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Research Article

Transparency as a Determinant of Financial Performance in State-Owned Commercial Enterprises in Kenya

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Abstract

State-owned commercial enterprises (SOCEs) in Kenya register below-par output in fiscal standards. Many explanations have been proffered for this state of affairs, including competition and fluctuations in the local and global economies. Additionally, it is important to examine how factors internal to these enterprises shape their financial performance. As such, this study aimed to examine the role of transparency as a corporate governance strategy in the fiscal output of state-owned commercial enterprises as anchored by legitimacy theory. Further, the study adopted explanatory research design. It targeted 476 board members and 379 corporate executives from 46 SOCEs in Kenya. The sample size was 295, consisting of 142 corporate executives and 153 board members, who were selected via stratified random sampling. To collect primary data, a questionnaire and document analysis were deployed. Data was analysed using descriptive statistics. Test for relationship between variables was done using covariance-based structural equation modelling (CB-SEM) along with Analysis of Moment Structures (AMOS) software. The study results revealed that transparency (estimate = 1.946, critical ratio = 3.676, $p < 0.001$) positively and significantly influenced the financial performance of SOCEs. It was thus deduced that transparency was a determinant of SOCEs' fiscal output in Kenya. Therefore, SOCEs should deploy centralized real-time monitoring of financial performance through dashboards, build data management capacities and adopt business intelligence and data analytics technologies that allow for data driven and intelligence-based decision-making by the SOCEs' board and corporate executives.

Keywords

Transparency, Financial Performance, State-Owned Commercial Enterprises, Kenya

1. Introduction

In the sub-Saharan Africa, state-owned commercial enterprises (SOCEs) revenues account for about 14% of the gross domestic product (GDP) [1]. Comparably, across the sub-Sahara African countries, a major share of public sector balance sheets (PSBSs) is accounted for by SOCEs, with liabilities and assets averaging 20% and 32% of GDP respectively [2]. Alarmingly, a study of 287 SOCEs in different economic sectors but mostly in the energy and extractive industries; transportation and services sectors in Sub Sahara Africa showed that 40% of SOCEs reported negative profitability in 2018 [3]. In addition, more than two-thirds of the surveyed large SOCEs in the sub-Saharan Africa (64 of 89 firms, or 72%) displayed unsustainable debt [3]. As

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a consequence, domestic arrears from SOCEs can cause financial sector vulnerabilities to the extent that arrears prevent the private sector, especially government suppliers, from adequately servicing their loans [3]. This ultimately may lead to the emergence of non-performing loans and impair the banking sector's ability to supply credit to the economy, thereby affecting investment and fiscal revenue [3, 4]. Thus, beyond state-owned enterprises (SOE) reforms aimed at improving governance, pricing as well as payments and performance discipline, transparency about the performance of and risks from SOCEs can also be enhanced by better reporting and accountability [2].

In Kenya, the code of governance for state-owned enterprises is referred to as 'Mwongozo' [5]. Mwongozo deals with matters of transparency and disclosure, effectiveness of boards, accountability, internal controls, risk management, good corporate citizenship and ethical leadership [5]. Further, it gives a basis for ensuring more effective engagement with stakeholders [5]. Though the Kenyan government has made some strong efforts to implement important improvements in SOCEs oversight, such as the creation of the "Mwongozo" governance code, deteriorating financial performance and increasing fiscal risks are still compounded by corporate governance and accountability challenges [6]. Against this backdrop, this study assessed the influence of corporate governance practices and financial performance of state-owned commercial enterprises in Kenya with firm characteristics as the moderating variable. These concepts are introduced in the following paragraphs.

Specifically, the study assessed the following practices of corporate governance: accountability, transparency, leadership structure and stakeholder engagement in relation to SOCEs' financial performance. These practices were selected for the study because corporate governance involves the framework of practices, rules and structures by which a board of directors ensures accountability and transparency in a company's relationship with its all stakeholders effected through a leadership structure [7]. Moreover, firm characteristics comprised the moderating variable. Of the four corporate governance practices, this paper focuses only on transparency. Essentially, transparency involves availability of information about an organization that enables external actors to monitor its value or internal workings [8]. In this respect, availability of information is a key ingredient as far as transparency is concerned. Therefore, SOCE disclosure, reporting regime, accounting and auditing practices, and internal controls were in this study examined as measures of transparency.

