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Corporate Governance Practices and Firm Value of Listed Commercial Banks in Kenya

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Abstract:
Corporate governance has become a global concern. The significance of corporate governance practices cannot therefore, be downplayed as they are strong determinants in the survival or collapse of corporate bodies. The study examined the relationship between corporate governance practices and firm value of listed commercial banks in Kenya for the period of 2011 to 2016. The study used a descriptive research design. Data was collected from financial statements available in published annual reports and websites for the 11 banks listed on the Nairobi Securities Exchange. Data was analyzed using descriptive and inferential statistics with the aid of STATA, 13. The results depict a positive and significant relationship with regards to board size, board independence and audit committee with firm value. Ownership concentration was found to have a negative but significant relationship with firm value. The study concluded that good governance structures are important for a stable financial market and that firms with good corporate governance enhance their market value. The study recommended that for banks to have sustainable growth and stability, regulators should improve on the mechanisms of ensuring that the corporate governance disclosures in the annual reports are not simply statement of good intentions but are implemented at firm level. The shareholders should also continue holding the board accountable in a way that strengthens the corporate governance practices.

Keywords: *Corporate governance, firm value, commercial banks*

1. Background of the study

Corporate governance is considered as the procedure, by which organizations are coordinated, controlled and held responsible. This infers that corporate governance encompasses the authority, accountability, stewardship, authority, course and control exercised over the time spent managing organisations. Mudashiru (2014) emphasizes that the term corporate governance has been recognized to mean different things to different individuals. For example, the concept is concerned with guaranteeing that organizations are run well for investors to receive reasonable returns. Conversely, the authors state that corporate governance is a system by which business corporations are coordinated and controlled.

Firm value is a financial measure indicating the valuation by the market for the entire firm. It is the aggregate of claims from all the investors'. That is, both secured and unsecured creditors and both preferred and common equity holders. It is a term coined by experts to discuss about the aggregate value of an organization as an enterprise rather than just focusing on its up-to-date market capitalization. Firm value embodies the economic measure mirroring the market value of a business. It is a summation of claims by creditors and investors. Palepu and Healy (2008) take note that firm value is a fundamental metric utilized in financial modelling demonstrating, business valuation, portfolio analysis, accounting and risk analysis.

As stated by Weiying and Baofend (2007), well-governed corporations have been noted to have higher firm value. Dincer and Dincer (2013) additionally take note that there is boundless proof that good corporate governance is associated with greater firm performance. In corporate governance firm level differences have a significant impact on firm value. Furthermore, higher price performance is associated with higher disclosure quality, focused firms as well as higher external ownership concentration. Further, the authors take note that failures of various well-known organizations made it to clear that organizations ought to undergo further modifications to secure their investor's interests, to escalate the firm's transparency and to ensure investor's reliance on the directors' management (Weiying & Baofend, 2007).

Good corporate governance practices can improve firms' stock returns in the long-run and translate into higher financial performance (Dzingai & Fakoya, 2017). The elements of corporate governance are assumed to increase the value of a firm. Corporate governance is expected to lead to the increased value of firms than companies that do not practice the concept. In other words, the absence of corporate governance strategies may hinder the board's ability to monitor management and thereby increase the agency costs (Armstrong, et al., 2010). Further, Farvaque (2011) argues that a good corporate

governance structure benefits the organization in easily accessing cheap financing thus increasing its performance. Further, the authors argue that organization with bad corporate governance often result in poor performance and firm value. Farvaque et al. (2011) says that good corporate governance leads to an increase in the investors' confidence on the organization and improves its market liquidity.

Banking services and products in Kenya are critical as they play an imperative role in supporting economic growth. A modern financial structure contributes to economic advancement and the enriched living standards through providing diverse financial services to the entire economy (Chase & Bollard, 2011). Good corporate governance practices can enhance firms' stock returns over the long haul and translate into higher financial performance (Dzingai & Fakoya, 2017). The components of corporate governance are assumed to expand the value of a firm. Corporate governance is expected to lead to increased value of firms than organizations that do not practice the concept.

