European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.9, No.26, 2017

Role Of Crossslisting On Financial Returns Of Kcb Group Of Companies, Kenya

Banda Patrick [1*], Dr. Elizabeth Nambuswa Makokha[1.2],

1. College of Human Resource Development, Department of Entrepreneurship and Procurement, Leadership and Management, Jomo Kenyatta University of Agriculture and Technology, P.O. Box 62000 - 00200, Nairobi Kenya

2. College of Human Resource Development, Department of Entrepreneurship and Procurement, Leadership and Management, Jomo Kenyatta University of Agriculture and Technology, P.O. Box 62000 - 00200, Nairobi Kenya

Abstract

It is perceived that cross-listing domestic stocks in foreign exchanges have significant valuation effects on a cross listed company's shares. The purpose of the study was to examine the role of cross listing on financial returns of KCB group, Kenya The study objectives were: to determine the effect of growth on financial returns of KCB group of companies, Transnzoia County. The study used a descriptive research survey design. The target population comprised employees KCB group of companies, Kenya. The target population comprised of 4 Regional Managers and 31 heads of department totaling to 35 respondents. A census sampling technique was employed in selecting the 35 respondents. The researcher used questionnaire as the main data collection method. The data was obtained through analysis from company's annual reports, internet and NSE journals. The data collected was analyzed using descriptive methods and inferential statistics. Correlations was used to show the relationship between the independent variables. The regression model was used to compute the overall effect of the changes in the value of stock for the cross listed firm. H_{01}There is no significant relationship between growth and on financial returns of KCB group of companies, Kenya The study rejected the hypothesis ($\beta = 0.597$, $P = 0.000$). On the major way growth of cross listed firm affected their financial returns, the study concluded that it was by penetrating bigger markets. Based on the findings of the study, the following recommendations were made; Companies that want to increase the performance of their companies should adopt cross listing in different stock exchange market since companies that are traded in different markets attract more investors from different markets increasing their shareholder base which is significant for a company since it ensures that the company has more than sufficient resources to invest and increase the performance of the organization. Companies should aim to attract the best employees from the different market segments that they operate in since this ensures that the performance of the companies is top notch since the company is able to attract talent and innovation from the different market segments improving the financial returns of the company.
Keyword: *Growth, Financial Performance*

1.0 Introduction

Cross listing of shares is when a firm lists its equity shares on one or more foreign stock exchange in addition to its domestic exchange. Companies choose to list on a foreign exchange with a view to improving stock visibility, investor base market segmentation and liquidity with the ultimate goal of enhancing their stock valuation. Potentially, the improvement in stock valuation stems from the fact that a listing on a foreign exchange results in an enhanced information environment due to the increased levels of information disclosure necessary to meet the mandatory listing and disclosure requirements. An enhanced information environment should reduce adverse selection costs for investors and, thus, reduce the liquidity premium required. This in turn results in lower cost of capital. In the case of international cross-listing a foreign listing on an exchange with stricter disclosure requirements reduces investor's monitoring costs and improves stock valuation (Faruqee, 2007).

Financial returns are useful for predicting future market prices, or more generally potential market prices, and thus to profit from price movement – stocks that are judged undervalued (with respect to their theoretical value) are bought, while stocks that are judged overvalued are sold, in the expectation that undervalued stocks will, on the whole, rise in value, while overvalued stocks will, on the whole, fall. Valuation of stock gives an estimate of

the intrinsic value of the stock, based on predictions of the future cash flows and profitability of the firm, (Dickinson, 2004).

A stock that tends to trade at a lower price relative to its fundamentals (i.e. dividends, earnings, sales, etc.) is considered undervalued by a value investor. Common characteristics of such stocks include a high dividend yield, low price-to-book ratio and/or low price-to-earnings ratio. Firm value refers to the total economic value of a company, reflecting the value to be allocated to the company's shareholders and debt holders. It is calculated by adding the company's Equity Value and total net debt (Dickinson, 2004).

Globally with the advent of globalization initiatives and deregulation of the financial landscape in the past decade, there has been a surge in cross-border listings by firms. In 2006, nearly 4700 firms cross listed on overseas exchanges globally, with the number of new foreign listings of around 1000 for that year (Hargis, 2008). Popular locations for foreign listing included the UK, the US and Japan. A decade later, the number of cross-listed firms had declined to 2837 firms in 2006, while the number of new foreign listings fell to 299, nearly a third of the 1997 levels. The financial performances of these companies have been able to improve as a result of cross listing. These companies have been able to improve and broaden their shareholders base and gained a greater financial strength that has made then to increase their capital (Jayaraman, 2003).

