CORPORATE GOVERNANCE, ASSET STRUCTURE, AND VALUE OF FIRMS LISTED AT NAIROBI SECURITIES EXCHANGE, KENYA

HABAKKUK NKONGE BARINE

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DECLARATION

This Thesis is my original work and has not been presented elsewhere for a degree or any other award.

Signature…… Date……...…….

Habakkuk Nkonge Barine
D860/159/2015
Department of Business Studies
University of Embu

This Thesis has been submitted for examination with our approval as University Supervisors.

Signature…… Date……...…….

Dr. Samuel Nduati Kariuki
Department of Business Studies
University of Embu

Signature…… Date……...…….

Dr. Peter Wang'ombe Kariuki
Department of Business Studies
University of Embu

DEDICATION

I dedicate this work to God for strengthening me during this journey. I also dedicate this work to my capable and dedicated supervisors and my family.

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LIST OF ABBREVIATIONS AND ACRONYMS

AGM	Annual General Meeting
AS	Asset structure
ASE	Australian Securities Exchange
BOD	Board of Directors
BV	Book value
CACG	Commonwealth Association for Corporate Governance
CCG	Code of Corporate Governance
CEO	Chief Executive Officer
CEO	Chief Executive Officer
CG	Corporate Governance
COC	Cost of Capital
COD	Cost of Debt
COE	Cost of Equity
COEC	Cost of Equity Capital
DSE	Dar es Salaam Securities Exchange
EA	East Africa
GDP	Gross Domestic Product
NEPAD	New Partnership for African Development
NSE	Nairobi Securities Exchange
NZSE	New Zealand Securities Exchange
OECD	Organization for Economic Cooperation and Development
OLS	Ordinary Least Squares
PBV	Price to book value
PLC	Public Limited Company
RC	Regulatory compliance
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
ROI	Return on Investments
SEC	Securities and Exchange Commission
VIF	Variance Inflation Factor
US	United States

NED	Non-Executive Directors
CS	Capital Structure
SPSS	Statistical Package for the Social Sciences
CMA	Capital Markets Authority

DEFINITION OF TERMS

Corporate Governance	Corporate governance is a collection of mechanisms, systems, and operations by which firms control and direct.
Asset Structure	The proportion of various types of assets a firm holds as indicated in the statement of financial positions in securing debts.
Firm Value	Market value of a firm to book value of a firm.
Ownership Structure	It is the internal organisation of any business entity and the rights and duties of the individuals holding a legal, equitable interest in that business.
Financial Performance	It evaluates a firm's overall financial health and the ability to generate profits and returns for its shareholders and stakeholders.
Macroeconomic Factors	They are broad economic variables and indicators that influence the overall performance of an economy on a national or global scale.
Control Variables	They are variables that researchers include in their study to isolate and examine the specific relationship between the independent and dependent variables by holding other relevant factors constant.

ABSTRACT

This study examines the dynamics of corporate governance and asset structure on the valuation of firms listed on the Nairobi Securities Exchange (NSE) in Kenya, set against the backdrop of a global financial landscape where the estimated value of listed firms is around 80 trillion United States dollars. Despite significant intrinsic worth, many firms have experienced a decline in market value, prompting this investigation. Utilizing a positivist perspective, the research adopted a causal-comparative design, focusing on a target population of 64 firms. Secondary data was sourced from audited annual financial reports submitted to the NSE and the Capital Markets Authority covering 2010 to 2019. The study used panel data analysis and multiple linear regression techniques to examine the data. Additionally, various diagnostic tests were conducted to assess the regression model's assumptions, including normality, heteroscedasticity, multicollinearity, and linearity tests. These tests helped to establish the degree of reliability and validity of the analytical results, thus creating a sound basis for considering the impact of corporate governance and asset structure on firms' valuation in the Kenyan setting. The impact of corporate governance and asset structure on the value of firms listed in the NSE, was analyzed using a random-effect model, indicating that Corporate Governance significantly influences firms' value, indicating that stronger governance practices enhance firm valuation. Similarly, asset structure was shown to significantly affect firm value, suggesting that the composition and quality of assets are critical determinants of how firms are valued in the market. Both corporate governance and asset structure serve as key predictors of a firm's overall value, emphasizing the importance of these factors in investment decisions. The study identified the role of financial performance as a moderator with regard to the impact of corporate governance, asset structure, and firm value. This implies that strategies enhancing governance and assets can result into better financial performance and, hence, firm value. The study revealed further that the macro environment variables did not exercise any significant moderating influence on the corporate governance firm value nexus. Although, they showed a significant moderating role in the case of the impact of asset structure on firm value and the emergence of the fact that external economic conditions play a role in modulating the effects of varying asset structure on firm value. These findings have significant implications for investors and the management of the Capital Markets Authority, indicating that improving corporate governance and optimizing asset structure can result in better financial performance and increased firm valuation. Investors may benefit from considering these factors when making investment decisions, while regulatory bodies may focus on fostering better governance practices and asset management strategies among listed firms. The study advocates for a strategic focus on enhancing firm value through improvements in corporate governance and asset structure rather than depending on macroeconomic factors. This finding emphasizes the importance of internal management practices in driving firm valuation, suggesting that firms may achieve more significant outcomes by prioritizing these areas. The study lays the groundwork for further exploration into the interconnections between corporate governance, asset structure, and firm value. Future research can build on these findings, potentially uncovering additional dimensions and insights related to these critical factors.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate governance is crucial in establishing a robust framework for managing global firms, encompassing policies and processes that ensure transparency, fairness, and accountability (Andréou et al., 2016). According to Priyanka (2013), corporate governance is pivotal in ensuring satisfactory returns on investment for financiers. Peiris and Fernando (2013) define corporate governance as the rules guiding decision-making within organizations, both public and private, impacting the dynamics between partners and directors. Inadequate corporate governance at executive and management levels can lead to poor business decisions, resulting in decreased firm valuation and challenges in meeting financial obligations.

Assets encompass the resources a firm owns and employs for its operations, with fixed assets indicative of a company's value and growth potential (Riyanto, 2008). Fixed assets serve as security to sustain earnings, growth, and value, while a firm's current assets are inclined to be used for short-term debts (van Horne, 2013). Macroeconomic factors, encompassing indicators like the rates of economic growth, inflation, foreign exchange, and interest, significantly influence firm operations (Awan and Amin, 2014). These factors can lead to various impacts on a firm.

Financial performance, assessed through metrics like Return on Assets (ROA), reflects how well a firm generates revenue and utilizes its assets. It entails assessing a company's financial condition by examining its assets, liabilities, equity, expenses, and income. In this study, ROA measures financial performance (mediating variable), while corporate governance and asset structure form critical variables influencing firm value. Control variables, like leverage, firm age, and firm size, were integrated into the analysis to mitigate the effects of confounding variables. According to De-LaCruz et al., (2019), the contribution of listed companies to economies is substantial, with the global value of listed firms amounting to 80 trillion US dollars. However, a significant portion of listed firms consistently underperforms globally. Instances of delisting due to corporate governance issues have been observed, leading to decreased firm value and diminished market appetite for investors.

In Africa, poor corporate governance has hindered the growth of securities markets, as evidenced by delisting on exchanges for instance, the Nigerian Securities Exchange and the Dar es Salaam Securities Exchange. Kenyan listed companies, including Uchumi Supermarkets, Kenya Airways, and Mumias Sugar Company, have faced corporate governance and financial governance challenges, negatively affecting their value and performance (Nairobi Securities Exchange, 2017). There is still a lack of research literature that examines how corporate governance and asset structure impact on the listed firms at the Nairobi Security Exchange. Additionally, prior studies lack a comprehensive analysis covering all Nairobi Securities Exchange-listed companies, and few employed panel data analyses or incorporated financial performance as a mediating variable, along with macroeconomic factors as moderating variables. Thus, this study will seek to offer a holistic understanding of the intertwined nature between the independent variables, the moderating and mediating roles of financial performance, and, microeconomic factors and firm value. The study provides valuable perspectives that can influence policy and implementation to bolster corporate governance systems and enhance firm value globally by filling these gaps.

1.1.1 Firm Value

One of the key goals of establishing a firm is to optimize the firm value by optimizing the shareholder's wealth (Paminto, 2015). To realize this key mandate, the firm must be efficient in generating maximum profits to convince the shareholders or justify the shareholders' decision to invest. A study by Salim and Firdaus (2020) observes that the firm value is gauged from the securities price. Low-security prices indicate a non-performing firm, while high-security prices indicate that the firm is performing, which indicates high firm value. The market value of an enterprise is vital in determining shareholders' equity. Therefore, a firm's valuation is crucial in determining securities prices, an essential factor in many models (keys and Briggs, 1990). The price of a security is often the sole indicator of success in the model, according to Biggs (1978). A company's value can be calculated using several methods, each likely to yield a result that varies. The net accounting worth or book value of a company is the first and most accessible indicator of its worth. The market value of all outstanding securities is the second metric. In the real world, market value

is the widely used metric for valuing public companies. Its use, however, necessitates the existence of a functioning real-time securities exchange. This requirement is not attained in models that do not enable members to trade shares, and in those that do, the trades are frequently too few and infrequent to be accurate.

The capitalized value of a firm on its anticipated future performance is the third metric. Although four different capitalization procedures can be used for this purpose, all four produce the same valuation when the markets are ideal (Modigliani and Miller, 1961). The application of human judgment is the fourth measure of a firm value. Firms are graded on a psychometric scale using human judgment. The results are then monetized using a formula. The model is good, though it necessitates subjective valuation. At the same time, the net accounting value of the firm, adjusted for intangibles and the peculiarities of accounting rules employed in the simulation, is the fifth metric.

When determining the value of the company, a number of factors are taken into consideration, including productivity, the economy, the market price of shares, and the effectiveness with which resources are utilized to achieve shareholders' goals for dividend payments. Shares owned by shareholders may also increase the value of the enterprise (Rouf, 2011). Corporate governance ought to be efficient and effective to maximize a company's value, including the firm's asset structures. The valuation of a firm contains both the significance of equity and debts in the long haul. The capacity of the investors to pay for shares corresponds straightforwardly to the corporate worth. According to Koralun-Bereznicka (2013), the valuation of businesses is an essential factor in an investment criterion.

Tobin’s Q is mostly used as a way of valuing a firm. It is expressed as market value divided by the book value of a firm (Li and Wang, 2014). According to the Q proposal, a company generates more value when investment returns outweigh investment expense costs (Li & Wang, 2014). In addition, market value can be thought of as the shareholders' securities in the company (Rouf, 2011). The financial reports that the company publishes reveal the performance of the business. As a result, quality disclosure management will be improved by a successful organization (Herly & Sisnuhadi, 2011).

Owners of the capital perceive firms with high prices in terms of security price as the most performing firms, that is, the higher the price of a company's securities, the more valuable the business. Suharli (2006) posits that shareholders will benefit from a company's increased value, which will also result in a high return on investment. In Modigliani and Miller (1958) continuum, a firm's ability to secure larger returns and the strength of its resources establishes its worth. The prices of securities may rise due to the company's efficient asset turnover and debt policy. Organisations with high firm value will draw investors' interest and cultivate partners' trust.

The firm's value is believed to reflect the present performance and the company's future projections. Thus, companies quoting on the securities exchange will attempt to pass on the best viable information to the public pertaining to a company's condition as a foundation for consideration in investment deliberations. It is believed that the company's value reflects both its current performance and its prospects for the future. As a result, organizations using the securities exchange will endeavor to present the public with the most realistic information on the status of the business as possible for investment purposes.

The price of securities is typically utilised as an essential indicator and impression of the firm value. A firm relays its firm value information through annual reports to investors, the public, and the securities exchange. Investors acquire information about the value of a company from its financial reports to enable them to invest in the capital market. According to Laksitaputri (2012), securities prices reflect all relevant information in an efficient capital market, and the market will react when new information is discovered. By improving company performance, value is created for the company. The company's capability to operate more profitably and effectively will draw investors.

The firm's capability to proliferate net income from assets for operations purposes is referred to as its Return on Assets. Suharli (2006) posits that a higher return on assets indicates an organisation's improvement in generating profits to boost its image and increase its value. Due to the effectiveness of utilising book value as a measure of any kind of firm, the price-to-book value ratio is reasonable. According to Reilly & Brown (2012), this ratio could be utilised for all kinds of firms and contrasts firms

that adhere to similar accounting standards. Price to Book Value can theoretically be utilised to determine the share values because the book value represents the securities market value per share. Numerous studies have examined the factors that affect the company value. The value of an enterprise can be linked to debt policy since it is a funding method. According to Choi & Richardson (2016), a company's use of financial leverage to generate profits and ensure its ability to meet future obligations affects equity volatility.

According to Kumar et al., (2015), leverage distribution can be utilised to optimise firm performance. The market will respond strongly to the distribution, enhancing the firm's profitability and value through adjustments in capital structure (Pratiwi, 2016; Ibhagui and Olokoyo, 2018). The vast pool of assets in large companies shows that the organisation has grown well and has the possibility of manageability in the future. Huge organisations can create benefits, and the expanded benefits produced can make the organisation worth more. In their examination, Mule et al., (2015) demonstrated that firm size affects organisational performance. Islam & Khandaker (2015) and Pratama & Wiksuana (2016) demonstrated that size significantly influenced firm value. Chen (2020) found that leverage negatively and significantly influenced the Return on Assets, in contrast to research showing that the company size and leverage factors positively affect company performance. This investigation is backed up by the studies of Akhtar et al., (2022) and Fosu et al., (2016) that revealed a negative critical impact of managing on the firm worth.

However, valuing a company requires relying on various assumptions and making subjective judgments. Different valuation strategies can yield various outcomes because of the suppositions utilised, prompting likely disparities in the company's worth. Present-day organisations frequently have complicated and expanded income streams, making it challenging to catch the true worth of the firm precisely. For instance, if a technology company has intangible assets like intellectual property and brand value, traditional valuation models may have difficulty determining their value (Sayaseng, 2016). The accuracy and availability of financial data can vary significantly from company to company. Privately owned businesses, particularly, may not uncover significant data, rendering it challenging for financial analysts to

have an exhaustive perspective on the company's monetary well-being. Securities prices can fluctuate rapidly in response to market sentiment, economic conditions, geopolitical events, and other external factors in the financial market. Assessing cash flows over the past couple of years can be challenging, and little change in presumptions can prompt considerable variations in the company's worth. Discounted cash flow, the price-earnings ratio, comparable company analysis, and asset-based valuation are some of the various techniques. Each approach has advantages and disadvantages, so selecting the best one for a given business can be challenging (Valčić et al., 2013).

Re-examining the factors that affect a company's value and specifically listed firms becomes interesting and necessary for several reasons. The collapse of firms such as Enron World Com (New York Securities Exchange, 2001), Nortel (Toronto Securities Exchange, 2009), Lehman Brother and Merrill Lynch (New York Securities Exchange, 2008), Aba Textile Mills (Nigeria Securities Exchange, 2009) are associated with corporate governance inefficiencies. Nigerian Securities Exchange (NSE) delisted 39 businesses, such as Albaka Airlines, Flexible Packaging, and Ablast Plc (NSE, 2017). In Zimbabwe, Kingdom Bank, Tanganda, Meikles, Interfresh Limited, and Caps holdings were also taken off the Securities Exchange (Zimbabwe Securities Exchange, 2018). In Dar es Salaam, Nicol and Acacia Mining were delisted for engaging in questionable transactions and not submitting financial reports to the relevant authorities (Dar es Salaam Securities Exchange, 2011); (Dar es Salaam Securities Exchange, 2019). Corporate governance and financial governance hurdles affected a number of Kenyan listed companies, including Uchumi Supermarkets, Mumias Sugar Company, East African Cables, Fashion Retailer Deacon, Kenya Airways, and Eveready East Africa (Nairobi Securities Exchange, 2017). The delisting is bad for investors and the growth of the economy. The unhealthy development was farther from ineffectiveness and non-adherence to the ethical values of the affected firms.

1.1.2 Corporate Governance

Sound corporate governance should be pegged on sound grounds of promoting openness and good market practices and guided by the rule of law. This makes it

more effective in supervising the organisation's members (Waweru, 2014). Corporate governance development should stem from its effect on society to address the division of labour among different groups in and outside the organisation. The framework of corporate governance should protect all the stakeholders in performing their responsibilities in and outside the organisation, specifically on violating their rights. The framework should provide internal and external motivation through investing for the security market to function effectively. For corporate governance to function, it should ensure that all material facts relating to the company are disclosed. This includes financial performance and ownership. The framework should ensure effective management monitoring by the concerned board for it to be more effective (The Organization for Economic Cooperation and Development (OECD, 2015).

Therefore, corporate governance is the structure for organising, systemising, and monitoring firms (Balagobei, 2018). A company’s board of directors governs it, while shareholders are responsible for naming auditors and directors to safeguard the rights of interested parties. According to James et al., (2018), the board's responsibilities include establishing the company's essential points, supervising its practices, and advising investors on how to achieve long-term value for investors by considering various partners' enthusiasm.

A well-governed organisation is more lucrative for future investors, so good corporate governance is critical for success. Good governance often reduces business capital costs (Chen et al., 2009). Following a slew of corporate scandals, the discussion of business ethics has exploded more than ever. Corporate governance aims to improve board commitment to firm management and long-term value creation for all shareholders. However, since its inception, there have been ongoing debates among corporate governance researchers about defining better good governance processes that will contribute to financial performance, social credibility, and target achievement.

Consequently, due to the multi-theoretical structure of corporate governance, various scholars have applied various hypotheses, resulting in various arguments and interpretations (Keasey et al., 2005). According to African Peer Review Mechanism (APRM) guidelines (2003), the most critical goal of corporate governance is to

ascertain that corporations treat all their stakeholders equally and that the directors of the various firms enhance accountability. While the Capital Market Authority Act of 2002 sees corporate governance as a framework used to direct a company's trading activities to achieve the shareholder's goal of wealth creation. According to Sebi (2003), the corporate governance framework is a foundation where shareholders' accountability is improved, and corporate governance motivates and improves corporate profits.

Effective corporate governance is essential in improving the firm's operations by ensuring that shareholders' voices are heard and protected (Kwambai 2013), while Bassem (2009) observes that corporate governance is instrumental in allowing company directors to make optimal decisions for value creation. Moreover, corporate governance helps safeguard the stakeholder's confidence and improves their belongingness in the company (Liu et al., 2013). Corporate governance is envisaged as an envelope containing policies, people, and processes aiming to direct and control organisational activities. Muriithi, on the other hand, put it that corporate governance is a relational framework between shareholders and stakeholders in the organisation (Mangunyi, 2011).

Corporate governance is key in listed firms entrusted with over 80 trillion United States dollars, and the firms are thus expected to perform proficiently. With this performance, firms will likely enjoy numerous benefits accrued to corporate governance administration. Such administration benefits include the development and optimal usage of assets for value addition (Flodberg, 2013). Kenya, in general, has not been left behind in encouraging firms to be positive in corporate governance matters. Capital Market Authority has enacted and regulated various laws to ensure adherence and compliance.

As Gossel and Biekpe (2014) note, certain businesses, including state firms, have partially shut down due to corporate governance issues. Companies with sound governance outperform those with lousy governance in terms of financial growth and performance (Kumudini, 2011). Increased investor trust and market liquidity are benefits of good company governance (Ren, 2014). The agency problem appears in the management-shareholder dispute as management's poor effort and wasteful

investments, sometimes referred to as perquisites. The majority of shareholders utilise their influence to their advantage at the expense of minority owners in what is known as expropriation (Goldstein & Hackbarth, 2014).

Corporate governance offers mechanisms to guarantee that the correct questions are raised and that checks and balances are in place to reflect what is best for producing long-term sustainable value for the company (Monks; Minow, 2004). Good governance also minimises the three capital costs for businesses by reducing agency issues (Chen et al., 2009).

1.1.3 Asset Structure

Assets are valuable items a corporate firm owns, manages, and utilises to generate revenue (Mwaniki & Omagwa 2017). The phrase has two connotations in business: Assets are things of value that a firm purchases at a specified cost and records with a book value in the assets account on the balance sheet. These goods are referred to as balance-sheet assets in accounting and finance. Assets are often defined as everything that helps the firm. Some managers claim that their firm's employees are the most valuable assets." Restaurants tout their attractive sites as an asset. These are assets, but not assets on a balance sheet. Assets are resources for a firm and can be grouped into current or non-current. Depending on the company's financial requirements, non-fixed is convertable into cash within one year. Examples of current assets include account receivables, deferred income tax, and prepayments (Setiadharma and Machali (2017). In contrast, non-current assets are not convertible into cash within a year. Such assets include plant, machinery, equipment, long-term deferred tax, accumulated depreciation, and amortisation. A financial asset is an asset that derives its value from a contractual right. Examples of financial assets are cash, securities, mutual funds, bonds, and bank deposits. The assets are non-physical. All items and resources owned and utilised by a corporation are assets. Businesses typically have two major asset categories: current and fixed. The second aspect of the assets will constitute the asset structure. The left side of a business’s balance sheet houses the assets. The structure of wealth is another name for asset structure. Asset structure or comparative wealth is the quotient of current assets to fixed assets in absolute and relative terms (Riyanto, 2008).

Different scholars have described asset structure in different ways. ZhengSheng and NuoZhi (2013) posit that asset structure is a synthesis of distinct asset components, whereas asset structure, according to Koralun-Berenicka (2013), is the diverse distribution of resources. These assets include financial assets, current assets, fixed assets, cash on hand, and the bank. Koralun-Berenicka (2013) says that a company's liquidation value will rise depending on how tangible and generic its assets are. Tangible and intangible assets are often employed to classify non-current assets, but the asset lifecycle involves finances and long-term investments, intangible, current assets, equipment, plant, and property, and other types, as noted by Schmidt (2014).

There is an indication by Brigham and Houston (2021) that asset structure is the fraction of fixed over total assets. In contrast, according to Syamsudin (2007), the structure of assets is the amount of money allocated to each asset component, including current and fixed assets. According to Titman and Wessels (1988) and Kesuma (2009), an organisation's asset structure is economic resources or wealth, which can be smoothly broken down into fixed, intangible, current, and assets. According to Ukhriyawati et al., (2017), asset structure refers to every asset and resource a firm owns, uses, and expects to use in profit generation. Koralun-Bereźnicka (2013) and Schmidt (2014) have a similar standpoint on asset structure. The study defines asset structure as the total of current assets such as cash in the bank and cash on hand, fixed assets consisting of Plant and Equipment (PPE) and property, long-term funds and investments, and intangible assets. According to research, the choice of a firm based on long-term assets, short-term assets, and current assets influences its success in achieving its short and long-term goals. For example, Ukhriyawati et al., (2017) and Mwaniki and Omagwa (2017) demonstrated that asset structure significantly and positively impacted a company's earnings.

Mawih (2014) defines asset structure as a combination of current and fixed assets. The study further suggested that when the financial institution brings sensitive information about their investments, the firm would instead dispose of assets and capitalise on quality assets. According to empirical evidence, the analysis of asset structure is essential to companies. Investing in fixed assets has an evident and positive statistical influence on Nigeria's banking sector's profitability (Olatunji et al.,

2014). According to corporate finance literature, asset structure substantially affects a firm’s financial performance. Firms that have accumulated enough fixed assets, such as land, buildings, and equipment, tend to deploy them to secure more debts than those that do not have fixed assets. This is necessitated by the firm's ability to use the assets as securities to secure additional (Brigham and Gapenski, 1999). It is, therefore, essential to deduce that asset structure affects a firm's future earnings, with Antoniou, Guney, and Paudyal (2002) indicating that firms in Germany show that no current assets have a positive effect on the Banking industry in Germany. Equally,30 percent of Ecuadorian firms have long-term debt secured through fixed assets Jaramillo and Schiantarelli (2002). Harc (2015) supports this claim by noting a positive association between asset and capital structure in Croatian medium and small firms. The association between fixed and capital assets is further supported by Zare and Boroumand (2013) in the Kapengurian small and medium companies in Kenya and Khrawish and Khraiwesh (2010) in the Jordanian Industrial Companies Structure (Koralun-Berenicka, 2013).

The following are the three different conclusions about the constituents of asset structure. Asset structure as defined by Ukhriyawati et al., (2017) and Setiadharma (2017), is the total assets to fixed assets ratio. It refers to the configuration of assets in terms of the amount of money allocated to each asset component, including current and fixed assets; the company's wealth or economic resources are expected to benefit the company in the future. It is made up of current assets, intangible assets, and fixed assets. Asset structure shows how much finances are assigned to each piece of resource. This is significant because it relates to the amount of money needed to achieve the company's long-term objective, which will influence investors' perception of the company (Setiadharma 2017).

To put it another way, asset structure displays the collateral value of assets and represents the balance of current and fixed assets. It shows the creditor how much property can be used as collateral. The fixed and other assets ratio to total assets is used to measure the proxy for asset structure. A company uses a piece of equipment or long-term physical property referred to as a fixed asset to generate revenue (Bodie, Kane, & Marcus, 2005). Abata (2014) defines fixed assets as long-lived assets that

enable firms to produce revenue-generating commodities. Organisations use fixed assets to spawn revenue. Many businesses have immovable and movable fixed assets. Some examples of immovable fixed assets include land and buildings.

Additionally, most of the assets are long-term investments. The movable capital assets studied have a high economic value despite not having a physical existence. The mobile, fixed resources inspected incorporate engine vehicles and apparatus. Fixed asset registers indicate that many fixed assets have high initial unit costs. Their values influence the accounting and auditing procedures associated with these properties. Fixed resources help an organisation's monetary status as the resources are favourably valued (Vighneswara, 2015). Strong corporate governance influences the proportion of the firm’s assets, affecting management decision-making and the firm’s value. Borrowed funds are preferred by businesses whose current assets have a higher value. Long-term assets, on the other hand, are more valuable to businesses that use their resources to support their operations, which can lower their value over time.

1.1.4 Macroeconomic Factors

To comprehend how the economy functions, macroeconomics examines the entire economy and focuses on indicators like economic growth, inflation, foreign exchange rates, and interest rates (Issah & Antwi, 2017). The World Bank Report 2012 on world development indicators also posits that these macroeconomic factors affect a broad population globally (Ariemba et al., 2015).

The sustained increase in the prices of goods within an economy over time is known as inflation (Khan, 2013; Tucker, 2007). According to Sloman and Kevin (2007), inflation can be driven by either demand or cost factors. Elevated inflation raises the cost of borrowing capital, which reduces economic activities. This slowdown in economic growth reduces commodity demand and can eventually lead to business closures (Macharia & Otieno, 2017). Despite this, firms are expected to enhance their value without experiencing high inflation levels and with sustainable economic growth.

Exchange rate refers to the cost of trading one currency with another or one country's currency with that of another country. Changes in credit market conditions, as evidenced by shifts in interest rate differentials between nations and monetary policy adjustments made by central banks, frequently influence exchange rate fluctuations. On the same note, the interest rate is the price at which borrowers and lenders can access credit. As indicated by Lasher (2008), According to Lasher (2008), high interest rates stifle economic activity, while low interest rates stimulate it. The scholar claims this is because most people and businesses rely on credit.

In contrast, corporate profitability is expected to affect equity returns due to GDP levels. Changes in Gross Domestic Product will likely impact equity returns by influencing corporate profits. For instance, an increase in production can enhance anticipated future cash flows, leading to a rise in share prices, while a recession would have the opposite effect (Chen et al., 2009). Additionally, real Gross Domestic Product reflects the volume of economic output, accounting for price changes. This adjustment converts nominal GDP, a monetary measure, into an index known as the quantity of total output. This index represents the total value of a nation's final goods and services produced yearly. Real GDP calculation is based on the estimated annual GDP growth rate.

1.1.5 Nairobi Securities Exchange

As highlighted by Nairobi Securities Exchange (2014), Nairobi Securities Exchange (NSE) is among the renowned securities trading in Africa. NSE has been listing firms for sixty years since its founding in 1954. Nairobi Security Trade gives international and local financial investors a worldwide stage to exchange goods and services. The Kenya Capital Market Authority runs the Nairobi Security Exchange. According to the 2019 NSE annual report, 64 businesses are listed. The quoted firms are grouped into the automobile and accessories sector, financial and banking segment, agricultural segment, construction and associated areas, services and commercial sector, investment sector, insurance sector, real estate area, petroleum and energy areas, and telecommunications sector (Nairobi Securities Exchange, 2019). Capital Market Authority (2017) says that the Nairobi Securities Exchange keeps securities indices that show economic trends.

The Nairobi securities exchange offers a venue for trading securities, bonds, and shares, making it possible for businesses from various industries to raise money from the general public for business expansion. Share dividends are distributed cyclically to the shareholders in terms of increasing payments as these businesses' profits rise due to increased activities. Nairobi securities exchange ensures that investors are given the information they need to make educated investment decisions, both during a public offering and on an ongoing basis. An information summary on firms listed on the securities exchange must be made available to the authority and investors within 4 months at the closure of every fiscal year (NSE, 2006). Nairobi Securities Exchange avails information pertaining to the earnings per share, shareholding structure, dividend per share, shareholding structure, and the arithmetic total shareholdings. Companies under the present assessment operate in similar political and economic environments. Government policies and macroeconomic aspects such as inflation and interest rates affect all quoted firms simultaneously; hence, the effect on individual companies is offset.

1.2 Statement of the Problem

The global economy is significantly influenced by the activities of listed firms, which collectively account for 80 trillion United States dollars in market value. Despite their substantial contribution to economic vitality, these firms have experienced a decline in their overall value. The Nairobi Securities Exchange (NSE) is an excellent example of this downward trend. In 2017, the share index fell by 21.15 percent, and real equity growth decreased by 15%. The Capital Market Authority (2019) also reported that the volume of shares traded at the Nairobi Securities Exchange decreased significantly between 2013 and 2019. A number of firms, including Eveready East Africa, East African Portland Cement, and Mumias Sugar Company, experienced huge negative returns on equity in 2018 (Capital Market Authority, 2019). Such monetary mishaps can be credited to various aspects, including poor corporate governance practices prompting the misallocation of firm resources, non-compliance with lawful guidelines, and an absence of effective risk management frameworks. Due to the firm's inability to trade above book value, prominent companies like ARM Cement PLC, Atlas, and Deacons (EA) PLC have been delisted due to poor governance practices. The inconsistent empirical findings have rendered the existing

body of research inconclusive despite the consensus that effective corporate governance is crucial to preserving and increasing a company's value. Oyelande (2019) is one example of a Nigerian building industry study focusing on specific industries or limited data sets. Similarly, while some research, like Bett and Tibbs (2017), examined the link between financial performance and corporate governance, the results of other studies that have been conducted since 1990 are inconclusive. Research has established mixed results on the corporate governance practices and firm financial performance. On the other hand, studies like Mweta and Mungai's (2018) investigation of the insurance industry and Wanyama and Olweny's (2013) examination of NSE-listed insurance companies show a positive correlation between firm value and corporate governance. Nonetheless, these examinations require exhaustive control factors or a more extensive scope of listed firms. Regarding this view, Kamau et al., (2018) conducted a study that sought to establish an empirical relationship between strategic choices and corporate governance on the performance of Kenyan financial institutions. Despite these contributions, the existing research landscape lacks a causal-comparative research design and a comprehensive understanding of all listed firms on the NSE. To fill these gaps, the current study stands out by using a causal-comparative research design, rigorous panel data analysis techniques, drawing on secondary data sources for a comprehensive view, and including all firms registered on the Nairobi Securities Exchange. In addition, this investigation uses various indicators related to asset structure and corporate governance. The analytical models also include macroeconomic factors as moderators and financial performance as a mediator variable. Importantly, this study considers a decade from 2010 to 2019, allowing for a recent and robust assessment of trends and patterns over time. The data pertains to variables that are relatively stable over time (e.g., fundamental principles of corporate governance, long-term asset structures), then it can still be relevant. For example, historical governance practices can offer valuable insights into long-term trends and patterns. Since the study focuses on long-term trends, historical patterns, or fundamental principles of corporate governance and asset management, then 2019 data can still be quite useful. The study state the limitations and has incorporated control variables and how external changes may impact the applicability of the results. This study’s purpose is to contribute value to the research by using a comprehensive and complex research

design that aims to examine the mediated role of financial performance and the moderating role of macroeconomic variables on the connection between corporate governance and asset structure of a number of listed firms.