Problem Statement

Various studies have examined the subject of poor performance of SOCEs. However, contextual gaps were established concerning corporate governance practices and financial performance. For instance, Walker [9] examined corporate governance strategies to improve organizational performance in the accounting industry in the United States while Lasisi [10] assessed corporate governance and organizational performance in Nigerian companies. In Kenya, Machuki and Rasowo [11] investigated sugar producing SOCEs. Moreover, different theories have anchored the study of corporate governance practices and financial performance pointing to theoretical gaps. Specifically, studies by Laimaru [12] and Emodia and Mwanzia [13] were anchored on agency theory while Mwayungu [14] applied stakeholder theory. Tonui and Olweny [15] used signalling theory. Alarmingly, studies by Agwor and Akani [16], Mumba and Kazonga [17] and Park [18] were not theoretically underpinned.

Besides, reviewed literature on financial performance of SOCEs showed no agreed single reason behind their underperformance. In Kenya, this has been attributed to incompetent boards of directors, lack of managerial autonomy; and inadequate internal control and poor reporting and tracking systems [19-22]. Consequently, it was necessary to study the contribution of corporate governance practices, including accountability, transparency, leadership structure and stakeholder engagement, in to the financial performance of Kenyan SOCEs. This paper is delimited to the discussion of transparency as a determinant of financial performance of state-owned commercial enterprises in Kenya.

2. Literature Review

Various studies have been conducted on transparency as a factor in performance of commercial firms. This review presents studies obtained from a search on the Google Scholar database using the title 'transparency and performance of state-owned commercial enterprises'. The search produced 80,400 hits. This was reduced to 17 studies comprising of 13 journal articles, 1 working paper and 3 master's thesis publications by limiting the search period to 2016-2023. This was further reduced to 11 articles based on relevance.

Park [18] did a study on enhancement of SOEs' transparency and accountability by evaluating key practices, legislation and policies in Asia. The study reviewed 9 Asian countries, namely Vietnam, Thailand, Philippines, Pakistan, Malaysia, Republic of Korea, Kazakhstan, Indonesia and India. Desktop research design was employed where major findings and conclusions from publications by Organization for Economic Co-operation and Development (OECD) concerning Asian SOEs' corporate governance practices complemented the study. The study findings revealed that, on aggregate, reporting, 5 of the surveyed countries trailed behind. In addition, governments have established performance evaluation and information reporting systems for acquiring non-financial and financial data from their SOEs. The study further established that a common weak point was autonomy of executive managers and corporate boards. However, comprehensive systems for detecting fiscal risks regarding SOEs was lacking in one of the reviewed countries. SOEs from 3 countries did not have internal audit functions and their financial reports were not subjected to external independent examinations on a regular basis. Most countries did not publish aggregate ownership reports at the state level. These hampered the public from overseeing SOE performance and probably limited their accountability. The study recommended that it was imperative to develop comprehensive regulatory and legal frameworks regarding public disclosure of non-financial and financial data concerning SOEs' activities. The study further recommended for comprehensive and robust audit system, good practices for aggregate reporting, clarification of SOEs' non-financial and financial performance objectives, centralization of the ownership function and professionalizing SOEs' boards of directors.

Heo [23] examined corporate governance and South Korean SOEs' performance. Independent variables consisted of transparency and disclosure, chief executive officer (CEO) duality, board size, board independence and corporatization. The study was grounded on agency theory. Dependent variable was performance measured through customer satisfaction, performance evaluation, ROA and debt ratio. Secondary data from 320 South Korean SOEs were used. Further, data were collected from online management information disclosure system (ALIO system). In addition, hypotheses were tested using multivariate regression model. Empirical results showed that transparency and disclosure, corporatization and board size were positively related to SOEs' performance, indicating their impact on efficiency of SOEs. Further, the impacts of separating positions of CEO and board chairperson, and board independence were negative and not significant. These findings showed that a more transparent disclosure practices, a larger board and corporatization of SOEs could be beneficial in relation to performance of SOEs.