1.1. Specific Objectives

- To examine the extent to which board size affects the value of listed commercial banks in Kenya
- To determine the effect of board independence on the value of listed commercial banks in Kenya
- To assess the extent to which ownership concentration affects the value of listed commercial banks in Kenya
- To evaluate the effect of audit committee on the value of listed commercial banks in Kenya

2. Literature Review

2.1. Theoretical Review

2.1.1. Agency Theory

Agency theory originated from economic theory. Ross (1973), is responsible for this theory and Mitnick (1974) for the institutional theory of agency. It was further developed by Jensen and Meckling (1976). Ross introduced the study of agency regarding problems of compensation contracting. Agency was seen, in essence, as an incentives problem. Mitnick introduced the now standard insight that institutions form around agency, and evolve to deal with agency, in response to the essential imperfection of agency relationships.

Agency theory has been used to guide corporate governance for many years. This theory demonstrates that when large firms separate their ownership and control in modern firms this will cause the agency problem to happen. In agency theory, the agent might be capitulated to self-interest, opportunistic behaviour and falling short of congruence between the aspirations of the principal and the agent's quests. In relation to the research objectives, this analysis will adopt the agency theory since, it ponders on the board as a mechanism which dominates the corporate governance literature. The hypothesis moreover illuminates the relationship between providers of corporate finances and those entrusted to manage with the issues of the firm. Similarly, this is in accordance to the works of Sanda, Mukaila and Garba (2003) and Anderson, Becher and Campbell (2004). Through this theory, the banking sector in Kenya follows the outlined structure of corporate governance to guarantee that competent agents are appointed in the administration of these banks for the benefit of the principals.

2.1.2. Stewardship Theory

Stewardship theory has been framed as the organizational behaviour counterweight to rational action theories of management (Donaldson and Davis, 1991& 1993). This theory holds that there is no conflict of interest between managers and owners, and that the goal of governance is, precisely, to find the mechanisms and structure that facilitate the most effective coordination between the two parties (Donaldson, 1990). In contrast to agency theory, stewardship philosophers have offered an alternative model of governance which is established in psychology and sociology. Stewardship theory upholds principal-steward relationship rather than principal-agent relationship as in the agency hypothesis. (Davis, Schoorman & Donaldson, 1997) have the conviction that their interests are aligned with the interests of the organization or their principals and their individual needs will be met when they work toward organizational objectives. Subsequently, through appropriate coordination by the stewards in a firm that has integrated corporate governance, it will encounter increased value, growth, and development. Through this, there will be proper running of the organization since experts shall be making the decisions and any issue arising shall be solved befittingly.

2.1.3. Resource Dependence Theory

Resource dependence theory focuses on the role of board executives in providing access to resources required by the firm. Hillman, Canella and Paetzold (2000) posit that directors bring resources to the firm, for instance, information, skills, access to key constituents, for example, suppliers, buyers, public policy makers, social groups and in addition legitimacy. In account of this, integration of corporate governance structure will ultimately result to use of resources to obtain maximum output of the resources hence appreciation of the value of the firm. Johnson et al. (1996) concur that resource dependence philosophers concentrate on the appointment of delegates of autonomous organizations as a mode of gaining access to resources crucial to firm's success. In line with this, resource dependence theory is advocated for in this study.

2.2. Conceptual Framework

A concept is an abstract or general idea surmised or derived from specific occurrences (Zikmund, 2010). Kothari (2014) contends that a theoretical structure is a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. The motivation behind a theoretical framework is to categorize and depict concepts significant to the analysis and map connections among them. As shown in Figure 1 below the independent variables included board size, board independence, ownership concentration and audit committee. Conversely, the dependent variable was firm value.

