

**CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF
AGRICULTURAL FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE,
KENYA**

JOHN WAKAHU NJOROGE

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DECLARATION

I hereby proclaim this Project is my own initial production, such, has never been
therebefore dispensed for concede of any degree in any college or university.

Signature John Wakahu Date 28/11/2023

John Wakahu Njoroge - D53/OL/CTY/28235/2019

SUPERVISOR

This research Project was carried out by the candidate under my supervision as the as
appointed University supervisor.

Signature Nathan Mutwiri Date 28/11/2023

Dr. Nathan Mwenda Mutwiri(Ph.D)

Lecturer Department of Accounting and Finance,

School of Business,

Kenyatta University

ABSTRACT

Globally, the agricultural sector acts as a major force in a country's economy. The decline in the agricultural sector due to decreased financial performance has raised concerns considering its contribution to the Kenya economy. Although, the private firms have implemented corporate governance policies, however, some enterprises have failed to cohere to operate above the standards of corporate governance polices therefore unable to fully benefit from the corporate governance initiative. Answers regarding the corporate governance impact on financial performance have been inconsistent over the years. The study examined corporate governance effect on Nairobi Securities Exchange listed agricultural firms' financial performance in Kenya as a general objective. The specific objectives were to determine institutional ownership, board size and board independence on the financial performance of the agricultural firms listed at NSE, Kenya. Risk management and firm specific characteristics were considered in the study as intervening and moderating variables respectively, by use of Baron and Kenny's approach to underpin corporate governance effect on the listed agricultural firms' financial performance at NSE. Agency, stakeholders' and stewardship hypotheses was utilized to underpin the result of the study. Seven listed firms at NSE engaged in agricultural production was considered as the study's target population as from 1st of January 2015 to 31st December 2020. The study made use of descriptive and analytical research design, as secondary data used was collected from publicized annual reports by Nairobi Security Exchange, Kenya's Central Bank, Capital Markets Authority, and the financial reports of the seven agricultural firms. Census sampling method was used to gather the seven agricultural firms listed at NSE, Kenya. Secondary panel data gathered was then subjected to inferential analysis and descriptive measures on the SPSS framework and result findings was showed. Findings from the survey noted that institutional ownership revealed a negative but significant effect; board independence negatively and insignificantly affected financial performance; board size inversely and not significantly affect financial performance of listed agriculture firms in Kenya. The study suggests that, in order to improve the financial performance of the companies, the management of listed agricultural firms should create policies that would reduce the shares owned by other institutions to enhance the financial performance of the companies.