

# Effect of Corporate Directorship on Firm Performance: Cases of Companies Listed on the Uganda Securities Exchange (USE)

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**Abstract:-** The aim of this research study is to examine the influence of corporate directorship on firm's performance on listed firms of the Uganda Securities Exchange. For this purpose, this study performed fixed and random effect econometric estimation models and used the data for the time period from 2017 to 2021.

The study results indicate that between the two econometric estimation models, Hausman specification test recommended the estimation of the random effects model. According to the random effect model result corporate directorship significantly affects the listed firm's performance.

The study specifically focused on the influence of directors' payment, proportion of non-executive directors, board size, CEO age, and CEO tenure on firm performance with the controlling variables of firm size and age.

The study explored the influence of the corporate directorship on firms' performance on listed firms on the Uganda Securities Exchange and contributed to the existing literature on investments in the Ugandan setting.

Overall, corporate directorship variables included in the model, improved the performance of firms listed on USE by 11.2%. The study recommends that more corporate directorship variables should be studied to generate generalizable results.

**Keywords:-** Uganda Securities Exchange (USE), Corporate Directorship, Listed Companies, And Firm Performance.

## I. INTRODUCTION

Corporate directorship has been a major concern in the daily operations of a corporation because it ensures that everyone in the organization abides by a set of rules and regulations established by the Board of Directors. Corporate Directorship is concerned with how investors achieve a fair return on their investment. Corporate directorship issues have not, however, disappeared despite greater awareness of them in publicly traded firms. Investors in established and developing markets often reward companies with minimal risks related to corporate

directorship while penalize companies with poor directorship.

Investors search for warning signs of unfavorable policies and principles, such as poor CEO compensation criteria, insufficient board credentials, limited shareowner rights, little to no disclosure, and other directorship issues. It is crucial to look into how current corporate directorship affects the performance of listed firms as modern securities exchanges sprout out around the globe, with an emphasis on the Uganda Securities Exchange sector, which is still growing and listing new companies.

Corporate directorship has been defined by various scholars. Li et al. (2019) referred to corporate directorship as a system of rules, processes, and principles applied to manage and direct a company. Becht and Jenkinson (2005) defined corporate directorship as a method through which a corporate company's set goals and objectives are pursued while complying with social, regulatory, and market standards are referred to as corporate directorship.

An institution that practices proper corporate directorship utilizes its resources well and performs according to the goals and objectives for which it was formed (International Federation of Accountants, 2009). Afrifa & Tauringana (2015) highlighted five crucial corporate directorship criteria, including CEO age, CEO tenure, board size, the proportion of non-executive directors, and directors' remuneration, as having a significant impact on a company's success in UK-listed firms. A study on how these factors impacted the performance of the companies listed on USE is needed in order to make recommendations.

The companies itemized on stock markets play a significant role in economic development (Zhan, 2017). Therefore, it is vital to study and recognize how these companies involved in the stock exchange are managed to enable policy actors to put enough effort into improving their corporate directorship. A well-governed and transparent corporation not only contributes to the country's growth and development, but it also decreases investment risk among investors, providing a favorable investment climate that can even attract overseas investors (Drabek & Payne, 2002).

As organizations enter international capital markets, investors expect companies to have a robust corporate directorship framework to protect their rights and interests. Failure to protect investors' interests leads to low investor turnover, negatively affecting the Company's performance.

In sub-Saharan Africa, listed companies have been reported to face many challenges due to incompetent corporate directorship structure tantamounting to poor corporate directorship principles. For instance, Waweru (2014) revealed that audit quality and company performance are the primary determinants behind the quality of corporate directorship in a study done to investigate the factors impacting the performance of listed firms in sub-Saharan Africa.