Curi *et al*. [24] assessed corporate governance and SOEs' performance in transition countries. An investigation of whether and to what degree SOEs' efficiency in transition economies was affected by mechanisms of corporate governance was done. Independent variables consisted of quality of strategic planning, quality of board, transparency; and implementation, and control of Lithuanian commercial SOEs in the period 2012-2013. Moreover, the dependent variable consisted of performance measured through technical efficiency. All commercial Lithuanian SOEs were targeted for the study. However, 190 SOEs where the government owns majority or full shares were sampled. Notably, annual financial reports of Lithuanian commercial SOEs for the period 2012-2013 were obtained from the Lithuanian Governance Co-ordination Centre (GCC). Data Envelopment Analyses (DEA) were employed in data analysis. The study findings revealed that correlation between full state ownership model and efficiency was positive (0.563, $p < 0.005$). Moreover, efficiency of SOEs fully owned by the state was higher than those with majority state ownership (0.970 > 0.563). Overall, corporate governance practices were found to improve efficiency. Strategic planning and board quality were found to be effective mechanisms for internal governance that promoted overall efficiency of the organization. Further, efficiency losses suffered by fully SOEs were attributed to weak corporate governance. Therefore, the study recommended for employment of professionals with management, economic, financial and legal competencies and development of unique proficiencies.

Zehir *et al*. [25] studied the impact of transparency on quantitative and qualitative performance of commercial firms in Turkey. Variables consisted of transparency and performance as independent and dependent variables respectively. Mediating variable was stakeholder participation. Transparency variables studied included right to information, non-financial reporting and public disclosure. Dependent variable measures consisted of both qualitative and quantitative performance. The study sampled 351 mid-level and upper managers in 74 (32 private and 42 public) hospitals in Istanbul's provincial based health directorates in the period 2013-2014. Regarding research design, descriptive survey was employed. Collection of primary data was done using questionnaires. Factor, reliability, regression and correlation analyses were employed. Study findings revealed that application of transparency sub-dimensions of right to information, non-financial reporting, financial reporting and public disclosure positively affected quantitative (0.14, $p < 0.05$; 0.290, $p < 0.05$; 0.133, $p < 0.05$) and qualitative (0.076, $p < 0.05$; 0.257, $p < 0.001$; 0.214, $p = 0.000$) performances respectively through stakeholder participation.

Wanjau *et al*. [26] examined corporate transparency disclosures and financial performance East African listed companies. The study was grounded on agency, stewardship, legitimacy and signalling theories. Independent variables of the study were social, governance, risk and financial transparencies whereas dependent variable comprised financial performance of listed companies in Uganda, Rwanda, Tanzania and Kenya. Both correlational and descriptive research designs were employed. Target population was 112 listed companies in East Africa. Moreover, 80 listed companies from 2006 to 2015 were selected through purposive sampling: 15 companies listed in Dar es Salaam Securities Exchange, 51 in NSE, 3 in Rwanda Securities Exchange and 11 in Uganda Securities Exchange. Moreover, financial reports of listed firms in the sample provided secondary data. Data analyses were carried out using regression analysis and descriptive statistics. From study results, 76.3% of the variation in financial performance was explicated by governance, risk, social, and financial transparencies. Further, significant and positive relationship was established between social, governance, financial transparencies; and financial performance ($\beta = 0.245$, $p < 0.05$; $\beta = 0.08$, $p < 0.05$; $\beta = 0.170$, $p < 0.05$) respectively. However, the study showed that the association between risk transparency and financial performance was positive but not significant ($\beta = 0.008$, p-value < 0.05) and concluded that financial performance of East African listed companies was affected by transparency.

Mashavave [27] studied corporate governance practices and SOEs' performance in Zimbabwe with a case study of Air Zimbabwe. Concerning the theoretical framework, agency theory underpinned the study. Independent variables comprised responsibility, accountability, fairness and transparency while board performance comprised the dependent variable. Moreover, 48 Air Zimbabwe board members, management staff and employees were sampled. Collection of primary data was done using interviews and questionnaires. Further, quantitative and qualitative techniques were employed. Study findings indicated that corporate governance compliance at Air Zimbabwe was not sufficient resulting in lack of accountability and transparency; and corruption. Further, it was established that there were no mechanisms for monitoring and evaluating performance and corporate governance policy. The study concluded that corporate governance improves transparency, accountability and enhances shareholders' confidence and recommended for creation of an agency to enforce and regulate compliance with transparency and accountability initiatives.

