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RESEARCH ARTICLE

DOES FIRM SIZE MODERATE THE INFLUENCE OF CORPORATE TRANSPARENCY AND FINANCIAL PERFORMANCE OF LISTED COMPANIES IN EAST AFRICA?

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ABSTRACT

There are dozens of rules and regulations pertaining transparency that have been set due to the increasing need to ensure timely and reliable disclosures of information that companies must meet. With recent collapse of companies and fall in market value of companies, corporate transparency is emphasized to curb corruption that inevitably happens when only a chosen few have access to important information. Therefore, the current study sought to examine the moderating effect of firm size on the influence of corporate transparency and financial performance of listed companies in East Africa. The study adopted correlation research design. Both correlation and multiple regression analysis were used to analyse the data. Results of the study revealed that there was positive relationship between financial transparency, risk transparency, governance transparency and social transparency and financial performance. Firm size had inverse relationship with financial performance. Moreover, it had no significant moderating effect on financial transparency, risk transparency, governance transparency and social transparency.

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INTRODUCTION

Any firm that has gained market confidence in the past and current time can in one way or the other attribute its success to the system of direction and control in the firm. Failure alike could also have emanated from the poor system as well. Recently, firms have experienced scandals of firm losing lots of money mischievously that could have been protected if they worked as per the expectation. The practices and rules that guides the interaction between the agents (managers) and the principals (shareholders or owners) as well as other stakeholders of a corporation is termed as the principle of corporate governance (Otman, 2014) which usually differ from one country to another due to divergence in legal systems, culture and historical developments (Ramon, 2001). As Tarus and Omandi (2013) observed that in today's world there is increased widening of the gap on the interest between the agent and the principal. With agency and stakeholder theory, the emerging issues on interests are mitigated where more keen approach on the relationship is addressed and the need for full disclosure of information is emphasized to enable decision making (Jensen and Mecklin, 1976; Freeman, 1984).

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Transparency and disclosure has been instrumental in investigating the practices carried by the corporate governors transnationally explains transparency to mean ease of access to company's transactions, economics and non-financial aspects by any outsider with interest to make meaningful analysis pertaining the business, (Olayiwola, 2010). Absence of corporate transparency has resulted to mega collapse and scandals of companies as witnessed recently. In fact, according to transparency and trust form UK government response of 2014, lack of transparency from the controller of the company erodes the trust and destroys business environment. Problem of information asymmetry has persistently affected many firms performance as decision are made post prevention time leading to unresolved conflicts that has continued to influence firm valuation (Chi and Lin, 2000). In incidences where corporates release all the required information, makes it easier for shareholders and other stakeholders in monitoring decisions carried out by the management that would influence firm performance. Despite the attention that has been given to corporate governance in both developed and developing countries, studies have shown that these countries continue to suffer from lack of adequate governance (Ekanaakey, Perera and Perera, 2010). There has seen numerous academic studies in line with corporate governance being conducted (Mulili and Wong, 2011; Olayiwola, 2010; Baydoun *et al.*, 2013). However there a relatively limited studies in the area of

transparency in corporate governance in developed and developing nations and the impact thereof on firm performance (Tarus and Omandi, 2013). Countries diversity in legal and development in organizations necessitate the need to investigate more keenly on the trends in in the corporate transparency especially in the emerging economies. There are dozens of rules and regulations pertaining transparency that have been set due to the increasing need to ensure timely and reliable disclosures of information that companies must meet. With recent collapse of companies and fall in market value of companies, corporate transparency is emphasized to curb corruption that inevitably happens when only a chosen few have access to important information. In transparent management efforts are made to ensure information is available candidly, accurately and timely in both the audit data and also in general reports and press releases (Alo, 2008). Transparency in corporate governance, in the current study will be viewed in four aspects, namely financial transparency, risk, governance and social transparency and so as try and understand these aspects in relation to firm performance.

Many scholars in the past have investigated effects of corporate governance on financial performance for the listed firms, though only a few have considered in particular the transparency in corporate governance and its influence on financial performance of firms. Past empirical studies have shown contrasting results for example Khalid and Amjad (2012) Tarus and Omandi (2013) Jahanshad, Heidarpoor and Valizadeh (2014) and Edogbaya and Kamardin (2015); found positive and significant influence of corporate transparency disclosure on financial performance while Bushman, Piotroski and Smith (2003) Aksu and Kosedag (2006), Ozbay (2009 ,Varshney, Kaul &Vasal (2012) found a negative relationship. Again most of the studies have not focused on listed companies in East Africa securities exchanges in particular. This study therefore aims to fill this gap by focusing specifically on the four major securities: Uganda, Rwanda, Tanzania and Kenya. Moreover, most of the studies undertaken had been on corporate governance and finance. These studies had mostly used primary data and those which had used secondary data they have used multiple regression analysis while the most appropriate modelling would have been panel data approach. Therefore, the study examined the relationship between the corporate transparency disclosure and financial performances among companies listed in east Africa stock markets and in addition tested the moderating effect of firm size on this relationship.

Objectives of the Study

The current study sought to examine the influence of corporate transparency disclosure on financial performance among companies listed in East Africa securities exchange.

Specific Objective of the Study

Specifically, the study sought to:

- To examine the influence of financial transparency on financial performance in companies listed in East Africa.
- To establish the influence of risk transparency on financial performance in companies listed in East Africa.
- To establish the influence of governance transparency on financial performance in companies listed in East Africa.
- To find out the influence of social transparency on financial performance among companies listed in East Africa.
- To establish the moderating effect of firm size on the influence of corporate transparency on financial performance of companies listed in East Africa.