1.3 Objectives of the Study

1.3.1 General Objectives

The study's general objective was to determine the effect of corporate governance and asset structure on the value of the firms listed at the Nairobi Securities Exchange.

1.3.2 Specific Objectives

Specifically, the study was anchored on the following specific objectives.

1. To determine the effect of corporate governance on the value of firms listed at the Nairobi Securities Exchange
2. To examine the effects of asset structure on the value of firms listed at the Nairobi Securities Exchange
3. To assess the mediating effect of financial performance on the relationship between corporate governance, asset structure, and the value of firms listed at the Nairobi Securities Exchange
4. To evaluate the moderating effect of macroeconomic factors on the relationship between corporate governance, asset structure, and the value of firms listed at the Nairobi Securities Exchange

1.4 Research Hypothesis

The following hypothesis guided this study:

$H_{01:}$ Corporate governance does not affect the value of firms listed at the Nairobi Securities Exchange

$H_{02:}$ Asset structure does not affect the value of firms listed at the Nairobi Securities Exchange

H_{03}: Financial performance has no mediating effect on the relationship between corporate governance, asset structure, and the value of firms listed at the Nairobi Securities Exchange

H_{04}: The macroeconomic factors have no moderating effects on the relationship between corporate governance, asset structure, and the value of firms listed at the Nairobi Securities Exchange

1.5 Scope of the Study

This study focused on corporate governance, asset structure, financial performance as the dependent variable and the macroeconomic factors as the independent variable on the firm value of the listed firms at NSE for the period 2010-2019. The study was sequestered to Agency, Stakeholder, and Pecking Order Theories.

1.6 Significance of the Study

The research will aid investors in making informed investment decisions by providing helpful information. The findings would assist the Capital Market Authority in developing apposite capital and liquidity requirements policies and regulations to prevent failure. In addition, the findings aid in devising a proactive survival stratagem, sustainable growth, and long-term positive performance of the listed companies. Additionally, the research will supplement the extant literature, connecting the know-how gap regarding corporate governance asset structure to the value of listed firms. The findings will advance the academic field by offering a theoretical framework to thoroughly investigate corporate governance, asset structure, and firm worth as a foundation for creating organisational policies.

1.7 Limitations of the Study

Data was gathered from audited financial statements, which might have had errors. Further, the study solely focused on NSE-listed firms, and therefore, the findings cannot be generalised to other global securities exchanges for contextual differences.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Introduction

This chapter describes a detailed review of corporate governance, asset structure, and firm value spotlighting theories, empirical reevaluation, the conceptual framework, the literature review summary, and the gap in the research.

2.2 Theoretical Review

The foundation of this research is three theories that explain how company governance, asset structure, and firm value are related. The theories are the stakeholder, agency, and pecking order theories.

2.2.1 Agency Theory

Agency theory was created in 1976 by Jensen & Meckling to explain relationships between two parties, such as principal and agent, seller and buyer, employers and workers, and businesses and creditors. When one or more parties, referred to as the principal, hire other partakers as the agent to act at their behest, an agency relationship is created. The contract calls for the transfer of specific decision-making authority to the agents. When managers do not maximise shareholders' wealth as planned, there is a skirmish between the principals and the agents. According to agency cost theory, management and ownership separation result in inherent conflicts of interest in order to protect shareholders' interests (Gogineni et al., 2010).

To match their interests with agents', shareholders must pay monitoring and control fees (Jensen & Meckling, 1976). Agency theory has it that the prime focus of corporate governance ought to be on agency conflicts between management and shareholders, which investors utilise to protect themselves against insiders. Corporate governance issues such as executive incentive alignment, board oversight, and senior managers' control are studied and explained using the theory of agency. According to agency theory, incentive effects cause elevated levels of managerial ownership to raise the firm value. Nonetheless, Lieberman et al., (2017) claim that poor corporate policy can lead to inefficiencies and financial losses as a result of conflicting goals. However, the initial test entails persuading agents to place their self-interest second

while prioritising the principal's superior interest. According to Lieberman et al., (2017), the agent will parenthetically increase their lowermost lines while simultaneously increasing the wealth of their principal. Because most shareholders are uninterested in the firm's day-to-day operations, they are ill-equipped to understand the reasons behind critical business choices.

On the other hand, managers are more foresighted and have a much higher risk appetite due to close access to relevant data. Moreover, although shareholders want to maximise their investments and future value, the executives' interests are anchored on the firm's long-term growth, resulting in disparities in their approaches. One weakness of the Agency theory is how to resolve corporate governance issues since shareholders are not the only ones who invest in these firms, meaning that corporate governance will be negatively affected by the relationship between various stakeholders. This misalignment of interests is the principal-agent problem. Firms implement corporate governance mechanisms to mitigate this problem and ensure managers act in the best interests of the organisation and shareholders. Agency theory explains corporate governance in various ways.

Agency theory emphasises the requirement for managerial actions to be monitored and controlled to avoid opportunistic behaviour or agency costs. External auditing, executive compensation packages, board oversight, and regular reporting requirements are all examples. Agency theory emphasises incentive contracts to unite the interests of shareholders and managers. Common performance-based elements in these contracts include stock options, bonuses tied to financial performance, or long-term incentives that encourage managers to concentrate on the company's long-term success. The theory recognises the setbacks of choosing the wrong agents and moral perils, such as agents taking excessive risks when the principal cannot observe their actions thoroughly. Risk management policies and stringent executive selection procedures are examples of corporate governance mechanisms that aim to lessen these dangers. Agency theory emphasises the significance of having a productive co-existence between managers and shareholders. To ensure that managers act as responsible agents, open communication and a clear understanding of the goals and expectations of both parties are essential. The theory underscores the essence of the

board of directors as shareholders' representatives in monitoring management's actions. An independent and competent board guarantees the safeguarding of shareholders' interests and management accountability.

Agency theory indicates that in the context of business value, there should be efficient procedures in place to match managers' interests with shareholders. This alignment can increase company value and lower agency expenses. Compensation packages, corporate governance structures, and performance-based incentives are some tools that can be used to align managerial behaviour with shareholder interests.

Although theoretical views have effectively articulated governance control difficulties, no real-world theory can be used to balance the rapid expansion of emerging nations.

2.2.2 Stakeholder Theory

According to Freeman (1989), the stakeholder theory explains that organisations constitute internal and external parties with distinct interests. Management should work to protect these interests by making decisions while balancing the interests of all stakeholders. Kock et al., (2012) claim that although management and stakeholders' interests may diverge, the external environment aids in bringing them together. This can be done by governmental law or company guidance that provides a framework that is legal for stakeholders to specify their management preferences and perhaps puts managers in a difficult position when making decisions.

An organisation's external and internal stakeholders have varying degrees of control over the organisation's strategy, as per stakeholders' influence and the likelihood of collaboration or danger from those stakeholders. Typically, stakeholders are grouped into groups interested in accomplishing the company’s objectives (Freeman, 1984; Phillips, 2003; Harrison & Wicks, 2013). Scholars have defended stakeholder theory by drawing on an assortment of hypothetical standpoints, such as the rule of reasonable agreements (Freeman, 1994), the standard of reasonableness (Phillips, 2003), the rule of the benefit of all (Argandoa, 1998), the women activist morals (Wicks, Gilbert, & Freeman, 1994), and practicality. (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010; Wicks & Freeman, 1998).

According to Freeman and Mcvea (2001), stakeholder management entails managers devising and enforcing procedures that will delight all and only those having a stake in the firm (2001). Stakeholder management is divided into descriptive, instrumental, and normative. The normative stakeholder theory approach describes the moral or philosophical guidelines linked with a corporation's activities or management (Fontain et al., 2006). In comparison, the descriptive methodology focuses on how stakeholders represent the interests and values of the stakeholder approach in achieving different organisational objectives. On the other hand, the instrumental method assesses the organisational effects of engaging stakeholders in management by exploring the correlation between stakeholder management practice and other objectives of corporate governance. According to stakeholder theory, if management addresses stakeholders' needs, the firm can outdo those who do not (Post et al., 2002).

Organisations must be vigilant with all stakeholders who work tirelessly to ensure the plan is executed effectively and attempt to undermine the strategy's effective management. According to stakeholder management theory, organisations can utilise four tactics to manage different stakeholder groups: offensive, swing, hold, and defensive. The hypothesis succeeds because it addresses the partners' vitality in achieving the company's objectives. The theory forces managers to think about how they can work with partners in the business to attain the set goals. The success or failure of an organisation depends on this cooperation. Stakeholder theory is associated with numerous weaknesses.

The theory might be biased, and it is also impossible to simultaneously meet all the stakeholders' interests. Firms, as is routine, may give precedence to stakeholders such as shareholders over employees and customers (Freeman, 2010). Nonetheless, the defects in this theory could be fixed by looking for stakeholders whose interests are affected by the company's decisions and attempting to placate them. Additionally, it is necessary to calculate and plan the stakeholder's reactions to the organisation's decisions. All stakeholders' success criteria should be identified by the firms. Firms must cultivate a culture of collaborating with their stakeholders. Stakeholder Theory can explain the firm value. A company can develop relationships with its employees, customers, and suppliers that are more long-lasting and positive if it takes into

account the needs of stakeholders other than shareholders. When the stakeholders are treated well, they are bound to remain faithful to the organisation and add to its long-term development and success. Stakeholder theory accentuates that organisations should act mindfully and morally towards society and the environment. Organisations proactively participating in responsible business undertakings often foster a positive standing among customers and the broader public.

A strong reputation can positively impact firm value by increasing customer loyalty, brand value, and business opportunities. By considering various stakeholders' interests, firms can identify and deal with potential risks more effectively. For instance, addressing employee concerns can reduce the likelihood of work disputes or strikes, which could disrupt tasks and harm the value of the firm. Organisations can acquire essential insights and input by associating with stakeholders. By comprehending customer preferences and needs, a company can effectively tailor its products and services to meet market demands. Similarly, listening to employees' views and opinions can lead to improvements in internal processes and the creation of a culture that fosters creativity and adaptability, both of which can potentially raise the value of the business in the long run.

A company that is seen as a responsible corporate citizen and one that values the interests of its stakeholders is more likely to attract investment, secure financing, and gain support from governments and communities. Resource access can help a business grow and expand, increasing its value. Notwithstanding, it is fundamental to note that stakeholder theory is only one viewpoint among numerous that can make sense of firm worth. Stakeholder theory addresses the stakeholders' issues and encourages the company's growth if it is well-anchored and supplemented with the agency theory.

2.2.3 The Pecking Order Theory

The theory by Donaldson (1961) postulates that equity raising is the last option and that companies have a hierarchy of funding sources in terms of the cost of funding. It is based on the concept of information, and due to the reasons that retained earnings are cheaper and not much affected by information asymmetry, more importance is given to it in the finance hierarchy. Second, companies regard debt due to its low

asymmetry and can be utilised to monitor and curb the board from excessive spending. As a result of its unfavourable determination, external equity is utilised if everything else fails.

Based on the Pecking Order Theory, it is the managers' desire to finance their investments and projects out of any available funds in the company first before considering external financing. This is the most preferred method of financing since it lessens the cost and conflict, which are usually there when funding is obtained from outside sources. The theory postulates that businesses like to use the internally-generated funds as opposed to external funds to finance their investments. When a company uses internal funds, it reduces the need to rely on external financing sources, which may have associated costs and signaling issues. The inclination for internal financing impacts the resource structure of a firm. Due to their preference for internal financing, firms may maintain a conservative asset structure. This suggests that a business could invest money into assets with lower risks and more consistent returns. Conservative resources include cash and cash equivalents, attractive securities, and generally safe fixed resources (Martinez et al., 2019). By maintaining a moderately conservative asset structure, firms are able to guarantee sufficient liquidity and monetary dependability to support their ongoing operations and future endeavours. Due to the emphasis of the theory on minimising external funding, firms may limit the number of debt-financed assets in their portfolio. Debt-subsidised resources require normal interest portions and principal repayments, which could pressure sources of income, especially during monetary slumps (Simatupang et al., 2019). Firms can lessen financial leverage and associated risks by increasing internal funding and limiting debt. Moreover, businesses that adhere to the theory may concentrate on utilising internal funds to support their development efforts, resulting in a slower but more reasonable extension because they avoid taking on excessive external debt or diluting equity through equity financing. Subsequently, the asset structure might reflect a more steady and natural growth and development trajectory.

2.3 Empirical Review

Different assessments have been undertaken on corporate governance, asset structure, and firm worth. Contrariwise, their findings and conclusions diverge.

2.3.1 Corporate Governance and Firm Value

When studying the connection between some distinctive characteristics of corporate governance and the capital structure of the Colombian listed firms, Kajananthan (2012) found that corporate governance aids firms in attracting and retaining investors, increases dividend payouts, and attracts new investors and makes it easier to obtain funds at a reduced cost. In a comparative study, Ararat et al., (2017) assessed corporate governance issues of Turkish public companies between 2006 and 2012. The research is based on the hand-collected data covering most publicly traded companies, and a corporate governance index was established to form board structure sub-indices, procedures, disclosure of information, ownership, and shareholders' rights. Research showed that corporate governance helps companies obtain financing, thus increasing the value of Turkish companies. Darweesh (2015) backs this point of view in his study on Saudi capital market, showing a correlation between the variables under consideration.

Similarly, Rouf (2011) chose Bangladesh and utilised the dual identities of the board size, independent board directors, chief executive officers, and board of audit committees in the Dhaka Securities Exchange (DSE) in 2016. The study's outcomes pointed out a strong and very significant connection between ROA and the independent directors, and when applying the OLS as an assessment method, the CEOs had duality.

A review by Kumar and Singh (2013) on the corporate administration design of 176 firms recorded on the Bombay Stock Trade utilised a linear regression analysis approach. The study established that board size had a direct and positive effect on the organization’s value. The study suggested that promoter concerns correspond with the company's concerns strictly above a significant propriety level of 40%, positively affecting the firm's value. Akileng and Kobumanzi (2019) sought to establish the relationship between the Ugandan firms’ financial performance and the board features. The key variables targeted by the control variables were company size and leverage, while the ones highlighted on the boards were board independence and size. The research employed panel data and a cross-sectional design from four years of listed Ugandan firms. The research utilised each company's annual reports to gather

data regarding the board's financial characteristics. As per the outcomes of the study, the independence of NEDs on board and large boards raises the firm value.

The study by Elvin and Hamid (2016) examined Malaysian firms, their structures, corporate governance and their performances for five years. The study utilised the descriptive exploratory design, and the participating firms were non-financial public firms actively listed on Bursa Malaysia's primary market (2010-2014). The two samples were evaluated and analyzed with the help of an empirical quantitative method called multiple regression and linear regression analysis. Research also focused on ten components of corporate governance, including board structure, CEO dual identity, the board size, board committees' autonomy, directors' professionalism/qualification, director compensation, disclosure and transparency, and mergers and acquisitions. These findings indicated that corporate governance had a relatively greater impact on the financial performance of the listed firms in Malaysia. However, the prior research has not incorporated other corporate governance ingredients, for instance, board memberships and composition of the audit committee, protection of rights of shareholders, financial issues and auditing procedures, and disclosure of financial statements of firms listed in Malaysia Bursa, which the current research aims at evaluating. Again, contrary to the above, board diversity in both cases was not significantly elaborated concerning the firm value.

Another comparative research was conducted by Darweesh in 2015 as it sought to establish the relationship between financial performance, market value, and corporate governance of the Saudi Arabia-listed firms within the years 2010-2014 with a sample size of 116 firms. The theories applied in the study were agency theory and institutional theory. Tobi's Q was used to assess the market value, while the return on assets and equity as independent variables were assessed as indicators of financial success. The study considered the board size, independence, board committee composition, ownership structure, and CEO compensation as corporate governance methods. The financial statements and governance structures were compiled from the firms' websites as samples and from the Saudi Arabia Securities Exchange. The multiple regression analysis uncovered a statistically significant association between mechanisms of corporate governance and market and financial value. Conversely,

contrary to earlier research by Elvin and Hamid (2016), board diversity has insignificantly affected the firm's value.

The above results are upheld by Khanh (2020) in his research on how corporate administration (CG) and capital design (CS) influence firm worth (FV) in Vietnam. The study employed various regression models with 2937 observations on the listed companies in the Vietnamese Securities Exchange from 2008 to 2018. Through the results of the review, the size and the level of autonomy of the board of directors, as well as the number of women on this board, influenced the worth of the company. However, this study differs from the above because it focuses on the board and audit committee composition, protection of shareholders' rights, financial audits, and disclosure, which goes against the reviewed literature. Further, the current study has consolidated both mediating factors and moderating factors.

Research by Phuong and Hung (2020) on the influence of corporate governance and the firm's value in Vietnamese businesses can assist the current study. Between 2008 and 2018, the researchers utilized a regression model with 2937 observations from Vietnamese-listed energy firms. As per the survey results, board size directly affects the firm's value. At the same time, when the book market value is gauged, the board of directors' independence directly affects firm value. The book value negatively correlates with the firm's value when gauged by the book value.

Another research by Naushad and Malik (2015) analyzed the impact of corporate governance on the financial performance of 24 Gulf Cooperation Council banks founded on total assets for the 2012-2013 fiscal year, measured by board size, duality, agency costs, and other factors. Tobin's Q measured the accounting performance, while Return on Total Assets (ROTA) measured the financial performance. According to Naushad and Malik (2015), smaller boards are better at closely monitoring the management of banking operations, especially in the Gulf Cooperation Council region. Additionally, it is anticipated that the dual function of the CEO will boost the efficacy of Gulf Cooperation Council banks. Generally, the research demonstrates that corporate governance significantly influences the financial and accounting performance of the Gulf Cooperation Council banking industry. Conclusively, the research demonstrates that corporate governance

significantly influences the financial and accounting performance of the Gulf Cooperation Council banking industry.

Ong'wen (2010), in his study on firms listed at NSE, affirms the perception that there is a link between corporate governance and firm value. The research investigated if a publicly traded firm that implemented corporate governance principles outperformed those that did not. The data were examined with a multiple linear regression model in SPSS version 17.0, including descriptive statistics, correlation coefficients, variable beta coefficients, and determination coefficients. The data demonstrated a link between corporate governance attributes above legal and common practice as the minimum firm performance attributes. The study findings indicated that publicly traded firms that implemented corporate governance principles outperformed those that did not, as required, at a 95% confidence level. Ong'wen (2010) concluded that a firm should have implemented corporate governance practices above the minimal levels; however, the study was so broad that it did not even reveal the true corporate governance levels that the current research wants to investigate. Furthermore, the previous study looked at 43 firms in 2010, whereas this analysis looks at 64 firms at the NSE from 2010 to 2019.

Miring'u (2011) conducted a study on the effect of corporate governance on the performance of Kenyan commercial state firms and thereby corroborated the first premise by establishing a positive relationship between corporate governance and firm value. Mismanagement, bureaucracy, waste, irresponsibility, and incompetence of directors and employees are the primary reasons state-owned enterprises fail to achieve their goals. The data revealed an average board size of 10 for the sample, with a minimum of three outside directors necessary. Consequently, the analysis reveals a positive association between ROE and the size and composition of all state enterprises' boards of directors. Findings by Miring'u (2011) contradict the current study since the study is founded on state firms, while the current study covers all the NSE-listed firms. As a result, the assessment focused on performance and the firm board of directors. In contrast, the current investigation focuses on asset structure, firm value, corporate governance, and moderating and mediating variables.

Research by Nguyen (2012) assessed the impact of corporate governance on the operating performance of Vietnam-listed companies. The data from 177 listed companies in Vietnam from 2008 to 2012 used the feasible generalized least squares method. The research findings demonstrate that corporate governance affects the firm's success. First, the Chief executive's dual role was closely associated with the company's success. Second, the relationship between management's shareholding and corporate ownership has undergone structural changes. Second, the association between the shareholding of the management and operating performance has undergone structural changes. Finally, the board of directors' independence has the opposite effect on firm performance. However, the study was unable to generate empirical data to support the statistically relationship between firm value and board size, which is the current dependent variable of the research.

In a study by Aldehayyat (2015) on how corporate governance affects small business success in Jordan's emerging markets, questionnaires were distributed among general managers in all Jordanian publicly traded industrial enterprises, and the study used a descriptive research approach. External shocks were shown to be more critical in affecting elements of strategic decision implementation in the study, which was the case in developed economies. Furthermore, the study found that the frequency and severity of strategic decision implementation challenges were linked to a firm's success in the emerging market. Furthermore, the study discovered that corporate governance does not exhibit a link with a measure of market success. However, the prior study did not expand on corporate governance facets such as board membership, audit committee constitution, rights of shareholder protection, firm's financial affairs, open audits, and disclosure of financial reports, the gap that is not tackled, and the current study aimed at addressing.

The study by Ravivathan and Danoshand (2014), Peiris and Fernando (2013), and Velnampy and AloyNiresh (2012) in Sri Lankan firms found a positive correlation between corporate governance and firm value. Mule et al., (2015) support this viewpoint on the Kenyan firms. However, according to Handoko (2017), this assertion is false as the growth will not influence the performance of Indonesian companies.

In comparative research, Ferriswara et al., (2022) assessed the Jakarta Islamic Index's capital structure, corporate governance practices, financial performance, and company value. Data analysis employed structural equations grounded on variants or components and partial least squares (PLS) on yearly data between 2015 and 2021 to investigate the aspects influencing company value on the JII. From the five hypotheses proposed, the outcomes demonstrate that two determinants strongly influence firm value. Financial performance essentially affects a firm worth. Corporate governance and capital structure do not influence a company's value, but they influence financial performance, both positively and negatively. The study's practical implications emphasize the crucial roles of capital structure and corporate administration in enhancing firm value and financial performance. Potential investors will favourably view apt and sound corporate governance as evidence that the firm stands out. Moreover, the corporate governance variable negatively and significantly affects financial performance suggesting that the corporate governance for proxy firms has not been implemented optimally, as evidenced by the low number of independent audit committees and NEDs.

Similarly, these disparities involve a study by Mukyala et al., (2020) on the relationship between the corporate value of firms listed in the Uganda Securities Exchange and the Nairobi Securities Exchange due to corporate governance. 12 USE and 48 NSE businesses met the inclusion and exclusion criteria. The information was gathered through the content analysis of the audited financial reports between 2012 and 2019. The direct effect analysis determined that the board sizing and the members' impartiality are the essential elements of the security market, which supports the research results. However, the previous research did not diversify to other corporate governance variables such as the composition of the board and the audit committee, safeguarding shareholders' rights, finances, auditing, and financial disclosure of financial statements. The current research aims at filling the research gap. However, the diversity of the board of directors in both cases did not significantly affect the firm value.

A study by Yasser et al., (2014) suggests that, on average, board members should range between 5-16. However, some authors are torn between large boards and small

boards. However, there is no agreement on the board size since researchers have come up with different conclusions.

According to Bilan et al., (2002), small boards enhance organizational performance, while smaller boards can communicate the firm's affairs more effectively than large boards. Corporate governance structure significantly predicts family and non-family-controlled firms' performance (Yasser et al., 2011). However, the significance differs depending on the nature of business ownership. Similar conclusions were reached in Rouf's (2011) study, which discovered a negative link between board size and firm value. The assessment believes that smaller boards result in more efficient and streamlined operations. Coleman and Biekpe (2006) claim a connection between size and enterprise value in rising countries, such as Ghana. According to another point of view, a sizable board has more influence over directors and top management and may responsibly oversee management duties and performance (Abdullah et al., 2012). This will ultimately raise the firm's worth. According to proponents of larger board sizes, companies with complex and extensive operations require highly knowledgeable directors. In this way, more extensive boards are essential for effective activity, regulation, and control.

2.3.2 Asset Structure and Firm Value

According to Mawih (2014), the discrepancies that exist in company assets and value exist bacause different contexts produce disparate outcomes. For instance, a tangible assets-related study by Harc (2015) examined the capital structure, tangible assets, and standard-sized Croatian businesses. The study found that firms utilized tangible assets as collateral to solicit long-term debts, which are less expensive than long-term debts. Therefore, the trade-off, which considers a correlation between tangibility, leverage, and the pecking-order theorem, as also observed by (Koralun -Berenicka, 2013; Frank & Goyal, 2008), is harmonious with the outcomes of the study by Harc (2015).

A study by Mawih (2014) on the Muscat Securities Market from 2008 to 2012 revealed that only non-current assets influenced the return on equity. Additionally, the assessment came to the conclusion that equity and return on assets were unaffected by current assets. The study, on the other hand, was carried out in a very

different economic setting. Since the majority of asset structures were not covered in the previous study, this research must fill the void.

In a similar study, Velnampy and Niresh (2012) researched corporate governance on listed firms' performance and established that combined leverage substantially affected equity and ROE. Accordingly, the financial industry had to pay more attention to leverage. While leverage increased profits when the asset's returns exceeded borrowing costs, it decreased losses when the opposite was true. Although the study was conducted in different socioeconomic settings, the study outcomes indicated that the degree of combined leverage significantly affected the return on assets. This study used data between 2008 and 2012 obtained from the financial statements of the 15 Colombian Securities Exchange-listed firms, with the dependent variable being the connection between leverage and profitability in Sri Lanka's financial sector. The results were evaluated using correlation and regression analysis, and hypotheses were formed.

In another comparatively significant study by Okwo et al., (2012) on Nigerian brewery industries, the association between investing in non-current assets and the operating net profit margin was assessed. According to the findings, the debtors' turnover ratio, the total assets turnover ratio, and interest coverage exhibited a positive link and were statistically significant with business profitability. Contrariwise, the debt-equity and creditor turnover ratios had a negative connection with business profitability and were statistically insignificant. The investigation also found that the debtor turnover ratio positively links with the total assets turnover ratio and statistically and significantly affects business profitability. The study demonstrated a statistically insignificant association, implying hardly any positive relationship between investing in non-current assets and the firm's profit margin. However, the study did not incorporate important asset structure variables and firm value, such as economic growth, inflation rate, and foreign exchange rate, which also influence firm value. This gap needed to be filled.

In contrast, Okoro and Charles (2019) examined Nigerian banks' non-current assets revaluation and commercial bank profitability. The data analysis approach employed in the research was the ordinary least square method. The dynamic effect of fixed

asset revaluation on the profitability of selected commercial banks was also determined using the unit root and Granger casualty tests. Fixed asset revaluation has little influence on the profitability of Nigerian Commercial Banks. However, the assessment mentioned above was to be filled out. However, the above study failed to incorporate other factors that may moderate the association between asset structure and the performance of an enterprise, such as inflation rate, economic growth interest rate, and foreign exchange rate.

Research in Malaysia by Saad (2010) on the level of conformity among publicly listed businesses on corporate governance and firms' financial structure in the years 1998 to 2006 indicates a substantial link to the variables. First, the study was done from 1998 to 2006, which seems old compared to the current study focusing on the 21st century. The findings, however, go against those of Inyiama et al., (2017), who concluded that the profit for the time under consideration was weakly but positively linked to the growth rate of current assets. However, the three Nigerian studies tried to evaluate non-current assets on performance. However, the study did not focus on other critical variables under assets, namely plant, property and equipment, and financial assets, which the present investigation evaluates. The aforementioned studies did not use a panel data analysis technique and included financial performance as the models' mediating variable and macroeconomic factors as moderating variables.

Similarly, Nyamasege (2014) explored how asset structure influences business valuation: a case of firms registered on the NSE discovering that asset structure is important in evaluating a firm’s worth. On the other hand, firms did not fully consider all variables before deciding on the constitution and adjustment of their capital structures, which harmed their efficiency. Furthermore, according to Nyamasege (2014), organizations' management must develop frequent capital structure control and monitoring systems to verify that adjustments initiate long-term value to the firm. However, additional factors that may attenuate the effects of the above study were not considered. Further, the above study failed to incorporate other factors that may moderate the association between asset structure and the performance of an enterprise, such as inflation, rate of interest, foreign exchange, and economic growth.

Using secondary data, Mwaniki's (2017) study on PPE, intangible assets, and current assets revealed a relationship between assets and firm value. While the review presents some of the asset structure variables, such as property, plant, and hardware, it does not include financial as a mediator, microeconomic, and control variables in the model.

In a study to look into how intangible non-current assets affected the security value of Nigerian-listed banks, Chukwu et al., (2017) focused on software costs and goodwill effects on quoted banks' earnings per share. The findings showed that while goodwill resulting from a business combination was positively correlated with market performance, computer software costs were not significantly related to market value for four years, from 2014 to 2017. Ferreira et al., (2018) sought to ascertain the effect of various classes of intangible non-current assets on the profitability of 25 major technology companies worldwide. The review utilized Pearson's correlation coefficients and multiple regression models to survey the relationship and observational evidence. The review shows an adverse effect of some intangible assets unveiled on organizations' financial situation and performance.

According to Azadi (2013), in a study on how changes in fixed and current assets affected operating earnings for Tehran Security exchange-listed companies, the study's hypotheses were tested using ordinary least squares (OLS). The outcomes denoted that the fixed asset coefficient of variation positively and significantly influenced the operating earnings.