Hassouna *et al.* [28] studied on transparency and disclosure; and corporate performance in Egypt. Independent variables were transparency and disclosure levels as measured by transparency and disclosure indexes. Further, agency theory anchored the study. Dependent variable was corporate performance as measured through return on investment (ROI), Tobin's Q, return on assets (ROA) and return on equity (ROE). Egyptian listed companies in building materials and construction; health and pharmaceuticals; chemicals, electrical equipment and engineering; financial services, communication, entertainment, textiles and clothing sectors were targeted. Mixed methods research design was used. 100 listed companies under the EGX 100 Price Index comprised the target population whereas 85 Egyptian listed companies comprised the sample size. Primary data were collected using interviews and questionnaires. Published annual reports of listed companies for the period 2006-2010 provided secondary data. Data analyses were done through content and regression analyses. Findings demonstrated that the association between transparency and disclosure; and corporate performance was not significant.

Gitonga [29] examined corporate governance and Kenyan listed corporations' financial performance. Regarding the theoretical framework, stakeholder, stewardship, agency and resource dependency theories were used. Independent variables comprised financial transparency ownership structure, internal controls and internal audit standards. Dependent variable consisted of financial performance which was evaluated through ROA and ROE. Regarding research design, descriptive survey was adopted. Target population comprised 98 managers, general managers and CEOs from 12 corporations in Kenya where the government owns shares. All the 12 corporations were studied. Questionnaires were used to collect primary data whereas annual reports provided secondary data. Moreover, descriptive statistics were adopted for data analyses. Findings indicated that the association between ownership structure, internal controls, internal audit standards and financial transparency ($\beta = 0.014$, $p < 0.05$; $\beta = 0.027$, $p < 0.05$; $\beta = 0.02$, $p < 0.05$; $\beta = 0.038$, $p < 0.05$); and financial performance was moderate and positive ($r = 0.490$, $p < 0.05$). Hypotheses were tested through regression analysis. Subsequently, financial transparency was established to have contributed to reduction in conflicts between managers and shareholders. In addition, it was provided voluntarily by corporations. However, regulations also mandated corporations to disclose financial reports and make them accessible to stakeholders. The study concluded that board members who have financial knowledge and experience should be engaged by corporations in their board committees.

Kipruto [30] did a study on corporate governance practices and financial performance of Kenyan parastatals with a case of KPC, Eldoret. Moreover, the study used agency, stewardship and resource dependency theories. Additionally, independent variables consisted of board independence, board member's knowledge, board transparency and board leadership while dependent variable comprised financial performance which was evaluated through ROI and EPS. Concerning research design, descriptive survey was adopted. Target population comprised 178 employees. A sample size of 123 respondents was obtained through simple random sampling. Questionnaires were used to collect primary data whereas annual reports provided secondary data. Data analyses were done through descriptive and inferential statistics. Hypotheses were tested using multiple regression. Study findings showed that the relationship between board member's knowledge, board independence, board transparency and board leadership; and financial performance was significant and positive.

Tonui and Olweny [15] studied board characteristics and financial performance of Kenyan commercial SCs. Moreover, stewardship, stakeholder, managerial hegemony and signalling theories anchored the study. Further, independent variables of the study consisted of board independence, board disclosures, board mode of communication and board transparency. Whereas dependent variable was financial performance. Census design was employed. Target population comprised 31 Kenyan commercial SCs. Collection of primary data was done using questionnaires. Inferential statistical and regression analyses were also used. Study findings revealed that the association between board independence ($\beta = 0.317$, $p = 0.000$); board disclosures ($\beta = 0.238$, $p = 0.003$); board communication ($\beta = 0.206$, $p = 0.015$) and board transparency ($\beta = 0.193$, $p = 0.012$) and financial performance were significant and positive. In conclusion, the study established that Kenyan SCs had independent boards, disclosed their operations, used efficient channels of communication and were transparent. Study recommendations urged SCs that had not embraced board independence, board disclosures, board communication and board transparency to do so in order to enhance their financial performance.

