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Fiona Kanini Malonza and Prof. Jain Mohinder

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CORPORATE GOVERNANCE AND PROFITABILITY OF GENGHIS CAPITAL LIMITED IN NAIROBI CITY COUNTY

[1*] Fiona Kanini Malonza
[1]Post Graduate Student: Kenyatta University
*Corresponding Author's Email: fifimalonza@gmail.com

[2] Prof. Jain Mohinder
Lecturer: Kenyatta University

Abstract

Purpose: The purpose of this study was to establish the effect of corporate governance on profitability; a study of Genghis Capital Limited, Nairobi.

Methods: The study adopted a descriptive research design. The target population was 200 employees of Genghis Capital Limited. A stratified random sampling was used to select the sample. The sample size of the study was 107 employees. The study used questionnaires, containing both open ended and closed ended questions to obtain primary data. The questionnaires were self-administered. The instrument was also pretested with a sample of the respondents. The reliability of the instrument was estimated using Cronbach's Alpha coefficient. Pilot test was done by administering the instrument to ensure congruence between field objections and the phenomena being researched.

Results: The results of the study indicated that board size, board independence, gender diversity, board competence are positively related with profitability. Board size, board independence, gender diversity, board competence were found to be satisfactory variables in explaining profitability. This is supported by coefficient of determination of 63.2%. Further, the results indicated that the overall model was statistically significant. This was supported by an F statistic of 40.418 and the reported p value (0.000) which was less than the conventional 0.05 significance level. Regression of coefficients results showed that board size, board independence, gender diversity, board competence and profitability are positively and significantly related.

Unique Contribution to Theory, Practice and Policy: The study recommends that Genghis Capital limited incoporates these board characteristics by restructuring the board so that it can reflect features mentioned above. Basing on the discussion above, having a manageable board size, independent board, gender sensitive board and a competent board can lead an organization to prosperity.

Key Words: *Corporate Governance, Profitability, Genghis Capital Limited*

1.0 INTRODUCTION

Effective governance is essential for long-term corporate success. Effective corporate governance promotes improved shareholder wealth and the wealth of other corporate stakeholders. Good corporate governance (GCG) practices are necessary in attracting investors; reduce risk, by defending shareholders concern and improving efficiency of the company. Good practice of Corporate Governance leads to better performance and enhance decision-making procedure in the company. Hence, efficient governance means the slight expropriation of company funds by managers, which lead to better utilization of assets and improved financial and profitability of the firm (Igbal & Kakakhel, 2016). The board characteristics of a firm do affect its profitability.

Corporate governance is a system of structuring, operating, and controlling a company with a view to achieve long-term strategic goals to satisfy its shareholders, creditors, employees, customers and suppliers (Das, 2010). Corporate governance plays an important role for improvement of profitability. The improvement of firm's profit is essential to attain overall corporate objectives (Gill & Mathur, 2011). Strong corporate governance is necessary for all business organizations because it plays an important role in the management of organizations in both developed and developing countries for the benefits of the company and clients.

Corporate governance has been an issue of global concern long before now. However, it came to the fore in the 1980's as fallout of the Cadbury report in the United Kingdom, which concentrated on the financial aspects of corporate governance. Immediately following suits, the subject of corporate governance reverberated round developed and developing countries - (King Report) South Africa, (Dey Report) Canada (Bosch Report) Australia; in Armstrong (1997). In fact, James Wolfenschon in Boateng (2004) stated that proper governance of companies would become as crucial to the world economy.

German corporate governance is shaped by a legal tradition that dates back to the 1920s and regards corporations as entities which act not only in the interests of their shareholders, but also have to serve a multitude of other interests. The German corporate governance system is generally regarded as the standard example of what Franks and Mayer (2001) regarded as insider-controlled and stakeholder-oriented system.

Corporate governance plays an important role for improvement of profitability. The improvement of firm's profit is essential to attain overall corporate objectives (Gill & Mathur, 2011). Strong corporate governance is necessary for the all the business organizations because it plays an important role in the management of organizations in both developed and developing countries for the benefits of the company and clients. Good practice of Corporate Governance leads to better performance and enhance decision-making procedure in the company. Hence, efficient governance means the slight expropriation of company funds by managers, which lead to better utilization of assets and improved financial and profitability of the firm (Igbal & Kakakhel, 2016). The board characteristics of a firm do affect its profitability.

Genghis Capital Limited

Genghis Capital Limited provides stock brokerage services. Its stock broking services include equities trading, fixed income trading, over the counter trading, investment advisory, and online account access services. The company is based in Nairobi, Kenya. Genghis Capital Limited is a trading participant of the Nairobi Stock Exchange and licensed by the Capital Markets Authority. The firm was able to post a 14% increase in profitability (Business Daily, 2016). The Board of directors was active in the year 2015 during which there was an increase in profitability.