2.3.3 Corporate Governance, Asset Structure, Financial Performance, and Firm Value

Larger companies typically are favoured when seeking internal or external financing, which affects the firm's worth. To increase the company worth, the assets should be handled effectively and quickly (Mwaniki & Omagwa, 2017). Investors, regulators, and other stakeholders primarily take assets into account when evaluating financial success to increase a firm's worth. Similarly, Narwal and Jindal (2015) examining the effect of corporate governance on profitability and working capital efficiency of Indian manufacturing firms, used 56 selected manufacturing firms listed on the National Securities Exchange during 2011-2017. Descriptive research in the study

employed a correlation matrix and OLS in data analysis. The study revealed that corporate governance components relate to over eighty-six percent of firms in India. Working capital management was also found to have a possibility of being enhanced through corporate governance, according to the study. The acts of managing the corporation are essential to protect the rights of all stakeholders and minimize conflict between these entities to boost the firm's value and growth (Narwal & Jindal, 2015). As it has been observed, the principal motive for improving a company's financial performance is often aimed at increasing investors' confidence rather than the firm's value (Amaraihu, 2018). The above study covered the manufacturing industry in India, while the current study covers all the NSE-listed firms. Also, the above study does not elaborate on the specific components applied to justify the results. On another note, the study scope covered 2011-2017, while the current study was 2010-2019. The study by Narwal and Jindal (2015) was based in India's manufacturing sector, contrasting the current study setting.

Research by Sarkar et al., (2012) on the corporate governance indices for five hundred huge India-listed firms between 2003 and 2008 on the board of directors, audit committee, audit committee, the structure of ownership, and external auditor as the leading four corporate governance mechanisms demonstrated the market recompences effectual governance practices, giving businesses an extra inducement to pursue governance improvements. In addition, good corporate governance boosts regulators and encourages them to press for more changes to enhance firm value. Corporate governance also helps investors select well-governed firms, which would reward them in return. Although the study findings add value to the current study, the period cannot be relied on due to the dynamism in the political, economic, and social settings of the listed firms in Kenya.

A comparative study by Karamoy and Tulung (2020) assessed the influence of financial performance and corporate governance on Indonesia's non-bank industry security prices. The research deduced that firms' corporate governance and financial performance complemented each other to promote firm value. Corporate governance reduced management preeminence by escalating external influence, such as auditors and shareholders. Their study focused on security prices in the non-banking sector in

Indonesia, while this study concentrated on all sectors of the economy in Kenya and specifically the listed firms in NSE. Further, Karamoy and Tulung's (2020) study covered 2012 to 2016, while the current study covers 2010 to 2019. While the research by Karamoy and Tulung (2020) has a population of 37 listed firms, the current study targets a population of 64 listed firms at NSE. Moreover, the assessment does not explain whether other facets of corporate governance, like the audit committee and board composition, could influence a company's value, especially in a Kenyan setting.

An empirical investigation uncovered that corporate governance influences a firm's financial performance (Mahrani et al., 2018). Excellent corporate administration practices can expand the organization's worth, enhance its performance, lessen the risk of the board making ego-centric choices, and augment the investor's certainty. Then again, poor corporate administration practices can decrease investor confidence (Al-Gamrh et al., 2020). This research is built by a review directed by (McKinsey et al., 2002), which demonstrated that corporate administration is the essential worry of investors, development potential, and financial performance, particularly for upcoming markets.

However, Jo and Harjoto (2011) found no evidence of a continuous relationship between company value and corporate governance while researching the impact of corporate social responsibility in the USA. Nonetheless, companies with higher results on the corporate governance measure should not outperform those with lower rankings. Furthermore, the majority of studies using the corporate governance indicator have encountered this limitation because corporate governance and company worth are not independent. The research was done outside of Kenya, emphasizing the corporate governance score to gauge the correlation between the variables. This study concentrates on the corporate governance index and has incorporated other essential variables that could make the findings different if placed in the model.

The assessment by Lei et al., (2018) assessed the effect of credit risk spillovers on corporate financial flexibility. In Boston, Massachusetts, the assessment used a mixed research methodology. The researchers created two independent empirical facets to

distinguish the two pathways of credit risk spillovers. One firm’s evasion enhanced the likelihood of trouble for the other, and the same default bolstered the competitor's position. The findings of Lei et al., (2018) imply that credit risk spillovers, particularly CRC, are essential in corporate liquidity management. The above study covered the manufacturing industry in Boston, USA, while the current study covers all the listed firms in NSE. Moreover, the abovementioned study does not delve into the specific components used to justify the results. Additionally, the scope of the study spanned from 2011 to 2017, whereas the current study covers the period from 2010 to 2019.

The study by Anton and Afloarei (2020) examines the impact of various financial factors—fixed financial assets, working capital, financial size, firm debt, and profitability—on 719 Polish-listed firms over the period 2007 to 2016. This study reveals that working capital versus profitability is not a straightforward relationship through the use of fixed effects, ordinary least squares, and panel-corrected standard errors for panel data. The most significant result is an inverted U-shape relationship between working capital and firm profitability. Initially, working capital positively influences profitability up to a break-even point. Beyond this point, however, an excess in working capital starts to affect profitability negatively. This discovery underscores the complex dynamics of working capital management, where insufficient and excessive working capital can harm firm performance. Moreover, the study provides evidence of a positive relationship between non-current assets and debt, supporting the theoretical notion that a firm’s asset structure is positively associated with its leverage. A study by Ukhriyawati et al., (2017) investigated how capital structure, asset structure, risk management, and valuation of the Indonesian security market through free cash flow and earnings, a mediating variable. Because the significance of each variable and the interaction between variables were based on a quantitative measurement scale, the study took a quantitative approach.

The study population constituted all manufacturing firms listed on the Indonesia Securities Exchange (BEI) from 2009 to 2013, subject to specific criteria. According to the study's findings, asset structure considerably affects a firm’s growth, and the correlation between the two is positive, implying that asset structure influences

growth. In addition, the financing structures substantially affected the firm's growth. The positive correlation suggested that the capital structure affected the growth of a firm. Conversely, the assessment's dependent variable differs from the current one, which aims to pinpoint the effect of corporate governance and asset structure on the value of enterprises listed on the NSE. The population of the prior study was all manufacturing firms from 2009 to 2013, whereas the population was all firms from 2010 to 2019. While researching the essence of risk management, asset, capital structure, and the firm's value, Ukhriyawati et al., (2017) mentioned asset configuration, capital structure, and risk management.

The research by Omagwa and Muathe (2019) took a gander at the contribution of financial performance in interceding the connection between corporate governance and firm worth in Kenyan commercial banks. A descriptive exploration approach was utilized, with a census survey of forty-four Kenyan commercial banks as the target population. From 2009 to 2018, secondary data came from bank websites and published financial statements. The data were analyzed using STATA version 13.0, revealing a statistically significant connection between commercial banks' financial performance and firm value. Corporate governance was found to predict company value, with financial performance mediating this relationship. Empirical evidence from Kenyan commercial banks supports the notion that strong corporate governance enhances financial performance, which in turn boosts firm value. As a result, the study concluded that firms with strong financial performance had a high market value. However, the study's findings did not consider additional asset structure characteristics such as financial and current asset firm value status.

2.3.4 Corporate governance, Asset structure, Macroeconomic factors, and Firm Value.

The relationship between macroeconomic conditions, corporate traits, and financial performance of Nigerian-listed manufacturing enterprises was investigated by Egbunike and Okerekeoti (2018). This study relied on ex post facto research. A sampling approach focused on non-profitability was used to choose the sample confined to consumer products businesses. The study found no significant impact on interest or exchange rates but did identify substantial effects on inflation and GDP

growth rates concerning ROA. Additionally, firm characteristics such as size, leverage, and liquidity were found to be essential factors.

In a similar vein, Egbunike and Okerekeoti (2018) found that macroeconomic indicators such as inflationary rates, unemployment rates, and economic growth all had a global correlation with business value. However, the previous study's sample size was limited to consumer goods firms, whereas the current analysis encompasses all NSE-listed firms from 2010 to 2019. The research was conducted outside of Kenya, emphasizing the corporate governance index, which measures the link between the factors under consideration. The relationship between macroeconomic conditions, corporate governance, and firm value is interesting in the financial landscape. High inflation rates result from interest rates, reducing the returns on a firm's equity and profits. The reduction in returns discourages investors' appetite for investments.

While researching the role of macroeconomic conditions in predicting a firm's base performance as gauged by the Return on Asset (ROA) and macroeconomic variables in the United Kingdom, Issah and Antwi (2017) utilized PCA to determine the predictor variables employed in the design of the model. Based on the R^2 and t-statistics, the regression model was employed to assess the relevance of macroeconomic factors. The R^2 for the entire sample ranged between 0.79 and 0.95, which was the same case for five of the six industry variable models that include lead-lag connections. The study made a persuasive case that a firm's performance is an input for the previous-year return on assets and that prior-year return on asset and macroeconomic variables can influence future return on asset-measured business performance. Issah and Antwi (2017) found that macroeconomic factors influence a firm's valuation. However, on the contrary opinion, Issah and Antwi's (2017) study was based on macroeconomic conditions as an independent variable to predict the base performance represented by Return on Assets, while the current study uses macroeconomic factors such as inflation rate, economic growth, rate of foreign exchange and interest rate as a moderating variable to predict the firm value.

Similarly, Bilal et al., (2013) examined the influence of macroeconomic and bank-specific aspects on the profitability of Pakistani commercial banks between 2007 and

2011. The study used descriptive statistics to compute all variables' mean and standard deviation. Regression analysis methods are used to verify the significant or non-significant effects of the independent variables on the dependent variables, while correlation analysis techniques check the dependency between variables. The study pointed out that inflation significantly negatively affects the return on assets. The study by Bilal et al., (2013) was conducted in a very different economic setting or environment than the current study. Further, the time scope of the above study is over ten years ago; thus, the corporate structure might have changed drastically to replicate the current study setting.

Moreover, Chaudry et al., (2013) studied inflation in the agriculture, manufacturing, and services industries, employing three models. First, the research utilized Ordinary Least Square (OLS) autocorrelation and checked out the regression errors with the help of Durban Watson (DW) to test the statistics. At the same time, the agricultural sector was estimated using the two-step least-square method for autoregressive of the first order. Durban '*h*' statistics were computed to examine the agricultural sector estimation model, where a lagged dependent agriculture variable was used. The study of Chaudry et al., (2013) indicated that inflation relates negatively to the manufacturing sector but positively to the services and agriculture sectors.,

The above study covered the agriculture, manufacturing, and services industries, while the current study covers all the listed firms in NSE. Also, the above study does not elaborate on the specific components applied to justify the results. The study scope covered 2011-2017, while the current study covered 2010-2019. When the aggregate data is split into emerging and developed countries, Chow et al., (2019) claimed that this article continues to show some evidence supporting the negative relationship between macroeconomic precariousness and capital structure. The findings show that macroeconomic uncertainty, external sources of macroeconomic uncertainty, local sources of macroeconomic uncertainty, and volatility as macroeconomic consequences significantly affect firm capital structure. However, empirical findings paint a complex depiction of the influence of macroeconomic conditions and lagged Return on Assets on corporate performance, and a single conclusion cannot be drawn immediately.

2.4 Conceptual Framework

A conceptual framework shows the study variables and their relationship, as shown in Figure 2.1.

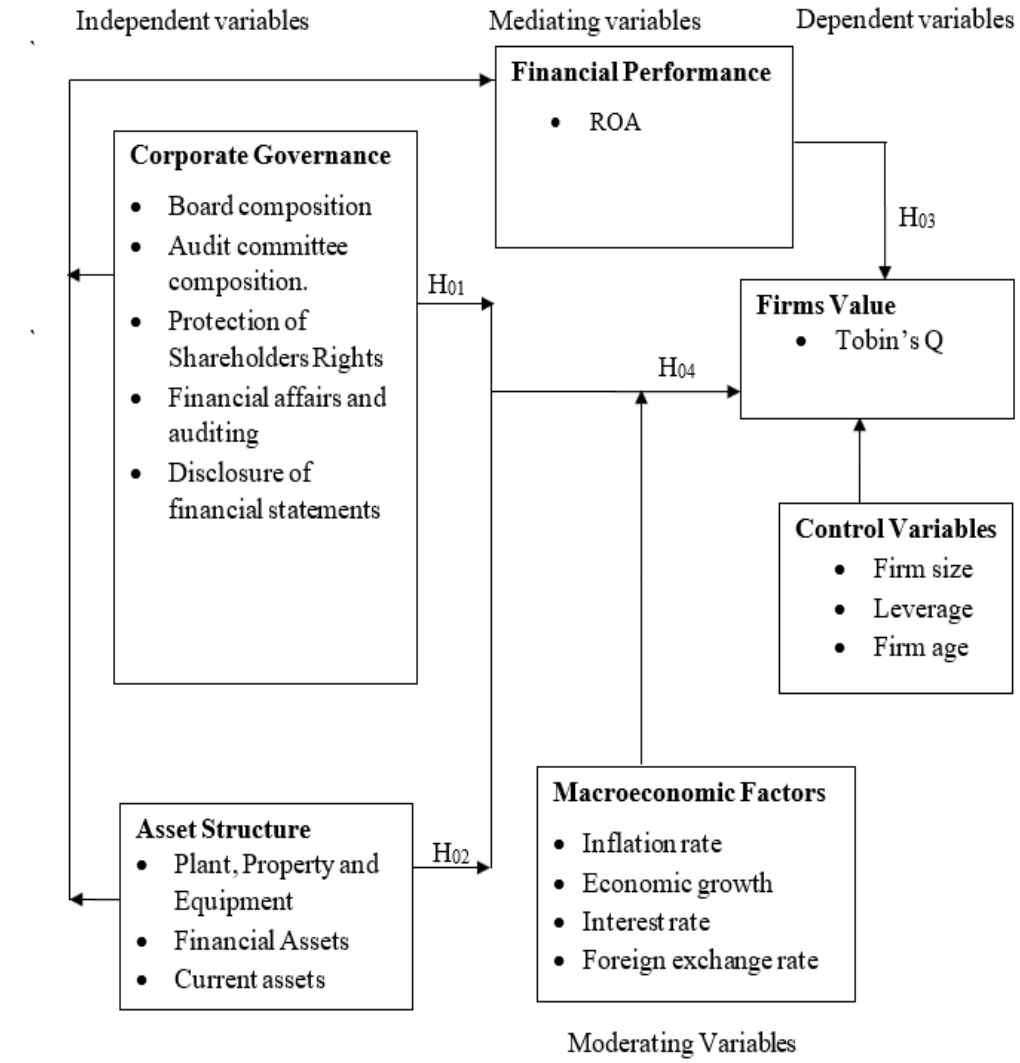

Figure 2.1: Conceptual Framework

Figure 2.1 displays the association between the independent, dependent, mediating, and moderating variables. The index of board composition, audit committee composition index, protection of shareholders' rights index, financial affairs and auditing index, and disclosure of financial statements index all contributed to the operationalization of corporate governance. Property, plant and equipment, financial, and current assets simultaneously operationalized the asset structure. Return on assets

was used to determine the mediating variable, while the inflation rate, economic growth, interest rate, and foreign exchange rate were used to measure macroeconomic factors. Finally, the firm's value was measured using Tobin's Q model. Moderating, mediating, and control variables were utilized to address external and internal factors.

Control or covariate variables are essential in research and statistical analysis to ensure accurate and reliable results. The need for control variables arises due to various factors influencing the relationship between the independent variable(s) and the dependent variable(s) in a study. In many studies, the researcher is interested in understanding the effect of a particular independent variable on the dependent variable. Nonetheless, other variables, known as control variables, may be related to the independent and dependent variables. If not accounted for, they can lead to spurious and misleading relationships between the variables of interest. By incorporating control variables, researchers can isolate the relationship between the variables under investigation and partially eliminate the influence of these control factors. The accuracy and reliability of the outcomes can be improved. Introducing control variables allows the researcher to account for more of the variance in the dependent variable, leading to more accurate and reliable results. By reducing the likelihood of alternative explanations for the observed relationships, controlling for relevant variables contributes to improving the study's validity. Overall, including control factors is fundamental in research as they fortify the design of the study, improve the exactness of research outcomes, and improve the capacity to make significant and reliable conclusions.

2.5 Summary of Empirical Literature

The empirical review assesses studies that explore the relationship between corporate governance, asset structure, and firm value in different countries, including Colombia, Turkey, Saudi Arabia, Bangladesh, India, Uganda, Malaysia, Vietnam, Kenya, Sri Lanka, Jordan, and Indonesia. The studies utilize diverse methodologies, including regression analysis, panel data analysis, and structural equations, to investigate the effect of corporate governance on firm value. The research by Kajananthan (2012) uncovered that corporate governance assists firms in bringing in and retaining investors, increases the payout of dividends, attracts new investors, and

eases the acquisition of funds at reduced costs. Research by Ararat et al., (2017) revealed that corporate governance helps companies obtain financing, thus increasing the value of Turkish companies. Similarly, Rouf (2011) pointed out a strong and significant connection between ROA and independent directors.

For a few Indian companies, Kumar and Singh (2013) identified a significant, positive relationship between the company's value and board size. A cross-sectional study by Akileng and Kobumanzi (2019) indicated that the company value is positively influenced by the independence of NEDs on board and large boards. Elvin and Hamid (2016) noted that corporate governance influenced the financial performance of the listed firms in Malaysia to a great extent. In the same respect, Darweesh (2015) established that corporate governance mechanisms were significantly correlated with both market and financial values. The above outcomes are in line with Khanh (2020). Based on a study conducted by Naushad and Malik (2015), small boards are more effective in monitoring the management of banking operations. In his study of firms listed at NSE, Ong'wen (2010) affirms the positive correlation between corporate governance and firm value. The study findings indicated that publicly traded firms that implemented corporate governance principles outperformed those that did not, as required, at a 95% confidence level. The assessment by Ong'wen (2010) concluded that a firm should have implemented corporate governance practices above the minimal levels.

A study by Miring'u (2011) confirmed a correlation between corporate governance and firm value. Research by Nguyen (2012) supports the idea that corporate governance influences the success of a firm. While assessing the association between corporate governance and firm value, Aldehayyat (2015) found that the frequency and severity of strategic decision implementation challenges were linked to a firm's success in the emerging market, with Ravivathan and Danoshand (2014) discovering no link between corporate governance and value. This is supported by Peiris and Fernando (2013) and Velnampy and AloyNiresh (2012).

A study by Mukyala et al., (2020) found that the direct effect analysis determined that the board sizing and the members' impartiality are the essential elements of the security market. The research by Malik et al., (2014) posited that the association

between board composition and the value of companies is necessary, with Yasser et al., (2014) suggesting that, on average, board members should range between 5 and 16. As per Van den Berghe and Levrau (2004), resource dependence theory encourages a larger board size because individuals who are skilled directors do their obligations well. Another viewpoint holds that directors may properly supervise management responsibilities and performance and that a large board has greater influence over top management (Abdullah et al., 2012).

However, there are some discrepancies among the findings, with a few studies suggesting no significant link between specific corporate governance attributes and firm value. These disparities may be attributed to the differences in the specific contexts of the countries under study, variations in the methodologies employed, and the specific corporate governance variables analyzed. While the majority of the reviewed studies support the notion that corporate governance positively affects firm value, there are still some divergent findings that warrant further investigation. By adding moderating and mediating factors and examining new facets of corporate governance, this study seeks to improve the body of previous research. This strategy aims to give a more thorough knowledge of how corporate governance and company value relate to NSE-listed companies.

Numerous evaluations have examined the complex link that exists between asset structure and business performance in a variety of settings. Mawih's (2014) examination of Croatian businesses revealed a correlation between tangible assets and their utilization as collateral for long-term debts, aligning with the trade-off theory. In Sri Lanka's financial industry, Velnampy and Niresh (2012) established a significant impact of leverage on equity and Return on Equity (ROE). They highlighted the influence of leverage on profitability, emphasizing the considerable effect of combined leverage on Return on Assets (ROA).

Shifting the focus to Nigerian brewery industries, Okwo et al., (2012) identified positive associations between non-current asset investment and critical profitability indicators. Specifically, debtors' turnover ratio, total assets turnover ratio, and interest coverage demonstrated notable links with business profitability. However, contrasting findings emerged from the study by Okoro and Charles (2019) on

Nigerian commercial banks, indicating that the revaluation of fixed assets had limited influence on profitability.

In Nigeria's manufacturing sector, Inyiama et al., (2017) examined the relationship between asset growth rate and financial success and discovered a statistically significant positive correlation between profit and asset growth rate. Nyamasege (2014) elaborated on the significance of asset structure's influence on firm valuation within Nairobi Securities Exchange-listed companies. This study highlighted the need to observe capital structure for long-term value creation consistently. Similarly, according to Mwaniki's (2017) evaluation of Nairobi Securities Exchange listed companies, property, plants, and equipment significantly impact financial performance. Contrariwise, Chukwu et al., (2017) investigated intangible non-current assets with a focus on Nigerian-listed deposit banks. They discovered a positive correlation between goodwill and market performance, highlighting the impact of intangible assets like goodwill and software costs on earnings per share. Conversely, Ferreira et al., (2018) studied major worldwide technology organizations and uncovered the impacts of specific classes of non-current resources on monetary circumstances and performance. Finally, Azadi's (2013) examination of Tehran Securities Exchange-listed firms underlined the effect of changes in fixed and current assets on working profit, primarily featuring the positive impact of the fixed assets coefficient on working profit. These diverse studies, taken as a whole, provide insights into the multifaceted relationship between asset structure and firm performance in various industries and regions. Saad (2010) found significant relationships between adherence to corporate governance codes and financial structure. This study analyzed the connection between corporate governance and capital structure in publicly listed Malaysian firms from 1998 to 2006.

Furthermore, Nangih and Onuora (2020) looked at how capital intensity affected the performance of Nigeria's listed oil and gas companies. The study found that higher capital intensity improved profit margins except for intangible non-current assets. In general, the reviewed studies shed light on the connection between asset structure and company value or performance in various industries and economic contexts. The

findings are sometimes contradictory, indicating the relationship's complexity and the need for additional investigation.

A study by Narwal and Jindal (2015) studied Indian manufacturing firms and found that corporate governance components significantly influence more than 86% of firms in India. They also revealed that corporate governance can improve working capital management, contributing to a firm's worth. Sarkar et al., (2012) researched 500 large Indian-listed firms and demonstrated that effective corporate governance practices lead to market rewards, encouraging businesses to pursue governance improvements. A study by Karamoy and Tulung (2020) investigated Indonesia's non-bank industry and found that financial performance and corporate governance complement each other to promote firm value. However, Mahrani et al., (2018) revealed that corporate governance influences a firm's financial performance, and strong corporate governance practices can expand the organization's worth, enhance its performance, and increase investor confidence. Jo and Harjoto (2011) found no continuous relationship between company value and corporate governance while researching the effect of corporate social responsibility in the USA. However, Lei et al., (2018) assessed credit risk spillovers on corporate financial flexibility and found that credit risk spillovers, particularly CRC, are essential in corporate liquidity management.

A study by Anton and Afloarei (2020) examined Polish-listed firms and found a reversed U-shape correlation between working capital and enterprise profitability. They also identified a positive association between asset structure and leverage. The findings are supported by Ukhriyawati et al., (2017), who investigated Indonesian banking companies and found that asset structure significantly affects a firm's growth, and capital structure substantially affects a firm's growth. Conversely, Omagwa and Muathe (2019) discovered a strong correlation between corporate governance, financial performance, and company value in their analysis of Kenyan commercial banks. They concluded that firms with strong financial performance had a high market value.

The studies suggest that effective corporate governance practices positively impact a firm's financial performance and worth. The appropriate management of assets, financial performance, and capital structure play critical roles in determining a firm's value. However, the findings vary based on the industry, country, and specific variables considered in each study.

Studies have explored the relationship between macroeconomic conditions, corporate characteristics, and firm value using various methodologies. For instance, Egbunike and Okerekeoti (2018) examined how these factors influenced the financial performance of Nigerian-listed manufacturing firms through an ex post facto research design focusing on non-profitability in consumer product businesses. They discovered that inflation and GDP growth rates significantly impacted Return on Assets (ROA), with firm size, leverage, and liquidity identified as key corporate traits. Issah and Antwi (2017) investigated the role of macroeconomic conditions in predicting firm performance (measured by ROA) in the UK, utilizing Principal Component Analysis (PCA) to identify predictor variables. Their findings indicated that both macroeconomic factors and prior-year ROA could influence future ROA, underscoring the impact of macroeconomic conditions on firm valuation. Bilal et al., (2013) analyzed how macroeconomic and bank-specific factors affected the profitability of Pakistani commercial banks using descriptive statistics, regression, and correlation analysis. They concluded that inflation had a significantly negative effect on banks' ROA. Chaudry et al., (2013) explored the relationship between inflation and different industry sectors—agriculture, manufacturing, and services—using models like Ordinary Least Squares (OLS) and two-step least-squares methods. They found that inflation negatively impacted the manufacturing sector but positively influenced the services and agriculture sectors. Lastly, Chow et al., (2019) investigated how macroeconomic uncertainty affected firm capital structure, concluding that such uncertainty had a significant impact.

The studies mentioned above provide valuable insights into the complex relationship between macroeconomic conditions, corporate traits, and firm value in various settings. Since these studies are set on different scopes, contexts, and methodologies,

it would be unacceptable to arrive at general conclusions. The current study seeks to develop a broader understanding of the subject and to identify patterns and trends.

2.6 Research Gap

Reviewed studies indicate that the results showing the relationship between corporate governance and firm value remain a mystery. Some studies suggest a positive relationship, while others show a negative or insignificant association. The reason for these discrepancies remains unclear. However, there is a limited focus for some reasons. Some studies have primarily focused on market-based and accounting indicators of firm value and have only included a few corporate governance proxies into account. This limited perspective could leave out other crucial elements affecting the link between corporate governance and firm value. Certain research studies have focused primarily on specific geographical areas, such as Malaysia, Saudi Arabia, and Turkey, to name but a few. There is a dearth of studies that include more diverse countries, such as African countries like Kenya. This regional bias constrains the generalizability of the findings. This gap needs to be filled. Some studies utilized cross-sectional research, but few used panel data analysis over a long period. Panel data analysis can assist in obtaining an in-depth understanding of the dynamic relationship between corporate governance and firm value may be obtained through panel data analysis. Panel data analysis facilitates the observation of trends and patterns in corporate governance practices and firm performance. It aids in identifying whether certain governance practices have long-term effects or if there is a variation in their impact over a different period.

Some studies have not included moderating variables, such as macroeconomic circumstances. Economic growth, interest, and foreign exchange rates may affect the association between corporate governance asset structure and firm value. A more complex comprehension of the relationship could occur by considering these aspects. While several studies have assessed the impacts of asset structure on firm value, there is a gap in considering the moderating effects of other economic parameters, including inflation rate, economic growth rate, interest rate, and foreign exchange rate.

Research on asset structure and firm value frequently ignores the effect of intangible assets and focuses on tangible assets. The importance of intangible assets in a firm's value should be further investigated. Reviewed Studies have focused on particular financial performance metrics like return on equity. However, additional performance indicators could offer a more thorough evaluation of a firm value. The relationship between corporate governance, asset structure, and firm value in various countries and industries can be better understood if these research gaps are filled.

It is good to note that despite the contradicting findings from the reviewed studies, no research has incorporated all the listed firms at the Nairobi Securities Exchange. In addition, none of the reviewed research has utilized a panel data analysis approach and has included macroeconomic aspects as moderating variables and the models' mediating variable as financial performance. Further, no study has covered Ten years of recent data.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The section presents the study philosophy, research design, target population of the research, data collection process, data analysis, and diagnostic tests, stressing on processes followed in the study.

3.2 Research Philosophy

According to Durkheim's positivist theory (1938), reliability can only be attributed to actual information acquired through observation and computation. This theory asserts that research can be analyzed as objective truths, leading to the establishment of scientific laws—furthermore, positivist research endeavours to uncover the underlying principles that define variables and causal relationships.

Crowther and Lancaster (2008) elaborate that positivist studies typically employ a logical and deductive methodology. However, it is essential to note that positivist research may lack safeguards for human interests and create a separation between the researcher and the study participants. The positivist approach assumes the researcher's detachment and complete objectivity. These studies prioritize evidence and view the environment as an external and objective entity. The core tenets of positivism theory hold that the logical inquiry process is consistent across various fields. The objectives of such studies involve clarification and prediction. Inductive reasoning is employed, and human senses play a crucial role in making observations to formulate hypotheses. It is essential to differentiate between scientific inquiry and common sense. Common sense biases should not influence the study's outcomes. The research under consideration aligns well with the positivist conceptual framework, as it seeks to establish a relationship between corporate governance, asset structure, and the valuation of NSE-listed companies. The research fits well into this conceptual perspective because it aims to determine how corporate governance and asset structure relate to the value of listed NSE-listed companies.

3.3 Research Design

The causal-comparative design also called descriptive research, aims to determine why certain events occur or not because it describes pre-existing problems. The causal-comparative study is designed to observe phenomena by reviewing variables. In other words, the comparative causal analysis aims to determine and evaluate causal relationships between two or more groups. Comparative causal studies provide better evidence of causality than related researchers. In causal-comparative analysis, a researcher investigates a specific issue after obtaining the data. Firms in Nairobi securities exchange are divided into 13 different groups.

Researchers attempt to determine whether one variable can affect another variable (Gay et al., 2006). The causal comparison study design is suitable since it attempts to ascertain the effect of corporate governance, asset structure, and value of companies listed on the NSE to obtain reliable results. This design is also preferred because it allows quantitative data to describe the relationship between variables, as Yilmaz (2013) suggests.

3.4 The population of the Study

The target population of this study comprised of the 64 firms listed at the Nairobi Securities Exchange categorized under different economic sectors as highlighted in Appendix (III). They are Agricultural, Energy and Petroleum, Automobile and Accessories, Banking, Commercial and Services, Manufacturing and Allied, Construction and Allied, Insurance Investment, Investment Services, Real Estate Investment Trust, Telecommunication and Information Technology, and Exchange Traded Funds. The listed firms were targeted because they would provide relevant data for the study. Furthermore, legally, all listed firms must provide annual audited reports to CMA, the regulator. The listed firms have an elaborate operating structure. The assessment comprised a complete census survey of all the listed firms. The survey upsurges the efficacy by extracting more data from the survey (Miller, 2018).

3.5 Operationalization and Measurement of Research Variables

Table 3.1 shows the measurements of the research variables. Corporate governance was assessed through indicators such as board composition, audit committee composition, protection of shareholders' rights, financial affairs and auditing, and

compliance with disclosure requirements. Each indicator is assigned 1 if criteria are met and 0 if not met. The subtotal indices for each measurement were summed up to obtain the overall corporate governance index for each year.