Regional cross-listings in sub-Saharan Africa have been associated with expansion and the setting-up of operations in the host countries. In almost all cases, firms are large with a strong base in their home countries, and they first established operations in their host countries before deciding to cross-list. Many cross-listings are undertaken to expand operations in the host countries. Almost all the firms that are cross-listed (about 98 percent or 42 out of 43) have set up operations in the host countries. For example Ecobank Transnational has operations in the Cote D'Ivoire the home country and in Ghana and Nigeria, the host countries; Investec and Ellerinehave operations in South Africa and Botswana; and the 28 firms that are cross-listed in South Africa and Namibia have an operational base in both countries. Cross-listing in sub-Saharan Africa has been generally accompanied by an initial public offering and/or secondary market listing. These cross listed firms have enjoyed reduced cost of capital through an improvement of the firm's information environment. Some of these firms like Investec have been able to cross-list on markets with stringent disclosure requirements such as the New York Stock Exchange and have signaled their quality to outside investors. For the years that these firms have cross listed there has been improved available information to potential customers and suppliers due to an increased media attention and higher quality of accounting information. As a result of the foregoing, there has been an improved financial performance in these companies, (Patell, 2006).

Kenyan firms that have cross listed have been able to bring foreign investors nearer to potential investors. These investors include those from the East African community and other African countries and elsewhere in the rest of the world. For example, East African Breweries, with Kenya as the home country, has a subsidiary Uganda Breweries Ltd in Uganda, its host country of cross-listing. Jubilee Insurance of Kenya has subsidiaries in Uganda and Tanzania; Kenya Airways owns 49 percent of Precision Air of Tanzania. Through cross listing the Kenya Airways and Jubilee Insurance have been able to gain more liquidity and greater ability to raise capital. However, many investors have complained of poor investor protection coupled with high cost of investment and some investors have been reluctant to further investment the country, (Bonnier, 2009).

1.1.1 Role Cross listing

Interest in cross-listing has been growing since the mid-1980s, in parallel with the growing number of foreign issuers listed on various stock markets. Scholars advance several independent theories on the reasons that might motivate companies to cross-list their securities on foreign markets (Allen, 2005).

It is possible to identify a certain evolution in these theories and in studies that purport to test them. The first theories to appear were about the financial aspects of cross-listing. Starting in the early 1990s, studies about other business motivations for cross-listing also emerged. It was only toward the late 1990s that theories about governance motivations were first articulated in detail. I consider these lines of thought in turn (Allen, 2005).

Cross-listings were originally thought of as a means for lowering firms' cost of capital—that is, for enabling firms to get more money from investors when they offer their stock to the public. This effect could stem from two related sources—diversification gains and segmentation gains. Segmentation occurs when similar assets in different markets have different prices, barring transaction costs. The popularity of investing in emerging market stocks largely lies in potential segmentation gains. Such markets often exhibit barriers to foreign investment due to regulatory limits on foreign holdings in domestic corporations, informational barriers, and so forth. Cross-listing brings foreign stocks closer to investors and offers several other straightforward advantages that stem from lower transaction costs (Allen, 2005).

Cross-listing may contribute to share value by increasing stock liquidity. Expected returns positively correlate with liquidity, measured in terms of the bid-ask spread. Narrower spreads following cross-listing generate improved liquidity, which increases share value. Enhanced inter-market competition might lower the spread and therefore improve liquidity, but multimarket trading might also decrease liquidity by fragmenting order flows among the markets. The net result depends on the circumstances of each security (Cheng, 2007).

By cross-listing its stocks, a firm could expand its potential investor base more easily than if it traded on a single market. As cross listing brings foreign securities closer to potential investors, it increases investor awareness of the securities. This familiarity could lower expected returns. In business management terminology this aspect is called "firm visibility"—a broad notion encompassing frequent mentioning of the firm in the financial press and closer monitoring of its securities by securities analysts (Cheng, 2007).

The putative benefits of increased visibility in the host country go well beyond the expected increase in shareholder base. In addition to greater demand for its stock, listing abroad provides a firm with greater access to foreign money markets and makes it easier to sell debt there. A firm becomes more credible by providing information to the local capital market, and, in turn, this continuous flow of information allows the capital market to make faster, more accurate decisions (Cheng, 2007).

Using cross-listings for marketing reasons relates to the visibility rationale. According to this reasoning, foreign listing can boost corporate marketing efforts by broadening product identification among investors and consumers in the host country. The listing, it is claimed, creates greater market demand for the firm's products as well as its securities (Cheng, 2007).

Effecting a securities transaction abroad, even where feasible, is still more complicated and expensive than effecting it domestically. Cross-listing can improve a firm's ability to effect structural transactions abroad such as foreign mergers and acquisitions, stock swaps, and tender offers. Relatedly, cross-listing also facilitates and enhances the attractiveness of employee stock ownership plans ("ESOPs") for employees of large multinational corporations. Local listing in the foreign market provides foreign employees with an accessible exit mechanism for their stocks (Cheng, 2007).

Cross-listing of stocks could expand its potential investor base more easily than if is traded on a single market. Cross-listing brings foreign stocks closer to investors and offers several other straightforward advantages that stem from lower transaction costs. Cross-listing may contribute to share value by increasing stock liquidity. Expected returns positively correlate with liquidity, measured in terms of the bid-ask spread. Narrower spreads following cross-listing generate improved liquidity, which increases share value. Enhanced inter-market competition might lower the spread and therefore improve liquidity. As a result cross listing of firms leads to improvement of financial performance of these firms (Parkinson, 2007).