1.1 Statement problem

The effect of corporate governance on profitability has been a subject of great empirical investigations in corporate business. The collapse of major corporations such as Enron, WorldCom and the Bank of Credit and Commerce International (BCCI) in the UK and US has stimulated the recent interest in corporate governance. In the EAC, governance has been debated in the context of state ownership of corporations where corruption, mismanagement and government subsidization of failing enterprises have been the defining features. There has been an attempt to address corporate governance through classic publication of the separation of corporate ownership from control (Becht, Bolton & Röell, 2003). In effect, the agency costs of outside ownership equal the lost value from professional managers maximizing their own utility, rather than the value of the firm. Genghis Capital, saw its brokerage commissions drop by 6.67 per cent to Sh81.6 million in 2012. Other incomes fell to Sh1.8 million from Sh11 million in 2011. Genghis Capital reduced its employee costs for the year by 20.8 per cent, most in the first half in an attempt to reduce operating costs. This saw Genghis Capital Limited revenue drop (Business Daily, 2016). Genghis Capital Limited retrenched some of its employees because of tough financial problems. Genghis Capital Limited was one of the big brokerage firms in terms of profitability. However, the firm is currently making losses. There is need to investigate what are the reasons behind this.

Many of studies are being conducted in the context of corporate governance but no study was found to analyze corporate governance effect on the profitability in context of Genghis Capital Limited, Nairobi. On the basis of review of available literature in various national and international journals, a small number of studies are found to focus on corporate governance components like board size, gender diversity, board independence and board competence. This study therefore filled this research gap by establishing the effect of like board size, gender diversity, board independence and board competence on profitability of a firm in relation to Genghis Capital Limited, Nairobi.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

Agency Theory

According to Jensen and Meckling (1976), the agency relation is defined as a contract under which one party (the principal) engages another party (the agent) to perform some service on the principal’s behalf. The principal will delegate some decision-making authority to the agent.

According to the agency theory relationship, directors (as agents), are delegated the authority by the shareholders (as principals) to monitor the management of the company. Therefore, the directors are indirectly responsible for the smooth running of the company, which is in line with the interests of the shareholders. However, due to the separation of ownership and control, agency problems, i.e. moral hazard (hidden action) and adverse selection (hidden information), could occur and the directors might maximize their own interests at the expense of the shareholders.

Hence, there should be some mechanism that could align the interests of principals with the interests of agents (Judge, Naoumova & Koutzevol 2003). The suggested mechanism is good corporate governance by which this conflict of interest can be resolved to a certain extent (Gursoy & Aydogan 2002) since it promotes goal congruence. Good corporate governance structure such as separation of the roles of the CEO and the chairman, inclusion of independent non-executive directors in board composition, and smaller board size have been proposed by various researchers using the agency theoretical framework (e.g. Peng 2004; Choe and Lee 2003). Cheung and Chan (2004) also describe that the ultimate goal of corporate governance is to monitor the management decision-making in order to ensure that it is in line with shareholders' interests, and to motivate managerial behavior towards enhancing the firms' profit.

Stakeholders Theory

According to Akinsulire (2011), there are diverse sets of individuals with vested interests in any organization. These include the ordinary and preference shareholders, providers of funds, workforce, those who supply materials used by the organization, consumers and general public. Every member of these sets of individuals have to be rewarded a smallest amount as the removal of their involvement could result in the shutting down of the business (Akinyomi, 2013). Since institutions do not exist to serve their own purposes alone Agle, Donaldon, Freeman, Jensen, Mitchell & Wood (2007), the company's continuous existence depends on meeting together its financial and non-financial goals by satisfying the different demands of the organization's diverse interested parties (Pirsch, Gupter & Grau, 2007). Stakeholder theory could be expressed in two main enquiries. These two main enquiries include inquiry on the objective of the organization and also what is the responsibility of management to the stakeholders.

This theory is relevant to the study. Stakeholders and partners are able to choose their board wisely by ensuring that key characteristics vital to good corporate governance are upheld. The characteristics could be competence and gender diversity. The features aforementioned are necessary when handling organizational corporate affairs.

2.2 Empirical Review

A study was conducted in Pakistan on the association between organizational governance system and organizational performance indicators for a period between year 2004 and 2010 (Dar, Naseem, Rehman & Niazi, 2011). The study highlighted some failures in Pakistan which were caused by lack of corporate governance. The regression analysis showed that profit margin is positively correlated with the firm's board size. The study reported that larger board size enhances profitability of the organizations.

Kutubi (2011) gave a closer look at the board, with emphasis on its size and the independence of its directors. The study investigated the association between bank board size, independent directors and profitability of Bangladeshi commercial bank after the prudential regulation issued in the country; using a sample of selected banks for the period 2005-2009. Bank performance was measured with ROA and ROE, alongside the Tobin's Q. Understanding the behaviour of directors on the performance of the banking firm was the justifiable reason for the use of the effect of size, leverage and performance of loan as control variable. The outcome of the analysis indicated a statistically significant positive association between Bangladeshi banks' board size and their profitability in terms of Tobin's Q, but no significant relation in terms of ROE and ROA.

Bhagat and Bolton (2009) related corporate governance to performance in the light of the Sarbanes-Oxley Act. They separated the companies on the basis of time-frame of prior to year 2002, and the second group beginning from year 2002 upwards. This was done to reveal how the different regulations could have affected the companies' profitability within the time periods. Relevant information was extracted from Risk-Metrics Directors and Governance databases. Put together, it was reported that there was variation in the association between board independence and companies' profitability in the pre- and post- 2002 era. The study documented a negative association between board independence and profitability in the pre-2002 era. Meanwhile in the post 2002 era, they found a positive association between board independence and operating performance.

