
**DISCLOSURE PRACTICES AND FIRM VALUE: A QUANTILE REGRESSION
ANALYSIS OF FIRMS LISTED ON THE NAIROBI SECURITIES EXCHANGE**

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ABSTRACT

Existing empirical evidence on the relation between disclosure practices and firm value is inconsistent. The overall objective of this paper is to investigate the relationship between firm value and disclosure practices among firms listed at the Nairobi Securities Exchange (NSE). Data was collected from 39 listed firms that had complete data from 2003 to 2013. A quantile regression approach was adopted to provide more reliable findings compared to those from past studies based on Ordinary Least Squares (OLS). The empirical results reveal a negative relationship between disclosure practices and firm value across all quantile of the firm value distribution. Furthermore, the results indicate that OLS overestimates and underestimates the effects of disclosure practices on the firm value at different quantile of the firm value distribution.

Keywords: Corporate governance, firm value, disclosure, Kenya, quantile regression

INTRODUCTION

This study contributes to the continuous firm value – corporate governance by specifically focusing on disclosure practices. The importance of disclosing firm information to investors and other stakeholders was acknowledged by Cheung, Connelly, Estanislao, Limpaphayom, Lu, and (2014). Disclosure practices are important corporate governance mechanisms, especially after the collapse of Enron in 2001. Corporate governance frameworks continue to be reviewed towards more disclosure of firm information. Firms that adopt effective corporate governance structures are best placed to provide transparent information on their decisions. Indeed, OECD (2004, 2015) advocates for a corporate governance framework that guarantees timely and accurate disclosure of material information to a firm's shareholders. Consequently, firms that accurately disclose information are expected to benefit from positive investor perceptions leading to higher firm value.

However, the belief that firms that disclose more information to their stakeholders benefit by having higher values is not consistently supported by empirical evidence. Some studies (BaekKang,& Park, 2004; Bubbico,Giorgino, &Monda, 2012; Cheung et al. 2014; Klein,Shapiro& Young, 2005), report a positive effect between disclosure practices and firm value. On the contrary, Ficici and Aybar (2012) and Siagran, Siregar, and Rahadian (2013) document a negative effect of disclosure practices on the firm value. This paper focuses on the relationship between disclosure practices and firm value within the Kenyan context.

1.1. Corporate governance and disclosure environment in Kenya

The corporate governance debate in Kenya has received much attention from policy makers for almost two decades (Capital Markets Authority[CMA], 2014; Mang'unyi, 2011). According to Lishenga and Mbaka (2015) institutions such as CMA, NSE, Central Bank of Kenya [CBK] and the Centre for Corporate Governance have played a key role in creating corporate governance awareness in corporate Kenya. The corporate governance debate in the country began in the late 90s with the introduction of voluntary corporate governance guidelines in October 1999 by the Private Sector Corporate Governance Trust (Wanyama&Olweny, 2013).

The formal recognition of the importance of corporate governance was in 2002, when CMA introduced the guidelines on corporate governance practices by public listed firms in Kenya. Lishenga and Mbaka (2015) are of the view that introduction of these guidelines marked a major milestone in the corporate governance reform process in Kenya. Listed firms were required to comply with these guidelines with effect from the financial year ending in 2002. Specifically, the firms were to disclose in their annual reports whether they complied with the corporate governance guidelines and provide reasons for non-compliance (CMA, 2002). Subsequently, these corporate governance guidelines have been supported by private sector initiatives such as widespread director training and corporate governance seminars (CMA, 2014).Despite all the efforts made to date, corporate Kenya continues to face governance challenges (Cytton Investments Management Ltd, 2016; Mang'unyi, 2011; Wanyama&Olweny, 2013).

The Kenyan capital markets regulator has shown commitment to an ongoing formal review process of the existing governance framework. In 2016, a new framework was put in place with the release of "The Code of Corporate Governance Practices for Issuers of Securities to the Public 2015". This new code advocates for more disclosure by firms. Furthermore, other stakeholders have put concerted efforts to improve the state of corporate governance in the country. For instance, in 2010, the Institute of Certified Public Secretaries of Kenya (ICPSK) launched the Champions of Governance (COG) Award with an aim to promote good governance

practices in firms in Kenya. In 2015 a new code of corporate governance for State Corporations, known as “Mwongozo” to provide a governance framework for state corporations was introduced. Further, in 2014 the NSE launched the NSE Leadership and Diversity Dialogue series to promote aspects of diversity and foster best practices in corporate governance across the NSE-listed company boards.

