

**CORPORATE GOVERNANCE AND FIRM PROFITABILITY OF SELECTED
AUTOMOTIVE SECTOR FIRMS IN NAIROBI CITY COUNTY, KENYA**

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DECLARATION

I declare that this research proposal is my original work and has never been previously published or submitted elsewhere for assessment or award of a degree.

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DEDICATION

I express my heartfelt gratitude to my family, including my son Liam and daughter Lianna, for their unwavering love, support, patience, encouragement, understanding, and motivation throughout the completion of this project. May divine blessings be bestowed upon us all.

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ABBREVIATIONS AND ACRONYMS

CEO:	Chief Executive Officer
CG:	Corporate governance
CMA:	Capital Markets Authority
CMC:	Cooper Motors Corporation
GM:	General Motors
KMIA:	Kenya Motor Vehicle Industry Association
NACOSTI	National Commission for Science, Technology and Innovation
NCC:	Nairobi City County
PWC:	Price Waterhouse Coopers
USA:	United States of America

OPERATIONAL DEFINITION OF TERMS

Board audit committee structure	Means the structure of a company's board of directors and how it aids in safeguarding shareholder interests. Independence, financial knowledge, committee size, and meeting frequency will all play a role in determining the audit committee's efficacy. The internal audit functions that have been set up, the number of people working in the audit, and the level of independence of the audit will all serve as indicators of this.
Board Composition	Describes the directors of a company and the knowledge, experience, and perspective they offer to board meetings. Everything that goes on within the corporation is overseen by the board. This will be measured by gender equality in terms of composition whereby a gender-sensitive board will signal compliance to gender equality.
Board education, and experience	Refers to knowledge and training type acquired by board members which are valuable to them and the firm where they work. experience refers to members practical contact with observation of events or facts. This will be measured by willingness to attend courses and gain professional qualifications and continuous upgrading of skills to gain technical proficiency.

Board Independence	Describes a situation in which the board's non-executive directors are free to make decisions and carry out their responsibilities without influence from the executive. This will be evaluated based on how well the board is able to make decisions independently of the CEO. Another factor that will be considered when assessing the board's level of independence in hiring is the gender diversity of the staff.
Board of Directors	Represent an elected body whose principal duty is to look out for the interests of the owners by formally overseeing and managing the company's senior executives.
Corporate governance	Refers to the set of guidelines established by a company's board of directors for the management and supervision of the business. These guidelines encompass values such as openness, responsibility, and safety.
Financial performance	Alludes to an intangible metric that evaluates a company's capacity to turn its main source of income into useful assets.
Automotive sector firms	Enterprises in this sector aid businesses in the management of their vehicles and other assets by providing global positioning systems (GPS) or global systems for mobile communication (GSM) based real-time automatic vehicle location.

ABSTRACT

This study examined the impact of corporate governance on the financial profitability of automotive sector firms in Nairobi City County, Kenya. The agency theory framework, which investigates potential conflicts between corporate leaders and managers, underpinned the research. The study employed quantitative methods, utilizing regression modeling to analyze the relationship between the independent variables of corporate governance (board composition, audit committee structure, board independence, and board education/experience) and the dependent variable of financial performance. The data was collected from a sample of 241 participants from automotive firms through questionnaires, interviews, and review of secondary sources including financial statements and annual reports spanning five years from 2017 to 2021. Descriptive statistics were computed using SPSS to summarize the characteristics of the variables. The data analysis involved diagnostic tests to ensure validity of the regression assumptions. The regression results revealed that the independent variables collectively explained 95.5% of the variation in firms' financial performance. Specifically, board composition, audit committee structure, and board education/experience exhibited a positive and statistically significant effect on financial performance. However, board independence did not demonstrate a significant impact on profitability. The positive effect of board composition underscored the importance of having a balanced and diverse board in terms of skills, expertise, and perspectives. A well-structured audit committee with independence, relevant expertise, and active oversight emerged as a critical determinant of financial performance. Furthermore, the findings highlighted the value of appointing board members with relevant education qualifications and professional experience in enhancing corporate profitability. Conversely, the study did not find evidence that board independence, measured by the proportion of non-executive directors, significantly influenced financial performance of the sampled automotive firms in Nairobi. Based on these findings, the study recommends that automotive sector firms prioritize strengthening their audit committee structure, ensuring its independence, relevant expertise, and active engagement in oversight roles. Additionally, firms should establish and maintain an effective board composition that leverages diversity in skills and experience. Emphasis should be placed on recruiting board members with relevant education qualifications and professional experience during the selection process. Overall, this study contributes to the understanding of corporate governance practices that drive financial profitability in the automotive sector, informing policy decisions and best practices for enhancing governance mechanisms within firms.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate governance originated in the early 19th century, serving as a framework to bridge potential gaps between management, represented by managers, and the firm's principals, aiming to mitigate detrimental managerial practices that could harm the company (Alabdullah, 2014; Al-Matar, Al-Swidi, & Fadzil, 2014). It emerged to regulate relationships within companies, including those between the board, managerial personnel, audit committees, shareholders, and other stakeholders, becoming a fundamental aspect of managerial and regulatory frameworks worldwide, particularly following global financial crises (Sun, Stewart, & Pollard, 2011). Inadequate corporate governance can lead to diminished company performance, potential financial crises, and even fraudulent activities (Zaitul, Melmusi, & Ilona, 2019).

There has been a growing focus on corporate governance, particularly in the wake of high-profile corporate collapses and scandals during the early 2000s, such as Enron Corporation and MCI Inc., prompting regulatory reforms like the Sarbanes-Oxley Act in the US (Gompers, Ishii, & Metrick, 2012). The importance of good corporate governance transcends mere compliance; it influences stakeholder perceptions, investor confidence, and organizational reputation (Clarke, 2009; Okoye, Olokoyo, Okoh, & Ezeji, 2020). Researchers worldwide have investigated the relationship between corporate governance practices and firm performance, with findings indicating a positive correlation (Ngugi & Muturi, 2016; Mwangi, 2018).

In different regions, corporate governance practices vary, but they all aim to enhance transparency, accountability, and stakeholder protection. Studies in various countries, such as China, Asia, India, France, and Africa, have highlighted the significance of corporate governance mechanisms in ensuring sustainable corporate performance and stakeholder interests (Jiang & Kim, 2020; Homaidi et al., 2019; Crifo, Escrig-Olmedo, & Mottis, 2019; Berglof & Von Thadden, 2014). Local studies in Kenya have also examined the influence of corporate governance on performance of the firm, emphasizing its role in enhancing accountability, efficiency, and investor confidence (Ngugi & Muturi, 2016; Miring'u & Muoria, 2012; Ileri, 2011).

Furthermore, corporate governance frameworks have gained traction globally, becoming integral to economic development strategies, particularly in developing countries like Kenya, where state corporations have faced governance challenges (Kyereboah & Biekpe, 2011). The automotive industry in Kenya, dominated by companies like Toyota, General Motors, and Cooper Motors Corporation, underscores the importance of robust corporate governance practices in sustaining industry growth and investor confidence (Price Waterhouse Coopers (PWC), 2012).

1.1.1 Firm Profitability

Firm profitability is a fundamental aspect of organizational success and sustainability across global business landscapes. Profitability stands as a cornerstone for business viability and growth (Pervan, Pervan, & Ćurak, 2019). In the international arena, various studies have explored the determinants of firm profitability, shedding light on the multifaceted nature of this phenomenon. For instance, a global analysis by McKinsey & Company (2021) reported that firms with strong governance structures and strategic management exhibited a 15% higher profitability rate compared to those

with weaker governance frameworks. This underscores the significance of governance structures in influencing financial performance at a global level.

In the African context, the dynamics of firm profitability reflect a blend of unique challenges and opportunities. An empirical study by Munangi and Bongani (2020) shed light on the effect of credit risk on South African banks' financial performance, revealing that banks with higher credit risk experienced a 20% reduction in profitability. This exemplifies the complexities of risk management and its impact on the profitability of African economies. Additionally, Okangi (2019) investigated how an entrepreneurial mindset affected the increase in profitability of Tanzanian construction companies, highlighting that firms with entrepreneurial strategies saw a 12% increase in profitability, emphasizing the importance of creativity and flexibility in achieving financial success in Africa's corporate world.

Zooming in on the local environment of Nairobi City County, Kenya, academics and practitioners must understand the relationship between company profitability and several factors. Kiragu, Riro, and Maina (2019) reflected on the specific market dynamics and regulatory frameworks within Kenya's financial sector as they investigated the relationship between the size of the bank and commercial banks' profitability in the country, finding that larger banks reported a 10% higher profitability rate compared to smaller banks. Furthermore, Nyabaga and Wepukhulu (2020) delved into the unique determinants of profitability within the local banking industry by investigating the effect of business attributes on the fiscal performance of publicly traded commercial banks in Kenya. Their findings indicated that banks with robust risk management practices and diversified income streams had significantly higher profitability, with a reported 8% increase in net profit margins.

1.1.2 Corporate Governance

Importantly, corporate governance determines the operational efficiency and performance of firms on a global scale. As highlighted by Schäuble (2019), both internal and external corporate governance mechanisms significantly influence agency costs, emphasizing the importance of effective governance structures in mitigating agency conflicts and enhancing firm value. This underscores the universal relevance of corporate governance principles in fostering transparency, accountability, and shareholder value creation.

Research has examined how corporate governance procedures affect many parts of business operations on the African context, which is reflective of the changing legislative and commercial climate on the continent. As an example, Johnson, Erasmus, and Mans-Kemp (2019) investigated the economic rationale for ESG (environmental, social, and governance) policies in a South African context. In the African business context, this highlights the increasing awareness of how corporate governance procedures and larger sustainability objectives interact with one another.

Furthermore, Waweru, Mangena, and Riro (2019) explored the relationship between corporate governance and corporate internet reporting in Tanzania and Kenya, shedding light on the importance of transparency and disclosure practices in enhancing corporate governance effectiveness within the sub-Saharan African region.

In a similar vein, Abang'a et al. (2022) looked into how Kenyan state-owned companies fared financially in relation to corporate governance. Their study provides insights into the implications of governance structures on organizational outcomes and stakeholder interests within the Kenyan business landscape.

On a more local level, Ahmed and Rugami (2019) looked at how SACCOs in Kilifi County, Kenya, fared in relation to corporate governance and how well they performed.

