“The nexus between corporate governance, asset structure, and value of listed firms: evidence from Kenya”

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THE NEXUS BETWEEN CORPORATE GOVERNANCE, ASSET STRUCTURE, AND VALUE OF LISTED FIRMS: EVIDENCE FROM KENYA

Abstract

Shareholders of listed firms are guaranteed reasonable security prices due to enhanced firm value, which translates to global wealth creation. However, firms' value has declined globally. Therefore, this paper uses a causal-comparative design and panel data regression model to explore the nexus between corporate governance, asset structure, and value of Kenyan-listed firms from 2010 to 2019. Secondary data were extricated from audited financial reports of 51 firms. As hypothesized, the results show a positive relationship between board composition and firm value with a regression coefficient (0.17, $p < .05$). The composition of the audit committee is positively associated with firm value with a regression coefficient of (0.629, $p < .05$). A tangible and notable correlation exists between protecting shareholders' rights and firm value with a regression coefficient of (0.28, $p < .05$), while financial disclosure was significant with a regression coefficient of (1.15, $p < .05$). Plant, property and equipment positively and significantly affect firm value with a regression coefficient of (2.10, $p < .05$), while financial assets had (0.28, $p < .05$), which was significant. Current assets positively and significantly affect firm value with a regression coefficient of (1.87, $p < .05$). Finally, the results reveal a positive but insignificant correlation between firm size and value with a regression coefficient of (0.22, $p < .05$), while the relationship between firm age and value is negative but insignificant with a regression coefficient of (–0.003, $p < .05$). The study recommends that sufficient managerial effort be directed towards corporate governance and asset structure to maximize shareholder value.

Keywords board, audit, disclosure, financial, property, firm age, firm value, securities

JEL Classification L25, G34, M40

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INTRODUCTION

Firm value is essential in determining the interests of shareholders worldwide. This means that a drop in security prices lowers a firm's worth and shareholders' wealth (Debby et al., 2014). Scholars have disagreed on what affects the value of a firm globally. For instance, tinier boards give off an impression of being more compelling in representing investors as smaller boards are related to higher firm worth, as board size increments, firm worth downfalls, but at a diminishing rate proposing that the connection between board size and firm worth is not linear (Nguyen & Faff, 2007). Moreover, gender variety enhances the investors' worth as lady directors' presence is related to higher firm worth. Researchers emphasize that audit committees should have independent members, some of whom are financially knowledgeable and meet frequently (Carcello et al., 2002). The board and audit committee have been shown to increase company value (Chan & Li, 2008).

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In corporate administration, minority shareholder security is a core issue. Limiting the ability to control shareholders to steal company value is one common strategy for empowering minority shareholders. However, the resistance of powerful controlling shareholders has limited this strategy's success (Mclean et al., 2012). The organizations' data distribution must be normalized to increase their dependability. There are indications that the appropriate selection of proxy measures influences the degree to which voluntary disclosure affects the value of the companies. Nevertheless, voluntary disclosure is believed to significantly contribute to developing a favorable public image and attracting potential investors with optimistic expectations for the future. Long-term investments and funds, as well as property, plants, and equipment, significantly impact financial performance, whereas current and intangible assets do not. Coad et al. (2018) posit that a firm's profitability deteriorates with age, given that older firms struggle to convert employment growth to profit growth. Economies of scale that are relatively larger provide a large company with more benefits and efficiencies. Mass production, for instance, can result in economic efficiency for large ventures.

Listed firms are appraised at 80 trillion US dollars worldwide (De-LaCruz et al., 2019). Notwithstanding their worth, their value has fallen. For instance, the number of publicly traded companies in the United States of America has decreased from more than 7,500 in 1996 to less than 3,700 at the present time (Doidge et al., 2017). Investors lost approximately USD 70 million in Kenya when the stock market index fell from 6,161 points to 2,474.75 points from 2007 to 2009. This pattern cannot be ignored since the decline will continue to affect many economies. Therefore, this paper seeks to demystify the decline by studying the corporate governance, asset structure, and the firm value of NSE-listed firms and test the role of the control variables for ten years using panel data.

1. LITERATURE REVIEW

The current study is tied to the agency theory. Agency theory implies that the principal hires the agent because of his unique skills, knowledge, and abilities. The principal must confide in the agent because this relationship implies that part of the principal's decision-making authority over the manner in which the business should be administered is given to the agent (Moldoveanu & Martin, 2001). At the same time, managers are assumed to be opportunists who take advantage of dispersed shareholders to benefit themselves with the firm's value through their firm-specific knowledge (Jensen & Meckling, 1976). Nonetheless, conflicts exist amongst stakeholders in different firms worldwide, for example, between shareholders and senior executives. That is why agency theory was coined to address such conflicts.