However, despite all these efforts to raise the corporate governance bar in Kenya, there have been cases of corporate malpractices that have almost wiped out public investors’ values. Listed firms such as Mumias Sugar, CMC Motors, Uchumi Supermarkets and Kenya Airways have almost been brought to collapse due to governance challenges. Therefore, the question is whether or not all these efforts to enhance corporate governance in relation to disclosure practices bear fruits through higher firm values. Thus, in contribution to the debate in Kenya, this paper investigates valuation benefits of disclosure practices among listed firms in the country.

2. Research problem

The recent corporate governance related losses experienced in corporate Kenya casts doubt on the positive effect of corporate governance practices on firm value. A report by Cytonn Investments Management Ltd (2016) shows that a total loss of about sh 264.3 billion in value were experienced by investors of Mumias Sugar, CMC Motors, Uchumi Supermarkets, Tran century, Kenya Airways and National Bank of Kenya. This represents about 9.8% of the listed firms. These firms released audited annual reports to the public annually as required by CMA. The question is whether, the information disclosed in these reports had positive investor perceptions or not. Further, this casts doubt on the firms’ quality of disclosure and transparency. In contribution to the firm value-corporate governance debate in the country, this paper examines the effect of disclosure practices on firm value.

Empirical studies based in Kenya are scanty. Many of the Kenyan studies focus on other corporate governance mechanisms. For instance, Ongore and K’Obonyo (2011) studied listed firms at the NSE and found a significant positive relationship between foreign, insider, institutional ownership and firm performance. The study by Miyiinda, Oirere, and Miyogo (2013) on NSE listed firms provides evidence of a weak positive relationship between director remuneration and firm performance as measured by Tobin’s Q. In a study on ownership structure and firm performance, Mang’unyi (2011) found no significant effect of ownership on performance. While the above studies focus on other corporate governance attributes, this paper concentrates on the relationship between disclosure practices and firm value.

Moreover, most prior studies used OLS which assumes average effects of predictor variables on the dependent variable. The study by Lishenga and Mbak (2015) in Kenya examined the relationship between disclosure and firm performance using an OLS model. The use of quantile regression in this paper helps to shed light on the heterogeneous effects of disclosure practices along the levels of the firm value distribution. Furthermore, past studies have focused on the developed economies and emerging economies, while research in developing countries such as Kenya is limited. Through the use of quantile regression analysis this paper addresses several gaps which include: inconclusive evidence on the effect of disclosure practices on firm value; methodological inconsistencies; and scanty evidence on developing countries.

3. Objectives

The overall objective of the study is to investigate the relationship between firm value and disclosure practices for firms listed at the NSE. The specific objectives are:

- i) To examine the extent of adoption of good disclosure practices by firms listed at the NSE
- ii) To determine the effect of disclosure practices on the value of firms listed at the NSE

4. Literature review and hypothesis

Corporate governance is a key a subject of debate and the theoretical perspectives have been widely documented in literature. According to the agency theory by shareholders appoint directors to boards to safeguard their interests (Jensen & Meckling, 1976). This is believed to minimize the agency problem which arises due to the conflict of interests between shareholders and managers. Therefore, the board of directors is expected to put in place governance structures that enhance value. Specifically, the board is tasked with ensuring proper disclosure practices (Tornyeva & Werekko, 2012). Furthermore, the stakeholders' theory by Freeman (1984) argues that a firm's value maximization goal is not only for shareholders but for other parties interested in its success such as lenders, suppliers, employees, government regulator and customers among others. Consequently, from a stakeholders' view, a firm should create value for all its stakeholders (Kyreboah-Coleman, 2008; Turnbull, 1997). This implies that the corporate governance mechanisms such as disclosure practices put in place by a firm would contribute to greater value for all stakeholders.