Azegele *et al.* [31] examined corporate governance and Kenyan insurance companies' performance. In addition, agency theory underpinned the study. Independent variables of the study consisted of transparency, board responsibility and ownership structure. Dependent variable consisted of performance as measured through employee level of satisfaction, employee retention, market share and customer level of satisfaction. Cross-sectional survey design was employed. Target population was 52 Kenyan insurance companies licensed by Insurance Regulatory Authority (IRA). Respondents were general employees, senior managers and CEOs. Census method was used to select 104 CEOs, 52 human resource managers. 365 out of 7,307 general employees were sampled using Kothari's sampling technique. Further, the study adopted stratified random sampling to obtain 104 general employees from the 52 insurance companies. Collection of primary data was done using questionnaires. Correlation data analyses were employed. Hypotheses testing was done through regression analysis. Study findings showed that the association between corporate governance and performance was positive and significant ($r = 0.718$, $p = 0.00 < 0.05$). It was concluded that corporate governance's influence on performance was positive and significant. Moreover, insurance firms should have suitable board composition and structures that considers diverse levels of expertise in order to maintain good corporate governance practices. The study recommended for policy makers to develop and implement suitable mechanisms of corporate governance among insurance companies.

Previous literature on the influence of transparency on performance point to three key themes. First, aggregate ownership reports were not published by majority of the countries and this potentially restricted the public from overseeing SOE performance and limited accountability [18]. Second, application of transparency principles by state-owned commercial enterprises had positive effects on their performance [15, 24-27, 29, 31]. Third, the association between transparency and disclosure practices and corporate performance were not significant [28].

3. Materials and Methods

The study was conducted in Kenya focusing on state-owned commercial enterprises (SOCEs). It adopted an explanatory research design because explanatory studies enhance understanding of a given topic, provide explanations regarding occurrence of phenomena and predictions of occurrences in the future [32]. The study targeted corporate management executives consisting of board members and corporate executives of 46 SOCEs in Kenya. The 46 state-owned commercial enterprises have 476 board members and 379 corporate executives totalling 855 [33]. Board members and corporate executives were targeted since they are integral components of an organization's corporate governance and have the responsibility to implement board decisions and initiatives.

From the target population, a sample size of 295 respondents was identified using the Nassiuma [34] formula. This sample consisted of 153 board members and 142 corporate executives. Following determination of the sample size, stratified random sampling technique was then used in selection of board members and corporate executives. Data was collected using a questionnaire and document analysis guide. Collection of primary data from respondents was done through administration of questionnaires whereas document analysis of financial statements and audit reports provided secondary data in relation to financial performance of SOCEs. Data collected through questionnaires were coded, keyed in and edited. Then analysed using both descriptive statistical and SEM analyses. SEM analyses were carried out using AMOS software version 29. In the study, the latent factor (sub-dimension) for corporate governance construct was transparency. Transparency was measured using four indicators, namely disclosure, reporting regime, accounting and auditing practices, and internal controls.

4. Results and Discussion

Under transparency, measures examined included disclosure, reporting regime, accounting and auditing practices; and internal controls. Table 1 summarizes the study findings on the interplay of transparency and SOCEs' financial performance.

Table 1. *Transparency and Financial Performance of SOCEs in Kenya.*

Statements	Mean	Standard Deviation
The SOCE discloses remuneration of board members	3.59	1.31
SOCE discloses remuneration of corporate executives	3.32	1.22
SOCE discloses board members' benefits	3.56	1.07
SOCE discloses corporate social responsibility activities	4.22	0.68
The SOCE discloses asset acquisitions and disposals	4.02	0.92
The SOCE discloses financial information of the company	4.13	0.71
The SOCE discloses related party transactions	3.61	0.93
The SOCE discloses shareholders' information	3.61	1.00
The SOCE discloses biographical data and academic qualifications of board members	3.59	1.03

Statements	Mean	Standard Deviation
The SOCE discloses biographical data and academic qualifications of corporate executives	3.65	1.06
SOCE prepares financial reports as per International Financial Reporting Standards	4.13	0.88
SOCE timely publishes audited annual financial reports.	4.09	0.94
The SOCE publishes social reports in a timely manner	3.66	0.98
The SOCE publishes environmental reports in a timely manner	3.64	0.98
Board ensures that governance audit is undertaken on annual basis	3.90	0.91
The shareholders receive timely financial statements	3.86	0.73
Oversight of internal audit activities are provided by the audit committee	4.24	0.74
SOCE maintains an internal control system	4.24	0.76
Average	3.84	0.94

Therefore, in relation to disclosure, 69.8% of respondents were undecided whether the SOCE discloses information relating to remuneration of board members and corporate executives and also board members' benefits (mean = 3.49, SD = 1.2). This is a pointer that information on remuneration of board members and corporate executives by SOCEs is not readily available to corporate executives, board members and the public. Significantly, disclosure of information relating to remuneration of board members and corporate executives is crucial as it can attract and motivate qualified professionals [18]. It also acts as a deterrent measure against wastage of financial resources because public backlash is expected when remuneration levels are perceived to be too high and not commensurate to SOCE's performance [35].