In Sri Lanka, Danoshana and Ravivathani (2013) carried out an investigation on the association between organizational governance and profitability. Data for the study were subjected to regression analysis; and the result revealed that organizational governance mechanisms of board size, how often they meet and the size of audit team have considerable effect on organizational profitability. While board size and size of audit team are favourably associated with organizational profitability; how often they meet has a negative relationship with firm performance.

Todorovic (2013) found that if the company rigidly follows principles of corporate governance then it results in higher net profit margin and earnings per share. Vo and Phan (2013) examined elements of corporate governance such as CEO duality, presence of female board members, the working experience of the board members and compensation of board members and found that all the elements had positive impact on the firm performance but board size had negative impact on the firm performance.

Sheikh *et al* (2013) studied the impact of internal attributes of corporate governance on firm performance. The study found that board size, CEO duality, and ownership concentration were positively related to the firm performance but outside directors and managerial ownership are negatively related to the return on assets and earnings per share. Nyamonogo and Temesgen (2013) analyzed the effect of corporate governance on firm performance and found that board size negatively impacts firm performance while independent board directors tend to enhance the firm performance. Danoshana and Ravivathani (2013) found that board size and audit committee

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size exert positive influence on the firm performance while board meeting frequency has negative impact on the firm performance.

According to Wu (2008), the collective competence (knowledge, experience, and commitment) of board members is positively associated with product innovation. Indeed, when board members have more industry-wide and company- specific knowledge and experience, when they invest more time and energy in their role, there is more innovation in terms of new product introduction (Wu, 2008). Overall, if Board of directors and executive management are comprised of individuals who have different and complementary functional and industry backgrounds, it can be expected that they can lead an organization to innovate.

2.3 Conceptual Framework

From figure 1, an optimal interaction of the independent variables (size of board, board independence, board gender diversity and board competence) results to improvement in organizational performance.

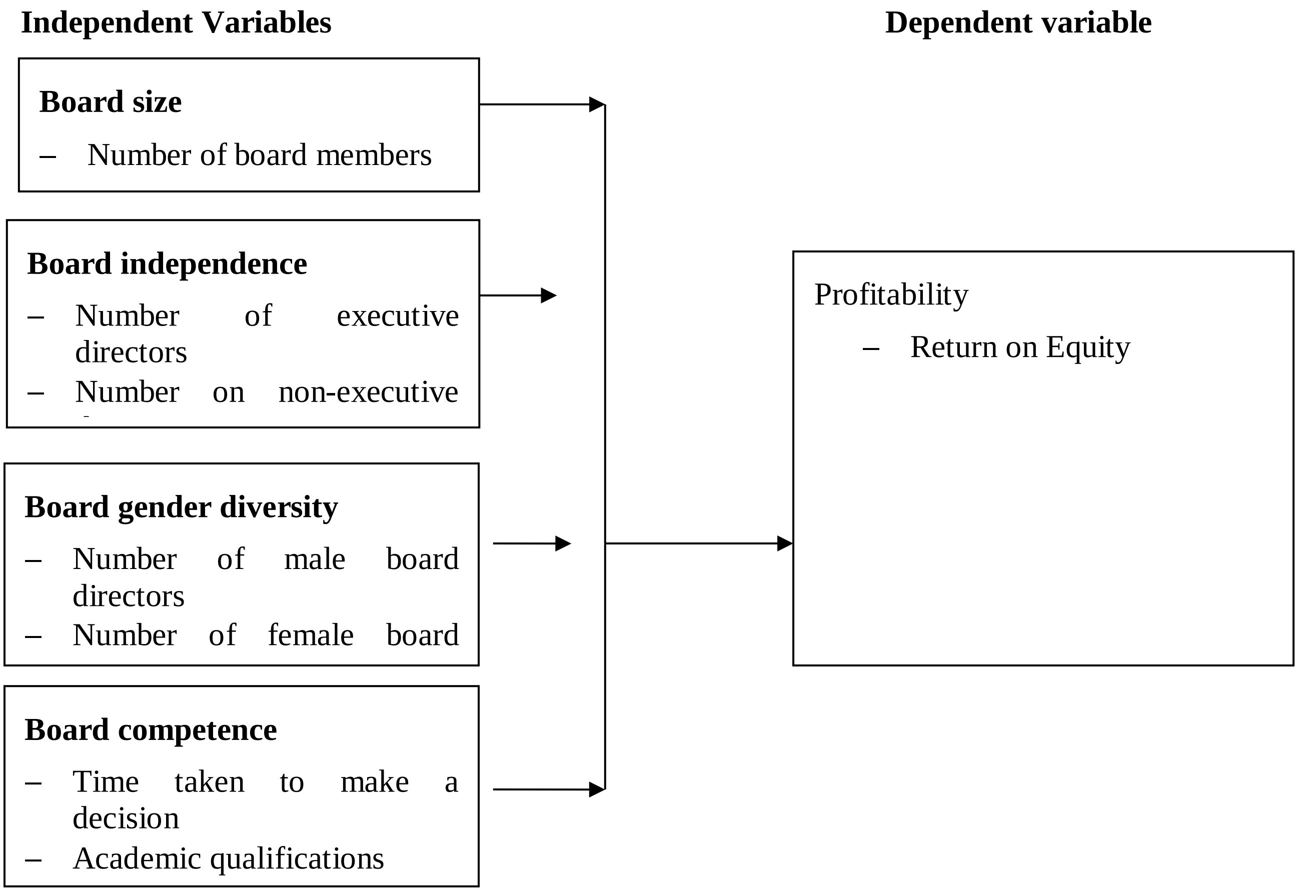

Figure 1: Conceptual framework

(Source; Researcher, 2016)