Also, Yartey and Komla (2007), who studied the importance of stock market companies in sub-Saharan Africa, found that though the companies have facilitated the financing of the growth of large corporations, they face a challenge of technical corporate directorship personnel. Due to the corporate directorship structure of the listed mining companies on the Johannesburg stock exchange, Dzingai & Fakoya (2017) discovered a weak negative correlation between return on equity and board size and a weak but positive correlation between return on equity and board independence in South Africa. This study indicated that corporate directorship enhances performance using secondary data from 2010 to 2015.

In their study, Okiro & Aduda (2015) identified the effect of corporate directorship on firm performance listed on the stock exchange of the East African Community. Between 2009 and 2013, census research was conducted on all 98 listed companies on the Nairobi, Uganda, Dar es Salaam, and Rwandan Securities Exchange. According to the study, there is a strong correlation between corporate directorship and firm performance. However, this research did not reveal which corporate directorship elements have a meaningful impact on the success of publicly traded companies, leaving a gap to be filled.

Researchers are analyzing the performance of listed small and medium sized enterprises in Great Britain based on corporate directorship parameters including board size, chief executive officer age and duration, percentage of non-executive directors, and directors' remuneration (Afrifa & Tauringana 2015), these factors are significantly related to performance. This study was conducted in the United Kingdom, which sets it apart from the current study in that it made performance distinctions between small and medium-sized businesses. As a result, a similar study in the Ugandan setting is required, with the goal of making recommendations.

The current study's main goal is to investigate the influence of corporate directorship features (board size, CEO age, CEO tenure, non-executive director proportion, and directors' remuneration) on the performance of companies listed on the Uganda Securities Exchange (USE). The rationale for considering these corporate

directorship principles is due to their importance in firm performance (Afrifa & Tauringana, 2015; Boachie, 2020).

During the June 1998 conference, member states argued for drafting a framework and code of conduct/best practices to promote national corporate directorship. In 1999 Uganda established an Institute of Corporate Directorship (ICGU) and a national code of best principles. However, in Uganda, companies are majorly owned by related people such as family members, which makes companies neglect corporate directorship principles when directed and rely on family or individual interests.

The USE went through moments of rise and times of decrease between 2012 and 2017. The performance of individual companies listed on the exchange varied significantly depending on their specific economic sector, degree of financial stability, and market circumstances. The USE had a boost in market capitalization during this time, reflecting a general rise in the value of listed companies. Additionally, there was more trading activity on the market, with larger share volumes and trade values.

A number of industries, including banking, telecommunications, and manufacturing, had significant presences on the USE and influenced its success during this time. Some businesses in these industries saw tremendous growth and attracted the attention of investors. It's crucial to remember that a number of variables, such as macroeconomic circumstances, political stability, regulatory changes, and global market trends, can affect how well a market performs.

According to a report from USE (Ungar, 2022) study, trading activity fell drastically in 2020, with stocks market turnover falling 73.7% to Ugx 33.4 billion from Ugx 127 billion in 2019. The total number of deals closed in 2020 decreased by 40% to 3,174 compared to 5,317 in 2019, foreign investor participation decreased to 42% in 2020 compared to over 70% in previous years, and the Company's profitability decreased by 83% to Ugx 41.2 million in 2020 from Ugx 243.8 million in 2019. As a result, one questions whether the loss in performance is related to corporate directorship factors or to the listed firms themselves, hence the need for this study.

With a turnover of UGX 32.31 billion in 2021 compared to UGX 33.26 billion in 2020, trading experienced a modest dip. Nevertheless, there was a notable increase in trading volume, which was ascribed to increased interest in the SBU and UCL counters. The fourth quarter of 2021 accounted for roughly half of the total turnover, which can be primarily attributed to the economic recovery brought on by the reopening of important economic activities following the easing of several restrictions put in place to curb the spread of Covid 19 and the effects of the new listing on the stock market of MTN Uganda. The number of days traded in 2021 were 6 days less than the prior year, this was attributed to more public holidays falling on week days as compared to the previous year (USE, 2021).

