

**EFFECT OF CORPORATE BOARD STRUCTURE ON THE VALUE OF  
FINANCIAL FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE,  
KENYA**

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**DECLARATION AND RECOMMENDATION**


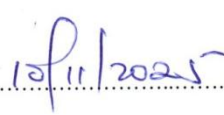
**Declaration**

This Thesis is my original work and has not been presented for the award of a diploma or conferment of a degree in this or any other institution

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**Recommendation**

This thesis has been examined, passed and submitted with my approval as University supervisor.

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## **DEDICATION**

I dedicate this Thesis to my dear my husband Isaac Nyaga, my lovely daughter Lorna Mukami Nyaga and my lovely mom Kelly Joy who have been my source of support and motivation. May God bless you in a special way.

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## ABSTRACT

As global best practices continue to emphasize the importance of sound governance, there is a growing need to understand how the structure of corporate boards affects the value of financial firms in the Kenyan context. This study sought to explore the relationship between board structure and firm value among financial firms listed on the NSE. The specific objectives of this study were to establish the effect of board size, board independence and board remuneration on the value of financial firms listed at NSE and to evaluate the moderating effect of firm size on the relationship between board structure and the value of financial firms listed at NSE. This study was based on Agency Theory, Stakeholders' Theory and Stewardship Theory. A descriptive cross-sectional research design was adopted. A census technique was conducted to collect data from all the 22 listed financial firms for a 5 year period from 2020 to 2024. The study relied only on secondary data, collected from the annual financial reports of the financial firms. Data was analyzed using descriptive and inferential statistics. Microsoft Excel and SPSS version 28.0 were used to code and analyze the raw data collected. Diagnostic tests were carried out to test the regression assumption. Multiple regression analysis was used to establish the relationship between variables, and t-statistic at 5% significance level was employed to test the hypotheses. The findings of the study revealed that board size ( $B = 0.002$ ,  $P=0.602>0.05$ ) and board independence ( $B = -0.002$ ,  $P=0.647>0.05$ ) have no statistically significant effect on firm value, as their p-values are well above the 0.05 threshold. This suggested that simply increasing the number of board members or having more independent directors does not necessarily translate into higher firm value. However, board remuneration ( $B =0.073$ ,  $P=0.000<0.05$ ) was positive and highly significant, meaning that compensating directors adequately had a strong and positive influence on firm value. This implied that rewarding board members aligns their interests with those of shareholders, motivating them to commit more effort, skills, and oversight to enhance firm performance. The results suggest that in firms listed at the NSE, the financial incentives provided to board members are more impactful in driving firm value compared to board size or independence. This could be explained by the idea that remuneration serves as a tangible motivator, encouraging directors to act diligently in advancing firm goals, whereas board size and independence may not automatically translate into effective governance unless coupled with accountability mechanisms. The study recommended that Regulators should also avoid rigid prescriptions on board size and instead encourage firms to adopt sizes that best match their operational complexity and strategic needs. The study findings are expected to add to the academic field by laying a foundation for further research on board structure and firm's value. The study is expected to benefit regulators and policymakers, such as the Capital Markets Authority (CMA) and the Central Bank of Kenya (CBK), by highlighting areas that require stronger governance frameworks to enhance market stability and investor confidence.