Mixed conclusions are drawn on the connection between firm value and corporate governance, specifically on corporate governance proxies (Ararat et al., 2017). For instance, the association between firm performance and board constitution is vexing. Fernandes (2008) pointed out that firms whose board is constituted of non-executive directors have an enhanced alignment of managers' and shareholders' interests, as well as experience fewer agency predicaments. According to Balsmeier et al. (2014), the appointment of external directors with an apt professional background provides indispensable specific expertise and knowledge to the board, therefore increasing the firm share price and consequently escalating the firm share price. However, Davidson III and Rowe (2004) found mixed and unclear findings on the impact of board composition on the financial performance of a firm, attributing the ambiguity of this relationship to periodic financial reporting and fixed board terms. Rashid (2018) shows that board autonomy and a firm's financial performance are not positively correlated. In addition, mixed findings may result from aspects such as capital markets, internal capital configuration, and corporate law.

While exploring Jordanian firms to examine the relationship between the possibility of an enterprise acquiring a clean audit statement and the audit committee characteristics, Hamdan and Mushtaha (2011) found that the size of the audit committee positively influences the financial report of an external auditor and that bigger audit

committees are likelier to commit more authority and resources to perform efficiently. More directors on the committee imply more diversity, experience, skills, and expertise, therefore resulting in improved financial monitoring. Contrariwise, Olayinka (2019) evaluated the impact of the audit committee characteristics on the financial performance of 8 listed banking institutions in Nigeria between 2011 and 2015 and deduced that the audit committee size, financial mastery of the members, and meeting frequency have insignificant influence on the growth of the banks.

Studies show that resilient investor protection facilitates enhanced accuracy in financial reporting and increased arbitrage, therefore contributing to the development of capital markets (Leuz et al., 2003). Mclean et al. (2012) demonstrate that businesses in nations with better and stricter laws protecting minority shareholders reap greater benefits from investment and external financing, which boosts firm performance. Conversely, Favara et al. (2017) claim that the reforms safeguarding minority shareholders in nations with high debt authorization will be less effective because higher debt enforcement worsens the shareholder-creditor conflict by shrinking the payouts to creditors and shareholders. Additionally, policies to safeguard minority shareholders heighten the conflict between creditors and shareholders while reducing the minority shareholders-owner conflict.

Regarding disclosure of information, Hossain et al. (2018) found out that voluntarily disclosing information on corporate social responsibility and corporate governance had a positive association in Bangladesh. Consistent with the findings, Hossain et al. (2005) concluded that disclosing future-oriented firm information significantly and positively influences investment opportunities. According to Oeyono et al. (2011), there is a weak and positive association between corporate social responsibility and a firm's profitability, implying that firms attain higher profits by voluntarily disclosing information regarding socially responsible issues. Nevertheless, findings by Talbi and Omri (2014) confirm a significant and negative association between financial performance and the disclosure of a firm's information. These discrepancies show no agreement on how company value and corporate governance are related.

According to the examined literature, there is a paradox in the correlation between asset structure and firm values on a global scale (Harc, 2015). Reviewed studies on asset structure and, expressly, on financial assets are equally contradicting. According to Lantz et al. (2005), Research and Development expenditure correlates significantly and positively with the market value of the enterprise. The study outcomes coincide with Erawati and Sudana (2005), who posit that intangible and tangible assets are one unit that dictates the value of a firm and influences its financial performance. Conversely, Daniel and Titman (2012) conclude that future returns on stock are not related to the financial performance of the prior accounting period but are negatively and significantly correlated with the intangible return.

Mawih (2014), in his study, concludes that current assets insignificantly influence the Return on Equity and Return on Assets and, consequently, the financial performance of a firm. Nonetheless, Yahaya et al. (2015) found mixed results on the impact of current assets on the financial performance of a firm. The research proposed a positive impact on a number of current assets, such as bank and cash balances, advances, and loans to consumers, and a negative effect on assets, such as derivative assets, on the Return on Assets.

A comparative study by Prasetyantoko and Parmono (2008), using an analytical model that included an entire distribution of firms' sizes, concluded that the size of a firm influences its profitability in some industries since profitability is determined by aspects such as factor costs, prices of production and production function. Agiomirgianakis et al. (2006) posit that firm size relates positively to its capability to produce technologically-sophisticated commodities, leading to concentration. Therefore, larger-sized firms can access the most profitable market sectors. Moreover, Hagedoorn and Cloodt (2003) examined the connection between profitability and firm size in German firms and found an unstable and weak correlation between the variables.