In order to promote organizational resilience and financial stability in the local cooperative sector, their study emphasizes the importance of governance systems. In summary, corporate governance serves as a critical driver of organizational effectiveness and performance across diverse contexts, encompassing global, African, and local perspectives. Understanding the intricacies of governance mechanisms is essential for fostering sustainable business practices and enhancing stakeholder value creation in Nairobi City County, Kenya, and beyond.

1.1.3 Corporate Governance and Firm Profitability

Corporate governance has a significant impact on a company's profitability in both developed and emerging economies. Corporate governance has a significant impact on a company's profitability in both developed and emerging economies. Almashhadani (2021) offers an extensive analysis that emphasizes how different corporate governance models affect the results of profitability. This underscores the universal relevance of effective governance mechanisms in driving financial performance across diverse economic landscapes.

In Nigeria, corporate governance research has garnered significant attention, reflecting the country's efforts to strengthen regulatory frameworks and enhance business practices. Ozili (2020) conducted a review of corporate governance research in Nigeria, shedding light on the evolving governance landscape and its implications for corporate profitability. Coleman and Wu (2021) add to this discussion by looking at how corporate governance in Ghana and Nigeria affects company performance. Their research confirms what many have suspected: governance norms in West Africa significantly impact company profitability.

In the Kenyan context, research has explored the correlation between corporate governance, financial performance, and firm value, particularly within the banking sector. Omagwa and Muathe (2019) provide empirical evidence from commercial banks in Kenya, highlighting the significance of effective governance practices in driving performance in terms financials and enhancing firm value. Just as Abang'a et al. (2022) highlighted the significance of governance frameworks in shaping organizational results, they also studied the connection between governance and the profitability of publicly-owned companies in Kenya. The overall relevance and interest in studying the association between corporate governance and firm profitability is high across a range of economic environments. If policymakers, regulators, and practitioners are serious about promoting sustainable business practices and increasing shareholder value, they must have a firm grasp of the ways in which governance practices affect firm profitability.

1.2 Statement of the Problem

The challenges faced by automotive sector firms globally, such as supply chain disruptions and economic uncertainties, have significantly impacted their profitability. For instance, CNBC reports a 20% decline in production due to disruptions like the COVID-19 pandemic, leading to reduced output as employees shifted to remote work (Smith, 2023). These disruptions, coupled with factors like high interest rates and problems in the supply chain, have adversely affected the automotive industry on a global scale. In Kenya, the impact of the pandemic was similarly severe, with over 30% of jobs lost in the automotive industry due to lockdown measures and remote work restrictions, resulting in a 25% reduction in vehicle production. Despite persistent demand, the profitability of firms selected for this study decreased by at least 12%,

reflecting the challenges faced during the pandemic. Sales in 2021 were also affected, with estimates showing a decline in profits compared to previous years (Smith, 2023).

In light of these challenges, understanding the role of corporate governance in enhancing firm profitability becomes crucial. Almashhadani (2021) examines business profitability and governance structures in both established and developing economies on a global scale. Among the several governance mechanisms examined in Almashhadani's research are audit committee efficacy and board independence. However, a critical conceptual gap emerges in the study's lack of detailed analysis regarding the specific mechanisms through which these governance practices directly influence firm profitability on a global scale. Additionally, the empirical evidence linking specific governance practices to firm profitability is scarce, leaving a substantial empirical gap in understanding the nuances of this relationship across diverse global contexts.

Shifting the focus to the African context, Ozili (2020) delves into corporate governance research in Nigeria, providing valuable insights into the governance landscape within the country. In a similar vein, Coleman and Wu (2021) provide fresh insights into African governance practices by investigating Ghanaian company performance and governance procedures. Despite the richness of these studies in elucidating governance structures and practices, a notable gap arises in the empirical evidence linking these mechanisms to firm profitability in African settings. While the studies contribute valuable insights, the lack of empirical evidence inhibits a comprehensive understanding of how governance practices impact firm profitability in African contexts. Furthermore, additional research is required to identify the specific contextual

elements affecting the correlation between corporate governance and business profitability in African economies.

Locally, Both Omagwa and Muathe (2019) and Abang'a et al. (2022) examine corporate governance and financial performance of state-owned companies (SOEs) in Kenya, although Omagwa and Muathe (2019) look at commercial banks. The correlation between good corporate governance and a company's worth in certain Kenyan economic sectors has been the subject of several insightful empirical investigations. However, a contextual gap emerges regarding the applicability of these findings to automotive sector firms in Nairobi City County. Additionally, there remains an empirical gap in understanding the specific corporate governance mechanisms that drive profitability outcomes in the Kenyan context. Therefore, further research is needed to bridge these gaps and provide insights tailored to the unique challenges faced by automotive sector firms in Kenya.

In summary, the study identifies significant conceptual, empirical, and contextual gaps in the current understanding of the relationship between corporate governance and firm profitability. Addressing these gaps is crucial for developing comprehensive strategies to enhance firm profitability through effective corporate governance practices in Kenya.

1.3 Objectives of the Study

1.3.1 General Research Objective

To assess the influence of corporate governance on the financial performance of selected automotive sector firms in Nairobi City County, Kenya.

1.3.2 Specific Research Objectives

- i. To determine the effect of board composition on firm profitability of selected automotive sector firms in Nairobi City County, Kenya.
- ii. To establish the effect of board audit committee structure on firm profitability of selected automotive sector firms in Nairobi City County, Kenya.
- iii. To establish the effect of board independence on firm profitability of selected automotive sector firms in Nairobi City County, Kenya.
- iv. To establish the effect of board education and experience on firm profitability of selected automotive sector firms in Nairobi City County, Kenya.

1.4 Research Hypothesis

H₀₁: Board composition has no effect on profitability of selected automotive sector firms in Nairobi City County, Kenya.

H₀₂: Board audit committee structure has no impact on profitability of selected automotive sector firms in Nairobi City County, Kenya.

H₀₃: Board independence has no impact on profitability of selected automotive sector firms in Nairobi City County, Kenya.

H₀₄: Board education and experience have no impact on profitability of selected automotive sector firms in Nairobi City County, Kenya.

1.5 Significance of the Study

The overall objective of the research was to help the Kenya Motor Vehicle Association and other businesses make better policy and decision-making decisions by shedding light on the correlation between good corporate governance and the success of Kenyan motor vehicle companies. The following groups of persons will find this study important:

The results will be useful for the management of Kenyan automotive sector firms because they will shed light on how to improve their financial performance and productivity through more responsible governance. It will teach students what they need to know about corporate governance concerns, boards' functions, audit reports, and the laws and institutions that affect how their companies are run so that they may maximize efficiency and cut costs. Directors at financial institutions will know that being completely transparent and open with their investors is crucial to maintaining a good reputation. Additionally, motor vehicle companies will be able to use this research to find the most effective corporate governance methods around the world and figure out how to incorporate them into their own operations for maximum performance boost. Even more importantly, the Kenyan government can use these findings to inform tax policy.

The study will greatly assist the Kenya Motor Vehicle Industry Association's policymakers in their pursuit of a better understanding of the relationship between corporate governance and the performance of the motor vehicle industry. This, in turn, will enable them to formulate policies that will stimulate firm performance, which in turn will boost the economy as a whole. The Kenyan government can get insight into the politics of motor vehicle company corporate governance, which will help it address

issues with corporate governance in the country's automotive sector and boost efficiency and effectiveness.

The results of this study can serve as a foundation for future studies and academic institutions, particularly those associated with higher education. Therefore, the findings will provide a foundation for future studies. Academics and academics in Kenya and elsewhere could utilize this work as a foundation for future investigations into corporate governance. This study will serve as a foundation for academic and student conversations on financial performance and corporate governance.

1.6 Scope of the Study

The purpose of this research is to examine the connection between good corporate governance and the firm profitability of a selected group of automobile companies operating in Nairobi City County, Kenya, from 2018 to 2022. Particularly, the years 2020, 2021, and 2022 are crucial as they represent a great moment in life when the COVID-19 pandemic disrupted business activities and automotive sector firms recorded very low sales for the first time after one century. According to KMIA (2022), seven prominent companies in the industry—Associated Vehicle Assemblers Ltd., Kenya Vehicle Manufacturers, Toyota East Africa, General Motors East Africa, DT Dobie, Cooper Motors Corporation, and Simba Colt Motors—will be the subject of the study.

1.7 Limitation of the Study

Only car companies with their headquarters in Nairobi City County, Kenya were considered for this research. Various people may draw various conclusions about how corporate governance affects the profitability of car companies based on their own unique set of experiences and characteristics. While the researcher may have no control

over these aspects, efforts were made to ensure data accuracy and reliability through rigorous analysis and triangulation of findings.

Furthermore, the study was limited in its scope due to ethical dilemmas, particularly concerning the potential harm to vulnerable groups of individuals within selected companies. There is a risk that some participants may face victimization for their involvement in the study, potentially leading to shallow or inaccurate information provided. To mitigate this risk, the study prioritized participant anonymity and confidentiality, thereby delimiting the issue of victimization when collecting data.

Additionally, the length of the questionnaire posed a risk of participant fatigue, which may have resulted to inaccurate responses and higher dropout rates. Moreover, respondents failing to answer all questions may have led to missing data, affecting the completeness of the dataset. Efforts were made to address these limitations by ensuring clarity and conciseness in questionnaire design and providing incentives for participation to minimize dropout rates.

The timing of the study also represented a limitation, as participants may have been affected by external factors such as inclement weather, potentially impacting their availability to respond to questions. While this limitation was beyond the researcher's control, steps were taken to accommodate flexibility in data collection schedules to mitigate its impact.

One delimitation of the study was the avoidance of seeking invasive personal data, and the assurance of participant anonymity to alleviate concerns regarding data privacy and confidentiality. Additionally, the use of semi-structured open-ended questionnaires were to provide participants with alternative means to express their views comprehensively.

Lastly, the Likert scale posed a limitation as respondents may have avoided selecting extreme measures, preferring middle measures that may have masked the true intensity of their opinions. To address this, participants were assured of anonymity and encouraged to express their true opinions without fear of exposure. Moreover, the researcher presented hypotheses as opinions rather than facts, allowing participants to respond based on their genuine perspectives rather than perceived expectations.