3.0 METHODOLOGY

This study adopted a descriptive research design. The target population for this study was 200 employees of Genghis Capital Limited, Nairobi that consist of top management, middle management and supervisory level. The study adopted a stratified sampling technique. The strata consisted of top management, middle management and other employees of Genghis Capital Limited, Nairobi. The study used primary data. Primary data involved use of structured questionnaires to collect the required data from the respondents. Descriptive statistics were analyzed using frequency tables, percentages and mean. The results were presented using tables and figures. Inferential statistical analysis for the study included correlations linear regression, and multiple regressions. Statistical Package for Social Sciences (SPSS) version 20.0 was used to conduct data analysis

4.0 RESULTS

4.1 Demographic Characteristics

This section consists of information that describes basic characteristics of the respondents such as gender of the respondent, age, level of education and work experience.

4.1.1 Gender of the respondents

The respondents were asked to indicate their gender. The results are presented in Figure 2.

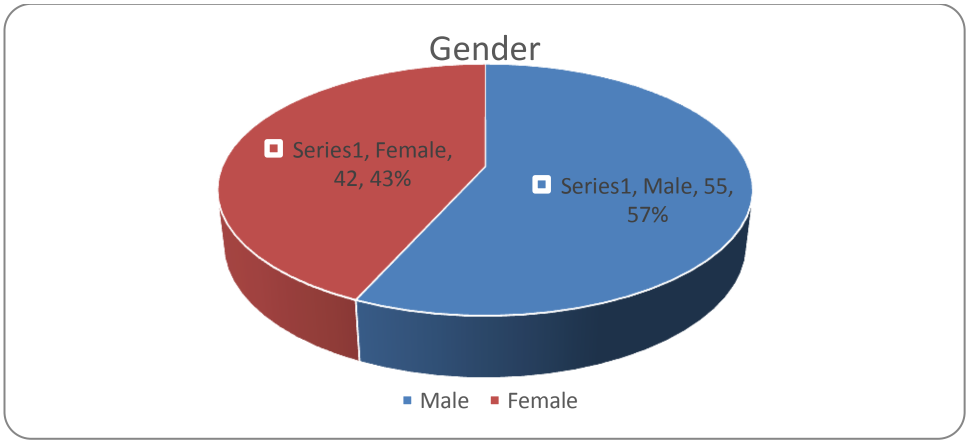

Figure 2: Gender

Results in Figure 2 indicate that majority of the respondents, 57%, were males while 43% were females. This implies that there is still gender disparity among employees of Genghis Capital Limited. Gender balance should be encouraged by implementing the gender labor laws.

4.1.2 Level of Education

Respondents were asked to indicate their level of education. The results are presented in Figure 3.

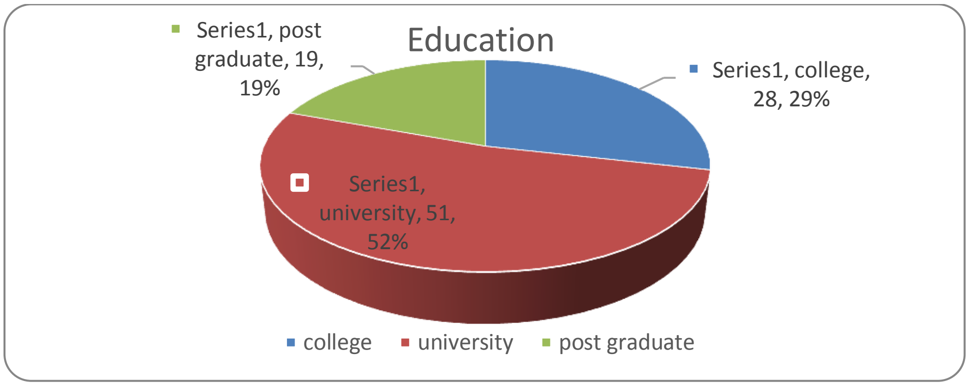

Figure 3 Level of Education

Study findings indicated that majority; fifty two percent (52%), of the respondents had university level of education, and 29% of the respondents had college level of education. Post graduate students were 19% of the respondents. This implies that majority of workers in Genghis Capital Limited have undergraduate degrees. Level of education determines employees' competence.

4.3.3 Period of work service

The respondents were asked to indicate the duration they have been working in Genghis capital Limited. The results are presented in Figure 4.