Reviewed literature on firm age and value has shown that young-aged firms flourish more than older-aged firms and that product and process are positive determinants of the firm's employment

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growth and survival (Calvo, 2006). In addition, Stam and Wennberg (2009) examined the role of firm age on its survival and concluded that research and development are essential during the early phase of high-growth and high-tech firms through enhancing the degrees of interfirm alliances. The findings also indicate that research and development facilitate the utilization of external knowledge. However, Pástor and Veronesi (2003) proposed a risk argument whereby investor uncertainty slackens as the firm ages. Moreover, Cheng (2008) concludes that the variability of stock returns and age of incorporation are negatively associated, implying that profitability may seem to deteriorate as the firm ages when the prime aspect is dwindling uncertainty.

Based on the aforesaid empirical and theoretical evaluations, firm value is essential to shareholders because the worth of a firm is defined by securities market pricing in establishing whether the interests of the shareholders will ultimately be upheld. While the focus of this paper was on comprehending the relationship between firms' value, asset structure, and corporate governance, as well as their influence on that value, there are theorems on listed firms that are detailed in a variety of scholarly works because listed firms are crucial to the global economic prosperity of a nation. However, because most previous research has focused on a subset of the NSE-listed firms, empirical studies on the current topic, especially those covering all publicly traded firms in Kenya, are scarce. Kenya has not been the subject of any studies to the knowledge of the researcher. The use of secondary data to examine all of the NSE-listed companies between 2010 and 2019 distinguishes this study from previous ones.

Therefore, guided by the paper's aim to determine the nexus between corporate governance and asset structure on a firm's value on the Nairobi Securities Exchange, the following hypotheses are formulated:

H_{01}: *There is no statistically significant correlation between Board composition and the value of NSE-listed firms.*

H_{02}: *There is no statistically significant relationship between Audit committee composition and the value of NSE-listed firms.*

H_{03}: *There is no statistically significant relationship between the protection of shareholders' rights and the value of NSE-listed firms.*

H_{04}: *There is no statistically significant relationship between the Disclosure of financial statements and the value of NSE-listed firms.*

H_{05}: *There is no statistically significant relationship between property, equipment, and plant and the value of NSE-listed firms.*

H_{06}: *There is no statistically significant relationship between current assets and the value of NSE-listed firms.*

H_{07}: *There is no statistically significant relationship between financial assets and the value of NSE-listed firms.*

H_{08}: *There is no statistically significant relationship between firm size and the value of NSE-listed firms.*

H_{09}: *There is no statistically significant relationship between firm age and the value of NSE-listed firms.*

2. METHOD

Both causal comparison research design and random-effect model were employed to ascertain the linkage between asset structure, firm value, and corporate governance since it explains pre-existing problems, offer more significant proof of causation, and use the data acquired to explore a specific topic. This analysis incorporated a census assessment of all listed firms between 2010 and 2019. All 64 NSE-listed firms were the focus of the study as of December 31, 2019. However, after 2010, the NSE listed 12 firms, while one was suspended. As a result, 51 firms were eligible for the study because they were consistently listed from 2010 to 2019. The use of balanced panel data analysis was made possible by this listing. Additionally, it ensured that all necessary data were accessible. The 51 firms' data came from their annual financial statements.

The quotient market value to book value was utilized to measure firm value. Corporate gov-

ernance indices were used on corporate governance proxies where value one was assigned to firms with the Board of Directors comprising different groups of people and a value zero if the Board is not composed of different groups of people. On the audit committee composition, the value of one is assigned if the audit committee composes of different groups of people, and the value is zero if not. If the rights of shareholders are protected, a value of one is scored, and if not, a zero is recorded. Finally, firms that disclose their financial reports are assigned one, while zero is given to those that do not disclose their financial reports as required by the capital market Authority. The proxies of asset structure, which were Financial assets, Current assets, and Plant, property, and equipment, were measured using the logarithm of financial assets, logarithm of current assets, and logarithm of property, plant, and equipment in respective order. The logarithm of total assets indicated the firm size, while the period in years since listing indicated the firm age, which were both control variables for the study.

The paper examined whether corporate governance and asset structure affect the value of firms listed on the NSE. The study utilized multiple linear regression model 1 to test the hypothesis.

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \\ + \beta 4 X_{4it} + \beta X_{5it} + \beta X_{6it} + \beta X_{7it+} \varepsilon_{it}, \quad (1)$$

where Y_{it} is the firm value, X_1 is the Board composition, X_2 is the audit committee composition, X_3 is the protection of the shareholders' rights, X_4 is the Disclosure of financial reports, X_5 is the property, plant and equipment, X_6 is the financial assets, X_7 is the current asset, β is the constant term, and ε_{it} is the error term.