Another famous example of a listed company on USE that collapsed was UCHUMI, where the financial situation worsened in 2015, and USE suspended its operations in 2016. As evidenced by the Board's recommendation for a forensic audit of the executive director and chief financial officer due to their flagrant misconduct and negligence that resulted in declining fortunes and a worsening revenue position, the collapse was attributed to abuse of the corporate directorship principles of responsibility, accountability, fairness, and transparency (Balaram, 2019).

Early in the 2000s, the Kenyan supermarket company Uchumi Supermarkets moved into Uganda. The business suffered a number of difficulties that ultimately led to its demise, including: Mismanagement, including insufficient financial controls, inefficient inventory management, and weak corporate governance, were problems at Uchumi Supermarkets. High levels of debt were accrued by the company as a result of its quick growth and ineffective operations, which caused financial instability and an inability to pay off its debts. Intense local and foreign grocery chains competed fiercely with Uchumi in Uganda, putting pressure on its market share and profitability. Due to supply chain interruptions, Uchumi had trouble keeping constant product supplies, which had an impact on its capacity to meet consumer demand and on its reputation (Star, 2023).

Prior to its failure Crane Bank was one of Uganda's biggest commercial banks. Poor corporate governance, claims of mismanagement, insider lending, and regulatory non-compliance at Crane Bank were the main causes of its demise. The bank's management and board of directors were charged with engaging in questionable activities that damaged the bank's financial position. Non-performing loans posed serious problems for Crane Bank because a sizable chunk of its loan portfolio wasn't being repaid by borrowers. As a result, the bank's capital base and asset quality declined. Concerned about the financial viability of Crane Bank, the Bank of Uganda, the nation's central bank, intervened through regulatory means. The bank was placed under statutory management, and later on, it was sold to another bank after being declared insolvent (Eagle online, 2023).

On the basis of this assumption, I became interested in learning whether corporate directorship has an impact on firm performance because it would highlight the significance of sound corporate governance for companies listed on the Uganda Securities Exchange.

## II. RESEARCH SETTING

The main stock exchange, known as USE, was established in 1997, operates under the control of the Uganda Capital Markets Authority, and it is accountable to the Bank of Uganda (USE 2023). USE opened for trade in 1998, and by then, the exchange had a single listing, a bond issued by the East African Development Bank. There were scanty trades per week at the beginning but as of 2014, the exchange had listed up to 17 companies which were both

Ugandan and East African, but during the year 2015, one of the listed companies, Uchumi, collapsed, and they remained 16 (USE 2023). USE operates closely with the other sister stock exchanges in Dar-es-salaam, Nairobi, and Rwanda (Mutisya 2008). The result presented in chapter four indicates data collected from 17 companies, as described in the next section. The vision of USE is to be Uganda's chosen institution for investments and capital sourcing while its mission is to empower its customers through service excellence and innovation to promote safe, convenient, sustainable investments (USE 2023).

As of 2021, the trading volume for December 2021 was 256,786,258 shares with a turnover of UGX 7,831,549,997. This month's turnover performance was a 107 % increase from 23,224,698 shares worth UGX 3,768,472,444 recorded in December 2020 (USE, 2021). Activity in December decreased by 1.6 % compared to the turnover registered in November, from 7.9 billion to 7.8 billion representing a daily average turnover of approximately UGX 340 million. Volume traded increased to 256 million shares compared to 69 million in November 2021. The number of deals increased to 435, up from 218 deals executed in November 2021, with 45 percent of the deals attributed to the MTN Uganda counter.