Table 3.1: Operationalization and Measurement of Research Variables

Variables	Indicators	Measurements
Corporate governance	Board composition	Index of Board Composition
	Audit committee composition	Composition index
	Protection of shareholders' rights	Shareholder's Rights index
	Financial affairs and audit	Financial affairs and audit index
	Disclosure of financial statements	Disclosure index
Asset structure	Property, plant & Equipment	PPE/Total assets
	Financial assets	Financial assets/Total assets
	Current assets	Current assets/Total assets
Financial performance	Return on Assets	Net income/Total assets
Macroeconomic factors	Inflation	Average yearly inflation rates
	Economic growth	Average GDP growth rate
	Interest rates	Average interest rate yearly
	Foreign exchange rates	Average annual Ksh. against dollars
Firm value	Tobin's Q	Market value of firm/Book value of the firm
Control variables	Firm size	The logarithm of total assets
	Leverage	Debt to Equity ratio
	Firm Age	The period in years since listing

3.6 Data Collection Instruments

For the years 2010 through 2019, the data used in this study was sourced from yearly audited financial reports that were published and submitted to the Capital Markets Authority as well as the Nairobi Securities Exchange (NSE). The choice of this study period was deliberate, as it allowed for the utilization of the most current and up-to-date data. These reports were collected using a secondary data collection sheet, which included information such as the firm's name and listing date.

Recognizing the potential for endogeneity (where unobserved factors influence the relationship between variables), control variables were incorporated into the analysis. The control variables incorporated the annual inflation rate, annual GDP rate, annual interest rate, and foreign exchange rate. The control variables used in the dataset were firm size, defined as the natural logarithm of total assets; leverage, as measured by the Debt/Equity ratio; and firm age, measured in years from the initial listing of firms. To calculate the Return on Assets (ROA), information on the firm net income and total assets were carefully gathered and evaluated. A complete analysis of the variables influencing the value of listed corporations was made possible by this all-encompassing methodology.

3.7 Data Collection Procedures

Prior to collecting data, the researcher acquired the necessary approvals from the National Commission for Science, Technology, and Innovation Research Licence, the University of Embu, and the Nairobi Securities Exchange. After obtaining permission, the researcher collected publications and reports by the Capital Market Authority, Nairobi Securities Exchange, and financial reports published by respective firms.

3.8 Data Processing and Analysis

The researcher input quantitative data from secondary sources into a database and subjected the data to inferential and descriptive statistical analyses, including calculating means and standard deviations. The study examined the relationship between corporate governance, asset structure, firm size, leverage, age of the firm, and the value of firms listed on the NSE using Equations 3.1 and 3.2.

The study used regression analysis to draw relevant inferences.

Quantitative information from secondary sources was entered into a database and subjected to inferential and descriptive statistical analysis (means and standard deviation). A panel data model was employed to assess the relationship between corporate governance (measures), firm size, leverage, age of the firm, and the value of firms listed on NSE using equation 3.1.

$$Y_{it} = \beta_0 + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{4it} + \beta_5 X1_{5it} + \beta_6 X3_{it} + \beta_7 X4_{it} + \beta_8 X5_{it} + \varepsilon_{it} \quad \text{.....3.1}$$

Where

Y_{it} represents the Firm Value.

The subscript t, in Y_{it}, $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it}$, $X1_{5it}$, $X3_{it,}$ $X4_{it}$, and $X5_{it,}$ represents the time the observation (i*)* was taken. β_0 represents the intercept (constant) term. β_1 to β_5 are the coefficients for the respective corporate governance measures, and β_6 to β_8 are the coefficients for firm size, leverage, and firm age. $X1_{1it}$ represents the Board Composition, $X1_{2it}$ represents the Audit Committee Composition, $X1_{3it}$ represents the Protection of Shareholders Rights, $X1_{4it}$ represents the Financial Affairs and Auditing, and $X1_{5it}$ represents the Disclosure of Financial Statements. $X3_{it}$, $X4_{it}$, and $X5_{it}$ represent firm size, leverage, and age of the firm. ε_{it} represents the error term for observation (i) at a time (t), which accounts for unexplained variability. These factors or variables affect the firm value (Y_{it}) but are not included in the model.

The study's panel data model was employed to assess the relationship between asset structure (measures), firm size, leverage, age of the firm, and the value of firms listed on NSE using equation 3.2.

$$Y_{it} = \beta_9 + \beta_{10}X2_{1it} + \beta_{11}X2_{2it} + \beta_{12}X2_{3it} + \beta_{13}X3_{it} + \beta_{14}X4_{it} + \beta_{15}X5_{it} + \varepsilon_{it} \text{..3.2}$$

Where

Y_{it} is Firm Value. $X2_{1it,}$ $X2_{2it,}$ and X23it represent property, plant, equipment, financial assets, and current assets. $X3_{it}$, $X4_{it}$, and $X5_{it}$ represent firm size, leverage, and age of the firm. β_9 represents the intercept (constant) term. β_{10} to β_{12} are the coefficients for the respective asset structure measures, and β_{13} to β_{15} are the coefficients for firm size, leverage, and firm age. $X3_{it}$, $X4_{it}$, and $X5_{it}$ represent firm size, leverage, and age of the firm. ε_{it} represents the error term for observation (i) at a time (t), which accounts for unexplained variability. These factors or variables affect the firm value (Y_{it}) but are not included in the model.

3.8.1 Mediation Effect Model

A four-stage linear regression analysis determines and establishes financial performance's effect as a mediator on the relationship between corporate governance, asset structure, and the firm value, as listed at the NSE (Baron and Kenny, 1986), using the specific subsets of corporate governance and asset structure.

The initial phase focussed on examining the relationship between using the specific subsets of corporate governance and asset structure and firm value using equation 3.3:

$$Y_{it} = \beta_{01} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{4it} + \beta_5 X1_{5it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \varepsilon_1 \ldots\ldots 3.3$$

Where

Y_{it} represents the firm value for observation "i" at a time "t."

β_{01} represents the intercept or constant term and the value of Y when all independent variables ($X1_{it}$ and $X2_{it}$) equal zero. In other words, it is the expected value of firm value when all other factors are absent. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X14_{it,}$ and $X1_{5it}$ represent the Board Composition, the Audit Committee Composition, the Protection of Shareholders Rights, the Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it,}$ $X2_{2it,}$ and $X2_{3it}$ represent Property, Plant and Equipment, Financial Assets, and Current Assets, respectively, while β_{01} represents the constant term in the regression equation. β_1 to β_8 represent the coefficients of the Board Composition, Audit Committee, Protection of Shareholders' Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property, and Equipment, Financial Assets, and Current Assets, while ε_1 represents the error term, which accounts for the variation in Y that the independent variables do not explain in the model.

With all other variables held constant, the change in Y for each one-unit change in the corporate governance variables is represented by β1 to β5. They indicate the strength and direction of the relationship between the respective corporate governance subsets and Y. Generally, $X1_{it}$ represents corporate governance. $\beta_{6,}$ $\beta_{7,}$ and β_8 represent the changes in Y for a unit change in each asset structure variable, holding all other variables constant. Generally, $X2_{it}$ represents asset structure.

The second stage examined the relationship between financial performance and corporate governance and Asset structure (mediating and independent) using equation 3.4.

$$X3_{it} = \beta_{02} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{4it} + \beta_5 X1_{5it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \varepsilon_2 \quad \text{.....3.4}$$

Where

$X3_{it}$ is financial performance, Y_{it} is Firm Value, while $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X14_{it,}$ and $X1_{5it}$ represent the Board Composition, the Audit Committee Composition, the Protection of Shareholders Rights, the Financial Affairs and Auditing, and the Disclosure of Financial Statements respectively. $X2_{1it,}$ $X2_{2it,}$ and X23it represent property, plant, equipment, financial assets, and current assets. β_{02} represents the constant term in the regression equation. β_1 to β_8 are the coefficients of Board Composition, Audit Committee, Protection of Shareholders' Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property and Equipment, Financial Assets, and Current Assets, respectively. ε_2 represents the error term.

Phase three assessed the association between the financial performance variable and the firm value utilizing equation 3.5.

$$Y_{it} = \beta_{03} + \beta_3 X3_{it} + \varepsilon_3 \quad \text{.....3.5}$$

Where

Y_{it} stands for the firm value, while $X3_{it}$ represents the financial performance. β_3 represents the coefficient associated with financial performance, while β_{03} is the constant term.

The fourth stage assessed the relationship between corporate governance, asset structure (independent variable), financial performance (mediating variable), and firm value (dependent) using equation 3.6.

$$Y_{it} = \beta_{04} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{4it} + \beta_5 X1_{5it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X3_{it} + \varepsilon_4 \quad \text{.....3.6}$$

Where,

Y_{it} is Firm Value, while $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X14_{it,}$ and $X1_{5it}$ represent the Board Composition, the Audit Committee Composition, the Protection of Shareholders Rights, the Financial Affairs and Auditing, and the Disclosure of Financial Statements respectively. $X2_{1it,}$ $X2_{2it}$, and $X2_{3it}$ represent property, plant, equipment, financial assets, and current assets. β_{04} stands for the constant term in the regression

equation. β_1 stands for the coefficient of Board Composition, β_2 the coefficient for the Audit Committee, β_3 represents the coefficient of Protection of Shareholders' Rights, β_4 represents the coefficient of Financial Affairs and Auditing, β_5 represents the coefficient of Disclosure of Financial Statements, β_6 stands for the coefficient of PPE, β_7 represents the coefficient of Financial Assets, β_8 represents the coefficient of Current Assets, β_9 stands for the coefficient for Financial Performance, ε_4 represents the error term.

Mediation happens when corporate governance and asset structure influence firm value and financial performance. Once a financial performance has been incorporated into the analysis, corporate governance, and asset structure remain significant predictors of firm value, thus giving evidence of their direct effect on firm value.

3.8.2 Moderating Effect Model

The study used a two-stage process to examine how independent variables and dependent variables are related. The moderating variables considered included the foreign exchange rate, inflation rate, economic growth rate, and interest rate. Consequently, utilizing moderating equation 3.7, it is anticipated that the relationship between independent variables and dependent variables for companies listed on the NSE will be influenced by moderating variables.

The first phase assessed the relationship between corporate governance, asset structure, and firm value using equation 3.7.

$$Y_{it} = \beta_{01} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \varepsilon_1 \quad \text{.....3.7}$$

Where

Y_{it} represents the firm value for observation "i" at a time "t."

$X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X14_{it,}$ and $X1_{5it}$ represent the Board Composition, the Audit Committee Composition, the Protection of Shareholders Rights, the Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it,}$ $X2_{2it}$, and X23it represent property, plant, equipment, financial assets, and current assets. β_1 represents the coefficient of Board Composition, β_2 represents the coefficient for the Audit Committee, β_3 stands for Protection of Shareholders Rights, β_4 represents the coefficient of Financial Affairs and Auditing, β_5 represents the coefficient of

Disclosure of Financial Statements, β_6 stands for the coefficient of Plant, Property, and Equipment, β_7 represents the coefficient of Financial Assets, β_8 stands for the coefficient of Current Assets.

β_1, β_2, β_3, β_4, and β_5 represent the change in Y for a one-unit change in each of the corporate governance variables, holding all other variables constant. They indicate the strength and direction of the relationship between the respective corporate governance subsets and Y. β_6 to β_8 represent the changes in Y for one unit change in each asset structure variable, holding all other variables constant. Generally, $X2_{it}$ represents asset structure. ε represents the error term and encompasses all other aspects and random variations that affect Y but are excluded in the regression model.

The regression equation's intercept term is denoted by β01. It represents the expected value of the dependent variable (firm value) when all independent variables equal zero. ε_1 represents the error term in the regression equation. It captures the variability in the dependent variable not explained by the independent variables in the model. It signifies that the variables can also vary over different periods.

The next phase involves assessing the relationship between corporate governance, asset structure, the inflation rate, and the firm value using equation 3.8.

$$Y_{it} = \beta_{02} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{1it} + \varepsilon_2 \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3.8$$

Where,

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it}$, and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and Current Assets. $X4_{1it}$ represents the Inflation Rate, and ε_2 stands for the error term. β_1 represents the coefficient of Board Composition, β_2 represents the coefficient for the Audit Committee, β_3 is Protection of Shareholders Rights, β_4 represents the coefficient of Financial Affairs and Auditing, β_5 represents the coefficient of Disclosure of Financial Statements, β_6 stands for coefficient of Plant, Property, and Equipment, β_7

represents the coefficient of Financial Assets, β_8 stands for the coefficient of Current Assets, and β_9 represents the coefficient of Inflation rate.

The next phase introduces inflation rate's interaction with the corporate governance, asset structure, and firm value into the model using equation 3.9.

$$Y_{it} = \beta_{03} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{1it} + \beta_{10} X1_{1it} X4_{1it} + \beta_{11} X1_{2it} X4_{1it} + \beta_{12} X1_{3it} X4_{1it} + \beta_{13} X1_{4it} X4_{1it} + \beta_{14} X1_{5it} X4_{1it} + \beta_{15} X2_{1it} X4_{1it} + \beta_{16} X2_{2it} X4_{1it} + \beta_{17} X2_{3it} X4_{1it} + \varepsilon_3 \quad \text{.....3.9}$$

Where,

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and the Current Assets. β_{04}, $X4_{1it}$ represents the Inflation Rate, and ε_3 represents the error term. β_1 stands for the coefficient of Board Composition, β_2 represents the coefficient for the Audit Committee, β_3 is Protection of Shareholders Rights, β_4 stands for the coefficient of Financial Affairs and Auditing, β_5 represents the coefficient of Disclosure of Financial Statements, β_6 stands for the coefficient of Plant, Property, and Equipment, β_7 represents the coefficient of Financial Assets, β_8 stands for the coefficient of Current Assets, and β_9 represents the coefficient of Inflation Rate.

$X1_{1it}$ $X4_{1it}$ represents the interaction terms of the Board composition and Inflation Rate.

$X2_{1it}$ $X4_{1it}$ represents the interaction terms of the Property, Plant, Equipment, and Inflation Rate.

β_{10}- β_{14} represents the coefficients for the interaction between corporate governance measures and the inflation rate. β_{14}- β_{17} represents the coefficients for the interaction between asset structure measures and inflation rate.

The next phase involves assessing the relationship between the independent variables, the economic growth rate, and the dependent variable using equation 3.10

$$Y_{it} = \beta_{04} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{2it} + \varepsilon_4 \quad \ldots\ldots 3.10$$

Where,

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and Current Assets. $X4_{1it}$ is the Inflation Rate, and ε_3 represents the error term. β_1 stands for the coefficient of Board Composition, β_2 is the coefficient for the Audit Committee, β_3 is Protection of Shareholders Rights, β_4 is the coefficient of Financial Affairs and Auditing, β_5 is the coefficient of Disclosure of Financial Statements, β_6 represents the coefficient of Plant, Property, and Equipment, β_7 stands for the coefficient of Financial Assets, β_8 represents the coefficient of Current Assets, and β_9 is the coefficient of Inflation.

$X1_{1it}$ $X4_{1it}$ represents the interaction terms of the Board composition and Economic Growth. The same applies to the subsets of the Assets Structure.

$X2_{1it}$ $X4_{2it}$ represents the Property, Plant, and Equipment interaction terms and Economic Growth. The same applies to the other subsets of Asset Structure.

The next stage involves assessing the relationship between independent, dependent, and economic growth rates and the interaction between economic growth and the independent variables. Equation 3.11 shows the model.

$$Y_{it} = \beta_{05} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{2it} + \beta_{10} X1_{1it} X4_{2it} + \beta_{11} X1_{2it} X4_{2it} + \beta_{12} X1_{3it} X4_{2it} + \beta_{13} X1_{4it} X4_{2it} + \beta_{14} X1_{5it} X4_{2it} + \beta_{15} X2_{1it} X4_{2it} + \beta_{16} X2_{2it} X4_{2it} + \beta_{17} X2_{3it} X4_{2it} + \varepsilon_5 \quad \ldots\ldots 3.11$$

Where

Y_{it} is Firm Value, $X1_{1it}$ is the Board Composition, $X1_{2it}$ is the Audit Committee Composition, $X1_{3it}$ is the Protection of Shareholders Rights, $X1_{4it\ is}$ the Financial Affairs and Auditing, $X1_{5it\ is}$ the Disclosure of Financial Statements, $X2_{1it}$ is the Property, Plant and Equipment, $X2_{2it}$ is the Financial Assets, $X2_{3it}$ is the Current Assets, $X4_{1it}$ is the Inflation Rate, and ε_3 represents the error term. β_1 stands for the coefficient of Board Composition, β_2 is the coefficient for the Audit Committee, β_3 is

Protection of Shareholders Rights, β_4 is the coefficient of Financial Affairs and Auditing, β_5 is the coefficient of Disclosure of Financial Statements, β_6 represents the coefficient of Plant, Property, and Equipment, β_7 stands for the coefficient of Financial Assets, β_8 represents the coefficient of Current Assets, and β_9 is the coefficient of Economic Growth.

$X1_{1it}X4_{1it}$ represents the interaction terms of the Board composition and Economic Growth. The same applies to the subsets of Corporate Governance.

$X2_{1it}X4_{2it}$ represents the interaction terms of Plant, property, Equipment, and economic growth. The same applies to the other subsets of Asset Structure.

The next phase entails assessing the relationship between the independent variables, dependent variables, and interest rates. Equation 3.12 shows the model.

$$Y_{it} = \beta_{06} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{3it} + \varepsilon_6 \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3.12$$

Where

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and Current Assets. $X4_{3it}$ is the Inflation Rate, and ε_3 represents the error term. β_1 stands for the coefficient of Board Composition, β_2 is the coefficient for the Audit Committee, β_3 is Protection of Shareholders Rights, β_4 is the coefficient of Financial Affairs and Auditing, β_5 is the coefficient of Disclosure of Financial Statements, β_6 represents the coefficient of Plant, Property, and Equipment, β_7 stands for the coefficient of Financial Assets, β_8 represents the coefficient of Current Assets, and β_9 is the coefficient of Economic Growth. $X1_{1it}$ $X4_{3it}$ represents the interaction terms of the Board composition and Interest Rate. The same applies to the subsets of Corporate Governance.

$X2_{1it}$ $X4_{3it}$ represents the Property, Plant, and Equipment interaction terms and Interest Rate. The same applies to the other subsets of Asset Structure.

The next stage involves assessing the relationship between the independent variables, dependent variables, interest rate, and its interaction terms. Equation 3.13 shows the model equation.

$$Y_{it} = \beta_{07} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{3it} + \beta_{10} X1_{1it} X4_{3it} + \beta_{11} X1_{2it} X4_{3it} + \beta_{12} X1_{3it} X4_{3it} + \beta_{13} X1_{4it} X4_{3it} + \beta_{14} X1_{5it} X4_{3it} + \beta_{15} X2_{1it} X4_{3it} + \beta_{16} X2_{2it} X4_{3it} + \beta_{17} X2_{3it} X4_{3it} \varepsilon_7 \ldots\ldots 3.13$$

Where

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and Current Assets. $X4_{3it}$ is the Inflation Rate, and ε_3 represents the error term, β_1 represents the Board Composition coefficient, β_2 is the coefficient for the Audit Committee, β_3 is Protection of Shareholders Rights, β_4 is the coefficient of Financial Affairs and Auditing, β_5 is the coefficient of Disclosure of Financial Statements, β_6 represents the coefficient of Plant, Property, and Equipment, β_7 is the coefficient of Financial Assets, β_8 is the coefficient of Current Assets, and β_9 is the coefficient of Interest Rate. β_{10}- β_{14} is the coefficient of the interaction between corporate governance measures and interest rate. β_{15}- β_{17} is the coefficient of the interaction between asset structure measures and interest rate. $X1_{1it}$ $X4_{3it}$ represents the interaction terms of the Board composition and Interest Rate. The same applies to the subsets of Corporate Governance.

$X2_{1it}$ $X4_{3it}$ represents the Property, Plant, and Equipment interaction terms and Interest Rate. The same applies to the other subsets of Asset Structure.

The next phase involves assessing the relationship between independent variables, dependent variables, and the foreign exchange rate. Equation 3.14 displays the model.

$$Y_{it} = \beta_{08} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{4it} + \varepsilon_8 \ldots\ldots 3.14$$

Where,

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and Current Assets. $X4_{3it}$ is the Inflation Rate, and ε_7 stands for the error term. β_1 represents the coefficient of

Board Composition, β_2 is the coefficient for the Audit Committee, β_3 is Protection of Shareholders Rights, β_4 is the coefficient of Financial Affairs and Auditing, β_5 is the coefficient of Disclosure of Financial Statements, β_6 represents the coefficient of Plant, Property, and Equipment, β_7 represents the coefficient of Financial Assets, β_8 stands for the coefficient of Current Assets, and β_9 is the coefficient of Foreign Exchange Rate.

The next phase involves assessing the relationship between the independent variables, the dependent variable, the foreign exchange rate, and the interaction terms. Equation 3.15 shows the model.

$$Y_{it} = \beta_{09} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{4it} + \beta_{10} X1_{1it} X4_{4it} + \beta_{11} X1_{2it} X4_{4it} + \beta_{12} X1_{3it} X4_{4it} + \beta_{13} X1_{4it} X4_{4it} + \beta_{14} X1_{5it} X4_{4it} + \beta_{15} X2_{1it} X4_{4it} + \beta_{16} X2_{2it} X4_{4it} + \beta_{17} X2_{3it} X4_{4it} + \varepsilon_9 \quad \ldots\ldots 3.15$$

Where,

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and Current Assets. $X4_{3it}$ is the Inflation Rate, and ε_9 stands for the error term. β_1 represents the coefficient of Board Composition, β_2 is the coefficient for the Audit Committee, β_3 is Protection of Shareholders Rights, β_4 is the coefficient of Financial Affairs and Auditing, β_5 is the coefficient of Disclosure of Financial Statements, β_6 represents the coefficient of Plant, Property, and Equipment, β_7 stands for the coefficient of Financial Assets, β_8 represents the coefficient of Current Assets, and β_9 is the coefficient of Foreign Exchange Rate.

β_{10}- β_{14} is the coefficient of the interaction between corporate governance measures and foreign exchange rate. β_{15}- β_{17} is the coefficient of the interaction between asset structure measures and foreign exchange rate. $X1_{1it}X4_{4it}$ represents the interaction terms of the Board Composition and Foreign Exchange Rate. The same applies to the subsets of Corporate Governance. $X2_{1it}X4_{4it}$ represents the Property, Plant, and

Equipment interaction terms and Foreign Exchange Rate. The same applies to the other subsets of Asset Structure.

3.8.3 Model Specification Test

The Hausman test was utilized to choose between OLS, fixed, or random effects.

3.9 Diagnostic Tests

The collected data is a panel because it has cross-sectional and time-series properties. According to Baltagi (2008), panel data offer more degrees of freedom, greater variability, less collinearity between variables, more significant data, and greater efficiency. Random, OLS, and fixed effects are three models for analyzing panel data. The suitability of picking the test model depended on the diagnostic tests depicted below.

3.9.1 Testing for Normality

To ensure that the distribution of data was normal, the Jarque-Bera measure was used. The null hypothesized distribution for this test is a normal distribution, while the alternative hypothesized distribution is that the distribution is not normal (Jarque & Bera, 1987).

3.9.2 Test for Heteroscedasticity

Regression disturbances with non-constant variances across observations are heteroskedasticity (Greene, 2008). Heteroskedasticity occurs in various applications, including cross-section and time-series data, resulting in inefficient estimate outcomes (Baltagi, 2008). To address heteroscedasticity in this study, the Breusch-Pagan test was conducted. For this test, the null hypothesis is that heteroscedasticity does not exist, and the alternative hypothesis is that heteroscedasticity exists in the context. Therefore, the existence of heteroskedasticity can be confirmed if the F statistic seriously rejects the null hypothesis at the 90% or 95% confidence level.

3.9.3 Testing for Autocorrelation

Autocorrelation or serial correlation of disturbances across periods is standard in time-series data (Greene, 2008). Serial correlation is an issue for linear panel data models because it causes the standard errors to be skewed and the calculated regression coefficients to be consistent but wasteful (Drukker, 2003). The Durbin-

Watson statistic was used to test autocorrelation and should fall within the 1.5 to 2.5 range. The test is used to see if the mistakes in different observations are connected (Brookes, 2008).

3.9.4 Testing for Multi-collinearity

The presence of a linear relationship among the independent variables is referred to as multicollinearity (Kumari, 2008). Multicollinearity can result in high forecasting errors and determine the relative relevance of distinct variables in a model. Multi-collinearity was hence tested utilizing the variance inflation factor. There is no relationship between the predictors if the VIF is one. As per Gujarati (2012), a value somewhere in the range of 1 to 10 demonstrates a moderate relationship, while a value greater than 10 shows a high connection between the predictor factors.

3.9.5 The Hausman Specification Test

It is, therefore, important to choose between a fixed or random effect model when using panel data first. When choosing between models with or without fixed and random effects, there is a statistical test known as the Hausman test. It tests whether the individual or group-specific effects are associated with the other independent variables. If the effects are related, the fixed effects model is preferred; otherwise, the random effects model is more suitable. If the probability value is less than 0. 05 or, in other words, if it is, fixed effects are used in this study; otherwise, random effects were used.

3.9.6 Testing of Hypotheses

An approach for testing a hypothesis or a claim about a particular parameter in a data population utilizing sampled data is significance testing or hypothesis testing. A researcher uses this strategy to evaluate a hypothesis by analyzing the possibility of selecting a sample statistic if the population parameter hypothesis is correct. The hypothesis testing procedure can be broken down into four steps. To begin, the hypothesis or claim that will be tested is identified. The criterion for determining whether the claim under test is legitimate is then chosen, followed by random sampling from the population and measuring the sample mean. Finally, a comparison is made between what was observed in the sample and the expectation of whether the claim being tested is correct. The researcher will decide that the claim being tested is

valid if there is a minimal difference between population and sample means (Reese, 1999). On the other hand, if the difference is too significant, the results are likely dismissed as false. Therefore, hypothesis testing was carried out using inferential analysis. The results allow the researcher to gauge the sample behaviour and get more insights about behaviour in populations that are frequently too vast or challenging to access.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This study examined the role of asset structure in firm value, the role of corporate governance in firm value, the moderating role of financial performance in between asset structure and corporate governance and firm value on NSE. This chapter presents the implications and conclusion.

4.1.1 Success Rate

The research targeted all Nairobi Stock Exchange-listed firms between 2010 and 2019, totaling sixty-four companies. This number constituted the potential sample size for the study. However, 13 firms were excluded—12 due to missing data and one because of suspension. Ensuring complete and consistent data was crucial for meaningful inferences, leading to the inclusion of 51 firms that were listed consistently throughout the study period. The study's focus on these 51 firms, all with complete data, enabled the utilization of balanced panel data analysis. The methodology enables the analysis of changes within individual entities while also considering their differences over time. Data for all 51 firms were successfully collected, achieving a 100% success rate and demonstrating thoroughness and diligence in the data collection process.

4.2 Descriptive Statistics of the Variables

4.2.1 Descriptive Results of the Firm Value

Table 4.1 depicts the descriptive results concerning the Firm Value using overall, between, and within analyses. The findings describe the distribution and variability of firm values over different dimensions. This analysis contributes to understanding how the variation in firm value is distributed across and within the same firms over time; we have three analyses: overall, between, and within. The overall statistics give the average, lowest, highest, and standard deviation of the firm value across all firms at all points in time. In contrast, the statistics provide the average, the lowest, the highest, and the standard deviation of the firm value across different firms at a given time (cross-sectional variation). Within, in this case, represents the average, the lowest, the highest, and the standard deviation of the firm value within the same firms

over different periods (temporal variation). Firm value is the crucial variable under analysis, representing the valuation of different firms. Firm value is a continuous variable that reflects the market's perception of a firm's worth.

The mean provides the average firm value for the specified dimension. For example, the overall mean firm value is 0.463, while the Std Dev. Indicates the standard deviation of firm value, which measures the dispersion of values around the mean value. A high standard deviation implies more significant variability around the mean. The min shows the minimum value of the firm value observed within the specified dimension, while the max indicates the maximum value observed within the specified dimension. These terms offer details about the observations number (N), the number of firms (n) for the between-group analysis, and the number of periods (T) for the within-group analysis.

Table 4.1 depicts the outcomes of the descriptive analysis.

Table 4.1:Descriptive Results for Firm Value

Variable		Mean	Std Dev.	Min	Max	Obs	
Firm Value	Overall	.463	.338	.100	1.390	N =	510
	Between		.334	.106	1.315	n =	51
	Within		.071	.252	.744	T =	10

Table 4.1 displays 0.463 as the average value of firms, 0.338 as the standard deviation, 1.309 as the maximum, and 0.100 as the minimum value. The findings showed that the value of some firms rose to as much as 1.39 times the book value. Similarly, the value of others dropped to as low as 0.10 times the book value. Therefore, the value of some firms averages at an estimated 0.463 their book value, implying that these firms' market value (the value at which they are traded in the securities market) is approximately 46.34% of their book value. In other words, the market values of these firms are significantly lower than their recorded book values. This can have several implications. A market-to-book ratio below 1 indicates that investors value the firms lower in the market than their books indicate. This could trigger investors to have a negative attitude toward the firm prospects. If the market-to-book ratio for firms continually falls below 1, it can indicate that they are

undervalued. Some investors may see this as an opening to buy shares at a discount in anticipation of future growth. It may signal that the company is not generating significant profits or has encountered challenges affecting its security price.

4.2.2 Descriptive Results of Corporate Governance

Table 4.2 presents a broad-brush overview of varied corporate governance indicators, which are critical in understanding the organizational structure and operational dynamics of the firms under purview. The indicators give necessary tests showing how companies follow various governance practices. In one way or another, descriptive findings underpin these indicators to show the variation in levels of observance of this practice. They emphasize instances of high conformity to the recommended practices, such as the ratios in terms of independent directors. Still, they also point out areas where there is a need for improvement, with the frequency of holding board meetings being a case in point.

These corporate governance indicators span a broad range, including domains pivoted around board and audit committee composition, protection of shareholder rights, and financial affairs and auditing, including disclosure of financial statements. The detailed descriptive analysis across these governance dimensions is meticulously laid out in Table 4.2 through Table 4.7.

Moreover, these findings provide a comparative analysis regarding different governance parameters and open the way for further recommendations and strategies that can be applied to strengthen these organisations' governance frameworks and operational efficiency.

Table 4.2: Descriptive Results for Board Composition

Statement	Yes (1)	No (0)	Mean	Max	Min	Std. Dev.	Observations
Are the board chairpersons and chief executive officers' posts separated?	500 (98%)	10 (2%)	0.98	1.00	0.00	0.14	510.00
Are the board sizes between 8 and 16, as the CMA code recommends?	419 (82%)	91 (18%)	0.82	1.00	0.00	0.38	510.00
Does the proportion of independent non-executive directors (NED) represent one-third of the total board members and not less than two?	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00
Does the firm have a finance director responsible for the finance function?	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00
Is there a secretary in charge of the practical functions of the board?	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00

The insights offered by Table 4.2 unveil significant trends within corporate governance indicators. For instance, the average index indicating the separation of chairman and CEO roles stands at 0.98, signalling a prevalent practice among 98% of the studied firms. Conversely, only 2% maintain the same individual in both positions.