The study used stationarity tests since the analysis of non-stationary data results in inaccurate estimations and forecasting due to spurious regressions. Stationarity is achieved when the unit root is absent (P-value critical value 0.05). Stationarity was tested using the Levin-Lin-Chu unit-root test because the study used panel data. When data is non-stationary, differencing is performed until the attainment of stationarity.

3. RESULTS

This study was tailored to ascertain the nexus between corporate governance and asset structure in relation to firm value at Nairobi Securities Exchange and yielded the findings below.

Table 1 illustrates that the data were stationary, making it fit for prognostication.

Table 1. Stationarity test results

Variable	T statistic	P-value
Firm value	–10.262	0.0000
PPE	–13.137	0.0010
Financial assets	–4.083	0.0130
Current assets	–4.980	0.000
Board composition	–10.503	0.0000
Audit committee comp.	–7.410	0.0040
Protection of shareholders rights	–0.108	0.1000
Disclosure of financial rep	–0.322	0.0000

The Jarque-Bera statistic had a value of 2.816 and a probability of 0.244, as shown in Table 2.

The study concluded that the data had a normal distribution with a p-value was 0.244 (0.244 > 0.05), which was more than 0.05. As a result, the null hypothesis was rejected.

Table 2. Normality test results

Jarque-Bera statistic	Probability
2.816	0.244

The Breusch-Pagan-Godfrey (BPG) test was utilized to evaluate heteroscedasticity. It tested the null hypothesis and revealed that heteroscedasticity was absent. The alternative hypothesis is that there is heteroscedasticity. Table 3 shows that the probability value for the Breusch-Pagan statistic was 0.0718, which is greater than 0.05. Accordingly, the study accepts the null hypothesis of no heteroscedasticity.

Table 3. Heteroscedasticity test results

Test	Probability
Breusch-Pagan-Godfrey (BPG) test	0.0718

All of the variables have a Variance Inflation Factor value of below 10, as shown in Table 4, and the tolerance value (1/VIF) is below 1. This infers that there is no multi-collinearity issue.

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Table 4. Variance inflation factor test results

Variable	VIF	1/VIF
Corporate governance	1.035	0.966
Asset structure	1.028	0.972
Firm age	1.069	0.935
Firm size	1.216	0.822
Mean VIF	1.873	–

The study applied the Durbin-Watson statistic to examine autocorrelation. The range of the statistic is 1.5 to 2.5. According to the statistical findings displayed in Table 5, the Durbin-Watson statistic was 1.7, suggesting no autocorrelation issue.

Table 5. Autocorrelation test results

Test	Durbin-Watson statistic
Autocorrelation Test	1.7

The p-value is 0.137, as shown by the data in Table 6. These findings imply that the preferred model's null hypothesis – that it has random effects – is appropriate.

Table 6. Model specification test results

Test	Probability
Hausman test	0.137

The data characteristics, mean, standard deviation, and maximum and minimum values of listed companies at the NSE are detailed in Table 7. The company value ranged from 0.100 as the minimum to 1.390 as the maximum, with a mean of 0.463 and standard deviations of 0.338. The board composition mean was 0.876, 0.171 as the standard deviation, and the range was between 0.500 and 1.00. The Audit committee composition had 0.316 on average, with a standard deviation of 0.431. The 0.667 was recorded as the minimum and 1.00 as the maximum value. Protection of Shareholders rights had 0.788 as the average, 0.55 as the standard deviation, 0.167 as the minimum, and 0.833 as the maximum. The disclosures of financials had 0.826 as the mean, 1.00 as the standard deviation, 0.50 as the minimum, and 0.046 being the maximum. The table shows that the median value of property, plant, and equipment is 0.220, with a range of 0.727 to 0.133 and a standard deviation of 0.123. Current assets displayed a mean of 0.402, 0.098 as the standard deviation, 0.129 as the minimum, and 4.711 as the maximum. Financial assets had a mean of 0.371, 0.062 as the standard deviation, the highest value of 0.408, and the lowest value of 0.008 as well. Firm size is, on average, 6.42, 0.369 as the standard deviation, 5.52 as the minimum, and 7.38 as the maximum. The standard deviation is 18.20, with the minimum as 1, the maximum value as 70, and a mean of 30.42 for firm age.