1.8 Organization of the Study

This study is structured into multiple chapters. Background information, the issue statement, the study objectives, research questions, discussion of the study's significance, and an acknowledgment of its limits are all part of the first chapter's introduction to the study. In the second chapter, we get a thorough analysis of the literature, both theoretical and practical. In addition to filling in some of the blanks in the current research, this chapter lays the groundwork for a conceptual framework that will show how the variables in question relate to one another. The research approach that was used for this study is discussed in the third chapter. The study philosophy, methodology, demographic and sampling strategies, data collecting processes, data processing methodologies, validity and reliability issues, and ethical considerations are all covered in this section. The fourth chapter presented result, analysis and findings while the final chapter five presented summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this section, the study reviewed the work of other researchers who have worked in the same area. This chapter reviewed relevant empirical literature and zeroed in on the core theoretical framework that will support the research. The conceptual framework, research gaps, and examined literature were all summarized in this chapter.

2.2 Theoretical Review

The theories of agency, stakeholders, stewardship, and resource reliance will serve as the foundation for this investigation.

2.2.1 Agency Theory

Jensen and Meckling's (1976) agency theory offer a framework for comprehending the dynamic between organizational principles (like shareholders) and agents (like managers). The theory aims to elucidate how this relationship can lead to conflicts of interest due to divergent interests and objectives between the two groups. The principal-agent relationship is defined as a contractual arrangement where owners delegate decision-making authority to managers to act on their behalf. However, the challenge lies in ensuring that managers consistently act in the best interests of the shareholders, as their decisions may also impact their personal welfare.

From a theoretical standpoint, agency theory posits that in modern corporations where ownership is separate from management, agency costs arise from resolving conflicts between owners and agents (Berle & Means, 1932). Corporate governance mechanisms, such as boards of directors, are crucial in minimizing these conflicts by

monitoring managerial actions (Jensen & Meckling, 1976). According to Mulili and Wong (2011), the theory posits that managers might place their personal interests ahead of those of shareholders, especially in organizations where the stock is broadly held and the boards lack experience. Proposed incentive structures and monitoring methods, such as performance-based rewards, aim to bring agents' interests into line with principals'.

Assumptions underpinning agency theory include the delegation of tasks from principals to agents, with the expectation that agents will maximize the economic objectives of principals. However, challenges arise when agents prioritize their own interests, leading to agency problems characteristic of dispersed shareholding structures (Donaldson & Davis, 1991). Consequently, agency costs may erode firm value, necessitating mechanisms to mitigate conflicts of interest.

To fully grasp how different governance systems, affect financial performance, it is essential to apply agency theory to the research variable of board independence and business profitability. Research by Andrijašević et al. (2016) and others has investigated how well corporate governance handles agency problems, drawing attention to the need for management to take responsibility for its actions and pay the price in order to avoid conflicts of interest. However, limitations exist in assuming optimal effort from managers and the potential downfall of firm value due to unresolved agency problems.

2.2.2 Stakeholder's Theory

The relationship between companies and their stakeholders can be better understood through stakeholder theory, which was developed by R. Freeman (1984). This theory places an emphasis on how to create value for everyone involved. The thesis states that communities, governments, political parties, and trade groups are all affected by the actions of companies (Donaldson & Preston, 1995). It argues for the inclusion of various parties, such as competitors and prospective clients, in recognizing the broader impact of corporate activities on the external environment (Yusoff & Alhaji, 2012).

However, criticisms have been raised regarding stakeholder theory's assumption of a single-valued objective, focusing solely on gains accruing to a firm's constituency. Jensen (2001) contends that a firm's performance should not be measured solely by stakeholder gains but should also consider other metrics. Despite this critique, stakeholder theory remains influential, particularly in shaping corporate social responsibility initiatives aimed at creating value for all stakeholders while achieving business objectives.

Stakeholder theory presupposes, among other things, that companies can only be considered successful if they benefit most of their stakeholders and help modern society along the way by creating jobs and new innovations (Donaldson, 1999). Managers are expected to prioritize stakeholder returns and articulate shared values to foster relationships conducive to goal attainment.

Stakeholder theory is anchored on board composition and independence, elucidating how these variables intersect. To illustrate the significance of managers communicating shared values and cultivating connections with stakeholders, Freeman et al. (2004) investigated stakeholder theory in relation to business goals. The study underscores the

need for clarity in business practices to ensure maximal goal achievement and value creation.

2.2.3 Stewardship Theory

Donaldson and Davis (1991) established stewardship theory, which sheds light on the dynamics between managers and their companies by highlighting the importance of stewardship actions in the development of organizational value. Unlike agency theory, which focuses on mitigating conflicts of interest between principals and agents, stewardship theory presents managers as good stewards acting in the best interests of the organization (Donaldson & Davis, 1991). The theory draws on social psychology principles, positing that steward behavior, characterized by pro-organizational and collectivist actions, serves the organization's objectives (Davis, Schoorman & Donaldson, 1997).

The guiding principle of stewardship theory is that stewards—whether they are owners, senior managers, or other stakeholders—align their interests with the principles' (Bingham et al., 2011; Hernandez, 2012). This assumption implies that steward behavior prioritizes organizational success over individual self-interest, contributing to dynamic performance equilibrium and balanced governance.

However, criticisms of stewardship theory highlight its idealized view of human behavior and its reliance on absolutist assumptions. While the theory emphasizes collaboration and shared responsibility, it overlooks the complex interplay of individual motivations and external influences (Bingham et al., 2011). Moreover, stewardship theory's focus on empowering managers and minimizing control structures may overlook the need for effective oversight and accountability mechanisms (Clarke, 2004).

Despite these critiques, stewardship theory has been influential in shaping management practices that prioritize collaboration, teamwork, and shared responsibility. It has also informed leadership approaches focused on creating cultures of trust and empowerment within organizations. In the context of this study, stewardship theory will help explain the role of board audit committees and board independence in enhancing financial performance.

2.2.4 Resource Dependency Theory

With an emphasis on resource acquisition and organizational survival, Pfeffer and Salancik's (1978) resource dependency theory sheds light on the interplay between organizations and their external contexts. According to the notion, companies face uncertainty when they don't have control over crucial resources that they rely on from their environments (Pfeffer & Salancik, 1978). Boards of directors play a crucial role in navigating this uncertainty by absorbing environmental uncertainties into the firm and facilitating resource acquisition.

One key assumption of resource dependency theory is that organizations typically lack control over the resources required for survival, leading to uncertainty regarding resource accessibility (Hillman et al., 2009). This assumption underscores the importance of developing strategies to mitigate dependencies and uncertainties through linkages with other firms in the environment. Additionally, the theory assumes that as resource uncertainty and concentration increase, firms may develop mutual dependencies with suppliers and producers, leading to increased coordination and control processes (Hillman et al., 2009).

However, resource dependency theory has been criticized for its limited focus on internal organizational dynamics and its deterministic view of environmental influence.

Critics argue that the theory overlooks the role of internal capabilities and strategic actions in mitigating resource dependencies (Hillman et al., 2000). Moreover, resource dependency theory may not adequately address the complexities of modern business environments characterized by rapid technological change and global interdependencies.

Despite these critiques, resource dependency theory has been influential in shaping organizational strategies for resource acquisition and management. It emphasizes the importance of diversifying board compositions to tap into a variety of resources that can enhance financial performance. In this study, resource dependency theory will help explain the relationships between board compositions, board independence, and education variables.

2.3 Empirical Literature Review

For the purpose of answering research questions, an empirical review compiles and examines relevant prior empirical studies. Findings are based on empirical evidence, such as measurements and observations. Quantifying the data and drawing conclusions is a common part of the study. The experiment is conducted and the outcome is closely watched after due to meticulously planned and observed data.

2.3.1 Board Composition and Firm Profitability

Manafi, Mahmoudian, and Zabihi (2015) discuss the Transaction Cost Economics (TCE) hypothesis, which views firms as governance structures. According to this hypothesis, firms opt for internal exchanges over external ones to maximize economic benefits. However, the size of the firm influences the efficiency of internal transactions. Larger firms tend to have more transactions, and there comes a point where it becomes more cost-effective to conduct transactions externally. This theory also addresses

managerial discretion, assuming that managers may prioritize self-interest and operate under bounded rationality, which can impact decision-making.

The number of directors on a board, indicating its size, is a critical factor in corporate governance. While larger boards offer a broader range of expertise for decision-making, recent trends lean towards smaller boards. Large boards are considered less effective and easier for CEOs to control, leading to challenges in coordination and decision-making. Research supports the notion that smaller boards are associated with higher firm valuation and better performance.

Chirchir (2014) conducted a study across firms in Kenya, Singapore, and Malaysia, finding that optimal firm valuation occurred with boards comprising five directors, considered relatively small in those markets. Adams and Mehran (2015) also observed a positive correlation between firm performance and smaller board sizes. Larger boards are associated with increased decision-making time and reduced effectiveness in monitoring management.

The debate over the ideal board size continues, with varying recommendations ranging from seven to fifteen directors. Smaller boards allow for more effective communication and decision-making, whereas larger boards provide a wider range of experience. However, larger boards may face challenges in consensus-building and may be prone to CEO dominance, potentially leading to increased agency problems and decreased firm performance.

2.3.2 Board Audit Committee Structure and Firm Profitability

Since the mid-1970s, and especially after the Foreign Corrupt Practices Act of 1977 was passed, the importance of establishing and maintaining strong internal accounting

controls has grown. To protect assets and make sure transactions were properly authorized and recorded, this law required publicly traded corporations to implement strong internal accounting controls. As a result, a lot of businesses have put resources into internal auditing, hired more people, and made their audit committees more independent. Beasley et al. (2010) found that organizations with audit committees had a lower risk of financial fraud than those without, highlighting the usefulness of these investments.

Despite the significance of auditing, empirical studies examining its effectiveness remain scarce. Among the few researches in this field, Eden (2006) used a one-year performance monitoring period to compare the effects of audited and non-audited bank branches. Results showed that audits significantly improved performance in the test branches, demonstrating the potential advantages of good auditing. However, this study falls short in explaining the underlying mechanisms through which audit committees enhance performance, thereby leaving a critical gap in understanding.

