy financial reporting is essential for directors to account for their financial performance and position to shareholders at the end of a specified time. A number of corporate governance mechanisms are believed to be essential for achieving credible financial reporting. These include having independent board directors, having non-CEO chair positions dually, establishing audit committees, having an internal audit function, and hiring an independent external auditor. These measures help to reduce cases of conflict of interest and discourage agents from engaging in opportunistic behavior that harms the principal. Board conduct, shareholder rights, and the necessity of board accountability are all thoroughly explained by agency theory, the dominant theory. Primarily, agency theory was utilized.

2.2.2 Stewardship Theory

Keay (2017) contends that stewardship theory recognizes the existence of agency in organizations, where agents (directors) operate in the company's best interest, fostering communal and organizational benefit rather than self-serving economic motives. Thus, he determines that there is a congruence between the interests of directors and those of the company. Davis, Schoorman, and Donaldson (1997) define a steward's conduct as pro-organizational and collective, suggesting that directors are reliable rather than self-serving, with their interests aligned with those of their principals rather than influenced by personal ambitions. The major principles of the stewardship theory postulate that the steward must act in ways that are consistent with the interests of the principal, the steward must pursue the interests of others rather than personal gain, the steward must also have a sense of strong organizational identification and lastly the steward must derive intrinsic rewards by performing the action (Davis et al., 1997).

As best we can make out, a good steward is going to serve the best interest of the principal and the company, striving to maximize the value of the stockholders, and at the same time to make himself as useful as possible. Uniting an element of interest congruence between the principal and the steward, humanistic character of the stewardship theory focuses on a steward who serves others. Collaboration between a principal and a steward in the efforts to achieve similar objectives removes the chances of favoritism and creates an environment of trust and empowerment of the steward, which makes control and monitoring systems redundant. The process of corporate governance in agency-free cases is easier to comprehend within the frames of stewardship theory, in which the focus is put on the support of the steward by facilitating agency, empowering it, and allocating resources. Therefore, a technique like board accountability is aimed at providing a unified direction and preventing potential conflict within the boardroom whereas the involvement of most board insiders is deemed as a peculiar pool of counselors upon whom the steward could rely. According to Stewardship theory, financial reporting is a mechanism by which the directors, as stewards of the shareholders, can convey information regarding the manner in which they dissect the assets entrusted to them and how they contribute to the increase in shareholder value.

The duality of accountability positions of the boards, a majority of board insiders, appointing audit committee members who have financial expertise and internal audit are some of the governance practices which are meant to improve the capacity of the stewards (directors) in satisfying the objectives of the organization rather than simply

monitoring and controlling the activities of the stewards. External auditing is normally seen as a compliance requirement by external bodies, but on the other hand it has been realized to have ancillary benefits to audited clients. All these advantages are necessary in the quest to fulfill the goals of the organization that ultimately help to increase shareholder wealth.

2.2.3 Transaction cost theory

The transactional cost theory is very common in different fields of management, which include vertical integration decisions, acquisition, and networks. This theory plays a critical role in the strategic studies since the theory focuses on explaining the reason why a firm exists, the definition of its boundaries and the control of its operations. Cyert and March (1963) are the authors of the theory. Transactional cost theory is a term that is used to refer to the costs involved in carrying an economy transaction. Such transactional costs include search and information costs, negotiating costs, monitoring and enforcement costs. Transactional cost theory uses a contractual approach in explaining why some transactions can take place in an organization rather than at the marketplace.

The supporters of this strategy divide costs into two major groups transaction costs and production costs. Business organizations strive to minimize the external exchange costs in the environment, as well as, to minimize internal exchange costs that is bureaucracy. Whenever the transfer of a good or a service is done in one stage to the other, transaction costs are incurred (Williamson, 1981). There are cases where transacting agents give inaccurate information, hide facts and deceive the other party in an opportunistic way that suits them. Opponent parties may at times be opportunistic and take advantage of the other party at the expense of acting only in their own interest (Williamson, 1996).

Accountability in transaction costs is needed and corporate behavior would be best in explaining the factors of transaction costs in an unambiguous manner. Further, the transactions are dependent on the size of the firm, with big businesses making larger transactions compared to their business operations. Therefore, the transaction cost theory clarifies the features associated with the organizational size and board behavior.

2.3 Conceptual Review

This proposal gives a description of the factors of study, such as the features of corporate governance, such as the responsibility of board, the rights of shareholders, and the corporate behavior. Quality of financial reporting and the size of the firm is also analyzed.

2.3.1 Board accountability

Board accountability implies taking the responsibility of all business activities and providing the stakeholders with a reasonable, balanced, and understandable analysis of current state and perspectives of the organization. Companies have been experiencing financial crises due to poor management because of poor governance structures in the past (Kyazze et al., 2020). Corporate governance has recently been defined as a significant factor that is subject to reconsideration concerning the attempts of publicly traded companies to improve financial performance (Mokaya et al., 2021).

It is reported that the responsibility of firms increases their odds of worker response by a significant margin (Battaglin and Rasmussen, 2019). Once the employees realize that the company is financially constrained, they would be much more likely to cut down on the expenses or find other sources of income. According to Appiah et al. (2023), to attain

transparency, the personnel of an organization should understand its current situation and the conditions of other organizational units. Additionally, Pernelet and Brennan (2023) indicate that accountability in an organization is essential to allow the stakeholders to determine the value of a firm. A company which does not reveal its financial data or hides the data is faced with problems in the acquisition of capital as the valuation of its shares is not favorable. Therefore, the company does not produce enough money, which negatively influences its effectiveness in promoting its goals and objectives (Cellier and Chollet, 2016). Kinuthia (2020) asserted that board accountability presupposes a deliverance of a report to the public regarding activities done and decisions made, with a hint of responsibility. Yusoff et al. (2019) asserted that the trust between a board, an organization, and its stakeholders is built on the accountability. Alsaid and Mutiganda (2020) examined the significance of accountability and elucidated its meaning within corporate governance, emphasizing board responsibility, to address the conceptual gap in accountability and establish a foundation for future research. The study investigated board accountability based on board membership, decision-making, communication, ethical norms, and assessment and feedback mechanisms.

2.2.2 Shareholder rights

The fair distribution of power between shareholders and management is at the heart of shareholder rights. The ability to vote, fair treatment in resolving complaints of rights violations, and access to information are all rights that shareholders should be able to exercise, and boards should make sure that this is the case. Members of the company have the authority to use shareholder rights. The extent to which investors are protected

from management and controlling shareholders expropriating their assets for private gain varies throughout organizations globally. One of the most important factors in a country's financial market development, according to recent studies, is the degree of investor protection. The protection of shareholder rights is also essential to good systems of corporate governance (Mallin & Melis, 2012). These rights can be enforced through laws and regulations, according to La Porta et al. (2000); nevertheless, the level of protection for investors differs across countries.

Kiambati, Karanja, Katuse, and Waititu (2013) argued that the rights of shareholders are indicative of their capacity to oversee the organization's assets, remove underperforming or exploitative management, or alter ownership in order to enhance shareholder value effectively. The businesses under which shareholders enjoyed adequate protection were more inclined to make risky investments which might eventually result in development of value to the company (John, Litov and Yeung, 2008). In the study by Odero (2021), the rights of shareholders were defined as the right of participating in decision-making, the right of fair treatment, and the right of receiving information. King and Wen (2011) pointed out that businesses should not ignore the right of the shareholders to participate in general meetings, to exercise their voting rights, and also to elect the board members. Kinyuira (2017) assumed that member education and sharing of relevant information would help to improve the participation of the members.

Battaglia, Bianchi, Frey and Passetti (2014) hypothesized that the participation of the entire members in decision making and governance is one of the core principles of cooperatives. During the analysis of cooperatives in Kenya, Njiru (2014) concluded that successful operations enabled the participation of its members, showed the ability to achieve the set targets, and had a strong management ability. All shareholders have a

right to fair and fair treatment. This right includes the pursuit of sufficient redress in case their rights have been violated (Wangui, 2019). In addition, all shareholders have the equal right to vote and have the right to adequate information related to their rights to vote and this information ought to be availed before the purchase of shares (Shanikat & Abbadi, 2011). Moreover, the shareholders have the right to be informed about the relevant information in the organization and it is anticipated that the information should be shared on a scheduled and timely basis via a notice of annual shareholder meeting. In a corporation, the highest power is vested in the general meetings; thus, it is obligatory that annual general meeting should be held in the four months after the end of financial year (GOK, 2010). In this study, the concept of shareholder rights has been expressed by discussing shareholder engagement, equitable treatment, decision-making processes, comparative analysis, compliance with regulations and access to information.

2.2.3 Corporate behavior

Corporate behavior includes the actions, decision-making, and general attitude of a corporation (in particular, its relationships with stakeholders, compliance with legal and ethical processes, and its efforts to benefit society) (Wangui, 2019). Ethical implications of corporate conduct in financial reporting of both local and international business organizations are critical in the success or failure of business operation. The professional accountants have a duty to the user of the accounting information and also to the accounting profession as a whole. This is because the stakeholders in their efforts place great importance on meticulous preparation and presentation of financial information that can be relied on to make decisions.

Ubogbo (2016) claimed that business ethical conduct arouses moral ideals, normative judgments, and moral obligations, which are required of every accountant. White (2002)

considered ethics as principles of reason where he showed consequentialism, Kantian deontology, natural law and virtue ethics. Resnik (2010) commits professional accountants to behave morally. The accounting professional organizations set up and distribute ethical standards to their members, which act as the guidelines of professional conduct and responsibilities. According to the research by Talebinia, Salehi, and Jabbarzade (2011), integrity of the entity in transactions is the basis of a great financial report. Intelligence, stewardship, social responsibility, external recognition and ratings and stakeholder engagement characterize corporate conduct.

2.2.4 Firm size

Since the governance systems drain the corporate resources, we expect a better corporate governance in larger organizations, so our analysis uses firm size as a moderating factor (Alsaid and Mutiganda, 2020). Many features of corporate governance such as board accountability, shareholder rights, corporate behaviors, and financial reporting and disclosure systems involve financial operations, mainly fixed costs that bigger companies can incur more effectively (Chepkwony & Omwenga, 2021). The intricate organizational framework of large corporations may necessitate enhanced corporate governance. Large corporations possess sustainability-focused corporate governance structures that influence the voluntary verification of corporate sustainability reports. Firm size is conceptualized within the market context. Firm dimensions, assets, revenue, personnel count, and profitability.

2.2.5 Quality of financial disclosure

According to Kyabarongo et al. (2024), the NSE's financial disclosure quality is determined by the openness and efficacy with which companies listed on the exchange

disclose their financial data to the general public. To maintain the honesty of the financial markets and to help investors make educated decisions, these disclosures are essential (Muiru, Kyongo & Onchomba, 2018). Attributes that contribute to the information's value for users of financial statements should be a part of high-quality financial reporting. The International Accounting Standards Board (2010) compiled a list of what it calls "qualitative characteristics of financial reporting" that includes both essential qualities (such as accuracy and relevance) and desirable ones (such as clarity, comparability, verifiability, and timeliness). According to Beeset al. (2009), financial reporting's substance is determined by its fundamental qualities, while its decision-usefulness is enhanced by its enhancing features.

When data is relevant, it can either forecast future events or confirm existing ones, or do both, making it impossible for people to make decisions based on it. According to Braam and Beest (2013), financial reports can be considered predictive if they make direct references to the firm's ability to generate cash flow in the future, and confirmatory if the information provided either confirms or changes earlier predictions. When information is full, objective, and devoid of substantial inaccuracy, annual reports are in compliance with faithful representation (IASB, 2010). The "verifiability" problem, which arises when many consumers of financial data come to a consensus on accurate depiction, is relevant to the completeness and impartiality of the data (Braam & Beest, 2013). An aspect related to the auditors' report (qualified or unqualified opinion) is whether the annual report is free from material errors. Measures pertaining to corporate governance and balanced disclosure of good and bad events are also included by Braam and Beest (2013). Users are more likely to grasp information when it is given in a way

that is both clear and succinct (Braam & Beest, 2013). According to Jonas and Blanchet (2000), annual reports can be made more understandable by including tables or graphs and a glossary of words for any technical jargon that has been utilized. When data is easily comparable, users can see how a business has fared financially over time and how it stacks up against competitors (IASB, 2010).

The consistent application of identical accounting policies and procedures, whether across different periods within a single entity or throughout a single period among various entities, enhances the comparability of information. Consequently, the disclosure of accounting policies, alterations in these policies, modifications in estimates, the assessment of a firm's performance over time, and the adjustment of prior year earnings to demonstrate the effects of changes all enhance the comparability of an entity's information. Furthermore, intercompany comparability is augmented when ratios are incorporated into annual reports (Braam & Beest, 2013). 26 Timeliness pertains to the delay in providing information to users for the purpose of making informed economic decisions. Braam and Beest (2013) quantified timeliness by calculating the interval in days from the conclusion of the fiscal year to the issuance date of the auditor's report. The assessment of financial disclosure will be evaluated based on several criteria: clarity and transparency, completeness and accuracy, consistency and comparability, adherence to accounting standards, audit assurance, and benchmarking.

2.3 Empirical Review

This section is an overview of empirical studies conducted in the past about the quality of financial disclosure. The examined papers pertain to corporate governance practices and the quality of financial transparency, respectively. Considering the moderating influence of business size on the connection between corporate governance procedures and the quality of financial disclosure.

2.3.1 Board accountability and quality of financial disclosure

To understand the impact of heightened expectations regarding board responsibility and accountability on the socio-cognitive decision-making processes of boards and their collective performance, Brown et al. (2019) conducted a study in the United States, utilizing data gathered from 60 board members. Research into the many socio-cognitive aspects of board decision-making found that board authority positively affected task execution effectiveness, while CEO relative power and emotional conflict showed non-linear relationships with task performance. Unfortunately, the researchers failed to clarify how the responsibilities of the board will impact financial success. But the study didn't explain its findings in an African context. This study set out to rectify the oversimplification of previous work by providing concrete examples of how to strengthen the link between board responsibility and high-quality financial disclosure.

Kinuthia (2020) aimed to learn how NGO financial sustainability and public governance are affected by board accountability. The study used a descriptive research style based

on questionnaires to collect primary data. The 550 non-governmental organizations (NGOs) working on public governance in Nairobi County were the focus of the study. After reviewing each company, a 15% representative sample was selected to participate in the survey through a rigorous selection approach. A combination of quantitative and qualitative data analysis methods, as well as SPSS, were utilized to conduct the analysis. According to the results, NGOs' ability to stay in business is favorably and considerably affected by the degree to which public government is held to account. However, the results did not show how much the components of board accountability would improve the organization's ability to achieve financial performance.

Kyabarongo, Agabas, Mpora, and Sekiwu (2024) looked into how board responsibility affected the money-making abilities of some business and service companies in Uganda's Kiruhura District. The research strategy used in this study was a cross-sectional survey that combined quantitative and qualitative methods. With a 95% confidence interval and a 0.05 margin of error, 342 people were used in the overall population. There were 184 people who filled out the survey; they were employees or members of six different businesses in the Kiruhura District of Uganda that were registered as of January 2023. There were two separate parts of the data that was collected for analysis. Firstly, we scanned through descriptive statistics of the respondents using SPSS version 20.0 and obtained some preliminary data analysis. In the test, there is the need to check multicollinearity, to find out the average and standard deviation, extreme values and outliers, and missing data. The second action was to perform structural equation modeling to analyze and evaluate the connections among variables in the proposed conceptual framework that was developed very thoroughly.

Structural equation modeling was performed under the version of Jaffrey Amazing Statistical Program version 0.17.2.0. The results of the research were as follows: It was found that the effect of board accountability on financial performance was negative ($\beta = -0.908$) meaning that the data did not support the direct dependence between BAC and FiP, and, thus, did not support the H01. The study therefore shows that commercial and service businesses are bound to suffer a reduced financial performance as their boards become more responsible regarding the decisions of the firm and more openly interact with its stakeholders. The research paper supports the recommendation that the board of directors should improve their effectiveness in making decisions in a way that is clear and appropriate and thus the commercial and service firms should maximize shareholder wealth. Business and service companies should strive to seek optimum methods of communicating and relaying accountability feedback to their members hence cultivating utmost benefits to all interest parties.