Moreover, examining compliance with the Capital Markets Authority (CMA) guidelines, the average index for the board size falls at 0.82, indicating that 82% of firms maintain a board comprising 8 to 16 members as recommended, with the remaining 18% deviating from this criterion. Furthermore, the proportion of non-executive independent directors (NEDs) within boards exceeds the threshold of one-third, with the average index attaining the maximum value of 1.00, signifying that this composition is prevalent across all firms.

Delving deeper into internal structural elements, all surveyed firms boast financial directors overseeing financial functions, as indicated by a consistent average index of

1.00. Similarly, the presence of secretaries responsible for the effective operation of the board garners a perfect average index of 1.00, illustrating universal adherence to this practice among the surveyed companies.

These findings provide a comprehensive overview of adherence to governance recommendations and pinpoint areas of consensus and divergence among the studied firms, potentially informing strategies for bolstering governance frameworks and organizational efficiency.

Table 4.3: Descriptive Results for Audit Committee

Statement	Yes (1)	No (0)	Mean	Max	Min	Std. Dev.	Observations
Is there any audit committee in place at the firm?	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00
Is a firm's audit committee comprising at least three directors, most of whom are NEDs?	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00
Are the members of the firm audit committee have sufficient financial knowledge?	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00
Is the chairman of the audit committee a non-executive director?	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00
Does the firm disclose the membership of its audit committee for each financial year in its annual report?	490 (96%)	20 (4%)	0.96	1.00	0.00	0.19	510.00
Are the audit committee activities reported to shareholders in the firm's annual report?	480 (94%)	30 (6%)	0.94	1.00	0.00	0.24	510.00

Table 4.3 indicated that the average index for the statement on whether the firms had an audit committee was 1 with a maximum, minimum, and standard deviation of as1.00, 1.00, and 0.00, respectively, implying that all firms had audit committees. Correspondingly, the average index on the statement of whether the audit committee had a minimum of three directors who were the majority and independent as NEDs

was one with a maximum of 1, a minimum of 1, and 0.0 as the standard deviation. The study finding implied that the audit committee in all firms comprised three directors, and the majority were independent NEDs.

Further, the outcomes indicated that the average index for the statement that the firm's audit committees comprised directors with adequate financial knowledge was 1, with 1 as the maximum, 1 as the minimum, and 0.0 as the standard deviation, which suggested that the audit committees in all the firms comprised directors with sufficient financial knowhow. Also, the findings indicated that the average index for the statement on whether the audit committee chairman is an independent NED is 1, with a maximum, minimum, and standard deviation of 1.0 and 1.0, respectively, and 0.0.

The average index for whether companies publish a report on the membership of the audit committee in their annual report for each financial year was 0.96, with 1 as the maximum value 1, 0.00 as the minimum value, and 0.19 as the standard deviation. According to the findings, 96 % of the companies disclosed the audit committee members in their yearly reports, while only 4% did not. Similarly, the average index for whether a company reports on its audit committee's actions in its annual report to shareholders was 0.94, and the maximum, minimum, and standard deviation were 1.00, 0.00, and 0.24, respectively. According to the findings, 94 % of firms disclosed their audit committee’s activities to the shareholders in their annual reports.

Table 4.4: Descriptive Results for the Protection of Shareholder's Rights

Statement	Yes (1)	No (0)	Mean	Max	Min	Std. Dev.	Obs
Does the firm give its shareholders 21 days' notice and information before its Annual General Meeting?	500 (98%)	10 (2%)	0.98	1.00	0.00	0.14	510.00
Does the firm enable shareholders to vote on the re-election of its directors at the AGM?	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00
Is it possible to vote via proxy to appoint directors at the AGM?	500 (98%)	10 (2%)	0.98	1.00	0.00	0.14	510.00
Is there any provision for shareholders of the firm to vote electronically?	0 (0%)	510 (100%)	0.00	0.00	0.00	0.00	510.00
Is the firm required to provide related party transaction information to its shareholders in its annual report?	500 (98%)	10 (2%)	0.98	1.00	0.00	0.13	510.00
Are the firm’s share ownership of its directors disclosed in its annual report to shareholders?	400 (79%)	110 (21%)	0.79	1.00	0.00	0.41	510.00

The average index for the statement on whether the firm's shareholders had adequate notice and information prior to its AGM meeting was 0.98, with a maximum, minimum, and standard deviation of 1.00, 0.00, and 0.14, respectively. According to the findings, 98 % of the firms gave shareholders proper notice and information before the Annual General Meeting (AGM). However, 2% of firms and shareholders did not receive enough notice and information prior to the Annual General Meeting.

In addition, the average index for the statement on whether the firm allows shareholders to consent to the re-election of the firm directors at the Annual General Meeting was 1.00. The maximum, minimum, and standard deviation were 1.00, 1.00, and 0.00, respectively. The findings imply that all firms allow shareholders to approve the reelection of the directors in the Annual General Meeting. With a maximum, minimum, and standard deviation of 1, 0.00, and 0.14, respectively, the average index for the statement on whether shareholders could vote through a proxy in the appointment of directors at the AGM was 0.98. According to the findings, 98 % of firms allowed shareholders to vote via proxy in appointing directors at the AGM, while only 2% did not allow shareholders to vote via proxy at the annual general meeting. The average index for the statement on whether there was any provision for shareholders of the firm to vote online was 0.00, while the maximum, minimum, and standard deviation were 0.00,0.00, and 0.00 in respective order. The finding implies that none of the firms allowed shareholders to vote electronically.

The average index for the statement on whether the firm was obligated to publish the required related party transaction information to its shareholders in its annual report was 0.98. The maximum, minimum, and standard deviation were 1.00, 0.00, and 0.13, respectively. The outcomes suggest that 98% of the firms provide related party transactional information to their shareholders in their annual reports and their shareholders. In comparison, 2% of the firms do not offer related party transactional information to their shareholders in their annual reports. The average index for the statement on whether the firm's share ownership of its directors was disclosed in its annual report to shareholders was 0.79, with 1 as the maximum value, 0.00 as the minimum, and 0.41 as the standard deviation. This implies that 79% of the firms disclosed the share ownership of their directors in the annual report. In comparison, 21% do not disclose their director's share ownership in their annual report.

Table 4.5: Descriptive Results for Financial Affairs and Auditing

Statement	Yes (1)	No (0)	Mean	Max	Min	Std. Dev.	Obs
Does the firm submit its annual report on time as required by law?	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00
Is there information in the firm's annual report about the existence of appropriate risk and financial governance monitoring systems?	444 (87%)	66 (13%)	0.87	1.00	0.00	0.33	510.00
Does the firm disclose the fees paid to its external auditors for audit and non-audit work in the annual report?	153 (30%)	357 (70%)	0.30	1.00	0.00	0.46	510.00
Do the four big audit firms audit the firm?	449 (88%)	61 (12%)	0.88	1.00	0.00	0.33	510.00
Did the firm financial report receive an unqualified opinion?	500 (98%)	10 (2%)	0.98	1.00	0.00	0.14	510.00

The average index on the statement that the firms submitted their annual report on time as required by law was 1.00, with a maximum, minimum, and standard deviation of 1.00, 1.00, and 0.00, respectively, implying that all the firms submitted their annual reports on time as required by law. The average index for whether corporations provided information in their annual reports about the existence of financial governance monitoring systems and appropriate risk was 0.87, with the maximum, minimum, and standard deviation as 1.00, 0.00, and 0.33, respectively. This means that 87 % of firms report the presence of appropriate risk and financial governance monitoring systems in their annual report, whereas 13 % do not.

With maximum, minimum, and standard deviation values of 1.00, 0.00, and 0.46, respectively, the average index for the statement that the firm revealed the payment made to its external auditors for performing audit and non-audit functions in the yearly report was 0.3. This means that 30% of companies revealed payments to their

external auditors in their annual reports, while 70% did not. The average index for the statement on whether a Big 4 Auditor audited the firm is 0.88. The maximum, minimum, and standard deviation are 1.00, 0.00, and 0.33, respectively. This implies that a Big 4 Auditor audited 88% of the firms while a Big 4 Auditor does not audit 12% of the firms. The average index for the statement on whether the firm financial report receives an unqualified opinion is 0.98, with 1.00 as the maximum, 0.00 as the minimum, and 0.14 as the standard deviation. Therefore, this implied that 98% of the firms received an unqualified audit report while 2% received a qualified audited report on their financial report.

Table 4.6. Descriptive Results for Compliance with Disclosure Requirements

Statement	Yes (1)	No (0)	Mean	Max	Min	Std. Dev.	Obs
Does the firm's annual report include information on its current prospects and foreseeable material risk factors?	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00
Does the firm disclose a statement of responsibility for preparing its financial statements in its annual report?	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00
Does the firm produce a statement about the adequacy of internal control in its annual report?	500 (98%)	10 (2%)	0.98	1.00	0.00	0.14	510.00
Does the firm disclose in its annual report a statement of compliance with the law	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00
Does the firm disclose in its annual report a statement of compliance with corporate governance	510 (100%)	0 (0%)	1.00	1.00	1.00	0.00	510.00
Does the firm produce information on the degree of being a going concern in its annual report	500 (98%)	10 (2%)	0.98	1.00	0.00	0.14	510.00

Table 4.6 points out that the average index for the statement on whether there was information in the firm annual report on its current and future operations and the critical risk factors was 1.00 with a maximum, minimum, and standard deviation of 1.00, 1.00, and 0.00, respectively. The results imply that in all the firms, information concerning current and future operations and critical risk factors were included in the annual reports. Similarly, the average index on the statement on whether the firm disclosed in its annual report stating who is responsible for its annual report was 1.00, with 1.00, 1.00, and 0.00 as the maximum, minimum, and standard deviation, respectively. This implies that all the firms disclosed a statement about who prepares their financial statements in their annual report. The average index on whether the firm produced a clause in the firm's annual report on the sufficiency of internal control in their yearly reports was 0.98. The maximum, minimum, and standard deviation are 1.00, 0.00, and 0.14, respectively. The findings suggest that 98% of the firms produce a statement in their yearly report on the adequacy of internal control in their annual reports, while 2% did not provide any information.

In addition, the average index for the statement on whether the firm discloses a statement of compliance with the law in its annual report was 1.00. The maximum, minimum, and standard deviation are 1.00, 1.00, and 0.00, respectively, implying that all the firms include the statement of legal conformity in their annual report. Similarly, the average index for the statement on whether the firms disclosed a statement of complying with corporate governance in the annual fiscal report was 1.00, with a maximum, minimum, and standard deviation of 1.00, 1.00, and 0.00, respectively. This suggests that all firms disclosed the statement of corporate governance compliance in their annual reports. Finally, the average index for the statement on whether the firms produced any information in the firm's yearly report on the degree to which it is a going concern was 0.98. The maximum, minimum, and standard deviation were 1.00, 0.00, and 0.14, respectively. This suggests that 98% of the firms produced some information in the firm annual report on the degree to which it is a going concern, while 2% did not produce the information. The preceding statistics imply that firms that have enacted corporate governance regulations are answerable to stakeholders such as security holders, which promotes faith and confidence in the business; they boost investor trust and draw in additional investors,

which could increase security prices and cut costs of capital and good governance processes frequently put the company's long-term performance and sustainability ahead of short-term profits, which results in superior strategic decision-making.

4.2.3 Descriptive Results of Asset Structure

Different measurements were used to compute values for asset structure proxies. The asset structure variables included property plant and equipment measured by the quotient of plant, property, and equipment to total assets, financial assets calculated as a proportion of financial assets to the total assets, and current assets computed as a quotient of current assets to the total. Table 4.7 depicts the descriptive outcomes.

Table 4.7:Descriptive Results for Asset Structure

Variable		Mean	Std. Dev.	Min	Max	Observations	
PPE	Overall	.22	.123	.133	.727	N =	510
	Between		.120	.1483	.558	n =	51
	Within		.031	-.000	.403	T =	10
Financial Assets	Overall	.37	.061	.007	.408	N =	510
	Between		.055	.157	.399	n =	51
	Within		.027	.192	.599	T =	10
Current Assets	Overall	.40	.088	.128	.466	N =	510
	Between		.087	.143	.451	n =	51
	Within		.018	.219	.596	T =	10

Table 4.7 depicts a mean value of 0.22 for property, plant, and equipment. The maximum, minimum, and standard deviation are 0.727, 0.13, and 0.12, respectively. These findings imply that the portion of PPE to total assets averages 0.22, with the maximum and minimum as 0.727 and 0.13, respectively. The mean value of 0.22 for property, plant, and equipment (PPE) as a proportion of total assets suggests that, on average, about 22% of a company's total assets are invested in PPE. Business companies with a lower percentage of PPE to total assets may be more diversified or focused on less asset-intensive operations. That may mean that such businesses are more dependent on other factors such as technology, intellectual property, or services; hence, they may be more flexible and able to adapt to changing markets. The results give financial assets a mean of 0.37, with the maximum at 0.408, minimum at 0.007,

and 0.06 as the standard deviation. The outcomes suggest that the fraction of financial assets to total assets ranges between 0.007 and 0.40, with a mean of 0.37.

The mean value of 0.37 financial assets as a percentage of total assets suggests that, on average, about 37% of a company's total assets are invested in financial assets. The implications may vary based on the sector or industry being analyzed. For example, financial institutions like banks are expected to have more financial assets than manufacturing companies. Current assets had a mean, maximum, minimum, and standard deviation of 0.40, 0.466, 0.128, and 0.088, respectively. The findings suggest that the quotient of current to total assets averaged 0.40 and fell between 0.128 and 0.46. The mean value of 0.40 for non-fixed assets as a proportion of total assets suggests that, on average, about 40% of a company's total assets are invested in current assets. A higher proportion of current assets indicates high liquidity. Companies with more liquid assets can quickly meet their short-term obligations, take advantage of business opportunities, or cover unexpected expenses. Contrariwise, a lower proportion of current assets might indicate potential cash flow issues and difficulty meeting immediate obligations.

4.2.4 Descriptive Results of the Control Variables

In research, control variables are important because they help in ruling out the relationship between the two particular variables and making the validity of the assessment spot on and free from any bias. The control variables employed in the research included firm size, which was obtained as the log of the total assets; firm leverage, which was obtained as the ratio of total debt to total equity; and firm age, which referred to the number of years the business had been listed at the NSE. Table 4.8 depicts the outcomes.

Table 4.8: Descriptive Results of the Control Variables

Variable		Mean	Std. Dev.	Min	Max	Observations
Age	Overall	30.421	18.202	1	70	N = 510
	Between		18.134	5.5	65.5	n = 51
	Within		2.875	25.921	34.921	T = 10
Firm Size	Overall	6.420	.369	5.521	7.388	N = 510
	Between		.368	5.532	7.280	n = 51
	Within		.0522	6.289	6.645	T = 10
Leverage	Overall	1.270	1.198	.000	8.555	N = 510
	Between		.948	.000	3.246	n = 51
	Within		.743	-1.327	6.579	T = 10

Table 4.8 indicates 30.42 years as the average firm age. This suggests that all firms included in the research are NSE-listed, with their listing durations varying significantly. Such diversity in listing periods could influence the study's findings and conclusions. It may influence the firms' performance, growth, stability, and the challenges and opportunities they have faced over their respective listing durations. The results show that the mean, maximum, and minimum firm sizes are 6.42, 7.39, and 5.52, respectively. This would suggest that the firms are sized differently. Variations in firm size can lead to differences in governance challenges, resource availability, and market perceptions. Though larger firms may have much more resources to invest in corporate governance, they may also experience more complex governance issues.

Effective governance practices do not work for firms of every size; therefore, the specific implications change with the firm size and the industry of operation. The varying sizes mean there is market competition, which in turn means that Governments may be compelled to give subsidies to small firms, and consumers have a mixture of products to choose from. The results indicate an average leverage ratio of 1.27. The maximum and minimum are 8.56 and 0.003, respectively. This demonstrates that all the firms utilize debt to fund their activities, though the proportion of debt to equity varies among the firms. High leverage in some companies may indicate a possibility of higher returns. Still, at the same time, this is a higher risk that must be considered cautiously if the investment has to be made. Firms with low leverage might be viewed as more secure investments, but at the same time, they might miss out on growth opportunities because of the conservative financial strategies they pursue.

4.2.5 Descriptive Results for the Mediating Variable

The study employs Return on Assets (ROA) to gauge financial performance as a mediating variable concerning total assets. ROA offers insight into the efficacy of a firm in using its assets to generate earnings. Higher ROA values suggest better asset utilization and increased profitability. The formula for computing ROA is:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

Table 4.9 illustrates the outcomes.

Table 4.9: Descriptive Results for the Mediating Variable

Variable		Mean	Std. Dev.	Min	Max	Obs	
ROA	Overall	9.4	1.168	3.365	15.603	N =	510
	Between		.830	1.508	5.498	n =	51
	Within		.829	4.680	10.312	T =	10

Table 4.9 depicts that the mean, maximum, minimum, and standard deviation are 9.4, 15.60, 3.37, and 1.17 for the return on assets. This portrays that the most profitable firm in the dataset achieved a return of 15.60 times its total assets. This suggests that even the least profitable firm in the dataset still achieved a positive return on assets of 3.37, making it a profitable company. A standard deviation of 1.16 indicates a more stable and less risky firm performance. The firms in the dataset have positive returns on assets suggesting that the overall performance of these firms is positive. This shows that these firms are successful in generating profits from their assets.

4.2.6 Descriptive Results for the Moderating Variables

The moderating variables in the research included the inflation rate, economic growth, interest rate, and foreign exchange rate. Average yearly inflation rates gauged inflation rates, while the average GDP growth rate measured economic growth. Interest and foreign exchange rates were gauged by average annual interest rates and the average annual Ksh. against the United States dollar, respectively.

Table 4.10 displays the variables' descriptive outcomes.

Table 4.10. Descriptive Results for the Moderating Variables

Variable	Mean	Std. Dvn	Min	Max	Obs	
Inflation Rate	5.91	2.204	1.4	9.4	N =	10
Economic Growth	5.86	.984	4.6	8.4	N =	10
Interest Rate	8.314	.704	7.17	9.81	N =	10
Foreign Exchange Rate	100.743	3.530	90.6	103.23	N =	10

As illustrated, Table 4.10 shows 5.91 as the mean inflation rate, with a maximum, minimum, and standard deviation of 9.4, 1.4, and 2.2, respectively. The mean inflation rate of 5.91 shows that the average inflation rate over the specified period means that prices for goods and services increased by 5.91% during that time. The findings indicate that the mean economic growth rate was 5.86, with the maximum, minimum, and standard deviation as 8.4, 4.6, and 0.98, respectively. The average economic growth rate of 5.86 shows that the economy has been growing at a rate of 5.86% over a specific period. The economy may have experienced periods of strong growth within the chosen timeframe, with a maximum growth rate of 8.4%. This can be attributed to government initiatives or other elements that sparked economic activity, thus making it consistently more favourable for investments. 8.314 was the mean interest rate, and a maximum, minimum, and standard deviation of 9.81, 7.17, and 0.704, respectively.

The maximum value of 9.81 and the minimum of 7.17 imply that the interest rates in the data set range between these values. This indicates that some interest rates might be quite high (up to 9.81) while others are relatively low (down to 7.17). The findings also show 100.74 as the mean value for the foreign exchange rate, with a maximum, minimum, and standard deviation of 103.23, 90.6, and 3.53, respectively. The foreign exchange rate mean is 100.74. On average, one unit of the domestic currency can be exchanged for approximately 100.74 units of the foreign currency. The maximum exchange rate suggests that the domestic currency was stronger than the foreign currency, while the minimum exchange rate shows that the domestic currency weakened.

4.3 Exploratory tests

Exploratory tests serve as an essential preliminary step in understanding the inherent characteristics and patterns within the dataset. These tests are pivotal in guiding researchers toward selecting an appropriate analytical model that best captures the nuances of the data. Per Torre's (2007) recommendations, employing statistical tests offers a comprehensive visual representation of the panel data, facilitating a more profound comprehension of trends and relationships. By conducting exploratory tests, researchers gain valuable insights into the distribution, variability, and potential

outliers present within the dataset. This process aids in identifying any irregularities or peculiarities that may impact the subsequent analytical procedures. Moreover, visual representations such as trend and overlay graphs offer a visual imprint of the data's behaviour over time or across different variables, allowing for a more intuitive understanding of the data dynamics.

Furthermore, these tests aid in determining the nature of relationships between variables, thereby guiding the selection of appropriate statistical techniques. For instance, they help identify correlations, trends, seasonality, or any other underlying structures within the data that might influence the choice of regression models, time series analyses, or other statistical methodologies. The utilization of exploratory tests, as recommended by Torres (2007), thus contributes significantly to the robustness and reliability of the subsequent analyses. It ensures that researchers make informed decisions regarding analytical models, accounting for the unique characteristics and patterns inherent within the dataset. Ultimately, this approach enhances the accuracy and validity of the study's findings and conclusions.

4.3.1 Trend Graph for the Firm Value

The trend graph portraying the firm value serves as a dynamic visual depiction encapsulating the evolution of each firm's value across the investigation's designated time frame. This graphical representation, often called a time series chart, meticulously plots individual data points against time intervals, allowing for a comprehensive visualization of the fluctuations, trajectories, and inherent patterns within the firm's value over the specified period.

By meticulously overlaying the firm value plots across the investigation's time frame, an abundance of information about the temporal dynamics of each company is included in this trend graph. It provides a visual story that highlights patterns, cycles, or any noticeable changes in value over time. It portrays the subtleties of how the firm's worth rises and falls.

Moreover, beyond merely presenting data points, the trend graph facilitates the identification of potential underlying patterns, irregularities, or seasonality inherent within the firm's value trajectory. It provides an intuitive means to discern trends—

be they linear, exponential, cyclical, or erratic—providing researchers with valuable insights into the temporal behaviour of the firm's value.

Using a trend graph as a visual aid not only enhances the accessibility of complex data but also enables stakeholders to grasp and comprehend the temporal evolution of firm values more intuitively. This graphical representation can be a cornerstone for further analyses, guiding subsequent interpretations, hypothesis testing, or formulating predictive models based on observed trends.

Overall, the trend graph depicting firm values over the investigation's duration represents a powerful tool for distilling complex temporal data into a visually compelling narrative. It offers a panoramic view of how firm values evolve, fostering a deeper understanding of the dynamics shaping their fluctuations and trends. Figure 4.1 displays the results.

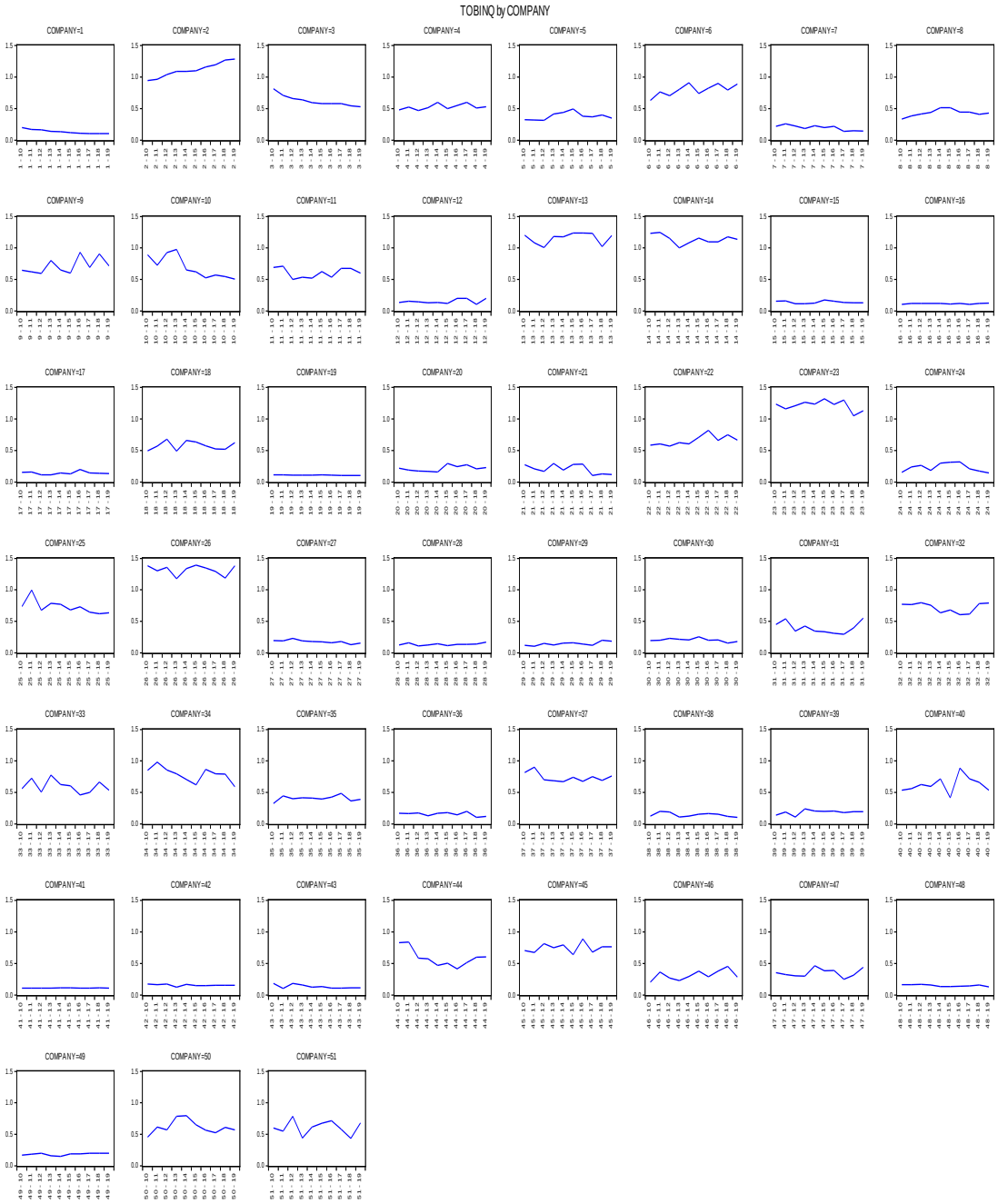

Figure 4.1:Trend Graph for Firm Value

In Figure 4.1, the trend graph for firm value is displayed, and it represents the changes in the value of various firms over the investigation time frame. The graph likely shows the firm value plotted against time, with time on the horizontal axis and firm value on the y-axis. The main observation from the graph is that the firm value fluctuated yearly for all the firms under study. This means that over the investigation period, the value of these firms experienced ups and downs, indicating changes in

their overall financial worth or market valuation. There are various reasons for variances in firm value. Such factors include shifting market conditions, economic variables, corporate performance, market trends, and investor attitude. These could be to blame for the volatility in firm value. These elements may affect how a firm is perceived in the market, causing changes in its stock price or total value**.**

4.3.2 Overlay Graph

The study employed an overlay graph as a sophisticated visual tool, showcasing a comprehensive depiction of firm values across multiple entities throughout the investigation's designated time frame. In this context, an "overlay graph" is an insightful visual representation that harmoniously superimposes diverse data points from various firms onto a unified graphical platform. This graphical representation encapsulates the collective pictorial presentation of firm values, skillfully integrating individual trajectories of each firm's value evolution over the specified time frame. By amalgamating these distinct data points onto a singular graph, the overlay graph facilitates comparative analysis, allowing for a nuanced examination of how different firms' values fluctuate and interact over time.

The overlay graph becomes a visual testament to the interplay of diverse firm values, offering a holistic view that elucidates potential correlations, divergences, or similarities among the entities under scrutiny. It allows researchers to discern overarching trends, potential anomalies, or convergences in the temporal evolution of firm values, thus presenting a comprehensive snapshot of the entire dataset's dynamics. Moreover, the overlay graph is a powerful analytical aid, enabling stakeholders to discern and contextualize patterns, inflexion points, or noteworthy occurrences within and across different firms. It provides a visual narrative that simplifies the complexity of multiple datasets and enables a more intuitive comprehension of how individual firms' values align or diverge over time. Using an overlay graph in this study signifies an innovative approach to distill and present multifaceted data, enabling researchers to unravel intricate relationships and trends among various firms' values. Ultimately, this visual representation is a foundational cornerstone for deeper analyses, guiding interpretations, formulating hypotheses, and

potential insights into the dynamics shaping firm values across the investigated period. Figure 4.2 shows the results.

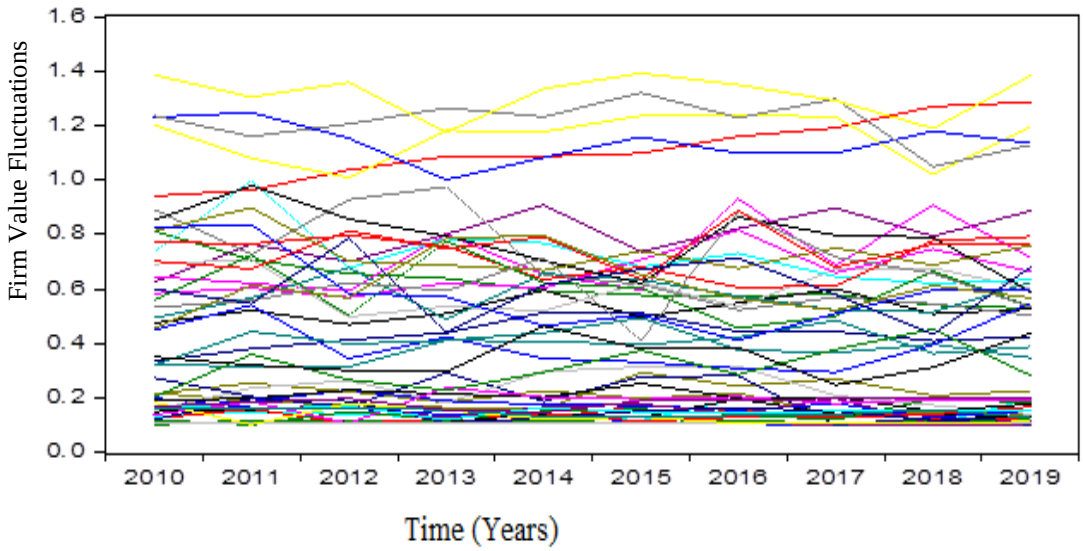

Figure 4.2: Overlay Graph of Firm Value

The period is displayed along the x-axis, the firm value is displayed along the y-axis, and each firm is represented as a line or a curve on the graph. The "intercept" in this context refers to the firm value at the starting point of the time frame (usually when time = 0). The graph shows that each firm's line or curve has a different starting point or initial value. This suggests that the firms have different baseline values or starting positions for the "firm value" measure. The intercept differences could be due to varying initial investments, capital, or business conditions at the beginning of the observed period. A line's "gradient" or "slope" represents the rate at which the firm's value changes over time. In this context, it means how quickly or slowly the firm's value increases or decreases during the investigation period. The overlay graph shows that the lines or curves representing each firm have significantly different slopes, indicating that the firms are experiencing diverse rates of change in their values. In this study, the data for firm value exhibit such clustering or hierarchical structure due to the presence of different firms. These differences are addressed using the Random-effects model since it addresses the variability in statistical analyses, accounting for firm differences and considering within-group variability. The researchers can better

account for the individual variations among firms and obtain reliable and accurate estimates of the relationships between firm value and time.