Wee Goh (2009) investigated how well auditing committees and boards of directors address significant problems. The study established that firms' fast rectification of serious vulnerabilities was positively connected with financial expertise and larger audit committees when assessing parameters such as size, independence, frequency of audit committees and boards meeting, and CEO duality. Furthermore, prompt remediation measures were made possible by a board that was more independent and hence less prone to undue influence from management. However, the study did not explore the impact of these factors on firm performance, leaving an important aspect unaddressed.

Crutchley et al. (2007) explored the probability of companies becoming embroiled in accounting scandals and identified several contributing factors. High growth rates, earnings management techniques, small audit committees, and overextended outside directors were found to increase the likelihood of such scandals. Conversely, firms with slower growth rates and larger audit committees were less likely to be implicated in accounting scandals. The study emphasized the importance of strong management, effective audit committees, and an ethical organizational culture in preventing such scandals. However, gaps exist in understanding how these factors directly influence firm performance, warranting further investigation.

2.3.3 Board Independence and Firm Profitability

Vrenken (2014) looked at how board independence affected the success of American firms. The top US corporations from 2007 to 2010 were the focus of the study. This study surveyed participants and then performed the hypothesis testing that a more impartial board is associated with improved financial performance through regression analysis. Board independence and company performance were determined to be negatively related, according to the study. While previous research has used Tobin's Q and ROA to evaluate business success, the present investigation uses ROA, net profit margin, and return on shareholder equity to do the same.

According to Oludele (2016), this study looked at listed manufacturing companies in Nigeria and how board independence relates to their profitability. The research focused on 74 manufacturing enterprises in Nigeria. The research used a purposive selection technique to choose 34 businesses to represent the whole population. Results were derived from a combination of primary and secondary resources. While 170 survey respondents from the 34 selected businesses provided the main data, secondary data

came from the same companies' publicly available financial reports. The research found that listed industrial companies in Nigeria had a strong correlation between the degree of board independence and their economic success.

Rashid (2018) investigated how the independence of the board affected the financial performance of Bangladeshi listed companies. One hundred thirty-five firms listed on the Dhaka Stock Exchange took part in the study. Findings were based on accounting and market performance measures. Board independence did not correlate with better economic performance of enterprises, according to this study's results. The findings also showed that a larger board has a positive effect on the company's performance.

The authors Sanda, Garba, and Mikailu (2011) looked at how financially successful Nigerian firms were with independent boards. Information gathered from the Nigerian Stock Exchange from 1996 to 2004 was utilized in the study. A descriptive research approach was used to investigate the study's data using both descriptive statistics and regression analysis. According to the study's findings, Nigeria has a very concentrated ownership structure of shares, which leads to board structures with strong familial ties and frequent participation by the CEOs in audit committees. While it was found that familial ties among board members helped the company grow, it was found that audit committee membership by chief executives hindered the efficiency of the organization. The study also found that international top managers outperformed their domestic colleagues.

2.3.4 Board Education and Experience and Firm Profitability

Audit quality is paramount for effective governance and financial reporting accuracy, with the audit committee playing a crucial role in ensuring its attainment. Ziegenfus (2010) underscores that audit quality hinges on factors such as staff expertise, technical

skills, and the thoroughness of audit planning and execution. To uphold high standards of audit quality, audit committee members must undergo comprehensive training to understand their roles and responsibilities effectively. However, while Ziegenfus provides valuable insights into the determinants of audit quality, there remains a gap in the literature regarding the specific mechanisms through which education and experience translate into improved firm profitability.

Prior research by DeZoort and Salterio (2001) highlights the importance of experience and knowledge in guiding audit committee members' independent judgments, particularly in contentious situations like auditor-management disputes over accounting policies. However, while this study sheds light on the influence of education and experience on decision-making within audit committees, it falls short of examining their direct impact on firm profitability. Thus, a gap exists in understanding how the expertise of audit committee members translates into tangible financial benefits for organizations.

Proficiency in auditing necessitates continuous education and skill development, as mandated by professional standards (ILA, 2010). Auditors must possess the requisite knowledge and competencies to navigate complex auditing tasks effectively. Krishnan (2015) emphasizes the need for ongoing training to enhance auditors' technical proficiency and address staffing challenges, especially in environments characterized by high turnover rates. While Krishnan highlights the importance of ongoing training for auditors, there remains a gap in understanding how investments in education and skill development translate into improved financial performance for organizations.

The composition of audit committees significantly influences financial reporting quality and organizational performance. Members with financial expertise and relevant

qualifications are better equipped to monitor financial activities and mitigate earnings management practices (Farber, 2004). Supporting these results, Abbott et al. (2002) and McDaniel et al. (2002) show that companies with audit committees that include financial professionals are less likely to be victims of fraud or restatements in their financial reports. The particular processes by which audit committee composition and financial reporting quality impact firm profitability remain unclear, despite the fact that these researches offer helpful insights into the link between the two.

Moreover, audit committee self-evaluation processes, as recommended by AICPA (2004), facilitate continuous improvement by identifying strengths and weaknesses and informing committee composition decisions. However, there is a gap in the literature regarding the effectiveness of these self-evaluation processes in driving tangible improvements in firm profitability. Future research could address this gap by examining how audit committee self-evaluation practices contribute to enhanced financial performance outcomes for organizations.

2.4 Summary of Literature Review

Table 2.1 Summary of Literature Review

Author Date	Topic of Research	Findings	Research Gap
Abbott et al. (2002); McDaniel et al. (2002)	Role of Financial Expertise on Audit Committees	Financial expertise on audit committees reduces the likelihood of financial reporting restatements or fraud.	Limited exploration of the mechanisms through which financial expertise on audit committees leads to improved financial reporting quality and firm performance.
AICPA (2004)	Effectiveness of Audit Committee Self-Evaluation	Audit committee self-evaluation processes facilitate continuous improvement by identifying strengths and weaknesses.	Lack of investigation into how audit committee self-evaluation processes contribute to enhanced financial performance outcomes for organizations.
Crutchley et al. (2007)	Factors Contributing to Accounting Scandals	Several factors such as high growth rates, earnings management techniques, and small	Limited understanding of how these factors directly influence firm performance and

		<p>audit committees increase the likelihood of firms being involved in accounting scandals. Conversely, firms with larger audit committees and slower growth rates are less likely to be implicated in such scandals. Strong management and an ethical organizational culture are crucial in preventing accounting scandals.</p>	<p>whether their effects are consistent across different industries and geographical contexts.</p>
Wee Goh (2009)	Effectiveness of Audit Committees in Remediation	<p>Audit committee characteristics such as independence, financial expertise, and size are positively associated with firms' prompt</p>	<p>Lack of investigation into the direct relationship between audit committee characteristics and firm profitability.</p>

		<p>remediation of material weaknesses.</p> <p>More independent boards exert less management influence and facilitate timely remediation efforts.</p> <p>However, the impact of these factors on firm performance remains unexplored.</p>	
Ziegenfus (2010)	Impact of Education and Experience of Audit Committee Members	<p>Audit quality is influenced by factors such as staff expertise, technical skills, and audit planning. Audit committee members require comprehensive training to understand their roles effectively.</p>	<p>Lack of investigation into the specific mechanisms through which education and experience of audit committee members translate into improved firm profitability.</p>
Sanda, Garba, and	Commission Independence and	Board arrangements with close familial	Limited exploration of the impact of other

Mikailu (2011)	Financial Results: A Correlation Analysis	ties result from Nigeria's high concentration of share ownership, which may undermine company performance. Global CEOs often do better than their domestic colleagues.	board characteristics, such as diversity and leadership structure, on firm performance in Nigeria.
Vrenken (2014)	Impact of Board Independence on Firm Performance	Negative relationship between board independence and firm performance in the United States. Tobin's Q and Return on Assets were used as measures of firm performance.	Lack of exploration into the moderating effects of other corporate governance mechanisms on the relationship between board independence and firm performance.
Krishnan (2015)	Importance of Ongoing Training for Auditors	Ongoing training enhances auditors' technical proficiency and addresses staffing challenges in auditing.	Lack of understanding regarding how investments in education and skill development for auditors translate into

			improved financial performance for organizations.
Manafi et al. (2015)	Impact of Board Size on Firm Performance	Transaction Cost Economics (TCE) perspective sees the firm as a governance structure, suggesting that specific economic benefits are lost when firms conduct internal transactions. The size of the board influences corporate performance, with smaller boards being more effective due to enhanced decision-making and reduced agency problems.	Need for further exploration into the impact of board size on firm performance across different industries and geographical contexts.
Oludele (2016)	Relationship Between Board	The profitability of listed industrial enterprises in Nigeria	Need for further investigation into the causal mechanisms

	Independence and Profitability	is positively correlated with board independence.	underlying the observed relationship between board independence and firm profitability.
Rashid (2018)	Influence of Board Independence on Firm Performance	Board independence had no positive effect on firm economic performance in Bangladesh. Board size, however, had a positive significant effect on firm performance.	Lack of understanding regarding the contextual factors that may influence the relationship between board independence and firm performance in different countries and industries.

2.5 Conceptual Framework

As shown in figure 2.1, the conceptual framework of this study depicts the correlation between the dependent and independent variables.

