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Effect of Corporate Governance, Capital Structure and Ownership on Corporate Value of Companies listed at the Nairobi Securities Exchange

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Abstract

The purpose of the study is to determine why cases of underperformance and corporate failure continue to increase in frequency and magnitude despite attempt by regulators to strengthen corporate governance and operation discipline. The study aim at establishing the joint effect of corporate governance, capital structure, ownership structure, and firm value for companies listed at the Nairobi Security Exchange (NSE). The study tests the hypothesis that there is no significant joint effect of corporate governance, capital structure, ownership structure on corporate value. The data was acquired from past audited financial statements of companies listed at the NSE. The study used a census survey for sixty-four listed companies at the NSE. The analysis covered a period of five years between 2013 and 2017. The study adopts a positivism research philosophy and descriptive design. Descriptive statistics and diagnostic tests were conducted on the data thereafter inferential statistics namely correlations analysis and regression analysis were used to test the hypothesis. The study adopted a descriptive longitudinal design which incorporated panel data. The multiple regression analysis was used to test the joint effect of corporate governance, capital structure, ownership structure, and corporate value. The joint effect of corporate governance, capital structure, and ownership structure on corporate value was found to be positive and significant. This study makes an original contribution as it takes an expansive approach of corporate governance development by probing whether improving corporate governance is linked to the enhanced corporate value. This study contributes to the inconsistent corporate finance theories by practically exploring the interactions between corporate governance, capital structure, ownership, and corporate value. The study contribute to policy as well as practice by enhancing comprehension of the tools through which CG affects corporate value. The findings assists corporate management to appreciate the linkages between board activities, management functions, and Corporate Value of NSE listed firms. The study recommends that corporate shareholders, boards, regulators, and management of listed corporations should put in place robust policies that will ensure the implementation and monitoring of corporate governance principles and ensure congruence in their activities of oversight of corporate objectives of optimizing corporate value, minimize fraud and failure risks of corporations.

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Introduction

Corporations are established to create value through identifying market needs, creating a system and process of meeting these needs, identifying resources needed, obtaining funds to finance the acquisition of these resources either through shareholders and/or financial institutions, and managing and directing these resources to meet the identified needs effectively and efficiently thereby generating value in the process (Alqisie, 2014).. This process identifies corporate governance, capital structure, and ownership structure as fundamental and foundational in the value creation process. It also establishes the owners as the key stakeholder who takes initiative to establish the corporation with motivation of creating personal wealth and enrichment of themselves and other stakeholders.

Agency theory is the anchoring theory of the study because it is instrumental in the conceptualization of the relationship between corporate governance and firm value. It may result in agency conflict as management starts to pursue selfish interest's contrary to those of shareholders (Proudfoot, 2016). It helps us understand the importance of having a strong corporate governance mechanism in firms and how they impact their performance. Stewardship theory developed by Donaldson and Davis (1994) plays a moderating role in the relationship between corporate governance and firm value as it is useful in the conceptualization of the relationship. It gives an alternative view to Agency theory by emphasizing that the manager is committed to the long-lived goals of the corporation instead of the steward's self-interests.

Despite attempt by regulators to strengthen corporate governance as well as operation discipline through the implementation of improved principles of governance, regular reporting and monitoring, cases of underperformance and business failure continue to increase in magnitude and frequency. Companies listed at the NSE has witness several cases of corporate failures attributed to weaknesses in CG and poor CS practices resulting in receivership/statutory management and liquidation. Mismanagement, fraud, corruption and Government subsidies of failing companies continue to be the norm rather than exception. Although the improvement and implementation of corporate governance principles and regulations have contributed to improving corporate performance significantly, there are still increasing cases of underperformance leading to failures and underperformance (Dominic & Memba, 2015).

Corporate Governance

Corporate governance can be defined as rules and policies set out by management to regulate affairs and have efficient management of the company's resources to enhance the value of the company and attain maximum shareholders returns (Haque & Arun,2016). It is therefore a framework of rules, relationships, systems, and processes that provide a structure for exercising authority, securing financial and other resources, and controlling corporations to enable companies create value while providing accountability and control systems to hold actors responsible for their individual and collective actions. The established structures support value creation through entrepreneurialism, innovativeness, development, and exploration by management and directors while proving incentives to align the management interest with that of shareholders.

According to Proudfoot (2016), agency conflict arises because managers have the incentive to expand firms beyond their reasonable size to increase resources under their control. This would also lead to an increase in manager's compensation as an increase in sales result in an increase in compensation. They may also not be comfortable with dividend payout to shareholders as this reduces resources under their control.

Research has not established a common set of elements to be used as measuring variables for corporate governance. Different researchers use different boards of directors' attributes as a proxy to measure corporate governance and this creates inconsistency (Carty & Weiss, 2012 and Proudfoot et al., 2016). Such attributes include; board size, female representation on boards (gender), CEO duality, board independence, board composition, and more.

Capital Structure

Velte (2017), defines capital structure as a blend of debt and equity which the company uses to fund its activities and notes that companies generally employ different mix ratios in their financing activities. A company's optimal capital structure is achieved through a trade-off between personal and corporate taxes, insolvency costs, and organization costs (Bokhari & Khan, 2013).