However companies in Kenya have been facing challenges which affected their financial performance namely: increase of operations costs such as production costs, wastage of resources which has affected their growth margin; the management has been having problem of increasing shareholder wealth due to low prices offered on shares; in addition there has been high increase of company discrimination where some companies are favored while others are not favoured affecting company diversity. Moreover the companies hacve been having few employees due to striuck employment laws and there is much work to be done in the firms in order to meet company goals and objectives (Kenya National of Bureau Statistics, 2016).

Although regional cross-listing can promote stock market development, the decision to cross list is taken by the firm. Thus, it is desirable to examine the impact of such a decision on firm value. Firms generally are profit maximizers, and so decisions taken by firms are geared towards maximizing the value of the firm and shareholders' wealth. The performance of a firm's share around the time of cross-listing could be used as a measure of the information contained in both the announcement and the actual cross-listing. It is perceived that cross-listing increases firm's market values, but the sources of such gains are not yet fully understood. Given that this trend of cross listing have increased and gained popularity with the East Africa Market, there is no research done on the effect of cross listing on the financial returns of cross listed firms in developing countries such as Kenya, hence the study sought to examine the role of cross listing on financial returns of KCB group, Kenya

2.0 Effect of Growth on financial returns of cross listed firms

In examining the effects of cross-listing, empirical studies have largely focused on whether cross-listing improves a firm's access to external funds (e.g. Cheng, 2007). Although access to external funding is clearly important, there is still only limited evidence that firms actually channel their increased external funds towards the profitable investments that contribute to higher firm growth. Salva's (2003) and Huang's (2001) recent studies, for these studies express skepticism about the bonding hypothesis (which contends that cross-listing in a

developed market like the U.S. will result in a firm having better corporate governance). They argue that cross-listing in the U.S. does not, in fact, improve a firm's corporate governance, and that external funds can be diverted towards the private benefit of managers.

Jayaraman and Tandon (2003) measured the extent to which a firm's growth is externally financed. Specifically, they calculated for each sample firm the maximum rate at which it can grow, using (1) only its internal funds and short-term borrowing or (2) its internal funds, short-term borrowing, and long-term debt. They then computed the extent to which a firm's actual growth rate exceeds each of these two estimated rates and tested whether the observed excess growth rates for the sample firms subsequent to cross-listing are higher even after controlling for factors that might affect the demand for and availability of capital (Karolyi, 2006).

Consistent with the external financing channel argument, they found a positive relation between the measures of firm growth and cross-listing. Specifically, they found that the difference between firms' realized growth rates and the growth rates attainable using constrained sources of finance was larger in the period following cross-listing in the U.S. However, they were unable to detect an association between the increase in externally-financed firm growth after cross-listing and any characteristics of the home country of the cross-listed firms such as financial development or a common- or code-law dichotomy (Karolyi, 2006).

More recently, Morck, (2000) argues that cross-listing in the U.S. contributes to firm value because it limits the ability of controlling shareholders to extract private benefits of control. Consequently, they argue that cross-listed firms have a better ability to raise capital at a lower cost and to pursue potentially profitable projects. The implication of these studies is that cross-listing will increase firm growth.

Lel and Miller (2006) studied the International Cross-listing, Firm Performance and Top Management Turnover. They examined the primary outcome of corporate governance, the ability to identify terminate poorly performing Chief Executives Officers (CEOs), to test the effectiveness of U.S.A investor protections in improving the corporate governance of cross-listed firms. Their findings showed that firms from weak investor protection regimes that are cross-listed on a major U.S.A exchange are more likely to terminate poorly performing CEOs than non-cross-listed firms, and more so Crosslistings on exchanges that do not require the adoption of the most stringent investor protections (OTC, private placements and London listings) are not associated with a higher propensity to shed poorly performing CEOs.

A study by Adelegan (2008) on the impact of cross-listing of stocks on the depth of stock markets in Sub-Sahara Africa (SSA), was done by analyzing data from 1997 to 2007 of a panel thirteen stock markets within the SSA countries (Botswana, WAEMU, Ghana, Kenya, Mauritius, Namibia, Nigeria, South Africa, Tanzania, Uganda, Zambia, Zimbabwe and Swaziland) and findings showed a significant positive effect in measures of stock markets depth around regional cross-listing events. The Impact of the Regional Cross-Listing of Stocks on Firm Value in Sub-Saharan Africa was done by Adelegan (2009). Using event study methodology, the findings of the study showed positive abnormal returns around the date of the regional cross-listing of stocks. The positive announcement period effect, together with the normal post cross-listing performance, shows that regional cross-listing increases firm value. Overall, this provides evidence that firms benefit from listing outside their home market and need to be taken into consideration by SSA country authorities as they seek a regional approach to stock market development.