In their study on the role of disclosure of corporate governance norms in financial performance of Kenyan Commercial Banks listed in the Nairobi Securities Exchange, Chepkwony and Omwenga (2021) explored the issues related to the financial performance of the Banks. The study objectives were to evaluate the performance of commercial banks listed in Kenya in terms of financial performance after the application of relevant measures to improve transparency in the following areas; board effectiveness, accountability, executive compensation and ownership structure. Agency, capital necessity, signaling and legitimacy made the basic foundation of this investigation. The sample population used in the study was eleven publicly traded commercial banks in the Kenyan market and the research method used was descriptive

in nature. It was done using purposive sampling technique in the Nairobi Securities Exchange where a small number of commercial banks was chosen. The study used a detailed data collection checklist that comprised of items that were related to voluntary disclosure. The secondary data employed in this study was obtained based on publicly available annual reports between the year 2015 and 2019. Descriptive and inferential statistical analysis was done on the data. Considering the nonhomogeneous nature of the data used, a panel data regression model was utilized in this investigation. The analysis was done using the statistical package of the social sciences which was abbreviated as SPSS. The results were presented in tables and figures. The research discovered that the effectiveness of corporate boards, ownership structure, executive salary, and the return on equity have a positive relationship between them. With an increment in corporate board responsibility by only one percent, there is a significant increase in the bottom lines of pooled commercial banks by 54 percent. Besides that, the likelihood of increasing the return on equity (ROE) by a 1 percent increase in corporate board effectiveness disclosure is a 33.9 percent improvement and 50.3 percent improvement by board executive salary respectively. The study revealed that the converse of that was true: negative correlation between ownership transparency and return on equity. In particular, the reduction in the ROE of 20.2% is experienced when ownership transparency increases by 1 percent. Research suggests that firms will be able to enhance their performance in order to provide information about the ownership structure and accountability of the corporate board.

The article by Achoki and Kule (2015) has explored the effects of voluntary disclosure on the financial performance of commercial banks in Rwanda. The study has examined

the connection between the financial performance of Rwandan commercial banks and board transparency, which was regarded as a surrogate of volunteer disclosure. With the help of the ratio of return on equity (ROE), we have analyzed the performance of the firm. The research strategy employed in this study was descriptive research. Fourteen commercial banks were surveyed in this research in Rwanda. The sample size was determined in a census-like manner. To obtain data, a disclosure index comprising of 47 disclosure elements was developed. Secondary data was compiled using documentary data of the 2011-2015 fiscal years of the banks that participated. The data were analyzed with the help of a multiple linear regression model. The research established a relationship between board transparency and a high return on equity. The operational and disclosure environment in Rwanda where the study was conducted may not be the same as Kenya.

Hamroubi, Miloudi, and Benkraiem (2015) conducted a survey in France, which investigated the correlation between the performance of firms and their free disclosure of information about the effectiveness of boards. The sample comprised the whole of 250 French manufacturing companies which were listed on Euronext stock exchange between the year 2004 and 2009. The analysis did not include the financial and related entities, as they operated in the framework where transparency was more or less defined by specific legal and regulatory demands. Moreover, the study left out any players that did not have any financial or governance data. One hundred and seventy-nine firms were finally selected. Taking into account the variables like company size, corporate behavior and industry forces, the study provided the use of regression analysis to investigate the relationship between the disclosure index and the performance of a

company. The empirical findings indicated positive relationship between the performance indicators and indices of board disclosure. Their study shows that the quantity of voluntary disclosed information of boards featured in annual reports has a significant impact on the performance of companies. In the present research, commercial banks were mainly discussed, although manufacturing businesses were also examined, and they have other disclosure requirements.

The research conducted by Mutiva (2015) investigated the relationship between voluntary disclosure and financial performance of the listed firms in the NSE. The study concentrated on the performance of NSE-listed companies and the impact of voluntary information disclosures basing on the broad corporate and strategic facts, financial statements, outlook, footprint and/or board disclosures. Between the year 2011 and 2013, the annual reports of 10 publicly listed companies that were in the NSE 20-share index were looked. We applied a comprehensive checklist of 49 items on voluntary disclosure. The dataset was subjected to a regression analysis in Excel 2007. When examined in regard to return on investment (ROI), the results showed that different predictor factors caused different outcomes. There was a robust positive correlation between financial success metrics and the voluntary disclosure of board effectiveness, according to the multivariate regression analysis. The most successful companies listed on the NSE across all industries were the exclusive focus of this analysis. Discrepancies stemming from different reporting standards across different businesses could muddy the results. Banks that are publicly traded and have comparable reporting requirements and operating settings will be the exclusive focus of this research.

2.3.2 Shareholder rights and quality of financial disclosure

The disregard for shareholder votes by Boards of Directors has led to a detrimental reputation and diminished ratings from governance firms that conduct evaluations. Such directors possess limited prospects for re-election and an increased probability of forfeiting additional directorships in the United States (Ertimur et al. 2010). Shareholder proposals may consequently diminish agency costs, since directors will be compelled to address shareholder concerns (Thomas & Cotter 2007). Gompers, Ishii, and Metrick (2003) demonstrated that companies prioritizing shareholder empowerment received favorable market valuations. Consequently, elevated levels of shareholder rights were associated with abnormally high returns, substantial company valuations, elevated profitability, reduced capital expenditures, significant sales growth, and fewer acquisitions. Consequently, shareholder rights led to enhanced performance.

Kanthapanit (2013) also noted that the legal protection of investors significantly impacted the performance of Thai banks. Mohd-Sulaiman and Rachagan (2016) assert that contemporary organizations can operate efficiently when shareholders possess the capacity to oversee business operations and decision-making processes. Companies with enhanced shareholder rights and elevated disclosure levels successfully diminished their cost of capital relative to those with diminished shareholder rights and reduced disclosure levels (Cheng et al., 2006).

According to research by La Porta et al. (2002), company valuations were greater in nations with stronger shareholder protection laws. Additionally, Chugh, Meador, and

Meador (2010) assessed the financial health of companies with different degrees of shareholder rights. Enterprises with limited shareholder rights performed better when volatility was taken into account, although the study did confirm that enterprises with high shareholder rights would perform better up to a certain point. According to the research, companies with fewer shareholder rights were financially stable and performed better than those with more rights, which led to problems like stifled innovation, a lack of agility in decision-making, and a decrease in franchise value as a result of sacrificing the interests of other stakeholders.

Researchers Castrillo, Marcos, Manuel, and Martín (2010) found that in a study of enterprises in Spain and the UK, ownership concentration and investor protection were effective mechanisms that boosted the value of the firm. Additionally, they hypothesised that the internal governance processes in each country were determined by the legal protections afforded to investors. Although investor protection is an independent variable in this analysis, it was a moderating variable in the previous one. The fact that shareholder protection increased company value was hinted at by La Porta et al. (2002) as well.

There is a correlation between more shareholder empowerment and better profits quality, according to research by Kiambati, Karanja, Katuse, and Waititu (2013) on the impact of shareholder control on financial performance in Kenyan commercial banks. Factors that were quite specific regulated the relationship. Researchers Mwanja, Marangu, Wanjere, and Kuria (2014) looked at how corporate governance affected performance. The vast majority of people who took the survey felt that members of Commercial and Service Companies had a voice in company decisions. The results

showed that both service and commercial companies' performance was affected by corporate governance. Research on the impact of member engagement on economic and cooperative performance has been conducted by Liang, Huang, Lu, and Wang (2015) and Huang, Zazale, Othman, Aris and Ariff (2015). One study indicated that it had no discernible effect on performance, whereas the other indicated that it did have an effect. Research conducted in cooperatives inside the European Union by Bijman et al. (2012) indicated that the performance of the cooperatives was positively affected by members' proportional voting rights.

Corporate governance has a favorable and substantial effect on performance, according to research by Muiru, Kyongo, and Onchomba (2018), which was carried out in Kenyan commercial and service companies affiliated with private institutions. The operationalization of corporate governance was defined as the following: shareholder rights, the responsibility of the board, complete disclosure, and an ethics culture. The performance was positively and considerably impacted by shareholder rights. Wangui (2019) looked studied how corporate governance affected the success of businesses in Nairobi County that provided goods and services. Commercial and service performance were the primary foci of the research, which also examined the impact of board composition, committee composition, and member engagement. As indications of members' involvement, we looked at members' education and training, members' welfare, members' rights, and company self-reliance. Results from the correlation analysis on member rights showed a positive but non-significant relationship ($r=0.073$). Having said that, corporate governance has a favorable and statistically significant effect on performance generally.

Odero (2022) looked at the performance of deposit-taking commercial and service companies as well as shareholder rights. The impact of shareholder rights on the performance of Kenyan deposit-taking commercial and service companies was the subject of this study. Every one of the 42 deposit-taking businesses and services in Nairobi County was considered when analyzing the relationship. Primary data for the study came from top managers who filled out organized questionnaires. The data was analyzed using both descriptive and inferential statistics. What we found: The findings confirmed that shareholder rights had a favorable and substantial impact on the performance of Kenyan deposit taking companies and services. The impact of shareholder rights on the performance of Deposit Taking Commercial and services is examined in this article, which adds to the existing literature. Policymakers may find the results quite useful when formulating policies on shareholder rights. In order to improve performance, executives of deposit-taking commercial and service companies should remember that shareholders have rights, such as the right to be heard, the right to fair treatment, and the right to obtain information.

2.3.3 Corporate behavior and quality of financial disclosure

Kayani (2018) examined the influence of behavioral biases on the performance of stocks traded on the Nairobi Securities Exchange (NSE) in Kenya. This study utilized a descriptive survey methodology. The study population consisted of 338 individuals, from which a sample of 183 was utilized. Investment advisors were selected from the 24

regulated brokerage firms using both stratified and random selection methods. A structured closed-ended questionnaire was utilized to collect primary data. The data underwent processing for both descriptive and inferential statistics using the SPSS version 23, with the results displayed in tables and figures. This research indicates that behavioral biases may exert both beneficial and detrimental effects on the stock market, depending on the characteristics and experiences of the participants involved. This research promotes the establishment of regulatory measures aimed at reducing the impact of insider trading information cascades, particularly those stemming from investors possessing insider knowledge that intensify herding behavior within the stock market.

Thus, Rao and Ibrahim (2024) conducted an investigation into the factors that influence the adoption of integrated reporting in India, specifically corporate reporting behavior. There is a heavy focus on financial capital in corporate reporting standards, but the results show that non-financial capital elements are interdependent. On average, there were many words used to describe financial capital, but the least amount of words used to describe intellectual capital. There was a statistically significant relationship between strategic management and investment cash flow at the 5% level. Similarly, the integrated reporting system was found to be an important motivator for firms within the Nifty Metal Index to pursue short-term goals, as demonstrated by profit after tax. There was a discrepancy between the reporting entities and book value per share in the past, as seen

by the negative coefficient. Insights like these point to strategic goals, short-term targets, and overall business success as the primary motivators for management to embrace the integrated reporting structure.

Researchers Odunayo and Oladipupo (2019) looked at how ethical considerations affected the financial reports of Nigerian corporations. Results are offered in percentages, averages, and standard deviations; the study is quite descriptive and empirical, relying on a questionnaire as its major data source. Accounting and auditing experts from businesses in Lagos State were the intended responders. In order to accomplish the goal of the study, fifty questionnaires were distributed to the individuals working in the finance industry. Out of the 50 surveys that were sent out, only 40 were returned for analysis. To test the hypothesis, the one-way ANOVA technique was employed. The study's results showed that corporate ethics in Nigeria significantly affect financial reporting. It was suggested that corporations implement a more thorough method of hiring, that accounting policies fully incorporate international financial reporting standards, that businesses set up a compliance department within their offices, and that government regulatory bodies keep an eye on companies to make sure they're following ethical guidelines.

Erderhe (2004) highlighted the importance of trust, transparency, and frameworks as crucial tools in ethics. According to him, a company may go under if the trio were to disappear. He claims that the US government's 1997 founding of the Global Reporting Initiative—which includes corporate groups, NGOs, and labor unions—improves

qualitative reporting. Karaibrahimoglu, Erdeher, and Var (2009) found that effective leadership and the educational process were the most important factors in fostering ethical principles in accounting curricula. Among the ethical principles mentioned were honesty, objectivity, and reliability in relation to one's own sense of what is right and wrong. According to Onyebuchi's (2011) study on accounting ethics, there is no universally agreed-upon method for dealing with moral dilemmas. Using 24 surveys assessing the quality of financial reporting and ethics, Mahdi and Mohson (2012) surveyed 215 Iranian enterprises. Their study's results showed that ethical professionals advocate for more detailed financial reports. Opinions on accountants' responsibilities to owners, workers, governments, shareholders, the profession, and the general public were expressed by Masoud and Mahbude (2013). The accounting profession has long relied on ethical leadership as a cornerstone. Integrity and accurate financial reporting, they said, worked hand in hand.

According to Enofe, Edemenya, and Osunbor (2013), the Public Company Accounting Oversight Board and the Sarbanes Oxley Act of 2002 pushed accountants to have more ethical knowledge in order to avoid another Enron, Arthur Anderson, or WorldCom scandal. In light of recent high-profile cases including Cadbury Plc, African Petroleum, Oceanic Bank, and Societe General Bank, among others, the Nigerian government has taken note of the importance of enforcing a stricter code of corporate governance. The impact and degree of ethics on financial reports were the primary foci of their investigation. According to Kermis & Kermis (2014), there are four types of values: social, individual, institutional, and professional. There is a strong emphasis on

democracy, utilitarianism, equality, truth, self-fulfillment, and organization in American accounting ethics, as well as on individual rights and the pursuit of happiness. Financial accounting faces issues in the following areas: economic environment, organizational structures, production, and corporate operation (Hou 2014). To address these issues, he proposed accounting standardization and the use of technology to facilitate solutions. In an era of fast economic and social development, he reasoned, a remedy would be to have solid knowledge of the accounting development pattern.

According to Adegbite and Fofah (2016), company financial reports must include the four tenets of good corporate governance: responsibility, autonomy, equity, and openness. The consistency and veracity of the information presented in the financial reports demonstrate that the company is successfully attracting investors and other key stakeholders with its long-term performance projections. The building blocks of a successful and sustainable banking business have long been recognized as trust and confidence. As more and more nations join the global village in adopting standardized financial reporting practices, the Financial Reporting Council of Nigeria has a responsibility to guarantee that all financial reports are accurate, reliable, and up to date. With a stronger capital base and more interconnected economies, financial reports are crucial documents that attract foreign direct investment. As a result, Nigerian regulatory authorities should step up their oversight of the country's banks.

According to Pandey (2017), financial reporting and accounting are confronted with a variety of challenges, including the continuing concern concept, historical accounting,

measurement, consistency, and the development of the International Financial Reporting Standard. In his view, there are several ethical concerns with accounting and financial reporting, including dishonest reporting, theft of assets, fraud, and mistakes. When asked about ways to address ethical concerns with financial reporting, he recommended prioritizing consistency, investing in IT systems, and bolstering internal support systems.

2.3.4 Firm Size

Musa and Saidu (2020) examined the impact of the size of audit firms on the reliability of the financial reports on the publicly traded insurance companies in Nigeria. The study examines the quality of financial reporting of listed insurance companies in Nigeria and its influence by the audit firm size. To conduct this research, we have searched the financial statements of randomly selected 13 insurance companies out of the thirty-three companies that were listed on the Nigerian Stock Exchange between 2008 and 2015. The empirical studies made use of descriptive statistics, Pearson correlation, and multiple regressions (Ordinary Least Square). The study finds that audit firm size has a positive impact and is significant in financial reporting quality. To compete with other accounting firms in auditing, the report recommends that non-big4 accounting firms especially in specialized industry should invest more in technology and personnel training.

Nyabaga and Wepukhulu (2020) highlighted that the size of the company is a significant attribute of company characteristics. The large size enables the banks to get more deposits and with this, their financial performance will be boosted as opposed to small

banks. This also demonstrates that banks ought to control deposits as they are the ones that impact the bottom lines of the banks. Sporta et al. (2019) were able to estimate the size of banks by creating a list of assets of banks first and then finding the logarithm value by the natural logarithm of the assets to avoid the problem of very small and very big numbers.

Correlation between the firm size and financial success is not necessarily good because growth can be accompanied by higher expenditure hence mixed conclusion among experts regarding the effect of firm size. Niresh and Velnampy (2014) noted that the performance of a firm is not influenced by its size. According to Myers (2010), the financial performance is positively related to the bank size; therefore, bigger firms are more profitable. This observation is against the claims of Javaid, Anwar, Zaman, and Gafoor (2015), who concluded that a big company experiences a higher amount of expenditures, which has a negative effect on liquidity. This research is concerned with the business size as related to business performance but the present research is trying to introduce the size as a moderator of other things.

Wangige, Simiyu, and Atheru (2016) identified business size as a variable that affects the quality of financial reporting with a positive correlation existing between bank size and the performance. The author pointed out that the size of a bank is a key determinant of financial performance of an entity. The research used secondary data in the form of annual reports and estimated it in a pooled Ordinary Least Squares model. The natural logarithm of assets was used to measure the size of the firm with ROE and ROA used to measure financial success. The positive and significant correlation between natural assets and financial performance were noticed, implying that the bank size positively influenced the financial performance. The size of the banks was measured in this study

using the logarithm of assets. The larger the bank, the more the asset the more effective the organization and the reverse is also true.

Nyabaga and Wepukhulu (2020) studied how corporate traits affect the financial performance of NSE-listed enterprises between a period of eight years between 2010 and 2018. The analyzed characteristics of the commercial bank were capital structure, quality of assets, size of the bank, capital adequacy, and returns on equity (ROE). The use of Stata software was made, with descriptive as well as inferential approaches. The analysis found out that all factors had a positive impact on performance including the size of business.