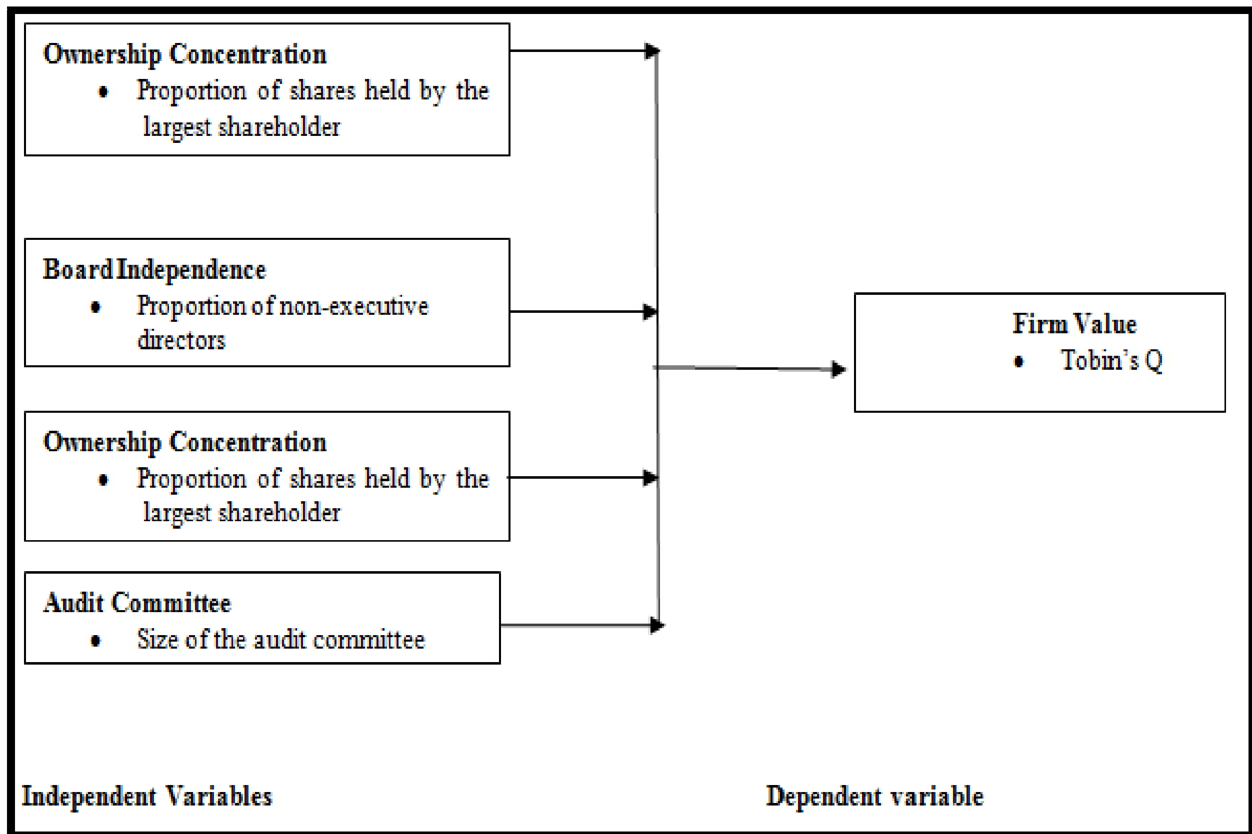

Figure 1: Conceptual Framework

2.3. Empirical Review

2.3.1. Board Size

Board size plays an important role in affecting the value of a firm. It refers to the number counted for the number of directors sitting on a board (Heaney, 2007). The best possible board size number needed to accommodate the necessary skill sets and competencies with flexibility, and effective contribution of the membership. An ultimate set of board members is a set with a collective of differences in knowledge, background and expertise that bring benefits in making the best result which then improves the firm performance.

Larger boards are better placed to effectively perform both the agency and resource dependence roles than smaller ones. First, larger boards tend to have a more significant number of outside or non-executive directors, who are more independent and better placed to effectively advise, monitor and discipline management. Second, larger boards are associated with diversity in experience, skills, ideas, and also a greater opportunity to secure critical resources, including business contacts and contracts

The role of a board of directors is to discipline the CEO and the management of a firm so that the value of a firm can be improved. Conger and Lawler (2009) who study on the relationship between board size and corporate performance, argue that there is no one suitable size for all board as the right size for a particular board is driven by how effective the board can work as a team.

Guest (2009) articulates that that larger boards are better placed to effectively perform both the agency and resource dependence roles than smaller ones. First, larger boards tend to have a more significant number of outside or non-executive directors (NEDs), who are more independent and better placed to effectively advise, monitor and discipline management. Second, larger boards are associated with diversity in experience, skills, ideas, and also a greater opportunity to secure critical resources, including business contacts and contracts Ntim (2012).

Kaur (2016) examined the impact of corporate board size and promoter ownership on firm value for selected Indian organizations. The study evaluated the corporate governance structure of 100 Indian firms listed on the Bombay Stock Exchange utilizing multiple regression analysis. The empirical findings from Kaur (2016) study demonstrated a positive relationship between board size and promoter ownership with firm value.

