Corporate Governance, Capital Structure, Ownership Structure, And Corporate Value Of Companies Listed At The Nairobi Securities Exchange

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Abstract

This paper focuses on establishing the relationship among corporate governance, capital structure, ownership structure, and firm value for companies listed at the Nairobi Security Exchange (NSE). The study tested three hypotheses that explored various aspects of this relationship: First, there is no intervening effect on the capital structure on the relationship between corporate governance and corporate value; Second, there is no significant moderating effect of ownership structure on the relationship between corporate governance and corporate value; and finally, there is no significant joint effect of corporate governance, capital structure, and ownership structure on corporate value. The data of the study was obtained from audited financial statements of the firms listed at the NSE. A census survey for sixty-four publicly trading firms at the NSE was undertaken. The data of 64 corporations was cleaned, leaving a smaller number of 58 firms which formed over 90% of the sample. The analysis covered a five-year period between 2013 to 2017. The study adopted a positivism philosophy and a descriptive design. Descriptive statistics and diagnostic tests were undertaken and thereafter

inferential statistics, specifically correlation and regression analysis, were used for hypothesis testing. The multiple regression analysis was used to test the relationship among corporate governance, capital structure, ownership structure, and corporate value. The panel data procedure was considered more appropriate as the sample data contained both cross-sectional and time-series data. The Baron and Kenny's (1986) approach was used to assess the intervening and moderating effect of capital structure and ownership structure respectively on the relationship between corporate governance and corporate value. Corporate Governance was measured by a composite of board independence, board size, board remuneration, and corporate gender diversity. Capital structure was measured by leverage, while ownership structure was measured by ownership concentration, state ownership, family ownership, and foreign ownership. Firm performance was measured using the Tobin Q. The joint effect of corporate governance, capital structure, and ownership structure on corporate value was found to be positive and significant. However, Ownership structure and capital structure had no significant moderating and intervening effects respectively on the relationship between corporate governance and corporate value. This study makes an original contribution as it takes a more holistic approach of corporate governance development by probing whether improving corporate governance is linked to the enhanced corporate value. The study recommends that corporate shareholders, boards, regulators, and management of listed corporations should put in place robust policies. This will ensure the implementation and monitoring of corporate governance principles and ensure congruence in their activities of the oversight of corporate objectives of optimizing corporate value and minimizing fraud and failure risks of corporations.

Introduction

The corporate governance subject has stimulated much empirical research in finance and economics since Smith's (1776) key seminal publication which analyzed the characteristics and sources of wealth among nations. Corporate governance denotes the rules and principles established by the management to regulate affairs and effectively manage the company's resources to add value to the company and achieve maximum returns for shareholders (Haque & Arun, 2016). It is therefore a framework of rules, relationships, systems, and processes that provide a structure for exercising authority, securing financial resources and other resources, and controlling corporations to enable companies create value while providing accountability and control systems to hold actors responsible for their individual and

collective actions. The established structures support value creation through entrepreneurialism, innovativeness, development, and exploration by management and directors while proving incentives to align shareholders and management interests. It involves directing and managing systems, people, and resources, which is an important key in creating value. Studies have documented that the use of functional corporate governance guidelines strengthens investors' confidence in obtaining profits (Alqisie, 2014). Ownership structure forms a central base in the linkage between corporation governance and value as the owners' goal is to maximize their returns by strengthening governance issues. According to Holderness (2016), ownership structure can be influenced greatly by environment such as whether there are high chances of perquisite consumption or not and whether the capital structure imposes adequate pressure on management to increase company's value.

Agency theory is the anchoring theory of the study because it is instrumental in the conceptualization of how firm value interacts with corporate governance. It may result in agency conflicts if the management starts to pursue personal interests conflicting those of the stockholders (Calomiris & Carlson, 2016). It helps us understand the importance of having a strong corporate governance mechanism in firms and how they impact their performance. The theory informs us of the importance of managing the relationship between owners and managers which influences the performance of corporations to a great extent. Thus, the tradeoff model conceptualized the intervening link of capital structure on the relationship between corporate governance and company value. The theory asserts that entities would desire to use debt finance up until the gains arising from tax-shields matches the bankruptcy and financial distress costs. Jensen and Meckling (1976) authored the theory and hypothesized that trade-off scenario exists between an entity's optimal debt-equity ratio and its impact on agency costs, taxes, and bankruptcy costs.

This study aims to establish the cause of corporation's failures and underperformance which have continued to increase in frequency and magnitude at NSE despite different measures instituted by the supervisory authorities like the CMA and the Central Bank. Although the implementation and improvement of corporate governance regulations and principles has made a significant contribution in improving NSE listed firms' performance, the number of cases of underperformance and failure is still increasing (Dominic & Memba, 2015). As such, recently in 2015, the CMA placed Nakummat and Uchumi Supermarkets under statutory management. In addition, Kenya Airways and Mumias sugar - despite several bailout by the Kenyan Government - still continue to experience huge losses. Several authors have ascribed this problem to financial difficulties and inefficient corporate

governance (Peters & Bagshaw, 2014). Latest studies suggest that this deeply mirrors weaknesses in corporate governance, ranging from complacency board in oversight to inadequate controls, and the management's poor strategic foresight (Opiyo, 2013; Vincent et al., 2015).

Corporate governance, capital structure, and ownership structure are key concepts that have been interconnected with corporate value analysis in several existing studies. Agency theory and several other mechanisms of corporate governance contend that good corporate governance enhances entity's performance (Haque & Arun, 2016). The regulatory framework implemented by Capital Market Authority and tight reporting oversight of NSE has been instrumental in improving corporate performance thereby proving their effectiveness to a reasonable extent (M'Ithiria & Musyoki, 2014). Regardless of the various interventions, Kenya has documented several cases of corporate governance weaknesses and poor capital structure practices among listed companies at NSE resulting to receivership/statutory management and liquidation. The number of cases keeps rising, especially at CMC Motors, and consecutive loss reporting by firms such as Kenya Airways and Mumias Sugar is a sign that poor corporate governance practices persist despite these improvements (Ali, 2018).

Corporate governance has been discussed in the context of privately and state-owned entities where corruption, malpractice, and subsidization by the government of failing listed enterprises like Mumias Sugar, Kenya Airways among other firms remain the defining attributes. In 2017 for instance, fashions retailer Deacons (EA) and Cement maker ARM were also placed under statutory management due to excessive losses and high debt.

Numerous studies have been undertaken in industrialized states but the outcome of the studies – even though contradictory in most cases – cannot be unreservedly generalized to emerging states due to societal, cultural, and economic divergences between the developed and developing nations (Carter & Greer, 2013; Chen, 2012; Hasan & Butt, 2009). Other studies have considered individual variables relationships on firm value (Dominic & Memba, 2015). The question is - what is the impact of corporate governance on corporate value of NSE listed companies?

However, the key objective of this research aims to evaluate the relationship among corporate governance, capital structure, ownership structure, and corporate value of NSE listed companies. The specific objectives of the research include the following:

i.   To assess the intervening effect of capital structure on the relationship between corporate governance and corporate value of NSE listed firms.

ii.   To investigate the effect of ownership structure on the relationship between corporate governance and corporate value of NSE listed firms.

iii.   To evaluate the joint effect of corporate governance, capital structure, and ownership structure on corporate value of NSE listed firms.

Literature Review
Theoretical Framework

Good corporate governance cannot be described by a single theory. Thus, it remains vital to combine different theories that not only address social interactions, but also highlight rules and laws, as well as stringent enforcement, that relate to good practices of governance and go beyond mechanical approaches of explaining CG. For this reason, it is important that the holistic implementation is promoted in the entire corporate world, which brings a different perspective of corporate management with it. Governance in diverse countries can differ based on their political, cultural, historical, and social situations. In such cases, the governance in developing and developed states can differ since it is subject to the economic and cultural perspectives of every state (Wicks & Parmar, 2014). The anchoring theory is agency theory. The other theory considered to compliment agency theory is the trade-off theory. These theories are linked to the study in that they are reflecting the basis of governance practices and how this affects the corporate value.