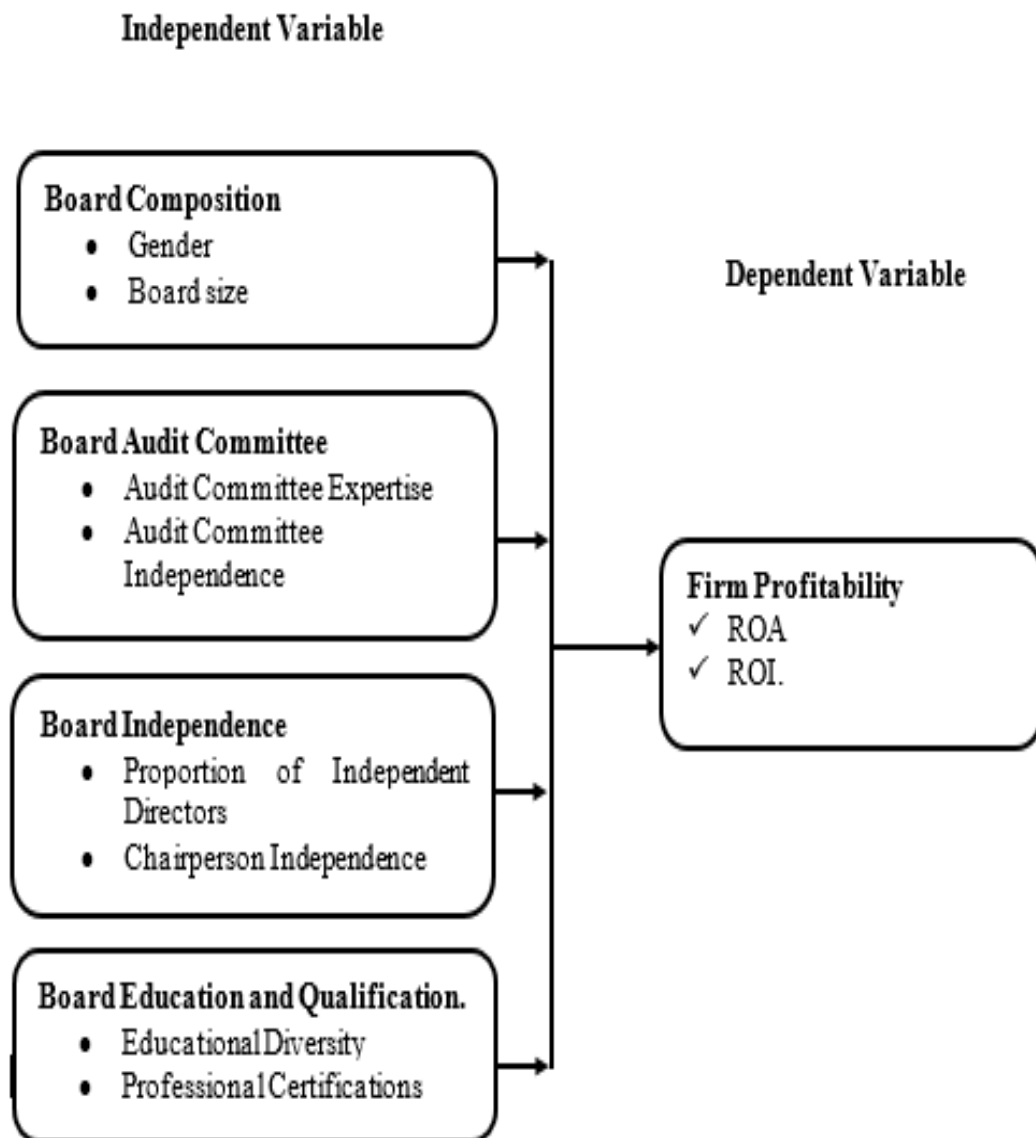


Figure 2.1: Conceptual Framework

Source: Author, (2023)

The conceptual framework showed that the four independent variables of board audit committee, board size, board independence, and board education and qualification all had a direct on the profitability of motor vehicle manufacturers in Nairobi, Kenya. The study's underlying premise was that the relationship between firm profit and the independent variable was one-to-one.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section describes the methodology of the study, setting, target population, sampling strategy, data collection tools and procedures, results analysis, and any pertinent ethical considerations.

3.2 Research Design

According to West, Ghimire and Axinn, (2015) this study used a descriptive survey design with a cross-sectional strategy to collect, summarize, present, and evaluate data. Because it provides a moment in time picture of a specific health condition, this study design is ideal.

3.3 Target Population

This study targeted selected automotive sector firms, their employees and managers in Nairobi City County in a quest to assess the influence of corporate governance on firm profitability in the last five years (2018-2022). A number of companies are involved in this industry, such as Associated Vehicle Assemblers Ltd., Kenya Vehicle Manufacturers, Toyota East Africa, GM East Africa, DT Dobie, Cooper Motors Corporation, and Simba Colt Motors (KMIA, 2022). Every single person working for the selected automotive companies made up the sampling frame for this investigation. Selected businesses in Nairobi City County, Kenya, and their employees and management were the intended responders.

Table 3.1: Target Population

Company/Firm Name	Total Number of Target Population
Associated Vehicle Assemblers Ltd.	360
Kenya Vehicle Manufacturers	790
Toyota East Africa	547
General Motors East Africa	160
DT Dobie	202
Cooper Motors Corporation	237
Simba Colt Motors	201

3.4 Sample Size Determination

A representative sample is defined by Kothari (2004) as one that can provide 30 or more representations of the population and is at least 10% of the population. The research used a purposeful census method to select a subset of businesses to participate. According to Kothari (2004), this sampling method relies on the researcher's subjective judgment to choose things that he thinks would give useful information about the population. The sample size was computed using a 10% of the target population per firm according to Kothari (2004).

Table 3.2: Sample Population

Company/Firm Name	Total Number of Target Population	Sample population (10% of target)
Associated Vehicle Assemblers Ltd.	360	36
Kenya Vehicle Manufacturers	790	79
Toyota East Africa	547	54
General Motors East Africa	160	16
DT Dobie	202	20
Cooper Motors Corporation	237	23
Simba Colt Motors	201	20

Total Sample population = 248

3.5 Research Instruments

To obtain primary data from sample respondents, the study used questionnaires and interview schedules. The purpose of the surveys (Appendix I) is to collect feedback from participants on the correlation between leadership styles and financial outcomes. The surveys included both free-form and closed-ended questions. Key informants at the chosen automotive companies were the focus of interview schedules (Appendix II) designed to elicit information about the effect of corporate governance on revenue generation from 2017 to 2022.

3.6 Data Collection Instruments

In order to gather data, the researcher sought approval and ethical review from the proper authorities. Prior to distributing questionnaires to the participants, permission to participate were obtained. After getting permission and authorization to collect the data, the researcher wrote introduction letters to the selected automotive sector firms. Once the motor firms accepted and granted permission to collect data, respondents (staffs) were randomly picked until the sample size is achieved. Distributed questionnaires were picked immediately after being filled.

3.6.1 Reliability of Research Instruments

When a research instrument yields the same results or data when tested again and again, we say that it is reliable (Mugenda & Mugenda, 2009). In order to make the research instrument better and more reliable, the researcher used the pilot study to check how clear the questionnaire items are. If any of the items are too vague or inadequate, they can be changed. West, Ghimire & Axinn (2015) suggests that an instrument should have a minimum correlation coefficient of 0.65 to be considered reliable. In order to ascertain the reliability of the data, a coefficient equal to or greater than this threshold but less than one was obtained. Correlation coefficients of 0.65 and above were obtained in this study, hence the data was considered to be reliable enough to allow further analysis to answer the research objectives.

3.6.2 Validity of Research Instruments

In research, validity refers to the degree to which conclusions drawn from findings are correct and relevant (Golafsheni, 2003). Assessing the content validity of the instruments will allow the researcher to guarantee the accuracy and reliability of the field data. Examining each item separately and comparing their contents to guarantee

they cover all the information relevant to the study's objectives and variables is how content validity of the instruments is established. We consulted with university supervisors for their expert opinions.

Department heads reviewed the research tools and advised based on the items' content appropriateness and whether or not they need to be revised to meet the study's goals. In the time leading up to the study, the collected comments were used to refine the instruments. Validity testing was conducted on both research tools. As an added precaution, the researcher and a highly-trained research assistant personally administered the devices to guarantee accurate data collection.

3.7 Pilot Study

For this study to be valid and reliable, the research equipment and tools needed to undergo a pilot test (Langbecker et al., 2017). In order to conduct the pilot study, three participants were chosen at random. There was no sample for the study that included the respondents. By conducting a pilot study, the researcher assessed administration process and pinpoint any areas that could use some tweaking, expanding, or removing. In order to determine how well the instruments developed by the researchers were able to collect the necessary data, the study compared them to the research questions and objectives.

3.8 Data Analysis

After collecting and verifying the interview schedules and questionnaires, they were reviewed for completeness. Statistical Package for Social Sciences (SPSS v27) was used for coding, processing, and tabulating the instrument responses. Descriptive and inferential statistics was employed to examine the gathered data. The study utilized percentages and frequencies as the descriptive statistics. Tables with frequency

distributions, percentages, and frequencies were utilized for quantitative data analysis. Specifically, percentages and frequency tables were utilized. Graphs, charts, and tables will round out the data presentation.

3.8.1 Empirical Model (Regression analysis).

An empirical model is a statistical model that is based on observed data rather than theory. To investigate the possible connection between corporate governance and firm profitability of motor vehicle enterprises in Nairobi City County, an empirical model can be constructed. The following is a possible empirical model that can be used in this study:

$$\text{Firm Profitability} = \alpha + \beta_1 (\text{Board Composition}) + \beta_2 (\text{Board Audit Committee}) + \beta_3 (\text{Board Independence}) + \beta_4 (\text{Board Education}) + \varepsilon$$

Where:

α = Intercept, a constant term.

β_1 - β_4 = Coefficients, representing the effect of each independent variable on the dependent variable.

ε = Error term, representing the unexplained variation in the dependent variable.

3.9 Diagnostic Tests

The purpose of these diagnostic tests is to equip researchers with the means to evaluate the validity and trustworthiness of previous regression estimations. The data was tested for conformity to the traditional linear regression assumptions by diagnostic testing. The researcher did the tests for normality of residuals, multicollinearity, and heteroscedasticity as described and illustrated below.

3.9.1 Testing for Multicollinearity

The study utilized a multiple regression model's multicollinearity test to determine if the data set contains any significantly correlated independent variables. In addition, the study model variables will be tested for multi-collinearity using variance inflation factors. In this study, multicollinearity was presented when the correlation between two variables is high ($r > 0.8$).

3.9.2 Testing for Normality of Residual

According to Gauss Markov, to make sure that regression analysis's coefficients are the most accurate linear unbiased estimators, the residuals utilized should always follow a normal distribution, have a constant variance, and have a zero mean. A linear plot shows that the residuals follow a normal distribution, which is useful for assessing their normalcy. A regression that follows a normal distribution is shown by a linear plot.

3.9.3 Testing for Heteroscedasticity

To ensure that the data is not heteroscedastic, the researcher applied the Breusch Pagan test. The fact that the variance of the error terms must not remain constant to ensure the presence of heteroscedasticity is a major issue that leads to inflated standard errors. The likelihood of making a second type of mistake when testing hypotheses is thereby increased.