The cost and benefit of debt analysis espouse the connection between corporate governance and corporate value. As per the pecking order theory, the management plays a crucial role in the way the company monetary resources are utilized, first retained earnings, secondly debt, and ultimately equity (Rose, 2017). In accordance with this hypothesis, there is no best possible capital structure for it is a combination of decisions made earlier. Capital structure has been measured in various ways by different researchers. Okiro et al. (2015) applied leverage and liquidity to measure the capital structure. Others have applied Long term debt, short term debt, debt to equity ratio among others (Velte, 2017 and Wanyoike & Nasieku, 2015).

Ownership Structure

Company owners are those who invest in the company by buying shares and have a right to get dividends as a share of profits (Lishenga, 2012). Ownership structure refers to the relative amount of ownership claims held by insiders (managers) and outsiders (investors with no direct relationship with the management of the company) (Chen, 2012). The ownership structure is the key in determining the nature of agency theory; that is, whether the dominant conflict is between managers and shareholders, or between majority and minority shareholders (Mang'unyi, 2011).

Theory suggests that agency expenses result from the disconnection of ownership and control, and therefore concentrated ownership, which mitigates the distinctiveness, is expected to cause low agency costs. Ownership structure can therefore be defined as wide dispersed ownership (outside systems), and concentrated ownership (inside systems). Different studies have employed varied approaches to measuring ownership structure, a majority have considered the proportion of ownership for family, government, foreigners, and concentration of top five in proportion to total ownership (M'Ithiria & Musyoki, 2014 and Dominic & Memba, 2015). Saeed, Gull and Rasheed (2013) in their measurement of the separation of cash flow rights (i.e. ownership) from control (i.e voting) rights applied a binary variable that takes 1 if control or voting rights exceed cash flow rights.

Corporate value

Value can be defined as the attainment of predetermined targets, objectives, and goals within a given timeframe (Eyenubo, 2013). Corporate Value realized is therefore an assessment of the fulfillment of a firm's economic goals and this has long been an issue of interest in managerial research. Value is best looked at in two ways that are, end results, and means to achieve the results. According to Chen (2012), Corporate value or performance enables one to distinguish the outcome of organizational activities. It can either be financial or non-financial.

A perennial question that plagued the previous studies concerning corporate governance and Corporate value relates to the choice of measure of value realized. Which is the appropriate measure of firm value? The concept of value is a controversial issue in finance largely due to its multidimensional meanings. Research on firm value emanates from organization theory and strategic management (Velte, 2017). Corporate value can take many forms depending on who and what the measure is for. Different stakeholders require different value indicators to enable them to make informed decisions. The content, format, and frequency of the report depend on who needs the information and for what purpose. Shareholders would want to be certain about the viability, growth, profitability, return on investment, and continued financial sustainability of the firm (Lishenga, 2012). Corporate governance affects corporate value because of reduced expropriation by insiders and improvement in the expected cash flow that can be distributed to investors (M'Ithiria & Musyoki, 2014).

Companies Listed at the Nairobi Securities Exchange

The NSE is the regulatory body charged with ensuring compliance to corporate governance principles intended to eliminate weaknesses identified by previous studies which were expected to ensure effective corporate governance for optimal corporate value. Nevertheless, some companies registered at the NSE keep exhibiting fundamental weakness and poor performance. A few of them have collapsed while some are on the brink of failures (Dominic & Memba, 2015). The continuing poor performance shown by Kenya Airways, Uchumi Supermarket among others has eroded, to some extent, the public confidence in its ability to regulate the corporations resulting in increased capital flight, weak capital formation, and poor economic performance. The argument on whether it is the control failure, financial distress or nature of the ownership or combination of these that are responsible for the failure continues. The issues that have stimulated interests in the phenomenon of corporate governance points to particular cause of governance crises. These include weak legal and regulatory systems, inconsistent accounting and auditing standards, and poor banking practices. Thin and poorly regulated capital markets, ineffective oversight by corporate boards of directors, and little regard for the rights of minority shareholders are also problems with respect to Corporate Governance (CBK, 2019).

Research Problem

Corporate governance, capital structure, ownership structure are key concepts that have been linked to a corporate value performance analysis by several studies in the past. Agency theory and many other corporate governance mechanisms suggest that good corporate governance improves firm performance (Haque & Arun, 2016).

The regulatory framework implemented by Capital Market Authority and tight reporting oversight of NSE has been instrumental in improving corporate performance thereby proving their effectiveness to a reasonable extent (M'Ithiria & Musyoki, 2014). Regardless of the interventions, Kenya has witnessed several cases of weaknesses in corporate governance and poor capital structure practices among listed companies at NSE resulting in receivership/statutory management and liquidation. The number of cases keeps rising, some of which are one at CMC Motors, several years losses reported by Kenya Airways, Mumias Sugar – which is evidence that some poor corporate governance practices still exist despite these improvements (Wanyoike & Nasieku, 2015).

Corporate governance has been debated in the context of state ownership and private ownership of corporations where corruption, mismanagement, and government subsidization of failing listed enterprises like Kenya Airways, Mumias Sugar among others have been the defining features. Cement maker ARM and fashions retailer Deacons (EA) were put under administration in 2017 due to too high debt and excess losses.