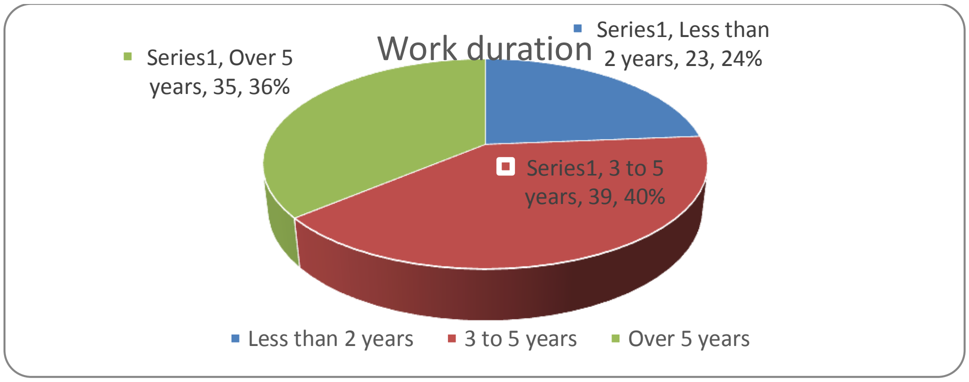

Figure 4 Work duration

Majority forty percent (40%) of the respondents indicated that they have been working for a period of 3-5years, 36% for a period of over 5 years with another 24% having worked for less than 2 years.

4.1.4 Position

The respondents were asked to indicate the positions they held in the firm. The result findings were presented in figure 5.

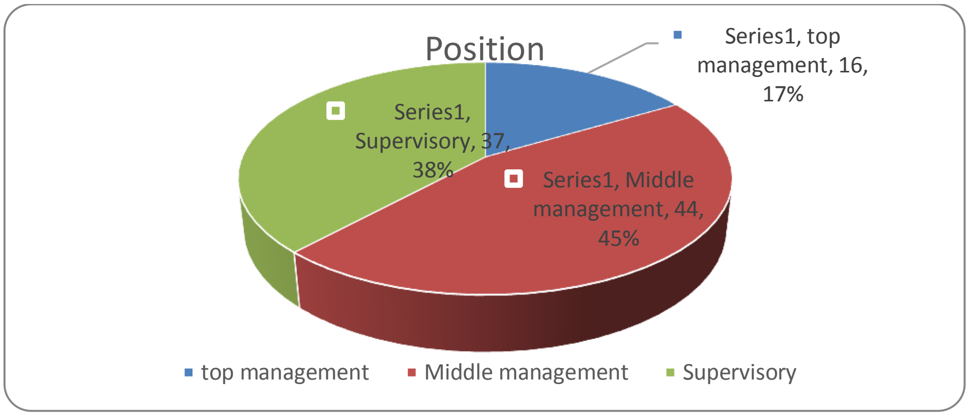

Figure 5 Position

The result findings in figure 5 showed that a majority forty-five (45%) of employees were in middle management employees, 38% were at supervisory level and only 17% percent in top management level.

4.2 Descriptive Statistics

4.2.1 Board size and profitability of Genghis Capital Limited

The first objective was to determine the effect of board size on the profitability of Genghis Capital Limited, Nairobi. Descriptive results of the study are presented in table 1.

Table 1: Board size and profitability of Genghis Capital Limited

Statement	SD	Disagree	Neutral	Agree	SA	Mean	Std Dev
We have a small effective board size	33.30%	33.30%	12.80%	11.10%	9.50%	2	1
Effective manageable board size eliminates agency problem	28.80%	39.50%	10.70%	10.30%	10.70%	2	1
We have rational decisions because of small boards that agree easily	25.10%	42.80%	8.60%	14.00%	9.50%	2	1
Larger boards are more effective than smaller boards	22.60%	47.30%	9.50%	9.10%	11.50%	2	1
Average						**2**	**1**

The respondents were asked to respond on statements regarding the board size of their firm. The responses were rated on a five Likert scale. Results in table 1 revealed that majority of the respondents who were 66.6 percent did not agree that they had a small and effective board size. The results also showed that majority of the respondents who were 68.3 percent of the respondents disagreed that they have an effective manageable board size to eliminate agency problem. The results also showed that majority of the respondents who were 67.9 percent of the respondents disagreed that the firm made rational decisions because of small boards that agree easily. The results also revealed that majority of the respondents who were 69.9 percent of the respondents disagreed that large boards were more effective than small boards. On a five-point scale, the average mean of the responses was 2.0 which means that majority of the respondents were disagreeing to the statements in the questionnaire. The standard deviation was 1.0 meaning that the responses were clustered around the mean response. The results agree with that of Dar, Naseem, Rehman & Niazi (2011) that profit margin is positively correlated with the firm's board size. The study reported that larger board size enhances profitability of the organizations. The results also agree with Bennedsen, Kongsted and Nielsen (2007) study that showed a high favorable association between board size organizational performance.

4.2.2 Board independence and profitability of Genghis Capital Limited

The second objective was to investigate the effect of board independence on the profitability of Genghis Capital Limited, Nairobi. The responses were rated on a five Likert scale. Results findings were presented in table 2.