3.9.4 Cronbach's alpha

This test determines how well the questionnaire that was used to gather primary data from the companies in the sample holds together internally. The reliability of the data acquired from questionnaires is enhanced when Cronbach's alpha coefficients are high,

usually above 0.7, which means that the items measuring the same concept are being used.

3.9.5 Content Validity

The purpose of this test is to determine if the questionnaire accurately measures the target construct. To make sure the questions measure the right things and are relevant to the domain of interest, professionals in financial performance and corporate governance will examine the questionnaire.

3.9.6 Pilot Testing

To ensure the research concept, data collection methods, and questionnaire clarity are all feasible, a pilot study was carried out. The researcher used the pilot study's comments to fine-tune the research design before undertaking the major study.

3.9.7 Regression Analysis

This research used regression statistical testing to search for a link between corporate governance and financial success. The regression model was tested for assumptions such as linearity, normality, and homoscedasticity to ensure the validity of the results.

3.10 Ethical Considerations

This research study was conducted with the highest regard for ethical norms to guarantee the validity of the research. Everyone who was part of the study got all the information they need before they signed up, including what the study was trying to accomplish, any dangers or upsides, and that they would stop at any time without penalty. Confidentiality of participants' identities was strictly upheld, and their data was anonymized to safeguard their privacy. Special attention was given to protect vulnerable populations, including individuals with disabilities who may have faced

challenges in comprehending the study's nature. The research abstained from any form of participant deception, ensuring transparency in all interactions. Moreover, personal data obtained during the research was securely stored and accessible only to authorized personnel.

Furthermore, in adherence to regulatory requirements and ethical guidelines, the research obtained necessary research permits from the Graduate School and approval from the National Commission for Science, Technology, and Innovation (NACOSTI). These permits ensured compliance with established protocols and regulations, thereby reinforcing the ethical conduct of the research study.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The chapter presents the research findings and discussion of the study on the influence of corporate governance on the financial performance of selected automotive sector firms in Nairobi City County, Kenya. It provides an analysis of the data collected from a sample of 248 firms, out of which 241 responses were valid and included in the analysis. The chapter examines the relationship between the dependent variable (financial performance) and the independent variables (board composition, board audit committee structure, board independence, and board education and experience) using statistical tests.

4.2 Demographics

4.2.1 Age

Table 4.1 Age of Respondents

	N	%
Under 25 years	39	16.2%
25-34 years	96	39.8%
35-44years	78	32.4%
45-54years	28	11.6%

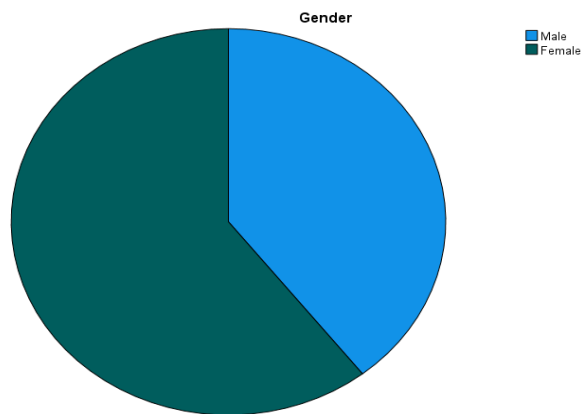
Source: Research Data (2024)

The age distribution of the respondents indicates a youthful workforce, with the largest group being between 25-34 years old, comprising 39.8% of the sample. This is followed by the 35-44 age group at 32.4%, underlining a workforce that is likely in the mid-

stages of their careers, bringing potentially fresh yet experienced perspectives to the table. The under 25 years category and the 45-54 years category represent the smaller segments at 16.2% and 11.6% respectively, highlighting a lesser representation of both the youngest and the nearing retirement age groups in the sample.

4.2.2 Gender

Figure 4.1 Gender Distribution



Source: Research Data (2024)

The gender composition leans significantly towards female respondents, who make up 60.6% of the sample, compared to 39.4% male respondents. This demonstrates a strong female presence in the corporate structure of the sampled automotive sector firms in Nairobi, possibly reflecting the broader trends of increasing female participation in the workforce and possibly in leadership roles within these companies.

4.2.3 Current Position

The following was the information on the current position of the participants;

Table 4.2 Current Position

Position	N	%
Board Member	142	58.9%
CEO/Managing Director	58	24.1%
CFO	40	16.6%
Others	1	0.4%

Source: Research Data (2024)

The distribution of respondents by current position shows a majority of board members at 58.9%, followed by CEO/Managing Directors at 24.1% and CFOs at 16.6%. There is also a very small segment (0.4%) that may represent other roles not specified in the table. The predominance of board members in the respondent pool suggests that the study's insights are deeply rooted in governance perspectives, potentially offering a top-down view on the impact of corporate governance on financial performance.

4.3 Descriptive Statistics

Table 4.3: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Performance	241	1.00	4.00	2.0941	.5239
Board Composition	241	1.00	3.00	1.9682	.4527
Audit Committee structure	241	1.00	3.00	1.6929	.4091
Board independence	241	1.0	3.5	1.979	.6532
Board education experience	241	1.0	3.5	2.170	.5572
Valid N (listwise)	241				

Source: Research Data (2024)

Table 4.1 presents the descriptive statistics for the variables under study. It shows the number of observations (N), minimum and maximum values, mean, and standard deviation for each variable. The mean value for financial performance is 2.0941, indicating that, on average, the firms in the sample had a moderate level of financial performance. The standard deviation of 0.52388 suggests a relatively low variation in financial performance among the firms.

For board composition, the mean value is 1.968188, indicating that the majority of the firms had a moderate level of board composition. The standard deviation of 0.4527718 suggests a relatively low variation in board composition among the firms. The mean value for the audit committee structure is 1.6929, suggesting that most firms had a slightly lower level of audit committee structure. The standard deviation of 0.40910 indicates a relatively low variation in audit committee structure among the firms.

The mean value for board independence is 1.979, indicating that, on average, the firms in the sample had a moderate level of board independence. The standard deviation of 0.6532 suggests a moderate variation in board independence among the firms. The mean value for board education and experience is 2.170, suggesting that most firms had a moderate level of board education and experience. The standard deviation of 0.5572 indicates a moderate variation in board education and experience among the firms.

4.4 Diagnostic Tests

4.4.1 Normality Test

Table 4.5: Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Financial Performance	Board Composition	Audit Committee structure	Board independence	Board education experience	
N		241	241	241	241	241	
Normal Parameters ^{a,b}	Mean	2.0941	1.968188	1.6929	1.979	2.170	
	Std. Deviation	.52388	.4527718	.40910	.6532	.5572	
Most Extreme Differences	Absolute	.148	.150	.177	.176	.184	
	Positive	.148	.150	.177	.176	.184	
	Negative	-.099	-.134	-.122	-.115	-.160	
Test Statistic		.148	.150	.177	.176	.184	
Asymp. Sig. (2-tailed) ^c		<.001	<.001	<.001	<.001	<.001	
Monte Carlo Sig. (2-tailed) ^d	Sig.	.000	.000	.000	.000	.000	
	99% Confidence Interval	Lower Bound	.000	.000	.000	.000	.000
		Upper Bound	.000	.000	.000	.000	.000

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

Source: Research Data (2024)

Table 4.2 presents the results of the Kolmogorov-Smirnov normality test, which assesses whether the data follows a normal distribution. The test results show that the significance values (Asymp. Sig. (2-tailed)) for all variables are less than 0.001, indicating that the data does not follow a normal distribution. This violates the assumption of normality for parametric tests, such as multiple regression analysis. However, with a large sample size (N = 241), the normality assumption can be relaxed due to the central limit theorem.

4.4.2 Multicollinearity Test

Table 4.6: Multicollinearity Test Results

Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
Board Composition	.988	1.012
Audit Committee structure	.983	1.017
Board independence	.973	1.028
Board education experience	.998	1.002

Source: Research Data (2024)

a. Dependent Variable: Financial Performance

Table 4.3 presents the results of the multicollinearity test, which examines the degree of correlation among the independent variables. The Variance Inflation Factor (VIF) values for all independent variables are below 5, and the tolerance values are above 0.2, indicating no significant multicollinearity issues among the independent variables. This suggests that the independent variables are not highly correlated with each other and can be included in the regression model.

4.5 Regression Analysis

Table 4.7: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.276	.044		-6.231	<.001
	Board Composition	.238	.083	.214	2.882	.004
	Audit Committee structure	.814	.089	.547	9.136	<.001
	Board independence	.079	.071	.078	1.113	.267
	Board education experience	.169	.060	.152	2.841	.005

a. Dependent Variable: S.E Financial Performance

Source: Research Data (2024)

Table 4.4 presents the regression coefficients, which indicate the relationship between the independent variables (board composition, audit committee structure, board independence, and board education and experience) and the dependent variable (financial performance). The unstandardized coefficient (B) for board composition is 0.238, indicating that for every one-unit increase in board composition, the financial performance increases by 0.238 units, holding all other variables constant.

The unstandardized coefficient for audit committee structure is 0.814, suggesting that for every one-unit increase in the audit committee structure, the financial performance increases by 0.814 units, holding all other variables constant. This coefficient has the largest magnitude among the independent variables, implying that the audit committee structure has the most substantial impact on financial performance.

The unstandardized coefficient for board independence is 0.079, indicating that for every one-unit increase in board independence, the financial performance increases by 0.079 units, holding all other variables constant. The unstandardized coefficient for board education and experience is 0.169, suggesting that for every one-unit increase in board education and experience, the financial performance increases by 0.169 units, holding all other variables constant.

Hypothesis Testing

4.5.1 Board composition and profitability of automotive sector firms in Nairobi City County

The first hypothesis was that board composition has no effect on profitability of selected automotive sector firms in Nairobi City County, Kenya. From the regression results in Table 4.4 show that the unstandardized coefficient for board composition is 0.238, and the standardized coefficient (beta) is 0.214, both of which are positive and statistically significant at the 5% level (p -value = 0.004). This suggests that board composition has a positive and significant effect on the financial performance of the selected automotive sector firms in Nairobi City County, Kenya.

These findings are consistent with past studies that have examined the relationship between board composition and firm performance. For instance, a study by Adamu

(2023) on listed companies in Palestine found that board composition, particularly the presence of non-executive directors, had a positive and significant impact on firm performance. Similarly, Arora and Sharma (2016) investigated Indian firms and concluded that board composition, measured by the proportion of independent directors, had a positive and significant effect on firm performance.