Musundi (2018) conducted a research on how the size of a firm influences the profitability of a bank in Kenya. This paper evaluated 44 Kenyan commercial banks that operated across 10 years between 2008 and 2017. The independent variables in terms of size such as liquidity risk, leverage, shareholder funds, customer deposits and loans to be disbursed were found to have a positive influence on bank performance. This paper concluded that customer base, number of branches and total assets are considered in assessing the size of a bank in an accurate manner.

Mboi, Muturi, and Wanjare (2018) indicated that the company qualities moderated the financial performance of large companies listed on the NSE. The secondary data was used and the sample of the population consisted of 60 large enterprises over a six years period between 2011 and 2016. The parameters that were examined included the size and age of firms. Cash flow, pecking order, and trade-off theories were used as theoretical aspects. The statistical method used both statistical and inferential. Further, Pearson moment correlation and multiple regression analysis were used. The null

hypothesis that considered company size and firm age was not accepted as two variables that affect firm performance. Return on equity was the main measure to assess the performance of corporations. The given study is concerned with the size of the enterprise in relation to performance, and the current research is intended to set the moderating impact of the size on the other variables.

In their study, Mule, Mukras, and Nzioka (2015) concentrate on the influence of the firm size in the performance of the Kenyan commercial banks by employing a causal research design and using a census survey. It was noted that the size of business did not influence the financial performance of banks as shown by the insignificant increase in the value of R-squared. To measure size, the asset turnover ratio was used by the following: total sales value/average total assets, total sales/average total assets, i.e., total sales/average beginning assets and total sales/average ending assets. The current paper used the natural logarithm of assets. This paper concluded that the size of a bank is considered by making a correct evaluation of the customer base; the number of branches and the total assets of the bank.

2.5 Conceptual Framework

A conceptual framework denotes the interrelationship among study variables (Kothari, 2014). This study investigates the association between corporate governance characteristics (independent variable) and the quality of financial disclosure (dependent variable), modulated by firm size.

Independent variable

**Corporate governance
characteristic**

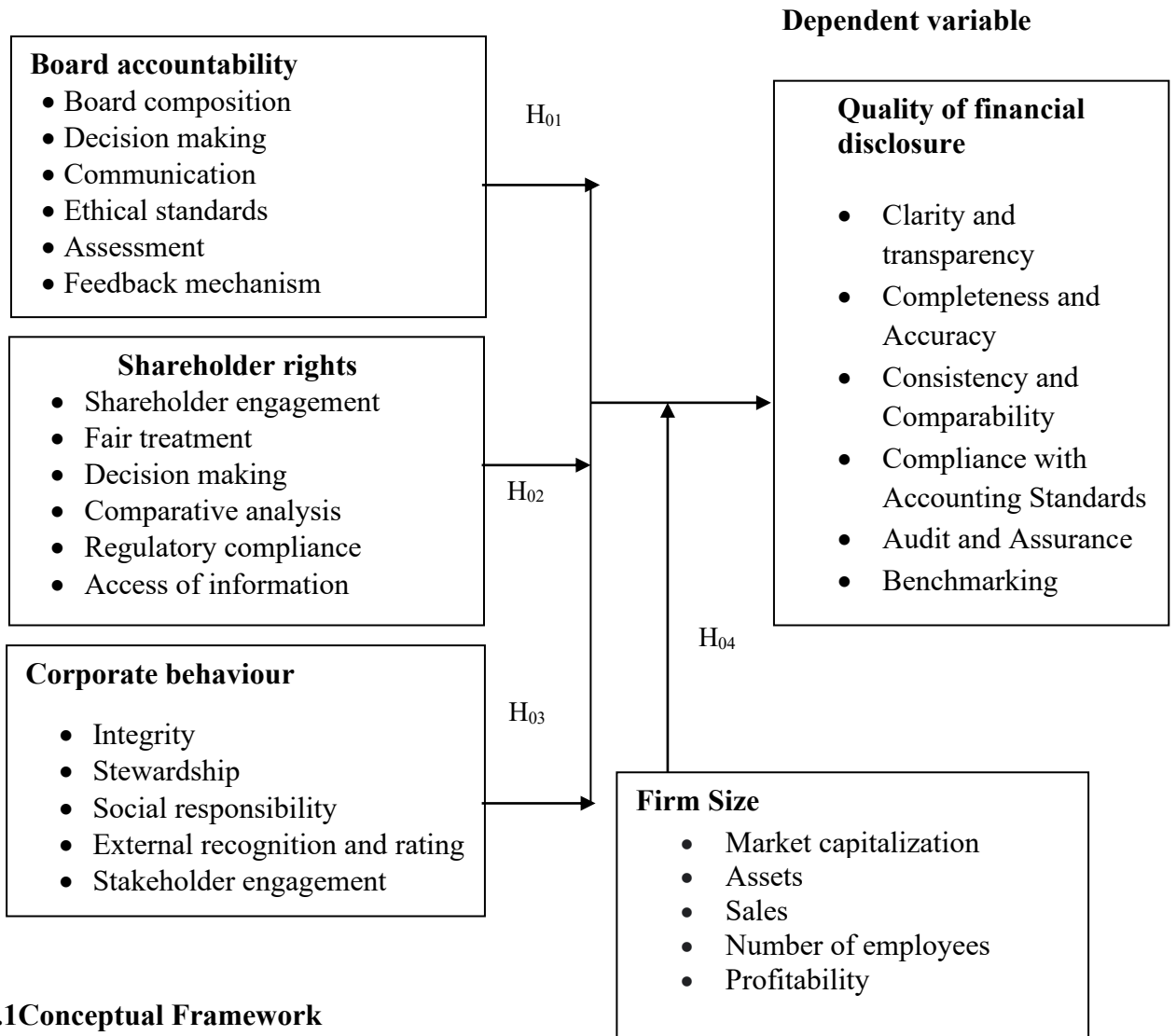


Figure 2.1 Conceptual Framework

Source: Adopted from Kyabarongo, Agabas, Mpora and Sekiwu (2024)

The independent variable corporate governance characteristic is explained by board accountability, shareholder rights and shareholder rights. Board accountability is further examined by board composition, decision making, communication, ethical standards,

assessment and feedback mechanism. Shareholder rights are measured through shareholder engagement, fair treatment, decision making, comparative analysis, regulatory compliance and access of information. Corporate behavior measured through integrity, stewardship, social responsibility, external recognition and rating and stakeholder engagement.

Firm size was measured through market Firm size, assets, sales, number of employees and profitability. Quality of financial disclosure measured through clarity and transparency, completeness and accuracy, consistency and comparability, compliance with accounting standards, audit assurance and benchmarking

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section involves the research topic, research design, target population, sample size, the sample collection methods, data collection tools, data collection method, the pilot study, validity, reliability and data analysis.

3.2 Study Area

The study was conducted in commercial and service Companies in Kenya which comprises of 60 firms thus in six categories of finance services, telecommunication and

IT, retail and consumer services, Hospitality and tourism, security services as well as construction, real estate and logistics.

3.3 Research Design

This research employed descriptive and correlational methodologies. Descriptive research design entails gathering data that addresses inquiries from sampled participants in the study. It is suitable when the researcher aims to deliver an authentic depiction of individuals, events, or circumstances, as stated by Saunders et al. (2012), and to draw inferences regarding the target population. Correlational research approach is valuable for evaluating the link between study variables.

3.4 Target Population

Cooper and Schindler (2014) asserted that a population comprises the complete set of cases or items from which a relevant sample is derived for analysis; it represents the entirety of elements regarding which the research aims to draw inferences, whereas a population element refers to the individual item subjected to measurement. The target demographic comprised firm employees, specifically 94 accountants and 51 finance personnel, as detailed in Table 3.1.

Table 3.1: Target Population

Firms category	Accountants	Finance	Total
-----------------------	--------------------	----------------	--------------

Finance services	15	9	24
Telecommunication & IT	14	9	23
Retail & consumer services	14	7	21
Hospitality and tourism	22	13	35
Security service	13	4	17
Construction, Real estate & Logistics	16	9	25
Total	94	51	145

Sources: NSE Data (2025)

3.5 Sampling Techniques and Sample Size

According to Cooper and Schindler (2014), a sample is characterised as a section of the target or focus population that is carefully selected by the researcher to study in order to establish facts about the said population. Therefore as the size of population goes up the percent of the population you need to achieve a representative sample reduces, Cooper and Schindler (2014), added that the larger the desired precision of the estimate you need, the bigger the sample size you require.

The researchers employed the methods of stratified sampling and simple random sampling. The stratified method of sampling entails dividing the population into homogenous groups known as strata and selecting a random sample out of each stratum hence minimising errors and increasing the representativeness of the sample. The researcher approached all the classifications systematically by taking samples of

management employees in each of the four universities located in the western part of Kenya. The simple random sampling entails selecting a sample of a population whereby each of the units has an equal chance of selection. This is usually performed by use of random number generator or any form of random selection in order to eliminate prejudice in the selection process.

The sample size of this research was set by using the bailiwick of Taro Yamane proportional sampled equation that can be explained as:

$$n = \frac{N}{1 + N(e)^2}; \text{Where } n = \text{Sample size; } N = \text{population under study}$$

$$E = \text{margin error (0.05)}$$

$$I = \text{constant}$$

Therefore;

$$n = 145 / (1 + 145 (0.05)^2)$$

$$n = 145 / (1 + 145(0.0025))$$

$$106$$

Hence, the size of the study enjoyed a sampling of 106 as shown in the table 3.2.

Table 3.2: Sample size

Category of Management staff	Target population (N)	Sample n= (N/Target Pop.)x Sample size)
Accountants	94	94/145x106=69

Finance officers	51	$51/145 \times 106 = 37$
Total	145	106

Sources: NSE Data (2025)

3.6 Data Collection Instruments

Primary data was gathered by administering questionnaires that were prepared in accordance with the study variables that were conceptualized. You may readily quantify and analyze the data gathered using statistical approaches when you use structured questionnaires, which guarantee the respondents' anonymity. This makes it simpler to receive honest replies to sensitive and personal topics. Their standardized questions assist keep data collecting and analysis consistent by making sure respondents are given the same questions in the same way. The survey was divided into sections A and B, which asked about demographics; C, which measured business size; D, which assessed the quality of financial disclosure; and E, which used a 5-point Likert scale to assess We have five levels of agreement: strongly agree (SA), agree (A), fairly agree (FA), disagree (D), and strongly disagree (SD).

3.7 Data Collection Procedures

Prior to conducting research at commercial and service companies, the researcher complied with research ethical standards by drafting an introductory letter and obtaining a research license letter from MMUST. Consequently, the drop-and-pick method was used to administer the research instruments. It was made possible by three research assistants.

3.8 Pilot Testing

A pilot research was done on a sample of 10 percent successful, i.e. 139 but an actual 14 respondents became available during the pilot phase. A pilot study was carried out at the Nairobi Business Ventures Ltd because of ease of access. In order to determine the accuracy of the terminology and claims in the study questionnaire, a pilot test was to be conducted to make any necessary adjustments necessary to ensure content validity. The reliability of research instruments was determined by using the Cronbach alpha test which was developed by Lee Cronbach in 1951 as a scale of internal consistency. The results of the pilot test should achieve the Cronbach alpha value of 0.7 or more as confirmed by empirical data and practical experiments in the psychometrics area to prove that the research instrument used to extract the responses of the selected respondents in business and service organizations in the specific study area is reliable.

3.9 Validity of Instruments

Validity has been described as the ability of an instrument to be able to accurately measure what it is supposed to measure. It is used to answer the extent to which a measure represents multiple aspects of the construct under concern. Validity is considered as one conceptualization. In this case, validity refers to the accuracy of the formulation of the questionnaire (Neuman, 2015). The paper used content and construct validity; content validity was utilised by revising the questionnaire by experts including

the supervisors of the study. Determine validation, doing it with multiple factor analyses, variable rotation, and those variables that have a factor loading less than 0.4 are discarded (Neuman, 2015).

3.10 Reliability of Instruments

Reliability, as proposed by Mugenda and Mugenda (2013), is the extent to which there are no errors when measurements are conducted using a test; the presence of measurement errors compromises reliability. Moreover, reliability refers to the extent to which a tool is consistent or reproduces measuring the same phenomenon at different times. It measures how far the same persons obtain comparable scores on a measure administered at two distinct times. A test is said to be reliable when it is carried out by different researchers in similar settings and whenever it produces results that are stable. The investigator made use of Cronbachs Alpha as a method of testing reliability. Cronbach alpha is a parameter to quantify the degree of internal consistency in a set of elements, or in other words, how interconnected they are as a whole. An alpha coefficient aims at describing the internal consistency of a test or scale and was first advanced in 1951 by Lee Cronbach. This is captured in a numerical value of 0 to 1. The cut-off point of at least 0.7 was commended.

3.11 Data Processing and Analysis

SPSS version 23 was used to compute descriptive inferential statistics. Descriptive statistics boil down the data and help to present it in a form which is easy to understand,

using frequencies, percentages, measures of central tendency (means) and dispersion (standard deviation). Inferential statistics have been used to describe the relationship between variables; to ascertain the type of relationship that exists as well as the strength of such a relationship, regression statistics and Pearson correlation analysis were employed. The regression and Pearson correlation asks the question of the relationship between two or more variables. Regression analysis was applied to make the dependent variable to be able to predict the value of the independent variable, to explain the nature and the strength of the dependency of the relationship of the variables with each other, and to help find the variables that are influential as far as the study of the dependent variable is concerned. The use of correlation analysis performed with the help of Pearson allowed to rigorously quantify the degree of connection between the two variables and direction of the connection between them on a scale of magnitude. It precisely determined the patterns and associations and checked linearity and homoscedasticity and narrowed down highly correlated variables that could either be merged or be removed thereby increasing the precision of the analysis and enhancing the quality of the model performance. Consequently, simple linear regression, multiple regression and hierarchical regression were employed in the research. The data were presented by the use of tables and figures.

The simple linear regression;

$$Y = \beta_0 + \beta_1 X_1 \dots \dots \dots \text{Model 1}$$

$$Y = \beta_0 + \beta_2 X_2 \dots \dots \dots \text{Model 2}$$

$$Y = \beta_0 + \beta_3 X_3 \dots \dots \dots \text{Model 3}$$

$$Y = \beta_0 + \beta_4 X_4 \dots \dots \dots \text{Model 4}$$

The multiple regression;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \dots \dots \dots \text{Model 5}$$

Hierarchical regression (Moderated model);

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + M + \beta_4 X_1 M + \beta_5 X_2 M + \beta_6 X_3 M + \varepsilon$$

Y = Quality of financial disclosure

β_0 = Constant

$\beta_1 - \beta_6$ = Beta coefficients

X_1 = Board accountability,

X_2 = Shareholder rights

X_3 = corporate behaviour

M = Size of the firm (Moderator)

ε = the error term

3.11.1 Regression Assumptions / Diagnostic Tests.

The assumptions underlying the multiple regression model of analysis, as stated by Hair et al. (2006), were taken into account.

Normality test: In regression models, it is crucial to identify non-normal errors for both procedural and theoretical reasons. The absence of Gaussianity can often compromise the consistency of basic estimate and testing procedures, requiring the adoption of superior methods grounded in alternative distribution assumptions or resilient alternatives devoid of distributional benefits. The study employed the Kolmogorov-Smirnov and Shapiro-Wilk tests for normalcy assessment. In this study, questionnaire items were analyzed using the Kolmogorov-Smirnov and Shapiro-Wilk tests, with a significance level of 0.05. The Kolmogorov-Smirnov and Shapiro-Wilk tests are

statistical hypothesis tests assessing if the overall data distribution deviates from a corresponding normal distribution (Ghasemi & Zahedias, 2012). The P-values exceeded the significance level, leading to the conclusion to fail to reject the null hypothesis; thus, the data was deemed normal.

Multicollinearity test: In multiple regression, multicollinearity refers to the existence of elevated inter-correlations among a group of variables. In this instance, the coefficient estimates of multiple regression may fluctuate unpredictably in response to minor alterations in the model or the data. The duplication of identical variables leads to multicollinearity, typically occurring when the factors are significantly interrelated. This study employed Variance Inflation Factors (VIF) to assess multicollinearity. All variables exhibited a Variance Inflation Factor (VIF) of less than 10, indicating the absence of multicollinearity, as per Myers (1990).

The Test of Linearity pertains to the extent to which variations in the dependent variable correlate with variations in the independent variable. This was evaluated using scatter plots, with concentrations aligning along a diagonal line indicating linearity.