Stanbic counter dominated activity for the month, accounting for 81.74 percent of the total turnover, followed by MTN Uganda Limited with 9.15 percent. The Bank of Baroda Uganda was in third position, with a 7.05 percent contribution to the month's turnover. Uganda Clays Limited, New Vision Limited, UMEME, DFCU, CIPLA, and National Insurance Corporation (NIC) Uganda recorded 2.06 percent of the total turnover. Stanbic registered the highest volume of shares with 93.50 percent, followed by Uganda Clays Limited with 2.58 percent. Bank of Baroda Uganda came third with 2.26 percent of the volume, while MTN Uganda Limited was fourth with 1.39 percent. National Insurance Corporation Uganda accounted for 0.14 percent, UMEME, New Vision Limited, DFCU, and CIPLA had the least number of shares traded, amounting to 670,362 shares representing 0.26 percent of the total shares traded (USE, 2021).

## III. RESEARCH PROBLEMS

In reference to the above background, six different research problems were identified as follows:

- Is there any significant influence of board size on the performance of companies listed on USE?
- Is there any significant influence of CEO age on the performance of listed companies on USE?
- Is there any significant influence of CEO tenure on the performance of listed companies on USE?
- Is there any significant influence of the proportion of non-executive directors (NEDs) on the performance of listed companies on USE?
- Is there any significant influence of directors' compensation on the performance of companies listed on USE?

- Do Directors’ compensation, Proportion of non-executive directors, CEO age, CEO tenure and board size simultaneously significantly affect the performance of companies recorded on the USE?

**A. General objective:**

To understand the statistical effect of corporate directorship factors on the performance of companies listed on the USE.

**B. Specific Objectives:**

- To determine and explain the effect of board size on the performance of companies listed on the USE.
- To examine and explain the influence of CEO age on the performance of companies listed on the USE.
- To determine and explain the effect of CEO tenure on the performance of companies listed on the USE.
- To determine and explain the effect of non-executive directors (NEDs) on the performance of companies listed on the USE.
- To determine and explain the effect of directors' remuneration on the performance of companies listed on the USE.
- To determine and explain the effect of Directors' compensation, Proportion of non-executive directors, CEO age, CEO tenure and board size on the performance of companies recorded on USE.

**C. Hypothesis**

The study was carried out with the following hypothesis;

- H1: Board size has a significant influence on the corporate performance of companies listed on the USE.
- H2: CEO age has a significant influence on the corporate performance of companies listed on the USE.

- H3: CEO tenure has a significant influence on the corporate performance of selected companies listed on the USE.
- H4: The proportion of non-executive directors (NEDs) has a significant influence on the corporate performance of selected companies listed on the USE.
- H5: Directors’ remuneration has a significant influence on the corporate performance of selected companies listed on the USE.
- H6: Board size, CEO age, CEO tenure, proportion of non-executive directors, and directors’ remuneration simultaneously affect the performance of companies listed on USE.

**IV. METHODOLOGY**

The study followed an explanatory type using majorly quantitative methods with less application of qualitative methods except for document analysis. Since the study applied working hypotheses that require statistical answers, the quantitative method finds its use in this research. Quantitative research emphasizes measuring objectives and numerical data analysis collected through questionnaires and polls. Quantitative research allows data collection from a large sample size, which allows us to generalize a group of study subjects or a given phenomenon without bias in the results (Delİce, 2001).

**A. Population and sampling**

All firms listed on the Uganda Securities Exchange were included in the analysis, as shown in table 1 below:

Table 1: Companies listed on the Ugandan Stock Exchange

S/N	Company Name	Year listed	Sector
Local Listings			
1	Uganda Clays Ltd	January 2000	Industrials
2	British American Tobacco (BAT) Uganda Ltd	October 2000	Consumer goods
3	Bank of Baroda (U) Ltd listed	November 2002	Financial
4	DFCU Ltd	October 2004	Financial
5	New Vision Printing and Publishing Co Ltd	December 2004	Consumer services
6	Stanbic Bank Uganda Ltd	January 2007	Financial
7	National Insurance Corporation	January 2010	Financial
8	UMEME Limited	February 2012	Utility
9	Cipla Quality Chemical Industries Ltd	October 2018	Healthcare
10	MTN-Uganda	October 2019	Telecom
Cross border listings			
11	East African Breweries Ltd	March 2001	Consumer goods
12	Kenya Airways	March 2002	Consumer services
13	Jubilee Holdings Ltd	February 2006	Financial
14	Equity Bank Ltd	June 2009	Financial
15	Kenya Commercial Bank Ltd	November 2008	Financial
16	Nation Media Group	December 2010	Consumer services
17	Centum	August 2011	Financial
19	Uchumi	2013	Consumer goods