Disclosure focuses on the transparency level of companies to the financial community and the quality of the information disclosed (Bubbico, Giogino & Monda, 2012). OECD (2015) advocates for a corporate governance framework that ensures timely and accurate disclosure on all material financial and non-financial information to shareholders. Additionally, Cheung et al. (2014), insist that firms need to ensure timely and accurate disclosure of matters that are important to investors and regulators, such as financial performance and ownership. This implies that firms that adopt

adequate disclosure practices are more transparent and would benefit by having higher firm values.

The importance of firm disclosure practices as an important governance mechanism is evidenced by the empirical studies examining the relationship between firm disclosure and value. However, these studies document mixed results. One strand of empirical evidence suggests that disclosure as a corporate governance mechanism is related to creation of value in firms. For instance, Bubbico et al. (2012) used pooled OLS, fixed effects and random effects regression to investigate 32 listed financial institutions in Italy and found a significant positive relationship between quality of disclosure and firm market value. Similarly, Baek et al. (2004) reported that firms with higher a disclosure quality experienced a smaller reduction in value during the Korean financial crisis. In their Kenyan study, Lishenga and Mbaka (2015) used OLS and reported a positive relationship between governance disclosure practices and firm performance. Further, Klein et al. (2005) found that effective disclosure practices leads to increased firm performance. Moreover, the study by Cheung et al. (2014) using an OLS model established a positive relationship between disclosure quality and market value of listed firms in five Asian economies.

On the contrary, there are some studies that reported different findings on the relationship between corporate disclosure and value. For instance, in a study of 9 ADR issuing emerging countries, Ficici and Aybar (2012) showed that higher financial transparency and disclosure scores led to decrease in value. Similarly, Siagran et al. (2013) carried out a study in Indonesia and found a negative association between reporting quality and firm value. Furthermore, a study by Henry (2008) showed that although corporate governance structure is important, the disclosure of governance practices had no effect on firm value. Existing literature suggests that firm disclosure practices are positively related to firm value. Thus, the paper tests the following null hypothesis

Null hypothesis: Firm disclosure practices have no significant effect on firm value.

5. Research Methodology

5.1. Sample size, data and data collection method

The units of analysis were the firms listed at the NSE in different sectors during the period from 2003 to 2013. Consequently, the sample for this study was all the firms listed at the NSE with complete data during the study period. A total of 22 firms with missing annual reports during the study period, suspended, merged and listed after 2002 were excluded. Hence, from a total of 61 firms, the final sample consisted of 39 firms over eleven years (429 firm-year observations).

Data from 2003 to 2013 were obtained from secondary sources. The reason for choosing this period was because CMA's corporate governance guidelines for listed firms came into force in May 2002. The study's time frame corresponds to the post formal adoption period of CMA's 2002 corporate governance guidelines. As per the 2002 corporate governance guidelines, CMA required firms to include a corporate governance statement in their annual reports, from any financial period ending after May 2002. Using an eleven-year panel data in this paper provides a longer data scope compared to prior studies in developing countries like Kenya.

There were two sets of data, that is, financial data and disclosure practices data collected from published annual reports of firms in line with previous studies (Cheung et al., 2014; Da Silva, Leal, Barros and Carvalhal-da-Silva, 2009; Garay & Gonzalez, 2008). Financial data comprised of data used to calculate firm value as well as firm size, risk, growth prospects and leverage included as control variables. Data on disclosure practices comprised of governance attributes such as the level of transparency in presenting annual reports to the firm's stakeholders, quality of information presented and disclosed among others.

This dependent variable of interest is firm value. Following prior studies such as Ammann et al. (2011), Ficici and Aybar (2012), Gompers et al. (2003), Henry (2008) and Krafft et al. (2013), firm value was measured by Tobin's Q. Tobin's Q was calculated as: (Market value of equity + book value of debt + book value of preference shares) / book value of total assets. The focus independent variables are disclosure practices. In line with prior studies (Bubbico et al., 2012; Cheung et al., 2014; B. Dincer & Dincer, 2013), twelve disclosure attributes were used to calculate a disclosure practices index ranging from 0% to 100%.