Inder et al. (2004) conducted a research on whether cross listing leads to a higher firm growth. A sample of 215 firms from 22 countries that had cross-listed in the US was used. It found out that there was externally financed firm growth following cross listing. Cross listed firm's exhibit greater growth when they are externally financed in comparison to a matched sample of non- cross-listed firms. The assumption was that cross listing eases firm's constraints. The study examined whether firms are able to realize higher firm growth following cross listing in the US. The objectives were to examine the relation between cross listing and firm's growth contributed by external financing, and to investigate whether the benefits of cross listing. There was a believe that the benefits of cross listing are more pronounced as a function of the level of financial market development of the cross-listed firm's country of origin. Empirical research showed that firms from civil countries that are likely to be capital constrained substantially enhance their access to capital markets after cross listing. Another assumption was that a firm cross-lists in a financially developed market such as US to ease financial constraints. To test this assumption, the study identified a sample of 215 firms from 22 countries that have cross-listed in the US exchanges for the first time during 1994-2002 and then examined externally financed growth after cross listing. The study found that both its samples of cross-listed firms and the matched sample of non cross-listed firms do not exhibit a systematic difference in externally financed growth rates prior to cross listing in the US. After cross listing, however, the sample of cross-listed firms experience higher externally financed growth rates than the matched sample of non cross-listed firms. This study disproved previous studies, which noted that access to external financing through cross listing is most enhanced for firms that originate in the countries with weak legal

institutions and less developed financial markets. Instead their results indicated that this increased access to capital at and after their cross listing in the US does not manifest itself in more externally financed growth for firms that originate in countries with weak legal institutions and less developed financial markets. Data analysis was through regression model, t-statistics, and Pearson‟s correlation. The findings of the study were that; there is a higher level of externally financed firm growth after following cross listing. The study also found that externally financed growth after cross listing does not vary as a function of the extent of financial development of the country from which the cross-listed firm originates. Finally, it found cross-listed firms from more developed financial markets to exhibit greater externally financed firm growth in comparison to a matched sample of non cross-listed firms.

However, the study noted that the above findings hold after controlling for factors posited to influence externally financed growth. The univariate results were supportive of the predicted external financing growth and cross listing relation but they do not control for systematic differences in the firm and country characteristics that may also affect externally financed growth. In data analysis, it was found that the co-efficient on EBIT/Total Assets were negative and statistically significant at the 0.1 level, suggesting that less profitable firms are more likely to grow at rates that require them to obtain external financing. In contrast, the co-efficient on Total Capital Expenditures/Total Assets is positive and statistically significant at 0.10 level suggesting that firm‟s with greater investment opportunities are positively associated with excess growth rates. The co-efficient on size was positive and statistically significant at the 0.01 level, indicating that larger firms are more likely to grow at higher rates that could be financed with external financing. Thus, the research findings were consistent with the notion that cross listing affects firm growth by providing access to lower cost external financing. In the conclusion, the study viewed cross listing to improve firm‟s ability to invest in potentially profitable projects. The theory anticipates cross listing to positively influence firm‟s growth.

Inder et al. (2006) did on a topic on cross listing and firm's growth. In their study, they hypothesized that cross listing improves; firms to access lo lower cost of external financing. The study included a sample of firms from 37 countries that had cross-listed in the US. The study found positive correlation between cross listing and subsequently externally financed firm growth rates. The research found cross listing as a mechanism through which firms can improve their access to lower cost of external financing and consequently use the funds to invest in viable projects. The study area of their research was the relation between cross listing in the US and subsequently externally financed firm‟s growth rates. It examined whether the above relation varied with a cross-listed firms country characteristics. To test the hypothesis, the study identified a sample of 476 firms from 37 countries who cross-listed in the US for the first time during the years 1995-2004, and have financial data available on a global vantage base. To test the relation between externally financed growth and cross listing, the researchers used the financial planning model to estimate the maximum rate of growth that can be financed internally. They specifically computed firm‟s constrained growth that can be achieved by relying on either internal cash flows or short-term borrowing, or on internal cash flows, short-term borrowing, and long-term debt. For each firm the researchers computed the difference between the realized rate of growth and the two measures of constrained growth. The differences reflected the level of growth realized through external financing. They noted that a firm's external financing need depends on both the availability of internal funds as well as investment opportunities. In the conclusion, it is noted that cross listing improves a firm's access to lower cost of external financing. This is because cross listing in the US enables more investor recognition, enhances liquidity, mitigates the costs due to market segmentation, and affirms a strong commitment to stringent rules backed by stringent enforcement.

3.0 Methodology

The study employed a descriptive survey research design. The target population comprised employees from KCB group of companies, Kenya The target population comprised of 4 Regional Managers and 31 heads of department. The study employed census sampling technique in order to come up with the sample population. Since it was only KCB group of Companies being studied Census sampling was used to select 35 respondents.

Questionnaire was used as data collection instrument. In ensuring reliability of the instrument, a pilot study was conducted within one of the firms which was cross listed. The test method was used to obtain two scores for the pilot test data. The data collected was analyzed using descriptive methods and inferential statistics. Descriptive methods was used to analyze the data where frequencies and proportions was used in interpreting the results. Inferential methods such as Pearson test of association was used to show the relationship between the independent variables. The regression model was used to compute the overall effect of the changes in the value of stock for the cross listed firm.

