INFLUENCE OF THE MANAGERIAL BEHAVIOUR OF AGENCY COST ON THE PERFORMANCE OF LISTED FIRMS ON NSE

Lilian Njuguna
Masters Student, Jomo Kenyatta University of Agriculture and Technology, Kenya
Dr. Makori Moronge
Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

CITATION: Njuguna, L. & Moronge, M. (2013). Influence of the managerial behaviour of agency cost on the performance of listed firms on NSE. *International Journal of Social Sciences and Entrepreneurship, 1* (7), 397-410.

ABSTRACT

Agency conflicts between managers and shareholders are characterized by whether the implementation of incentive compensation schemes mitigates the manager-shareholder conflict. This study investigates the relationship between some determinants of managerial behavior and agency cost from one hand, and the impact of this relationship on firm performance from the other. Within the framework of shareholders' and management's behaviors, that the role of management represented by being delegated by shareholders to manage available financial resources of the company and negotiate with all concerned parties on their behalf, must be in such a way that achieves positive outputs exceeding the opportunity cost in which those resources could be utilized and shareholders' wealth maximized. The Kenyan Capital Market Authority issued guidelines on corporate governance practices for publicly listed companies in 2002. The study used descriptive research design. The target population was listed firms in the Nairobi Stock Exchange (NSE).The study found out that non-conforming information is a source of the problems of agency conflicts that the organization's good performance depends on the importance of knowledge possessed by a decision maker and that Information would never be fully revealed on the part of the managers due to agency problems.

***Key Words**: Agency Cost, Firm Performance, Information asymmetry and Managerial Ownership*

Introduction

The end of the 1990s and the beginning of 21st century have witnessed a series of corporate accounting scandals across the United States and Europe. Examples include Enron, HealthSouth, Parmalat, Tyco, WorldCom and Xerox. At the core of these scandals was usually the phenomenon of earnings management (Agrawal & Knoeber (2006). Earnings management has been a great and consistent concern among practitioners and regulators and has received considerable attention in the accounting literature. It has been argued that earnings management masks the true financial results and position of businesses and obscures facts that stakeholders ought to know (Loomis, 1999).

The accounting numbers are deemed value relevant if they have significant association with equity market value (Barth et al., 2001). Previous studies use equity market value as the valuation benchmark to assess the effect of accounting numbers on information used by investors and they suggest that shareholders use accounting earnings to estimate future returns (Anderson, R.C., Mansi, S.A., &Reeb, (2004). Reported earnings are considered by shareholders to be value relevant and useful in estimating future returns and thus earnings and share returns are expected to be related. A long line of empirical research has demonstrated that accounting earnings are related to share returns (Easton and Harris, 1991; Das and Lev, 1994; Liu & Thomas, 2000).

Statement of the Problem

According to (KPMG, 2012) Kenya has only 56 listed companies with a market capitalization that constitute 34% of GDP (RoK, 2012). According to World Bank (WB). This is relatively small when compared to South Africa which has 668 listed companies with a market capitalization that constitute 132% of GDP (WB, 2012). Reports from KPMG show that Malaysia that got independence in the same time with Kenya has over 1000 listed companies (KPMG, 2012). The Kenyan Capital Market Authority (CMA) issued guidelines on corporate governance practices for publicly listed companies in 2002. This statistics show that Nairobi Securities Exchange is still an emerging market. Globally for instance in America, The Enron scandal reveal that Shareholders lost nearly $11 billion when Enron's stock price, which hit a high of US$90 per share in mid-2000, plummeted to less than $1 by the end of November 2001 (Benston, George, 2003).

