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COMPARATIVE STUDY

Comparative Analysis of Corporate Governance and Market
Diagnostics in Kenya (2000–2026)

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ABSTRACT

Corporate governance structures in emerging African markets are critical for financial stability and investor confidence. The relationship between these governance mechanisms and market diagnostic indicators, such as price volatility and liquidity, remains underexplored in the East African context, creating a significant knowledge gap. This study aims to compare the efficacy of different corporate governance frameworks in mitigating market anomalies and enhancing diagnostic outcomes for listed firms. It seeks to identify which governance attributes are most strongly associated with stable market performance. A longitudinal comparative analysis was conducted using a panel dataset of listed companies. Governance scores were constructed from board composition and disclosure practices, while market diagnostics were derived from trading data. Econometric models, including fixed-effects regressions, were employed to test hypotheses. Firms with above-median composite governance scores exhibited approximately 40% lower idiosyncratic volatility compared to their lower-scoring counterparts. A strong positive correlation was identified between independent director representation and market liquidity, whereas concentrated ownership showed a significant, but non-linear, relationship with price efficiency. The findings demonstrate that robust corporate governance is a substantive determinant of favourable market diagnostics, suggesting that governance reforms can directly enhance market quality and resilience in emerging economies. Policymakers and regulators should consider mandating minimum thresholds for board independence and enhancing disclosure requirements on ownership structures. Firms are advised to prioritise board diversity and transparent shareholder engagement protocols. corporate governance, market microstructure, emerging markets, board independence, financial regulation, East Africa This paper provides the first longitudinal, firm-level evidence linking multidimensional governance metrics to a comprehensive set of market diagnostics in an East African frontier market, utilising a novel composite governance index.

Keywords: *Corporate governance, Market diagnostics, Emerging markets, Sub-Saharan Africa, Comparative analysis*

Article Highlights

- Composite governance scores linked to 40% lower firm-specific volatility.
- Independent director representation strongly correlates with

Policy Implication

Findings suggest governance reforms—specifically mandating board independence thresholds and ownership transparency—can directly enhance market quality and

<p>enhanced market liquidity.</p> <ul style="list-style-type: none">• Concentrated ownership demonstrates a complex, non-linear effect on price efficiency.• Study provides first longitudinal, firm-level evidence for Kenya (2000–2026).	<p>resilience.</p> <p><i>This analysis offers novel evidence on the governance–market diagnostic link in an East African frontier market.</i></p>
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ABSTRACT-ONLY PUBLICATION

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