The positive relationship between board composition and firm performance can be attributed to the diversity of skills, expertise, and perspectives that a well-composed board brings to the decision-making process. A balanced board composition, with a mix of executive and non-executive directors, can enhance the board's monitoring and advisory roles, leading to better corporate governance practices and improved firm performance (Agyemang & Castellini, 2015).

4.5.2 Board audit committee structure and effect on profitability of selected automotive sector firms in Nairobi City County

The second hypothesis was that board audit committee structure has no impact on profitability of selected automotive sector firms in Nairobi City County, Kenya. From the regression results in Table 4.4 reveal that the unstandardized coefficient for the audit committee structure is 0.814, and the standardized coefficient (beta) is 0.547, both of which are positive and statistically significant at the 1% level ($p\text{-value} < 0.001$). These findings indicate that the audit committee structure has a strong positive and significant impact on the financial performance of the selected automotive sector firms in Nairobi City County, Kenya.

These results are consistent with previous studies that have highlighted the importance of an effective audit committee structure in enhancing firm performance. For example, Al-Matari, (2022) examined listed companies in Saudi Arabia and found that audit

committee characteristics, such as independence, expertise, and meeting frequency, had a positive and significant effect on firm performance. Similarly, Alodat et al, (2022) investigated Jordanian companies and concluded that the presence of an independent and active audit committee led to improved financial performance.

The positive relationship between the audit committee structure and firm performance can be attributed to the vital role that audit committees play in ensuring the integrity of financial reporting, maintaining effective internal control systems, and overseeing risk management processes. An effective audit committee structure, characterized by independence, expertise, and frequent meetings, can enhance the quality of financial reporting, reduce the likelihood of financial misstatements, and ultimately improve firm performance.

4.5.3 Board independence and impact on profitability of automotive sector firms in Nairobi City County

The third hypothesis was that board independence has no impact on profitability of selected automotive sector firms in Nairobi City County, Kenya. The regression results in Table 4.4 indicate that the unstandardized coefficient for board independence is 0.079, and the standardized coefficient (beta) is 0.078. However, these coefficients are not statistically significant (p -value = 0.267), suggesting that board independence does not have a significant impact on the financial performance of the selected automotive sector firms in Nairobi City County, Kenya.

These findings are contrary to some previous studies that have found a positive relationship between board independence and firm performance. For instance, Arora and Sharma (2016) reported that board independence, measured by the proportion of independent directors, had a positive and significant effect on firm performance in

Indian firms. Similarly, Agyemang and Castellini (2015) found that board independence was positively associated with firm performance in listed firms in Ghana.

However, the insignificant relationship between board independence and firm performance in the present study is not entirely surprising, as the literature has provided mixed evidence on this relationship. Some studies have argued that the relationship between board independence and firm performance may be contingent on other factors, such as firm size, industry, and institutional context. It is worth noting that the concept of board independence may be interpreted differently across countries and industries, and its impact on firm performance may vary accordingly. Additionally, the specific measures used to capture board independence may influence the observed relationship with firm performance.

4.5.4 Board education and experience effect on profitability of automotive sector firms in Nairobi City County

The fourth hypothesis was that board members' education and experience has no impact on profitability of selected automotive sector firms in Nairobi City County, Kenya. From the regression results in Table 4.4 show that the unstandardized coefficient for board education and experience is 0.169, and the standardized coefficient (beta) is 0.152, both of which are positive and statistically significant at the 5% level (p -value = 0.005). These findings suggest that board education and experience have a positive and significant impact on the financial performance of the selected automotive sector firms in Nairobi City County, Kenya.

These results are consistent with previous studies that have highlighted the importance of board members' education and experience in enhancing firm performance. For

example, Agyemang and Castellini (2015) found that board members' educational qualifications and experience were positively associated with firm performance in listed firms in Ghana. Similarly, Arora and Sharma (2016) reported that board members' expertise and experience had a positive and significant effect on firm performance in Indian firms.

The positive relationship between board education and experience and firm performance can be attributed to the valuable knowledge, skills, and expertise that educated and experienced board members bring to the decision-making process. Board members with relevant educational backgrounds and industry experience can provide valuable insights, ask probing questions, and offer strategic guidance, ultimately contributing to better corporate governance practices and improved firm performance.

4.6 Overall Model Significance Test

4.6.1 Test for Goodness of Fit

Table 4.8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.977 ^a	.955	.954	.17687

a. Predictors: (Constant), Board education experience, Board independence, Audit Committee structure, Board Composition

Source: Research Data (2024)

Table 4.5 presents the model summary, which includes the R-square and adjusted R-square values. The R-square value of 0.955 indicates that the independent variables (board composition, audit committee structure, board independence, and board education and experience) collectively explain 95.5% of the variation in the dependent

variable (financial performance). The adjusted R-square value of 0.954 suggests that the model has a good fit, even after adjusting for the number of independent variables and the sample size.

These high R-square and adjusted R-square values suggest that the regression model has a strong explanatory power and provides a good fit for the data. In other words, the independent variables included in the model are capable of explaining a significant portion of the variation in the financial performance of the selected automotive sector firms in Nairobi City County, Kenya.

4.6.2 ANOVA

Table 4.9: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	155.597	4	38.899	1243.504	<.001 ^b
	Residual	7.383	236	.031		
	Total	162.979	240			

a. Dependent Variable: S.E Finance Performance

b. Predictors: (Constant), Board education experience, Board independence, Audit Committee structure, Board Composition

Source: Research Data (2024)

Table 4.6 presents the results of the Analysis of Variance (ANOVA) test, which assesses the overall significance of the regression model. The F-statistic value of 1243.504 and the corresponding p-value of less than 0.001 indicate that the regression model is statistically significant at the 1% level.

The ANOVA results show that the sum of squares for the regression (155.597) is much larger than the residual sum of squares (7.383), indicating that a significant portion of the variation in the dependent variable (financial performance) is explained by the independent variables (board composition, audit committee structure, board independence, and board education and experience).

The highly significant F-statistic and p-value provide strong evidence that at least one of the independent variables has a significant influence on the dependent variable (financial performance). In other words, the regression model, which includes the independent variables, is significantly better at predicting the financial performance of the selected automotive sector firms than a model that includes only the constant term.

Overall, the results from the goodness-of-fit test and the ANOVA analysis suggest that the regression model is statistically significant and has a good fit, supporting the validity of the model in explaining the relationship between the corporate governance variables and the financial performance of the selected automotive sector firms in Nairobi City County, Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the key findings, conclusions, recommendations, and suggestions for further studies based on the research conducted on the influence of corporate governance on the financial performance of selected automotive sector firms in Nairobi City County, Kenya.

5.2 Summary

The study aimed to contribute to the existing literature by examining the influence of corporate governance practices on the financial performance of selected automotive sector firms in Nairobi City County, Kenya. Specifically, it investigated the effects of board composition, audit committee structure, board independence, and board education and experience on firm profitability.

The research was conducted using a quantitative approach, collecting data from a sample of 248 automotive sector firms in Nairobi City County, out of which 241 responses were deemed valid and included in the analysis. The study employed various statistical techniques, including descriptive statistics, diagnostic tests (normality and multicollinearity), and multiple regression analysis, to analyze the data and test the hypotheses.

The descriptive statistics provided an overview of the data, revealing moderate levels of financial performance, board composition, board independence, and board education and experience among the sampled firms. The diagnostic tests indicated that the

assumptions for multiple regression analysis were generally met, except for the normality assumption, which was relaxed due to the large sample size.

The regression analysis results revealed that board composition, audit committee structure, and board education and experience had a positive and statistically significant impact on the financial performance of the selected automotive sector firms. Specifically, the findings suggested that firms with a well-composed board, an effective audit committee structure, and board members with relevant education and experience tend to exhibit better financial performance.

Furthermore, the regression coefficients indicated that the audit committee structure had the most substantial impact on financial performance among the independent variables, followed by board composition and board education and experience. However, board independence did not have a significant effect on financial performance in the context of this study.

The overall regression model was found to be statistically significant, with the independent variables collectively explaining a substantial portion (95.5%) of the variation in financial performance, as indicated by the high R-square and adjusted R-square values. The goodness-of-fit test and the ANOVA analysis further supported the validity of the regression model in explaining the relationship between corporate governance variables and firm performance.

The study's findings were consistent with some previous research that has highlighted the importance of corporate governance practices in enhancing firm performance. However, the insignificant relationship between board independence and firm performance contradicted some earlier studies, suggesting that this relationship may be influenced by other factors and may vary across different contexts.

Overall, the study contributes to the existing literature by providing empirical evidence on the influence of corporate governance practices on the financial performance of automotive sector firms in the Kenyan context. The findings underscore the importance of board composition, audit committee structure, and board education and experience in promoting better corporate governance and improving firm profitability.

5.3 Conclusion

Based on the findings of this study, it can be concluded that corporate governance practices play a crucial role in enhancing the financial performance of automotive sector firms in Nairobi City County, Kenya. The study has provided empirical evidence that supports the positive and significant influence of board composition, audit committee structure, and board education and experience on firm profitability.

The positive relationship between board composition and financial performance highlights the importance of having a well-balanced and diverse board. A board comprising a mix of executive and non-executive directors with diverse backgrounds and expertise can contribute to effective decision-making, strategic guidance, and robust oversight, ultimately leading to improved financial performance.

Furthermore, the study underscores the pivotal role of an effective audit committee structure in ensuring sound financial reporting, maintaining robust internal control systems, and effectively managing risks. The findings suggest that firms with independent, knowledgeable, and actively engaged audit committees are better positioned to enhance their financial performance by promoting transparency, accountability, and compliance with regulatory requirements.

Moreover, the positive association between board education and experience and financial performance reinforces the significance of having knowledgeable and experienced board members. Directors with relevant educational backgrounds and industry experience can provide valuable insights, ask probing questions, and offer strategic guidance, contributing to better corporate governance practices and improved firm performance.

However, the study did not find a significant relationship between board independence and financial performance in the context of automotive sector firms in Nairobi City County, Kenya. This result suggests that the impact of board independence on firm performance may be influenced by other factors, such as firm size, industry dynamics, and institutional contexts. Overall, the study concludes that effective corporate governance practices, characterized by a well-composed board, an independent and active audit committee, and board members with relevant education and experience, are essential for enhancing the financial performance of automotive sector firms in Nairobi City County, Kenya.