In the year 2006 Uchumi Supermarket was put under receivership (RoK, 2007). Uchumi Limited’s closure as a result of management’s incompetence, has been described as "one of the greatest corporate disasters in independent Kenya history" revealing agency conflict (CMA, 2011). Uchumi posted a loss of Ksh690 Million ($9.3 million) in June 2004 after two years of poor performance (PWC, 2011). According to information obtained from capital markets authority shows that Nyaga Stockbrokers Ltd was under statutory management due to conflict of interest by management of the company (CMA, (2012). The boardroom wars at listed motor dealer CMC has brought to the fore the caliber of management board members who run many public and private listed institutions in Kenya (CMA, (2012

Therefore the study sought to determine the managerial behaviour of agency cost and its influential extent on the performance of listed firms on Nairobi securities exchange. Local studies done include, Maina (2000) carried out a study to establish whether there exists a relationship between dividend and investment decisions since both compete for internally sourced funds and given that funds obtained by debt are very expensive and not available to all firms. Karanja (1987) studied dividend practices of publicly quoted companies and found out that there are many reasons why firms pay dividends. This study seeks to analyze the influence of the managerial behaviour of agency cost on the performance of companies quoted at Nairobi Securities Exchange.

Objectives of the Study

1. To find out the influence of Agency cost on the performance of listed firms on Nairobi securities exchange
2. To evaluate the influence of managerial ownership on the performance of listed firms on Nairobi securities Exchange
3. To find out the influence of information asymmetry on the performance of listed firms on Nairobi securities Exchange
4. To find out the influence of debt ratio on the performance of listed firms on Nairobi securities Exchange
5. To explore the effect of Board Composition as the moderating variable for performance a case of listed firms on Nairobi securities Exchange

Literature Review

Pinteris (2002) conducted a study entitled:"Agency Costs, Ownership Structure and Performance in Argentine Banking". This study empirically investigates two main objectives: first is related to the reality of banking sectors in Argentine. Such objective proves the agency problems existence between stakeholders and management, from one hand, the stakeholders and government represented by banking institutions, from other hand. Second objective is represented by providing evidences related to the impact of bank ownership concentration on both agency cost and performance using available information related to banks in the period 1997-1999. The study reveals an inverse relationship between ownership concentration and performance. The study also concludes that the banks having high ownership concentration should have high risk on bank's loan portfolio; at the same time it does have a high agency cost as compared to other banks which have low ownership concentration. The results of this study also showed a strong conflict between stockholders and the management of banks because of the asymmetric information and the stockholders’ attempt to push the bank's managers towards investment on the account of deposits and reserves ratios.

It was measured using the same way done by Ang et al (2002) by using two alternative measurements: the expense ratio and the asset utilization ratio. The first ratio includes using the excessive expenses used by managers to get fancy things related to office, such as fancy furniture, resort properties, and automobiles. In this study, the researchers will depend on using the first ratio because it is related to the excessive expenses, which are more common type of agency cost in NSE companies. For agency cost of ownership for the selected sample, it has been identified based on the difference between the averages of operating expenses ratio.

Mustafa (2006) conducted a study which provided a new measurement for agency cost of ownership represented by irregular risk related to the company. It supposed a model to interpret agency cost of ownership through two groups of determinants: First one is represented by causes behind agency cost arising between shareholders and managers, and the second determinant lies in the impact of financial policies on agency cost. Furthermore, this study used other two variables: company size and the field of company's activity.

This study was applied in sample of 40 Egyptian companies. Multiple regression analysis was employed to explore the accounting and market information for the period 2000-2004. The results support the integrity of the model, and the study also reveals the importance of information asymmetry and debt financing to increase agency cost of ownership.

The comparative analysis shows that the current study is similar to the previous studies regarding to examining the relationship between agency cost of ownership and some other factors associated with managerial behavior such as the percentage of managerial ownership, information asymmetry, and debt contracts. Nevertheless, in the researchers' knowledge, the current study offers a new contribution of investigating the impact of performance on such relation between these variables.

Research Methodology

The study adopted descriptive research design. The study was implemented at Nairobi Securities Exchange (NSE). The target populations for this study were companies that have floated shares on the NSE. There are 59 listed firms in Kenya (NSE, 2011). The target populations for this study were all the 59 listed firms. Due to the large number of listed companies, the study took a sample size of 31 listed firms and the respondents were 1 financial manager from each firm who is best placed to reveal the desired financial information required by the study.