The youngest company listed on USE is Kenya Commercial Bank Ltd with only 12 years because it has of recent just commenced its operations in Uganda in 2007 while the oldest is East African Breweries limited with average age of 97 years.

The biggest company listed on USE is Equity Bank Ltd with a value of 30.58 worth of assets and this could be attributed to the fact that it's a multinational company operating in four East African countries and the smallest company on USE is British American Tobacco (BAT) Uganda Ltd with a value of 23.204 worth of assets which has scaled down its operations over the years with other parties entering the market it monopolized for years.

DFCU Ltd is the company listed on USE with the least ROA of 0.012 which is in the banking sector and this could be due to losses made in previous years (DFCU, 2019) while Cipla Quality Chemical Industries Ltd is the listed company with the highest Return of Assets with a value of 0.304 and this is associated with market competition capacity the company gained as the company selling high quality human medicine and recently setting up a large factory thus expanding its asset base by leaps and bounds (Cipla, 2020).

**The summary statistics for the dependent and independent variables utilized in the study are provided in the table 2 below;**

Descriptive statistics	N	Minimum	Maximum	Sum	Mean	Std. Deviation
ROA	85	.00	1.07	9.54	.112	.15091
CEO tenure	85	1.00	21.00	503.00	5.92	4.81123
NEDs	85	3.00	15.00	693.00	8.15	2.68375
Board size	85	5.00	17.00	882.00	10.38	2.61396
CEO age	85	39.00	59.00	4029.00	47.40	4.33205
Remuneration of directors	85	18.49	53.00	1902.99	22.39	3.65774
Control variables						
Firm size	85	17.73	30.89	2296.10	27.01	2.34142
Firm age	85	10.00	99.00	3473.00	41.35	23.22363

The return on asset (ROA), which ranges from 0.00% to positive 107.00% with an average ratio of 11.20%, is employed as a performance measure. The variation in return on assets for the enterprises ranged from a profit of 107.00 percent (highest value) to a loss of 00.00 percent (lowest value). This examines a significant discrepancy in the profitability of the enterprises. Studies have found that a return on assets of 5% and above is considered a good performance (Supriyadi, 2021).

The average CEO tenure is approximately six years; the average None Executive Directors is eight. The average firm size is 27, in the same range as the UK-listed companies (Afrifa & Tauringana, 2015).

The average number of non-executive directors is more than 50% of the board size, meaning that the companies adhere to Uganda's corporate directorship principles. The average annual director's remuneration is Uganda shillings 22.39 million annually. The average firm age is 41 years, and the average CEO age is 47 years.

Additionally, this result reveals that among the factors analyzed, CEO tenure has the highest standard deviation (S.D.) at 4.81123, followed by CEO age at 14.33205. In contrast, ROA has the lowest S.D. at .15091, followed by board size at 2.61396.

*B. Correlation findings*

The Table 3 below provides the Pearson correlation coefficient for 17 companies listed on USE for 2017-2021.