4.0 Discussions

The study sought to determine the role of cross listing on financial returns of KCB group of companies, Kenya. The study targeted employees from the KCB group of companies with the aim of shedding light on the effect that cross listing has on the performance of the group. The study sought to determine the effect of growth on financial returns of cross listed firms in Kenya. The findings are presented in table 4.1

Table 4.1 Effect of Growth on Financial Returns of KCB group of Companies

Statements		SD	D	U	A	SA	T
There are more business processes	%	0	6.5	6.5	54.8	32.3	100
More products and services are sold	%	6.5	6.5	12.9	48.4	25.8	100
Bigger markets are penetrated	%	0	0	0	54.8	45.2	100
More employees hence better service delivery	%	6.5	9.7	22.6	51.6	9.7	100
A variety of products are available	%	6.5	6.5	19.4	51.6	16.1	100

On the effect of growth on financial returns of KCB group of companies we have 5 statements. The results are as follows;

On the statement 'there are more business processes', 54.8 percent agreed, 32.3 percent strongly agreed, 6.5 percent were undecided while another 6.5 percent disagreed. A majority of the respondents agreed.

On the statement "more products and services are sold" 48.4 percent agreed, 25.8 percent strongly agreed, 12.9 percent were undecided while 6.5 percent disagreed. These findings indicate that a majority agreed with the statement.

On the statement "bigger markets are penetrated" 54.8 percent agreed while 45.2 percent strongly agreed. These findings indicate that a majority of the respondents agreed with the statement.

On the statement "more employees hence better service delivery" 51 percent of the respondents agreed, 22.6 were undecided 9.7 percent strongly agreed, another 9.7 disagreed while 6.5 percent strongly disagreed. A majority of the respondents agreed with the statement

On the statement "a variety of products are available" 51.6 percent of the resondents agreed, 19.4 percent were undecided, 16.1 percent strongly agreed, 6.5 percent disagreed while another 6.5 strongly disagreed. These findings indicate that a a majority of the respondents agreed with the statement.

On average, the findings on the effect of growth on financial returns of KCB group of companies indicate that 89 percent held that bigger markets are penetrated, 82.6 percent held that there are more business processes, 76.2 percent held that more products and services are sold, 73.0 percent held that a variety of products are available while 69.6 percent held that more employees hence better service delivery.

These findings indicate that the major way growth of cross listed firm affected their financial returns was by penetrating bigger markets. This is attributed to the fact, when the companies are traded in different markets and different nations they attract different potential clientele in different countries penetrating different markets, increasing their size and adding to their financial returns.

These findings concur with Inder et al. (2004) who conducted a research on whether cross listing leads to a higher firm growth with a sample of 215 firms from 22 countries that had cross-listed in the US. The study found that there was externally financed firm growth following cross listing. Cross listed firm's exhibit greater growth when they are externally financed in comparison to a matched sample of non- cross-listed firms. The

assumption was that cross listing eases firm's constraints. There was a belief that the benefits of cross listing are more pronounced as a function of the level of financial market development of the cross-listed firm's country of origin. Empirical research showed that firms from civil countries that are likely to be capital constrained substantially enhance their access to capital markets after cross listing. Another assumption was that a firm cross' lists in a financially developed market such as US to ease financial constraints. The findings of the study were that; there is a higher level of externally financed firm growth after following cross listing. The study also found that externally financed growth after cross listing does not vary as a function of the extent of financial development of the country from which the cross-listed firm originates. Finally, it found cross-listed firms from more developed financial markets to exhibit greater externally financed firm growth in comparison to a matched sample of non-cross-listed firms.

The study sought to determine the relationship between the independent and dependent variable. This was done through a correlation analysis.

The results of the correlation analysis indicate that there was a significant relationship between growth and shareholder base p=0.023,

This could be attributed to the fact growth requires a firm to have a source of capital which the shareholder provides and the employees work with to produce the groth. The shareholders are also attracted to the organization because of the kind of business the organization does since each shareholders wants to be part of an area they have interest in.

4.4.8 Regression Analysis

The study carried out a regression analysis to determine the relationship between the independent and dependent variable. The findings are presented in table 4.9

Table 4.3 Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.949[a]	.900	.885	.10871

a. Predictors: (Constant), Employment, growth , shareholder base, diversity

The model summary indicated that about 88.5 percent of the regression model could be accounted for in the study.

Table 4.4 ANOVA

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.764	4	.691	58.459	.000[a]
	Residual	.307	26	.012		
	Total	3.071	30			

a. Predictors: (Constant), growth

b. Dependent Variable: Financial Returns

As shown from the table 4.4, F= 58.458 p<0.000

The F test provides an overall test of significance of the fitted regression model. The F value of 58.458 indicates that all the variables in the equation are important hence the overall regression is significant.

Table 4.11 Coefficient

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.296	.264		1.121	.273
	Growth	.241	.025	.597	9.473	.000

a. Dependent Variable: financial returns

Financial returns= 0.296+ 0.241(growth) (unstandardized coefficients)

Financial returns= 0.296+ 0.597(growth) (Standardized Coefficients)

Therefore financial returns is summarized as the summation of growth plus shareholder base, .