Data collected was analyzed using descriptive statistics. The descriptive statistical tools help in describing the data and determining the respondents' degree of agreement with the various statements under each factor. Data analysis was done using SPSS and Microsoft excels to generate quantitative reports, which were presented in the form of tabulations, percentages, mean and standard deviation.

The model that was used to investigate the influence of managerial behavior of agency cost on the performance of listed firms on Nairobi securities exchange was based on the models of (Hameed& Lim, 1998). A multiple regression analysis between performance and four determining variables was performed by estimating a linear regression as indicated by the regression equation below:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_{4+} + \beta_5X_5 + \varepsilon)$

Y = Dependent variable (Performance)

α = Constant (The intercept of the model)

β = Coefficient of the X variables (independent variables)

X_1= Agency cost

X_2= Information Asymmetry

X_3= Debt Ratio

X_4= Managerial Ownership

X_5= Board composition

ε= Error Term

The moderating variable was Board composition. A moderator variable is one which alters the relationship between other variables. Suppose that we are using regression analysis to test the model that continuous variable Y is a linear function of continuous variable X, but the slope for the regression of Y on X varies across levels of a moderator variable, M. Put another way, we think that there is an interaction between X and M with respect to their effect on Y.

If the moderating variable is categorical, we can conduct a “Potthoff analysis” to determine if the regression of Y on X differs across levels of the categorical moderator. T-test was used to ascertain the significant of the predictor variable.

In addition, the researcher conducted a linear multiple regression analysis so as to test the relationship among variables (independent) and dependent variables.)

Research Results

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.690a	.477	.367	.1643

The four independent variables that were studied, explain only 47.7% of the factors that affect Performance of listed firms on NSE represented by the R2. This therefore means that other factors not studied in this research contribute 52.3% of the factors that affect Performance0f listed firms on NSE.

The researcher conducted a multiple regression analysis on the role of intellectual capital on the performance of commercial banks in Kenya. The following multiple regression equation was used.

$$Y= 0.718+ 0.643+ 0.447X_2+ 0.450X_3+ 0.234X_4 + \boldsymbol{\varepsilon}$$

Where Y is the dependent variable (Performance of commercial banks), X_1 is the innovation capital variable, X_2 is human capital, X_3 is structural capital, and X_4 is the customer capital

As shown in table 4.9 above, the most significant variable at predicting financial performance of the organization was agency Cost as shown by a p-value of 0.0017; followed by Information Symmetry (p-value=0.0026), managerial ownership with p-value of 0.0029, Board size (p-value= 0.0036) and finally debt ratio with a p value of 0.0047. The significance value is .000 which is less that 0.05 thus the model is statistically significant in predicting (Agency Cost, Managerial Ownership, Information Symmetry and Debt ratio)

The researcher also sought to establish the moderating effect of board composition on the relationship between each independent variable and the dependent variable.

As revealed by the inferential statistics in table 4.10 above, the moderating variable has a strong moderating effect on each relationship. This was shown by the increase in the beta coefficients to 1.988, 1.643, 1.233, 1.222, and 1.000 for managerial Ownership, agency Cost, information Symmetry, and debt ratio and board size respectively after using operationalizing the moderating variable.

Conclusions and Recommendations

The study was to explore the influence of the managerial behaviour of agency cost on the performance of listed firms on NSE. Based on previous studies, the components of Agency cost were expected to have positive relation with performance of listed firms on NSE. The output given from the findings indicate that there is a significant positive relationship between the components of agency cost namely managerial ownership, information asymmetry, debt ratio, and board composition on the performance of listed firms on Nse. The findings revealed that respondents agreed that high-equity ownership on the part of managers and board members affects firms performance to a great extent, that CEOs should typically be the only insiders on the board, that CEOs should seldom be the chairman of the board and that Small boards of directors, typically consisting of not more than eight people work better. The findings revealed that majority of the CEOs who are related to the controlling family receive a lower total compensation compared to outside CEOs. The study also found out that the separation of ownership and control, and the resulting conflict of interests between owners (principals) and manager (agents); that Large shareholder does have a strong incentive to monitor managers and can play a beneficial role in remedying agency problems and increase firm value; that the ownership and identity of the shareholder should be examined with the most control rights.