Control variables were included in line with literature (Creswell, 2014) as they may potentially affect the dependent variable. In addition, including control variables reduces the omitted variable bias (Wooldridge, 2002). In connection, the control variables were firm size, growth prospects, leverage, and risk in line with empirical literature (Bhagat & Bolton, 2008; Dharmapala & Khanna, 2012; Ficici & Aybar, 2012; Gupta, Kennedy & Weaver, 2009; Krafft et al., 2013; Oesch, 2011). Firm size was measured by total assets while growth prospects were proxied by annual growth of revenues. Firm leverage was calculated as the ratio of total debt to total assets for each firm-year while firm risk was measured by the standard deviation of daily share prices. In line with literature (Billger & Lamarche, 2015; Dang & Nguyen, 2016), this paper adopted aquantile regression which is robust to outliers and heteroscedasticity. The specified model is as follows:

$$TobQ_{it\theta} = \alpha_{\theta} + \beta_{1\theta}DISC_{it} + \beta_{2\theta}GROW_{it} + \beta_{3\theta}LEV_{it} + \beta_{4\theta}SIZE_{it} + \beta_{5\theta}RISK_{it} + \varepsilon_{it}$$

Where: $TobQ_{i\theta}$ is the Tobin's Q for firm i in year t at quantile θ ; α_θ is the intercept associated with quantile θ ; $\beta_{1\theta-5\theta}$ are the regression coefficients associated with quantile θ ; $DISC_{it}$ is the Disclosure index for firm i in year t ; $GROW_{it}$ is the growth prospects for firm i in year t ; LEV_{it} is the leverage for firm i in year t ; $SIZE_{it}$ is the size of firm i in year t ; $RISK_{it}$ is the risk for firm i in year t ; ε_{it} is the error term for firm i in year t ; θ represents the quantile in the conditional distribution of the Tobin's Q; i is the NSE listed firm, whereas t denotes time period

First of all, the above model was estimated using OLS so as to generate average regression coefficients of the determinants of firm value. Secondly, the same model was estimated at the 0.1, 0.25, 0.5, 0.75 and 0.9 quantiles of the Tobin's Q distribution. Subsequently, the tests of equality of coefficients across the quantiles were done. Additionally, each of the coefficients across the quantiles was compared with the OLS coefficient to detect any underestimation or overestimation by OLS. Furthermore, the process was repeated after substituting the firm's Tobin's Q with the industry-median adjusted Tobin's Q ($Adj\text{tobq}$) as a dependent variable to test for robustness of the study results. The industry-median adjusted Tobin's Q was selected in line with Krafft et al. (2013), and Henry (2008).

6. Results

6.1. Descriptive statistics

The descriptive statistics are presented in Table 4.1. The constructed disclosure index was expected to have a score range of 0-100% inclusive. The statistics in Panel A show minimum and maximum scores of 33.3% and 100% respectively. The aggregate mean value was 90.5%, implying a high compliance with CMA's guidelines on disclosure practices. Moreover, the results in Panel B show that the compliance level improved every period given that the annual average increased from 85.5% in 2003 to 94% in 2013. The results of the ANOVA F-test and Welch F-test in Panel C, show that the mean values in 2003 and 2013 are statistically different at the 1% significance level. The gradual increase on this sub-index points to an improving trend in compliance levels and hence this indicates that firms embraced the disclosure requirements as per CMA's corporate governance guidelines of 2002.

The firm financial data included in the study were measures of firm value, leverage, growth prospects, risk and size. With respect to firm value, the aggregate mean results in Panel A show that on average, the Tobin's Q for listed firms in Kenya revolved around 1.219 for the period under study. The maximum value was 5.493 while the minimum was 0.127 indicating a high dispersion of respective firm values across the studied firms. This is further evidenced by an

aggregate standard deviation of 0.957. With respect to leverage, results in Panle A show that on average, firms financed their assets using 28% debt as shown by the mean value of leverage across the studied firms. However, while there were firms that did not use debt financing as evidenced by the minimum leverage value of 0, others depicted a high usage as shown by the maximum leverage ratio of 88%. Turning to firms' growth prospects, results showed a high dispersion with minimum and maximum growth rates of of -56.5% and 207.9% respectively.

The firm risk as measured by standard deviation of daily share prices had an aggregate mean value of 13.304. The level of risk level was highly dispersed as indicated by the maximum and minimum values of 151.557 and 0.187 respectively as well as a standard deviation of 19.353. The size of these firms measured by total assets was highly varied as indicated by the minimum and maximum values of sh 57, 291,000 and sh 391 billion. This was expected as the listed firms in the Kenyan stock market range from small sized local firms to large corporations that are locally as well as foreign owned. The results show the varied nature of average firm size per cross section. On aggregate, the results show an average firm size of sh 27.1 billion.