3.12 Ethical Consideration

Ethics is a domain of principles that addresses morality (Akaranga & Makau, 2016). Ethical considerations were maintained due to the involvement of human participants in the research. This is essential in research because the researcher seeks the approval of the respondents without coercing anyone to take part in the survey (Roberts & Allen, 2015). The researcher ensured maximum secrecy, informed permission and privacy of

the respondents in this study. Moreover, the scholar has cited all the sources that he/she used in the research. In the end, the researcher requested a research approval.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1. Introduction

The elements covered in this chapter include the response rate, reliability tests, demographic data, descriptive statistics and linear regression analysis, multiple regression analysis and lastly, hypothesis testing.

4.2 Reliability of research instruments

The reliability of the research tools was measured by use of Cronbachs alpha ranking that measures internal consistency. The results indicated in Table 4.1 show that values of Cronbach alpha coefficient of 0.7 and higher were found, which confirms the accuracy of the research tools used in the study.

Table 4.1 : Results of Reliability test

Variable	Number of items	Cronbach alpha
Board accountability	6	.849
Shareholder rights	6	.817
Corporate behaviour	5	.836
Firm size	5	.814
Quality of financial disclosure	6	.787

Source: Primary Data (2025)

4.3 Response rate

A total of 106 questionnaires were circulated on data collection purposes where 95 of them were returned complete. This gives a response rate of 89.6% that is good as far as the applicability of the research findings to a larger population is concerned. The high response rate was achieved by hiring research assistants and the diligent manner with which the researcher gave the respondents a considerable amount of time to review the questionnaire before collecting it. The response percentage should be 50 percent in order to analyze statistics (Mugenda & Mugenda, 2013).

4.4 Analysis of Demographic data

The demographic data gathered encompassed the designation, educational attainment of respondents, and duration of service. The findings are presented in Table 4.2, accompanied by a detailed interpretation in narrative form.

Table 4.2: Demographic data

	Frequency	Valid %
--	------------------	----------------

	Accountant	59	62.1
Designation	Finance	36	37.9
	Total	95	100.0
Level of Education	Diploma	16	16.8
	Degree	71	74.8
	Masters	8	8.4
	Total	95	100.0
Length of service	Less than 3 yrs	11	11.6
	3-6yrs	32	33.7
	6-9yrs	39	41.1
	Above 9 yrs	13	13.6
	Total	95	100.0

Source: Primary Data (2025)

According to table 4.2, the majority of respondents identified as accountants, comprising 62.1%, whereas those in finance accounted for 37.9%. This suggests that a significant portion of the employees involved in the study were engaged in the field of accounting. This group of respondents, comprising accountants and finance managers, was particularly well-equipped to provide insights on corporate governance and the quality of financial disclosure. Regarding educational attainment, a significant majority of respondents possessed a degree (74.8%), suggesting that individuals employed in Commercial and Service Companies typically hold graduate-level qualifications. This was succeeded by individuals possessing diploma-level education (16.8%), suggesting that this group of employees may include those with extensive tenure, holding professional qualifications such as CPAs, as well as younger employees equipped with the technical and innovative skills essential for operations within Commercial and Service Companies. The cohort possessing a Master's degree constituted the smallest percentage at 8.4%. This suggests that such individuals may occupy positions within the senior management team or have

pursued advanced degrees to enhance their competitive edge in promotion considerations for senior management roles.

Concerning the duration of employment, a significant portion of respondents, specifically 41.1%, reported having worked for a period of 6-9 years, with a close second of 33.7% indicating a tenure of 3-6 years. This suggests that the majority of respondents possess between 3 to 9 years of experience, thereby equipping them with a solid foundation for comprehending the financial performance of Commercial and Service Companies. A proportion of 13.6% of respondents had over nine years of experience, suggesting that these individuals are likely part of the middle and senior management teams. Their substantial experience in essential financial management practices is expected to have a favorable impact on the financial performance of Commercial and Service Companies. Ultimately, the individuals who had been employed for fewer than three years constituted 11.6%, suggesting that these respondents may possess the technical skills essential for the effective functioning of technical operations within Commercial and Service Companies.

4.5 Descriptive statistics

This section provides the descriptive statistics that reflect aggregate responses to statements measuring the independent variables in the study: Board accountability, Shareholder rights, corporate behavior, and firm size. The scales of these responses were based on a Likert-type and the choices were 5, 4, 3, 2, and 1 representing Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree, respectively. The results are

presented in a tabular manner and show the frequency of the responses of each statement and the respective percentage score following in brackets.

4.5.1 Descriptive statistics: Board accountability

This summarized responses on whether board accountability influences financial performance of Commercial and Service Companies in Kenya. The descriptive results are presented in table 4.3.

Table 4.3: Descriptive statistics; Board accountability

Statement	Frequency and percentages (%)					mean	Std.dev
	5	4	3	2	1		
My companies board composition is based on experience and qualifications	6(6.3)	49(51.6)	7(7.4)	23(24.2)	10(10.5)	3.59	0.880
The company shareholders are always involved on firms decision making on reporting	5(5.3)	47(49.5)	10(10.5)	27(28.4)	6(6.3)	3.37	0.904
The company has timely and reliable communication on matters of firm accountability	7(7.4)	43(45.2)	9(9.5)	28(29.5)	8(8.4)	3.44	0.772
Our firm has ethical standards followed that guides on taking charge of one's actions	9(9.5)	46(48.3)	11(11.6)	22(23.2)	7(7.4)	3.48	0.847
The company has an assessment plan that always ensures records are transparent	13(13.7)	49(51.6)	8(8.4)	16(16.8)	9(9.5)	3.51	0.809
The company's feedback mechanism is reliable and enables accountability	15(15.8)	51(53.7)	5(5.3)	18(18.9)	6(6.3)	3.54	0.858
Valid listwise 95							
Grand mean = 3.488							

Source: Primary Data (2025)

According to table 4.3 it was observed that most of the respondents strongly agreed (6.3%) and agreed (51.6%) that the board composition in companies is made up based on qualification and experience. This means that the experience and qualifications of board promotes decision making and financial performance mechanism of the Commercial and Service Companies. Secondly, the majority of the respondents agreed (49.5%) and strongly agreed (5.3%) that shareholder of the company will always participate in the decision making in regards to reporting by the company. This means that the shareholders involvement in the decision making of the firm on reporting was critical.

Moreover, most of the respondents were in agreement (45.2%) and strongly (7.4%) agreed that the company communicates timely and reliably issues that pertain to accountability of the firm. This means that there was prompt and trustworthy communication hence ensuring accountability of firms. In this regard, a higher percentage of the respondents (48.3%) and strongly agreed (9.5%) that there are ethical benchmarks taken up by firms which serve as a guide to assume control of actions. This supports the notion that the commercial and service companies ranked midway with regards to ethics compliance.

Additionally, 51.6 percent and 13.7 percent of respondents admitted that it is true that there is an assessment plan effective in companies that invariably ensures that the records are transparent. The assessment plan indicates transparency and the record keeping. Finally, 53.7% and 15.8% of the respondents agreed and strongly agreed respectively that the feedback mechanism of the company is reliable and allows accountability. In a nutshell, the grand mean of 3.488 in general implies that majority of

the respondents agreed that board accountability has significant effects on the financial performance of the Commercial and Service Companies.

4.5.2 Descriptive statistics: Shareholder rights

This summarized responses on whether shareholder rights influences financial performance of Commercial and Service Companies in Kenya. The descriptive results are presented in table 4.4.

Table 4.4 Descriptive statistics; Shareholder rights

Statement	Frequency and percentages (%)					mean	Std.dev
	5	4	3	2	1		
The company has always engaged shareholders on matters regarding the company	7(7.4)	42(44.2)	13(13.7)	23(24.2)	10(10.5)	3.41	0.782
The company exercise fair treatment on members especially on matters of financial reporting	10(10.5)	44(46.3)	9(9.5)	25(26.3)	7(7.4)	3.46	0.878
The company include shareholders in decision making	5(5.3)	41(43.2)	11(11.6)	28(29.4)	10(10.5)	3.44	0.871
The company makes comparison of its reporting with like minded companies	6(6.3)	43(45.3)	11(11.6)	27(28.4)	8(8.4)	3.45	0.951
The company is always guided by regulatory compliance requirements at all times	9(9.5)	52(54.7)	7(7.4)	19(20.0)	8(8.4)	3.52	0.858
The company ensures shareholders are able to access information needed at all times	11(11.6)	53(55.8)	6(6.3)	16(16.8)	9(9.5)	3.55	0.982

Valid listwise 95

Grand mean = 3.472

Source: Primary Data (2025)

According to the data presented in table 4.4, a notable 44.2% of respondents expressed agreement, while an additional 7.4% indicated strong agreement regarding their companies' consistent engagement with shareholders on pertinent corporate matters. A majority of respondents concurred, with 46.3% agreeing and 10.5% strongly agreeing, that their organizations uphold equitable treatment of members, particularly concerning financial reporting matters. Furthermore, 43.2% and 5.3% of respondents expressed agreement and strong agreement that their organizations involve shareholders in the decision-making process; additionally, 45.3% and 6.3% of respondents indicated agreement and strong agreement, respectively, that their companies engage in comparative analysis of their reporting with similar organizations. Moreover, a significant majority of respondents indicated their concurrence, with 54.7% agreeing and an additional 9.5% strongly affirming that their organizations have consistently adhered to regulatory compliance mandates. This suggests that the majority of Commercial and Service Companies operate under the framework of regulatory compliance mandates.

In the overall assessment, a majority of respondents expressed agreement (55.8%) and strong agreement (11.6%) regarding the notion that companies typically facilitate shareholders' access to necessary information at all times. The grand mean, calculated at 3.472 and rounded to 4, aligns with the Likert scale employed in this measurement. This indicates a consensus among respondents that the rights of shareholders in commercial and service companies significantly impact the quality of financial disclosure. This is

reinforced by the regulations of commercial and service companies, which emphasize the necessity of establishing financial disclosure requirements among firms.

4.5.3 Descriptive statistics: Corporate Behaviour

This summarized responses on whether a Commercial and Service Companies corporate behaviour influences financial performance of Commercial and Service Companies in Kenya. The descriptive results are presented in table 4.5.

Table 4.5 Descriptive statistics; Corporate behaviour

Statement	Frequency and percentages (%)					mean	Std.dev
	5	4	3	2	1		
The company is guided by values such as integrity at all transactions	5(5.3)	47(49.4)	8(8.4)	26(27.4)	9(9.5)	3.50	0.863
The company stewardship is always concerned on behavioral issues	8(8.4)	43(45.3)	9(9.5)	28(29.4)	7(7.4)	3.31	0.967
The company has always behaved well by giving back to society through social responsibility	6(6.3)	44(46.3)	7(7.4)	30(31.6)	8(8.4)	3.38	0.871
The company has always been recognized and rated well at market and even NSE	7(7.4)	49(51.6)	10(10.5)	22(23.1)	7(7.4)	3.53	0.927
The company has always engaged stakeholders on critical issues	10(10.5)	50(52.6)	5(5.3)	21(22.1)	9(9.5)	3.51	0.809
Valid listwise 95							
Grand mean = 3.453							

Source: Primary Data (2025)

According to the data presented in table 4.5, a significant majority of respondents expressed agreement (49.4%) and strong agreement (5.3%) regarding the notion that companies adhere to values such as integrity in all transactions. This suggests that Commercial and Service Companies that consistently engage in financial disclosure are more likely to distinguish themselves in financial matters. Furthermore, a significant portion of respondents expressed agreement (45.3%) and strong agreement (8.4%) regarding the notion that corporate stewardship consistently addresses behavioral issues, which ultimately influences the financial disclosure mechanism over time. A significant portion of respondents, comprising 46.3% who agreed and 6.3% who strongly agreed, affirm that the company has consistently demonstrated commendable behavior by contributing to society through its social responsibility initiatives. Furthermore, 51.6% of respondents expressed agreement, while an additional 7.4% strongly concurred that companies have consistently been acknowledged and rated favorably in the market and at the NSE. This is substantiated by 52.6% of respondents who expressed agreement and 10.5% who indicated strong agreement regarding their companies' consistent engagement with stakeholders on pivotal matters. The grand mean of 3.453 further illustrates that a majority of respondents concurred with the notion that the corporate behavior of commercial and service companies significantly impacts their financial disclosure practices.

4.5.4 Descriptive statistics: Firm size

This summarized responses on whether a commercial and service companies firm size influences corporate governance as well as financial disclosure. The descriptive results are presented in table 4.6.

Table 4.6. Descriptive statistics; Firm size

Statement	Frequency and percentages (%)					mean	Std.dev
	5	4	3	2	1		
Our firm has a good market share based on its Firm size	11(11.6)	49(51.6)	9(9.5)	18(18.9)	8(8.4)	3.49	0.970
Our firm assets have been on the growth trajectory for the last 5 years	11(11.6)	53(55.8)	6(6.3)	16(16.8)	9(9.5)	3.55	0.982
Our firm has always recorded increase in sales for the last 5 years	15(15.8)	51(53.7)	5(5.3)	18(18.9)	6(6.3)	3.54	0.858
Our firm has always recorded increase in number of employees for the last 5 years	13(13.7)	55(57.9)	4(4.2)	16(16.8)	7(7.4)	3.55	0.945
Our firm has always recorded increase in profitability for the last 5 years	12(12.6)	53(55.8)	6(6.3)	15(15.8)	9(9.5)	3.49	0.883

Source: Primary Data (2025)

The findings indicate that a majority of respondents, specifically 51.6%, expressed agreement, while an additional 11.6% conveyed strong agreement regarding their firms' favorable market share. This signifies the potential for expansion among the firms. In summary, a majority of respondents indicated their agreement (55.8%) and strong agreement (11.6%) that, in general, the assets of firms have experienced a growth trajectory over the past five years.

In essence, 53.7% of respondents expressed agreement, while 15.8% indicated strong agreement regarding the firm's consistent increase in sales over the past five years. Moreover, a significant majority of respondents expressed their agreement (57.9%) and strong agreement (13.7%) regarding the consistent growth in the number of employees recorded by firms over the past five years. Furthermore, 55.8% and 12.6% expressed agreement and strong agreement that firms have consistently demonstrated an increase in profitability over the past five years. In recent years, the majority of Commercial and Service Companies have demonstrated a trajectory of growth that reflects their capacity for expansion and development. The grand mean of 3.524 further illustrates that a majority of respondents concurred with the influence of firm size.

Table 4.7 Quality of financial disclosure

Frequency and percentages (%)

Statement	5	4	3	2	1	mean	Std.dev
The company presents financial statements with clarity and transparency	6(6.3)	42(44.2)	9(9.5)	31(32.6)	7(7.4)	3.29	0.849
Financial statements presented by our firm are always complete and accurate	11(11.6)	53(55.7)	5(5.3)	20(21.1)	6(6.3)	3.57	0.937
Financial statements presented by our firm are always consistent and comparable	7(7.4)	43(45.3)	13(13.7)	24(25.2)	8(8.4)	3.38	0.848
Financial statements presented by our firm are always compliant with accounting standards	13(13.7)	55(57.9)	4(4.2)	16(16.8)	7(7.4)	3.54	0.945
Financial statements presented by our firm have always attracted good audit and assurance reports	12(12.6)	53(55.8)	6(6.3)	15(15.8)	9(9.5)	3.47	0.883
Our firm has always done benchmarking which points out that financial statements presented are reliable and of standards	10(10.5)	51(53.7)	5(5.3)	18(18.9)	11(11.6)	3.45	0.933
Valid listwise 95							
Grand mean = 3.450							

Source: Primary Data (2025)

According to the data presented in table 4.7, a significant portion of respondents expressed agreement (44.2%) and strong agreement (6.3%) regarding the company's provision of financial statements characterized by clarity and transparency. Furthermore, a significant majority of respondents expressed agreement (55.7%) and strong agreement (11.6%) regarding the completeness and accuracy of the financial statements provided by their firm.

A survey regarding the consistency and comparability of financial statements presented by firms revealed that 45.3% of respondents expressed agreement, 13.7% maintained a neutral stance, while 25.2% disagreed. This suggests that, given that statements reflect consistency and reliability, commercial and service enterprises can thus effectively leverage the financial disclosure method.

Moreover, a significant majority of respondents expressed agreement (57.9%) and strong agreement (13.7%) regarding the notion that the financial statements provided by firms consistently adhere to accounting standards. Most commercial and service enterprises have promoted rigorous adherence to accounting standards. Furthermore, 55.8% and 12.6% expressed agreement and strong agreement that the financial statements provided by firms consistently garner favorable audit and assurance reports. Overall, a majority of respondents expressed agreement (53.7%) and strong agreement (10.5%) regarding the notion that firms consistently engage in benchmarking, indicating that the financial statements presented are both reliable and adhere to established standards. The grand mean of 3.450 further illustrates that a majority of respondents concurred on the essentiality of quality in financial disclosure.