The presence of different intercepts and significant differences in gradients suggests that the firms being assessed are not behaving identically over time. Instead, they are exhibiting unique characteristics or responses specific to each firm. Overall, the findings in Figure 4.2 indicate that the firms being studied have distinct starting points and diverse trajectories in terms of their values over time. The differences are significant enough to justify using a random-effects model, which can capture the heterogeneity across firms and provide a more appropriate analysis.

4.4 Diagnostic Tests

Multiple regression entails examining the effects and degrees of effects of multiple variables on one another (Kerlinger and Lee, 2000). Field (2009) claims that multiple regression creates an equation with each independent variable bearing its coefficient, thereby predicting the dependent variable. This is accomplished by multiplying each variable with its corresponding coefficient and adding a residual term. Therefore, the rationale for applying multiple regression was to establish the variables' relationship. The diagnostic tests for normality, heteroscedasticity, multi-collinearity, and linearity were conducted to determine the appropriate analysis model. Furthermore, the Breusch Pagan LM and Hausman tests were utilized to ascertain the most appropriate model amongst pooled OLS, fixed, and random effects.

4.4.1 Normality Test

The Jarque-Bera statistic measures how much the sample distribution's skewness and kurtosis differ from a normal distribution. The Jarque-Bera Statistic is (2.816). This value indicates how much the sample distribution deviates from a normal distribution. A low value suggests the distribution is close to normal. The probability value (0.244) is greater than the typical value of 0.05. The data are, therefore, normally distributed. Table 4.11. displays the outcomes.

Table 4.11: Normality Test Results

Jarque-Bera Stat	Prob
2.816	0.244

4.4.2 Heteroscedasticity Test

In the regression model, the Breusch-Pagan-Godfrey test is utilized to find heteroskedasticity, which is the condition in which the variance of residuals is not constant across the study observations. The existence of homoscedasticity (constant variance of errors) is the test's null hypothesis, while heteroscedasticity (non-constant variance of errors) is the alternative hypothesis. A probability of 0.0718, which exceeds 0.05, suggests that the null hypothesis is not rejected, indicating a constant variance of errors. Therefore, the Breusch-Pagan-Godfrey test results suggest no significant evidence of heteroscedasticity in the regression model, supporting the assumption of homoscedasticity. Table 4.12 depicts the outcomes.

Table 4.12: Heteroscedasticity Test Results

Test	Prob
Breusch-Pagan-Godfrey (BPG) Test	0.0718

4.4.3 Multi-collinearity Test

Multi-collinearity explains the association level between independent variables using variance inflation factor and tolerance value. The variance inflation factor was utilized to test multi-collinearity. A Value Inflation Factor of 1 implies the absence of correlation between predictors, while a value ranging from 1 to 10 suggests a moderate correlation for the predictor variables. A VIF exceeding 10 implies a high correlation for the predictors (Gujarati, 2012). Table 4.13 depicts the outcomes.

Table 4.13: VIF Test Results

Variable	VIF	1/VIF
Board composition	1.120	0.892
Audit Committee Composition	1.116	0.896
Protection of Shareholders Rights	1.313	0.761
Financial Affairs and Auditing	1.022	0.978
Disclosure of Financial Assets	1.161	0.861
Property, Plant &Equipment	1.234	0.807
Financial Assets	1.138	0.878
Current Assets	1.072	0.932
Firm age	1.216	0.822
Firm size	1.068	0.936
Leverage	1.137	0.879
Mean VIF	1.145	

There exists no discernible issue with multicollinearity amongst the predictor variables since the mean VIF of 1.145 does not exceed the threshold value of 10. Since every VIF score is less than 10, there does not appear to be a substantial issue with multicollinearity among the predictors. VIF values above 10 are typically considered problematic due to the high correlation between the predictor variables.

The 1/VIF values are reciprocals of the VIF values and provide the exact indication of multicollinearity. Lower 1/VIF values correspond to higher VIF values, but since all VIF values are low, the 1/VIF values are reasonably high. The multicollinearity among the variables in the model appears to be low, indicating that the predictors are not highly correlated, which is favourable for regression analysis.

4.4.4 Autocorrelation Test

The Durbin-Watson (DW) statistic tests the correlation between an error and the immediately preceding error in a time series. A value near 2 indicates no autocorrelation, meaning the residuals are independent. Values ranging from 1.5 to 2.5 are typically acceptable. The Durbin-Watson statistic equals 1.70, inferring no significant autocorrelation. The outcome implies the independence of the regression

model errors. The autocorrelation test shows that the errors of the regression model are independent, which is a good sign for the model's validity. The Durbin-Watson statistic obtained in Table 4.14 was 1.7, implying the absence of an autocorrelation problem.

Table 4.14: Autocorrelation Test Results

Test	Durbin Watson Stat
Autocorrelation Test	1.7

4.4.5 Model Specification Test

Breusch-Pagan LM test was performed to select pooled OLS or fixed/random-effects model. The probability value obtained in Table 4.16 is 0.000, which does not meet 0.05. The results, therefore, inferred that the pooled OLS was inappropriate. Also, a fixed or random-effects model could be appropriate.

The Hausman test was conducted to determine whether using fixed- or random-effects models was most appropriate. The p-value, as given in Table 4.15, is 0.1327, showing that a random effect model fits best.

Table 4.15:Model Specification Test Results

Test	Prob
Breusch-Pagan LM test	0.000
Hausman test	0.132

4.5 Testing of Hypotheses

The research employed inferential analysis to test the study hypotheses. This segment describes the findings of the hypotheses' tests.

4.5.1 Inferential Analysis of Corporate Governance and Firm Value

The first objective of the research focused on determining the effect of corporate governance on the value of firms listed at the Nairobi Securities Exchange. The multiple linear regression model tested the hypothesis.

H_{o1}: Corporate governance does not affect the value of firms listed at the Nairobi Securities Exchange.

The null hypothesis was tested using the following multiple linear regression model:

$$Y_{it} = \beta_0 + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{4it} + \beta_5 X1_{5it} + \beta_6 X2_{it} + \beta_7 X3_{it} + \beta_8 X4_{it} + \varepsilon$$

……4.1

Where;

Y_{it} is the firm value at time t. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it}$, and $X1_{5it}$ represent Board Composition, Audit Committee composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and Disclosure of financial statements. $X2_{it}$, $X3_{it}$, and $X4_{it}$ are the firm size, leverage, and age, respectively. The constant term is β_0, while $\beta_1 - \beta_8$ are the coefficients of the specific variables, and ε is the error term in the model.

Table 4.16 depicts the outcomes.

Table 4.16: Regression Results of Corporate Governance and Firm Value

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-14.669	2.053	-7.144	0.0000
Board composition	0.173	0.036	4.678	0.0000
Audit committee composition	0.629	0.098	6.4196	0.0000
Protection of Shareholders Rights	0.282	0.061	4.611	0.0000
Financial affairs and auditing	0.022	0.011	2.019	0.0440
Disclosure of financial statements	1.156	0.307	3.762	0.0002
Firm Size	0.223	0.068	3.275	0.0011
Leverage	0.329	0.020	16.241	0.0000
Firm Age	-0.003	0.001	-2.809	0.0052
R^2 Overall	0.460			
P-Value	0.040			

Number of Observations = 510

Table 4.16 depicts that the overall probability value is 0.040, which does not exceed the commonly used level of 0.05, showing that the model as a whole is fit for estimation. The outcomes also show that the coefficient of determination, denoted as

R^2, is 0.460, implying that corporate governance explains 46% of the firm value variations. The null hypothesis that corporate governance does not affect firms' value at the Nairobi Securities Exchange is rejected. The coefficient -14.669 shows that there is a decline in firm value in the absence of corporate governance. The regression coefficient and the probability value for board composition are 0.17 and 0.000, respectively, indicating that adjusting other variables to zero and incrementing the board composition by a unit increments the firm value by a value of 0.17. The probability value shows a statistically significant relationship between board composition and firm value.

0.62 is the coefficient for audit committee composition, at a probability value of less than 0.05, implying that adjusting other variables to zero, a 1 unit rise in audit committee composition variable yields an increment of 0.62 in firm value. Protection of shareholders' rights has a coefficient and probability of 0.28 and 0.000, which does not exceed 0.05, suggesting that setting other variables to zero, a unit raise in the shareholders' rights variable yields a 0.28 rise in firm value. The coefficient for financial affairs and auditing is 0.02 with a probability value not exceeding 0.05, implying that holding other variables to zero, a unit raise in the financial affairs and auditing variable yields increased firm value by 0.02. Finally, the coefficient for disclosure of financial statements is 1.05, at $p < 0.05$, implying that setting other variables to zero, augmenting disclosing financial statements variable by a single unit raises the firm value by 1.15.

The outcomes also illustrate that firm size had a coefficient of 0.22, not exceeding 0.05, suggesting that by adjusting other variables to zero, a rise in the firm size of the variable by one increments the firm value by 0.22. The coefficient for leverage is (.0.32, $p<.0.05$), inferring that other variables held at zero, then a unit increment in the leverage variable causes an increased firm value by 0.32. Firm age has a coefficient and a probability of -0.003 and 0.005. The results demonstrate that by setting other variables to zero, incrementing the firm age by one unit decreases the firm value by 0.03.

Board composition had a coefficient of 0.173, deducing a positive relationship and probability of 0.000, inferring a significant relationship between board composition and firm value. The outcomes suggest that board composition enhances firm value. The results also confirm that the audit committee composition and the firm value have a positive and significant association with a probability equal to 0.000, which is less than 0.05. The results suggest that having a well-composed audit committee enhances firm value. Similarly, the relationship between safeguarding shareholders' rights and firm value is positive and significant at a probability value equal to 0.00, which does not exceed 0.05, implying that when a firm ensures the rights of the shareholders are safeguarded, the firm value is enhanced. There exists a significant and positive relationship between financial affairs, auditing, and firm value at a probability value equal to 0.044, not exceeding 0.05. The findings suggest that financial affairs and auditing functions contribute positively to firm value. Similarly, there is a relationship between disclosing financial statements and firm value is significant and positive with a probability value of 0.000, which is less than 0.05, implying that disclosing financial statements improves firm value. The outcomes show that the association between firm size and firm value is positive and insignificant, with a p-value of 0.0011, which is less than 0.05, suggesting that augmenting the firm’s assets enhances the value of a company. There is a significant association between leverage and firm value due to a probability of 0.000, which is less than 0.05, and positive due to a coefficient of 0.342. The outcomes infer that an augmentation in a firm's leverage improves its value. The relationship between firm age and firm value is negative due to a coefficient of -0.003 and significant due to a probability value of 0.0052, which does not exceed 0.05. The outcomes suggest that the firm value decreases with increasing age since listing.

The outcomes are consistent with a majority of prior studies (Kajananthan, 2012; Ararat, Black, and Yurtoglu, 2017; Darweesh, 2015; Elvin and Hamid, 2016; Khanh, Hung, Van, and Huyen, 2020; Phuong and Hung, 2020). Puni and Anlesinya (2020) record a positive relationship between corporate governance and firm performance. Zheka (2007) further confirms that corporate governance predicts a firm's performance in Ukrainian firms. Further, Coleman and Wu (2021), using data on businesses in various African nations, including Ghana, South Africa, Nigeria, and

Kenya, state that more outstanding governance standards are linked to higher values and greater operating performance. Equally, Baker et al. (2007) claim a significantly positive association between the ratings of firm-level corporate governance and market valuation, indicating that well-governed firms have low equity costs. Baker et al., (2007) used data from Alliance Bernstein to assess the relationships between firm-level and country-level corporate governance on various topics, including firm valuation, dividend distribution, and internal business performance. The study uncovered that corporate governance ratings at the firm and country levels influence a corporation's market rating.

A linear connection between corporate governance and growth is reported in Kyere and Ausloos' study (2021), reinforcing the idea that corporate governance indeed impacts firm value. Similarly, Ongore and K'Obonyo (2011) discovered a correlation between management discretion and productivity. To further show that corporate governance affects firm value, Miring'u and Muoria (2011) examined how corporate governance affected the performance of Kenya's commercial state corporations and discovered a favourable correlation between all State Corporations' board makeup and Return on Equity. Listed firms should foster corporate governance to relay positive indicators to would-be investors and other stakeholders. As important as corporate governance may be, Mang'unyi (2011) disagrees with the idea that corporate governance predicts a firm's value, positing that corporate governance does not predict a Bank's performance in Kenya.

In 2020, Wang et al., pointed out that corporate governance serves as a mechanism that supports the cultivation of diversified skills, the implementation of more effective monitoring mechanisms, and the accumulation of valuable experience. Furthermore, corporate governance supports the capacity to obtain essential resources, more external connectivity, and fewer chances to manipulate the board. Consequently, corporate governance is essential in augmenting firm value worldwide despite the delisting of firms from the Nairobi Securities Exchange. The outcomes of the study back up the notion of a positive relationship between corporate governance and firm value. The research findings showed that corporate governance best predicted a firm's value. As such, the research outcomes concur with those of

Koerniadi et al. (2014), who found that the organizations that practice the best corporate governance have lower risks associated with the board composition and the protection of the rights of shareholders.

The Agency Theory, which states that shareholders appoint managers to manage their firms in their best interests, supports the findings of this study. On the one hand, this separation limits the extent of oversight the owners have over the management, enhancing corporate governance. On the other hand, it may motivate managers to promote their interests by owning shares, obtaining pay, pursuing better salaries, and ensuring job security. This circumstance will cause a conflict of interest between the manager and the owner (Panda & Leepsa, 2017). Myers (2001) suggests that monitoring the activity of managers is one technique to alleviate this problem. However, this procedure is expensive and has a lower return. Another option is to develop compensation schemes that align with the owners' and management's interests.

4.5.2 Inferential Analysis of Asset Structure and Firm Value

The study's second objective was to examine the effect of asset structure on the value of firms listed at the Nairobi Securities Exchange. Multiple linear regression tested the following hypothesis.

H_{o2}: Asset structure does not affect the value of firms listed at the Nairobi Securities Exchange

Equation 4.2 shows the multiple linear regression model tested the null hypothesis:

$$Y_{it} = \beta_0 + \beta_1 X2_{1it} + \beta_2 X2_{2it} + \beta_3 X2_{3it} + \beta_4 X4_{it} + \beta_5 X5_{it} + \beta_6 X6_{it} + \varepsilon \ldots\ldots\ldots\ldots 4.2$$

Where

Y_{it}, $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the firm value, property, plant and equipment, financial and current assets. $X4_{it,}$ $X5_{it,}$ and $X6_{it}$ are the firm size, the leverage, and the firm age, while β is the constant term, and ε is the error term.

Table 4.17 illustrates the outcomes

Table 4.17: Regression Results of Asset Structure and Firm Value

Variable	Coefficient	Std. Err	t-Stat	Prob.
C	-4.216	0.594	-7.087	0.000
Plant Property and Equipment	2.103	0.433	4.849	0.000
Financial Assets	0.283	0.049	5.707	0.000
Current Assets	1.878	0.621	3.023	0.002
Firm Size	0.287	0.077	3.717	0.002
Leverage	0.326	0.021	15.542	0.000
Firm Age	-0.005	0.001	-4.039	0.001
P-Value	0.002			

Number of observations = 510

Table 4.17 shows an overall probability of 0.002, which does not exceed the commonly used level of 0.05, deducing that the model as a whole is fit for estimation. The results also show that the coefficient of determination (R^2) is 0.410, implying that corporate governance explains 41% of the firm value variations. The null hypothesis that asset structure does not affect the value of firms listed at the NSE is thus rejected.

The coefficient of -4.21 shows that there is a decline in firm value in the absence of asset structure. The coefficient for property, plant, and equipment regression coefficient equals 2.10 at a probability value of less than 0.05, inferring that by adjusting other variables to zero, the firm value increases by 2.1 units, or one unit, for the property, plant, and equipment variable. When regressed at p-value < 0.05, financial assets yield 0.28, inferring that, adjusting other variables to zero, a one-unit rise in financial assets will increase the firm value by 0.28-unit. If the other variables are held constant, augmenting a unit's current assets increases the firm value by 1.88.

Moreover, firm size has a positive relationship with firm value at a coefficient of 0.28 and significant at a probability of 0. 002< 0.05, inferring that by adjusting other variables to zero, a unit rise in the firm size variable yields 0.28-unit increase in the firm's value. Leverage has a coefficient of 0.32, p-value < 0.05, demonstrating that holding different factors to 0.00, an expansion in influence variable by a unit raises firm value by 0.32. Firm age, upon regression, yields a coefficient equal to -0.005 at a probability value not exceeding 0.05, indicating that holding all the variables

constant, increasing the firm age variable by a unit causes a 0.005 decrease in the firm value.

The outcomes in Table 4.17 show a positive relationship between PPE and firm value due to a coefficient of 2.103 and a significant association between plant, property, equipment, and firm value due to a probability value equal to 0.000, which does not exceed 0.05. The results infer that plant, property, and equipment enhance the value of a firm. Similarly, the results show that financial assets and firm value are significantly and positively associated at a probability value equal to 0.000, not exceeding 0.05. The outcomes infer that financial assets contribute positively to firm value. The association between current assets and firm value is positive at a coefficient of 1.878 and significant at a probability of 0.0026, not exceeding 0.05. Therefore, current assets affect the firm value.

The findings infer that firm size and value are positively and significantly associated at a probability value equivalent to 0.000, not exceeding 0.05. The result infers that increasing a firm's assets improves the firm's value. The relationship between leverage and firm value is positive and significant at a probability value of 0.000, which does not exceed 0.05. This suggests that increasing the leverage of a firm improves its value. Firm age and value are negatively and significantly associated at a p-value of 0.000, which does not exceed 0.05. The outcomes denote that the age of the firm being listed increases, with decreasing firm value.

The outcomes coincide with the results by (Harc 2015; Xu and Xu, 2013; Okoro and Charles, 2019; Lei et al., 2018). When a firm has a solid asset foundation, financiers will be willing to invest their wealth, and vice versa. As per the outcomes, the borrowed cash is injected into a feasible project that earns significant revenues for the corporate institution, augmenting the firm’s value. Firms having a greater base of fixed assets have a more significant firm value than those with low values of fixed assets since fixed assets serve as collateral for the firm when it borrows funds to make investments, as indicated by Stalz and Johnson (1985) since the constitution of a firm’s fixed asset influences its final worth. Upon the arising of investment openings, firms with adequate asset portfolios will most probably exploit them. When firms harness assets to achieve optimum potential, their value and return on investment

increase. The upswing in value stimulates would-be investors to invest in the company relentlessly.

These outcomes imply that tangible assets positively affect firms' long-term debt since tangible assets form a positive gesture to the financial institutions, resulting in the sale of the assets when bankrupt. The results depicted that allocating assets is crucial in optimizing revenues and cutting costs. Insufficient asset structure curtails the capacity to borrow, hampering the development of a company if firms are coerced to conserve cash and go without investment openings.

In economic terms, when a firm maintains a balanced mix of assets, it is better equipped to use those assets effectively to generate revenue. And the profit. The positive relationship between asset structure and firm value could mean that firms with more optimal asset combinations manage risks and capitalize on opportunities better than those without. The combination of assets that gives a company access to financing through collateral or demonstrating high liquidity can positively impact its value. The asset structure of a business may help it gain a competitive edge in the marketplace. For example, if a company holds valuable intangible assets such as patents, it can establish a unique market position that enhances its value. A well-structured asset mix can positively influence investor perception and confidence. If a firm’s assets are well managed, investors are more likely to trust the company's management team and strategic direction. This can lead to higher security prices and stronger overall valuations.

4.5.3. Inferential Analysis of the Mediating Effects of Financial Performance on the Relationships Between Corporate Governance, Asset Structure, and Firm Value.

The third objective of the research was geared towards establishing the moderating role of financial performance on the correlation between corporate governance, asset structure, and the value of firms that are listed in the Nairobi securities exchange. The multiple linear regression model is used to test the following hypotheses.

H_{02}: The financial performance has no mediating effect on the relationship between corporate governance, asset structure, and the value of firms listed at the Nairobi Securities Exchange.

The following four-phase linear regression analysis model tested the null hypothesis. The initial phase focussed on examining the relationship between dependent and independent variables, as in Table 4.18, and using the following equation:

$$Y_{it} = \beta_{01} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{4it} + \beta_5 X1_{5it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \varepsilon_1 \quad \text{.....4.3}$$

Where

Y_{it} represents the dependent variable (firm value) for observation "i" at a time "t."

β_{01} is the intercept or constant term in the equation. It represents the value of Y when all independent variables ($X1_{it}$ and $X2_{it}$) equal zero. In other words, it is the expected value of firm value when all other factors are absent.

$X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and the Current Assets. β_{01} is the constant term in the regression equation, β_1 to β_8 are the coefficient of Board Composition, the Audit Committee, Protection of Shareholders Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property, and Equipment, Financial Assets, and Current Assets. Finally, ε_1 is the error term

β_1 to β_5 stands for the change in firm value for a unit change in each of the corporate governance variables, holding all other variables constant. They indicate the magnitude and direction of the relationship between the respective corporate governance subsets and firm value. Generally, $X1_{it}$ represents corporate governance. $\beta_{6,}$ $\beta_{7,}$ and β_8 represent the changes in Y for a one-unit change in each asset structure variable, holding all other variables constant. The second independent variable is generally denoted by X2it. Relative to the independent variables in the model, ε denotes the residual, which explains the variance in Y that is not explained. It comprises all other factors and random variations that affect Y but are not incorporated into the model

Table 4.18:Regression Results for the Relationship between Corporate Governance, Asset Structure, and Firm Value (independent and dependent).

Variable	Coefficient	Std.Error	t-Stat	Prob
C	-4.046	0.840	-4.815	0.000
Board Composition	0.195	0.030	6.430	0.000
Audit Committee Composition	0.339	0.080	3.809	0.000
Shareholders Rights	0.224	0.079	2.835	0.000
Financial Affairs and Auditing	0.845	0.324	2.603	0.009
Disclosure of Financial Statements	0.567	0.245	2.302	0.000
Property, Plant, and Equipment	0.087	0.011	8.316	0.000
Financial Assets	0.250	0.217	1.151	0.000
Current Assets	1.879	0.490	3.834	0.003
R-Squared	0.049			
P-Value	0.009			

Number of Observations =510

The outcomes in Table 4.18 depict the overall model's probability value as 0.009, which is below 0.05, deducing that the model is fit for estimating. The R-squared value is 0.049, which shows that the model explains only about 4.9% of the variability in the dependent variable.

The outcomes displayed in Table 4.18 show a constant of -4.046, a standard error of 0.840, a t-statistic of -4.815, and a probability of 0.000, indicating a significantly lower baseline firm value when other variables are not considered and a statistically significant relationship between corporate governance and asset structure. The coefficient of 0.195 and probability value of 0.000 indicate that board composition has a positive and significant relationship with firm value. Audit committee composition has a positive coefficient of 0.339 and a p-value of 0.000 for the audit committee composition, indicating a positive and statistically significant relationship with firm value.

Protecting shareholders' rights is positively correlated to firm value at 0.224. These results indicate a statistically significant relationship with firm value, as shown by a probability value of 0.000, which is less than 0.05. Financial affairs and auditing also exhibit a positive and statistically significant relationship with firm value, evidenced

by a positive coefficient of and probability values of 0.845 and 0.009. A coefficient of 0.567 and a probability value of 0.000 indicate a positive and statistically significant relationship between the disclosure of financial statements and firm value. The valuation of PPE, with a coefficient, standard error, t-statistic, and probability of 0.087, 0.011, 8.316, and 0.000, respectively, demonstrates a statistically significant positive effect on firm value.

The outcomes show that financial assets have a positive and statistically significant relationship with firm value since the coefficient is 0.250 and the probability value is less than 0.05. Current assets have a positive coefficient of 1.879 and a probability of 0.003, showing a positive and statistically significant relationship with firm value.

The second stage examined the relationship between financial performance and corporate governance and Asset structure (mediating and independent) using equation 4.4, as depicted in Table 4.19.

$$X3_{it} = \beta_{02} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{4it} + \beta_5 X1_{5it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \varepsilon_2 \quad \text{.....4.4}$$

Where

$X3_{it}$ is financial performance, while Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and the Current Assets. β_{01} is the constant term in the regression equation, β_1 to β_8 are the coefficients of Board Composition, the Audit Committee, Protection of Shareholders Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property, and Equipment, Financial Assets, and Current Assets. Finally, ε_2 is the error term.

Table 4.19: Regression Results for the relationship between the Financial Performance and Corporate Governance and Asset structure (mediating and independent)

Variable	Coefficient	Std. Error	t-Stat	Prob
C	-2.925	1.397	-2.093	0.036
Board Composition	0.164	0.050	3.243	0.001
Audit Committee Composition	0.324	0.067	4.835	0.000
Shareholders Rights	0.195	0.082	2.378	0.000
Financial Affairs and Auditing	0.811	0.289	2.806	0.009
Disclosure of Financial Statements	0.552	0.245	2.253	0.000
Property, Plant, and Equipment	0.068	0.015	4.533	0.000
Financial Assets	0.245	0.124	1.956	0.000
Current Assets	1.785	0.501	3.562	0.000
R^2	0.033			
p-Value	0.029			

Table 4.19 depicts that the overall probability value is 0.029, below the commonly used level of 0.05, indicating that the model is fit for estimation. The results also show that the coefficient of determination (R^2) is 0.033, implying that the model explains about 3.3% of the variability in financial performance. The constant of -2.925 indicates that there is a decline in financial performance in the absence of corporate governance and asset structure.

Board composition is positively and statistically significantly correlated with firm value, as indicated by its coefficient of 0.164 and probability value of $0.001 < 0.05$. Similarly, there is a positive and statistically significant correlation between the audit committee composition and business value, as evidenced by the coefficient of 0.324 and probability value of less than 0.05. With a coefficient of 0.195 and a p-value of 0.000, the protection of shareholders' rights is positively and significantly correlated with firm value.

With a probability value of less than 0.05 and a coefficient of 0.811, financial affairs and audits have a positive and statistically significant link with business value. Financial statement disclosure and business value have a strong positive correlation

($\beta = 0.552$, $p < 0.05$). There is a statistically significant and robust correlation between company value and property, plant, and equipment at coefficient $\beta = 0.068$ and probability of 0.000< 0.05.

The outcomes further reveal that financial assets have a coefficient of 0.245 and a probability value of less than 0.05, inferring a positive and statistically significant relationship with firm value. Current assets exhibit a positive and statistically significant relationship with firm value, with a coefficient of 1.785 and a probability value of 0.000.

Phase three assessed the association between the financial performance variable and the firm value using equation 4.5

$$Y_{it} = \beta_{03} + \beta_3 X_{3it} + \varepsilon_3 \quad \text{……………………………………………..4.5}$$

Where

Y_{it}, X_{3it}, β_3, and β_{03} are the firm value, the financial performance, the coefficient, and the constant.

Table 4.20: Regression Results for the relationship between the mediating variable (financial performance) and the dependent variable (firm value)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.540	0.031	16.916	0.000
Financial Performance	0.106	0.026	3.952	0.000
R^2	0.029			
p-value	0.0001			

Table 4.20 shows an overall probability value of 0.0001, which is less than 0.05, indicating that the model is fit for estimating firm value and that there is a meaningful relationship between financial performance and firm value. Table 4.20 shows the overall R^2, which is 0.029, deducing that the model explains about 2.9% of the variability in the firm value. A constant of 0.54 indicates the firm's value when financial performance is not included in the model. Moreover, the mediating and dependent variables are significantly related at ($\beta = 0.10$, $p < 0.05$). This suggests that financial performance predicts a firm value.

The fourth stage assessed the relationship between corporate governance, asset structure (independent variable), financial performance (mediating variable), and firm value (dependent) using equation 4.6

$$Y_{it} = \beta_{04} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{4it} + \beta_5 X1_{5it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X3_{it} + \varepsilon_4 \ldots\ldots 4.6$$

Where

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it}$, and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and the Current Assets. β_{04} is the constant term in the regression equation. β_1 to β_8 is the coefficient of Board Composition, the Audit Committee, Protection of Shareholders Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property, Equipment, Financial Assets, and Current Assets. β_9 is the coefficient for financial performance, while ε_4 is the error term

Mediation transpires if corporate governance and asset structure predict the firm value and whether corporate governance and asset structure predict financial performance. In contrast, financial performance predicts a firm's value; corporate governance and asset structure still predict firm value upon the incorporation of financial performance into the model. Table 4.21 displays the outcomes.

Table 4.21: Regression Results for the Relationship between the corporate governance asset structure (independent variable), financial performance (mediating variable), and firm value (dependent)

Variable	Coefficient	Std.Error	t-Stat	Prob
C	-4.231	0.840	-5.037	0.001
Board Composition	0.189	0.034	5.559	0.001
Audit Committee Composition	0.389	0.069	5.637	0.002
Shareholders Rights	0.344	0.087	3.954	0.003
Financial Affairs and Auditing	0.743	0.321	2.315	0.004
Disclosure of Financial Statements	0.469	0.345	1.360	0.002
Property, Plant, and Equipment	0.096	0.012	8.000	0.000
Financial Assets	0.255	0.214	1.192	0.001
Current Assets	1.989	0.490	4.059	0.003
R-Squared	0.410			
P- Value	0.009			

Table 4.21 shows that the overall probability value of the model is 0.009, which is below the commonly used significance level of 0.05, indicating that the model is fit for estimating firm value. The results also show that the coefficient of determination (R^2) is 0.410, implying that the model explains about 41% of the variability in firm value. The constant of -4.231 indicates that in the absence of corporate governance and asset structure, there is a decline in firm value.

The coefficient of 0.189 for board composition, with a p-value < 0.05, infers a significant positive relationship with firm value. Similarly, the audit committee composition shows a coefficient of 0.389 and a probability value < 0.05, indicating a positive and statistically significant relationship between the audit committee and firm value. The findings suggest that shareholders' rights have a coefficient of 0.344 and a probability value < 0.05, highlighting a positive and statistically significant relationship with firm value.

The regression results display that Financial affairs and auditing have a coefficient of 0.743 and a p-value of 0.004, indicating a positive and statistically significant relationship with firm value. Property, plant, and equipment show a coefficient of 0.096 and a probability value of less than 0.05, indicating a positive and statistically significant relationship with firm value. Financial assets have a coefficient of 0.255 and a probability value that does not exceed 0.05, indicating a positive and statistically significant relationship with firm value. Current assets show a coefficient of 1.989 and a probability value of less than 0.05, indicating a positive and statistically significant relationship with firm value.