Table 4.1: Descriptive Statistics

Variable	DISC	Tob Q	Adjtoqb	Lev	Grow	Size ^a	Risk
<i>Panel A: Aggregate values</i>							
Mean	0.905	1.219	0.237	0.282	0.162	27.13	13.304
Stddev	0.120	0.957	0.879	0.294	0.284	49.98	19.353
Minimum	0.333	0.127	-1.173	0.000	-0.565	0.057	0.187
Maximum	1.000	5.493	4.088	0.882	2.079	390.85	151.557
0.25 Quantile	0.83	0.57	-0.19	0.03	0.03	2.33	2.76
Median (0.5 quantile)	0.917	0.996	0.000	0.187	0.125	7.81	6.611
0.75 quantile	1.00	1.40	0.31	0.43	0.26	29.28	16.10
<i>Panel B: Mean values per year</i>							
2003	0.855	1.088	0.107	0.259	0.122	11.5	16.316
2004	0.863	1.165	0.184	0.272	0.151	12.9	16.938
2005	0.883	1.469	0.488	0.273	0.166	14.2	10.324

2006	0.880	1.671	0.690	0.289	0.197	17.2	25.654
2007	0.900	1.463	0.481	0.279	0.207	20.8	17.099
2008	0.904	1.242	0.261	0.294	0.159	25.5	11.320
2009	0.921	1.055	0.073	0.287	0.115	28.3	7.686
2010	0.919	1.174	0.192	0.293	0.210	32.7	12.273
2011	0.942	0.932	-0.049	0.296	0.168	39.4	10.358
2012	0.945	1.039	0.058	0.271	0.179	44.3	9.490
2013	0.940	1.106	0.125	0.286	0.111	51.6	9.490
Panel C: Equality of Means test							
ANOVA F-test	2.85***	2.20**	2.63***	0.06	0.60	2.99***	3.02***
Welch F-test	2.82***	2.02**	2.40**	0.06	0.83	2.86***	2.05**

Note. Total number of firm-year observations = 429

^aSize is in billions of Ksh.

*** Significant at 1% level; ** Significant at 5% level; * Significant at 10% level.

6.1. Regression results

Statistical tests were carried out to ascertain reliability of the data. These tests included panel unit root test, normality, multicollinearity, heteroscedasticity and autocorrelation. However, for purpose of conciseness these tests' results are not presented. The empirical results of the quantile regression model are presented in Table 4.2. To control for other firm specific characteristics, the disclosure index were regressed against Tobin's Q excluding the control variables and the results are shown in Table 4.2 Panel B. Subsequently, the model was run including the control variables and the results are shown in Table 4.2 Panel A.

The firm's' disclosure practices index comprised of disclosures on indicators such as related party transactions, remuneration of executive and non-executive directors, board committees and corporate governance statement among others. In the absence of control variables, the results in Table 4.2 Panel B show that the coefficients on DISC across all the quantiles were negative but only significant at the 0.75 (p-value = 0.01) and 0.9(p-value = 0.008) quantiles. This implies that

without control variables, disclosure practices of a firm had a negative effect at the higher values of the firm value distribution.

As can be seen in Panel A of Table 4.2, even with the inclusion of control variables the coefficients remained negative across all the quantiles and only significant at the 0.75 and 0.9 quantiles. However, the significance was much lower after adding the control variables. For instance, the p-values increased from 0.01 to 0.096 and from 0.008 to 0.078 at the 0.75 and 0.9 quantiles respectively. This implies that the presence of other firm specific factors affects the interaction between disclosure practices and firm value. Further, the results in Table 4.2 Panel A show that for each unit increase in the disclosure index (DISC), Tobin’s Q decreases by 1.51 and 2.49 units at the 75th and 90th percentiles respectively. Therefore, the effect of the disclosure index increases for firms with higher Tobin’s Q (higher quantiles). Consequently, the increasing magnitude of coefficients along the quantiles implies a stronger effect of the disclosure practices on the firm value.