A number of studies have been done in developed countries but the outcome of these studies – although conflicting in many cases – cannot be adopted wholeheartedly in the developing countries because of the social, cultural, and economic dissimilarities between developing and developed countries (Chen, 2012 and Hasan & Butt, 2009). Other studies have considered individual variables relationships on firm value. The question is - what is the impact of corporate control on corporate value of NSE listed companies?

Research Objective

The research is intended to evaluate the joint influence of corporate governance, capital structure, ownership structure on the corporate value of NSE listed companies.

Theoretical Framework

Good corporate governance cannot be described by a single theory thus it remains vital to combine different theories that not only address social interactions, but also highlight rules and laws, as well as stringent enforcement, that relate to good practices of governance and go beyond mechanical approaches of explaining CG. For this reason, it is important that the holistic implementation is promoted in the entire corporate world, which brings a different perspective of corporate management with it. Governance in diverse countries can differ based on their political, cultural, historical, and social situations. In such cases, the governance in developing and developed states can differ subject to economic and cultural perspectives of every state (Driffield, Mahambare & Pal, 2005). This study is anchored on four theories that are closely related to the area of study, these include agency, stakeholder, trade-off, and stewardship theories. These theories are linked to the study in that they are reflecting the basis of governance practices and how this affects the corporate value

Agency Theory

This theory was advanced by Jensen and Meckling (1976) who argue that separation of ownership from control creates an agency problem whereby the management operating the company to satisfy their interest and not necessarily that of the owners. Rose (2017), refers to the theory as a neoclassical economic theory and posits that it is usually the starting point for any debate on corporate governance. According to Morrison and Jenson (2013) when there is information asymmetry, the agents are likely to pursue an interest that may hurt the principal.

When critically examined, Agency theory is basically concerned with resolving two problems that can occur in agency relationships (Velte, 2017). The first problem arises when the desires or goals of the principal and agent conflict and the second problem arises when it is difficult or expensive for the principal to verify what the agent is actually doing. Based on this theory, prudent corporate governance mechanisms align the interests of directors and managers with those of shareholders, translate into efficient and optimal capital structure strategies which, combined with ownership structure to translates into better corporate value and returns to the stakeholders.

Critics of the theory point out that it focuses on divergent relationships alone thereby overlooking the convergence of relationships between various actors and their inter-dependencies (Hasan & Butt, 2009). These actors are likely to be unique and have symbiotic relationships that may not be easily mapped to such divergent stand of the theory. Not all agents are opportunistic and self-centered as there are some who would act as true captain of the ship if the compensation and reward are worked out to their satisfaction.

This theory is of great relevance to this study in that, it aids in understanding the relationship between the owners and the management of the organizations. It also helps us understand the importance of having strong corporate governance mechanisms in firms and how they impact their performance. According to Driffield, Mahambare, and Pal (2005), reducing agency tensions results in a friendly working environment hence agency cost is reduced leading to efficient operational, financing and investing activities.

The Trade-Off Theory

The association between corporate governance, capital structure, and company value is best captured by the trade-off theory. It asserts that companies would prefer to finance through debt until the benefits resulting from tax shields equal the costs of financial distress and bankruptcy. The theory was authored by Jensen and Meckling (1976) who postulated a trade-off scenario between a company's optimal debt-equity ratio and the impact of bankruptcy costs, taxes, and agency costs. This association defines the level of debt and equity that the company can hold at a particular time to optimize company value. Tax savings resulting from interest expenses – which is an allowable expense, is the debt benefit (Rose, 2017).

Critics of this theory point out that high debts level result in financial distress and bankruptcy and may therefore result in reduction of corporate value. In perfect and efficient markets, Modigliani, and Miller (1958) showed that capital structure is irrelevant to the cost of capital, and thus firm value which contradicts the theory.

The relevance of this theory is the ability to support the conceptualization of the effect of capital structure in the joint relationship. The trade-off theory of capital structure predicts that firms will choose their mix of debt and equity financing to balance the costs and benefits of debt.

Stewardship Theory

Donaldson and Davis (1994) pioneered the Stewardship theory. This is a new perspective to understand the existing relationships between corporate governance, ownership, and management of the company. This theory arises as an important counterweight to agency theory. It illustrates situations in which managers hold motives that are aligned with the objectives of their principals rather than pursue their individual goals. This is a relationship based on the utmost fidelity between the investors and the management. In his argument, human beings are by nature social beings and therefore have a converging interest as their needs are interrelated, meaning that both management and shareholders are interested, deep down, in optimizing company value.

Critics of this theory maintain that the role of a steward is oversimplified and unrealistic and this theory is yet to be accepted as a basis for analyzing organizational dynamics. They maintain that not all managers have stewardship disposition, but most are more concerned about their interests. It shows a different perspective on the behavior of managers in running a firm which greatly impacts its performance. In the existing literature on stewardship theory, it is not evident which are the underlying mechanisms that make an individual opt for one position or the other. The theory is relevant to this study, since if directors and managers act as stewards, then corporate governance and capital structure practices and decisions would all be geared towards ensuring a proper balance of power among directors, corporate management, and owners to ensure their behaviors, decisions, and actions are aligned with the interests of the principals.