4.6 Inferential statistics

4.6.1 Assumptions of Regression Analysis

The analysis of the normality of the data, at first, implies that the data should tend to exhibit a normal curve, which has been determined by the use of histograms and a normal curve. The findings outlined in the appendix present histograms coupled with normal Bell shaped curves which in turn shows that the data was normalised within an

approximate range. The linearity of the study variables has been examined through Pearson product moment correlation coefficient, which has shown that the independent variables showed significant relations with the dependent variable, which were then deemed incidental in the carrying out of regression analysis. As is shown in table 4.8, all of the independent variables; Board accountability, Shareholder rights, corporate behaviour, and Firm size are found to have significant linear correlation with the dependent variable, that is, financial disclosure of Commercial and Service Companies.

To further test the issue of multicollinearity, a correlation of all the independent variables with each other was determined i.e., correlation between Board accountability, Shareholders rights, corporate behavior and Firm size. The majority of researchers affirm that when the correlation coefficient (r) approaches 1 or -1, or in other words, closer to these values, multicollinearity occurs; on the other hand, when the correlation coefficient (r) does not attain 0.9, multicollinearity is not present. In this paper (see table 4.8), the largest correlation coefficient that can be observed between any pair of the independent variables (Board accountability, Shareholder rights, corporate behaviour, Firm size) is 0.802. This value is below the mark of 0.9 and therefore, indicates that the assumption of multicollinearity is tested and fulfilled.

4.6.1.1 Normality Test

The Kolmogorov-Smirnov and Shapiro-Wilk tests and others used in the normality assessments determine whether the distribution of each variable follows a normal one.

Table 4.8 Normality Test

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Board accountability	.141	95	.081	.944	95	.087
Shareholder rights	.139	95	.097	.929	95	.093
Corporate behaviour	.122	95	.069	.961	95	.071
Firm size	.132	95	.102	.968	95	.110
Quality of financial disclosure	.153	95	.088	.920	95	.093

a. Lilliefors Significance Correction

The (sig) significance values were all above 0.05 hence data was normal.

Statistically, the significant values for both Shapiro Wilk test and Kolmogrov Smirnov were over 0.05 explaining that data was normal. All the calculated readings being higher than 0.05 further confirms linear relations between the predictor and dependent variable hence data represented a linear relationship.

4.6.1.2 Multicollinearity Test

The research assessed multicollinearity by examining the variance inflation factor (VIF) values derived from the collinearity test within the regression model. A VIF value between 1 and 10 indicates the absence of multicollinearity.

Table 4.9 Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
Board accountability	.231	4.326
Shareholder rights	.243	4.116
Corporate behaviour	.613	1.630
Firm size	.632	1.582

a. Dependent Variable: Quality of financial disclosure

The variance inflation factor values were less than 10 and tolerance values less than 1 hence non multicollinearity. From the results, the variance inflation factor (VIF) for board accountability was 4.326, shareholder rights was 4.116, corporate behaviour was 1.630 and firm size was 1.582. This meant all the VIF were between 1 and 10. Hence there was no multicollinearity.

4.6.1.3 Linearity Test

The use of Scatter plots (Appendix VII) provides that all the Q-Q scatter plots for variables depicted a linear relationship based on concentration towards line of best fit/diagonal line

Table 4.10: Correlation analysis

		Board accountability	Shareholder rights	Corporate behaviour	Firm size	Quality of financial disclosure
Board accountability	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	95				
Shareholder rights	Pearson Correlation	.617**	1			
	Sig. (2-tailed)	.000				
	N	95	95			

Corporate behaviour	Pearson Correlation	.628**	.612**	1		
	Sig. (2-tailed)	.000	.000			
	N	95	95	95		
Firm size	Pearson Correlation	.625**	.621**	.607**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	95	95	95	95	
Quality of financial disclosure	Pearson Correlation	.799**	.802**	.739**	.754**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	95	95	95	95	95

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

Source: Primary Data (2025)

Table 4.10 presents the results of the study constructs, revealing that all constructs exhibit a robust positive correlation value exceeding 0.7. Specifically, Board accountability is at 0.799, Shareholder rights at 0.802, Corporate behavior at 0.739, and firm size at 0.754. The constructs demonstrated significance values of 0.000 for all variables, which is below the threshold of 0.05. In conclusion, the accountability of the board, the rights of shareholders, and the conduct of corporations have a notably positive and significant impact on the quality of financial disclosure. The importance of shareholder rights concerning the financial disclosure practices of commercial and service companies was established by Odero (2022), and these findings align with that conclusion. The investigation conducted by Chepkwony and Omwenga (2021) examined the financial performance of Kenyan commercial banks listed on the Nairobi Securities Exchange in relation to the disclosure of corporate governance norms. The study revealed a positive correlation among corporate board effectiveness, executive compensation, ownership structure, and return on equity.

4.6.2 Simple Linear Regression Results

This tested the direct influence of each independent variable (Board accountability, Shareholder rights, corporate behaviour) on financial disclosure of Commercial and Service Companies in Kenya.

4.6.2.1 The linear influence of Board accountability on Commercial and Service Companies' financial disclosure

This assessed the direct influence of board accountability on financial disclosure of Commercial and Service Companies in Kenya. The results are shown in table 4.9.

Table 4.9: Direct influence of Board accountability on Commercial and Service Companies financial disclosure

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.799 ^a	.638	.634	.71492	.638	163.838	1	93	.000

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	83.739	1	83.739	163.838	.000 ^a
	Residual	47.533	93	.511		
	Total	131.273	94			

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	.608	.015		5.600	.000
	Board accountability	.842	.066	.799	12.800	.000

a. Dependent Variable: Commercial and Service Companies financial disclosure

The model summary presented in table 4.11 reveals an R² value of 0.638, suggesting that 63.8% of the variation in the financial performance of Commercial and Service Companies can be attributed to board accountability. Conversely, the remaining 36.2% of the variation in financial disclosure for these companies in Kenya is influenced by factors not included in the conceptualized study model. Additionally, the coefficient analysis suggests that board accountability has a positive and significant impact on the financial disclosure of Commercial and Service Companies ($\beta = 0.842$ (0.000); at $p < .05$). This suggests that a singular enhancement in effective board accountability measures will result in an improvement of 0.842 units in the financial disclosure of Commercial and Service Companies in Kenya. Consequently, the equation for linear regression is as follows;

$$(i) y = 0.608 + 0.842X_1$$

Where; y = financial disclosure of Commercial and Service Companies in Kenya

X₁ = Board accountability

This agrees with Kinuthia (2020) who found board accountability of great influence on public governance and the financial viability of NGOs. Similarly Kyabarongo, *et al* (2024) found that board accountability affects financial disclosure of Selected Commercial and Service Companies in Kiruhura District, Uganda. The study disagrees with Achoki and Kule (2015) who found board accountability insignificant on voluntary disclosure for commercial banks in Rwanda.

4.6.2.2 The linear influence of Shareholder rights on Commercial and Service Companies' financial disclosure

This assessed the direct influence of Shareholder rights on financial disclosure of Commercial and Service Companies in Kenya. The results are shown in table 4.12.

Table 4.12: Direct influence of Shareholder rights on Commercial and Service Companies financial disclosure

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.802 ^a	.643	.639	.71021	.643	167.253	1	93	.000
ANOVA ^b									
Model		Sum of Squares	df	Mean Square	F				Sig.
1	Regression	84.363	1	84.363	167.253				.000 ^a
	Residual	46.910	93	.504					
	Total	131.273	94						
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.		
		B	Std. Error	Beta					
1	(Constant)	.552	.217			2.543	.013		
	Shareholder rights	.865	.067	.802		12.933	.000		

a. Dependent Variable: Commercial and Service Companies disclosure

Table 4.12 presents a model summary indicating $R^2 = 0.643$, signifying that 64.3% of the variation in the financial disclosure of Commercial and Service Companies is elucidated by shareholder rights, while other factors not included in the conceptualized study model account for 35.7% of the variation in financial disclosure among these companies in Kenya. Additionally, coefficient analysis reveals a positive and substantial impact of shareholder rights on the financial disclosure of Commercial and Service Companies ($\beta = 0.865$ (0.000); at $p < .05$). This indicates that a singular enhancement in effective shareholder rights measures will result in a 0.865 unit improvement in the financial transparency of Commercial and Service Companies in Kenya. Consequently, the linear regression equation is as follows;

$$(ii) y = 0.552 + 0.865X_2$$

Where;

y = financial performance of Commercial and Service Companies in Kenya

X_2 = Shareholder rights

This agrees with Muiru, *et al* (2018) who found that corporate governance positively and significantly influenced financial disclosure. Similarly agree with Wangui (2019) who examined Corporate Governance influence on Commercial and service company's financial disclosure in Nairobi County. Specifically the study focused on effect of board structure which had a positive and significant effect on financial disclosure.

4.6.2.3 The linear influence of corporate behaviour on Commercial and Service Companies' financial disclosure

This assessed the direct influence of corporate behaviour on financial performance of Commercial and Service Companies in Kenya. The results are shown in table 4.13.

Table 4.13: Direct influence of corporate behaviour on Commercial and Service Companies financial performance

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	.739 ^a	.546	.542	.80018	.546	112.023	1	93	.000
ANOVA ^b									
Model		Sum of Squares	df	Mean Square	F				Sig.
1	Regression	71.726	1	71.726	112.023				.000 ^a
	Residual	59.546	93	.640					
	Total	131.273	94						
Coefficients ^a									
Model		Unstandardized Coefficients		Std. Error	Beta	t	Sig.		
		B							
1	(Constant)	.942		.228		4.125	.000		
	Corporate behaviour	.745		.070	.739	10.584	.000		

a. Dependent Variable: Commercial and Service Companies disclosure

Source: Primary Data (2025)

The model summary of Table 4.13 shows that $R^2 = 0.546$, that is, 54.6 percent of the variation in the financial disclosure of Commercial and Service Companies is explained by corporate behavior, and 45.4 percent of the variation in the financial disclosure of those companies may be due to other factors omitted in the conceptualized study model. Furthermore, the coefficient analysis has shown that there is a positive and significant effect of the corporate behavior on financial disclosure of Commercial and Service Companies ($\beta=0.745$ (0.000); at $p<.05$). It means that one unit rise in the corporate behavior of the viable Commercial and Service Companies will increase by 0.745 units their financial disclosure in Kenya. As a result, the regression equation is as follows;

$$(iii) y = 0.942 + 0.745X_3$$

Where;

y = financial performance of Commercial and Service Companies in Kenya

X₃ = corporate behaviour

This results agrees with Kayani (2018) who found behavioral biases of significant effect on financial disclosure of stocks listed in the Nairobi Securities Exchange (NSE) Kenya. Further agrees with Rao and Ibrahim (2024) who foundn corporate reporting behavior significant on financial reporting in India. However disagrees with Odunayo and Oladipupo (2019) who found corporate behaviour insignificant on corporate organizations in Nigeria.

4.6.3 Multiple regression analysis

Linear regression analyses, which presented both the F values and their corresponding significance levels, indicated that the independent variables (Board accountability, Shareholder rights, and corporate behavior) are distinct from one another and influence the dependent variable (financial disclosure of Commercial and Service Companies in Kenya) in varying ways, thereby allowing for the execution of multiple regression analysis. The requisite model assumptions for conducting multiple regression analysis were verified and satisfied. The outcomes are presented in Table 4.14.

Table 4.14: Multiple regression analysis

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.866 ^a	.751	.740	.60307	.751	67.736	4	90	.000

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	98.540	4	24.635	67.736	.000 ^a
	Residual	32.732	90	.364		
	Total	131.273	94			

a. Predictors: (Constant), Board accountability, corporate behaviour , Shareholder rights

b. Dependent Variable: Commercial and Service Companies performance

Model	Coefficients				
	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	.604	.105		5.721	.000
Board accountability	.645	.122	.612	5.270	.000
Shareholder rights	.544	.113	.516	4.821	.000
Corporate behaviour	.314	.090	.312	3.493	.001

a. Dependent Variable: Commercial and Service Companies disclosure

Source: Primary Data (2025)

Table 4.14 presents the multiple regression outcomes on the cumulative impacts of the study's independent variables: board accountability, shareholder rights, and company behavior. The multiple regression findings in table 4.12 indicate that the F statistic is significant ($F = 67.736$; $p < .005$), hence affirming the model's adequacy. An adjusted R^2 of 0.740 indicates that the study accounts for 74% of the variation in financial disclosure among Commercial and Service Companies in Kenya, whereas 26% is attributable to factors outside this model, thus affirming the model's efficacy.

Moreover, the unstandardized regression coefficients with standard errors presented in parentheses in table 4.14 indicate that all independent variables—Board accountability ($\beta = 0.645$ (0.122) at $p < 0.05$), Shareholder rights ($\beta = 0.544$ at $p < 0.05$), and corporate behaviour ($\beta = 0.314$ at $p < 0.05$)—significantly predicted the financial disclosure of Commercial and Service Companies (dependent variable). Consequently, the ultimate multiple regression equation is;

$$(v) y = 0.604 + 0.645X_1 + 0.544X_2 + 0.314X_3$$

Where; y= Quality of financial disclosure

X_1 = Board accountability, X_2 = Shareholder rights, X_3 = corporate behaviour

This agrees with Adegbite and Fofah (2016) who found four pillars of corporate governance which are accountability, independence, fairness and transparency significant on financial disclosure among Nigerian regulatory authorities

4.6.4 Firm size Moderating effect on the relationship between Corporate Governance and Financial Disclosure

This assessed the moderating influence of firm size on the relationship between Corporate Governance and Financial Disclosure of Commercial and Service Companies in Kenya. The results are shown in table 4.15.

Table 4.15: Model Summary for Moderating Variable of firm size

Model	R	Adjusted R Square		Std. Error of the Estimate		Change Statistics		Sig.	F
		R Square	Change	Change	Change	df1	df2		
1	.866 ^a	.751	.740	.60307	.751	67.736	1 88	.000	
2	.870 ^b	.757	.755	.20734	.006	127.980	1 87	.000	
2	.883 ^c	.779	.773	.19932	.022	111.838	1 86	.000	

a. Predictors: (Constant), Corporate governance characteristics

b. Predictors: (Constant), Corporate governance characteristics, firm size

c. Predictors: (Constant), Corporate governance characteristics, firm size, Corporate governance characteristics*firm size

Source: Research Data (2025)

Model 1, which relies on corporate governance characteristics as an independent variable, yielded an R^2 of 0.751 according to Table 4.15. This indicates that 75.1% of the variation in the dependent variable could be accounted for by corporate governance characteristics. Model 2's results also demonstrated that the addition of firm size as a

moderator had a substantial and combined effect on financial disclosure of Commercial and Service Companies in Kenya ($p < 0.05$), suggesting that both the independent and moderating variables were linked. An extra 0.006 was included into the model, as the R^2 increased from 0.751 (75.1%) to 0.757(75.7%).

Lastly, we present model 3, which seeks to investigate the influence of business size on the relationship between financial disclosure and corporate governance attributes. An R-squared value of 0.779 was obtained after incorporating the independent variable and moderator (firm size) into the regression model. The size of a firm may influence the relationship between financial transparency and corporate governance attributes, evidenced by an additional 2.2% in the final R square. Mboi, Muturi, and Wanjare (2018) discovered that business size exerted a moderating influence on financial corporate governance and financial disclosure among major enterprises listed on the NSE.

Table 4.16: Model Fitness (ANOVA Table)

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	21.254	1	21.254	282.201	.000 ^a
Residual	13.757	93	.071		
Total	34.012	94			
2 Regression	25.757	2	12.878	298.108	.000 ^b
Residual	8.255	92	.043		
Total	34.012	94			
3 Regression	26.768	3	8.923	234.102	.000 ^c
Residual	7.242	91	.038		
Total	34.012	94			

Source: Primary Data (2025)

Model 1's ANOVA findings demonstrated its feasibility with a $F(1,93) = 282.201$ and a P value of 0.000. The significance levels for the tests were either 0.5. At the 5% level of significance, model 2 was determined to be viable according to the ANOVA results: $F(2,92) = 298.108$, $P=0.000$. A statistically significant influence in explaining change in financial disclosure was found to be firm size and corporate governance characteristics. Lastly, model 3's ANOVA findings demonstrated a significant model at the 0.05 level, with $F(3,91) = 234.102$ and $P=0.000$. A statistically significant influence in explaining change in financial disclosure was shown to be caused by corporate governance characteristics, firm size and the interplay of the two.

Table 4.17: Regression Coefficients for Moderating Variable of firm size

Model	Unstandardized		Standardized		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	.604	.105		5.721	.000
Corporate governance characteristics	.544	.113	.516	4.821	.000
2 (Constant)	.198	.171		1.159	.201
Corporate governance characteristics	.490	.048	.461	10.272	.000
Firm size	.505	.045	.508	11.313	.000
3 (Constant)	.627	.246		2.551	.012
Corporate governance characteristics	.812	.073	.754	11.056	.000
Firm size	.645	.122	.612	5.270	.000
corporate governance characteristics *FS	.490	.048	.461	10.272	.000

a. Dependent Variable: financial disclosure

Source: Research Data (2025)

Table 4.17 shows the findings for the firm size moderating influence on the connection between four independent variables (Corporate governance characteristics) and financial disclosure. Model 1's corporate governance characteristics had a B coefficient of 0.544 and a p-value of 0.00, suggesting that financial disclosure would improve substantially by 0.544 units for every unit increase in these characteristics. The B-coefficient for corporate governance characteristics is 0.490 (p=0.000) in model 2, but the B-coefficient for leadership style is 0.505 (p=0.000). An increase of one unit in firm size was hypothesized to lead to a 0.505 unit improvement in financial disclosure. After incorporating Corporate governance characteristics into model 3, the B coefficients for

leadership style (0.645), Corporate governance characteristics (0.812, $p=0.000$), and the interaction of these two variables (0.490, $p=0.000$) were all significantly higher than those for the independent variables. This hypothesized that commercial and service companies in Kenya would have a 0.490 unit improvement in financial disclosure as a result of Corporate governance characteristics for every one unit rise in firm size.