Table 4.2: OLS and quantile regressions of firm value and disclosure

Variable	OLS	Quantiles				
		0.1	0.25	0.5	0.75	0.9
<i>Panel A: Including control variables</i>						
Constant	2.804*** (0.000)	0.592***+ (0.000)	1.342***+ (0.000)	2.276*** (0.000)	3.261*** (0.000)	4.933*** (0.000)
DISC	-1.090** (0.023)	-0.060+ (0.545)	-0.124+ (0.616)	-0.260+ (0.567)	-1.510* (0.096)	-2.490* (0.078)
GROW	-0.071 (0.641)	-0.003 (0.922)	-0.0307 (0.696)	0.066 (0.648)	0.041 (0.888)	-0.136 (0.762)
LEV	-0.041 (0.820)	0.931***+ (0.000)	0.8545***+ (0.000)	0.547***+ (0.002)	-0.288 (0.403)	-1.346**+ (0.012)
SIZE	0.000777	0.000125+	-0.000145+	0.000200	0.001460+	0.003193

	(0.480)	(0.586)	(0.798)	(0.848)	(0.484)	(0.326)
RISK	0.015***	0.003***+	0.005***+	0.016***	0.029***+	0.035***+
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
R2	0.1758					
Pseudo R2		0.2041	0.1677	0.1213	0.1635	0.2719
<i>Panel B: Excluding control variables</i>						
Constant	3.283***	0.800***+	1.724***+	1.939***+	4.329***	6.622***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
DISC	-1.336***	-0.080 ⁺	-0.269 ⁺	-0.117 ⁺	-1.808***	-5.166***+
	(0.007)	(0.769)	(0.422)	(0.808)	(0.010)	(0.008)
Pseudo R2		0.0096	0.0240	0.0281	0.0708	0.1125

Note: ***, **, * Significant at 1%, 5%, 10% levels respectively. The figures in parenthesis are p-values.

⁺ Different quantile regression coefficients from OLS coefficients when the OLS coefficient is outside of the quantile regression coefficient confidence interval.

The results of the equality of slopes tests on DISC across quantiles presented in Table 4.3 Panel A indicate some evidence of mild heterogeneity given that three out of the ten tests showed a significant difference in coefficients across the quantiles at the 5% and 10% significance levels. Hence, the effects of disclosure on firm value were mildly heterogeneous across the quantiles.

Table 4.3. Test of equality of coefficients across the quantiles

Quantile	q=0.25	q=0.5	q=0.75	q=0.9
<i>Panel A: Difference in coefficients on DISC across Tobin q quantiles</i>				
q= 0.1	-0.063 (0.763)	-0.200 (0.558)	-1.4506* (0.068)	-2.430 (0.225)
q=0.25		-0.136 (0.653)	-1.386** (0.024)	-2.367 (0.192)
q=0.5			-1.250** (0.018)	-2.230 (0.148)
q=0.75				-0.981 (0.285)
<i>Panel B: Difference in coefficients on SIZE across Tobin q quantiles</i>				
q= 0.1	-0.0002705 (0.299)	0.0000746 (0.818)	0.0013345* (0.071)	0.0030675** (0.011)
q=0.25		0.0003452 (0.325)	0.0016051* (0.062)	0.003338* (0.066)
q=0.5			0.0012599 (0.105)	0.0029929* (0.084)
q=0.75				0.001733 (0.245)
<i>Panel C: Difference in coefficients on GROW across Tobin q quantiles</i>				
q= 0.1	-0.028 (0.607)	0.069 (0.316)	0.044 (0.759)	-0.133 (0.694)
q=0.25		0.097 (0.240)	0.071 (0.607)	-0.105 (0.785)
q=0.5			-0.025 (0.836)	-0.202 (0.621)

q=0.75				-0.177 (0.592)
<i>Panel D: Difference in coefficients on LEV across Tobin q quantiles</i>				
q= 0.1	-0.077 (0.204)	-0.384*** (0.0002)	-1.220 (0.000)	-2.2777*** (0.000)
q=0.25		-0.307*** (0.004)	-1.143 (0.000)	-2.201*** (0.000)
q=0.5			-0.835 (0.000)	-1.893*** (0.000)
q=0.75				-1.058*** (0.001)
<i>Panel E: Difference in coefficients on RISK across Tobin q quantiles</i>				
q= 0.1	0.002 (0.130)	0.013*** (0.006)	0.025 (0.000)	0.032 (0.203)
q=0.25		0.011*** (0.003)	0.024 (0.001)	0.030 (0.155)
q=0.5			0.013 (0.037)	0.019 (0.20)
q=0.75				0.006 (0.637)