2.3.2. Board Independence

An independent board is a corporate board that has a majority of outside directors who are not affiliated with the top executives of the firm and have insignificant or no business dealings with the organization to dodge potential conflicts of interest. An independent board is obliged to provide careful oversight over firm executives to mitigate administrative opportunism and promote investor value. Lizard Davoudi, Ben Fenton, Kate Burgess and Anousha Sakoui. (2011, July 22).
Najjar (2011) posits a positive relationship between non-executive directors on board and audit committee independence. In addition, Raghunandan & Rama (2007) hypothesize non-executive directors are more essential to others in reflecting effective corporate governance. In addition, Raghunandan & Rama (2007) hypothesize non-executive directors are more essential to others in reflecting effective corporate governance.

Wepukhulu (2016) analysed the relationship between corporate governance and performance of commercial banks in Kenya. To achieve the general objective of the study, a survey was conducted on 43 commercial banks that were operational. The researcher made use of return on assets, return on equity and Tobin's q ratio as key variables that defined banks performance; whereas bank size was adopted as a control variable. Data analysis was primarily done using descriptive and inferential statistics.

Under descriptive statistics; mean, maximum, minimum and standard deviations were used and under inferential statistics: partial correlation analysis and hierarchical multiple regression analysis within the panel data framework were used. The findings of the study indicated that board independence was not significant in the relationship between corporate governance and performance of commercial banks when all the three performance measures were used (ROA, ROE and TBQ ratio).

2.3.3. Ownership Concentration

Ownership Concentration comprises of how shares are distributed among various firms. The measurement of the ownership concentration is computed by the percentage of total shareholding by the firm's top five shareholders. A block holder is the people that own more than five percent of the firm's equity or share (Javid & Iqbal, 2010). Ritcher and Weiss (2013) define ownership concentration as the allocation of ownership rights among different parties who own the firm collectively.

Research on the effect of Ownership Concentration on firm performance is extensively published. Based on Nor, Shariff and Ibrahim (2010), they show that the concentrated ownership is positively related to the performance of the firm in the institution sector. The fewer the number of investors, the more concentrated the ownership will be.

Oyerogba (2014) researched on the Effect of Ownership Concentration on Firm Value of Listed Companies. The purpose of this study was to explore the link between ownership concentration and the market value of listed companies using data from the selected 21 banks listed on the Nigeria Stock Exchange during the period of 2008 - 2012. The hypothesis formulated and tested for the study was that there is no significant relationship between ownership concentration and market value of listed companies.

2.3.4. Audit Committee

An audit committee is an operating committee of the governing body charged with oversight of financial reporting and disclosure. Committee members are drawn from individuals from the organization's governing body, with a chairperson chosen from among the board of trustees' individuals. Qin (2007) found that larger audit committees are more associated with the greater earnings returns of the companies.

Pucheta-Martinez and Fuentes (2007) study evidenced positive relationship between the audit committee size and quality of financial reporting. These findings are consistent with the research of Felo et al. (2003) who proposed that larger audit committees improve the reporting quality.

There was an adverse relationship as noted in a research carried out by Matari et.al. (2012) between audit committee characteristics and performance of the public listed companies in Saudi Arabia. Sample data for 135 companies in the year 2010 has been collected from Saudi Stock Market. Audit committee size was one of the independent variables for the research with measurement for the total directors on the audit committee. Findings of Pearson and the Multiple Linear Regression analysis has proved that size of audit committees and firm's performance are significantly related as they may have wider knowledge based and more authority.

3. Research Methodology

3.1. Introduction

This chapter highlights research design, the target population, the sampling frame, data collection procedure and data processing analysis.

3.2. Research Design

Ranjit Kumar, (2005) describes a research design as a procedural arrangement that is embraced by the researcher to answer questions reasonably, objectively, accurately and economically. The study adopted a descriptive research design of commercial banks listed on the Nairobi Securities Exchange. As indicated by Mbwesa (2006) and Mugenda and Mugenda (2003) descriptive analysis involve finding numerical rundowns to give a more profound understanding of the qualities and depiction of the variables under study.

3.3. Target Population

Target population for a study is a set of units that a researcher interested and focused on (Glenncoe, 2004). The population of interest comprised of the listed commercial banks in Kenya. Currently, there are 11 commercial banks listed in the NSE.

3.4. Sample and Sampling Technique

The investigation concentrated on the commercial banks listed in the Nairobi Securities Exchange. The investigation time frame picked was suitable since it fell under a period after the publication of the gazette notice No. 3362 that introduced corporate governance in Kenya. Further, the investigation time frame took into consideration accessibility of information because most banks have embraced corporate governance practices.