This suggests that firm size has a crucial moderating role in the link between financial disclosure and corporate governance characteristics in commercial and service companies in Kenya. Model equation results are displayed.

$$Y=0.604+0.544X_1$$

$$Y=0.198+0.490X_1+0.505Fs$$

$$Y=0.627+0.812X_1+0.645Fs+0.490X_1Fs$$

Where Y is the financial disclosure (Dependent Variable)

X_1 is the Corporate governance characteristics (Independent Variable)

Fs is the firm size (Moderating Variable)

This study agrees with Musa and Saidu (2020) who found firm size significant on corporate governance and financial reporting quality of Listed Insurance Companies in Nigeria. Though disagrees with Nyabaga and Wepukhulu (2020) noted that firm size has insignificant moderating role on corporate governance and financial disclosure of Kenyan manufacturing firms.

4.6.4 Hypothesis testing

Table 4.18: Null Hypotheses

Hypothesis	P<0.05	Verdict
Board accountability has no significant effect on quality of financial disclosure by Commercial and Service Companies in Kenya	.000	Rejected
Shareholder rights have no significant influence on quality of financial disclosure by Commercial and Service Companies in Kenya	.000	Rejected
Corporate behaviour has no significant influence on quality of financial disclosure by listed Commercial and Service Companies in Kenya	.000	Rejected
Firm size has no moderating significant effect on the relationship between corporate governance characteristics and quality of financial disclosure by Commercial and Service Companies in Kenya	.000	Rejected

Source: Research Data (2025)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter finally presents summary of the study findings, conclusions and recommendations drawn from the research findings; and areas for further research.

5.2 Summary of Research findings

The general objective of the study was to investigate corporate governance characteristics and disclosure of Commercial and Service Companies in Kenya, Kenya. The study tested a total of four hypotheses; (i) **H01**: There is no significant relationship between Board accountability policy and financial disclosure of Commercial and Service Companies in Kenya, Kenya; (ii) **H02**: There is no significant relationship between Shareholder rights and financial disclosure of Commercial and Service Companies in Kenya, Kenya; (iii) **H03**: There is no significant relationship between corporate behaviour and financial disclosure of Commercial and Service Companies in Kenya, Kenya and (iv) **H04**: **Firm size has** no moderating significant relationship between corporate governance characteristics and disclosure of Commercial and Service Companies in Kenya, Kenya.

5.2.1 Board accountability policy and financial disclosure

The study hypothesis one was that there is no significant relationship between the Board accountability policy and financial disclosure of the Commercial and Service Companies in Kenya, Kenya. Based on the descriptive statistics, the grand mean of 3.488 is an indicator that a majority of the respondents agreed that board accountability has a major

impact on financial disclosure of Commercial and Service Companies. The findings of multiple regression depict that there is effect of board accountability on financial disclosure of Commercial and Service Companies ($\beta = 0.645$ (0.000) at $p < 0.05$). This means that, one enhancement in effective Board accountability policies will equate to 0.645 improvement in the financial performance of Commercial and Service Companies in Kenya. Thus the board accountability positively and meaningfully affects the financial disclosure of the Commercial and Service Companies.

5.2.2 Shareholder Right and Financial Disclosure

Hypothesis two was as follows: Shareholder rights and financial performance of Commercial and Service Companies in Kenya have no significant association. The grand mean of 3.472 indicated that shareholder rights have an effect on the financial disclosure. Further, multiple regression findings reveal that Shareholder rights have a positive and significant effect on financial disclosure of commercial and service firms ($\beta = 0.544$ at $p < 0.05$). The implication of this is that one county in improvement of exercising effective Shareholder rights measures will result in the 0.544 unit of improvement in financial disclosure of Commercial and Service Companies in Kenya.

5.2.3 Corporate behaviour and financial disclosure

Study hypothesis three was that, there is no significant relationship that exists between the corporate behaviour and the financial disclosure of the Commercial and Services Companies in Kenya, Kenya. The overall mean of 3.453 tends to indicate that majority of the respondents believed that corporate behaviour of commercial and service

companies has a bearing on its financial reporting. The results of further multiple regression analysis suggest that there is significant and positive influence of corporate behaviour on financial disclosure of Commercial and Service Companies ($\beta = 0.314$ at $p < 0.05$). This will mean that 1 unit increase in the financial disclosure of Commercial and Service Companies in Kenya will be achieved with one unit change in viable Commercial and Service Companies corporate behaviour.

5.2.3 Firm Size

Lastly, study **hypothesis four** stated that firm size has no moderating significant effect on the relationship between corporate governance characteristics and quality of financial disclosure by Commercial and Service Companies in Kenya. This is also shown by the grand mean which is 3.450 which generally means that most respondents agreed that firm size influences Commercial and Service Companies' financial disclosure as well as corporate governance. This suggests that firm size have a crucial moderating role in the link between financial disclosure and corporate governance characteristics in commercial and service companied in Kenya. This is affirmed by increase in R^2 and adjusted R^2 increases across the three models and significance state of the entire models.

5.3 Conclusions

First, the study concludes that board accountability is a viable measure in ensuring quality of financial disclosure. There was a positive significant influence of board accountability on financial disclosure among Commercial and Service Companies in Kenya.

Secondly, shareholder rights significantly influences financial disclosure of Commercial and Service Companies by ensuring Commercial and Service Companies adhere to owner's rights.

Thirdly, corporate behaviour is a significant predictor of financial disclosure of Commercial and Service Companies, since it helps in building a well accountable organization.

Fourthly, Firm size as a new initiative to boost Commercial and Service Companies growth path as far as corporate governance and financial disclosure is concerned. Firm size hence moderates the relationship between Commercial and Service Companies' financial disclosure and corporate governance.

5.4 Recommendations

First, Commercial and Service Companies should formulate feasible board accountability policies that guides board on financial disclosure.

Secondly, Commercial and Service Companies should adhere to shareholder rights requirements as stipulated by law to avoid non disclosure tendencies in the organizations.

Thirdly, Commercial and Service Companies should enact feasible corporate behavior that guides and caution against unethical practices that may compromise financial disclosure

Fourthly, Commercial and Service Companies should embrace viable firm size initiatives as possible such as market share goals and profitability.

5.5 Areas for further research

A comparable study can be conducted with exclusively secondary data to facilitate result comparison. Secondly, a panel research may be conducted utilizing time series data over a period of five years to analyze the financial performance of commercial and service companies for comparative empirical analysis.

REFERENCES

- Agaba. M., Turyasingura John Bosco, & Kabagambe Jesse David. (2023). Strategic Management And Organizational Performance: A Case Of Lyamujungu Commercial and Service Companies, Kabale District, Uganda. *International Journal of Islamic Business and Management Review*, 3(1), 50–60. <https://doi.org/10.54099/ijibmr.v3i1.6252>.
- Agaba M, &Turyasingura J. B. (2022) Participatory Project Implementation and Sustainability of Government Funded Projects a Case study of ParishDevelopment Model in Kabale District, Uganda. *International Journal of Current Science Research and Review*, 6(1), 620-633 3.
- Agaba. M. and Emenike K. (2018). Product Innovation, Price Level And Competitive Advantage: A Perception Assessment Of Beer Products; *Journal of managementand entrepreneurship; vol.6, 4*.
- Agaba, M., Turyasingura, J. B., & Kabagambe, J. D. (2023). Stakeholder’s resource mobilization and sustainability of government funded agricultural projects in Uganda: A case study of potato projects in Kabale District. *African Journal of Business Management*, 17(4), 74-83. 5.
- Agutu, C. A. (2022). Governance Practices and Financial Performance of Deposit Taking Commercial and Service Companies in Nairobi City County, Kenya (*Doctoral dissertation, University of Nairobi*). 6.
- Ain QU, Yuan X, Javid HM, Usman M, Haris M (2020) Female directors and agency costs: evidence from Chinese listed firms. *International Journal Emerging Market (ahead-of-print)* 7.
- Al-ahdal, W. M., Alsamhi, M. H., Tabash, M. I., & Farhan, N. H. (2020). The impact of corporate governance on financial performance of Indian and GCC listed firms: An empirical investigation. *Research in International Business and Finance*, 51, 101083. 8.

- Almashhadani, H. A., & Almashhadani, M. (2022). An overview of recent developments in corporate governance. *International Journal of Business and Management Invention*, 11(5), 39-44. 9.
- Alsaid, L., & Mutiganda, J. C. (2020). Accounting and smart cities: new evidence for governmentality and politics. *Corporate Ownership and Control*, 17(3), 158-170. 10.
- Al-Shaer, H., & Zaman, M. (2019). CEO compensation and sustainability reporting assurance: Evidence from the UK. *Journal of Business Ethics*, 158(1), 233–252. <https://doi.org/10.1007/s10551-017-3735-8> 11.
- Amankwah-Amoah, J., & Agyapong, A. (2023). Does corporate governance matter in the failures of listed homegrown banks? *International Journal of Critical Accounting*, 13(2), 131-150. 13.
- Arayssi, M., & Jizi, M. I. (2018). Does corporate governance spillover firm performance? A study of valuation of MENA companies. *Social Responsibility Journal*, 15(5), 597-620. 14.
- Arayssi, M., & Jizi, M. I. (2018). Does corporate governance spillover firm performance? A study of valuation of MENA companies. *Social Responsibility Journal*, 15(5), 597-620. 15.
- Adegbite, F.F. and Fofah, E.T. (2016). Ethics, Corporate Governance and Financial Reporting in the Nigerian Banking Industry: *Global Role of International Financial Reporting Standards*. *Accounting & Finance Research*, Volume 5, Number 1. www.sciendupress.com
- Achoki, I. N. & Kule, J. W. (2015). Effect of voluntary disclosure on the financial performance of commercial banks in Rwanda: a study on selected banks in Rwanda. *European Journal of Business and Social Sciences*, 5(6), 167 – 184.
- Barros, C. P., Boubaker, S., & Hamrouni, A. (2013). Corporate governance and voluntary disclosure in France. *The Journal of Applied Business Research*,

- 29(2), 561 – 578. CBK (2017). Commercial banks and mortgage finance companies. Retrieved from: <https://www.centralbank.go.ke/bank-supervision>.
- Battaglia, M., Bianchi, L., Frey, M., & Passetti, E. (2014). Sustainability Reporting and Corporate Identity: Action Research Evidence in an Italian Retailing Cooperative. *Business Ethics: A European Review*, 24 (1), 52–72.
- Chepkwony, G. K., & Omwenga, J. Q. (2021). Influence of disclosure of corporate governance principles on financial performance of Kenyan Commercial Banks listed on Nairobi Securities Exchange. *The Strategic Journal of Business & Change Management*, 8 (3), 550 – 561.
- Coleman, A., & Nicholas- Biekpe, N. (2006). Does Board and CEO Matter for Bank Performance? A Comparative Analysis of Banks in Ghana, *Journal of Business Management*, 13, 46- 59.
- Cooper, D. R., & Schindler, P. S. (2003). Business research methods (8th ed.). McGraw-Hill: New York. Deutsche Asset Management and the University of Hamburg. (2015). *Global Survey of voluntary corporate disclosure and corporate financial performance*. Hamburg: University of Hamburg.
- Daghsni, O., Zouhayer, M. & Mbarek, K. B. H. (2016). Earnings Management and Board Characteristics: Evidence from French Listed Firms. *Arabian Journal of Business Management Review*, 6 (1), 1-9.
- Dasuki, R. E. & Lestari, A. (2019). Implementation of Good Corporate Governance to the Value of Cooperative Company. *Journal of Economic Empowerment Strategy*, 2 (1), 24-41.
- Donaldson, T. and Preston, L.E. (1995): The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications. *Academy of Management Review*, 20(1), 65-91

- Donaldson. L and Davis. J. (1991): Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns. *Academy Of Management Review*, 20(1), 1-64
- Donaldson, W. (2003): Congressional testimony concerning the implementation of the Sarbanes- Oxley Act of 2002. *European Journal of Business and Management*. 4(13)
- Eisenhardt, K.M. (1989): Agency Theory. An Assessment and Review. *Academy of Management Review*, 14, 57-74
- Ekadah, J.W. and Mboya, J. (2011). Effect of board gender diversity on the performance of Commercial Banks in Kenya. *European Scientific Journal*. 8, (7)
- Fama, E.F. (1980) 'Agency problems and the theory of the firm', *Journal of Political Economy*, 88(2), 288–307.
- Freeman, R.E. (1999): Response. Divergent Stakeholder Theory. *Academy of Management Review*, 24(2), 233- 236
- Jensen, M.C. & Meckling, W.H. (1976) 'Theory of the firm: Managerial behavior, agency costs and ownership structure', *Journal of Financial Economics*, 3(2), 305–60.
- Harris, D. & Helfat, C. (2007). "The Board of Directors as a Social Network: A New Perspective." *Journal of Management Inquiry*
- Hoque, M., & Rakow, K. C. (2015). Do voluntary cash flow disclosures and forecasts matter to value of the firms? *Managerial Finance*, 42(1), 3 – 12.
- Kiambati, K., Karanja,P.,Katuse,P. &Waititu,A.(2013) Role of Shareholder control on financial performance of commercial banks. *Prime Journal of Social Science (PJSS) Vol. 2(2), pp. 223-226*,

- Kinyuira, D. K. (2017). Influence of Cooperative Governance on Sustainable Performance of Deposit Taking Savings and Credit Cooperatives in Kenya. *Journal of Strategy and Performance Management*, 5 (4), 118-135.
- Kiragu, D. N. (2015). Influence of financial innovations on financial performance of savings and credit co-operative societies in Nyeri County, Kenya. *Nairobi: University of Nairobi*.
- Kyabarongo B, Agaba, M, Mpora, Sunday, A & Sekiwu, D (2024). Effect of Board Accountability on Financial Performance of Selected Commercial and Service Companies in Kiruhura District, Uganda. *International Journal of Social Science and Education Research Studies*, 4(1), 22-35
- Kluwer Academic Publishers Yarahmadi, H. (2015). Ethics in Accounting. *International Journal of Accounting and Financial Reporting*. Volume 5, Number 1
- La Porta R, Lopez-de-Silanes F, Schleifer A, & Vishny R (2002). "Investor protection and corporate valuation", *Journal of Finance*, 57:1147-70.
- Mahdi, M. and Mohsen, K. (2012). Impact of Professional Ethics on Financial Reporting Quality. https://www.researchgate.net/publication/256022518_The_Impact_of_Professional_Ethics_on_Financial_Reporting_Quality_Mantzke.
- Masoud, B. and Mahbude, A. (2013). Impact of Professional Ethics on Financial Reporting Quality. *Advances in Environmental Biology*. Volume 7, Number 10. www.aeb.net
- Mohd-Sulaiman, A. N., & Rachagan, S. (2016). Shareholder primacy, controlling shareholders and Malaysia's Companies Act 2016. *Journal of Corporate Law Studies*. 9(4), 267-329.
- Moturi, C. & Mbiwa, P. (2015). An evaluation of the quality of management information systems used by Commercial and Service Companies in Kenya. *The TQM Journal*, 27(6), 798-813.