Stakeholder Theory

The theory was developed by Freeman (1984) who defines a stakeholder as any group or individual who can affect or is affected by the achievement of the organization’s objectives. Accordingly, shareholders are but one of a number of important stakeholder groups. According to stakeholder theory, just like business owes special and particular duties to its investor; it also has different duties to the various stakeholder groups.

Critique of the theory points out that the argument that shareholders are just another stakeholder group is not supported by the corporate law in most economies. In Kenya for example, the Companies Act (Cap 486) gives prominent status to shareholders as the owners of the firm. They elect all, or most of the members of the board of directors, which in turn have the right to hire and fire senior executives and approve or reject important policies and strategies of the firm. The stakeholder theory is relevant to the study as it focuses explicitly on the equilibrium of stakeholder interest as the main determinant of corporate policy, whether in capital structure, corporate governance, or corporate value. As the theory states, the business owes special and particular duties to its investor, but it also has different duties to the various stakeholder groups.

Corporate Governance, Capital Structure, Ownership Structure, and Company Value

The empirical analysis of joint effect of corporate governance, capital structure, ownership structure, and corporate value has not provided an uncontested causal link among the variables. The previous studies pose theoretical and methodological as well as contextual gaps. Agency theory argues that separation of ownership from control creates conflicts of interests whereas in both Stewardship and Stakeholder theories no such conflicts are envisaged. Most of the previous studies reviewed have evaluated the relationships among two or three of the variables with conflicting and inconclusive results.

Driffield, Mahambare, and Pal (2005) studied the effect of ownership structure on debt-equity ratio and ROA. They applied firm-level panel data 3rd level least square method (3SLS) method. They obtained evidence from the popular belief that bureaucratic controls hamper the growth of firm value. It is possible to extend this study to include mitigating the effects of capital structure on firm value and corporate governance aspects and note the resulting changes in results.

Hasan and Butt (2009) investigated the impact of ownership structure and corporate governance on capital structure of Pakistani listed companies. The companies were examined by using multivariate regression analysis under the fixed-effect model approach. The Finding was that corporate governance and ownership structure have a significant effect on the capital structure. If the study was to be taken one step further by corporate value, the results would be more robust. The main objective of the shareholder is to optimize returns on investment therefore extending the study to include corporate governance would give it the necessary focus and attention to shareholders key objective. This gap was therefore adequately responded to by the current study which has recognized agency theory as the anchoring theory and focused on investigating how the gap between ownership and control can be minimized to optimize shareholders value creation.

Holderness (2016) investigated the relationship between ownership structure, debt-equity ratio, and firm performance, in his study of Vietnamese listed firms. The study employed OLS and regression methods in analyzing data. The study found that foreign ownership has a negative effect on leverage, but state ownership has a positive influence. The study considered ownership structure and debt-equity ratio combine effect on firm performance but did not consider the moderating influence of ownership structure nor the intervening impacts of debt-equity on firm performance which this study has now incorporated. There is, however, a need to incorporate a variable that would address the often-sighted need for taking adequate measures to enhance efficiency and effectiveness of governance framework in a firm.

Studies relating corporate governance and corporate performance have yielded contradictory and inconclusive results. Some studies have documented positive relationships while others have reported either negative or no relationships. The possible explanation for the conflicts and contradictions could be that intervention and moderation effects are excluded from the studies, the differences in the attributes of predictor and dependent used, as well as methodological differences.

Most of the studies on the four concepts have been conducted in developed economies that differ in terms of market efficiencies, legal as well as regulatory environments. Further limited studies have evaluated the intervention and moderation effects of capital structure and ownership structure at the same time. Given the contextual and methodological differences, the inconclusive and sometimes conflicting results, this is an area that requires the current and further research.

The Conceptual framework

Figure 1 presents a conceptual framework model of relationships among corporate governance, capital structure, ownership structure, and corporate value. The figure shows that corporate governance influences corporate value jointly with capital structure and ownership structure. Corporate governance, capital structure, ownership structure could jointly affect corporate performance. From past empirical studies, each of these variables has been documented by scholars to have some effect (positive, negative, or none) on corporate value. The joint effect of the variables has also been investigated by few scholars (Okiro, 2014). This hypothesis evaluated the joint effect of corporate governance, capital structure, and ownership structure on corporate value.