Corporate gov.	Board size	CEO age	CEO tenure	NEDs	REMD	Firm age	Firm size	ROA
Board size	1							
CEO age	-.198	1						
Sig (2 tailed)	.069							
CEO tenure	.197	-.107	1					
Sig (2 tailed)	.070	.330						
NEDs	.925**	-.150	.235*	1				
Sig (2 tailed)	.000	.171	.030					
REMD	.070	-.154	.227*	.083	1			
Sig (2 tailed)	.525	.160	.036	.452				
<b>Firm age</b>	<b>-.069</b>	<b>.402**</b>	<b>.175</b>	<b>.016</b>	<b>-.191</b>	<b>1</b>		

Sig (2 tailed)	.530	.000	.110	.888	.081			
<b>Firm size</b>	<b>.222*</b>	<b>-.232*</b>	<b>.001</b>	<b>.245*</b>	<b>.064</b>	<b>-.355**</b>	<b>1</b>	
Sig (2 tailed)	.041	.033	.993	.024	.562	.001		
ROA	-.014	.102	-.236*	-.143	-.033	-.056	-.178	1
Sig (2 tailed)	.897	.352	.029	.192	.762	.612	.103	

The bold variables represent the control variables  
 Source: Results obtained from the data analysis using SPSS Version 23.

The percentage of NEDs was found to have a positive significant correlation with board size (r=0.925\*\*) at 1% and CEO tenure (r=.235\*) at 5%. The remuneration of directors (REMD) positively correlates with CEO tenure (r=.227\*) at 5%. The firm age significantly correlated with the CEO age (r=.402\*\*) at 1%. Firm size had a significant correlation with a board size (r=.222\*) at 5%, a significant negative correlation with CEO age (r=-.232\*) at 5%, and a significant negative correlation with firm age (-.355\*\*) at 1%. Finally, return on assets (firm performance) had a significant negative correlation with CEO tenure (r=-

.236\*). The correlation of the control variable suggests that multicollinearity does not interfere with multiple regressions. According to certain researchers, multicollinearity becomes troublesome if the correlation coefficient rises above 0.8, as stated by (Steve, 2018).

C. Regression analysis

The fixed regression model was specified in the table 4 below to understand the effect of corporate directorship on the performance of companies listed on USE.

Model	R	R Square	Adjusted R Square	Std. An error in the Estimate
1	.432 <sup>a</sup>	.187	.112	.14288

a. Predictors: (Constant), firm size, CEO tenure, Remuneration of directors, CEO age, the board size, firm age, NEDs

The regression model summary above indicates that the value of Adjusted R-square (R<sup>2</sup>) is 0.112 indicating that corporate directorship and the variables included in the model explain the performance of firms listed on USE by

11.2%. Implying that the model well explains that according to (Ozili, 2023), who indicated that a regression model with an R-Square value between 0.1-0.50 is considered good.

Table 5: Fixed effects regression model on the effects of corporate directorship on firm performance (model 1)

Variables	Unstandardized Coefficients		Standardized Coefficients		Prob.>  t
	Coefficient	S. E	Beta	t	
Constant	.093	.726		.183	.776
Board size	.047	.017	.806	5.840	.005
CEO age	.004	.067	.111	.845	.346
CEO tenure	-.006	.024	-.197	-1.222	.084
NEDs	-.044	.036	-.789	-3.669	.007
Remuneration of directors (REMDs)	.002	.009	.039	.367	.722
<b>Control variables</b>					
Firm age	.000	.001	-.045	-.557	.723
Firm size	-.010	.017	-.156	-1.451	.181

Dependent Variable: ROA  
 Source: The outcomes of data analysis were done with SPSS Version 23.

D. Equation from statistical analysis

$$y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + \dots + b_nX_n + e$$

Results in Table 5 indicate that board size 0.047 (0.005) significantly affects the performance of firms listed on USE at a 95% significance level or 5%. Implying that keeping other factors constant, board size affects the

performance of listed companies by 4.7%. It means that increasing the number of board members of the firm increases the performance of listed companies. The remuneration of directors was also found to positively affect the performance of listed firms. The proportion of non-executive directors was found to significantly negatively affect firm performance.