Table 7. Data characteristics

Variable	Obs.	Mean	Std. dev.	Min	Max
Board composition	510	0.876	0.171	0.500	1.00
Audit Committee	510	0.316	0.431	0.667	1.00
Protection of Shareholders rights	510	0.788	0.55	0.167	0.833
Disclosures of financials	510	0.826	1.00	0.50	0.046
Financial assets	510	0.371	0.062	0.008	0.408
Current assets	510	0.402	0.098	0.129	4.711
Property plant and equipment	510	0.220	0.123	0.133	0.727
Firm size	510	6.42	0.369	5.52	7.38
Firm age	510	30.42	18.203	1.00	70.00
Firm value	510	0.463	0.338	0.100	1.390

A correlation evaluation was executed to ascertain the percentages of the association between the variables, as shown in Table 8. Financial assets, property plant, and equipment have a –0.018 and –0.211 linear correlation with firm values, respectively. The correlation coefficient for current assets is 0.254, indicating a moderately tangible correlation between current assets and value. Similarly, the value of financial assets coefficient of correlation was 0.293, indicating a moderate correlation between financial assets and firm value. The correlation coefficient for board composition was 0.259, signifying a moderately positive correlation between the board composition and firm value.

In contrast, Audit committee composition had a value of 0.117, showing a moderate positive correlation between firm value and audit committee composition. Disclosure of financial statements has a correlation constant of 0.362, signifying an impartial positive correlation between disclosure of financial assets and value. In contrast, firm size (0.752) and protection of shareholder rights (0.521) indicate a positive linear correlation with firm value.

With an R^2 of 0.426 in Table 9, it can be deduced that the independent variables make up for approximately 42.6% of the change in a company's value. The chi-square statistic value was 5.49, with a probability value of 0.245, which is greater than 0.05.

Table 8. Correction matrix

	FV.	FA.	PPE.	CA.	FA.	FS.	BC.	AC.	PSR.	FAAP	DFS
FV	1		–	–	–	–	–	–	–	–	–
FA	–0.018	1	–	–	–	–	–	–	–	–	–
PPE	–0.210	–0.088	1	–	–	–	–	–	–	–	–
CA	0.254	–0.364	–0.269	1	–	–	–	–	–	–	–
FA	0.293	–0.001	–0.135	–0.190	1	–	–	–	–	–	–
FS	0.752	–0.171	0.232	0.162	0.366	1	–	–	–	–	–
BC	0.259	–0.546	0.124	0.221	0.366	0.212	1	–	–	–	–
AC	0.117	–0.321	–0.587	0.213	0.366	0.123	0.232	1	–	–	–
PSR	0.521	–0.221	0.325	0.325	0.366	0.321	0.213	–2.315	1	–	–
FAAP	0.021	-0.104	0.444	.0221	0.366	0.265	0.321	0.213	0.321	1	
DFS	0.362	–0.106	0.326	0.251	0.366	–1.213	0.251	0.012	0.2123	0.321	1

Note: FV is the firm value; *FA* stands for financial assets; *PPE* stands for plant, property, and equipment; *CA* stands for current assets; *BC* is the board composition; and *PSR* is the protection of shareholders' rights. *AC* is the constitution of the audit committee, *FAAP* is the financial affairs and audit procedures, and *DFS* is the financial statement disclosure.

The model was remarkable, as the outcomes indicated; further estimation was not possible since the model was suitable. Again, the results were influential, as shown in Tables 9 and 10. Statistically, all of the variables retained their coefficient insignias. The model's significance was also preserved. This suggested that the worth of NSE-listed companies is influenced by the independent variables.

Table 9. Goodness of fit of the model

Random-effects GLS Regression Model Statistics	
R^2: Overall	0.426
Wald chi^2	5.490
P-value	0.024

Table 10. Independent variables and dependent variables: Individual significance level of the variables

Variables	Coefficients	Std. errors	t-Statistics	Prob.
C	–14.669	2.053	–7144	0.000
Board Composition	0.173	0.036	4.678	0.000
Audit Committee Composition	0.629	0.098	6.419	0.000
Protection of shareholders Rights	0.282	0.061	4.611	0.000
Disclosure of financial statements	1.156	0.307	3.762	0.000
Property, plant & equipment	2.103	0.594	–7.089	0.000
Financial Assets	0.284	0.049	5.707	0.000
Current assets	1.879	0.624	3.023	0.002
Firm size	0.223	0.068	3.275	0.001
Firm age	–0.003	0.001	–2.809	0.005
R^2	0.460	–	–	–
Adjusted R^2	0.450	–	–	–
F-statistics	0.000	–	–	–

The regression equation becomes as follows when employing the above random effect regression model:

$$Y_{it} = -14.66 + 0.17X_{1it} + 0.87X_{2it} + \\ +0.28X_{3it} + 0.02X_{4it} + 1.15X_{5it} + 0.22X_{6it} \\ +0.32X_{7it} - 0.003X_{8it} + 0.28X_{9it}. \quad (2)$$

The results show that the constant term is –14.66, which suggests that keeping the variables under consideration at zero could result in a –14.66 decrease in firm value. The board composition regression coefficient is (0.17, $p < .05$), indicating that if all other variables are kept constant, an increase of one unit in the board composition variable will result in a value increase of 0.17.