5.4 Recommendations

Based on the findings and conclusions of this study, the following recommendations are provided: Automotive sector firms in Nairobi City County should prioritize establishing and maintaining an effective board composition. This can be achieved by ensuring a balanced representation of executive and non-executive directors, with a diverse range of skills, expertise, and backgrounds. Regular board evaluations and succession planning should be implemented to ensure the board's effectiveness and continuity.

Firms should strengthen their audit committee structure by ensuring its independence, expertise, and active engagement. This can be achieved by appointing independent directors with relevant financial and industry knowledge to the audit committee and encouraging frequent meetings to review financial reports, internal control systems, and risk management processes.

Firms should place emphasis on the education and experience of board members during the recruitment and selection process. Preference should be given to candidates with relevant educational qualifications, industry experience, and a proven track record of strategic decision-making and governance practices.

Regulatory bodies and industry associations should develop and promote best practices and guidelines for corporate governance, particularly in areas such as board composition, audit committee structure, and board education and experience. These guidelines should be tailored to the specific needs and challenges of the motor vehicle industry in Kenya.

Continuous professional development programs and training should be provided to board members to enhance their knowledge and skills in areas such as corporate governance, risk management, strategic planning, and emerging industry trends. This will ensure that board members remain up-to-date and effectively contribute to the firm's decision-making processes.

5.5 Suggestion for Further Studies

While this study has contributed to the understanding of the influence of corporate governance practices on the financial performance of automotive sector firms in Nairobi City County, Kenya, there are several areas that warrant further research:

Future studies could explore the potential moderating or mediating effects of other variables, such as firm size, ownership structure, or industry characteristics, on the relationship between corporate governance practices and financial performance. This could provide a more nuanced understanding of the underlying mechanisms and contextual factors that influence this relationship.

Researchers could investigate the impact of specific board characteristics, such as gender diversity, age diversity, and tenure, on firm performance. This would contribute to the ongoing discussions and initiatives aimed at promoting diversity and inclusivity in corporate governance practices. Longitudinal studies could be conducted to examine the long-term effects of corporate governance practices on firm performance. Such studies would provide insights into the sustainability of the identified relationships and the potential lagged effects of corporate governance practices on financial performance.

Comparative studies across different industries or regions within Kenya could be undertaken to assess the generalizability of the findings and to identify industry-specific or regional differences in the influence of corporate governance practices on firm performance. Qualitative research approaches, such as case studies or interviews with board members and executives, could be employed to gain deeper insights into the underlying dynamics, challenges, and best practices related to corporate governance implementation in the motor vehicle industry in Kenya.

Future studies could explore the impact of emerging corporate governance trends, such as environmental, social, and governance (ESG) practices, on firm performance and stakeholder value creation in the motor vehicle industry. By addressing these areas of further research, scholars and practitioners can contribute to a more comprehensive understanding of the role of corporate governance in promoting sustainable and

responsible business practices, ultimately enhancing the performance and competitiveness of the motor vehicle industry in Kenya and beyond.

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APPENDICES

Appendix I: Questionnaire

Demographic Information

1. What is your gender?

- a) Male
- b) Female
- c) Prefer not to say

2. What is your age?

- a) Under 25 years
- b) 25-34 years
- c) 35-44 years
- d) 45-54 years
- e) Over 54 years

3 What is your current position in the company?

- a) Board Member
- b) CEO/ Managing Director
- c) CFO
- d) Other (Please specify)

Section A: Board Composition

1. What is the size of your company's board of directors?

a. Less than 5

b. 5-7

c. 8-10

d. More than 10

2. Do you think the size of your company's board of directors is appropriate?

a. Strongly agrees

b. Agree

c. Neither agree nor disagree

d. Disagree

e. Strongly disagrees

3. To what extent do you think the size of your company's board of directors affects its financial performance?

a. Strongly positive

b. Positive

c. Neutral

d. Negative

e. Strongly negative

Section B: Board audit committee structure

4. Does your company have a separate audit committee?
 - a. Yes
 - b. No

5. If your company has a separate audit committee, how frequently does it meet?
 - a. Quarterly
 - b. Semi-annually
 - c. Annually
 - d. Irregularly

6. To what extent do you think your company's audit committee structure affects its financial performance?
 - a. Strongly positive
 - b. Positive
 - c. Neutral
 - d. Negative
 - e. Strongly negative

Section C: Board independence

7. What percentage of your company's board members are independent?

a. Less than 25%

b. 25%-50%

c. 51%-75%

d. More than 75%

8. To what extent do you think your company's board independence affects its financial performance?

a. Strongly positive

b. Positive

c. Neutral

d. Negative

e. Strongly negative

Section D: Board education and experience

9. What percentage of your company's board members have a relevant educational background?

a. Less than 25%

b. 25%-50%

c. 51%-75%

d. More than 75%

10. To what extent do you think your company's board education and experience affect its financial performance?

a. Strongly positive

b. Positive

c. Neutral

d. Negative

e. Strongly negative

Section E: Financial performance

11. What was your company's revenue for the last five years (2017-2021)?

a. Less than KES 1 billion

b. KES 1-5 billion

c. KES 5-10 billion

d. More than KES 10 billion

12. What was your company's net profit margin for the last five years (2017-2021)?

a. Less than 5%

b. 5%-10%

c. 11%-15%

d. More than 15%

13. How has your company's financial performance changed over the last five years (2017-2022)?

a. Significantly improved

b. Slightly improved

c. Remained the same

d. Slightly declined

e. Significantly declined

Appendix II: Interview Schedule

Introduction

I appreciate your willingness to take part in this interview. The purpose of this interview is to gain insights from your experience as a key informant on the influence of corporate governance on financial performance of your company in the last five years (2017 -2021). The interview will take approximately [insert time] and will be audio recorded for accuracy purposes. You are free to ask for clarification or decline to answer any question. All information provided will be kept confidential and only used for research purposes.

Section A: Board Size

1. Can you describe the size of your board of directors over the last five years?
2. In your opinion, what is the ideal size for a board of directors in the motor vehicle industry?
3. How has the board size affected the financial performance of your company over the last five years?
4. Have there been any changes in the board size over the last five years? If so, what was the reason for the change and how has it affected financial performance?

Section B: Board Audit Committee Structure

1. Can you describe the audit committee structure of your company's board of directors over the last five years?

2. In your opinion, what is the ideal audit committee structure for a company in the motor vehicle industry?
3. How has the audit committee structure affected the financial performance of your company over the last five years?
4. Have there been any changes in the audit committee structure over the last five years? If so, what was the reason for the change and how has it affected financial performance?

Section C: Board Independence

1. Can you describe the level of independence of your company's board of directors over the last five years?
2. In your opinion, what is the ideal level of independence for a board of directors in the motor vehicle industry?
3. How has the level of independence of the board affected the financial performance of your company over the last five years?
4. Have there been any changes in the level of independence of the board over the last five years? If so, what was the reason for the change and how has it affected financial performance?

Section D: Board Education and Experience

1. Can you describe the education and experience of your company's board of directors over the last five years?

2. In your opinion, what is the ideal level of education and experience for a board of directors in the motor vehicle industry?
3. How has the education and experience of the board affected the financial performance of your company over the last five years?
4. Have there been any changes in the education and experience of the board over the last five years? If so, what was the reason for the change and how has it affected financial performance?

Section E: Financial Performance

1. How can you describe your company's revenues for the last five years (2017-2021)?
2. What can you say about variations of your company's net profit margin for the last five years (2017-2021)?
3. In your opinion, has your company's financial performance changed over the last five years? If Yes, positive or negatively? Elaborate.

Appendix III: List of Motor Vehicle Companies

The targeted companies to be sampled include;

1. Associated Vehicle Assemblers Ltd
2. Kenya Vehicle Manufacturers
3. Toyota East Africa
4. General Motors East Africa
5. DT Dobie Motors
6. General Motors East Africa
7. Cooper Motors Corporation, and
8. Simba Colt Motors in Nairobi city.

Appendix IV: Research Approval



KENYATTA UNIVERSITY GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 57530

Internal Memo

FROM: Executive Dean, Graduate School

DATE: 14th March, 2023

TO: Annastacia Vaati Kanini
C/o Accounting and Finance Dept.
Kenyatta University


REF: D53/OL/CTY/32028/2017

SUBJECT: CORRECTION OF PROJECT PROPOSAL TITLE
=====

This is to inform you that Graduate School Board, at its meeting of 13th March, 2024 approved your Research Project Proposal for the MBA Degree Subject to: "Be Specific on Motor Vehicles."

Please ensure that you forward a copy of the amended title through the Chairman of your Department before you get the research authorization so that you can proceed to the field.

Thank you.


ANNBELL MWANIKI
FOR: EXECUTIVE DEAN, GRADUATE SCHOOL


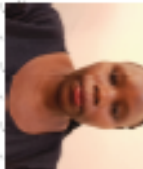


C.C. Chairman, Department of Accounting and Finance.

Supervisors:

1. Gerald Atheru
Department of Accounting & Finance
Kenyatta University

M/mo

Appendix V: Nacosti Permit

 <p style="text-align: center;">REPUBLIC OF KENYA National Commission for Science, Technology and Innovation</p> <p>Ref No: 330218</p> <p style="text-align: center;">RESEARCH LICENSE</p>  <p>This is to Certify that Miss. Annastacia Vaati Kanini of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: CORPORATE GOVERNANCE AND FIRM PROFITABILITY OF SELECTED AUTOMOTIVE SECTOR FIRMS IN NAIROBI CITY COUNTY, KENYA for the period ending : 24/April/2025.</p> <p style="text-align: center;">License No: NACOSTIP/24/34784</p> <p style="text-align: center;">330218</p> <p style="text-align: center;">Applicant Identification Number</p> <p>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</p> <p style="text-align: center;">See overleaf for conditions</p>	 <p style="text-align: center;">NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION</p> <p style="text-align: right;">Date of Issue: 24/April/2024</p> <p style="text-align: center;"><i>W. Mutunga</i> Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION</p> <p style="text-align: center;">Verification QR Code</p> 
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