Table 6: Random effects regression model on the effects of corporate directorship on firm performance (model 1)

Variables	Coefficient	S. E	Beta	t	Prob.>   t
Constant	.073	.326		.285	.776
Board size	.031	.016	.806	2.860	.015
CEO age	.002	.004	.111	.948	.346
CEO tenure	-.015	.004	-.197	-1.751	.004
NEDs	-.022	.016	-.789	-2.761	.027
Remuneration of directors	.032	.005	.039	.357	.042
Control variables					
Firm age	.007	.001	-.045	-.356	.723
Firm size	-.021	.007	-.156	-1.350	.181
Dependent Variable: ROA; R <sup>2</sup> = 0.5288; Wald = 140.96; Prob = 0.0000					
Source: The outcomes of data analysis were done with SPSS Version 23.					
ROA = 0.073+0.031 board size +0.002CEO age-0.015 CEO tenure-0.022NEDs+0.032REMDs-0.021Firm size + 0.007Firm Age					

The random effects regression model Table 6 indicates that board size (p=0.015), CEO tenure (p=0.004), NEDs (p=0.027) and REMDs (p=0.042) are significantly associated with the performance of listed firms on USE.

The table 7 below specifies the Hausman test to help decide between the random and fixed models. The null hypothesis is that the model to take is random while the alternative hypothesis is that the preferred is fixed effects.

Table 7: Hausman specification test for fixed and random effect test comparison

Variables	Fixed effects (FE)	Random effects (RE)	Difference (FE-RE)	SE
Board size	.093	.073	.02	.001
CEO age	.047	.031	.016	.048
CEO tenure	.004	.002	.002	-1.051
NEDs	-.006	-.015	.009	-2.360
Remuneration of directors (REMDs)	-.044	-.022	-.002	.451
Control variables				
firm age	.002	.032	-.03	-.551
firm size	.000	.007	-.007	

Prob>0.003

Source: The outcomes of data analysis were done with SPSS Version 23.

According to Spureconomics, (2023) The null and alternate hypothesis for this test can be stated as:

- H<sub>0</sub>: Both estimates are consistent but random effects estimates are efficient.
- H<sub>a</sub>: Fixed effects estimates are consistent but random effects estimates are not.

The coefficients of the fixed effects and random effects models are consistent under the null hypothesis. Only the random effects model's coefficients, though, are effective. The random-effects model ought to be adopted if the Wu-Hausman test cannot rule out the null hypothesis.

Contrarily, under the alternative hypothesis, only the fixed effects model's coefficients are consistent. The random effects model's coefficients are inconsistent. The fixed-effects model should be chosen over a random-effects model if the null hypothesis is rejected.

Based on the Hausman specification test in Table 7, we accept the null hypothesis and use the random effect model because its coefficients are more effective and have less variance and errors when compared with those of the fixed effects model.

## VI. DICUSSION

The researcher relied on the random effects model regression advised by the Hausman specification test to offer replies for acceptance or rejection of the stated hypotheses.

### A. The influence of Board size on the corporate performance of companies listed on the USE.

According to the random effects model regression, there is meaningful positive relationship between board size and company performance or Return on Assets, therefore, the alternative (H1) as per the research setting above which stated that board size has a significant influence on the corporate performance (ROA) of companies listed on the



USE is accepted, rejecting the null hypothesis that states that Board size has no significant influence on the corporate performance (ROA) of companies listed on the USE.

*B. The influence of CEO age on the corporate performance of companies listed on the USE.*

The CEO's age has a marginally favorable impact on the success of corporate companies, according to the random effects model, however it is insignificant at the 5% level and as such we reject the alternative hypothesis (H2) stated in the research setting above.

This is further supported by the correlation results which indicated that no significant correlation between CEO age and Return on Assets and therefore the alternative, H2 as mentioned in the research setting above which stated that CEO age has a significant influence on the corporate performance (ROA) of companies listed on the USE is rejected taking the null hypothesis that states that CEO age has no significant influence on the corporate performance (ROA) of companies listed on the USE.