Table 2: Board independence and profitability of Genghis Capital Limited

Statements	SD	Disagree	Neutral	Agree	SA	Mean	Std Dev
Our Board monitors the management and take care of their rights on behalf of shareholders	28.80%	45.30%	11.90%	7.40%	6.60%	2	1
Non-executive directors (NEDs) contribute to effective governance by carrying out control over the manager's decisions	32.90%	45.30%	6.60%	10.70%	4.50%	2	1
Non-executive directors increase the variety of skills and knowledge of the directors	28.40%	53.90%	7.80%	4.10%	5.80%	2	1
Non-executive directors are financially independent of management and are not involved in any conflicting situations and thus they alleviate agency problems	35.00%	50.60%	4.90%	3.70%	5.80%	2	1
Average						**2**	**1**

Table 2 result findings indicated that majority of the respondents who were 74.1 percent disagreed that their board was efficient in monitoring the management and taking care of their rights on behalf of shareholders. The results also showed that majority of the respondents who were 78.2 percent of the respondents disagreed that their Non-executive directors (NEDs) contribute to effective governance by carrying out control over the manager's decisions. The results also showed that majority of the respondents who were 82.3 percent of the respondents disagreed with the statement that Non-executive directors increase the variety of skills and knowledge of the directors. The results also revealed that majority of the respondents who were 85.6 percent of the respondents disagreed that Non-executive directors are financially independent of management and are not involved in any conflicting situations and thus they alleviate agency problems. On a five-point scale, the average mean of the responses was 2.0 which means that majority of the respondents were disagreeing to the statements in the questionnaire. The standard deviation was 1.0 meaning that the responses were clustered around the mean response. The results agree with Wang and Zhou (2009) that board independence has favorable effects on organizational profitability.

4.2.3 Board gender diversity and profitability of Genghis Capital Limited

The third objective was to examine the effect of board gender diversity on the profitability of Genghis Capital Limited. Results findings were presented in table 3

Table 3: Board gender diversity and profitability of Genghis Capital Limited

Statement	SD	Disagree	Neutral	Agree	SA	Mean	Std Dev
Our Board observes diversity in terms of nationality, ethnic background, gender and age	29.20%	44.40%	7.80%	12.80%	5.80%	2	1
Our board appreciates presence of female directors on the board for diversity	30.90%	49.80%	8.60%	5.30%	5.30%	2	1
Gender inclusion ensures that ideas and skills are shared	30.00%	35.00%	18.90%	7.40%	8.60%	2	1
Our firm has a system of ensuring that female directors are included in our board	30.90%	42.40%	8.60%	11.10%	7.00%	2	1
Average						**2**	**1**

In table 3 majorities of the respondents who were 73.6 percent disagreed that their Board observes diversity in terms of nationality, ethnic background, gender and age. The results also showed that majority of the respondents who were 80.7 percent of the respondents disagreed that their board appreciates presence of female directors on the board for diversity. The results also showed that majority of the respondents who were 65 percent of the respondents disagreed with the statement that their firm practised gender inclusion to ensure that ideas and skills are shared. The results also revealed that majority of the respondents who were 73.3 percent of the respondents disagreed that their firm has a system of ensuring that female directors are included

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in our board. On a five-point scale, the average mean of the responses was 2.0 which means that majority of the respondents were disagreeing to the statements in the questionnaire. The standard deviation was 1.0 meaning that the responses were clustered around the mean response. The results agree with Stephen and Olatunji (2011) who studied the role of non-executive directors in the profitability and the study revealed that the non-executive directors and return on equity are negatively associated with each other. The findings show that more numbers of outside directors in board adversely impact the financial performance.

4.2.4 Board competence and profitability of Genghis Capital Limited

The effect of board competence on the profitability of Genghis Capital Limited. Results findings were presented in table 4.

Table 4: Board competence and profitability of Genghis Capital Limited

Statement	**SD**	**Disagree**	**Neutral**	**Agree**	**SA**	**Mean**	**Std Dev**
Our Board has competent members that observes creativity	32.90%	45.30%	6.60%	10.70%	4.50%	2	1
We have experienced knowledgeable and committed board	28.40%	54.30%	7.40%	4.10%	5.80%	2	1
Our board conducts external training to improve their competency skills	30.50%	46.10%	5.80%	9.90%	7.80%	2	1
Board competency is highly valued and rewarded to encourage performance	21.40%	42.40%	13.60%	11.50%	11.10%	2	1
Average						**2**	**1**

Results of table 4 showed that majority of the respondents who were 78.2 percent disagreed that their Board has competent members that observes creativity. The results also showed that majority of the respondents who were 82.7 percent of the respondents disagreed that their firm had experienced knowledgeable and committed board. The results also showed that majority of the respondents who were 76.6 percent of the respondents disagreed with the statement that their board conducts external training to improve their competency skills. The results also revealed that majority of the respondents who were 63.8 percent of the respondents disagreed that their board competency is highly valued and rewarded to encourage performance. On a five-point scale, the average mean of the responses was 2.0 which means that majority of the respondents were disagreeing to the statements in the questionnaire. The standard deviation was 1.0 meaning that the responses were clustered around the mean response. According to Wu (2008), the collective competence (knowledge, experience, and commitment) of board members is positively associated with product innovation and profitability of a firm. Indeed, when board members have more industry-wide and company- specific knowledge and experience, when they invest more time and energy in their role, there is more innovation in terms of new product introduction. When a firm is offering desirable products, financial performance is enhanced.