Agency theory was founded by Jensen and Meckling (1976), and they indicated that the agency theory is instrumental in corporate governance literature, standards, principles, and governance codes. Anderson, Becker, and Campbell (2014) made available an extensive review of CG theories, arguing that an agency model is best since it aptly explains the role of corporate governance towards company performance. When critically examined, agency theory basically deals with the resolution of two problems that arise due to agency relationships (Velte, 2017). The foremost problem occurs when there is a conflict between the agent and principals when their wants or goals conflict, while the second issue occurs when it becomes costly or difficult for a principal to confirm what an agent action. The model postulates that prudent CG mechanisms align executives and directors' interest with the welfare of owners leading to an efficient and optimal capital structure choices which, when combined with ownership structure, leads to better corporate value. In agency relationships, the basic function of independent directors includes, among other things, overseeing management performance in achieving agreed objectives, overseeing performance reporting, and satisfying financial integrity, and optimizing resilient and defensible financial controls and capital structure (Mang'unyi, 2011). Thus, effective involvement of directors in

monitoring and supervision of activities and reports of management can greatly improve governance and financial performance.

Agency theory critics argue that it only focuses on different relationships, thus ignoring the convergence of interrelationships among different parties and their interdependencies (Hasan & Butt, 2009). Such parties are distinct in nature and have mutual associations that cannot easily be linked to the theory's divergent viewpoint. Not all agents are self-centred and opportunistic because there are those who act as real ship captains if rewards and compensation are made to their satisfaction. Donaldson and Davies (1994) findings also indicate that where a manager has served in a company for a long time, help shape and mould its form and directions, there is likely to be a melding of individual self-esteemed with corporate prestige. Other stakeholders like employees and banks are also likely affected by the appropriation policy of management and may oppose or expose such actions. This theory is of great relevance to this study as it aids in understanding the relationship between the organization management and its owners. It also helps us understand the importance of having strong corporate governance mechanisms in firms and how they impact their performance. Kenya's financial institutions are managed by executives on behalf of shareholders. The agency problems are evident in most scandals that have faced some of the institutions under this study. This theory is thus applicable for this study, as it informs us of the importance of managing this relationship between owners and managers which influences the performance of corporations to a great extent. According to Robbins and Judge (2017), reducing agency tensions results in a friendly working environment and, hence, agency cost is reduced leading to efficient operational, financing, and investing activities.

Trade-off theory argument on the existence of an ideal capital structure that optimizes corporate value will motivate management to implement corporate governance best practices that would enable them to achieve this debt level. The uniqueness of this optimal tax level to the different companies means that investors would prefer investing in corporation with higher optimal level gain accelerated returns both from debt and capital invested. The debt tax benefits and the control of free cash-flow difficulties forces companies to make greater use of leverage which also positively influences management to invest in projects with positive cash flow, thereby optimizing corporate value. Critics of this theory point out that high debts level result in financial distress and bankruptcy and may therefore result in reduction of corporate value. In efficient and perfect markets, Modigliani and Miller (1958) illustrated that the structure of financing was irrelevant in determining the cost of funds and an entity's value, thus contradicting the model. The attainment of ideal capital structure is assumed to be the basis of market efficiency and symmetric information which is not always the reality – this makes it difficult to

operationalize. The relevance of this theory is the ability to support the conceptualization of the intervening impact of capital structure on the interrelationship between CG and corporate value. The theory indicates that businesses will choose their equity and debt financing mix to offset the benefits and costs of debt. High financial leverage may result in improved efficiency by reducing agency costs because of fear of bankruptcy which would result in losses to executives in form of remunerations, incentives, reputation and the pressure to make cash flows to repay periodic debt and interest expenses. The relationship between the right action of management in adherence to good corporate governance, capital structure decision, and their effort to optimize corporate value to wade-off bankruptcy helps to conceptualize the relationship, thereby predicting the intervening effect of capital structure on the relation between CG and corporate value.

Corporate Governance, Capital Structure, Ownership Structure, and Company Value
The empirical analysis of the relationship among corporate governance, capital structure, ownership structure, and corporate value has not provided an explicit causal link amongst the variables. Majority of previous studies pose methodological, theoretical, and contextual gaps. The agency theory argues that control and ownership separation create conflicting interests whereas in trade-off theory, no such conflicts are envisaged. Most of the earlier studies reviewed have investigated the interrelationships between the two or the three variables and documented conflicting and inconclusive results.
Adera et al. (2015) examined the link between debt-equity ratio and stock values of NSE manufacturing companies. They applied the explanatory nonexperimental design with the authors undertaking a census of nine entities. Pearson Correlation - (2-tailed) Pearson analysis - was employed. The outcomes documented a significant positive association between preference share capital, long-term leverage, reserves, ordinary equity and the firm's performance. The research did not consider moderating variables on the relationship nor the corporate governance influence in the relationship. Recent empirical research shows that implementation of the best practices of corporate governance remains a challenge for quoted Kenyan companies and regionally. These best practices include shareholders rights protection, clear definition of stakeholder roles as well as defining board responsibilities for optimizing company value. Providing an answer to this gap is foundational and fundamental in ensuring optimal corporate growth and performance which is the need for the current study.
Driffield, Mahambare, and Pal (2005) studied whether ownership structure affects debt-equity ratio and ROA. They applied firm-level panel

data 3rd level least square method (3SLS) method. They obtained evidence from the popular belief that bureaucratic controls hamper the growth of firm value. It is possible to extend this study to include mediating influence of capital structure on corporate value and governance aspects and note the resulting changes in results.

Hasan and Butt (2009) examined how corporate governance and ownership structure affected Pakistani listed companies' capital structure. The study adopted fixed-effect regression technique. The findings show that ownership structure and corporate governance had a significant effect on the capital structure. If the study were to be taken one step further by corporate value, the results would be more robust. The main objective of the shareholder is to optimize returns on investment. Therefore, extending the study to include corporate governance would provide the necessary focus and attention to shareholders key objective. This gap was therefore adequately responded to by the current study which has recognized agency theory as the anchoring theory and focused on investigating how the gap between ownership and control can be minimized to optimize shareholders value creation.

Holderness (2016) investigated how ownership structure and debt-equity ratio affects entity's performance in his study of Vietnamese quoted corporations. The study employed OLS and regression methods for the data analysis. The study documented an adverse effect of foreign ownership on leverage, but a positive effect by state ownership. The study considered ownership structure and debt-equity ratio combine effect on firm performance but did not consider the moderating influence of ownership structure nor the intervening impacts of debt-equity on firm performance which this study has now incorporated. There is, however, a need to incorporate a variable that would address the often-sighted need for taking adequate measures to boost the proficiency and efficiency of governance structure in firms.

Studies relating to corporate governance and business performance have yielded contradictory and inconclusive outcomes. Some studies documented positive relationships, while others reported either negative or no relationships at all. A possible explanation for the contradictions and conflicts could be the exclusion of intervening and moderating effects. However, the studies use different measure of the explanatory and response variables in addition to methodological differences. Most of the studies on the four concepts have been undertaken in developed markets that vary due to market efficiencies, regulatory as well as legal environments. Furthermore, limited studies have evaluated the intervention and moderation effects of capital structure and ownership structure at the same time. Given the methodological and the contextual gaps, the inconsistent and sometimes inconclusive findings, this is a research area which needs current and future investigation. The above analysis leads to the three hypotheses tested by the study.

Hypothesis 1: There is no significant intervening effect of capital structure on the relationship between corporate governance and corporate value of NSE listed firms.

Hypothesis 2: There is no significant moderating effect of ownership structure on the relationship between corporate governance and corporate value of NSE listed firms.

Hypothesis 3: There is no significant joint effect of corporate governance, capital structure, and ownership structure on corporate value of NSE listed firms.

The Conceptual Framework

Figure 1 displays the study's conceptual model showing corporate governance, capital structure, ownership structure, and corporate value interrelationships. The figure depicts that CG influences corporate value in several ways. Corporate governance can affect corporate value indirectly through capital structure. The directors hired by the firm owners during General Meetings do not participate in the normal operating activities of the company, but rather oversee the management's activities and approve critical decisions of the management in the company. One of the key decision management makes, which requires the director's approval, is the capital structure decision. Hypothesis one, therefore, proposes the intervening effect of capital structure on the relationship between CG and corporate value. Both Trade-off theory and agency theory supports this hypothesis.

Corporate Governance could also influence corporate value through the moderation of the ownership structure. The directors are the link between the management and the owners, and they provide the owners with information regarding management strategies approved by them or suggested by the management. In addition, they receive direction from the owners on fundamental strategic changes as well as visions, mission, and key objectives. Ownership structure has been documented based on empirical studies to influence entity value, although the direction and nature of the effect are not clear. The common ownership structure attributes are ownership concentration, foreign, state, and family ownerships. Hypothesis two, therefore, proposes that ownership structure moderates the relationship between CG and firm value. This hypothesis is supported by agency theory – relating to agency costs resulting from the separation of control from ownership as agents take charge of the firm. Corporate governance, capital structure, and ownership structure could jointly affect corporate performance. From past empirical studies, each of these variables has been documented by scholars to have some effect (positive, negative, or none) on corporate value. The joint effect of the variables has also been investigated by few scholars. Consequently, the third hypothesis assessed the joint influence of corporate

governance, capital structure, and ownership structure on corporate value and is supported by both agency theory and trade-off theory.