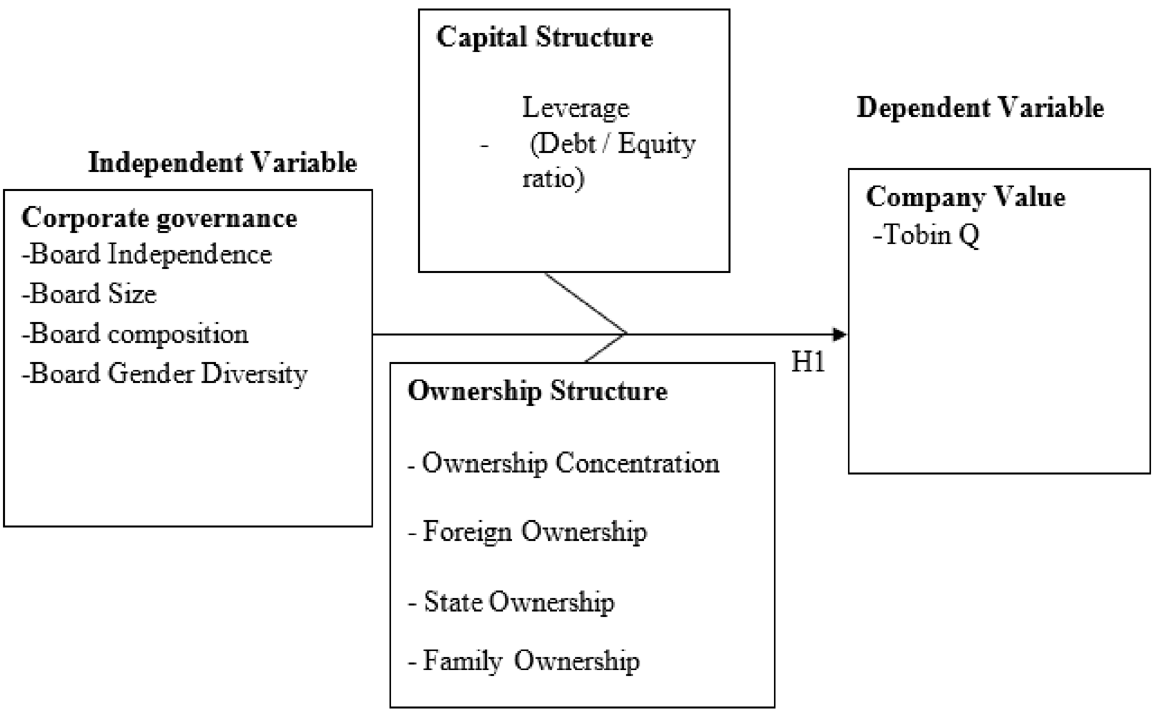

Figure 1. The Conceptual Model

Methodology

The methodology steps adopted by the study include research philosophy, study design, targeted population, collection of data, diagnostic tests, operationalization, and analysis of data. The study was premised on the positivism research philosophy as it tested several quantitative hypotheses. The descriptive design was appropriate since the study's key variables were defined and the study hypotheses and research questions were clearly indicated. Cooper and Schidler (2008) supported this position by arguing that descriptive design is suitable for a research in which research questions or hypotheses have already been formulated. The population consists of 58 firms listed at the NSE covering 2013 to 2017. The quoted companies are preferred as they have a defined structure, a legal mandate to operate, are likely to exhibit elaborate linkages between research variables and provide a basis for determining the market value and performance in an objective manner. This study used quantitative secondary data collected in Microsoft excel for a five-year period. The data was obtained from publicly trading companies past financial accounts from the companies' websites and other accounts filed with NSE. Where the required data was not accessible, it was directly requested from firms' management.

The research adopted a census method due to the small number of qualifying companies at the NSE. Creswell (2013) opinioned that in the case of a small population in the study, less than 100, then the broader population can be integrated as part of the research with a census taken. In the present research, a census survey was applied as the target population was small thus no sampling was undertaken. This use of census fulfilled the requirement of efficiency, representativeness, and reliability (Dominic & Member, 2015).

Diagnostic Tests

Several diagnostic tests have been used to justify the validity of regression results to determine whether the regression model is unbiased. These were done given that it is impractical to achieve accurate and reliable deductions about reality when the population from which the sample is derived is invalid (Creswell, 2013). The classical linear regression model is based on several assumptions including linear relationship, multivariate normality, no or little multicollinearity, no autocorrelation, and homoscedasticity.

Linear regression analysis requires that there is little or no autocorrelation in the data. Autocorrelation occurs when the residuals are not independent of each other. The Durbin – Watson (1985) statistic ($1.5<d<2.5$) was used to test the autocorrelations in the panel data. The ANOVA test of linearity was used to check for linearity of the relationships between the independent and the data of the dependent variables. Nonlinearity was considered significant if the computed F value for the nonlinear component was below 0.05. Multicollinearity occurs when the independent variables are not independent of each other meaning one independent variable can be linearly predicted from the others with some reasonable degree of accuracy (Creswell, 2013). The presence of multicollinearity was assessed using the VIF (Tolerance) test. Multicollinearities exist if the value of VIF is higher than 10 and the tolerance value is not far from 1.

The classical linear regression model assumes that the data is homoscedastic (literally, same variance). The heteroskedasticity problem arises in the data when the variance of the residuals is not constant across all observations. The Levene's test was used to assess the assumption that variances of the populations from which different samples were drawn were equal. The linear regression analysis requires all variables to be multivariate normal. Normality was checked with a goodness of fit test, the Kolmogorov-Smirnov test. In addition, the Shapiro–Wilk (1965) test, which is a more robust test of normality, was also adopted.

Data Analysis

Carty and Weiss (2012) define data analysis as the application of reasoning to understand the data that has been gathered with the aim of determining consistent patterns and summarizing the relevant details revealed in the investigation. Sekaran and Bougie (2009) suggest a four step approach in data analysis namely; get the data ready for analysis (editing for accuracy, consistency, and completeness); get a feel of the data (descriptive statistics); test the goodness of fit (diagnostic tests) and finally hypothesis testing. Multiple regression analysis was used to test the strength and direction of variables. Statistical program for social sciences (SPSS) version 26 was used to analyze descriptive and inferential statistics used to measure the variables. The above analysis was consistent with those used in the previous studies to test the main effect, intervention, moderation, and joint effect (Okiro,2014 and Mang'unyi, 2011).