The results in phase one indicated a relationship between corporate governance measurements, asset structure measurements, and firm value; phase two noted that corporate governance and asset structure predict financial performance, while phase three indicated that financial performance predicts firm value. Finally, the results for phase four indicated that corporate governance and asset structure predict a firm's value when financial performance is included in the model. This implies that financial performance is a full-mediating variable. The null hypothesis that financial performance does not mediate the relationship between corporate governance, asset structure, and the value of firms listed at the Nairobi Securities Exchange is thus

rejected. The findings align with those by (Ukhriyawati et al., 2017; Anton and Afloarei, 2020; Omagwa and Muathe, 2019). According to ACCA (2015), the success of any firm is anchored on its sound financial success. Financial performance entails increasing the firm's market. Ratios are primarily used in measuring the financial soundness of a firm, though the ratios are sometimes misleading. In order to evaluate the mediation effect of financial performance on corporate governance and firm value, this study used the return on assets to quantify financial performance.

4.5.4 Inferential analysis of the evaluation of the moderating effect of macroeconomic factors on the relationship between corporate governance, asset structure, and the value of firms listed at the Nairobi Securities Exchange.

The study's fourth objective focussed on evaluating the moderating effect of macroeconomic factors on the relationship between corporate governance, asset structure, and the value of firms listed at the Nairobi Securities Exchange.

The macroeconomic factors included inflation, economic growth, interest rates, and foreign exchange rates.

The following hypothesis was therefore tested using a multiple linear regression model.

Ho4: The macroeconomic factors have no moderating effect on the relationship between corporate governance, asset structure, and firms' value at the Nairobi Securities Exchange.

The first phase assessed the relationship between corporate governance, asset structure, and firm value utilizing equation 4.7

$$Y_{it} = \beta_{01} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \varepsilon_1 \quad \text{.....4.7}$$

Where

Y_{it} represents the firm value for observation "i" at a time "t."

β_{01} is the intercept or constant term in the equation. It stands for the value of Y when all the corporate governance and asset structure measurements are equal to zero. In other words, it is the expected value of Y when all other factors are absent.

$X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and

the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and the Current Assets. β_{04} is the constant term in the regression equation. β_1 to β_8 is the coefficient of Board Composition, the Audit Committee, Protection of Shareholders Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property, Equipment, Financial Assets, and Current Assets. β_9 is the coefficient for financial performance while ε_1 is the error term

β_1 to β_5 represents the change in Y for a one-unit change in each of the corporate governance variables, holding all other variables constant. They indicate the strength and direction of the relationship between the respective corporate governance subsets and Y. Generally, $X1_{it}$ represents corporate governance.

$\beta_{6,}$ $\beta_{7,}$ and β_8 represent the changes in Y for one unit change in each asset structure variable, holding all other variables constant. Generally, $X2_{it}$ represents the second independent variable. ε represents the residual, which accounts for the variation in Y that is not explained by the independent variables in the model. It includes all other factors and random variations that affect Y but are not included in the model

β_{01} is the intercept term of the regression equation. It represents the expected value of the dependent variable (firm value) when all independent variables equal zero, ε is the error term. In contrast, ε represents the error term in the regression equation. It captures the variability in the dependent variable not explained by the independent variables in the model. "i" represents the firm index. It signifies that the variables (dependent and independent) can vary across different firms. "t" represents the time index. It signifies that the variables can also vary over different periods. Table 4.22 depicts the result.

Table 4.22:Regression Results for the Relationship between Corporate Governance, Asset Structure, and Firm Value.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.204	0.840	-4.815	0.001
Board Composition	0.195	0.030	6.430	0.000
Audit Committee Composition	0.845	0.324	2.603	0.009
Shareholders Rights	0.164	0.050	3.243	0.001
Financial Affairs and Auditing	0.324	0.067	4.835	0.000
Disclosure of Financial Statements	0.195	0.082	2.378	0.000
Property, Plant, and Equipment	0.811	0.289	2.806	0.009
Financial Assets	0.552	0.245	2.253	0.001
Current Assets	0.068	0.015	4.533	0.000
R-Squared	0.340			
p Value	0.007			

Table 4.22 shows that the overall p-value of the model, given by 0.007, which is less than 0.05 shows that the model is fit for estimating firm value. Therefore, the hypothesis that corporate governance and asset structure do not affect the value of firms listed at the Nairobi Securities Exchange is rejected. The overall R^2, which is 0.340, indicates that the model explains about 34% of the variability in the firm value. The constant of -4.204 indicates that there is a decline in firm value in the absence of corporate governance and asset structure.

The coefficient of board composition, which is 0.195, with a probability value less than 0.05, signifies a significant increase in firm value when firms improve their board composition. This value is statistically strong and positively significant. The p-value of 0.000, which is less than 0.05, indicates that the audit committee has a statistically significant relationship with firm value. The protection of shareholders' rights shows a positive and statistically significant relationship with firm value, with a coefficient of 0.164 and a p-value of 0.001. Financial affairs and auditing also demonstrate a positive and statistically significant relationship with firm value, with a coefficient of 0.324 and a p-value of 0.000. Additionally, the disclosure of financial

statements has a positive and statistically significant relationship with firm value, as indicated by a coefficient of 0.195 and a p-value of 0.000.

The property, plant, and equipment coefficient is 0.811, with a p-value of 0.009, indicating a strong statistically significant relationship with firm value. Financial assets have a coefficient of 0.552 and a p-value of 0.000, indicating a positive and statistically significant relationship with firm value. Current assets show a statistically significant relationship with firm value, with a p-value of 0.000, which is less than 0.05.

The next phase involves assessing the relationship between the independent variables, the inflation rate, and the dependent variable using equation 4.8.

$$Y_{it} = \beta_{02} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{1it} + \varepsilon_2 \quad \ldots\ldots 4.8$$

Where,

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and the Current Assets. β_{04} is the constant term in the regression equation. β_1 to β_8 is the coefficient of Board Composition, the Audit Committee, Protection of Shareholders Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property, Equipment, Financial Assets, and Current Assets. β_9 is the coefficient for financial performance, while ε_4 is the error term, and β_9 is the coefficient of the Inflation rate. Table 4.23 displays the results.

Table 4.23: Relationship between Corporate Governance, Asset Structure, Inflation Rate, and Firm Value.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C (Constant)	-4.114	1.254	-3.281	0.001
Board Composition	0.164	0.060	2.733	0.001
Audit Committee Composition	0.322	0.067	4.805	0.001
Shareholders Rights	0.185	0.082	2.256	0.000
Financial Affairs and Auditing	0.809	0.280	2.806	0.008
Disclosure of Financial Statements	0.554	0.245	2.261	0.000
Property, Plant, and Equipment	0.069	0.015	4.600	0.001
Financial Assets	0.245	0.125	1.960	0.000
Current Assets	1.784	0.501	3.560	0.001
Inflation	0.016	0.008	2.001	0.033
R^2 Overall:	0.124			
p-Value	0.004			

Table 4.23 shows that the overall p-value of the model, given by 0.004, which is less than 0.05 shows that the model is fit for estimating firm value. Therefore, the hypothesis that the inflation rate does not affect the value of firms listed at NSE is rejected.

The overall R^2, which is 0.124, indicates that the model explains about 12.4% of the variability in the firm value. The constant of -4.204 indicates that in the absence of corporate governance and asset structure, there is a decline in firm value.

The coefficient of Board Composition was 0.164, with the p-value being 0.001, indicating a positive significant relationship suggesting that better board composition is associated with higher firm value. Audit Committee Composition has a coefficient of 0.322 and a p-value of 0.001, thus being a positive and strong coefficient. Shareholders' Rights had a coefficient of 0.185 and a p-value less than 0.05. Financial Affairs and Auditing indicated a coefficient of 0.809, while the p-value was 0.008, indicating a relationship between effective financial affairs and auditing practices and higher firm values. The coefficient for financial statements is 0.554, with a p-value of 0.000, indicating a positive and statistically significant moderating effect on the relationship between corporate governance, asset structure, and firm value. Property,

plant, and equipment show a coefficient of 0.069 and a p-value of 0.001 for asset structure variables, demonstrating positive and statistically significant moderating effects on the relationship between corporate governance, asset structure, and firm value. Financial assets have a coefficient of 0.245 and a p-value of 0.000, indicating a statistically significant moderating effect on the relationship between corporate governance, asset structure, and firm value. Current assets exhibit a coefficient of 1.784 and a p-value of 0.001, showing a statistically significant moderating effect on the relationship between corporate governance, asset structure, and firm value.

Regarding the inflation rate, the coefficient is -0.016, with a p-value of 0.033. This negative coefficient indicates a negative relationship between the inflation rate and firm value, although the finding is only weakly significant due to the p-value being slightly greater than the typical significance level of 0.05.

The next phase introduces the inflation rate's interaction with the independent variables into the model using equation 4.9.

$$Y_{it} = \beta_{03} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{1it} + \beta_{10} X1_{1it} X4_{1it} + \beta_{11} X1_{2it} X4_{1it} + \beta_{12} X1_{3it} X4_{1it} + \beta_{13} X1_{4it} X4_{1it} + \beta_{14} X1_{5it} X4_{1it} + \beta_{15} X2_{1it} X4_{1it} + \beta_{16} X2_{2it} X4_{1it} + \beta_{17} X2_{3it} X4_{1it} + \varepsilon_3 \quad \ldots\ldots 4.9$$

Where,

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and the Current Assets. β_{04} is the constant term in the regression equation. β_1 to β_8 is the coefficient of Board Composition, the Audit Committee, Protection of Shareholders Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property, Equipment, Financial Assets, and Current Assets. β_9 is the coefficient of the Inflation Rate.

$X1_{1it}$ $X4_{1it}$ represents the interaction terms of the Board composition and Inflation Rate. The same applies to all other subsets of Corporate Governance.

$X2_{1it}$ $X4_{1it}$ represents the Property, Plant, and Equipment interaction terms and Inflation Rate. The same applies to all other subsets of Asset Structure. β_{10}- β_{14} represents the coefficients for the interaction between corporate governance measures and the inflation rate. β_{14}- β_{17} represents the coefficients for the interaction between asset structure measures and inflation rate. Table 4.24 displays the results.

Table 4.24:Relationship between Corporate Governance, Asset Structure, Inflation Rate, the Interaction Terms and Firm Value.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Intercept (C)	1.558	24.19	0.065	0.943
Board Composition	-0.002	0.178	-0.011	0.981
Audit Committee Composition	-0.003	0.174	-0.017	0.986
Protection of Shareholders' Rights	-0.002	0.169	-0.012	0.983
Financial Affairs and Auditing	-0.004	0.178	-0.022	0.984
Disclosure of Financial Statements	-0.002	0.186	-0.010	0.991
Property, Plant, and Equipment	-0.316	0.102	-3.098	0.003
Financial Assets	-0.309	0.106	-2.915	0.004
Current Assets	-0.308	0.104	-2.947	0.002
Inflation Rate	-0.506	0.812	-0.624	0.537
Board Composition * Inflation Rate	0.007	0.03	0.233	0.820
Audit Committee Composition* Inflation Rate	0.006	0.04	0.212	0.822
Protection of Shareholders' Rights * Inflation Rate	0.0058	0.05	0.116	0.832
Financial Affairs and Auditing * Inflation Rate	0.006	0.03	0.200	0.821
Disclosure of Financial Statements * Inflation Rate	0.008	0.03	0.266	0.825
Property, Plant, and Equipment * Inflation Rate	0.383	0.072	5.319	0.001
Financial Assets * Inflation Rate	0.394	0.072	5.472	0.001
Current Assets * Inflation Rate	0.377	0.072	5.236	0.001
R^2 Overall	0.129			
p-Value	0.121			

Table 4.24 shows that the overall p-value of the model, given by 0.121, which is more than 0.05 shows that the model is not fit for estimating firm value. Therefore, the hypothesis that the moderating effect of the inflation rate does not affect the value of firms listed at NSE is not rejected.

The overall R^2, which is 0.129, indicates that the model explains about 12.9 % of the variability in the firm value. The constant of 1.558 indicates the value of a firm in the absence of corporate governance, asset structure, inflation rate, and the interaction terms in the model.

The coefficient for Board Composition is -0.002, with a p-value of 0.981, suggesting a statistically insignificant moderating effect on the relationship. Audit Committee Composition has a coefficient of -0.003 and a p-value of 0.986, indicating a negative but statistically insignificant impact on firm value, thus showing no macroeconomic effect. Similarly, Protection of Shareholders' Rights shows a coefficient of -0.002 and a p-value of 0.983, indicating a statistically insignificant moderating impact. Financial Affairs and Auditing have a coefficient of -0.004 with a p-value of 0.984, indicating no statistically significant effect on firm value.

Disclosure of Financial Statements has a coefficient of -0.002 with a p-value of 0.991, indicating a negative and statistically insignificant moderating effect on the relationship. Property, Plant, and Equipment indicate a coefficient of -0.316 with a p-value of 0.003, demonstrating a statistically significant negative relationship with firm value. Financial assets show a coefficient of -0.309 with a p-value of 0.004, indicating a statistically significant negative impact on firm value. Current Assets have a coefficient of -0.308 with a p-value of 0.002, indicating a statistically significant effect on firm value.

The coefficient for the Inflation Rate is -0.507, with a p-value of 0.537, indicating a statistically insignificant moderating effect on the relationship. The coefficients of interaction terms with the Inflation Rate vary from 0.008 for Disclosure of Financial Statements to 0.0058 for Protection of Shareholders' Rights, with their probability values above 0.05, indicating an insignificant moderating impact on firm value. This result suggests a lack of macroeconomic effect. In particular, Inflation can prompt

companies to reassess their board composition to better align with the evolving challenges and opportunities presented by an inflationary environment. This could include prioritizing financial expertise, strategic adaptability, industry-specific knowledge, risk management capabilities, and diverse perspectives that can collectively help the company navigate inflation's complex effects on its operations and strategy

The next phase involves assessing the relationship between the independent variables, the economic growth rate, and the dependent variable using equation 4.10.

$$Y_{it} = \beta_{04} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{2it} + \varepsilon_4 \quad \text{.....4.10}$$

Where,

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and the Current Assets. β_{04} is the constant term in the regression equation. β_1 to β_8 is the coefficient of Board Composition, the Audit Committee, Protection of Shareholders Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property, Equipment, Financial Assets, and Current Assets. β_9 is the coefficient of Inflation.

$X1_{1it}$ $X4_{1it}$ represents the interaction terms of the Board composition and Economic Growth. The same applies to the subsets of the Assets Structure.

$X2_{1it}$ $X4_{2it}$ represents the Property, Plant, and Equipment interaction terms and Economic Growth. The same applies to the other subsets of Asset Structure.

Table 4.25 displays the results.

Table 4.25: Relationship between Corporate Governance, Asset Structure, Economic Growth Rate, and Firm Value.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C (Constant)	-4.111	1.254	-3.280	0.001
Board Composition	0.162	0.030	3.243	0.001
Audit Committee Composition	0.313	0.067	4.672	0.000
Shareholders Rights	0.195	0.079	2.462	0.000
Financial Affairs and Auditing	0.810	0.289	2.802	0.009
Disclosure of Financial Statements	0.552	0.245	2.253	0.000
Property, Plant, and Equipment	0.068	0.014	4.533	0.000
Financial Assets	0.245	0.124	1.956	0.000
Current Assets	1.785	0.501	3.562	0.000
Economic Growth Rate	0.089	0.033	2.697	0.007
R^2 Overall:	0.124			
p-Value	0.003			

Table 4.25 shows that the overall p-value of the model, given by 0.003, which is less than 0.05 shows that the model is fit for estimating firm value. Therefore, the hypothesis that the economic growth rate does not affect the value of firms listed at NSE is rejected. The overall R^2, which is 0.124, indicates that the model explains about 12.4 % of the variability in the firm value. The constant of -4.111 indicates the firm's value in the absence of corporate governance, asset structure, and economic growth rate in the model.

The coefficient for Board Composition is 0.162 with a standard error of 0.030, resulting in a t-statistic of 3.243 (p = 0.001). This indicates a statistically significant moderating effect on the relationship between corporate governance, asset structure, and firm value. Similarly, the coefficient for Audit Committee Composition is 0.313 with a standard error of 0.067, yielding a t-statistic of 4.672 (p = 0.000), which also shows a positive and statistically significant moderating effect on the relationship between corporate governance, asset structure, and firm value. Shareholders' Rights have a coefficient of 0.195 with a standard error of 0.079 and a t-statistic of 2.462 (p = 0.000), suggesting a positive and statistically significant moderating effect on the relationship between corporate governance, asset structure, and firm value. Financial Affairs and Auditing present a coefficient of 0.810 with a standard error of 0.289,

resulting in a t-statistic of 2.802 (p = 0.009), indicating a positive but statistically insignificant moderating effect on the relationship between corporate governance, asset structure, and firm value. Disclosure of Financial Statements shows a coefficient of 0.552 with a standard error of 0.245 and a t-statistic of 2.253 (p = 0.000), implying a positive and statistically significant moderating effect on the relationship between corporate governance, asset structure, and firm value. Property, Plant, and Equipment exhibit a coefficient of 0.068 with a standard error of 0.014, yielding a t-statistic of 4.533 (p = 0.000), indicating a positive and statistically significant moderating effect on the relationship between corporate governance, asset structure, and firm value. Financial Assets demonstrate a coefficient of 0.245 with a standard error of 0.124, resulting in a t-statistic of 1.956 (p = 0.000), indicating a positive and statistically significant moderating effect on the relationship between corporate governance, asset structure, and firm value.

Moreover, Current Assets display a coefficient of 1.785 with a standard error of 0.501, resulting in a t-statistic of 3.562 (p = 0.000), indicating a moderating effect on the relationship between corporate governance, asset structure, and firm value. Economic Growth exhibits a coefficient of 0.089 with a standard error of 0.033 and a t-statistic of 2.697 (p = 0.007), suggesting a moderating effect on the relationship between corporate governance and asset structure and firm value. A higher Tobin's Q often reflects strong security market performance, as it indicates that the market is valuing firms highly relative to their physical assets. This can boost investor confidence and lead to increased stock prices. The wealth effect from rising stock prices can stimulate consumption as households feel wealthier. Increased consumer spending can drive demand for goods and services, further boosting economic growth.

The next stage involves assessing the relationship between independent, dependent, and economic growth rates and the interaction between economic growth and the independent variables.

$$Y_{it} = \beta_{05} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{2it} + \beta_{10} X1_{1it} X4_{2it} + \beta_{11} X1_{2it} X4_{2it} + \beta_{12} X1_{3it} X4_{2it} + \beta_{13} X1_{4it} X4_{2it} + \beta_{14} X1_{5it} X4_{2it} + \beta_{15} X2_{1it} X4_{2it} + \beta_{16} X2_{2it} X4_{2it} + \beta_{17} X2_{3it} X4_{2it} + \varepsilon_5 \ldots\ldots\ldots\ldots\ldots 4.11$$

Where

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and the Current Assets. β_{04} is the constant term in the regression equation. β_1 to β_8 is the coefficient of Board Composition, the Audit Committee, Protection of Shareholders Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property, Equipment, Financial Assets, and Current Assets. β_9 is the coefficient of Economic Growth.

$X1_{1it}X4_{1it}$ represents the interaction terms of the Board composition and Economic Growth. The same applies to the subsets of Corporate Governance.

$X2_{1it}X4_{2it}$ represents the Property, Plant, and Equipment interaction terms and Economic Growth. The same applies to the other subsets of Asset Structure. Table 4.26 shows the results.

Table 4.26. Relationship between Corporate Governance, Asset Structure, Economic Growth, the Interaction Terms, and Firm Value.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Intercept (C)	1.576	24.221	0.065	0.948
Board Composition	-0.002	0.179	-0.0111	0.981
Audit Committee Composition	-0.003	0.174	-0.0172	0.986
Protection of Shareholders' Rights	-0.002	0.169	-0.012	0.983
Financial Affairs and Auditing	-0.004	0.178	-0.022	0.984
Disclosure of Financial Statements	-0.002	0.186	-0.0107	0.991
Property, Plant, and Equipment	-0.316	0.102	-3.098	0.003
Financial Assets	-0.309	0.106	-2.915	0.004
Current Assets	-0.308	0.1045	-2.947	0.002
Economic Growth	-0.518	0.7993	-0.648	0.524
Board Composition * Economic Growth	0.006	0.03	0.2	0.831
Audit Committee Composition * Economic Growth	0.007	0.04	0.175	0.822
Protection of Shareholders' Rights * Economic Growth	0.0057	0.029	0.196	0.821
Financial Affairs and Auditing * Economic Growth	0.00635	0.0311	0.204	0.821
Disclosure of Financial Statements * Economic Growth	0.0067	0.03	0.223	0.813
Property, Plant, and Equipment * Economic Growth	0.376	0.072	5.222	0.000
Financial Assets * Economic Growth Rate	0.395	0.072	5.486	0.001
Current Assets * Economic Growth Rate	0.385	0.072	5.347	0.000
R^2 Overall	0.131			
p-Value	0.121			

Table 4.26 indicates that the overall p-value of the model is 0.121, which is greater than 0.05, suggesting that the model is not suitable for estimating firm value. As a result, we do not reject the hypothesis that the moderating effect of the economic growth rate does not influence the value of firms listed on the NSE.

The overall R^2 value of 0.131 implies that the model accounts for approximately 13.1% of the variability in firm value. The intercept is 1.576, representing the

estimated firm value when corporate governance, asset structure, economic growth rate, and interaction terms are absent.

The intercept coefficient (C) of 1.576, with a standard error of 24.221, indicates substantial variability. The t-statistic is 0.065, and the p-value is 0.948, suggesting that the intercept is not statistically significant, which implies minimal macroeconomic influence on the dependent variable.

The coefficient for Board Composition is -0.002, with a standard error of 0.179, resulting in a t-statistic of -0.0111 and a p-value of 0.981. This indicates no statistically significant relationship between board composition and firm value. While the negative coefficient implies a minor decrease in firm value with changes in board composition, this effect is not statistically significant, suggesting limited macroeconomic impact.

For Audit Committee Composition, the coefficient is -0.003, with a standard error of 0.174, yielding a t-statistic of -0.0172 and a p-value of 0.986. Similarly, this indicates no statistically significant relationship, and the negative coefficient suggests a slight decrease in firm value with changes in audit committee composition.

The Protection of Shareholders' Rights coefficient is -0.002, with a standard error of 0.169 and a t-statistic of -0.012, resulting in a p-value of 0.983. Again, this indicates no statistically significant relationship, with the negative coefficient suggesting a minor decrease in firm value related to shareholder rights protection changes.

The Financial Affairs and Auditing coefficient is -0.004, with a standard error of 0.178 and a t-statistic of -0.022, leading to a p-value of 0.984. This shows no statistically significant relationship, with the negative coefficient suggesting a slight decrease in firm value due to changes in financial affairs and auditing.

The Disclosure of Financial Statements coefficient is -0.002, with a standard error of 0.186 and a t-statistic of -0.0107, resulting in a p-value of 0.991. This indicates no statistically significant relationship, and the negative coefficient suggests a minimal decrease in firm value with changes in financial statement disclosure.

In contrast, the coefficient for Property, Plant, and Equipment is -0.316, with a standard error of 0.102 and a t-statistic of -3.098, resulting in a p-value of 0.003. This indicates a statistically significant relationship, where an increase in property, plant, and equipment is associated with a decrease in firm value, suggesting a noteworthy macroeconomic effect.

The coefficient for Financial Assets is -0.309, with a standard error of 0.106, yielding a t-statistic of -2.915 and a p-value of 0.004, indicating a statistically significant relationship. This negative coefficient suggests that an increase in financial assets is also associated with a decrease in firm value, implying a notable macroeconomic impact.

The coefficient for Current Assets is -0.308, with a standard error of 0.1045 and a t-statistic of -2.947, leading to a p-value of 0.002. This indicates a statistically significant relationship, with the negative coefficient suggesting that an increase in current assets is correlated with a decrease in firm value, indicating significant macroeconomic influence.

The coefficient for Economic Growth is -0.518, with a standard error of 0.7993, yielding a t-statistic of -0.648 and a p-value of 0.524. This suggests no statistically significant relationship despite the negative coefficient indicating a slight decrease in firm value with changes in economic growth, reinforcing the notion of minimal macroeconomic impact.

Board Composition * Economic Growth Rate, Audit Committee Composition * Economic Growth Rate, Protection of Shareholders' Rights * Economic Growth Rate, Financial Affairs and Auditing * Economic Growth Rate, and Disclosure of Financial Statements * Economic Growth Rate: All these interaction terms are not statistically significant ($p > 0.05$), suggesting no significant moderating effect of economic growth on the relationship between these variables and firm value.

Property, Plant, and Equipment * Economic Growth, Financial Assets * Economic Growth, and Current Assets * Economic Growth: These interaction terms are statistically significant ($p < 0.05$), indicating a notable moderating effect of economic growth on the relationship between these variables and firm value.

The next phase entails assessing the relationship between the independent variables, dependent variables, and interest rates.

$$Y_{it} = \beta_{06} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{3it} + \varepsilon_6 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 4.12$$

Where

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and the Current Assets. β_{04} is the constant term in the regression equation. β_1 to β_8 is the coefficient of Board Composition, the Audit Committee, Protection of Shareholders Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property, Equipment, Financial Assets, and Current Assets. β_9 is the coefficient of Economic Growth.

$X1_{1it}$ $X4_{3it}$ represents the interaction terms of the Board composition and Interest Rate. The same applies to the subsets of Corporate Governance.

$X2_{1it}$ $X4_{3it}$ represents the Property, Plant, and Equipment interaction terms and Interest Rate. The same applies to the other subsets of Asset Structure. Table 4.27 shows the results.

Table 4.27: Relationship between Corporate Governance, Asset Structure, Interest Rate, and Firm Value.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C (Constant)	-4.115	1.254	-3.281	0.001
Board Composition	0.164	0.050	3.243	0.001
Audit Committee Composition	0.324	0.067	4.835	0.000
Shareholders Rights	0.195	0.082	2.378	0.000
Financial Affairs and Auditing	0.811	0.289	2.806	0.009
Disclosure of Financial Statements	0.552	0.245	2.253	0.000
Property, Plant, and Equipment	0.068	0.015	4.533	0.000
Financial Assets	0.245	0.124	1.956	0.000
Current Assets	1.785	0.501	3.562	0.000
Interest Rates	0.102	0.042	2.429	0.015
R^2 Overall:	0.125			
p-Value	0.003			

Table 4.27 reveals that the overall p-value of the model is 0.003, which is less than 0.05, indicating that the model is suitable for estimating firm value. Consequently, we reject the hypothesis that interest rates do not affect the value of firms listed on the NSE. The overall R^2 value is 0.125, suggesting that the model accounts for approximately 12.5% of the variability in firm value. The constant term -4.115 represents the estimated firm value when corporate governance, asset structure, and interest rates are not considered.

Board Composition has a coefficient of 0.164, with a standard error of 0.050, a t-statistic of 3.243, and a p-value of 0.001. These statistics indicate a statistically significant positive relationship between board composition and firm value. Audit Committee Composition shows a coefficient of 0.324, a standard error of 0.067, a t-statistic of 4.835, and a p-value of 0.000, suggesting a highly significant positive impact on firm value.

Shareholders' Rights presents a coefficient of 0.195, with a standard error of 0.082, a t-statistic of 2.378, and a p-value of 0.000, indicating a significant positive relationship with firm value. Financial Affairs and Auditing has a coefficient of 0.811, a standard error of 0.289, a t-statistic of 2.806, and a p-value of 0.009, signifying a statistically significant positive influence on firm value.

Disclosure of Financial Statements shows a coefficient of 0.552 and a standard error of 0.245, yielding a t-statistic of 2.253 and a probability-value of 0.000, indicating a significant positive relationship with firm value. Property, Plant, and Equipment exhibit a coefficient, standard error, t-statistic, and a probability-value of 0.068,0.015, 4.533, and 0.000, respectively, suggesting a highly significant positive impact on firm value. This relationship implies that increased investment in property, plant, and equipment is associated with higher firm value, potentially due to macroeconomic factors.

Financial Assets exhibit a coefficient of 0.245 and a standard error of 0.124. The statistics yield a t-statistic of 1.956 and a probability value of 0.000, indicating a significant positive relationship with firm value. This suggests that an increase in

financial assets is linked to higher firm value, likely influenced by macroeconomic conditions.

Current Assets display a coefficient of 1.785, a standard error of 0.501, and a t-statistic of 3.562. The p-value equals 0.000, signifying a highly significant positive impact on firm value.

Finally, Interest Rates exhibit a coefficient of -0.102 and a standard error of 0.042, yielding a t-statistic of -2.429, suggesting a potential negative relationship with firm value; however, further analysis is needed to confirm this effect.

The next stage involves assessing the relationship between the independent variables, dependent variables, interest rate, and its interaction terms.

$$Y_{it} = \beta_{07} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{3it} + \beta_{10} X1_{1it} X4_{3it} + \beta_{11} X1_{2it} X4_{3it} + \beta_{12} X1_{3it} X4_{3it} + \beta_{13} X1_{4it} X4_{3it} + \beta_{14} X1_{5it} X4_{3it} + \beta_{15} X2_{1it} X4_{3it} + \beta_{16} X2_{2it} X4_{3it} + \beta_{17} X2_{3it} X4_{3it} + \varepsilon_7 \quad \text{.....4.13}$$

Where

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and the Current Assets. β_{04} is the constant term in the regression equation. β_1 to β_8 is the coefficient of Board Composition, the Audit Committee, Protection of Shareholders Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property, Equipment, Financial Assets, and Current Assets. β_9 is the coefficient of Interest Rate. β_{10}- β_{14} is the coefficient of the interaction between corporate governance measures and interest rate. β_{15}- β_{17} is the coefficient of the interaction between asset structure measures and interest rate.

$X1_{1it}$ $X4_{3it}$ represents the interaction terms of the Board composition and Interest Rate. The same applies to the subsets of Corporate Governance.

$X2_{1it}$ $X4_{3it}$ represents the Property, Plant, and Equipment interaction terms and Interest Rate. The same applies to the other subsets of Asset Structure. Table 4.28 shows the results.

Table 4.28: Relationship between Corporate Governance, Asset Structure, Interest Rate, the Interaction Terms, and Firm Value.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Intercept (C)	1.575	24.22	0.065	0.948
Board Composition	-0.002	0.179	-0.011	0.981
Audit Committee Composition	-0.003	0.174	-0.017	0.986
Protection of Shareholders' Rights	-0.002	0.169	-0.012	0.982
Financial Affairs and Auditing	-0.004	0.178	-0.022	0.983
Disclosure of Financial Statements	-0.002	0.186	-0.010	0.991
Property, Plant, and Equipment	-0.316	0.102	-3.098	0.003
Financial Assets	-0.309	0.106	-2.915	0.004
Current Assets	-0.308	0.105	-2.947	0.002
Interest Rate	-0.509	0.803	-0.634	0.527
Board Composition * Interest Rate	0.006	0.03	0.201	0.821
Audit Committee Composition * Interest Rate	0.0058	0.03	0.193	0.814
Protection of Shareholders' Rights * Interest Rate	0.0055	0.03	0.183	0.798
Financial Affairs and Auditing * Interest Rate	0.008	0.03	0.267	0.813
Disclosure of Financial Statements * Interest Rate	0.006	0.03	0.2	0.833
Property, Plant, and Equipment * Interest Rate	0.385	0.072	5.347	0.000
Financial Assets * Interest Rate	0.385	0.072	5.347	0.001
Current Assets * Interest Rate	0.385	0.072	5.346	0.002
R^2 Overall	0.127			
p-Value	0.120			

Table 4.28 depicts that the overall p-value of the model, given by 0.120, which is more than 0.05, shows that the model is not fit for estimating firm value. Therefore, the hypothesis that the moderating effect of interest rate does not affect the value of firms listed at NSE is not rejected.