Note: ***, **, * Significant at 1%, 5%, 10% levels respectively. The figures in parenthesis are p-values

Furthermore, comparing the OLS coefficients with those of the quantile regression reveals that for DISC, the quantile regression coefficients were substantially different from the OLS ones at all the quantiles. In addition, the OLS regression assumes average effects hence as shown in Panel A of Table 4.2, an OLS coefficient of -1.09 implies overestimation at the 0.1, 0.25 and 0.5 quantiles while underestimating at the 0.75 and 0.9 quantile. Consequently, the use of quantile regression eliminated this overestimation and underestimation of coefficients for different quantiles and revealed that the effect of disclosure on firm value was different across the firm value distribution.

7. Discussion of Results

From the results presented in section 6.1, A disclosure index mean of 90.5% indicates a much higher compliance level compared to results in other studies such as Munisi & Randøy (2013) and Black et al. (2010). While Black et al. (2010) reported a disclosure index average of 61% for listed firms in Brazil, Munisi & Randøy (2013) documented a compliance level of 53.6% with respect to disclosure. The high mean values in the current study as well as the improved

compliance levels during the study period imply that firms embraced the disclosure requirements as per CMA's corporate governance guidelines. Moreover, the finding in the current study is line with Lishenga and Mbaka (2015) who reported adequate levels of corporate reporting among listed firms Kenya. Thus, listed firms considered this corporate governance mechanism as very important. Furthermore, the importance of disclosing financial information to stakeholders is supported by OECD (2015). Additionally, it is considered a best practice in line with the propositions of stakeholders' theory (Freeman, 1984).

The regression results presented in section 6.2 imply that for the studied firms, higher disclosure quality led to a decrease in firm value. The negative relationship between disclosure practices and firm value is not consistent with past studies such as Cheung et al. (2014), Bubbico et al. (2012), B. Dincer and Dincer (2013) and Lishenga and Mbaka (2015) who reported a positive relationship between firm value and disclosure quality. However, the finding is similar to Ficici and Aybar (2012) who found a negative relationship between firm value and disclosure scores.

The negative relationship between disclosure and firm value at the high quantiles suggest that for listed firms in Kenya with high values, an increase in the disclosure index led to a decline in the firm value. Further, the findings in this study imply that although the listed firms seem to have complied with CMA's disclosure requirements (see Table 4.1) this did not translate into positive value for these firms.

In fact, some of the firms that recorded massive losses in value such as Uchumi, Kenya Airways and Mumias Sugar, had adhered to the requisite disclosure practices as evidenced by the high mean values of the disclosure index (results not presented). The difference in findings between the current study and prior studies may be explained by the contextual differences as well as the methodology used. For instance, the studies reporting a positive relationship between disclosure practices and firm value were either carried out in developed countries or emerging economies while the current study was done in a developed country. Hence, contextual and institutional differences may explain the varied findings. Further, the findings imply that related theories should be tested in a specific contextual setting.

8. Conclusions

The objective of the study was to investigate the effect of mechanisms disclosure practices on value of NSE listed firms. From the findings, the relationship between disclosure practices was found to be negative and significant at the 10% significance level at the upper quantiles of the firm value distribution. In addition, this relationship was mildly heterogeneous along the firm value distribution. Therefore, it can be concluded that despite the compliance with disclosure practices as required by the CMA 2002 corporate governance regulations, this does not translate

into value creation. In spite of what has been documented about the benefits of corporate governance in academic and policy debates, the existing governance practice framework with respect to firm disclosure did not provide solutions to the governance challenges in corporate Kenya, even amongst listed firms. Hence, the capital markets regulator needs to review the disclosure practices by listed firms at the NSE to ensure they are adequate and value adding. Further, the listed firms should reinforce their disclosure structures to ensure they meet the needs of investors and other stakeholders. Additionally, given the heterogeneous nature of the relationship between disclosure practices and firm value, policy interventions by the capital markets regulator should be segmented.

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