Participants in the age group between 51 and 80 show higher cognitive and behavioral values. The following table shows the scores of general attitudes concerning age groups. Table 6 indicates the values of the correlation analysis.
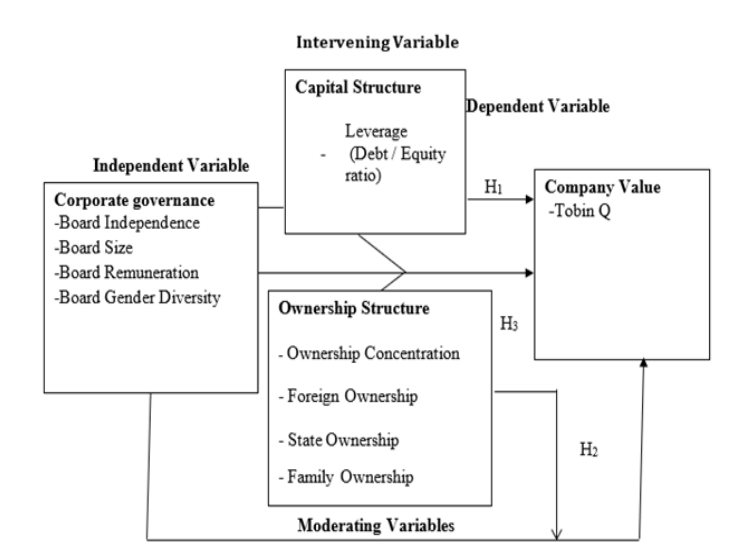

Figure 1. The Conceptual Model
Source: Author (2021)

Research Methodology

The methodology steps adopted by the study include research philosophy, study design, targeted population, collection of data, diagnostic tests, operationalization, and analysis of data. The study was premised on the positivism research philosophy as it tested several quantitative hypotheses. The descriptive design was appropriate since the study's key variables were defined and the study hypotheses and research questions were clearly indicated. Cooper and Schidler (2008) supported this position by arguing that descriptive design is suitable for a research in which research questions or hypotheses have already been formulated. The population consists of 58 firms listed at the NSE covering 2013 to 2017. This study used quantitative secondary data collected in Microsoft excel for a five-year period. The data was obtained from publicly trading companies past financial accounts from the companies' websites and other accounts filed with NSE. Where the required data was not accessible, it was directly requested from firms' management.

Various diagnostic tests were undertaken to validify and justify the regression results to determine if the regression model was unbiased. These were done given that it is impractical to achieve accurate and reliable

deductions about reality when the population which the sample was derived from is invalid (Creswell, 2013). The conventional linear regression model is founded on various assumptions including linearity, multivariate normality, little or no multicollinearity, homoscedasticity, and no or little autocorrelation. Autocorrelation arises when residuals fail to be independent of one another and the Durbin-Watson (1985) statistics ($1.5<d<2.5$) was employed to assess panel data autocorrelation. The ANOVA linearity test was employed to assess the study variables linearity with non-linearity being insignificant if the computed F-value of the non-linear indicator is more than 0.05. Multicollinearity arises when explanatory variables are not independent from the other, which indicates that one explanatory variable can be linearly predicted by the other variables with some degree of accuracy (Kothari, 2004). Multicollinearity was evaluated through the VIF (Tolerance) test. Multicollinearities exist if the VIF value is more than 10 and the tolerance value is not far from 1. Heteroscedasticity occurs when the residuals variance fails to be constant across all observations and was assessed using the Levene's test. Here, the assumption that the variations in the populations from which different samples were taken were the same was assessed. Linear regression analysis also requires the study variables to be multivariate normal. The Kolmogorov-Smirnov test and goodness-of-fit test was used for testing normality. Additionally, the Shapiro-Wilk test (1965) was also adopted since it is a more robust normality test.

Since the variables in a regression model contain time series, it is essential to undertake a stationary time series test to ensure the model is not biased. A stationarity test is undertaken since nonstationary variables in regression model shows that the asymptotic analysis assumptions are not valid. Thus, the normal "t-ratios" do not follow the t-distribution and therefore cannot validly test the regression parameter hypotheses. The Augmented Dickey-Fuller (ADF) unit root test was undertaken in EXLTAT to assess for non-stationary. According to Gujarati (2003), if a time series is nonstationary, the study of its behavior is valid only for the time under consideration.

The Hausman specification test was also undertaken to determine model suitability. The equations testing the various hypothesis can be estimated using different regression models, specifically the pooled-ordinary (OLS) least square, fixed effects or random effect models. Wooldridge (2010) postulates that pooled OLS is used when a different sample is selected for each year. However, in this case, the same sample is observed within a five-year period. Therefore, choice can be made between fixed effect or random effects. Suitability between the fixed and random effect was assessed through the Hausman test. The Hausman specification test posits that the estimates of the random and fixed effects models' do not differ considerably. The Hausman test null hypothesis specifies that the random effects model is applicable while

the alternative hypothesis indicates that the fixed effects is more suitable. The Hausman test results follows the chi-square distribution. If it is lesser than the probability value, the null hypothesis is rejected, and the fixed effect model is better suited for the panel data. Wooldridge (2010) posits that if the Chi-square P-value is significant statistically ($p<0.05$), the fixed effects model is preferred. The opposite is recommending the random effects model.

The study adopted a census survey method where the total population of all corporations, publicly trading at the NSE numbering 64 as at December 2017, were considered. However, the data from the 64 companies was sorted and cleaned, while complete data was obtained from 58 corporations as some companies had been delisted and fused with the private sector, new listings, and the loss of observations in other companies due to data unavailability and poor-quality data in some years. These 58 companies with complete data comprised of more than 90% of the sample.

Beck and Wiersema (2013) explains that operationalization is the categorical description of a variable so that it can be measured. The four variables of the study were Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value. Corporate Governance indicators included board independence (the proportion of autonomous non-executive members of the board), board size (logarithm of number of directors), board remuneration (natural log of payout to board members per year), and board gender diversity (proportion of female directors). That was in line with the measures adopted by Proudfoot (2016). In addition, equal weighted composite consisting of the four sub indicators (Board Independence, Board Size, Board Remuneration and Board Gender Diversity) formed the Corporate Governance measure. Capital structure was proxied by the leverage (proportion of debt to the total funding). Ownership structure was measured by the weighted average of ownership concentration (proportion of shareholders with 10% or more to the aggregate shareholding value), State ownership (Proportion of state ownership to aggregate ownership), foreign ownership (Proportion of foreign ownership to aggregate ownership), and family ownership (Proportion of family ownership to total ownership).

Consequently, the corporate value was measured by an equal weighted average of Tobin Q, while Tobin Q was measured as shown below:

$$TQ = \frac{MVE + BVD}{BVA}$$

Where MVE is Market value of Equity, BVD is Book Value of Debt, and BVA is Book Value of Asset.

Data Analysis

Sekaran and Bougie (2009) suggested a four-step approach for analyzing data, namely: preparing data for analysis (editing for accuracy,

completeness, and consistency); get an overview of the data (descriptive statistics); assess the goodness of fit (diagnostic tests); and finally, test the hypotheses. Multiple regression analysis was used to test the variables strength and direction. The Statistical Program for Social Sciences (SPSS) version 26 was used to analyze the data through descriptive and inferential statistics. This analysis is in line with the analysis used in earlier studies to examine the main effect, intervention, moderation, and joint effect (Okiro, 2014; Mang'unyi, 2011).

To determine the intervening impact of Capital Structure on the Relationship between Corporate Governance and Corporate Value, the four steps approach demonstrated by Baron and Kenny (1986) was applied to test hypothesis one.

Step 1**:** $CV_{it} = \beta_0 + \beta_1 CG_{it} + \varepsilon_{it}$--(1)

Step 2**:** $CS_{it} = \beta_0 + \beta_1 CG_{it} + \varepsilon_{it}$--(2)

Step 3: $CV_{it} = \beta_0 + \beta_1 CS_{it} + \varepsilon_i$--(3)

Step 4: $CV_{it} = \alpha + \beta_1 CG_{it} + \beta_2 CS_{it} + \varepsilon_i$--(4)

Where CV, CG, and CS are Corporate Value, Corporate Governance, Capital Structure respectively, and **β_0** is the intercept or Constant. **β_1- β_2** are regression coefficient, **ε** is a random error term, **i** is the number of companies used in the sample, and **t** are the duration of the research. Corporate Value was measured by Tobin Q, while Corporate Governance is a weighted average of BI, BS, BR, and BGD.