To determine the joint effect of corporate governance, capital structure, ownership structure on the company's value. The model for the testing hypothesis is as follows:

$CV_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2 BS_{it} + \beta_3 BC_{it} + \beta_4 BGD_{it} + \beta_5 CS_{it} + \beta_6 OC_{it} + \beta_7 FRO_{it} + \beta_8 SO_{it} + \beta_9 FMO_{it} + \varepsilon_i$ -(1)

B_1------β_9 are the regression coefficients. BI, BS, BC, BGD, CS, OC, FRO, SO, FMO are Board Independence, Board Size, Board Composition, Board Gender Diversity, Capital Structure, Ownership Concentration, Foreign Ownership, State Ownership, and Family Ownership respectively. CV represents Corporate Value (measured by Tobin Q), $\boldsymbol{\beta_0}$ is the intercept or Constant, $\boldsymbol{\beta_{1-}}$ $\boldsymbol{\beta_9}$ are regression coefficient, $\boldsymbol{\varepsilon}$ is a random error term that accounts for the unexplained variations, **i** is a number of companies used in the sample and **t** are the duration of the research.

Results of Diagnostic Tests

The statistical assumptions including regression and statistics applied were tested. These tests were done on independence, homogeneity, normality, linearity and Multiple co linearity. The thresholds and the values computed for all the four variables of the study are presented in Table 1 below:

Table 1: Summary of Diagnostic Tests

	Assumption (Test)	Normality (Shapiro-Wilk)	Linearity (ANOVA)	Independence (Durbin Watson)	Homogeneity (Levene)	Collinearity (Tolerance)
Variable	Attribute	P > 0.05	P > 0.05	1.5<d<2.5	P > 0.05	VIF 10 Max
Corporate Governance	Board Independence	0.4	0.27	1.765	0.845	1.165
	Board Size	0.324	0.76	1.765	0.619	1.032
	Board Composition	0.24	0.406	1.765	0.365	1.231
	Board gender diversity	0.26	0.34	1.765	0.418	1.049
Capital Structure	Liquidity	0.302	0.52	1.978	0.712	0.866
Ownership Structure	Ownership Concentration	0.403	0.2	2.094	1.207	1.207
	Foreign Ownership	0.302	0.472	2.094	1.122	1.122
	State Ownership	0.011	0.708	2.094	1.123	1.123
	Family Ownership	0.23	0.276	2.094	1.023	1.023
Corporate Value	Corporate Governance	0.401	0.199	1.978	0.682	0.993
	Capital Structure	0.302	0.52	1.978	0.712	0.866
	Ownership Structure	0.234	0.34	1.978	0.321	0.865

Normality was tested using the Shapiro-Wilk test which has the power to detect departure from normality due to either skewness or kurtosis or both. The readings of the study ($p>.05$) were greater than 0.05 confirming normality. Normality assumes that the sampling distribution of the mean is normal. Linearity was tested by the use of the ANOVA test of linearity which computes both the linear and nonlinear components of a pair of variables whereby linearity is significant if the F significance value for the linear component is more than 0.05. Computed readings for the ANOVA test were all above 0.05 confirming linear relationships (constant slope) between the predictor variables and the dependent variable.

The study further assessed Independence of error terms, which implies that observations are independent through the Durbin-Watson test whose statistic ranges from 1.5 to 2.5. The test results ranged between 1.765 and 2.094 supporting the independence of error terms. Homoscedasticity was tested by the use of Levene's test of homogeneity of variances. The test was not significant at $\alpha= 0.05$ confirming homogeneity. Multicollinearity was tested by computing the Variance Inflation Factors (VIF) and its reciprocal, the tolerance. Multicollinearity is a situation in which the predictor variables in multiple regression analyses are themselves highly correlated making it difficult to determine the actual contribution of respective predictors to the variance in the dependent variable. The multicollinearity assumption has a VIF threshold value of 10 maximum (Sekaran & Bougie, 2009). The computed tolerance for all the variables was less than 1 and therefore it's reciprocal, the VIF was between one and two, which falls within the threshold.

Correlation Analysis

The examination of the correlation coefficients helps in accepting or rejecting the null hypothesis that there is no correlation between the explanatory variables. The degree of the linear relationship between two variables in correlation ranges between +1 and -1. A correlation of +1 implies that there is a perfect positive linear relationship between variables hence the concern of multicollinearity problem (Sekaran & Bougie, 2009).

Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value relationship was instituted through correlation analysis using the Pearson Product Moment Correlation Coefficient technique. Overall, the correlation coefficients were far much less than the 0.8 thresholds indicating that there was no concern for multicollinearity (Mang'unyi, 2011). Therefore, we fail to reject the null hypothesis that there is no correlation between the explanatory variables. In this study, the results of the correlations are reported at a significant level of 0.05 and 0.01 consistent with other studies such as Alqisie (2014).