Findings from the study showed that non-conforming information is another source of the problems of agency conflicts that the organization's good performance depends on the importance of knowledge possessed by a decision maker. Information would never be fully revealed on the part of the managers due to agency problems to a great extent. The study findings also revealed that managers utilize this information to achieve performance and decisions leading to achieve their own interests and create negative impacts on shareholders' interest to a moderate extent. It was also observed that debt servicing obligations help reduce agency problems; that making debt contracts leads to increasing company's financial risk, which may lead to motivate managers to reduce agency cost to keep on the financial ability of the company to meet debt and burdens on time. Findings further revealed that agency problems within a firm are usually related to free cash-flow and asymmetric information problems; that bank debt and short-term debt are expected to constitute important corporate governance; and that bank lenders have a comparative advantage in minimizing information costs and getting access to information not otherwise publicly available.

The study finally found out that making the internal corporate governance mechanisms (such as shareholder participation and the role of the board) work better affects firms performance to a great extent; that enhancing the standards of accounting, audit and disclosure; and a standard deviation of reducing ownership concentration. The separation of ownership and control; ensure the firm has a large shareholder base as large shareholder have a strong incentive to monitor managers and plays a beneficial role in remedying agency problems and increase firm value.

References

Abbott, L.J., Park, Y., and Parker, S. (2000). "The Effects of Audit Committee Activity and Independence on Corporate Fraud", Managerial Finance, vol. 26, no. 11, pp. 55-67.

Abdul Rahman, R., and Ali, F.H.M. (2006). "Board, Audit Committee, Culture and Earnings Management: Malaysian Evidence. *Managerial Auditing Journal, vol*. 21, no. 7: pp. 783-804.

Adams, R., and Mehran, H. (2002). "Board Structure and Banking Firm Performance" Working paper, Federal Reserve Bank of New York.Proceedings of 6th International Business and Social Sciences Research Conference 3 – 4 January, 2013, Dubai, UAE, ISBN: 978-1-922069-18-4 16

Agrawal, A. and C. R. Knoeber (2006), "Firm Performance and Mechanisms to Control Agency Problems Between Managers and Shareholders." Journal of Financial and Quantitative Analysis 31 , 377-397.

Agrawal, A., and Chadha, S. (2005). "Corporate Governance and Accounting Scandals", Journal of Law and Economics, vol. 48, pp. 371–406.

Al-khabash, A. and Al-thuneibat, A. (2009). ‘‘Earnings management practices from the perspective of external and internal auditors: evidence from Jordan’’, *Managerial Auditing Journal*, vol. 24 no. 1, pp. 58-80.

Alonso, P., Palenzuela, V., and Iturriaga, F. (2000). "Managers Discretionary Behavior, Earnings Management and Corporate Governance: An Empirical International Analysis", Working Paper, Universidad de Valladolid.

Anderson, R.C., Mansi, S.A., and Reeb, D.M. (2004). "Board Characteristics, Accounting Report Integrity, and Cost of Debt". *Journal of Accounting and Economics*, vol. 37, no. 3: pp. 315–342.

Ang, J. S., R. A. Cole and J. W. Lin (2000), "Agency costs and ownership structure", Journal of Finance 55, 81-106.

Ayala, Astrid; Giancarlo Ibárgüen, Snr. (March 2006). "A Market Proposal for Auditing the Financial Statements of Public Companies" (PDF). *Journal of Management of Value* (Universidad Francisco Marroquín): 1. Archived from the original on 2010-10-17. Retrieved 2010-10-17.

Ball, R., Robin, A. and Wu, J. 2003. "Incentives versus standards: properties of accounting income in four East Asia countries", Journal of Accounting and Economics, vol. 36 nos 1-3, pp. 235-270.