To test the moderating effect of the ownership structure on the relationship between Corporate Governance and Corporate Value, the Baron and Kenny's (1986) approach for testing moderation was used. It entailed the moderating impact of ownership Structure on the relationship between Corporate Governance (CG) and the company's value (CV). Here, Ownership Structure is the weighted average of Ownership Concentration, Foreign Ownership, State Ownership, and Family Ownership. The models for the hypothesis of Ownership Structure are as follows:

$CV_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 OS_{it} + \beta_3 CGOS_{it} + \varepsilon_i$--------------------------------------(5)

To determine the joint effect of corporate governance, capital structure, and ownership structure on the company's value, the model for testing the hypothesis is as follows:

$CV_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2 BS_{it} + \beta_3 BR_{it} + \beta_4 BGD_{it} + \beta_5 CS_{it} + \beta_6 OC_{it} + \beta_7 FRO_{it} + \beta_8 SO_{it} + \beta_9 FMO_{it} + \varepsilon_i$ ---(1)

B_1------β_9 are the regression coefficients. BI, BS, BR, BGD, CS, OC, FRO, SO, FMO are Board Independence, Board Size, Board Remuneration, Board Gender Diversity, Capital Structure, Ownership Concentration, Foreign Ownership, State Ownership, and Family Ownership, respectively. CV represents Corporate Value (measured by Tobin Q), **β_0** is the intercept or Constant, **β_1- β_9** are regression coefficient, **ε** is a random error term that

accounts for the unexplained variations, **i** is the number of companies used in the sample, and **t** are the duration of the research.

Descriptive Statistics

Descriptive statistics tools were employed to summarize the basic features of the data, which were collected by providing refined sample summaries and the adopted measures. Sekaran and Bougie (2009) contend that along with simple graphical analysis, descriptive analysis virtually forms the basis of every quantitative analysis of data. Descriptive statistics entails various measures and among them include maximum, minimum, mean, and standard errors of estimates. It further entails measures of symmetry such as skewness and kurtosis (data flatness or sharpness). The descriptive statistics results for all studied variables and the number of observations (N) are presented in Table 1 below.

Table 1. Summary of Descriptive Statistics

Variable		Min	Max	Mean	Standard Deviation	Skewness	Kurtosis
Corporate Governance	Board Independence	.55154	.85967	.6155420	.13845227	-.613	-.131
	Board Size	.5485	1.1855	.8428597	.17567500	-1.147	.787
	Board Remuneration	.34210	1.4480	.5551251	.14274991	-.326	-.678
	Board Gender Diversity	.01058	.62033	.2538652	.08718682	-.300	1.441
Ownership Structure	Ownership Concentration	.03597	.68459	.3317542	.14773027	-.028	-.959
	Foreign Ownership	.01705	.68346	.3361216	.12877942	-.318	-.316
	State Ownership	.2511	.78320	.1134344	.05277976	.257	-.243
	Family Ownership	.011052	.73765	.4521073	.16858353	-.750	.005
Capital Structure	Leverage	.02490	.86843	.4035326	.18608898	.278	-.562

Source: Research Findings

Using data from 58 listed companies over a five-year period led to 290 data points (Table 1). Therefore, the findings indicate that the independent directors of the Kenyan listed companies made up 61.5% of the board size, with a maximum and minimum values of 86% and 55%, which were distributed on both sides of the average by 13.8% respectively. The results also showed that the companies had an average board size of 7 directors (antilog of 0.8428), with a maximum of 16 (antilog of 1.1855) directors, and

a minimum of 4 (antilog of 0.5485) directors that deviated by 2 (antilog differ from .1757) directors on either side of the mean, respectively. On average, the listed firms' board remuneration was 3.6 (antilog of .5551) million Kenyan shillings, a minimum of 2.2 (antilog of .3421) million Kenyan shillings and a maximum of 28 (antilog of 1.4480) million Kenyan shillings that deviate by 1.387 (antilog of .1427) million Kenyan shillings on both sides of the mean. The findings also show that female directors of Kenyan listed corporations constituted 25.4% of the corporate board, with a maximum and minimum of 62% and 10% which were distributed on both sides of the mean by 9% respectively.

Regarding ownership structure, the finding indicated that owners hold 10% and above averaged 33% with a maximum of 68.5% and minimum of 36% distributed on either side of the mean by 14.8% respectively. Foreign Ownership constituted 33.6% with a maximum and minimum of 68.3% and 1.7% that deviate by 12.8% on either side of the mean, respectively. The findings further indicate that state ownership averaged 11.3% with a maximum of 78% and a minimum of 25% spread on either side of the mean by 5.3%. The results of the finding show that Family Ownership constituted 45.2% with a maximum of 73.8% and a minimum of 1.1% that deviate by 16.86% on either mean side. The findings indicate that capital structure use of debt is at 40.3% on average with a maximum of 86.8% and a minimum of 2.5% spread on either side of the mean by 18.6%. The results also show that CG indicators of Board Independence, Size, Remuneration, and Gender Diversity had negative skewness. Furthermore, they also had negative Kurtosis except for Board Gender Diversity. Ownership Structure indicators of Ownership Concentration, Foreign, State and Family Ownerships, all had negative Skewness except for state ownership. Kurtosis for all of them were negatively skewed except for Family Ownership.

Results of Diagnostic Tests

This section tested the regression model statistical assumptions. Among them include test for independence, homogeneity, linearity, normality, multicollinearity, specification, and stationarity tests. The calculated values and respective thresholds of the four study variables are indicated in Table 2 below:

Table 2. Summary of Diagnostic Tests

	Assumption (Test)	Normality (Shapiro-Wilk)	Linearity (ANOVA)	Independence (Durbin Watson)	Homogeneity (Levene)	Collinearity (Tolerance)	Specification test (Chi-Square prob.)	Stationarity Test (ADF-test)
Variable	Attribute	P > 0.05	P > 0.05	1.5<d<2.5	P > 0.05	VIF 10 Max	P < 0.05	P < 0.05
Corporate Governance	Board Independence	0.4	0.272	2.199	0.845	1.878	0.0001	0.0001
	Board Size	0.324	0.332	2.197	0.619	3.227	0.0001	0.0001
	Board Remuneration	0.24	0.261	2.108	0.365	1.801	0.0001	0.0001
	Board gender diversity	0.26	0.39	2.183	0.418	1.249	0.0001	0.0001
Capital Structure	Liquidity	0.302	0.181	2.157	0.321	1.346	0.0001	0.0001
Ownership Structure	Ownership Concentration	0.403	0.183	2.163	0.762	1.488	0.0001	0.0001
	Foreign Ownership	0.302	0.274	2.232	0.58	1.258	0.0001	0.0001
	State Ownership	0.081	0.261	2.178	0.329	1.202	0.0001	0.0001
	Family Ownership	0.23	0.146	2.224	0.213	1.051	0.0001	0.0001
Corporate Value	Corporate Governance	0.401	0.199	2.183	0.682	1.823	0.0001	0.0001
	Capital Structure	0.302	0.181	2.157	0.321	1.346	0.0001	0.0001

Source: Research Findings

The Shapiro-Wilk test was employed for testing normality due to its ability to identify a deviancy from normality due to either kurtosis, skewness, or both. The results indicate that the calculated p values ($p > 0.05$) were greater than 0.05, which is normality confirmation. The ANOVA linearity test which computes the nonlinear and the linear component of the variables pair was used for linearity testing, with an insignificant F value ($p > 0.05$) indicating linearity. The calculated P values for the linearity test were above 0.05, which confirmed the linear relationship (constant slope) between the dependent variable and the predictor variables.

The independence of errors assumption, which means that the observations are independent, was also assessed using the Durbin-Watson test and the statistic ranges between 1.5 and 2.5. The calculated values ranged from 2.108 to 2.232, which supports the independence of the error assumption. The Levene test was used for homoscedasticity testing. The test was not statistically significant at a=0.05, which confirmed homogeneity. Variance Inflation Factors (VIF) and tolerance (VIF reciprocal) were used for multicollinearity testing. Multicollinearity occurs when the explanatory variables are highly interrelated, thus making it hard to determine the real contribution of each predictor to the variance in the dependent variable. Sekaran and Bougie (2009) posits that the maximum VIF threshold value is 10. The computed tolerance values were all greater than 1. It is reciprocal that the VIF was between one and three, and this was within the recommended threshold.