Table 10 shows that the connection between board composition and value is direct and notable ($p = 0.000, < 0.05$). The findings imply that board composition improves firm value. The findings also show a remarkable and tangible correlation between the audit committee's composition and the value of the firm ($p = 0.000, < 0.05$). The findings imply that having a well-constituted audit committee increases firm value.

Similarly, a tangible and notable correlation exists between protecting shareholders' rights and firm value ($p = 0.000, < 0.05$). As a result, the firm's value increases when a company ensures that its shareholders' rights are protected. Similarly, the association between disclosing financial statements and firm value is tangible and remarkable ($p = 0.000$, $p < 0.05$). This suggests that the disclosure of financial

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statements raises a company's value. Additionally, the results demonstrate a positive but insignificant association between a company's size and its value ($p = 0.001 < 0.05$), indicating that an increment in a company's assets increases its value. Firm age and firm value have a negative but insignificant relationship ($p = 0.0052 < 0.5$). The findings imply that as the firm's age since listing increases, so does its value.

With other variables set to zero, increasing the audit committee variable by one unit results in a 0.62 increment in firm value, as indicated by the regression coefficient of (0.62, $p < .05$). The fact that the coefficient for the protection of shareholder rights is (0.28, $p < .05$) indicates that, with all other variables remaining unchanged, increasing the shareholders' rights variable by one unit results in a 0.28 increment in firm value. Lastly, the disclosure of financial statements coefficient is (1.15, $p < .05$), signifying that, with other variables remaining constant, a one-unit increase in the disclosure of financial statements variable results in a 1.15 increment in firm value. Furthermore, the findings indicate that the firm size coefficient is (0.22, $p < .05$), indicating that when other variables are kept at zero, a one-unit increment in the firm size variable results in a 0.22 increase in firm value. Firm age has a coefficient of (–0.003, $p > .05$), retaining all other variables constant; According to the research results, the firm value decreases by 0.03 when the firm age variable is increased by one unit. Additionally, the determination coefficient (R2) is 0.45, implying that the estimated model accounts for 45 percent of firm value variations. The study rejects the null hypothesis that NSE-listed firms' firm value is unaffected by corporate governance.

According to Goodstein et al. (1994), corporate governance is a foundation that supports more diverse skills, experience, better monitoring mechanisms, greater external connectivity, the ability to extract critical resources, and fewer opportunities to manipulate board members. As a result, corporate governance plays a key role in increasing firm value globally despite the firms' delisting from the NSE. The findings of this study illustrated that corporate governance was the best predictor variable for a firm's value. Plant, property, equipment, and firm value have a direct and remarkable relationship ($p = 0.000 < 0.5$). The findings imply that plant, property, and equipment increase a firm's value.

Likewise, a remarkable and tangible connection exists between financial assets and firm worth ($p = 0.000 < 0.5$). The findings indicate that financial assets increase firm value positively ($p = 0.0026 < 0.5$). Current assets directly and significantly relate to firm value. The discoveries infer that ongoing resources influence firm worth adversely. The property, plant, and equipment regression coefficient is (2.10, $p < .05$), indicating that maintaining other variables at zero increases firm value by 2.10 units and the plant, property, and equipment variable by 1 unit. Financial assets yield (0.28, $p < .05$) in the regression, indicating that with other variables set to zero, increasing financial assets by one-unit results in a 0.28-unit increment in firm value. Keeping other variables constant, increasing the current assets variable with one unit results in a 1.87-unit increment in firm value, as shown by the regression on current assets, which is (1.87, $p < .05$).

The null hypothesis that asset structure does not affect the firm value of NSE-listed firms is thus rejected. The results agree with the findings (Harc, 2015). When a firm has a substantial asset base, financiers can put their money into it, and vice versa. According to the findings, the borrowed cash is subsequently invested in a viable project that generates significant returns for the corporation, increasing the firm's value. The composition of a firm's fixed asset determines its final worth. When investment opportunities arise, firms with adequate asset portfolios are likely to take advantage. In terms of fixed assets, the majority of financially sound firms have a high investment value. When these assets are used to their full potential, their return on investment and value rise. The rise in value induces potential investors to continue investing in the firm. The results showed that allocating assets is essential in maximizing firm revenues and minimizing costs. Inadequate asset structure limits borrowing capacity, hindering the growth of firms if firms must preserve cash and repudiate investment opportunities.