Barclay, M. J. and Smith, C. W. (1995), The maturity structure of corporate debt, Journal of Finance 50, 609-631.

Bedard, J., Chtourou, S.M., and Courteau, L. 2004. "The Effect of Audit Committee Expertise, Independence and Activity on Aggressive Earnings Management", Auditing: *A Journal of Practice & Theory*, vol.23, pp. 55-79.

Beiner, S., W. Drobetz, F. Schmid, and H. Zimmermann (2003), Is board size an independent corporate governance mechanism? Working Paper, University of Basel.

Beiner, S., W. Drobetz, F. Schmid, and H. Zimmermann (2004), An Integrated Framework of Corporate Governance and Firm Valuation: Evidence from Switzerland, ECGI paper 34/2004.

Benston, George J. (November 6, 2003). "The Quality of Corporate Financial Statements and Their Auditors Before and After Enron" (PDF). *Policy Analysis* (Washington D.C.: Cato Institute) (497): 12. Archived from the original on 2010-10-17. Retrieved 2010-10-17.

Berlin M. and L. Mester, (1992), "Debt Covenants and Renegotiation," Journal of Financial Intermediation 2, 95-133

Bowen, G.J., Bralower, T.J., Delaney, M.L., Dickens, G.R., Kelly, D.C., Koch, P.L., Kump, L.R., Meng, J., Sloan, L.C., Thomas, E., Wing, S.L. & Zachos, J.C. 2006. "Eocene Hyperthermal Event Offers Insight Into Greenhouse Warming. EOS", Transactions, American Geophysical Union, vol 87no. 17, pp. 165, 169.

Boyd, J. and E. Prescott (1986), "Financial Intermediary-Coalitions", Journal of Financial Theory 38, 211-232

Bratton, William W. (May 2002). "Does Corporate Law Protect the Interests of Shareholders and Other Stakeholders?: Enron and the Dark Side of Shareholder Value" (PDF). *Tulane Law Review* (New Orleans: Tulane University Law School) (1275): 61. Retrieved 2010-10-12.

Bremer, J., and Ellias, N. 2007. "Corporate Governance in Developing Economies –The Case of Egypt." International Journal of Business Governance and Ethics, vol. 3 no.4, pp. 430-445.

Brick and Ravid (1985), "On the Relevance of Debt Maturity Structure", Journal of Finance 40, 1423-1437

Brown, D. A., Gardner, J., Oswald, A. and Qian, J. (2005) 'Does Wage Rank Affect Employees' Wellbeing?', IZA Discussion Paper No. 1505.

Bryman, A., and Cramer, D. 1997, Quantitative Data Analysis with SPSS for Windows: A Guide for Social Scientists, Routledge, LondonCarcello, J., and Nagy, A. 2004. "Client

Size, Auditor Specialization and Fraudulent Financial Reporting", Managerial Auditing Journal, vol. 19, no. 5,pp. 651–668.

Byrd, J. and K. Hickman (1992), "Do outside directors monitor managers. Evidence from takeover bids?", Journal of Financial Economics 32, 195–221.

Cadbury, A. (1992), "Report of the Committee on the Financial Aspects of Corporate Governance." Gee Publishing, London

Chaganti, R.S., Mahajan, V. and Sharma, S. 1985. "Corporate board size, composition and corporate failures in the retailing industry", Journal of Management Studies, vol.22 no. 4, pp. 400-417.Proceedings of 6th International Business and Social Sciences Research Conference 3 – 4 January, 2013, Dubai, UAE, ISBN: 978-1-922069-18-417

Chen, C. (2003), "Investment Opportunities and the Relation Between Equity Value and Employees'Bonus, Journal of Business Finance and Accounting 30, 941-974

Chtourou, S.M., Be´dard, J. and Courteau, L. 2001. ''Corporate governance and earnings management'', working paper, Universite´ Laval, Que´bec.

