AN INVESTIGATION OF FACTORS THAT AFFECT FINANCIAL PERFORMANCE OF CROSS-LISTED COMPANIES IN KENYA.

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A RESEARCH PROJECT SUBMITTED TO THE GRADUATE SCHOOL IN PARTIAL FULFILLMENT FOR THE REQUIREMENTS OF THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF KENYATTA UNIVERSITY.

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DECLARATION

This is my original work and has not been submitted to any other institution of higher learning.

Signature.......................................................... Date...

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This Research Project has been submitted with my approval as University Supervisor.

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ABSTRACT

Corporations can raise their development capital domestically or through cross-borders listing. Literature reveals that cross-listing of shares enhances firm's visibility and value, and lessens information asymmetry. However, there is scanty empirical evidence on the factors that affect cross-border firm's financial performance since this is an emerging trend in developing economies. The study concentrated on four objectives namely, cost of operations, information asymmetry, ownership structure and legal framework and their effect on financial performance. In addressing the research objectives in the study the necessary data was collected using structured questionnaires and face to face discussions. The study targeted the directors of the cross listed Kenyan companies. The directors were the key respondents in the research. Descriptive research design was used in the study. This is because it determines and reports the way things are and attempts to describe such things as possible behaviour, attitude, values and characteristics. The target population is not very large for the study and hence the researcher used a census approach. In this case the entire population of 45 respondents were considered for the study. It was noted that Government policies and regulations posed the greatest influence on financial performances of the cross listed Kenyan firms. This is because Government of the particular country tends to protect the local firms from foreign competition and thus may result to that particular government to impose certain rules and regulations which are not favorable to foreign investors. The study concludes that although responses were that information asymmetry may be a factor that influence financial performance of the cross listed Kenyan firms the respondent felt that accessibility and availability of information in EAC is not a problem. In regard to the legal and regulatory framework as well as transactional costs, the study recommends that the EAC should gradually find a way to make it easy for foreign firms to compete effectively with local firms other than imposing unnecessary rules and costs.