The overall R^2, which is 0.127, indicates that the model explains about 12.7 % of the variability in the firm value. The constant of 1.575 indicates the value of the firm in the absence of corporate governance, asset structure, interest rate, and interaction terms in the model.

Board Composition has a coefficient, a standard error, a t-statistic, and a probability value of -0.002, 0.179, -0.0111, and 0.981, respectively. Audit Committee Composition has a coefficient, a standard error, a t-statistic, and a probability value of -0.003, 0.174, -0.0172, and 0.986, respectively. Protection of Shareholders' Rights

has a coefficient of -0.002 and a standard error of 0.169, yielding a t-statistic of -0.012 and a probability value of 0.982. Financial Affairs and Auditing have a coefficient, a standard error, a t-statistic, and a probability value of -0.004, 0.178, -0.022, and 0.983, respectively. Disclosure of Financial Statements presents a coefficient, a standard error, a t-statistic, and a probability value of -0.002, 0.186, -0.0107, and 0.991, respectively. Property, Plant, and Equipment have a coefficient, a standard error, a t-statistic, and a probability value of -0.316, 0.102, -3.098, and 0.003, respectively. Financial Assets show a coefficient, a standard error, a t-statistic, and a probability value of -0.309, 0.106, -2.915, and 0.004, respectively. Current Assets exhibit a coefficient of -0.308, a standard error of 0.1045, a t-statistic of -2.947, and a probability value of 0.002. For Interest Rate, the coefficient equals -0.509, with a standard error equal to 0.803, leading to a t-statistic of -0.634 and a probability value of 0.527. The high p-values indicate no statistically significant relationships, suggesting limited macroeconomic impact, except for Property, Plant, Equipment, Financial Assets, and Current Assets, which show statistically significant negative relationships, possibly reflecting macroeconomic influences. The next phase involves assessing the relationship between independent variables, dependent variables, and the foreign exchange rate.

$$Y_{it} = \beta_{08} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{4it} + \varepsilon_8 \quad \text{.....4.14}$$

Where,

Y_{it} is Firm Value, $X1_{1it}$ is the Board Composition, $X1_{2it}$ is the Audit Committee Composition, $X1_{3it}$ is the Protection of Shareholders Rights, $X1_{4it\ is}$ the Financial Affairs and Auditing, $X1_{5it\ is}$ the Disclosure of Financial Statements, $X2_{1it}$ is the Property, Plant and Equipment, $X2_{2it}$ is the Financial Assets, $X2_{3it}$ is the Current Assets, $X4_{3it}$ is the Inflation Rate, and ε_7 is the error term. β_1 is the coefficient of Board Composition, β_2 is the coefficient for the Audit Committee, β_3 is Protection of Shareholders Rights, β_4 is the coefficient of Financial Affairs and Auditing, β_5 is the coefficient of Disclosure of Financial Statements, β_6 is the coefficient of Plant, Property, and Equipment, β_7 is the coefficient of Financial Assets, β_8 is the coefficient of Current Assets, and β_9 is the coefficient of Foreign Exchange Rate.

Table 4.29 shows the results.

Table 4.29:Relationship between Corporate Governance, Asset Structure, Foreign Exchange Rate and Firm Value.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C (Constant)	-4.111	24.24	-3.281	0.001
Board Composition	0.164	0.050	3.243	0.001
Audit Committee Composition	0.324	0.067	4.835	0.000
Shareholders Rights	0.195	0.082	2.378	0.002
Financial Affairs and Auditing	0.812	0.287	2.815	0.009
Disclosure of Financial Statements	0.551	0.245	2.249	0.000
Property, Plant, and Equipment	0.068	0.015	4.521	0.001
Financial Assets	0.245	0.124	1.954	0.002
Current Assets	1.786	0.501	3.565	0.002
Foreign Exchange Rates	0.056	0.021	2.670	0.007
R^2 Overall:	0.123			
p-Value	0.003			

Table 4.29 shows that the overall p-value of the model, given by 0.003, which is less than 0.05 shows that the model is fit for estimating firm value. Therefore, the hypothesis that the foreign exchange rate does not affect the value of firms listed at NSE is rejected. The overall R^2, which is 0.123, indicates that the model explains about 12.3 % of the variability in the firm value. The constant of -4.111 indicates the value of the firm in the absence of corporate governance, asset structure, and foreign exchange rate in the model.Board Composition has a coefficient of 0.164 and a standard error of 0.179. The values yield a t-statistic of 0.915 and a probability value of 0.001. Audit Committee Composition shows a coefficient of 0.324, a standard error of 0.174, a t-statistic of 1.860, and a probability value equivalent to 0.000. Protection of Shareholders' Rights has a coefficient of 0.195, a standard error of 0.169, a t-statistic of 1.154, and a probability value of 0.002. Financial Affairs and Auditing has a coefficient of 0.812 and a standard error of 0.178. The values yield a t-statistic of 4.564 and a probability value of 0.009. Disclosure of Financial Statements depicts a coefficient of 0.551 and a standard error of 0.186. The t-statistic is 2.964, and the p-value is 0.000. For Property, Plant, and Equipment, the coefficient is 0.068, the standard error is 0.102, the t-statistic is 0.667, and the p-value is 0.001. Financial Assets have a coefficient of 0.245, a standard error of 0.169, a t-statistic of 1.450, and a p-value of 0.002. Current Assets show a coefficient of 1.786, a standard

error of 0.178, a t-statistic of 10.019, and a p-value of 0.002. The coefficient for Foreign Exchange Rates is 0.056, with a standard error of 0.803, a t-statistic of 0.069, and a p-value of 0.007. The low p-values indicate a statistically significant positive impact on firm value. A stronger home currency makes goods more expensive in foreign markets, potentially reducing sales and revenue. Conversely, a weaker home currency can make the firm's products cheaper and more competitive internationally, potentially increasing sales and revenue.

The next phase involves assessing the relationship between the independent variables, the dependent variable, the foreign exchange rate, and the interaction terms.

$$Y_{it} = \beta_{09} + \beta_1 X1_{1it} + \beta_2 X1_{2it} + \beta_3 X1_{3it} + \beta_4 X1_{41it} + \beta_5 X1_{51it} + \beta_6 X2_{1it} + \beta_7 X2_{2it} + \beta_8 X2_{3it} + \beta_9 X4_{4it} + \beta_{10} X1_{1it} X4_{4it} + \beta_{11} X1_{2it} X4_{4it} + \beta_{12} X1_{3it} X4_{4it} + \beta_{13} X1_{4it} X4_{4it} + \beta_{14} X1_{5it} X4_{4it} + \beta_{15} X2_{1it} X4_{4it} + \beta_{16} X2_{2it} X4_{4it} + \beta_{17} X2_{3it} X4_{4it} + \varepsilon_9 \quad \text{.....4.15}$$

Where,

Y_{it} is Firm Value. $X1_{1it}$, $X1_{2it}$, $X1_{3it}$, $X1_{4it,}$ and $X1_{5it}$ are the Board Composition, Audit Committee Composition, Protection of Shareholders Rights, Financial Affairs and Auditing, and the Disclosure of Financial Statements, respectively. $X2_{1it}$, $X2_{2it}$, and $X2_{3it}$ are the Property, Plant, Equipment, Financial Assets, and the Current Assets. β_{04} is the constant term in the regression model. β_1 - β_8 are the coefficients of Board Composition, the Audit Committee, Protection of Shareholders Rights, Financial Affairs and Auditing, Disclosure of Financial Statements, Plant, Property, Equipment, Financial Assets, and Current Assets. β_9 is the coefficient of Foreign Exchange Rate.

β_{10} to β_{14} are the interaction coefficients between corporate governance measures and foreign exchange rates. β_{15} to β_{17} are the interaction coefficients between asset structure measures and foreign exchange rates.

$X1_{1it}X4_{4it}$ represents the interaction terms of the Board Composition and Foreign Exchange Rate. The same applies to the subsets of Corporate Governance.

$X2_{1it}X4_{4it}$ represents the Property, Plant, and Equipment interaction terms and Foreign Exchange Rate. The same applies to the other subsets of Asset Structure.

Table 4.30 displays the outcomes.

Table 4.30: Relationship between Corporate Governance, Asset Structure, Foreign Exchange Rate, the Interaction Terms and Firm Value,

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Intercept (C)	1.587	24.19	0.065	0.948
Board Composition	-0.002	0.179	-0.011	0.981
Audit Committee Composition	-0.003	0.174	-0.017	0.986
Protection of Shareholders' Rights	-0.002	0.169	-0.012	0.983
Financial Affairs and Auditing	-0.004	0.178	-0.022	0.984
Disclosure of Financial Statements	-0.002	0.186	-0.010	0.991
Property, Plant, and Equipment	-0.316	0.102	-3.098	0.003
Financial Assets	-0.309	0.106	-2.915	0.004
Current Assets	-0.308	0.104	-2.947	0.002
Board Composition * Foreign Exchange Rate	0.006	0.030	0.200	0.821
Audit Committee Composition * Foreign Exchange Rate	0.004	0.030	0.150	0.821
Protection of Shareholders' Rights * Foreign Exchange Rate	0.006	0.030	0.226	0.853
Financial Affairs and Auditing * Foreign Exchange Rate	0.006	0.028	0.214	0.821
Disclosure of Financial Statements * Foreign Exchange Rate	0.007	0.03	0.233	0.795
Property, Plant, and Equipment * Foreign Exchange Rate	0.375	0.072	5.208	0.000
Financial Assets * Foreign Exchange Rate	0.388	0.072	5.389	0.000
Current Assets * Foreign Exchange Rate	0.399	0.072	5.542	0.000
R^2 Overall	0.128			
p-Value	0.121			

Table 4.30 shows the overall p-value value of the model, given by 0.121, which is more than 0.05, which shows that the model is not fit for estimating firm value. Therefore, the hypothesis that the moderating effect of the inflation rate does not affect the value of firms listed at NSE is not rejected.

The overall R^2, which is 0.128, indicates that the model explains about 12.8 % of the variability in the firm value. The constant of 1.587 indicates the value of the firm in the absence of corporate governance, asset structure, foreign exchange rate, and interaction terms in the model.

Board Composition has a coefficient, a standard error, a t-statistic, and a probability value of -0.002, 0.179, -0.0111, and 0.981, respectively. The audit committee has a coefficient, a standard error, a t-statistic, and a probability value of -0.003, 0.174, -0.0172, and 0.986, respectively. Additionally, the protection of shareholders' rights

has a coefficient and a standard error of -0.002, 0.169. The values yield a t-statistic and a probability value of t-statistic, and probability values of -0.012 and 0.983, respectively. Financial Affairs and Auditing has a coefficient, a standard error, t-statistic, and a probability value of -0.004, 0.178, -0.022, and 0.984, respectively.

The disclosure of financial statements has a coefficient, a standard error, a t-statistic, and a probability value of -0.002, 0.186, -0.0107, and 0.991, respectively. The Property, Plant, and Equipment have a coefficient, a standard error, t-statistic, and probability value of -0.316, 0.102, -3.098, and 0.003 respect. This low p-value suggests a statistically significant negative relationship, possibly reflecting macroeconomic influences. Similarly, the coefficients for Financial Assets and Current Assets are -0.309 and -0.308, respectively, with low p-values below 0.005, indicating statistically significant negative relationships, possibly influenced by macroeconomic dynamics. The coefficient for interaction terms with the foreign exchange rate is -0.509 with a standard error of 0.803, generating a t-statistic and probability value of -0.634 and 0.527, respectively. The p-value indicates that interest rates exert an insignificant macroeconomic effect.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

The chapter summarizes the research findings, deductions, and recommendations on how corporate governance and asset structure affect the value of Nairobi Securities Exchange-listed firms. The findings, deductions, and recommendations are presented per the objectives and proposals for researching ahead.

5.2 Summary of the Findings

5.2.1 Corporate Governance and Firm Value

The study set out with the broad aim of determining the relationship between corporate governance and the values of firms in NSE. Descriptive outcomes demonstrated that the firms had instituted a board to direct their affairs. Most of the firms had a clear distinction where the board chairman position was not occupied by the CEO. The minimum annual meeting frequency is six, while most firms do not have a board meeting at least six times yearly. Moreover, the study outcomes indicated that the boards of the firm, with 8 to 16 members, adhered to the CMA code.

Furthermore, the portion of independent non-executive directors (NEDs) accounted for equal or more than one-third of the board's members. A secretary ensured the board's efficient operation and a finance director was responsible for finance functions in all of the firm’s businesses. Moreover, the discoveries showed that each organization had an audit committee comprising at least three directors, with a large portion of them being independent NEDs. The directors on each company's audit committee had adequate financial know-how, and the committee chairman was an independent NED. In addition, the findings indicated that the businesses disclosed the audit committee members for each fiscal year in their annual reports. The organizations additionally unveiled the activities of their audit committee in their reports. The businesses gave shareholders enough notice and information before the Annual General Meeting to support the directors' re-election. Shareholders can vote through a proxy, but none of the companies allowed them to vote by mail. The

organizations provide records on related party transactions and share ownership of the directors in annual reports.

The outcomes likewise showed that every organization produces its yearly statement by the lawfully expected date. In addition, the findings indicate that the firms include information about suitable risk monitoring systems and financial governance measures in their annual reports. Conversely, a few firms unveil the expenses paid to their external auditors for review and non-audit-related tasks in their yearly reports. The Big Four auditors audited some firms, while others received a qualified opinion. The results also indicated that all the firms include their current prospects and probable material risk factors in their annual report. Similarly, all firms have a policy on who is responsible for preparing financial statements, reports on the adequacy of internal control, policy on legal requirements, policy on corporate governance measures, and information about its level of being a going concern when preparing the annual reports.

The study applied descriptive statistics to examine the effect of corporate governance on firms' value at the NSE. The null hypothesis that corporate governance does not affect firms listed at the NSE was tested using the multiple linear regression model, and the result, therefore was that corporate governance has a very crucial role to play in the value of firms in the NSE. As for the board constitution, it was positively and significantly related to the firm worth. From these results, it was concluded that board composition enhanced the firm value and board effectiveness, which was positively and significantly associated with the audit committee constitution on company value. The study provides evidence that managing with a properly defined audit committee enhances firm value.

On the same note, there was a positive and significant relationship between the protection of shareholder rights and firm value. The result suggested that if the firm protects the ownership rights of the shareholders, then the firm value increases. There was a positive, significant correlation between financial affairs, auditing, and firm value, thus concluding that financial affairs and auditing functions enhanced the firm value. Likewise, the association between the disclosing financial statements and firm

value was positive and statistically significant. This implied that there is a positive relationship between the disclosure of financial statements and firm value.

Other control variables include the age, size, and leverage of the firm. The results also suggest a positive and non-significant correlation between the size and the company value. This implies that increasing the company assets increases the company value. Leverage has a positive and significant relationship with firm worth. The result indicates that there is an increase in the value of a firm when leverage is considered. Firm age and value are weakly negatively related, but the relationship is not statistically significant. The results imply that the value of a firm declines as the number of years since listing increases.

The model turned out to be statistically significant, meaning that corporate governance plays a significant role on firm value. Therefore, the null hypothesis that corporate governance had no impact on the value of firms listed in the NSE was thus turned down.

5.2.2 Assets Structure on Firm Value

The research's second objective was to assess how asset structure influences the value of Nairobi Securities Exchange-listed companies. Subsequently, to examine the null hypothesis that mentioned asset structure does not have an impact on worth of the firms listed at the NSE, a multiple regression model was run, and it revealed a significant and positive relationship between the firm value and plant, property, and equipment. This was in line with the findings of the study where fixed assets such as machinery, plant, and property increased company value. There was also a positive and significant relationship between total firm value and total financial assets. The findings suggested that financial assets boost firm value. Positive and significant correlations existed between the company value and its current assets, implying that current assets negatively affect company value.

Furthermore, the analysis identified that there is a positive and significant relationship between firm size and company value. The conclusion was that a company's value rises when its assets are increased. The association between leverage and firm worth was positive and critical. This suggested that an increase in the leverage of the firm

increases the value of the firm. The association between the age of the company and its value was significant and negative. The findings suggested that a firm's value decreases with increasing years since it was listed. The fact that the model was statistically significant suggests that asset structure significantly affects firm value. As a result, the null hypothesis that asset structure does not affect the value of Nairobi Securities Exchange-listed companies was rejected.

5.2.3 The Mediating Effect of Financial Performance on Corporate Governance, Asset Structure, and Firm Value.

The third research objective was to determine the moderating effects of financial performance on the relationship between corporate governance, asset structure, and firms' value listed in NSE. The findings showed that the mediating and independent variables had a positive influence on the outcomes. The results pointed towards the fact that corporate governance and asset structure were factors that reflected the performance of a firm. The findings showed that there was a relationship between the mediating and dependent variables. The analysis showed that firm value was influenced by financial performance. The results highlighted that firm value was positively associated with corporate governance. The asset structure was also found to be positively related to firm value in the study. Similarly, for the financial performance and firm value regression the findings were also statistically significant. These findings imply that both corporate governance and the structure of assets influence the firm value, even when financial performance is included in the model. The evidence, therefore, indicates that financial performance is a full mediating variable. Therefore, the second null hypothesis that financial performance does not moderate the relationship between corporate governance, asset structure and the value of firms at NSE was also dismissed.

5.2.4 Moderating Effect of Macroeconomic Factors on the Relationship Between Corporate Governance, Asset Structure, and Firm Value.

The fourth research objective was to assess the moderating role of macroeconomic factors in the relationship between corporate governance, asset structure, and the value of firms listed in NSE. Therefore, a multiple linear regression analysis was carried out to test the null hypothesis that macroeconomic factors do not serve as a

moderator between corporate governance, asset structure, and the value of firms listed in the Nairobi securities exchange. As suggested by Baron and Kenny (1986), the moderated mediation analysis was conducted in three steps.

The first step involved the assessment of the correlation between the dependent and the independent variables. The results indicated a positive relationship between the independent and dependent variables. These discoveries indicated that corporate governance and asset structure are determinants of firm value. The next step involved assessing the relationship between the moderating variables, dependent and independent variables. The results established the relationship between the independent and dependent variables. The outcomes also showed that there was no significant relationship between the moderating variable, that is, the macro environment and the dependent variable.

The last step involved introducing into the model, the relationship between the moderator and the independent variables. As shown by the outputs, the p-value was less than the set significance level regarding the correlation of corporate governance and macroeconomic factors. These discoveries suggested that the rates of inflation, economic growth, interest, and foreign exchange rates do not mediate the relationship between corporate governance and firm value. Thus, the null hypothesis that the macroeconomic elements are not strong enough to influence the relationship between corporate governance and the value of the firms listed on the NSE is supported. The outcomes also proved moderating value for the link between asset structure and macroeconomic factors. The discoveries suggested and indicated that macroeconomic variables explain the relationship between asset structure and firm value. Therefore, the null hypothesis that macroeconomic elements influence the relationship between asset structure and the value of firms listed on the NSE is therefore dismissed.

5.3 Conclusions

The purpose of this study was to determine the impact that corporate governance and asset structure have on firms' value in the NSE. To achieve the set goals, the assessment used multiple regression analysis to test four hypotheses. As a result, the conclusion is provided in this part based on the findings as highlighted above.

5.3.1 Corporate Governance and Firm Value

The first objective was to establish if corporate governance influenced the valuations of firms listed in NSE. The results obtained indicated that corporate governance has a significant impact on the value of companies listed in NSE. Corporate governance measures like board constitution, audit committee composition, shareholder rights safeguarding, financial affairs, auditing, and financial statement disclosure influence firm value significantly and positively.

5.3.2 Assets Structure on Firm Value

The research's second objective was to examine how asset structure affects the value of Nairobi Securities Exchange-listed firms. The research concludes that asset structure significantly affects firm value. Specifically, plant, property, and equipment have a significantly positive relationship to the value of a company. Investing adequately in plant, property, and equipment will enhance firm value. Similarly, financial assets positively and significantly influence firm value. Therefore, investing additional funds in financial assets will increase the firm value. Another component that has a strong and positive relationship with firm value is current assets. Having sufficient current assets will thus ensure better firm value.

5.3.3 Corporate Governance, Asset Structure, and Firm Value.

The third objective of the research study was to establish the nature of the relationship between financial performance and independent variables and the dependent variable. Consequently, this research work assumes that financial performance plays a moderating role in determining the relationship between corporate governance, asset structure, and the value of firms listed on the Nairobi securities exchange. For instance, corporate governance and asset structure determine firm value, while financial performance and asset structure determine the worth of the firm.

5.3.4 Moderating Effect of Macroeconomic Factors on the Relationship Between Corporate Governance, Asset Structure, and Firm Value.

The fourth objective of this study was to examine the moderating role of macroeconomic factors on the relationship between corporate governance, asset structure and value of firms listed in NSE. The results indicated that there was a very weak relationship between the moderating variables (macro environment) and the

firm value variable. The results depicted an insignificant p-value to the relation between corporate governance and macroeconomic factors. These discoveries suggested that macro factors do not mediate the relationship between corporate governance and firm value. In this way, the null hypothesis that the macroeconomic elements do not influence the relationship between corporate governance and the worth of firms listed in the NSE is supported. The outcomes additionally demonstrated significant value for the connection between asset structure and macroeconomic variables. The discoveries inferred that macroeconomic variables moderate the interlink between asset structure and firm value. Therefore, given that the analysis has shown that macroeconomic elements impact the relationship between the asset structure and the value of firms recorded at the NSE, the null hypothesis can be rejected accordingly.

5.4 Recommendations

Therefore, based on the analysis of this study which applies Agency Theory, Stakeholders Theory and Pecking Order Theory in considering the corporate governance, asset structure and the value of firm, the following are recommendations for practice, policy, and future research. The following recommendations should apply to improve corporate governance, efficiency in structure and firm value in firms listed in NSE.

5.4.1 Recommendations for Policy Makers

To Strengthen Corporate Governance Regulations, the corporate governance measures should be complemented by high levels of corporate governance rules and regulation of the board of directors' composition, actions, and ethical norms. The study recommends the promotion of frequent auditing and self-organised supervision of the governance structures and related regulations. This will maintain a robust governance structure and investors' credibility and confidence.

On promotion of optimal Asset Structure, the study recommends the cases in support of diversification policies and efficient risk management measures as ways for the companies to minimize the impact of macroeconomic changes and industry-specific shocks as well as availing sound policies on the proper management of capital so that firms can keep an efficient stock of the assets that are there in the company as well

as the risks involved in various businesses. To enhance Financial Reporting Standards of financial reporting, CMA helps compare and check the accuracy of the company's performances. This will aid in appropriate decision-making by investors as well increase the degree of transparency in the market.

The study recommends the promotion of studies on the role that financial performance plays in moderating corporate governance, asset structure, and firm value nexus. This will give sub-optimal insights into how these factors relate to each other. The CMA should relax the regulations so that firms can alter their strategies according to the macroeconomic variables. Increase awareness of economic risk assessment and scenario planning to prevent negative effects. To improve investor education, a collaborative framework with relevant regulatory bodies and industry and market players to consider issues of corporate governance problems, assets structures and firms' performance should be put in place. The regulator to conduct periodic empirical analysis of new findings to place the policies' content and processes in a current perspective and make modifications where changes in market features demand them.

5.4.2 Recommendations for Practice

The regulator, to ensure proper oversight, adopt a two-tier structure that would require that the position of the CEO and the board chairperson be filled by different people. Refrain from having too many board members, and it must comprise at least a third Independent Non-Executive Director (NEDs). On Audit Committee composition, the regulator to ensure at least one of the majority of independent NEDs serve in the audit committee and chaired by an independent NED with financial experience.

On disclosure practices, firms should file annual reports to shareholders, where shareholders must get all-around reports regarding the implementation of financial governance measures, audit fees, related party transactions, risk evaluation reports, and compliance reports of laws and standards.

On optimal asset structure, firms' managers allocate enough resources to plants, properties, and equipment to cater to operation requirements. Invest the remaining

unemployed funds into financial assets to get extra income while ensuring sufficient funding for current assets to cater to the daily operations is available. This will assist in controlling costs and managing operational liquidity and financial stability.

5.4.3 Recommendations for Further Study

This study analyzed the relationship between corporate governance and asset structure, and the magnitude of listed firms in NSE. As such, such studies could be extended to firms that are not quoted on the NSE with the view of establishing the practices on corporate governance that had been put in place and their effects on performance. Furthermore, a research emphasis could be placed on other elements of corporate governance, such as gender, age, and the profession of the board members, as well as the ownership structure.

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APPENDICES

Appendix I: Secondary Data Collection Sheet

Firm Name…….
Date Listed……...
Corporate Governance Index (Score 1 if true, 0 otherwise)

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Board composition										
1	Are the chairman of the board and the chief executive officer post separated?										
2	Is the board size between 8 and 16 members, as recommended by the CMA Code?										
3	Does the proportion of the independent non-executive directors (NEDs) represent at least one-third but not less than two of the total members of the board?										
4	Does the firm have a finance director charged with the responsibility for the finance function?										
5	Does the firm have a secretary charged with the responsibility for the effective function of the board?										
	Subtotal										

	Audit Committee Composition										
1	Does the firm have an audit committee in place?										
2	Is the audit committee of a firm composed of a minimum of three directors, of whom the majority are independent NEDs?										
3	Do the firm audit committee members comprise directors with adequate financial knowledge?										
4	Is the chairman of the audit committee an independent NED?										
5	Does the firm disclose in its annual report the membership of its audit committee for each financial year?										
6	Does the firm report on the activities of its audit committee in the annual report to shareholders?										
	Subtotal										
	Protection of Shareholders Rights										
1	Does the firm give adequate notice and information to its shareholders before it is Annual General Meeting (AGM)?										
2	Does the firm allow shareholders to approve its directors' re-election at the AGM?										
3	Does the firm facilitate voting by proxy to appoint directors at the AGM?										

4	Are there any opportunities given to the firm's shareholders to vote by mail?										
5	Does the firm provide --information related to party transactions to its shareholders in its annual report?										
6	Does the firm disclose its directors' share ownership in its annual report to shareholders?										
	Subtotal										
	Financial affairs and auditing										
1	Does the firm produce its annual report by the legally required date?										
2	Does the firm provide information in its annual report on the existence of appropriate systems to monitor risk and financial governance measures?										
3	Does the firm disclose in its annual report the fees paid to its external auditors for audit and non-audit-related work?										
4	Did the firm disclose in its annual report the fees paid to its external auditors for audit and non-audit-related work?										
5	Was the firm audited by a Big 4 Auditor?										
6	Did the firm financial report receive a nonqualified opinion?										
	Compliance with Disclosure requirements										
1	Does the firm's annual report include information on its current and prospects together with foreseeable material risk factors?										

2	Does the firm disclose a statement of the responsibility of preparing its financial statements in its annual report?										
3	Does the firm produce a statement on the adequacy of internal control in its annual report?										
4	Does the firm disclose a statement of compliance with the law in its annual report?										
5	Does the firm disclose a compliance statement with corporate governance in its annual report?										
6	Does the firm produce information on the degree of being a going concern in its annual report?										
	Subtotal										
	GRAND TOTAL										

Variable	Data	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Asset structure	Property Plant and Equipment										
	Financial Assets										
	Current assets										
	Total Assets										
Financial performance	Earnings before Tax										
	Total Equity										
Firm value	No. of outstanding shares										
	Annual closing market price per share (MPS)										
	Non-current Liabilities (debt)										
Control Variables	Total assets										
	Total Debts										
	Firm Size(Log Total.Assets)										
	Firm Age										
Macroeconomic Factors	Average Annual Inflation rate										
	The annual GDP growth rate										
	Annual interest rate										
	Foreign exchange rate (Annual Ksh. against United States dollars)										

Appendix II: Firms Listed at the Nairobi Securities Exchange

1. Athi River Mining
2. British Oxygen Company Kenya Ltd
3. Bamburi Cement
4. Absa Bank Ltd
5. Bank of Kigali Group PLC
6. Britam Holdings Ltd
7. British American Tobacco Kenya Ltd
8. Car and General (K) Ltd
9. Carbacid Investments Ltd
10. Certified Insurance Counselor Insurance Group Ltd
11. Crown Paints Kenya PLC.
12. Deacons (East Africa) PLC
13. Diamond Trust Bank Kenya Ltd
14. E.A. Cables Ltd
15. East African Portland Cement Ltd
16. Eaagads Ltd
17. East African Breweries Ltd
18. Equity Group Holdings
19. Eveready East Africa Ltd
20. Express Ltd
21. Flame Tree Group Holdings Ltd
22. Housing Finance Group Ltd
23. Investment and Mortgage Holdings Ltd
24. Jubilee Holdings Ltd
25. Kakuzi
26. Kapchorua Tea Company Ltd
27. Kenya Commercial Bank Group Ltd
28. KenGen Ltd
29. Kenya Airways Ltd
30. Kenya Orchards Ltd
31. Kenya Power & Lighting Co Ltd

32. Kenya Re-Insurance Corporation Ltd
33. Kurwitu Ventures
34. Liberty Kenya Holdings Ltd
35. Limuru Tea Company Ltd
36. Longhorn Publishers Ltd
37. Mumias Sugar Company Ltd
38. Nairobi Business Ventures Ltd
39. Nairobi Securities Exchange Ltd
40. Nation Media Group
41. National Bank of Kenya Ltd
42. New Gold Issuer (RP) Ltd
43. National Commercial Bank of Africa Group PLC
44. Olympia Capital Holdings
45. Rea Vipingo Plantations Ltd
46. Safaricom PLC
47. Sameer Africa PLC
48. Sanlam Kenya PLC
49. Sasini Ltd
50. Scan Group Ltd
51. Stanbic Holdings PLC
52. Standard Chartered Bank Ltd
53. Standard Group Ltd
54. StanlibFahari I-REIT
55. The Co-operative Bank of Kenya
56. Total Kenya Ltd
57. Tourism Promotion Services Eastern Africa (Serena) Ltd
58. Uchumi Supermarket Ltd
59. Umeme Ltd
60. Unga Group Ltd
61. Williamson Tea Kenya Ltd
62. Centum Investment PLC
63. Homeboyz Entertainment PLC
64. Home Africa PLC

Appendix III: National Commission for Science, Technology, and Innovation Research Licence