The specification test proposed by Hausman was applied to select the appropriate panel data analysis method and to test cross-sectional random effect. It compared fixed and random effect models and found a Chi-square p value of 0.0001 which was statistically significant at 1% ($p < 0.05$), thus suggesting the use of the fixed effects model. The Fixed effect through general linear model under univariate regression analysis in SPSS was applied. The

Augmented Dickey-Fuller (ADF)-unit root test was undertaken to assess for non-stationary. Since the computed p-values were less than the P- level alpha (P<0.05), it was therefore concluded that the data was stationary.

Correlation Analysis

Examining the correlation coefficients makes it possible to accept or reject the null hypothesis that correlation does not exist between the study variables. Sekaran and Bougie (2009) indicates that the collinearity degree between two indicators oscillates between +1 and -1. The +1 correlation means that a perfect and positive linear association exists between the variables, thus there is a multicollinearity problem.

Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value association was examined through correlation analysis using the Pearson Product Moment Correlation Coefficient method. Overall, the correlation coefficients were less than the 0.8 thresholds indicating that there was no concern for multicollinearity (Mang'unyi, 2011). Consequently, we fail to reject the null hypothesis that correlation does not exist between the explanatory variables. In this study, the results of the correlations are reported at 0.05 and 0.01 significant levels, which is consistent with other studies such as Alqisie (2014).

The results are shown below:

	Board Independence	Board Size	Board Composition	Board Gender Diversity	Corporate Governance	Ownership Concentration	Foreign Ownership	State Ownership	Family Ownership	Capital Structure	Corporate Value
Board Independence	1	-0.07	-0.38**	0.08	0.47**	0.13*	0.25**	0.08	-0.04	-0.01	0.15*
Board Size	-0.07	1	0.17**	-0.1	0.74**	-0.03	-0.13*	-0.16**	0.05	0.05	-0.06
Board Remuneration	-0.38**	0.17**	1	-0.21**	0.14*	-0.34**	-0.36**	-0.18**	-0.11	0.01	-0.32**
Board Gender Diversity	0.08	-0.1	-0.21**	1	0.29**	0.01	0.01	0	0.1	0.09	-0.06
Corporate Governance	0.47**	0.74**	0.14*	0.29**	1	-0.05	-0.07	-0.14*	0.01	0.07	-0.08
Ownership Concentration	0.13*	-0.03	-0.34**	0.01	-0.05	1	0.31**	0.31**	0.14*	-0.43**	0.36**
Foreign Ownership	0.25**	-0.13*	-0.36**	0.01	-0.07	0.31**	1	0.20**	0.01	-0.21**	0.25**
State Ownership	0.08	-0.16**	-0.18**	0	-0.14*	0.31**	0.20**	1	0.07	-0.32**	0.11
Family Ownership	-0.04	0.05	-0.11	0.1	0.01	0.14*	0.01	0.07**	1	-0.05	0.12*
Capital Structure	-0.01	0.05	0.01	0.09	0.07	-0.43**	-0.21**	-0.32**	-0.05	1	-0.20**
Corporate Value	0.15*	-0.06	-0.32*	-0.06	-0.08	0.36**	0.25**	0.11	0.12*	-0.20**	1

*** Correlation is significant at the 0.01 level and * at the 0.05 level.*
Source: Research Data

As shown in Table 3 above, positive statistical relationship was noted between Board Independence and Composite Corporate Governance, Ownership Concentration, Foreign Ownership, and Company Value ($r=.47$, $p<0.01$), ($r=.13$, $p<0.05$), ($r=.25$, $p<0.01$), and ($r=.15$, $p<0.05$) respectively. On the other hand, a negative statistical relationship exists between Board Remuneration and Independence ($r=-.38$, $p<0.01$). This means that as board independence increases, Composite Corporate Governance, Ownership Concentration, Foreign Ownership, and Corporate Value also increases. However, an increase in Board Independence results in a decrease in board remuneration as the sum of executive directors with higher pay are expected to decrease as non-executive increases.

Hypothesis Testing and Findings

The first objective aimed at assessing the intervening effect of Capital Structure on the relationship between CG and corporate value of entities trading at NSE. Baron and Kenny's (1986) approach, which suggests four steps, was undertaken when assessing the intervening effect of a mediating variable and its effect on the explanatory and response variables. The Baron and Kenny's (1986) approach indicates that the analysis must meet four conditions for the intervention effect to be considered positive. Firstly, a significant relationship must exist between the independent and the dependent variable in the absence of an intervening variable. Secondly, a significant relationship must exist between the independent variable and the mediating variable. Thirdly, a significant relationship must also exist between the intervening variable and the dependent variable. Lastly, in controlling the impact of an intervening variable on a dependent variable, the impact of the independent variable on the dependent variable in the presence of the intervening variable is significant.

The following null hypothesis was tested:

H_1: No significant intervening effect of capital structure on the relationship between corporate governance and corporate value.

Table 4 displays the study results obtained.

Table 4. Regression Results of Corporate Governance (CG), Capital Structure (CS), and Corporate Value (CV)

Variables	β	SE	Std. β	t	R	R^2	Adj-R^2	F
Model 1[a]					0.412	0.17	0.039	0.822
Constant	1.11	0.267		4.157**				
CG	-0.654	0.456	-0.097	-1.436				
Model 2[b]					0.07	0.216	0.019	1.099
Constant	0.185	0.124		1.488				
CG	0.108	0.212	0.07	0.511				
Model 3[c]					0.456	0.208	0.009	1.045
Constant	1.018	0.181		5.614**				
CS	-0.503	0.138	-0.241	-3.64**				
Model 4[d]					0.463	0.214	0.013	1.062
Constant	1.202	0.262		4.594**				
CG	-0.6	0.455	-0.089	-1.351				
CS	-0.494	0.138	-238	-3.599**				

Note: *p < 0.05, **p < 0.01
a. Dependent Variable: Corporate Value
b. Dependent Variable: Capital Structure
c. Dependent Variable: Corporate Value
d. Dependent Variable: Corporate Value
Source: Research Findings

The results shown in the table indicates that Corporate Governance and Capital Structure do not significantly predict Corporate Value. Capital Structure does not predict Corporate Value when Corporate Governance is controlled. Therefore, CS has no significant intervening effect on the relationship between CC and CV. The Baron and Kenny's (1986) rule requires that all the four steps should predict significant relationships between the variables. Therefore, Capital Structure has not intervened in the Relationship between CG and Corporate Value. Thus, the null hypothesis H_1 cannot be rejected.

The output of this study did not indicate the presence of a quantifiable intervening effect between CG, Capital Structure, and Corporate Value. Therefore, the null hypothesis cannot be rejected. This could be described by the fact that in Kenya, the financial system is still considered to be underdeveloped and the significance of debt as an oversight tool - to lower the agency's costs - may not matter. From a firm's standpoint, managers may be conscious of the ineffective debt oversight, allowing them to increase debt to gain more resources to serve their individual interests, stay in control, and not necessarily optimize shareholder wealth. This study findings were supported by results of research done by Mehrabanpour and Miri (2018) on the influence of CG Index on capital costs, risk, and performance. Contrary to this study, some past research has consistently found that value growth is positively impacted by capital structure decisions and corporate governance. Okiro (2014) found a direct and significant mediating impact of capital structure on the relationship between CG and corporate value. Agency theory has demonstrated that CG and Ownership Structure are essential factors to manage the conflicts and costs arising thereof (Stiglbauer, 2011). Capital Structure is a financial and governance tool that regulates the flow of decisions and activities in company management. However, Corporate Governance in isolation significantly affects Corporate Value when mediated by Capital Structure, and there is no significant relationship. This implies that the Capital Structure may not be effective in influencing the Corporate Governance practices adopted by corporations quoted at NSE. This finding is supported by MM Theory which state that in a perfect market, capital structure does not matter. This was also supported by the findings of Saeed, Gull, and Rasheed (2013).

However, Okiro, Aduda, and Omoro (2015) found a significant intervening effect in the relationship. The lack of significant impact of capital structure in the relationship could be expounded by the fact that when corporate governance is strong, efficient independent directors would ensure that the company does not over leverage or under leverage and always act in such a way that corporate value is optimized. Shareholders with concentrated ownership would also keep monitoring the firm's borrowings as they would be concerned about bankruptcy risk that can expose them. For state-controlled firms, the state would literally dictate the leverage levels and guaranteeing loans. The presence of Gender diversity would also help bring a balance thus minimizing the influence of capital structure. Therefore, this indicates that the Capital Structure may not be effective in influencing the Corporate Governance practices adopted by corporations quoted at NSE.