*C. The influence of CEO tenure on the corporate performance of companies listed on the USE.*

Random effects regression model results indicated that there is a significant negative influence of CEO tenure on Return on Assets (ROA)/corporate performance and therefore the alternative in the research setting above (H3) which stated that CEO tenure has a significant influence on the corporate performance (ROA) of companies listed on the USE is accepted, rejecting the null hypothesis that states that CEO tenure has no significant influence on the corporate performance (ROA) of companies listed on the USE.

*D. The influence of the proportion of non-executive directors (NEDs) on the corporate performance of companies listed on the USE.*

Random effects model results showed that there is a significant negative influence of non-executive directors (NEDs) on Return on Assets and therefore the alternative (H4) which stated that the proportion of non-executive directors (NEDs) has a significant influence on the corporate performance of selected companies listed on the USE is accepted, rejecting the null hypothesis that states that non-executive directors (NEDs) has no significant influence on the corporate performance (ROA) of companies listed on the USE.

*E. The influence of Directors' remuneration on the corporate performance of companies listed on the USE.*

Random effects model results revealed that there is a significant positive influence of Directors' remuneration on corporate performance and therefore the alternative (H5) which stated that Directors' remuneration has a significant influence on the corporate performance of companies listed on the USE is accepted rejecting the null hypothesis that states that Directors' remuneration has no significant influence on the corporate performance (ROA) of companies listed on the USE.

*F. Board size, CEO age, CEO tenure, Proportion of non-executive directors (NEDs), and Directors' remuneration simultaneously influence the performance of companies listed on USE.*

Random effects regression results indicated that only board size, CEO tenure, the proportion of NEDs, and REMDs significantly influence performance of companies listed on USE. CEO age has a positive but insignificant influence on the performance of companies listed on the stock exchange thus it can be surmised that Board size, CEO age, CEO tenure, Proportion of non-executive directors (NEDs), and Directors' remuneration simultaneously influence the performance of companies listed on USE and thus we accept the alternative hypothesis (H6)

*G. Control variables*

Two control variables were adopted in the study that is firm age and firm size.

*H. Firm age*

Based on the random fixed model, we found that firm age had no significant influence on the performance of the firms ( $p=.723$ ), however keeping other factors constant firm age was found to increase the performance of firms listed on USE by 0.7%.

*I. Firm size*

Although the results of the random effects regression model show that firm size had no discernible impact on listed companies' performance ( $p=.181$ ), when all other parameters are held constant, firm size was found to have a 2.1 percent negative impact on performance.

It was noted in summary that all the control variables never had a significant influence on firm performance and therefore the whole influence in firm performance is attributed to the corporate directorship variables excluding the control variables.

## VII. CONCLUSION

There is significant positive influence of board size on the financial performance of companies listed on USE. This is because a company with a larger board size has more expertise available to it in terms of decision making and deciding its strategic direction leading to more profitability.

There is no significant influence of CEO age on the performance of listed companies on USE. This is attributed to age having no effect on someone's ability, one company with a young CEO can perform just as well as a company with a much older CEO.

There is a significant negative influence of CEO tenure on the performance of listed companies on USE. This is attributed to CEOs losing their effectiveness over the strategic direction of the company with the passage of time.

There is a significant negative influence of the proportion of non-executive directors (NEDs) on the performance of listed companies on USE. This is because as a company takes on more and more non-executive directors, it comes as a huge agency expense in the day to day running of the company hence reducing the financial performance of the company.

There is a significant positive influence of directors' remuneration on the performance of companies listed on USE. This is attributed to higher remuneration motivating the directors to come up with better and more profitable ideas for the company as is the case with the listed financial institutions such as KCB and Equity Bank.

Board size, CEO tenure, the proportion of NEDs, and REMDs simultaneously significantly affect the performance of companies listed on USE.

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