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4.3 Extent of Firms performance (Profitability)

Respondents were asked to indicate the extent in which their firm was performing. Results were shown in table 5.

Table 5 Profitability

Extent	Percent
Great extent	18.6
Moderate extent	21.6
Low Extent	59.8
Total	100

Results showed that majority of the respondents 59.8% indicated that the firm was not performing well (low extent). Twenty-one point six (21.6%) moderate extent and 18.6% indicated great extent.

4.4 Diagnostic tests

Prior to running a regression model pre-estimation and post estimation tests were conducted. The pre-estimation tests conducted in this case was the multicollinearity test while the post estimation tests were normality test, test for heteroskedasticity and test for autocorrelation. This is usually performed to avoid spurious regression results from being obtained.

4.4.1 Test for Normality

To test for normality the study employed the graphical method approach. The results from the graphical method are presented in the figure below, indicating that the residuals are normally distributed. Results are shown in figure 5.

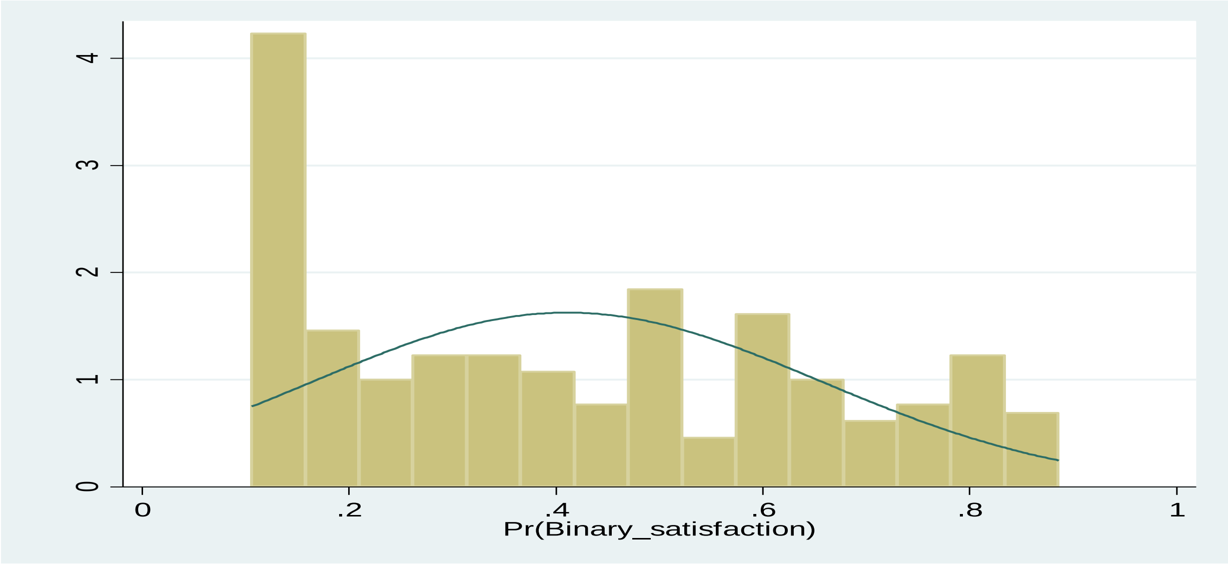

Figure 5: Test for normality

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4.4.2 Test for Multicollinearity

According to William *et al.* (2013), multicollinearity refers to the presence of correlations between the predictor variables. Multicollinearity was determined in this study using the variance inflation factors (VIF). According to Field (2009) VIF values in excess of 10 is an indication of the presence of Multicollinearity. The results in Table below present variance inflation factors results and were established to be 1.08 which is less than 10 and thus according to Field (2009) indicates that there is no Multicollinearity.

Table 6: Multicollinearity results using VIF

Variable	**VIF**	**1/VIF**
Board size	1.1	0.908196
Board independence	1.1	0.908525
Gender diversity	1.09	0.917836
Board competence	1.07	0.900074
Mean VIF	**1.09**	

4.5 Inferential analysis

Inferential statistics was used to make inferences and predictions regarding the population of this study. Pearson correlation and regression model was used.

4.5.1 Correlation analysis

The study sought to establish the association among the study variables. The results are as presented in Table 7

Table 7: Correlation matrix of variables

		Board size	Board independence	Gender diversity	Board competence	Profitability
Board size	Pearson Correlation	1	.368**	.507**	.238*	.572**
	Sig. (2-tailed)		0.000	0.000	0.016	0.000
Board independence	Pearson Correlation	.368**	1	.339**	.226*	.571**
	Sig. (2-tailed)	0.000		0.000	0.022	0.000
Gender diversity	Pearson Correlation	.507**	.339**	1	.358**	.595**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000
Board competence	Pearson Correlation	.238*	.226*	.358**	1	.504**
	Sig. (2-tailed)	0.016	0.022	0.000		0.000
Profitability	Pearson Correlation	.572**	.571**	.595**	.504**	1
	Sig. (2-tailed)	**0.000**	**0.000**	**0.000**	**0.000**	

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

(Source: Survey Data, 2017)

The results in Table 7 indicated that that board size, board independence, gender diversity, board competence are positively related with profitability. Results showed that board size (r= .572, p=0.000), board independence (r= .571, p=0.000), gender diversity (r=.595, p=0.000) and board competence (r= .504, p=0.000) are significantly and positively related to profitability. Favorable blending of the above variables can lead to improved profitability of a firm.