Moreover, respondents agreed that the SOCE discloses information on corporate social responsibility activities, asset acquisitions and disposals and financial information of the company (mean = 4.12, SD = 0.77) and that the SOCE discloses information on related party transactions, shareholders' information, biographical data and academic qualifications of board members and corporate executives (mean = 3.62, SD = 1.01).

Regarding reporting regime, respondents were of the view that SOCE prepares financial reports as per International Financial Reporting Standards (mean = 4.13, SD = 0.88; timely publishes audited annual financial (mean = 4.09, SD = 0.94), social and environmental reports (mean = 3.65, SD = 0.98). This is crucial because reporting mechanisms enable an ownership entity to monitor and oversee compliance with corporate governance standards and regularly assess, audit and monitor SOCEs' performance [18].

Concerning accounting and auditing practices, 81.8% (mean = 4.09) agreed that SOCE publishes audited annual financial reports in a timely manner. However, 73% (mean = 3.65) of respondents believed that SOCE publishes social and environmental reports in a timely manner. 77.6 % (mean = 3.88) agreed that the board ensures that governance audit is undertaken on annual basis and that shareholders receive timely financial statements. 84.8% (mean = 4.24) agreed that oversight of internal audit activities is provided by the audit committee. Regarding internal controls, 84.8% (mean = 4.24) were of the view that SOCE maintains an internal control system.

Thus, regarding transparency, respondents expressed some degree of indecision in relation to disclosure (mean = 3.73) but showed agreement to reporting regime (mean = 4.13), accounting and auditing practices (mean = 3.90); and internal controls (mean = 4.24) indicators. These findings correspond with those of a study by Brinčíková *et al*. [36] that SOEs should be subjected to exceptional compliance and auditing; disclosure and accounting benchmarks similar to listed firms and observe high standards of transparency.

Similarly, Madonsela [37] observed that activities of state-owned corporations must be fully accounted for by board members through mandatory disclosure. In addition, Mumba and Kazonga [17] suggested that inadequate transparency emanate from failure to timeously publish and produce financial reports that have been audited and consequently poor performance of SOCEs. Moreover, transparent public organizations achieved higher performance as measured through public value scores [8].

Further, Nguyen *et al*. [38] established that corporate social responsibility (CSR) disclosure positively affected financial performance measured through ROA and ROE. Therefore, sufficient information disclosure allows the state strengthen SOCEs' boards and management accountability. This will also be dependent on the standards of accounting, corporate disclosure; compliance and audit practices applicable to SOCEs. In addition, adopting internationally recognized and high-quality reporting standards allows for comparison of SOCEs' financial performance.

4.1. Indicators of Financial Performance

In the study, the financial performance of state-owned commercial enterprises was measured using ROI, ROA and ROE as shown in Table 2.

Table 2. *Measures of Financial Performance.*

Statements	Mean	Standard Deviation
Corporate governance practices of the SOCE have improved its return on investment (ROI)	3.87	0.85
Corporate governance practices of the SOCE have improved its return on assets (ROA)	3.72	0.88
Corporate governance practices of the SOCE have improved its return on equity (ROE)	3.79	0.87

Based on the results of the study, it was revealed that SOCE's corporate governance practices had improved their ROI (mean = 3.87, SD = 0.85), ROA (mean = 3.72, SD = 0.88), and ROE (mean = 3.79, SD = 0.87). These echoed the view by Abang'a *et al.* [39] that corporate governance shapes the output of SOEs in Kenya. Similarly, Walker [9] noted that corporate governance is a leading factor in firm performance. Machuki and Rasowo [11] have equally observed a positive and statistically significant bearing of corporate governance practices on performance of the sugar producing companies in Kenya.