The results are shown below

Table 2: Correlation Matrix for Individual Predictor Variables

	Board Independence	Board Size	Board Remuneration	Board Gender Diversity	Corporate Governance	Ownership Concentration	Foreign Ownership	State Ownership	Family Ownership	Capital Structure	Corporate Value
Board Independence	1										
Board Size	-0.07	1									
Board Remuneration	-0.38**	0.17**	1								
Board Gender Diversity	0.08	-0.1	-0.21**	1							
Corporate Governance	0.47**	0.74**	0.14*	0.29**	1						
Ownership Concentration	0.13*	-0.03	-0.34**	0.01	-0.05	1					
Foreign Ownership	0.25**	-0.13*	-0.36**	0.01	-0.07	0.31**	1				
State Ownership	0.08	-0.16**	-0.18**	0	-0.14*	0.31**	0.20**	1			
Family Ownership	-0.04	0.05	-0.11	0.1	0.01	0.14*	0.01	0.07**	1		
Capital Structure	-0.01	0.05	0.01	0.09	0.07	-0.43**	-0.21**	-0.32**	-0.05	1	
Corporate Value	0.15*	-0.06	-0.32*	-0.06	-0.08	0.36**	0.25**	0.11	0.12*	-0.20**	1

*** Correlation is significant at the 0.01 level and * at the 0.05 level.*

As shown in table 2 above, positive statistical relationship was noted between Board Independence and Composite Corporate Governance, Ownership Concentration, Foreign Ownership and Corporate Value (r=.47, p<0.01), (r=.13, p<0.05), (r=.25, p<0.01), and (r=.15, p<0.05) respectively. While a negative statistical relationship existed between Board Independence and Board Composition (r=-.38, p<0.01). This means that as board independence increases, Corporate Governance, Ownership Concentration, Foreign Ownership, and Corporate Value also increases. However, an increase in Board Independence results in a decrease in board composition as the number of executive directors is expected to decrease as non – executive directors increases.

Joint effect of Corporate Governance, Capital Structure, and Ownership Structure on Corporate Value

The objective of the study was to determine the joint effect of Corporate Governance, Capital Structure, and Ownership Structure on Corporate Value for firms listed at the NSE. The study hypothesized that the joint effect of Corporate Governance, Capital Structure, and Ownership Structure on the Corporate Value of firms listed at the NSE was not statistically significant. The following hypothesis was tested.

H_1: The Joint Effect of Corporate Governance, Capital Structure, Ownership Structure on Corporate Value of Firms listed at the NSE is not significant

The results are shown in Table 3 below:

Table 3: Regression Results for Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value

Variables	β	SE	Std. β	t	R	R^2	ΔR^2	F
Model					0.849	0.671	0.671	7.846**
Constant	1.561	0.308		5.066**				
Board Independence	0.075	0.164	0.027	0.458				
Board Size	-0.035	0.122	-0.016	-0.289				
Board Composition	-1.223	0.349	-0.229	-3.501**				
Board Gender Diversity	-0.466	0.247	-0.105	-1.89				
Capital Structure	-0.188	0.13	-0.09	-1.455				
Ownership Concentration	0.564	0.172	0.214	3.287**				
Foreign Ownership	0.26	0.181	0.086	1.435				
State Ownership	-0.39	0.431	-0.053	-0.904				
Family Ownership	0.171	0.126	0.074	1.351				

Note: *p < 0.05, **p < 0.01

a. Predictors: (Constant), Board Independence, Board Size, Board Composition, Board Gender Diversity, Capital Structure, Ownership Concentration, Foreign Ownership, State Ownership, and Family Ownership.
b. Dependent Variable: Corporate Value

Table 2 shows the results of the multiple linear regression computed to assess the relationship between Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value of firms listed at the NSE. There was a significant relationship between Corporate Governance, Capital Structure, and Ownership Structure ($F=7.846$, $p<.01$, $\Delta R^2 = 0.671$). The predictor variables explained 67.1% of

Corporate Value.

The regression coefficients of Board Composition and Ownership Concentration were statistically significant (β=-1.223, $p<.01$ and β=.564, $p<.01$ respectively) while the rest were not statistically significant. The β and p values of other explanatory variables as presented in the table 2 were, Board Independence (β=.075, $p>.05$), Board Size (β=-.035, $p>.05$), Board Gender Diversity (β = -.466, $p>.05$), Capital Structure (β=-.188, $p>.05$), Foreign Ownership (β = .26, $p>.05$), State Ownership (β=-.39, $p>.05$) and Family Ownership (β=.171, $p>.05$)

From the findings, the relationships between Corporate Value and Board Independence, Board Size, Board Gender Diversity, Capital Structure, Foreign Ownership, State Ownership, and family Ownership were not statistically significant ($p>.05$). The relationship between Board Composition and Ownership Concentration were, however, statistically significant ($p<.01$). Since the overall model was statistically significant ($p<.01$), Corporate Governance, Capital Structure, and Ownership Structure jointly have a significant relationship with the Corporate Value of firms listed at the NSE. The hypothesis H_1 was therefore Rejected.

Findings, Conclusions and Recommendations

The objective of the study was to establish the joint effect of Corporate Governance, Capital Structure, and Ownership Structure on Corporate Value. The prediction of this study was that the joint effect of Corporate Governance, Capital Structure, and Ownership Structure on Corporate Value of firms listed at the NSE was not significant. The finding of the study was that the joint effect of Corporate Governance, Capital Structure, Ownership Structure on the Corporate Value were statistically significant (F=7.846, $p<.01$, ΔR^2 = 0.671). The hypothesis H_1 was therefore Rejected.