3.5. Instruments

The study used secondary data sources in gathering data for the analysis. Information was gathered from published annual reports and websites for selected companies. Secondary data gives a solid wellspring of information required by the researcher to investigate the phenomenon and seeks efficient ways for problem-solving situations.

3.6. Data collection procedure

The analysis applied secondary data obtained from published and unpublished materials. The analyst downloaded annual financial reports from online sources, and from the bank's websites. The financial statements gave data required to ascertain the firm value and corporate governance practices, for example, board size, board independence, ownership concentration and audit committee. After the data was collected, it was analysed using descriptive statistics with the aid of STATA, 13.

3. 7 Data Processing and Analysis

According to Bihani and Patil (2014), data analysis and processing involves assessing, cleaning, transforming, modelling data with the motivation behind featuring useful insights of knowledge, proposing conclusions, and supporting decision making. Panel data estimation technique was adopted in light of the fact that it deals with heterogeneity associated with individual banks by taking into consideration individual-specific factors.

4. Results and Discussions

4.1. Descriptive statistics

Table 1 shows the descriptive statistics of the study. Firm value as measured by Tobin's Q had an average of 0.24 with a standard deviation of 0.13. Tobin's q greater than 1.0 suggests that the market value is greater than the value of the firm's recorded assets. On the other hand, if Tobin's q is less than 1, this suggests that the market may be undervaluing the firm. The board had an average of 10 to 11 directors. The values were ranging from 7 (minimum) to 13 (maximum) members. The standard deviation was 1.34 which was relatively low when compared to the mean. A low standard deviation indicated that the data points were closely clustered around the mean.

The results on board independence indicated that the average value is 0.78 with values ranging from 0.40 (minimum) to 0.92 (maximum). This variable had a standard deviation of 0.13. This means that data was highly spread. The discrepancy was higher between the firm (0.11) compared to within the same firm over a number of years (0.07). Higher variance means more dispersion from the mean. The average value of Ownership Concentration with a standard deviation of 0.22. This established that the data points were spread out over a range of values. A keen look at the spread showed variation within the firm over the years (0.23) was higher than the variations between the same firms (0.02). The results in Table 1 indicated that the average mean of audit committee stood at 3.77 with values ranging from a minimum of 3 members to a maximum of 5 members. The standard deviation was 0.67.

Variable		Mean	Std. Dev.	Min	Max	Observations
Firm Value	overall	0.24	0.13	0.04	0.62	N=66
	between		0.10	0.07	0.37	N=11
	within		0.08	0.05	0.60	T=6
Board Size	overall	10.11	1.34	7.00	13.00	N=66
	between		0.99	8.50	11.67	N=11
	within		0.94	7.44	12.94	T=6
Board Ind.	overall	0.78	0.13	0.40	0.92	N=66
	between		0.11	0.48	0.90	N=11
	within		0.07	0.56	0.92	T=6
Ownership Con.	overall	0.37	0.22	0.12	0.74	N=66
	between		0.23	0.16	0.74	N=11
	within		0.02	0.31	0.46	T=6
Audit Com.	overall	3.77	0.67	3.00	5.00	N=66
	between		0.37	3.17	4.50	N=11
	within		0.57	2.61	5.11	T=6

Table 1: Descriptive Statistics of the Study Variables

4.2. Correlation Analysis

Table 2 presents the Karl Pearson's correlation coefficients for the variables under study. It indicates. It indicates that there exists positive signification correlation between board size, board independence and audit committee and firm value, this depicts the existence of a direct relationship implying that as board size, board independence and audit committee is increased, firm value also improves. A significant negative correlation is reported between ownership concentration and firm value. This indicates that as the share of the largest shareholder reduces, firm value is enhanced.

	Firm Value	Board Size	Board Ind.	Ownership Conc.	Audit Comm.
Firm Value	1				
Board Size	0.6585	1			
Board Ind.	0.5382	0.5088	1		
Ownership Conc.	-0.7285	0.1086	-0.441	1	
Audit Committee	0.6227	-0.3407	-0.0254	0.1414	1

Table 2: Correlation Matrix

4.3. Diagnostic Tests

Diagnostic tests are used to identify the best model for the study. This section of the study reports diagnostics tests which were carried out.