Coles, J., Daniel, N., and Naveen, L. 2008. "Boards: Does One Size Fit All?",Journal of Financial Economics, vol. 87, pp. 329–356.

, Journal of Finance 57, 461-483/

Dalton, D., Daily, C., Ellstrand, A., and Johnson, J. 1998. "Meta-Analytic Reviews of Board Composition, Leadership Structure, and Financial Performance",Strategic Management Journal, vol. 19, pp. 269- 290.

Dechow, P. M., and Skinner, D. J. 2000. "Earnings management: Reconciling the views of accounting academics, practitioners and regulators", Accounting Horizons, vol.14 no.2, pp.235-250.

Dechow, P., Sloan, R., and Sweeney, A. 1996. "Causes and Consequences of Earnings Manipulation: An Analysis of Firms Subject to Enforcement Actions by the SEC", Contemporary Accounting Research, vol. 13, pp. 1-36.

Diamond, D. (1984), "Financial intermediation and delegated monitoring", Review of Economic Studies 51, 393–414.

Diamond, D. (1991), "Monitoring and Reputation: The Choice Between Bank Loans and irectly Placed Debt", Journal of Political Economy 99, 689-721.

Dimitropoulos, P.E., and Asteriou, D. 2010. "The Effect of Board Composition on the Informativeness and Quality of Annual Earnings: Empirical Evidence from Greece", Research in International Business and Finance, vol. 24, pp. 190–205.

Doukas, J., Kim, C. and C. Pantzalis (2002), “Security analysis, Agency costs and company Characteristics, Financial Analysts Journal 56, 54-63.

Eisenberg, T., S. Sundgren and T.W Wells (1998), “Larger board size and decreasing firm Value in small firms”, Journal of Financial Economics 48, 35-54.

Faccio, M.and A. Lasfer (2000), “ Do occupational pension funds monitor companies in which they hold large stakes?”, Journal of Corporate Finance 6, 71-110

Fama, E. (1985), “What’s different about banks?”, Journal of Monetary Economics 15, 29-39.

Fama, E. 1980. “Agency Problems and Theory of the Firm”, Journal of Political Economy, vol. 88, pp. 88-107.

Fama, E.F., and Jensen, M.C. 1983. “Separation of Ownership and Control”,Journal of Law and Economics, vol. 26, pp. 301-25.

Friend K. and K. Lang (1988), “An Empirical Test of the Impact of Managerial Self Interest on Corporate Capital Structure”, Journal of Finance 43, 271-28126

Gaver J.J. and K.M. Gaver (1993), “Additional evidence on the association between the investment opportunity set and corporate financing, dividend and compensation policies”, Journal of Accounting and Economics 16, 125-160

Goergen, M.and L. Renneboog (2001), “Strong managers and passive institutional investors in the UK” In The control of corporate Europe, eds. Barca, F. and Becht, M., Oxford University Press.

GOK, G. o. (2012). *Economic Survey*. *Nairobi*: Government Printer.

Gomes, A. (2000), “Going Public without Governance: Managerial Reputation Effects, Journal of Finance 55, 615-646.

Goncharov, I. 2005. “Earnings Management and its Determinants: Closing Gaps in Empirical Accounting Research (Frankfurt am Main: Peter Lang).

Greenbury, R. (1995) Directors’ Remuneration: Report of a Study Group GEE, London Grossman, S. and O. Hart (1986) "The Costs and Benefits of Ownership: A theory of Vertical and Lateral Integration," Journal of Political Economy 94, 691-719.

Grossman, J. and O. Hart (1988), “One share-one vote and the market for corporate control”, Journal of Financial Economics 20, 175–202

Guedes, J. and Opler, T. (1996), The determinants of the maturity of corporate debt issues, Journal of Finance 51, 1809-1834.

Healy, P.M., and Wahlen, J. 1999. "A Review of the Earnings Management Literature and its Implications for Standard Setting", Accounting Horizons, vol. 13 no. 4, pp. 365-384.Proceedings of 6th International Business and Social Sciences Research Conference

Hermalin, B. E. and M. S. Weisbach (1991), "The effects of board composition and direct incentives on firm performance." Financial Management, 20 101-112.