The research aimed to test the hypothesis with an aim of accepting or rejecting the role of cross listing on financial returns of KCB group of companies, Kenya The research hypothesis for the study included;

H_{01} There is no significant relationship between growth and on financial returns of KCB group of companies, Kenya

The study rejected the hypothesis ($\beta = 0.597$, $P = 0.000$).

These results indicate that the growth of the cross listed firms has a direct effect on the capital structure of the firm with a β coefficient of 0.597, and p value of 0.000. These findings therefore imply that the growth of the firms had a significant influence on the financial returns of the firms. This is because the more a firm grows the more they are able to increase the finances of the company and their returns. This is because growth of the firm take them to other markets attracting more investments into the company and increasing the financial returns of the company

5.0 Conclusion And Recommendations

The findings on the effect of growth on financial returns of KCB group of companies indicate that 89 percent held that bigger markets are penetrated, 82.6 percent held that there are more business processes, 76.2 percent held that more products and services are sold, 73.0 percent held that a variety of products are available while 69.6 percent held that more employees hence better service delivery.

These findings indicate that the major way growth of cross listed firm affected their financial returns was by penetrating bigger markets. This is attributed to the fact, when the companies are traded in different markets and different nations they attract different potential clientele in different countries penetrating different markets, increasing their size and adding to their financial returns.

H_{01} There is no significant relationship between growth and on financial returns of KCB group of companies, Kenya

The study rejected the hypothesis ($\beta = 0.597$, $P = 0.000$).

These results indicate that the growth of the cross listed firms has a direct effect on the capital structure of the firm with a β coefficient of 0.597, and p value of 0.000. These findings therefore imply that the growth of the firms had a significant influence on the financial returns of the firms. This is because the more a firm grows the more they are able to increase the finances of the company and their returns. This is because growth of the firm take them to other markets attracting more investments into the company and increasing the financial returns of the company

On the major way growth of cross listed firm affected their financial returns, the study concluded that it was by penetrating bigger markets. This is attributed to the fact, when the companies are traded in different markets and different nations they attract different potential clientele in different countries penetrating different markets, increasing their size and adding to their financial returns.

On the way shareholder base of cross listed firms affects the financial returns of the KCB group of companies the study concluded that it made more equity for capital available. This is attributed to the fact that, this company traded in different stock exchange market is able to attract more investors in the company increasing the capital availability of the company.

On the major way that diversity of cross listed firms influenced the financial returns of KCB group of companies the study concluded that it enhanced the image of the company by diversity of persons. A company that is able to attract individuals from all backgrounds has a great images since it is not viewed as an elitists group but one that is able to serve all and therefore attracting different persons from all walks of life and increasing the financial returns of the company.

On the major way employment in cross listed firms such as KCB group of companies affects their financial returns the study concluded that it was by fostering creativity and innovation. While conducting their employment, the organization looked for employees who brought creativity and innovation for their companies and helps the companies improve their financial returns.

Based on the findings of the study, the following recommendations were made;

Companies that want to increase the performance of their companies should adopt cross listing in different stock exchange market since companies that are traded in different markets attract more investors from different markets increasing their shareholder base which is significant for a company since it ensures that the company has more than sufficient resources to invest and increase the performance of the organization.

REFERENCES

Abee, S. and J. Zimmermann. (2006). Do Cross-Listings Drive Regulatory Convergence? Evidence from Germany. University of Bremen Working paper.

Adelegan , O.J. (2009). The Impact of the Regional Cross-Listing of Stocks on Firm Value in Sub-Saharan Africa. *IMF Working Paper* 09/99. Washington: International Monetary Fund.

Adelegan, O. J. (2008). Can regional cross-listings accelerate stock market development? Empirical evidence from Sub-Saharan Africa. *IMF Working Paper* 08/281.Washington: International Monetary Fund.

Adelegan, O. J. (2009). *The impact of the regional cross-listing of stocks on firm value in sub-saharan Africa.* IMF Working Papers, No. 09/99.

Agarwal, R., & Gort, M. (2002). Firm Product Lifecycles and Firm Survival. *American Economic Review*, 92, 184-190.

Aggarwal, R. (2002). Demutualization and Corporate Governance of Stock Exchanges. *Journal of Applied Corporate Finance*, 15 (1): 105-113.

Aggarwal, R., L. Klapper and P. D. Wysocki (2005). Portfolio Preferences of Foreign Institutional Investors. *Journal of Banking and Finance*, 29 (12): 2919-2946.

Akerlof G, (2000). Racing towards the top?: The impact of cross-listings and stock market competition on international corporate governance, *Columbia Law Review*.

Allen, B. (2005). Law, finance and economic growth in China, Journal*of Financial Economics.*

Almajali, Y. A., Alamro, S. H., & Al-Soub, Y. Z. (2012). Factors Affecting the Financial Performance of Jordanian Insurance Companies Listed at Amman Stock Exchange. *Journal of Management Research,* 4(2).

Athanasoglou, P. P., Brissimis, S. N., & Delis, M. D. (2005). Bank-Specific, Industry-Specific and Macroeconomic Determinants of Bank Profitability. *Bank of Greece Working Paper,* No. 25.