The second objective of the study assessed the moderating effect of Ownership Structure on the relationship between Corporate Governance and Corporate Value. Also, the study hypothesized that the relationship between Corporate Governance and Corporate Value was not moderated by the Ownership Structure of public trading corporations at NSE. The following hypothesis was tested:

H3: There is no significant moderating effect of Ownership Structure on the Relationship between Corporate Governance and Corporate Value

The moderation effect was assessed through Baron and Kenny's (1986) approach. This method involves testing the main effects of the explanatory variable (Corporate Governance) on the response variable (Corporate Value), the effect of the moderating variable (Ownership Structure) on the dependent variable (Corporate Value), and the effect of the interacting term between CG and Ownership Structure (CG*OS) on the dependent variable (Corporate Value).

Table 5. Regression Results Corporate Value, Corporate Governance, and Ownership Structure and Interactive Term (CG*OS)

Variables	β	SE	Std. β	t	R	R^2	Adj-R^2	F
Model 1[a]					0.457	0.222	0.102	1.98**
Constant	0.876	0.177		4.958**				
CG	-0.394	0.374	-0.058	-1.052				
OS	0.92	0.145	0.349	6.33**				
Model 2[b]					0.457	0.231	0.125	1.942**
Constant	0.871	0.182		4.779**				
CG	-0.383	0.387	-0.057	-0.991				
OS	0.92	0.146	0.349	6.319**				
CG*OS	-0.002	0.022	-0.006	-0.107				

Note: *p < 0.05, **p < 0.01
a.   Predictors: (Constant), Corporate Governance, Ownership Structure
Predictors: (Constant), Corporate Governance, Ownership Structure, CG*OS
b.   Dependent Variable: Corporate Value
Source: Research Data

The full model (Model 2) illustrates that CG, Ownership Structure, and the interactive variable (CG*OS) significantly predicts Corporate Value (F=1.942, p<0.01, R^2=.231 and Adj-R^2=.125). Model 2 further indicates that variation in Corporate Value explained by Corporate Governance and Ownership Structure is 23.1% with the inclusion of interactive variables (CG*OS). The test of regression coefficients (β) shows that Ownership Structure (p<.01) is statistically significant in Model 1. In the second model, the coefficient (β) of Ownership Structure is statistically significant, while that of Corporate Governance and the interaction term (CG*OS) are not statistically significant. Given that the interaction term was not significant statistically (p>.05), the study documents that Ownership Structure has no moderating influence on the relationship between CG and corporate value. Thus, the finding failed to reject the null hypothesis. This can be expounded by the fact that strong corporate governance has already taken care of the interest of the owners, and corporation would perform based on the management compliance with governance requirement regardless of the corporate ownership structure. This could be due to the strong control of listed companies by regulatory authorities, which may not provide enough room for major shareholders, family, foreign owners, and state to influence key decisions.

The overall implication is that Ownership Structure does not moderate the relationship of Corporate Governance and Corporate Value. Therefore, corporations would perform well irrespective of their ownership structure. This is, however, contrary to common assumptions that government control firms cannot compete with other firms as this control would affect their performance and that family and foreign ownership affect performance. It is also possible that since these firms are listed and are under similar regulations and codes of governance to comply with, the influence of ownership on their operation, decision, and performance is minimal and the owners tend to give them the freehand to operate as long as they comply with the best codes of governance. The findings are in line with the study of Rouf and Al-Harun (2011) that found the relationship not to be significant. This was also supported by Sunarsih and Oktaviani (2016) who argued that an insignificant link exists between ownership structure and entity's performance. Several papers have provided a comprehensive survey giving mixed results of relationships (Stiglbauer, 2011; Vinh, 2017; Kumar, 2015).

Ownership Concentration was found unable to moderate the relationship between CG and Corporate Value. This could be due to the strong control of listed companies by regulatory authorities, which may not provide enough room for major shareholders to influence key decisions. The major shareholders also may prefer to give free hand to management to optimize the corporate value when Corporate Governance adoption is strong. Foreign

Ownership did not significantly influence the relationship as they may prefer their ideas to be aligned to the local market dynamics and also give freedom to directors and management to operate. State Ownership influence in the relationship was also not significant as state actors may prefer leaving the running of the entity to appoint management and directors. Family Ownership for listed companies does not significantly affect the relationship between CG and Corporate Value. This is because the directors and Key management are generally family members of trusted confidants who can be relied on to run such companies without the interference of other family members.

Joint Effect of Corporate Governance, Capital Structure, and Ownership Structure on Corporate Value

The study's third objective was to determine the joint effect of CG, Capital Structure, and Ownership Structure on Corporate Value for NSE listed entities. The study further hypothesized that the joint effect of CG, Capital Structure, and Ownership Structure on the Corporate Value of corporations quoted at the NSE was not statistically significant. The following hypothesis was tested:

H3: The joint effect of Corporate Governance, Capital Structure, and Ownership Structure on Corporate Value is not significant.

The hypothesis was tested as follows:

The regression equation was of the form:

$$CV_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2 BS_{it} + \beta_3 BR_{it} + \beta_4 BGD_{it} + \beta_5 CS_{it} + \beta_6 OC_{it} + \beta_7 FRO_{it} + \beta_8 SO_{it} + \beta_9 FMO_{it} + \varepsilon_i$$

The results are shown in Table 6 below:

Table 6. Regression Results Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value

Variables	β	SE	Std. β	t	R	R^2	Adj-R^2	F
Model					0.61	0.372	0.186	2.001**
Constant	1.559	0.393		3.963**				
Board Independence	0.065	0.183	0.023	0.356				
Board Size	0.031	0.137	0.014	0.228				
Board Remuneration	-1.81	0.449	-0.339	-4.029**				
Board Gender Diversity	-0.575	0.278	-0.129	-2.069*				
Capital Structure	-0.259	0.144	-0.124	-1.794				
Ownership Concentration	0.507	0.193	0.193	2.624**				
Foreign Ownership	0.17	0.206	0.056	0.827				
State Ownership	-0.316	0.479	-0.043	-0.66				
Family Ownership	0.238	0.137	0.103	1.733				

Note: $*p < 0.05$, $**p < 0.01$

a. Predictors: (Constant), Board Independence, Board Size, Board Remuneration, Board Gender Diversity, Capital Structure, Ownership Concentration, Foreign Ownership, State Ownership, and Family Ownership.

b.   Dependent Variable: Corporate Value

Source: Research findings

Table 6 demonstrates the findings of the multiple linear regression performed to investigate the joint link between CG, Capital Structure, Ownership Structure, and Corporate Value of corporations quoted at NSE. A significant link between Corporate Governance, Ownership Structure, and value (F=2.001, p<.01, R^2=.372 Adj-R^2=.186) was documented. The predictor variables accounted for 37.2% of Corporate Value.

The model coefficients of Board Remuneration, Board Gender Diversity, and Ownership Concentration were statistically significant (β=-1.81, p<.01, β=-.575, p<.05, and β=-.507, p<0.1 respectively), while the rest were not statistically significant. The other independent variables β and p values as indicated in Table 6 were Board Independence (β=.065, p>.05), Board Size (β=-.031, p>.05), Capital Structure (β=-.259, p>.05), Foreign Ownership (β = .17, p>.05), State Ownership (β=-.316, p>.05), and Family Ownership (β=.238, p>.05).