4.5.2 Regression analysis

The results presented in table 8 present the fitness of model used of the regression model in explaining the study phenomena. Board size, board independence, gender diversity, board competence were found to be satisfactory variables in explaining profitability. This is supported by coefficient of determination (R square) of 63.2%.

Table 8: Model summary

Indicator	Coefficient
R	0.791
R Square	0.632

(Source: Survey Data, 2017)

This means that board size, board independence, gender diversity, board competence explains 63.2% of the variations in the dependent variable which is profitability. This results further means that the model applied to link the relationship of the variables was satisfactory.

4.5.3 Analysis of Variance

Table 9 provides the results on the analysis of the variance (ANOVA).

Table 9: Analysis of Variance

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	12.552	5	3.138	40.418	.000
Residual	7.531	99	0.078		
Total	**20.081**	**104**			

(Source: Survey Data, 2017)

The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of profitability. This was supported by an F statistic of 40.418 and the reported p value (0.000) which was less than the conventional 0.05 significance level.

4.8.4 Regression Coefficients

Regression of coefficients results in table 10 shows that board size and profitability are positively and significantly related (r=0.215, p=0. 001). This agrees with Kutubi (2011) study which showed a statistically significant positive association between Bangladeshi banks' board size and their profitability. It also agrees with Cheema and Din (2013) that board size has no considerable association with profitability; meanwhile chief executive officers' duality has effect of organizational profitability.

The table further indicates that board independence and profitability are positively and significantly related (r=0.306, p=0.000). It was further established that gender diversity and profitability were positively and significantly related (r=0.241, p=0.001). the results agree with Vo and Phan (2013) who found a positive impact on the firm performance but board size had negative impact on the firm.

Board competence and profitability were also positively and significantly related (r=0.263, p=0.000). The results agree with Wu (2008) that collective competence (knowledge, experience, and commitment) of board members is positively associated with product innovation.

Table 10: Regressions of coefficients

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	-0.073	0.249		-0.294	0.769
Board size	0.215	0.062	0.256	3.448	0.001
Board independence	0.306	0.064	0.328	4.793	0.000
Gender diversity	0.241	0.072	0.254	3.332	0.001
Board competence	0.263	0.064	0.278	4.137	0.000

(Source: Survey Data, 2017)

Thus, the optimal model for the study is;

Profitability = -0.073+ 0.215Board size+ 0.306Board independence+ 0.241Gender diversity+ 0.263Board competence

This overall model shows that manageable and favorable board size will increase profitability by 0.215 units; independent company board will increase profitability by 0.306 units while optimal gender mix will increase profitability by 0.241 units. A competent board will also increase profitability by 0.263 units. Finally, the negative constant (-0.073) represents other factors which can drag down firm's profits which are not included in the model.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The sought to determine the effect of board size on the profitability of Genghis Capital Limited in Nairobi City County. Result findings revealed that that board size was positively related with profitability (r= .572, p=0.000). Regression of coefficients results showed that board size and profitability were positively and significantly related. The investigated the effect of board independence on the profitability of Genghis Capital Limited in Nairobi City County. Result findings revealed that that board independence was positively related with profitability (r= .571, p=0.000). Regression of coefficients results also showed that board independence and profitability were positively and significantly related. The third objective was to establish the effect of board composition on the profitability of Genghis Capital Limited in Nairobi City County. Result findings revealed that gender diversity was positively related with profitability (r= .595, p=0.000). Regression of coefficients results also showed that gender diversity and profitability were positively and significantly related. The fourth objective was to examine the effect of board competence on the profitability of Genghis Capital Limited in Nairobi City County. Result findings revealed that board competence was positively related with profitability (r= .504, p=0.000). Regression of coefficients results also showed that board competence and profitability were positively and significantly related.

5.2 Conclusion

Based on the findings the study concluded that the size of the board affects profitability of firms. The study concludes that employing a manageable board size can improve the profitability of a firm. The study further concluded that board independence affects profitability of a firm. This is because concentration of shareholders and board independence has favourable effects on organizational profitability and appraisal. The study concluded that gender diversity influences profitability of a firm. This is because having a desirable gender composition can help the board to fetch skills from all persons involved. The study also led to conclusions that board competence affects profitability of a firm. This is because having a board of directors and executive management that are comprised of individuals who have different and complementary functional and industry backgrounds, can lead an organization to innovate.

5.3 Recommendations

The study recommends that Genghis Capital limited incoporate these board characteristics by restructuring the board so that it can reflect features mention above. It is recommended that a firm selects a sizable board to manage the company. The size of the board has a direct influence on the profitability and performance of a firm. It is also recommended that a gender sensitive board is healthy to the growth of an organization. The firm should consider selecting women to the board. Finally, it is also recommended that a firm should only employ competent board members. Indeed, when board members have more industry-wide and company- specific knowledge and experience, when they invest more time and energy in their role, there is more innovation in terms of new product introduction.

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