Bao C., (2009). The usefulness of earnings and book value for equity valuation in emerging capital markets: *Evidence from listed companies in the People's Republic of China, Journal of International Financial Management and Accounting*

Bayar, A. and Z. Onder (2005). Liquidity and Price Volatility of Cross-Listed French Stocks. Applied Financial Economics, 15 (15): 1079-1094.

Benos, E. (2004). Private benefits and cross-listings in the United States. Emerging Markets Review.

Bonnier, K. and Bruner, F., (2009): "An Analysis of Stock Price Reactions to Management Change in Distressed Firms," *Journal of Accounting and Economics*, Paris; International Monetary Fund.

Brockman, P. (2003). Investor Protection and Firm Liquidity.Journal of Finance.

Burns, N. and Bill, F. (2006). *Cross listing and Legal Bonding: Evidence from mergers and acquisitions,* University of Georgia. New York. http://www.ceistorvergay.it/conferenzconvergin/banking&finance

Chebii, E. K. (2006). Relationship between firms capital structure and dividend payout; The case of companies quoted in Nairobi Stock Exchange. *Unpublished MBA thesis*, Egerton University.

Cheng, A. (2007). Beijing probes hefty pay rises at state firms. The South China Morning

Cherono, D. K. (2010). *Market Reaction to the announcement of cross-border listing for Companies quoted at the Nairobi Stock Exchange*. MBA Project, University of Nairobi.

Coffee, J. (1999). The future as history: The prospects for global convergence in corporate governance and its implications, Northwestern University Law Review 93, 641-708.

Cohen, S., Chang, L., & Ledford, G. (1997). A Hierarchical Construct of Self-management Leadership and its Relationship to Quality of Work Life and Perceived Work Group Effectiveness . *Personnel Psychology,* 275-308.

Cremers, K. (2005). Governance mechanisms and equity prices: *Journal of Finance*

Dickinson, J.P and K Muragu, (2004): Market Efficiency in Developing Countries: a Case Study of The Nairobi Stock Exchange, *Journal of Business Finance and Accounting.*

Doidge, C.,&Karolyi R. (2004). Why are foreign firms listed in the U.S. worth more? *Journal of Financial Economics*

Faruqee, H., (2007), "Equity Market Integration," in Decressin J.H. Faruqee and W. Fonteyne eds., Integrated Europe's Financial market, Washington; International Monetary Fund.

Flamini, V., McDonald, C., & Schumacher, L. (2009). Determinants of Commercial Bank Profitability in Sub-Saharan Africa. *IMF Working Paper,* 1-30.

Fraenkel F. &Wallen.D. (2001).The Sampling Methods and Research Procedures. Cambridge, MA: Ballinger.

Ghosh, C., Nag, R., & Sirmans, C. (2000). The pricing of seasoned equity offerings: Evidence from REITs. *Real Estate Economics,* 28, 363-384

Gikonyo, H. W. (2009). *The effects of East African Community on the cross border trade at the Malaba Border.* Unpublished MBA Project, University of Nairobi.

Gu, Z. (1993). Debt use and profitability: A reality check for the restaurant industry. *Journal of Foodservice Systems,* 7, 135 - 147.

Gupta, A. D. (2010). Corporate social responsibility and human resources management : A strategic balanced model. In S. O. Idowu, & L. F. Walter (Eds.), *Professionals' perspectives of corporate social responsibility* (1st ed., pp. 393-407). London: Springer.

Han, Z. (2007. On the development of China's stock market. In The Future Road of State Owned Enterprises, eds. F. Dong, Y. Li, and Z. Han. Beijing: Economic Science Publishing

Hargis, K, Ramanlal, P., (2008): Racing Towards the Top, Impact of cross-listings and stock market competition on international corporate governance, Working Paper; Columbia University.

Huang, R. D. and H. R. Stoll (2001). Tick Size, Bid-Ask Spreads, and Market Structure. *Journal of Financial and Quantitative Analysis*, 36 (4): 503-522.

Inder, K., Raynolde, P. and Xiu, X. (2004). *Does cross listing lead to a higher firm growth?* University of Missouri; Columbia, http//www.fma.org/Chicago/papers-crosslisting

Inder, K., Xiumin, M. and Raynolde, P. (2006). *Cross listing And Firms" Growth*, University of Missouri, Columbia, www.2wu-wien.ac.af

Jayaraman, N., Shastri, K., Tandon, K. (2003): The Impact of International Cross Listings on Risk and Return: The Evidence from American Depositary Receipts, *Journal of Banking and Finance*.

Jovanovic, B. (1982). Selection and the evolution of industry. *Econometrics,* 50, 649-670.

Karolyi, A. (2006). The world of cross-listings and cross-listings of the world: Challenging conventional wisdom, Review of Finance

King M.R and Segal, D. (2006) The Long-Term Effects of Cross-Listing, Investor Recognition, and Ownership Structure on Valuation. This Draft: 15 August 2006

Kotut, P. K. (2003). *Working Capital Management Practices by Kenyan firms; a case study of firms listed in the Nairobi Stock Exchange.* Unpublished MBA Thesis. Egerton University.