4.3.1. Testing For Random Effects

The study used Breusch-Pagan Lagrange multiplier (LM) to test whether a panel model or simple OLS can be used. The LM test helps to decide between a random effects regression and pooled OLS regression. The null hypothesis in the LM test is that variances across entities is zero i.e. no significant difference across units (i.e. no panel effect).

The p-value was less than 0.05 and therefore the null hypothesis was rejected and concluded that random effects were appropriate. This was evidence of significant differences across commercial banks, therefore in place of pooled OLS regression the random effects model was more appropriate.

4.3.2. Testing For Heteroscedasticity

When heteroscedasticity is present, the standard errors of the estimates are biased and the study should use robust standard errors to correct for the presence of heteroscedasticity (Antonie, Cristescu, & Cataniciu, 2010; Hoechle, 2007).

The existence of heteroscedasticity problem may bring about overestimation of the model, T statistic becomes smaller and, in this way, cause the incorrect conclusion. Moreover, the presence of the heteroscedasticity problem will cause the variance to become standard error and indirectly impact the T statistic and F statistic to become incorrect. The study used Modified Wald Test to test for existence for heteroscedasticity. The p-value was less than 0.05 (p=0.0000). Since p<0.05, therefore, there was no heteroscedasticity.

4.3.3. Test for Fixed or Random Effects

To decide between fixed or random effects, the study used Hausman test where the null hypothesis is that the preferred model is random effects vs. the alternative the fixed effects (Green, 2008). It basically tests whether the unique errors (*ui*) are correlated with the regressors, the null hypothesis is they are not. It was observed that p-value>0.05 which

resulted to the acceptance of the null hypothesis. This implied that the random-effects model was the befitting model for analysis.

4.3.4. Test for Autocorrelation

According to Gujarati (2012), autocorrelation may be defined as correlation between members of series of observations ordered in time or space. Drukker (2003) argues that, because autocorrelation in linear panel-data models biases the standard errors and causes the results to be less efficient, researchers need to identify serial correlation in the idiosyncratic error term in a panel-data model.

The study used Wooldridge Drukker test for autocorrelation in panel data. It was observed that p=0.3203 >0.05. This was an indication that autocorrelation did not exist.

4.3.5. Test for Multicollinearity

The study used Variance Inflation Factor (VIF) to test for optimality. As a rule of the thumb, a VIF of 1 indicates no correlation between predictors; a value of between 1 and 5 indicates moderate correlation and a value above 5 indicate that predictor variables are highly correlated (Gujarati, 2012). A mean VIF of 1.20 which was between 1 and 5 and indeed very close to one. The independent variables were moderately correlated showing nonexistence of multicollinearity

4.4. Regression Analysis

Informed by the diagnostic test, the study used the random effects panel model for the analysis. The results are presented in table 3.

The first hypothesis of the study was that there exists no statistically significant relationship between the board size and firm value of listed commercial banks in Kenya. The relationship between the variables is significant. The p-value lead to rejection of the null hypothesis and acceptance of the alternative hypothesis. The findings, therefore, indicated that there existed a statistically significant relationship between the board size and firm value of listed commercial banks in Kenya. The results of the study were consistent with findings by earlier scholars such as Salih (2013) who examined Corporate Governance and Firm's Value. The empirical results revealed that only Board size had a significant and positive impact on TQ.
The second hypothesis of the study was that there is no significant relationship between board independence and firm value of listed commercial banks in Kenya. The positive result demonstrated that as the value of the board independence increases, the firm value increases as well. The results for the board independence were consistent with the previous studies as indicated by Zhu, et al. (2014), in supplementary analyses, investigated the systems through which independent director's empowerment increases firm value. These findings proved that empowered independent directors more successfully Monitor Company's financial reporting. However, this was in contrast to the findings by Wepukhulu (2016) in a study which analysed the relationship between corporate governance and performance of commercial banks in Kenya.

The third hypothesis of the study was that there exists no statistically significant relationship between ownership concentration and firm value of listed commercial banks in Kenya. The random effects regression results showed a negative correlation meaning that there was an inverse relationship between ownership concentration and firm value. These results contradicted those of Oyerogba, (2014) who found that a positive relationship existed between firm value and ownership concentration.

The fourth hypothesis of the study was that there exists no statistically significant relationship between the audit committee and firm value of listed commercial banks in Kenya. The results confirmed that the relationship between audit committee and firm value was statistically significant. These findings were consistent with those of Pucheta-Martinez and Fuentes (2007). Contrary to their results, there was an adverse relationship as noted in a research carried out by Matari et.al. (2012).