- Muiru, A. M., Kyongo, J. K. & Onchomba, M.(2018). Corporate Governance and Performance of savings and credit co-operative societies in selected private universities in Nairobi County, Kenya. *International Journal of Economics, Commerce and Management United Kingdom Vol. VI, Issue 2, Page 485-494*
- Mugenda, O., & Mugenda, G. (2003). Research Methods: Quantitative and qualitative approaches. Nairobi: *ACTS Press*
- Mutiva, J. M. (2015). The Relationship between Voluntary Disclosure and Financial Performance of Companies Quoted at the Nairobi Securities Exchange. *International Journal of Managerial Studies and Research, 3(6), 171-195.*
- Muttakin, M. B., Khan, A., &Azim, M. I. (2015). Corporate social responsibility disclosures and earnings quality: Are they a reflection of managers' opportunistic behaviour? *Managerial Auditing Journal, 30(3), 277 – 298.*
- Muriithi, P. (2009). Corporate Governance. KASNEB Newslines, *January to March 2009, Issue 1. Pp 3*
- Mwanja,B.K.,Marangu,W.N., Wanjere,D.M. &Kuria J. T. (2014). Effect of Corporate Governance on Performance of Savings and Credit Co-operative Societies in Kakamega County *European Journal of Business and Management Vol.6, No.30 www.iiste.org*
- Najah, A., & Jarboui, A. (2013). The Social Disclosure Impact on Corporate Financial Performance: Case of Big French Companies. *International Journal of Business Management and Research, 3(4), 82 – 95.*
- Neuman, W. L. (2006). Social Research Methods: *Qualitative and Quantitative Approaches, (6th Ed.), Boston.*
- Ndung'u, N. (2012). Developments in Kenya's Insurance industry. *Remarks at the launch of Continental Reinsurance brand and products, Nairobi. July 2012*
- Ngechu, M. (2004). Understanding the research process and methods: An introduction to Research Methods, Nairobi, *ACTS Press.*

- Mbaabu, A. W. (2016). Influence of strategy and technology on performance of Deposit Taking Savings and Credit Societies in Kenya. Unpublished MBA project ,*School of Business, University of Nairobi, Kenya.*
- Mjahid, A. A., Sukoharson, E. G. &Nuzula, N. F. (2014). A Comparative Study of Good Corporate Governance Codes between Indonesia and United Arab Emirates. *International Organization of Scientific Research-Journal of Business and Management, 16 (7), 79-86. MOCMD (2008), corporate governance report,Nairobi,Vas consultants, Ltd.*
- Odero, J. A. (2022). Shareholder Rights and Performance of Deposit Taking COMMERCIAL AND SERVICE COMPANIES's. *Journal of Accounting and Finance in Emerging Economies, 8 (3), 425-436.*
- Okwee, A. (2011). Corporate Governance and Financial Performance of Commercial and Service Companies in LangoSubregion.*Unpublished MBA Research Project, Makerere University.*
- Othman, A., Kari, F., Jani, R., &Hamdan, R. (2012). Factors Influencing Cooperative Membership and Share Increment: *An Application of the Logistic Regression Analysis in the Malaysian Cooperatives. World Review of Business Research, 2 (5), 24-35.*
- Otieno ,S.Okengo,.O.,Ojera,P. &Mamati, F. (2013).An assessment of effect of government financial regulations on financial performance of savings and credit cooperative societies(COMMERCIAL AND SERVICE COMPANIES).A study of Commercial and Service Companies's in kisii Central Kenya. *International Journal of Business and social sciences 4(3)196-206.*
- Onyebuchi, V. N. (2011). Ethics in Accounting. *International Journal of Business and Social Science. Volume 2 Number 10*
- Ogwe, J. A. (2014). Determinants of voluntary disclosure in the annual reports of companies listed at the Nairobi Securities Exchange. MBA research project: *University of Nairobi.*

- Olajide, S. F. (2013). Corporate Governance and Insurance Company Growth: Challenges and Opportunities. *International Journal of Academic Research in Economics and Management Sciences*, 2(1), 286-305
- Ongore, V. and K'Obonyo, P. (2011). Effects of selected Corporate Governance Characteristics on Firm Performance; Empirical Evidence from Kenya. *International Journal of Economics and Financial Issues*, 1(3), 99-122
- Pandey, A. (2017). Ethical Issues of Financial Reporting. *Open Access International Journal of Science and Engineering. Volume 2, Issue 3*
- Ugbogbo, S. N. and Atu, O.M. (2016). Ethical Issues in Information Technology. A Conceptual Approach. *Igbiniedion University Journal of Accounting, Volume 2, Page 174*
- Sahore, N. S. & Verma, A. (2017). Corporate disclosures and financial performance of selected Indian manufacturing and non- manufacturing companies. *Accounting and Finance Research*, 6(1), 119-132.
- Samaha, K., Khelif, H., & Hussainey, K. (2015). The impact of board and audit committee characteristics on voluntary disclosure: a meta-analysis. *Journal of International Accounting, Auditing and Taxation*, 24, 13-28.
- Wangui, G.K. (2019). Influence of Corporate Governance on performance of Commercial and Service Companies in Nairobi County. *Unpublished Masters in Business Administration (MBA) Research Project Report. United States International University – Africa.*
- Wanyama, D & Olweny, T (2013) Effects of Corporate Governance on Financial Performance of Listed Insurance Firms in Kenya. *Public Policy and Administration Research* www.iiste.org ISSN 2224-5731(Paper) ISSN 2225-0972(Online) Vol.3, No.4, 2013

APPENDICES

APPENDIX 1: Commercial and Service Companies in Kenya

1. Equity Bank Kenya Ltd
2. KCB Bank Kenya
3. Co-operative Bank of Kenya
4. NCBA Bank Kenya
5. Stanbic Bank Kenya
6. Absa Bank Kenya
7. DTB (Diamond Trust Bank) Kenya
8. I&M Bank
9. CIC Insurance Group
10. Britam Holdings Plc
11. Safaricom PLC
12. Airtel Kenya
13. Telkom Kenya
14. Wananchi Group (Zuku)
15. Liquid Intelligent Technologies Kenya
16. JTL (Jamii Telecommunications Limited – Faiba)
17. Cellulant
18. M-Kopa
19. Craft Silicon
20. Seven Seas Technologies
21. Naivas Supermarket
22. Quick Mart
23. Chandarana Foodplus
24. Carrefour Kenya
25. Tuskys
26. Game Stores Kenya
27. Text Book Centre
28. Java House
29. Bidco Africa
30. Brookside Dairy
31. Serena Hotels
32. Sarova Hotels
33. Hemingways Collection
34. Fairmont Hotels
35. Kenya Safari Lodges & Hotels Ltd
36. Sun Africa Hotels
37. The Tamarind Group
38. Villa Rosa Kempinski
39. Mövenpick Hotel Nairobi
40. Dusit D2 Nairobi
41. G4S Kenya
42. KK Security

43. Cobra Security
44. Securex Agencies Ltd
45. BM Security
46. Lavington Security
47. Ultimate Security
48. 911 Group
49. Radar Security
50. SecurKenya Group
51. HassConsult Ltd
52. Cytonn Investments
53. Bamburi Cement
54. East African Portland Cement
55. Devki Group
56. Kenya Builders & Concrete Company
57. Knight Frank Kenya
58. Purple Dot International
59. Villa Care Kenya
60. Optiven Ltd

APPENDIX II: INTRODUCTORY LETTER

Dear Respondent,

This is to let you know that I am at Masinde Muliro University of Science and Technology conducting research for a master's degree in business administration with a specialization in finance. This research examines the influence of corporate governance attributes on the quality of financial disclosure within Commercial and Service Companies in Kenya. I kindly request that you allocate some time to thoughtfully engage with this questionnaire. Your precise and candid reply would be greatly valued. It is unnecessary for you to inscribe your name on the questionnaire. All information obtained will be handled with the utmost discretion. The results of this investigation will be utilized solely for scholarly research endeavors.

.

Thank you for your cooperation.

Ndiema Boiyo Philip

APPENDIX III: QUESTIONNAIRE

SECTION A: Demographic Information

1. Please indicate your job category (tick where appropriate)

Finance Accounting

2. Highest level of Education that you have completed

Diploma Degrees Masters PhD Others

(Please explain).....

3. How long have you been working with the company (tick where applicable)

Less than 3 years 3-6years 6-9 years Above 9 years

SECTION B: Corporate governance characteristic

PART 1: Board accountability

On a scale of 1-5 rank following board accountability aspects where 1- strongly disagree (SD), 2-disagree (D), 3-fairly agree (FA), 4-agree (A), 5-strongly agree (SA)

S/No.	Statements on Board accountability	1	2	3	4	5
1	My companies board composition is based on experience and qualifications					
2	The company shareholders are always involved on firms decision making on reporting					
3	The company has timely and reliable communication on matters of firm accountability					
4	Our firm has ethical standards followed that guides on taking charge of one's actions					
5	The company has an assessment plan that always ensures records are transparent					
6	The company's feedback mechanism is reliable and enables accountability					

PART II: Shareholder rights

On a scale of 1-5 rank the following shareholder rights aspects where 1- strongly disagree (**SD**), 2-disagree (**D**), 3-fairly agree (**FA**), 4-agree (**A**), 5-strongly agree (**SA**)

S/No.	Statements on Shareholder rights	1	2	3	4	5
1	The company has always engaged shareholders on matters regarding the company					
2	The company exercise fair treatment on members especially on matters of financial reporting					
3	The company include shareholders in decision making					
4	The company makes comparison of its reporting with like minded companies					
5	The company is always guided by regulatory compliance requirements at all times					
6	The company ensures shareholders are able to access information needed at al times					

PART III: Corporate behaviour

On a scale of 1-5 rank the following Corporate behavior aspects where 1- strongly disagree (**SD**), 2-disagree (**D**), 3-fairly agree (**FA**), 4-agree (**A**), 5-strongly agree (**SA**)

S/No.	Statements on Corporate behaviour	1	2	3	4	5
1	The company is guided by values such as integrity at all transactions					
2	The company stewardship is always concerned on behavioral issues					
3	The company has always behaved well by giving back to society through social responsibility					
4	The company has always been recognized and rated well at market and even NSE					
5	The company has always engaged stakeholders on critical issues					

PART IV: Firm Size

On a scale of 1-5 rank the following firm size aspects where 1- strongly disagree (**SD**), 2-disagree (**D**), 3-fairly agree (**FA**), 4-agree (**A**), 5-strongly agree (**SA**)

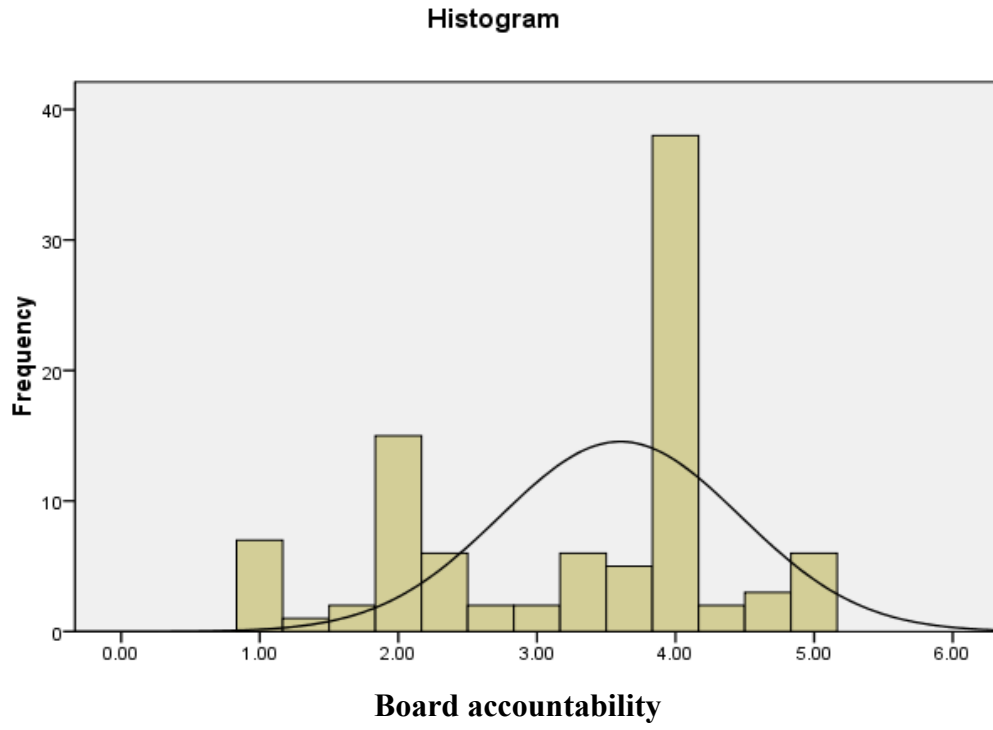
S/No.	Statements on Firm Size	1	2	3	4	5
1	Our firm has a good market share based on its Firm size					
2	Our firm assets have been on the growth trajectory for the last 5 years					
3	Our firm has always recorded increase in sales for the last 5 years					
4	Our firm has always recorded increase in number of employees for the last 5 years					
5	Our firm has always recorded increase in profitability for the last 5 years					

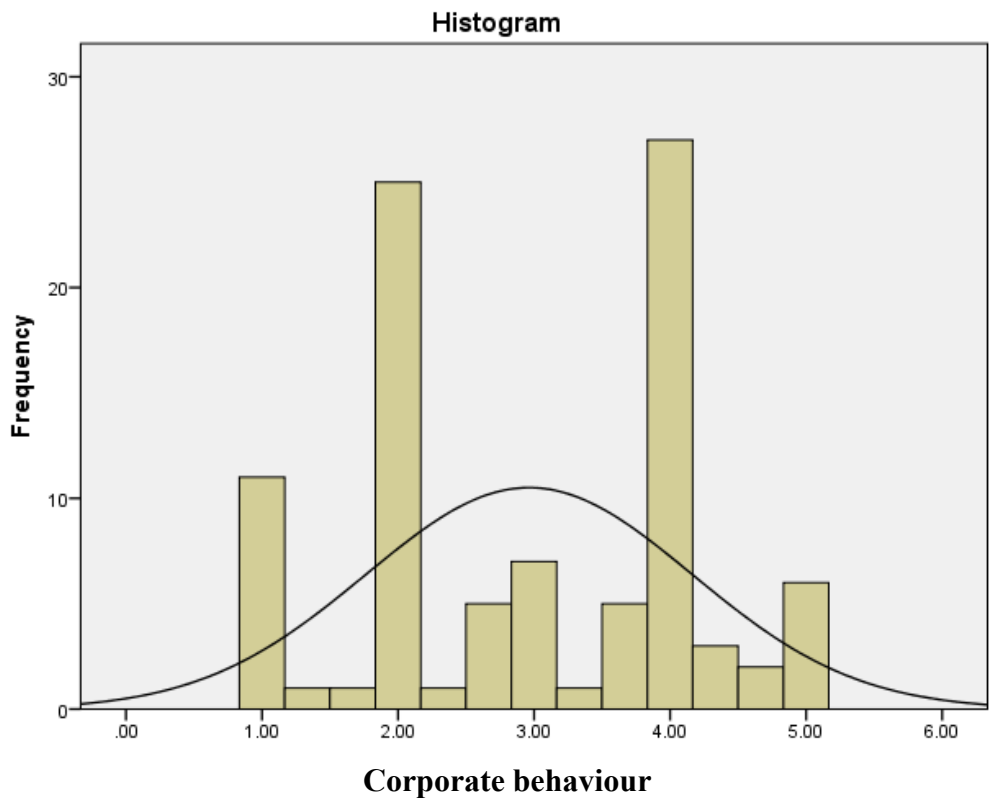
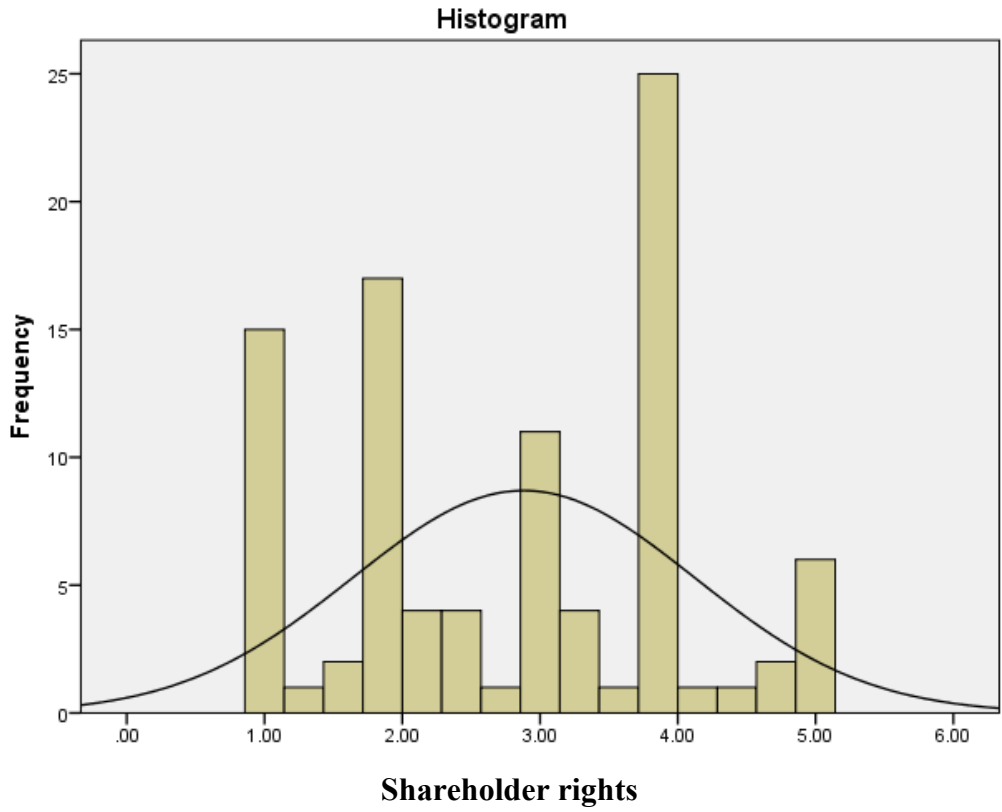
SECTION D: Quality of financial disclosure