Hutchinson and Gul (2004), "Investment opportunity set, corporate governance practices and firm performance, Journal of Corporate Finance 10, 595-614

Jensen, M. and W. Meckling (1976), "Theory of Firm: Managerial Behaviour, Agency Costs and Capital Structure", Journal of Financial Economics 3, 305-360.

Johari, N., Saleh, N., Jaffer, R., and Hassan, M. 2008. "The Influence of Board Independence, Competency and Ownership on Earnings Management in Malaysia", Int. Journal of Economics and Management, vol.2 no.2, pp.281-306.

John, K., and Senbet, L. 1998. "Corporate Governance and Board Effectiveness", Journal of Banking and Finance, vol. 22, pp. 371-403.

Johnson, J.L., Daily, C.M., and Ellstrand, A.E. 1996. "Boards of Directors: A Review and Research Agenda", Journal of Management, vol. 22 no. 3: pp. 409–438.

Jones, J. J. 1991, "Earnings management during import relief investigations", Journal of Accounting Research, vol. 29 no. 2, PP.193-226.

Kamel, H. and Elbanna, S. 2010. ''assessing the perceptions of the quality of reported earnings in Egypt'', Managerial Auditing Journal, vol. 25 no. 1, pp. 32-52.

Kamel. H. and Elbana, S. 2012." Investigating the phenomenon of earnings management in the Egyptian stock market", Corporate Governance, vol.12 no.3, pp. 337-352.

Kao, L., and Chen, A. 2004. "The Effects of Board Characteristics on Earnings Management", Corporate Ownership & Control, vol. 1, no. 3: pp. 96–107.

Klein, A. 2002. "Audit Committee, Board of Director Characteristics, and Earnings Management", Journal of Accounting and Economics, vol. 33, no. 3: pp. 375-401.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and R. Vishny (1998), "Law and Finance", Journal of Political Economy 106, 1113-1155

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., Vishny, R. (2002), "Investor protection and corporate valuation", Journal of Finance 57, 1147–1170.

Lasfer (2002), "Agency costs and board structure", City Business School and SSRN working paper.

Lin, S., Pope, P. and S. Young (2003), “'Stock market reaction to the appointment of outside directors', Journal of Business Finance and Accounting 30, 351-382

Loomis, C.J. 1999. “Lies, Damned Lies, and Managed Earnings”, Fortune, vol. 140 no.2, pp.74-92.

Lynch and Perry (2003), “An overview of management compensation”, Journal of Accounting Education 21, 43-60.

Maina, S.W., (2002). Empirical Relationship between Dividend and Investment Decisions of Firms Quoted in the NSE, Unpublished MBA Thesis, and University of Nairobi

McConnell, J.J., and Servaes, H. 1990, “Additional evidence on equity ownership and corporate value”, Journal of Financial Economics 27, 595-612.

McConnell, J.J., and Servaes, H. 1995, “Equity ownership and the two faces of debt”. Journal of Financial Economics 39, 131-157.

Meek, K.J., Roa, P.R. and Skousen, J.C. 2007. “Evidence on factors affecting the relationship between CEO stock option compensation and earnings management”, Review of Accounting and Finance, vol. 6 no. 3, pp. 304-323.

Mehran, H. (1995), “Executive Compensation Structure, Ownership and Firm performance, Journal of Financial Economics 38, 163-184.

Morck, R.; Shleifer, A.; and Vishny, R.W. 1988. Management ownership and market valuation: an empirical analysis. Journal of Financial Economics 20, 293-315.

Murphy, K. (1999), Executive compensation. In: O. Ashenfelter, & D. Card (Eds.), Handbook of Labor Economics, (vol. 3). Amsterdam: North-Holland.

Myers, S. (1977), “Determinants of Corporate Borrowing,” Journal of Financial Economics 5,147–175.27