

**ANALYSIS OF THE EFFECT OF VOLUNTARY CORPORATE  
DISCLOSURES ON COMPANY'S FINANCIAL PERFORMANCE:  
A Survey of Listed Companies in Nairobi Securities Exchange**

**MAINA NDERITU JUSTUS**

**A Thesis Submitted in Partial Fulfillment for the Award of the Degree  
of Master of Science in Finance and Investment of Kenya Methodist  
University**



**JUNE, 2013.**

## ABSTRACT

In recent years, the Kenyan Government has initiated reforms at the Nairobi Securities Exchange aimed at transforming the exchange into a vehicle for mobilizing domestic savings and attracting foreign capital investments. Consequently, the level of voluntary disclosure is a vital part of the process for building investor confidence either local or foreign and trust and this may affect firm financial performance. Kenyan companies have engaged in voluntary corporate disclosure as a means to enhance the value of their stocks, reduce a firm's cost of capital by reducing information asymmetry which leads to better firm financial performance. Information disclosure in itself is a strategic tool, which enhances a company's ability to raise capital at the lowest cost possible. The thesis aim was to analyze the effect of voluntary corporate disclosure on firm financial performance on companies listed in Kenya. It was a survey of listed companies in Nairobi Securities Exchange (NSE). The purpose of the study was to determine how strategic disclosure, board structure disclosure and corporate social responsibility disclosure affects company's financial performance. The research was conducted on all 57 companies listed in NSE. The respondents were the finance managers of the 57 companies listed in Nairobi Securities Exchange totaling to a sample size of 57 respondents. Data was collected from the respondents by use of a questionnaire. The data collected was then analyzed using descriptive and multi linear regression. Descriptive data was presented in the form of frequency tables. The study established that there exist effects of board structure, strategic and CSR disclosures on firm financial performance. It also established that there is a positive relationship between board structure, strategic and CSR disclosures and firm financial performance of companies listed at the NSE. The study concluded that effects of voluntary corporate disclosure have helped listed companies disclose their voluntary information more effectively and efficiently and this may end up giving a competitive threat to other listed companies in having a better financial performance. The researcher recommended that in order to realize the factors that affect voluntary corporate disclosure on firm financial performance, strategic disclosure, board structure disclosure and CSR disclosure should be increased to reduce the information asymmetry in the market.