Table 11 illustrates the results' reliability. The coefficient signs and statistical significance of all the variables do not change. Additionally, the significance of the model was preserved. This suggested that the outcomes of the model were fit for estimation.

Table 11. Goodness of fit of the model

Random-effects GLS Regression model statistics				
R Square: Overall	0.342			
Wald chi2	8.256			
P-value	0.003			
Individual Significance Level of the variables				
Variables	**Coef.**	**Std. err.**	**T-stat**	**P-Value**
Board composition	0.042	0.036	2.62	0
Audit committee comp.	0.026	0.098	3.41	0
Protection of Shareholders rights	0.282	0.061	2.61	0.042
Disclosures of financials	0.053	0.307	2.73	0.276
Financial Assets	0.057	0.064	0.62	0.001
Property, plant & Equipment	0.002	0.032	–4.13	0.032
Current Assets	0.056	0.028	3.27	0.003
Cons	0.534	0.08	5.42	–

4. DISCUSSION

The paper aimed to determine the connection between Kenyan-listed companies' asset structure, corporate governance, and firm value at the NSE. As hypothesized, corporate governance was proxied by Board composition, Audit committee composition, Protection of Shareholders' rights, and Disclosures of financials.

The first hypothesis was to find out if the composition of the board had an influence on a company's value. The results show a positive correlation between the value of companies listed on the NSE and board composition. The hypothesis that there is no statistically significant correlation between Board composition and the value of NSE-listed firms is rejected. According to Salem et al. (2019), in a contrastive study of Egypt and the United States, Salem found a positive correlation between board composition and corporate value in listed companies. These findings are harmonious with the results of Salem. According to the findings, board composition raises firm value. However, Erickson et al. (2005) contrast the findings, who assert that the firm value of under-concentrated ownership is unrelated to board composition: the evidence from Canada.

The second hypothesis was to ascertain the connection between the value of the NSE-listed companies and the Audit committee composition. The firm value of the NSE-listed firms was positively associated with the audit committee constitution. Puni's (2015) examination of the ROA and ROE with the audit committee in the Ghana Stock Exchange lends credence to the findings. The findings suggest that a well-organized audit committee raises a company's value. The hypothesis that there is no statistically significant relationship between Audit committee composition and the value of NSE-listed firms is rejected. However, Bremert and Schulten (2008) found a positive association between director compensation and a company's performance, while there was a negative relationship between ROA and the audit committee with Tobin Q as the indicator.

The third hypothesis was to ascertain the association between the value of NSE-listed companies and the protection of shareholders' rights. The outcomes show that safeguarding investors' privileges and the worth of recorded firms at NSE is positive. The hypothesis that there is no statistically significant relationship between the protection of shareholders' rights and the value of NSE-listed firms is rejected. Consequently, when a company safeguards the rights of its shareholders, the value of the company rises. The study outcomes are supported by Amalia et al. (2018), who explored the role of good governance in enhancing the financial performance of Indonesian zakat institutions. While investigating corporate governance, investor protection, and firm worth, another study by Rizki and Jasmine (2018) found that protecting investors does not positively influence the value of Asian enterprises.

The fourth hypothesis of the study was to determine the connection between the value of NSE-listed businesses and the disclosures in financial statements. The outcomes laid out a positive con-

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nection between fiscal report divulgence and firm worth, thus rejecting the hypothesis that there is no statistically significant relationship between the disclosure of financial statements and the value of NSE-listed firms. Uyar and Kılıç (2012), who unearthed a positive correlation between financial statement disclosure and firm value in 129 Turkish manufacturing companies, are in agreement with the findings. This suggests that the disclosure of financial statements raises a company's value. Al-Maghzom et al. (2016), conversely, dispute the results on disclosure and firm value and discovered no correlation between firm value in Saudi-listed banks and voluntary levels of disclosing risks.

The fifth hypothesis of the study was to ascertain the relationship between property, equipment, and plant on the worth of listed firms-proof from Kenya. According to the findings, plant, property, and equipment positively affect firm value, thus rejecting the hypothesis that there is no statistically significant relationship between property, equipment, and plant and the value of NSE-listed firms. Mwaniki and Omagwa (2017), who assessed the association between financial performance and asset structure, concur: Long-term investment and financial performance were found to be positively correlated in a survey of Kenyan firms quoted on the Nairobi Securities Exchange. However, the results contradict Okwo et al. (2012), who did not suggest that investing in fixed assets would influence the operating profit of Nigerian breweries positively and significantly.