Kuria, H. M. (2008). Short-term and Long-term effects of cross-border listing announcements on companies listed at the NSE and their post listing performance, *Unpublished MBA Thesis*. University of Nairobi

Lel, U. & Miller, D. (2006). International Cross-listing, Firm Performance and Top Management Turnover: A Test of the Bonding Hypothesis. Board of Governors of the Federal Reserve System. *International Finance Discussion Papers* No. 877

Liargovas, P., & Skandalis, K. (2008). Factor affecting firms financial performance : The Case of Greece. Athens: University of Peloponnese Press.

Licht, A., (2003). Cross-listing and corporate governance: bonding or avoiding? *Chicago*

Lin, C. (2001). Corporatisation and Corporate Governance in China's Economic

Malik, H. (2011). Determinants of insurance companies' profitability: an analysis of insurance sector of Pakistan. *Academic Research International,* 1(3), 2223-2253.

Miller, D. (1996). Why do firms list in the US? An empirical analysis of the depository receipt market. *University of California at Irvine Working paper*

Miller, D. P. (2000). The Market Reaction to International Cross-Listings: Evidence from Depositary Receipts. *Journal of Financial Economics*, 51 (1): 103-123.

Mittoo, U. R. (2001). Additional Evidence on Integration in the Canadian Stock Market. *The Journal of Finance*, 47 (5): 2035-2054.

Morck, R. (2000). The information content of stock markets: why do emerging markets have synchronous stock price movements? *Journal of Financial Economics*.

Mugenda, M. &Mugenda, A. (2003).Research methods Quantitative and Qualitative Approaches. ACTS Press Nairobi.

Mutai, L.M (2000). Qualitative Research Approaches*: The Modern Perspective.*New Delhi: Oaklands.

Neuman, L. (2000). Research Methods*: Qualitative and Quantitative Approaches.* Oakland: Sage Publications.

Onyuma, S. O. (2006). *Regional Integration of Stock Markets in Africa: African Review of Money and Banking, supplementary issue of savings and development quantity*. Milan, Italy. Pg 97-122

Onyuma, S. O. (2009). Day-of-the-week and month-of-the-year effect of the Kenyan stock market returns: *eastern Africa social science research review.* Volume XXV no. 2, pg 53-74

Onyuma, S. O., Mugo, R. K., and Karuiya, J. K. (2012). Does cross-border listing (still) improve firm financial performance in Eastern Africa? *Journal of Business, Economics and Finance*, 1(1).

Pandey, I. M. (2007). *Financial management* (9th ed.). New Delhi: Vikas Publishing House Ltd.

Pandey, I. M. (2010). *Financial Management* (10th Edition). Vikas Publishing House Pvt Ltd. New Delhi

Parkinson, J.M (2007): The EMH and the CAPM on the Nairobi Stock Exchange, East African Economic Review.

Patell, M.P., (2006): "Corporate Forecast of Earnings PerShare and Stock Price Behavior: Some Empirical Evidence", *Journal of Accounting (Autumn).*

Patton, M.Q. (2000). Quantitative and Qualitative Research Approaches. London: Prentice Hall. Post online edition

Russo, M. V., & Fouts, P. A. (1997). A resource-based perspective on corporate environmental performance and profitability. *Academy of Management Journal,* 40(3), 534–559.

Salva, C. (2003). Foreign Listings, Corporate Governance, and Equity Valuations. *Journal of Economics and Business*, 55 (5-6): 463-485.

Shibira, K. G. (2006). *Determinants of bond prices; A case of Nairobi Stock Exchange.* Unpublished MBA Project, Egerton University.

Simerly, R., & Li, M. (2000). Environmental dynamism, financial leverage and performance: A theoretical integration and an empirical test. *Strategic Management Journal,* 21(1), 31-49.

Stanwick, P., & Stanwick, S. (1998). The relationship between corporate social performance, and organizational size, financial performance, and environmental performance: *An empirical examination. Journal of Business Ethics,* 17, 195-204.

Stanwick, S., & Stanwick, P. (2000). The relationship between environmental disclosures and financial performance: *An empirical study of US corporations. Eco-Management and Auditing,* 7, 155-164.

Stulz, R..(2009). Globalization, corporate finance, and the cost of capital, *Journal of Applied Corporate Finance.*

Upneja, A., & Dalbor, M. C. (2001). An examination of capital structure in the restaurant industry. *International Contemporary Hospitality Management,* 13(2), 54 - 59.

Walker, D. (2001). *Exploring the Human Capital Contribution to Productivity, Profitability and the Market Evaluation of the Firm.* lib.umi.com: http:/wwwlib.umi.com/dissertations.

Waweru, G. (2005). *Impact of privatization on company"s performance; a study of privatized companies*

quoted on the Nairobi Stock Exchange. An unpublished MBA Thesis, Egerton University

Welker, M. (2005). Disclosure Policy, Information Asymmetry, and Liquidity in Equity Markets. Contemporary Accounting Research, 11 (2): 801-827.

Yuqi, L. (2007). *Determinants of Banks' Profitability and Its Implication on Risk Management Practices: Panel Evidence from the UK.* The University of Nottingham.