The findings were consistent with that of Okiro, Aduda, and Omoro (2015), in their study of the effect of corporate governance and capital structure on the performance of firms listed at East Africa Securities exchange. They found a significant joint influence of corporate governance, Capital

Structure, and Regulations on Firm Performance.

Results show the importance of corporate governance for growth of company value and shareholders' equity. Corporate governance importance is self-manifesting as evidence by the companies which adopted the best practices – how their corporate values have generally grown faster than the others. This study contributes to the inconsistent corporate finance theories by practically exploring the interactions between corporate governance, capital structure, ownership, and corporate value. The result of the study can be useful in generating policies on minority shareholders and other stakeholder's protection among other policies. The control mechanism envisaged by corporate governance principles is strong enough to combat fraud, mismanagement and even corruption if implemented well.

High percentage of companies complied with the requirements of governance especially board size and its composition, separate and definite roles in management and transparency and disclosures of information. Although a number of companies were still struggling to find the optimal capital structure majority seems to oscillate within to the 3:1 ratio of debt to equity rule of thumb which may not be appropriate for all companies particularly high growth ones and mature companies. Large stake in ownership is controlled by 10% investors but increasing effort to diversify by getting external investors or floating additional shares have been noted.

The study concludes that Corporate Governance, Capital Structure, and Ownership Structure jointly predict Corporate Value. Listed firms with good Corporate Governance, optimal Capital Structure, and supportive Ownership Structure obtain higher Corporate Value growth. The result showed that board size and board independence have a significant relationship with Corporate Value. Agency theories suggest that the agent of a company tend to have self-interest, hence affecting the firm value. With a larger board, the monitoring will be able to minimize the risk of agency problems, while higher board independence will also help to have the agent closely monitored, hence contributing to a higher investor and stakeholders' confidence which explains a stronger Tobin's Q. The implication of this is that when the board of directors and Corporations makes better optimal decisions, corporate entities tend to perform better.

Contribution to Knowledge, Theory and Practice

The findings of this study add to the existing body of knowledge on Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value. The major contribution of this study is that Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value jointly predict Corporate Value. Some previous studies have evaluated the relationships among Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value (Holderness, 2016; M'Ithiria & Musyoki, 2014 and Okiro, 2014), However, the variables were studied separately or not in the same combination, the attributes of the four variables used in the previous studies were different, results contradictory and inconclusive (Morrison & Jenson, 2013; Eyenubo 2013 and Holderness, 2016).

Limitations of the Study

The five-year data, (2013-2017) may not be long enough because the market and government issues keep changing from time to time. The period of data can be longer to make the results more conclusive to justify the dynamic nature of the market and governing laws and regulations. The study did not consider the possible reverse relationship where corporate value may influence capital structure adopted by the company – for example, a company that has been profitable in the past and is likely to continue being profitable with plenty of extra cash – like Safaricom may not need any outside debt. The above limitations do not dilute the quality of the study. The study has made far-reaching contributions to the existing bodies of knowledge touching on areas of corporate governance which still has a lot of room for future studies.

Recommendation and Policy Implications

The findings also seem to extend the scope of corporate governance beyond the usual corporate governance scope by roping in capital structure and ownership structure as part and parcel of corporate governance. Shareholders, board, and management should ensure that ownership is structured to incorporate, and support governance and that capital structure is a key element of corporate governance like being employed to reduce agency costs through influencing optimal management decision making among others.

The finding is that the Ownership Structure sub variable of shareholdings by the state jointly affects Corporate Value. This suggests that the privatization of public corporations would add value to them. The government should therefore continue and if possible, accelerate the privatization effort which has been ongoing. Companies like Kengen which had been previously partially privatized should be fully privatized while others like Kenya Power, consolidated bank, Kenya meat, Mumias Sugar, Kenya airways among others should be fully privatized to improve their performance.

The regulators, themselves, should be above board and should always lead by example. They should be firm, fair, equitable, and transparent in their dealings, and policy initiation should always be by consensus. There should be regular structured training and attendance of seminars and workshops for senior management to strengthen leadership quality. There should be compulsory induction training on Corporate Governance for new members of the board of directors.

Suggestion for Future Research

Further research may consider incorporating the behavioral aspects of boards. Researchers in developed countries have recently started examining board processes by attending actual board meetings. However, this also needs to be expanded by researchers in developing economies. There is therefore the need to go beyond the quantitative research, which is yielding a mixture of results, to perhaps a more qualitative approach as to how actually works from an insider view boards work. Expanding this current research into a wider study of board dynamics and decision making would be a start in developing a better understanding of corporate governance.

Future researchers could incorporate other performance measures, both financial and non-financial other than just Tobin Q considered above. A similar study could be replicated in other countries regionally and internationally. This would further validate the findings of the current and future studies. This should involve expanding the study to look at regional markets like COMESA or even do more detailed studies focusing on individual segments of each market understudy to asses' variations if any in result obtained. Additional or different variables other than corporate governance, capital structure, and ownership structure can also be considered in the future to enrich corporate governance studies generally and deepen understanding even further.

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