The sixth hypothesis was to ascertain whether the value of Kenya's listed companies is affected by current assets. A company's value is thought to be positively correlated with current assets, thus rejecting the hypothesis that there is no statistically significant relationship between current assets and the value of NSE-listed firms. Akinleye and Dadepo (2019), who discovered that the quotient of current assets has a positive and predominant impact on the ROA of selected Nigerian manufacturing enterprises, are in agreement with the findings.

The seventh hypothesis was to find out if Kenya's listed businesses are affected by financial assets. The findings indicate that a company's value is not significantly impacted by financial assets and agree with Yahaya et al. (2015), who proposed a positive effect of financial assets: money, advances, and credits. Therefore, the hypothesis that no statistically significant relationship exists between financial assets and the value of NSE-listed firms is rejected. Nonetheless, Li and Wang (2014) demonstrated that the value of Hong Kong-listed IT ventures is not affected by specific assets, for instance, employee benefits costs.

The eighth hypothesis was to ascertain whether or not the company's size influences the value of listed firms. Consistent with the results, the size of a firm influences its value positively, implying that raising firm size raises the company's value. Therefore, the hypothesis that no statistically significant relationship exists between firm size and the value of NSE-listed firms is rejected. The result agrees with Isık et al. (2017), who deduced that the profitability and productivity of the mining industry listed on IDX are significantly influenced by company size.

The ninth hypothesis was to uncover if the age of a company affects its value in Kenya. According to the study, a company's age negatively and insignificantly correlates with its value; thus, the hypothesis that there is no statistically significant relationship between firm age and the value of NSE-listed firms is accepted. Pittiglio et al. (2014), in a study of 58,211 businesses, discovered a negative and significant association between the age variable and the sale quotient of manufacturing businesses in India. However, Ghafoorifard's et al. (2014) study of firm size and age on the Tehran Securities Exchange goes against this.

Based on the findings, it is palpable that a foundation for the connection between firm value and asset structure of corporate governance has been established. However, the study used 51 out of 64 NSE-listed firms, as some did not have consistent data on the variables under study. Others had not traded consistently. The study period was also limited as some firms were delisted, and others were on and off on the NSE exchange, meaning that the study was limited to representativeness. Furthermore, the

research concentrated on secondary data extracted from financial reports, which may have contained clerical errors despite being audited. Such mistakes may have gone unnoticed. Since the study explored the nexus between corporate governance, asset structure, and the value of NSE-listed firms, a similar study on firms not listed on the NSE can be conducted to unveil the elements of corporate governance implemented and their effect on value. Other corporate governance characteristics, such as board diversity with regard to age, gender, professional qualification, and ownership structure, can also be studied.

CONCLUSION

The research paper examined the influence of corporate governance and asset structure on the value of NSE-listed firms. As per the study, the board's constitution positively influences the value of a firm. Correspondingly, the composition of the audit committee positively affects firm value. In addition, there is a clear and significant connection between safeguarding shareholder rights and the value of a company; Disclosure in financial statements and the value of the company have a significantly remarkable association. According to additional findings, firm value is also positively and significantly impacted by financial and current assets, plant, property, and equipment. Last but not least, the findings demonstrate a positive but insignificant correlation between a company's value and size. The correlation between the firm's age and value is negative but insignificant.

The study recommends that firms implement proper corporate governance practices because it significantly affects a firm's value. Specifically, the chief executive officer and Board chairperson posts should be separated. The board size should be adequate and within the bracket recommended by the respective regulatory authority. The board ought to consist of non-executive independent directors, making up about one-third of the entire board population. An audit team consisting of a preponderance of independent NEDs should also be instituted to handle audit matters. The audit committee should comprise directors with sufficient financial understanding, and the chairman should be an independent NED. The firms should also maintain an adequate plant, property, and equipment asset structure to facilitate operations. Similarly, unutilized funds should be invested in financial assets to generate income. Sufficient funds should be allocated to current assets to facilitate daily operations. Firms should implement strategies that include proper corporate governance and asset structure to ensure better performance and boost firm value.

AUTHOR CONTRIBUTIONS

Conceptualization: Barine Nkonge Habakkuk.
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Formal analysis: Barine Nkonge Habakkuk.
Funding acquisition: Barine Nkonge Habakkuk.
Investigation: Barine Nkonge Habakkuk.
Methodology: Barine Nkonge Habakkuk.
Project administration: Barine Nkonge Habakkuk.
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