<table>
<tr><td colspan="4">Random-effects GLS regression</td><td colspan="3">Number of obs = 66</td></tr>
<tr><td colspan="4">Group variable: Firm ID</td><td colspan="3">Number of groups = 11</td></tr>
<tr><td rowspan="4">R-sq:</td><td colspan="3" rowspan="3">within = 0.4356
between = 0.7029
overall = 0.6643</td><td colspan="3">Obs per group: min = 6</td></tr>
<tr><td colspan="2">Avg =</td><td>6.0</td></tr>
<tr><td colspan="2">Max=</td><td>6</td></tr>
<tr><td></td><td></td><td></td><td colspan="3">Wald chi2(4) = 43.41</td></tr>
<tr><td colspan="2">corr (u_i, X) = 0 (assumed)</td><td></td><td></td><td colspan="3">Prob > chi2 = 0.0000</td></tr>
<tr><td>Tobin Q</td><td>Coef.</td><td>Std. Err.</td><td>Z</td><td>P>|z|</td><td colspan="2">{95% conf. interval}</td></tr>
<tr><td>Board Size</td><td>0.034</td><td>0.009</td><td>3.778</td><td>0.000</td><td>0.014</td><td>0.054</td></tr>
<tr><td>Board Independence</td><td>0.041</td><td>0.014</td><td>2.929</td><td>0.001</td><td>0.021</td><td>0.071</td></tr>
<tr><td>Ownership Concentration</td><td>-0.096</td><td>0.023</td><td>-4.174</td><td>0.000</td><td>-0.056</td><td>-0.106</td></tr>
<tr><td>Audit Committee</td><td>0.085</td><td>0.019</td><td>4.474</td><td>0.000</td><td>0.055</td><td>0.155</td></tr>
<tr><td>_cons</td><td>0.224</td><td>0.105</td><td>2.133</td><td>0.004</td><td>0.123</td><td>0.314</td></tr>
</table>

Table 3: Random Effect Regression Results

5. Conclusion and Recommendations

5.1. Conclusion of the Study

The findings demonstrated that the board size, board independence, ownership concentration and audit committee were statistically significant and influenced firm value. The possible interpretation of this phenomenon could be that there may be a glass ceiling in the majority of the banks in Kenya. Since board members are the most senior people in organizations some of them should rise above the ranks and become board members. If this is the case, then many female employees face glass ceiling for instance promotion to a certain level but not beyond in those organizations. The study concluded that good governance structures are important for a stable financial market and that firms with good corporate governance enhance their market value. Based on the findings, the study concludes that this should be taken as a sign that good governance structures are important in the young and immature financial institutions as it affects the institutional performance. The observations of the study not only aim at fine-tuning governance in Commercial banks regarding policy direction, but equally important to ensure collapse of Commercial banks as a result of governance is forestalled so as not to dent the critical process of poverty reduction and development.

5.2. Recommendations of the study

For banks to have sustainable growth and stability, the regulators should improve on the mechanisms of ensuring that the corporate governance disclosures in the annual reports are not simply statement of good intentions but are implemented at firm level. This will greatly improve the level of corporate governance and by extension firm value. Commercial banks in Kenya should embrace corporate governance practices for them to enhance shareholder wealth maximization and corporate profitability. CBK through their prudent regulations should ensure that commercial banks follow these regulations which ensure adequate risk management measures are followed not only in writing but in day to day operations in the banks. It is also recommended that the Institute of Certified Public Secretaries in conjunction with Kenya Bankers Association come up with awards to those banks that practice best corporate governance to encourage and root the culture of corporate governance in commercial banks in Kenya. The shareholders should also continue holding the board accountable in a way that strengthens the corporate governance practises.

5.3. Areas for Further Research

This research has explored corporate governance practices and firm value of listed commercial banks in Kenya. The study recommended further research to be conducted on the relationship between corporate governance practices and firm value in more categories for example, in the agricultural sector, manufacturing sector, communication sector.

The study also recommends for other areas of study since this study focused on the Kenyan banking sector. It would be beneficial to have a clearer understanding of corporate governance roles in other types of organizations. Such research could address the similarities and differences of the roles in different organizations and also consider the legal requirements for different organizations. The study recommends further research to be conducted using different variables as well as longer periods of analysis.

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