4.2. Confirmatory Factor Analysis for Transparency

Transparency had four (4) items coded as x6, x7, x8 and x9. The standardized regression weights and squared multiple correlations respectively after confirmatory factor analysis were as follows: x6 (0.352; 0.124), x7 (0.807; 0.651), x8 (0.909; 0.826) and x9 (0.552; 0.305). The model fit indices were within the acceptable cut-off points ($\frac{\chi 2}{\mathrm{df}} = 4.981 < 5$, p = 0.000, RMR =0.037 < 0.05, GFI = 0.921 > 0.8, NFI = 0.917 > 0.8, IFI = 0.932 > 0.8, TLI = 0.889 > 0.8, CFI = 0.931 > 0.9 and RMSEA = 0.1 ≤ 0.100). Transparency was therefore explained by x6, x7, x8 and x9.

4.3. Hypothesis Test for Transparency and SOCEs' Financial Performance

The study hypothesis stated that transparency does not have a statistically significant influence on the financial performance of state-owned commercial enterprises in Kenya. Beta coefficients (estimates) of the direct association between transparency and the SOCEs' financial performance was used to test the null hypothesis (Table 3).

Table 3. *Regression for Transparency and SOCEs' Financial Performance.*

Path			Estimate	S.E.	C.R.	P Label
Financial Performance	<---	Transparency	1.946	0.529	3.676	***

The results in Table 3 show that the null hypothesis, that transparency does not have a statistically significant influence on the financial performance of SOCEs in Kenya, was not supported (estimate = 1.946, critical ratio = 3.676, p < 0.001). As such, it was concluded that there was adequate evidence at the 95% confidence level to suggest that influence of transparency on the financial performance of Kenyan SOCEs was positive and statistically significant. Hence, study findings demonstrated that influence of transparency on the financial performance of Kenyan SOCEs was positive and statistically significant. These findings were congruent with those of a study by Heo [24] on corporate governance and the performance of South Korean SOEs that association between transparency and disclosure; and SOEs' performance was positive.

Similarly, a study by Zehir *et al.* [25] revealed that quantitative and qualitative performance was positively affected by application of principles of transparency. Moreover, Wanjau *et al.* [26] examined corporate transparency disclosures and performance of East African listed firms and established that their performance was positively affected by transparency. Further, a study by Kipruto [30] on corporate governance practices and performance of Kenyan parastatals with a case of KPC, Eldoret, established that the association between transparency and performance was significant and positive.

According to Tonui and Olweny [15], the association between board transparency and Kenyan SCs' financial performance was significant and positive.

5. Conclusion and Recommendations

The influence of transparency on Kenyan SOCEs' financial performance was positive and statistically significant. Hence, the study concluded that embracing a reporting regime, preparation of financial reports as per IFRS and adopting sound accounting and auditing practices by timely publishing annual financial, social and environmental that have been audited, undertaking governance audit on annual basis, providing shareholders with timely financial statements and providing oversight by audit committee on the internal audit initiatives on SOCEs' financial performance significantly and positively influenced SOCEs' financial output. Consequently, management should build data management capacities and publish social and environmental reports timeously. Moreover, regarding disclosure indicator of transparency, the board should conduct regular audits on disclosure of conflict of interest and their findings included in the annual report. Board members found in contravention of this requirement should be sanctioned.

Abbreviations

AMOS	Analysis of Moment Structures
CB-SEM	Covariance-Based Structural Equation Modelling
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
DEA	Data Envelopment Analyses
GCC	Governance Co-ordination Centre
GDP	Gross Domestic Product
IRA	Insurance Regulatory Authority
OECD	Economic Co-operation and Development
PSBSs	Public Sector Balance Sheets
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
SOCEs	State-Owned Commercial Enterprises
SOE	State-Owned Enterprises

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Author Contributions

Benaihia Kiptoo Bett: Conceptualization, Formal Analysis, Methodology, Resources, Software, Writing – original draft, Writing – review & editing

Kifleyesus Andemariam: Investigation, Supervision, Validation, Writing – review & editing

Kiflemariam Abraham: Supervision, Validation, Writing – review & editing

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Data Availability Statement

The data is available from the corresponding author upon reasonable request.

Conflicts of Interest

The authors declare no conflicts of interest.

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Research Fields

Benaihia Kiptoo Bett: Corporate governance, Strategic management

Kifleyesus Andemariam: Corporate governance, Strategic management

Kiflemariam Abraham: Corporate governance, Strategic management