From the findings, the relationships between Corporate Value and Board Independence, Board Size, Capital Structure, Foreign Ownership, State Ownership, and family Ownership were not significant statistically (p>.05). The relation between Board Remuneration, Board Gender Diversity and Ownership Concentration were, however, significant statistically (p<.01). Since the whole model was statistically significant (p<.01), Corporate Governance, Capital Structure, and Ownership Structure jointly had a significant relationship with the Corporate Value of companies listed at the NSE. The hypothesis H3 was therefore rejected. Fixed Effect regression results in Table 6 indicates that the model's coefficients of Board Remuneration, Board Gender Diversity, and ownership concentration were statistically significant. Specifically, the model coefficient of BR shows a negative and significant relationship of 1.8. This means that as remuneration increases, corporate value will decrease by 1.8. Conversely, the coefficient of BGD of -0.575 means that an increase of 1% in Gender diversity would result in a decrease of -.5% in corporate value. The findings indicated that independence and size of the board were significantly associated to corporation value. The agency theory proposes that corporation's managers (agents) tend to consider their own interest, which affects enterprise value. With a bigger board, agency conflicts can be minimized through monitoring. Accordingly, enhanced independence of the board aids in careful monitoring of the agent, which helps increase stakeholder and investors' confidence and thus lead to a robust Corporate Value. The finding suggests that corporations tend to achieve better results when the board and the company make ideal decisions. The study further found a significant and positive effect of ownership concentration on corporate value. This means that there is a clear evidence of existence of an active role in overseeing by large shareholders of the entities listed on the NSE. Similarly, the coefficient of ownership

concentration is positively significant. This infers that large ownership is positively related to corporate value, which is consistent with the findings of Chen (2012). Furthermore, this means that large ownership brings opportunities to the corporation through drive of large shareholder to gather information and actively monitor the firm as well as providing the necessary linkages. The description is reinforced by the agency theory, which suggests that increased firm monitoring, high information sharing, and visibility of management actions/ activities to shareholders reduces agency cost thereby enhancing firm value. An attention-grabbing observation is that in most models, these are some of the key variables used to test agency theories and trade-off theories in majority of the past studies. Nevertheless, they are not significantly and statistically linked to corporate value in the Kenyan Market. Specifically, they include the coefficients of the considered variables in several regressions. This suggests that the agency theory and the trade-off theories are only partly supported in emerging markets like Kenya to explain corporate value.

The negative relationship between Capital Structure and Corporate governance is indicated by the negative coefficient (The leverage coefficient is negative and not significant) of beta in the joint effect model. This is further supported by no intervening effect of capital structure on the relationship between Corporate Governance and Corporate value, which illustrates the robustness of the findings. This could be explained by Rose (2017) who suggested that miscalculating the bankruptcy costs of reorganization or liquidation could result in companies running into more debt than their respective levels. Thus, a high debt ratio would reduce the company value. These findings fail to support majority of the existing theories, which imply the existence of a positive link between capital structure and corporate value but are in concurrence with majority of the studies in unindustrialized nations. The lack of intervening effect of capital structure on the relationship between CG and CV and the absence of relationship between capital structure and corporate value may be explicated by an emerging and transitional market. More so, Kenya has unique features compared to other industrialized countries. In the 1990s, Kenya introduced economic reform majorly on privatization programs, which shifted the centrally planned to a market economy. However, the Kenyan financial sector is still undeveloped and does not provide the necessary funding and monitoring support (Vincent et al., 2015).

The negative relationship between foreign ownership and company value could also be explained by the fact that there is too much control by foreign owners. This, in turn, restricts managers from the freedom of deciding debt level and having local initiative which may end up reducing corporate value. This finding is contrary to most studies which have found a positive

relationship with a justification that foreign ownership is expected to decrease the effect of agency costs resulting from management vested interest and sub optimal decision, which may result in reduced corporate value (Peters & Bagshaw, 2014; Haque, Arun, Dominic & Memba, 2015). This rebuts the expectation that foreign investors can enhance the governance system of firms through enhanced monitoring.

The findings were also consistent with that of Okiro, Aduda, and Omoro (2015), who documented a significant impact of CG and capital structure on the performance of entities quoted at East Africa stock markets. They found a significant joint influence of CG, Capital Structure, and Regulations on corporate performance, but this was inconsistent with this study. They also found a significant mediating effect of capital structure on the relationship between CG and entity's performance and a significant moderating effect of regulation on the relationship.

Furthermore, the presence of the joint and positive relationship indicates that quoted corporations with good Corporate Governance, optimal Capital Structure, and supportive Ownership Structure obtain higher Corporate Value growth. The findings indicated that independence and size of the board were significantly associated to corporation value. The agency theory proposes that corporation's managers (agents) tend to consider their own interest, which affects enterprise value. With a bigger board, monitoring can help minimize the agency conflicts, while enhanced independence of the board ensures that agents are carefully supervised. This will help to increase the confidence of stakeholders and investors, thereby resulting in a robust Tobin-Q. The finding implication is that when the corporate board and Companies make ideal decisions, entities tend to achieve good results. Finally, Corporate Governance, Capital Structure, and Ownership Structure jointly predict Corporate Value. Thus, quoted firms with good Corporate Governance, optimal Capital Structure, and supportive Ownership Structure obtain higher Corporate Value growth.

Conclusion

The study concludes that capital structure does not intervene in the relationship between Corporate Governance and Corporate value. This implies that the Capital Structure may not be effective in influencing the Corporate Governance practices adopted by corporations quoted at NSE. This could further be expounded by the fact that the Kenyan financial system is still considered to be undeveloped and the significance of debt as an oversight tool - to lower the agency's costs - may not matter. From a firm's standpoint, managers may be conscious of the ineffective debt oversight, thereby allowing them to increase debt to gain more resources to serve their individual interests, stay in control, and not necessarily optimize shareholder wealth.

Ownership Concentration was found not to moderate the relationship between CG and Corporate Value. This could be due to the strong control of listed companies by regulatory authorities which may not provide enough room for major shareholders, family, foreign owners, and state to influence key decisions. Finally, Corporate Governance, Capital Structure, and Ownership Structure jointly predict Corporate Value. Thus, quoted firms with good Corporate Governance, optimal Capital Structure, and supportive Ownership Structure obtain higher Corporate Value growth. The findings indicated that independence and size of the board were significantly associated to corporation value. Therefore, the agency theory proposes that corporation's managers (agents) tend to consider their own interest, which affects enterprise value. With a larger board, agency conflicts can be minimized through enhanced oversight, and greater board independence ensures that managers are closely monitored. This, in turn, leads to increased confidence level for stakeholders and investors and a stronger company value is generated. This finding therefore indicates that corporations tend to achieve better results when the board and company make better optimal decisions.

The obtained study results complement the existing knowledge on Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value. The study's contribution to knowledge focused on the intervening effect of Capital Structure on the Relationship between CG and Corporate Value. The direct effect of Capital Structure and Corporate Value has been evaluated by few past studies (Adera et al., 2015; Bokhari & Khan, 2013; Dumont & Svensson, 2014). Most authors have largely explored the direct effects of CG on Corporate Value (Padmanabha & Rathish, 2017; Vincent et al., 2015). The results documented in the past studies have not only been conflicting but also varying. This research provides an assessment of the intervening effect of capital structure on the relationship between CG and company value. In particular, the approach by Baron and Kenney (1986) was used in the analysis to assess intervening relationship. Another contribution to knowledge is that Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value jointly predict Corporate Value. Several existing studies have assessed the relationships among Corporate Governance, Capital Structure, Ownership Structure, and Corporate Value (M'Ithiria & Musyoki, 2014; Holderness, 2016; Okiro, 2014). However, the variables were separately examined or not in a similar combination. Also, the measures of the considered four variables employed in past studies were different and the results were also inconsistent and inconclusive.

This study also makes contribution to the contradictory theories on corporate governance by analyzing empirically the interrelationships among Corporate Governance, capital structure, Ownership structure, and corporate value. This will resolve conflicts in the theories that document contradictory

propositions on the effects of Corporate Governance, capital structure, and ownership on firm performance such as Agency, Stewardship, trade-off and Stakeholder theories. The findings of this study make contribution to practice and policy by improving the understanding of the Corporate Governance mechanisms that influence Corporate Value.

Furthermore, this study contributes to future research by testing empirically the interrelationships among corporate governance, capital structure, ownership structure, and corporate value. The results of the study provide a room for further study of the concepts in Kenya and beyond. Given the cost-benefit tradeoff in adhering to increased governance standards, it remains unclear whether enhanced governance, as replicated in higher compliance, translates to improved business performance. This study also supplements literature on adequacy of rules and regulations. It explicitly assesses exogenous changes in the management structure and reduces the potential problem of endogeneity. The study also used a fixed effect estimate to address endogeneity concerns. It further expands research on how institution-initiated improved governance affects voluntary governance. Most existing studies have concentrated on the market perceived benefits of changing governance. The study approach is a long-run study of real improvements in shareholder wealth.