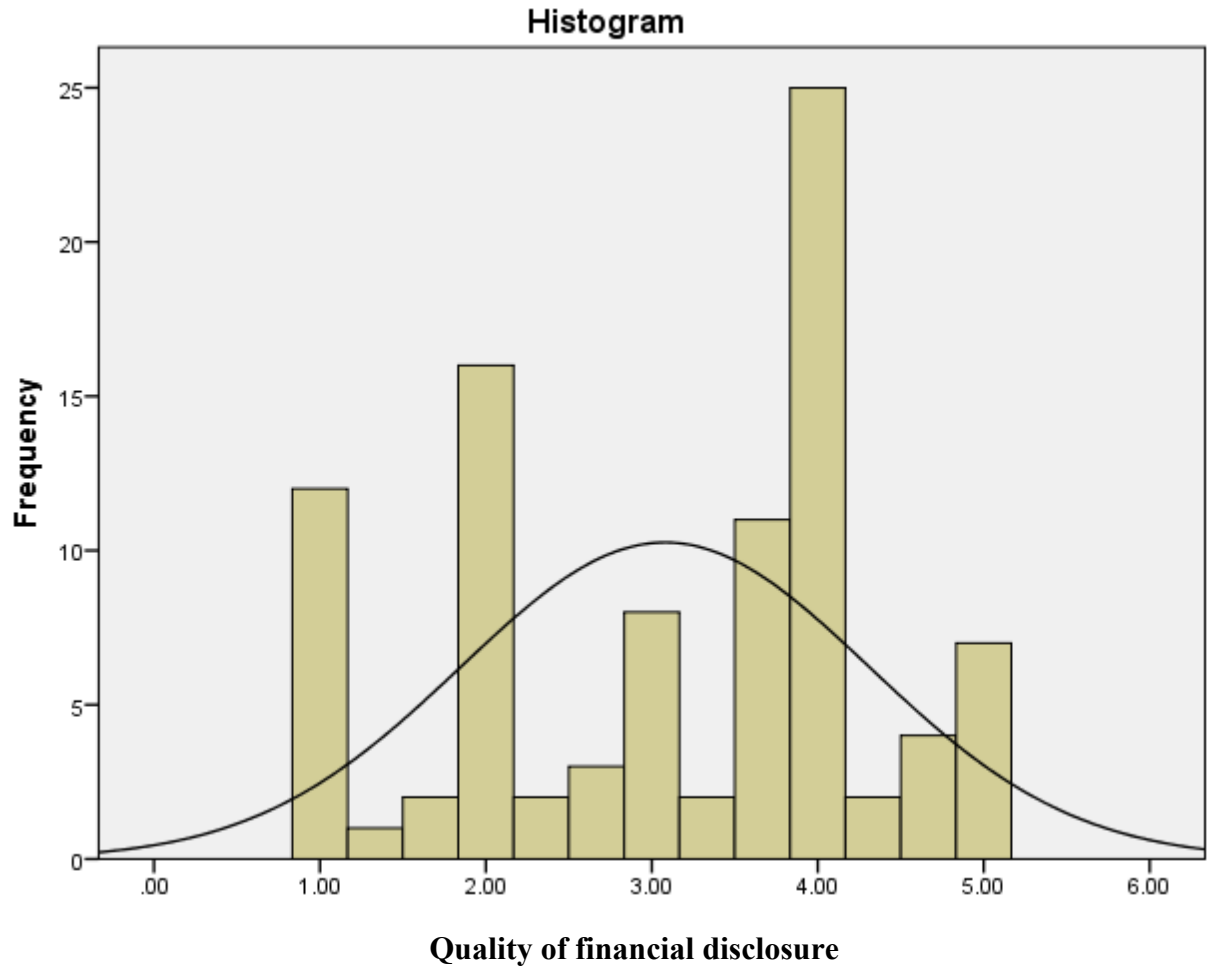
On a scale of 1-5 rank the following aspects of quality of financial disclosure where 1- strongly disagree (**SD**), 2-disagree (**D**), 3-fairly agree (**FA**), 4-agree (**A**), 5-strongly agree (**SA**)

S/No.	Statements on Quality of financial disclosure	SD	D	FA	A	SA
1	The company presents financial statements with clarity and transparency					
2	Financial statements presented by our firm are always complete and accurate					
3	Financial statements presented by our firm are always consistent and comparable					
4	Financial statements presented by our firm are always compliant with accounting standards					
5	Financial statements presented by our firm have always attracted good audit and assurance reports					
6	Our firm has always done benchmarking which points out that financial statements presented are reliable and of standards					

Appendix III: Normality Test Results-Histograms

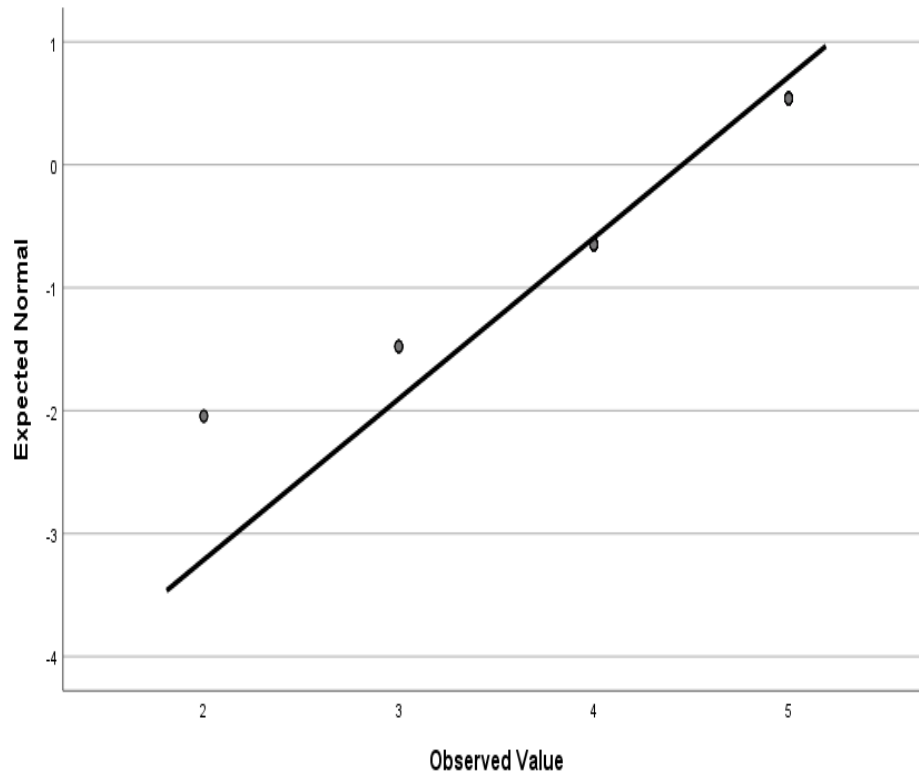




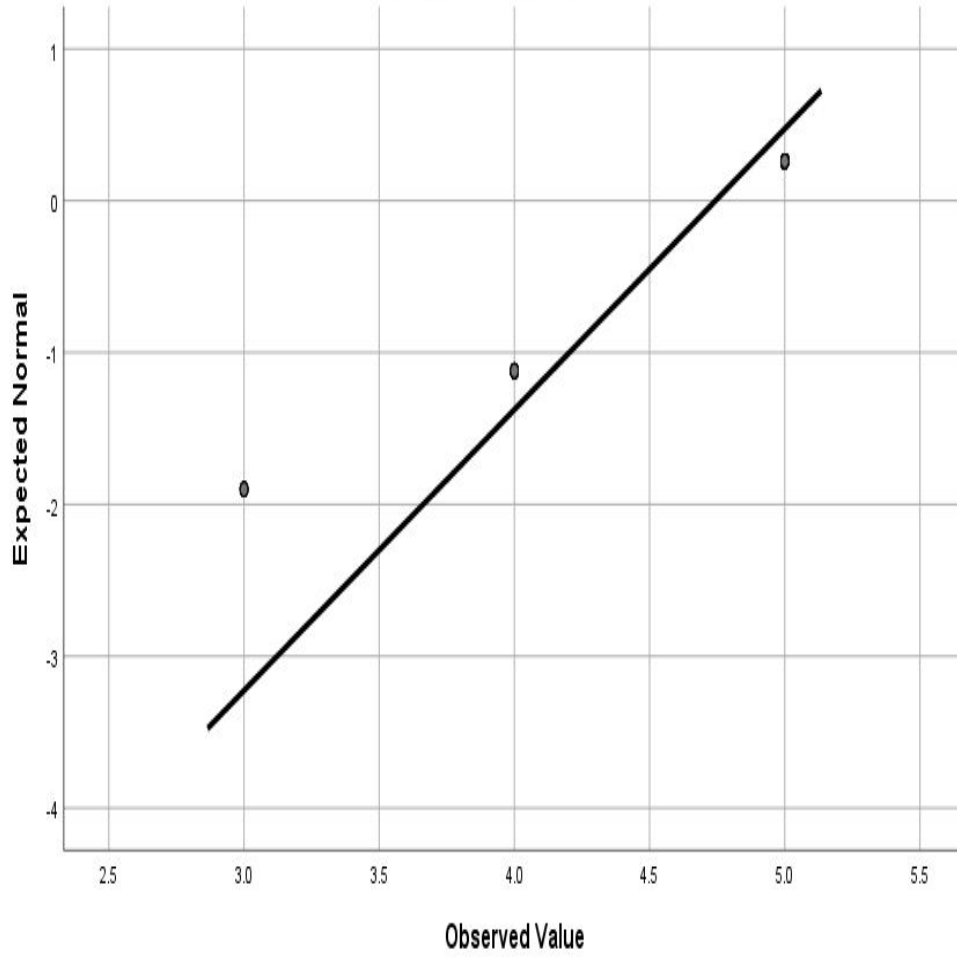


Appendix V: Linearity Test

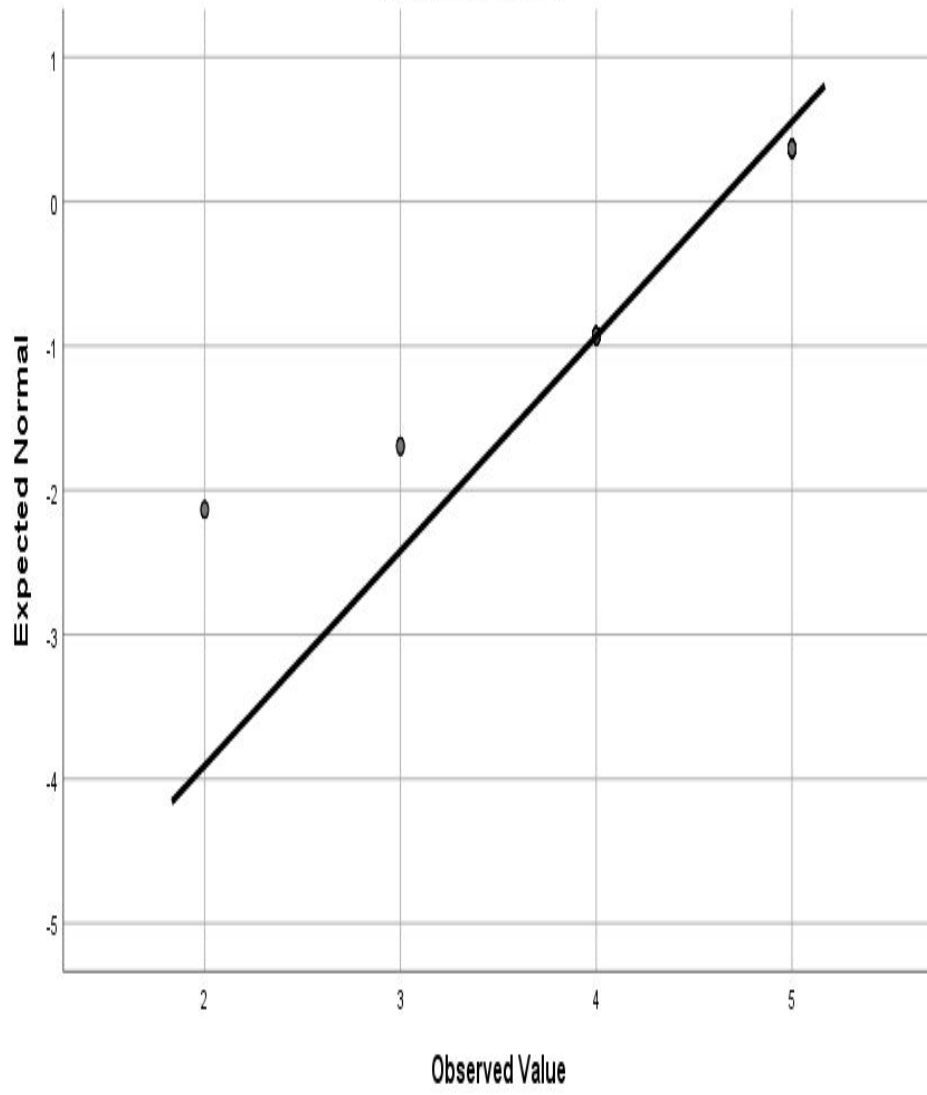
Normal Q-Q Plot of X1



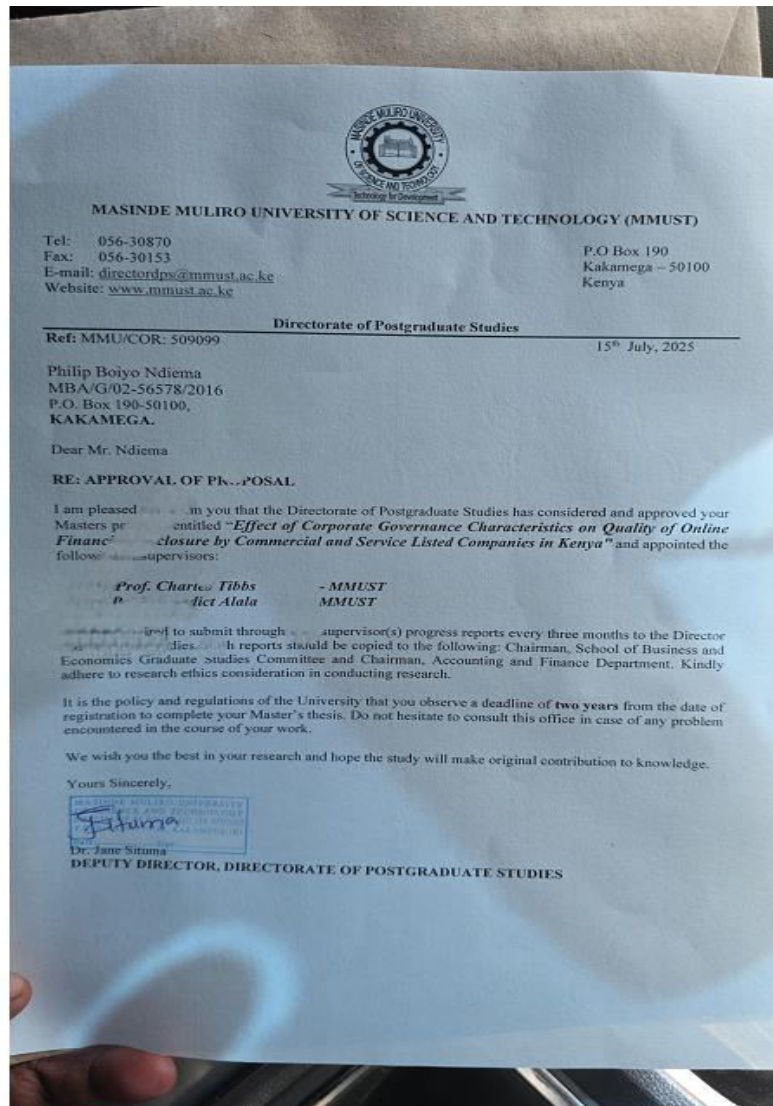
Normal Q-Q Plot of X2







Normal Q-Q Plot of X3



Appendix VI: Directorate of Post Graduate Studies



Appendix VII: National Commission for Science, Technology and Innovation

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 702144	Date of Issue: 29/July/2025
RESEARCH LICENSE	
	
This is to Certify that Mr. Ndiema Philip Boiyo of Masinde Muliro University of Science and Technology, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: EFFECT OF CORPORATE GOVERNANCE CHARACTERISTICS ON QUALITY OF FINANCIAL DISCLOSURE BY COMMERCIAL AND SERVICE COMPANIES IN KENYA for the period ending : 29/July/2026.	
License No: NACOSTI/P/25/4177570	
702144 Applicant Identification Number	
 Ag. Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION	
Verification QR Code	
	
NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.	
See overleaf for conditions	