In addition, the results of this study generate several contributions to policy and practice of the corporate board, management, investor, and regulatory bodies in general. The effects of CG on company value presented in this study have an implication to corporate boards. The fact that an association exists between corporate governance and corporate value shows that the supervisory activities of the board directly influence company value. Properly constituted corporate boards translate into better results, financial performance, and the appreciation of firm value. Effective corporate governance can be seen through committees of the board of directors, and it brings the interests of the representative in line with the interests of the stockholders (principals). The study assists corporate management to appreciate the linkages between board activities, management functions, and Corporate Value of NSE listed firms. The fact that Capital Structure does not intervene in the relationship between Corporate Governance and Corporate Value could be an indicator that Capital Structure is irrelevant in line with the Modigliani theory of capital irrelevance theory. There could therefore be a need to re-evaluate the finance decision criteria of the company to see whether it aims at optimizing corporate value or whether most of the decision do not involve direct funding by the company. The results of this study will also benefit debt securities investors as well as equity investors, who endure risks of companies' failure to meet their contractual obligations by guiding them in the criteria for making lending decision, which is grounded on corporate

governance strength of an entity. The study shows that the link between the CG mechanisms, capital structure and ownership structure lead to better company values that benefit all parties.

The finding also reveal that the Ownership Structure which is a sub variable of shareholdings by the state jointly affects Corporate Value. This suggests that the privatization of public corporations would add value to them. The government should therefore continue and if possible, accelerate the privatization effort which has been ongoing. Companies like Kengen which had been partially privatized previously should be fully privatized, while others such as Kenya Power, consolidated bank, Kenya meat, Mumias Sugar, Kenya airways among others should be fully privatized to improve their performance. Thus, this study is supportive of the current direction that has privatized several state-owned companies. This has gradually enhanced governance in former state-owned companies and has continued to increase their efficiency and value creation.

This study was also grounded on positivism philosophy, and the goal was to empirically test hypotheses so as to confirm or falsify present theories in the area. The research outcomes supplement the theories by establishing interrelationships between the variables. The Jensen and Meckling (1976) agency theory was useful in bringing out the association between the principals and agents. The agent (in this case directors and managers) represents the principal (in this case shareholders) in a certain corporate transaction (oversight and management) and is anticipated to enhance the principal's interests (enhancing firm value through financial performance) without regard to personal interests.

The study findings further emphasize that agency problems arise when the interests of owners (principals) and corporate agents' conflict. Listed companies should therefore look for ways to minimize conflicting situations between the agents and principals as well as capital and ownership structure through a solid corporate policy. Since the Capital Structure does not intervene in the relationship between CG and Corporate Value, the study provides support to agency problems among listed firms at the NSE. As a theoretical contribution, incentives through regulations and monitoring should be provided to managers to direct their decisions (capital structure decisions) in order to realign these decisions to the interest of the principal. Further CG mechanism such as board independence, size, remuneration, and gender diversity of firms quoted at the NSE should be aligned to shareholders' interest.

Another practice recommendation that managers and policymakers can make to significantly impact performance emerge from the key insight, which responded to a key research question. These are the results of a positive and significant combined effect of CG, capital structure, and ownership

structure, which - as the results explain- support the assertion that mismanagement, business failure, corruption, fraud, and poor performance emanate from agency's costs. This is related to the loss of authority, control, and power by the owners to managers (agents) as the businesses grow and become multifaceted. Therefore, it is vital that the board prioritizes the implementation of codes of proper conduct, company laws, corporate governance principles, and other supervisory guidelines. Firms should make sure that board independence is maintained and as well ensure that the size of the board is appropriate to confirm ideal performance and oversight and resources management.

The results of the study also suggested that the oversight role of debt was not significant. This is as a result of the non-significance of intervening effect of capital structure on the relationship between CG and CV as well as the negative coefficient of the capital structure in the joint effect mode. The results also confirm that the agency's theory supposition that a conflict of interest exists between investors and managers due to information asymmetries and poorly developed financial system. Therefore, there is a need for greater transparency and information availability in the marketplace and additional regulation must be considered.

Family (which dominates concentrated ownership cases) and foreigners as ultimate shareholders jointly affect investment performance. Incentives should be put in place to attract foreign shareholders to buy more shares in listed companies. Corporate governance principles targeting family majority owned units should also be developed to enhance their governance and controls.

The interests of all stakeholders should always be protected and stimulated to take part in corporate governance processes. Another recommendation for practice is that financial market analysts and investors can apply the study to bring sound regulation in financial markets. Here, the analysts promote firms that have adopted optimally corporate codes of good practice by highlighting their performance and availing information to regulatory bodies and potential investors. The investors should also prefer to invest mostly in well-governed firms. Regulators based information provided by the analysts and firms' personal reports should then ensure compliance adherence. Management should be interested in implementing regulations and controls to achieve high profits and maximum shareholders' capital.

In addition, this study provides regulators with a foundation for strengthening codes of conduct, laws, and regulations, and fully adopting corporate governance principles by publicly traded companies in order to maximize growth in company value. This would permit the regulators to implement the best structure that provides a plan for diversification into other countries and regions with well-defined guidelines and reporting functions

that meet the expectations of the Board and shareholders. An excellent relationship should be established between the board, management, and other stakeholders, which can be achieved through regular consultations so that all stakeholders can work together.

Another actionable policy was revealed through the finding that when companies have bigger boards, they post good performance. Bigger boards give professional managers more freedom to exercise judgment and help create additional space for new knowledge. This could also mean more space to bring in different stakeholders within the dominant ownership, to draw on professional skills, and to permit access to a broader range of knowledge and possibly accessibility to wide range of individual and family networks. Listed firms with small boards or less diverse boards should consider expanding their board membership to include gender balance, specialized skills, more resourceful board members, people with political funding, and other needed connections among others. The findings of previous studies have recommended the board size to be between 6 and 9. However, this should be determined by the size, complexity, and the technicality of the company in question (Alqisie, 2014; Velte, 2017; Eyenubo, 2013; Proudfoot, 2016).

Although the study answered the proposed question and provided insights on the effect of Corporate Governance on Corporate Value, as well as intervening and moderating effect of capital structure and ownership structure respectively on corporate value, it still contains some limitation. One of such limitation is that the data collection period is relatively short. The observations span for only five years, from 2013 to 2017, and this may not be long enough because the market and government issues keep changing from time to time. The period of data should be longer to make the results more robust and conclusive to justify the dynamic nature of the market and governing laws and regulations.

The study used four attributes of the corporate governance, one attribute of the capital structure, four attributes of the ownership structure, and one attributes of the corporate value. The findings of this study are limited to the adopted attributes. There are other attributes that could affect the tested relationships, but researchers may not be able to use them due to sensitivity/confidentiality of such information. In addition, the investigation encountered obstacles in collecting adequate corporate governance data. This is due to a culture of confidentiality around asset information in Kenya and the lack of strict laws to force all corporations to make available adequate reports. This led to missing data values, which might affect the results reliability.

Examining just one country can be a weakness in applying research results. Although Kenya is a transition and developing state, it is generally debated that sampling several countries produces more persuasive results.

However, Kenya is a case in point while other unindustrialized states may share characteristics and findings like the documented research results. Additionally, the single-country study permitted in-depth investigation that may not be possible in multi-country context.

In this research, the fixed effects model was used to capture common problems such as the unobserved effects, heteroscedasticity, and possible endogeneity issues. It is not definite that all econometric problems have been fully controlled, particularly regarding endogeneity. The reason is that the fixed effect model captures mostly unobserved heterogeneity. The model does not consider the problem of endogeneity caused by measurement errors, inverse causality, and time-invariant endogenous variables that are common in financial research. The study did not also consider the possible reverse relationship where corporate value may influence capital structure adopted by the company. For example, a company that has been profitable in the past and is likely to continue being profitable with plenty of extra cash like Safaricom may not need any outside debt. However, the above documented limitations have not diluted the study quality. The study and its results have made wide-ranging contributions to the obtainable knowledge base in corporate governance, which still offers plenty of room for additional studies.

Further research may consider incorporating the boards' behavioral aspects. Various researchers in industrialized states have lately begun investigating the corporate board's practices by attendance of its actual meetings. Such requires investigation by researchers in emerging countries. Thu, there is a need to move beyond quantitative research, which produces a mixture of results to possibly more qualitative approaches to how it actually works from an insider's perspective. Extending this current research to a more comprehensive study of board decision-making and dynamics would be the beginning of developing a better understanding of corporate governance.

Future researchers could incorporate other measures of performance, both non-financial and financial other than just the Tobin Q. A related study can be replicated in other countries regionally and internationally. This would further validate the findings of the present and forthcoming studies. This should involve expanding the study to other regional markets like COMESA or a more detailed study concentrating on separate market segments at the NSE to identify any variations in the obtained results. Additional or different variables other than corporate governance, capital structure, and ownership structure can also be considered in the future to enrich corporate governance studies generally and deepen understanding even further.

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