Hypotheses of the Study

The study tested the following hypotheses

- **Ho:** Financial transparency has no significant influence on financial performance among companies listed in East Africa securities exchanges.
- **Ho:** Risk transparency has no significant influence on financial performance among companies listed in East Africa securities exchanges.
- **Ho:** Governance transparency has no significant influence on financial performance among companies listed in East Africa securities exchanges.
- **Ho:** Social transparency has no significant influence on financial performance among companies listed in East Africa securities exchanges.
- **Ho:** Firm size has no significant moderating on the influence of corporate transparency on financial performance among companies listed in East Africa securities exchange.

Literature Review

Theoretical Review

Legitimacy Theory

The theory postulates that every organization is run and coordinated as entity whose primary purpose is to generate value for the owners. Dowling and Pfeffer (2005) argued that in case of conflicting interest between shareholders and management then financial performance will be inhibited. Moreover, the organization is anticipated to be run according to internationally accepted standards which can be attained through the adherence to corporate governance principles. There is need for all companies to report their levels of involved in community based activities (Deegan, 2002). Through this reporting the members of the public can be made to understand the contracting levels of an organization on social contracts.

In order for a profit making cooperation to survive effectively it must receive positive reception from the members of the public. Deegan (2002) found a significant relationship between survival chances and involvement in corporate social responsibilities, an organization which has positive reception from the public will increase its financial performance since there we no need of new rules to regulate operations and if introduced they will promote social contracts, fast response to social needs by listed companies whenever called upon to participate. Therefore, all companies listed in East Africa ought to continuously update their social contracts as such to promote financial performance.

Signaling Theory

Signaling hypothesis was developed to explain the relationship between two parties with different levels of information access. Past studies have shown that good corporate governance signals better firm performance (Chiang, 2005). Chiang showed that there is significant positive relationship between superior information transparency and firm performance. According to Spence (2007) there exist some levels of information asymmetry between firm management and ordinary shareholders. Company stakeholders do not have full access to all company operations details and they rely on publicly available information to make investment decisions (Ravid and Sudit, 1994).In practice companies which consistently share positive information with members of the public always attains superior performance. The theory was appropriate in the study where investors rely on the publicly available information to decide on the best investment decision to undertake.

Empirical Review

Jahanshad, Heidarpoor and Valizadeh (2014) documented the relationship between financial information transparency (FIT) and financial performance of Tehran Stock Exchange. The study covered a period of 6 years ending 2011 with 94 listed firms being analyzed. Financial transparency was assessed by comparing disclosed information against Standard and Poor's model where information was classified according to reporting standards; that is based on structure of ownership and shareholders(consisting 28 items), board structure and management (35 items) and financial transparency and information disclosure (35 items) while financial performance was assessed by multiple indicators, market to book value, Price Earnings ratio and market adjusted stock return. A significant relationship between the FIT and financial performance was revealed. Fung (2014) in a study of demand and need for transparency and disclosure in Hong Kong reveals that financial transparency is important in capturing the attention of the investors since with information they can monitors the management governance process and behavior. Fung further notes that with increased transparency, a company is able to defer embezzlement and scandals thereby fostering efficiency of the company way of allocating resources and making decisions.

Financial sector is faced by several risks and since the primary goal of all sectors in an economy is to maximize profits. Risk management is a crucial facet in the banking sectors so as to increase the chances of maximizing the shareholders wealth (Khalid and Amjad, 2012). In a comparative study on the commercial banks risk mitigation strategies between public and private Tunisian banks showed that interest rate risk was most ranked by commercial as the risk in which they are prepared to cater for while liquidity was ranked least (Salma and Rajha, 2012). Fisher and Abdo (2007) conducted an empirical study on reported corporate governance disclosure and financial performance for the firms listed in Johannesburg stock exchange. Governance disclosure scorecard was developed from the basic principle of good corporate governance, namely transparency, independence, accountability, responsibility, discipline, fairness and social responsibility. Financial performance was assessed by market to book value, average share price returns and Price Earnings ratio (PE). After selecting 9 sectors for the study of three years, the result showed supported a growing literature that governance disclosure had a positive impact on financial performance. This implies that majority of the investors in South African put much emphasis on the good corporate governance in Kenya.
Abiodun (2012) investigated the relationship of corporate social responsibility (CSR) on profitability among companies listed in Nigeria. Random sampling technique was used to select 10 companies which were listed and actively trading in 1999 to 2008. Results of the study revealed a positive and significant relationship between social responsibility and firm profitability. Although CSR enhances firm performance listed companies in Nigeria have embraced the act and there is need for sensitization on use of CSR as medium for improving firm performance. Mujahid and Abdallah (2014) examined the influence of CSR on firm performance and shareholders wealth. A comparative analysis was carried out between 10 firms which are complaint in relation to CSR and non-complaints. Firm performance was operationalized as return on equity, return on assets. There was a positive and significant relationship between CSR and FP, ROA and shareholders wealth.

A study conducted Dogan (2013) to examine whether there exists a relationship between firm size and firm performance as indicated by profitability on the companies listed in Istanbul Stock Exchange (ISE). The study covered a period of four years and a total of 200 active companies were investigated from the online data that was available on the ISE. Profitability of the firm was assessed by use of Return on Asset (ROA) while the total sales, Total assets and the number of employees measured the size of the firm. Dogan using multiple regression and correlation analysis found that there exists a direct relationship between firms' indicators of size and profitability.
Al-Matari, Al-Swidi, Fadzil and Al-Matari (2012) when studying the effect of board characteristics on firm performance from 136 non-financial listed companies in Kuwaiti Stock Market held firm size as control variable. This study adopted correlation research design approach. Secondary data from the annual reports of year 2009 were analysed using multiple regressions. The result of the study revealed firm size to have insignificant, but a direct relationship effect on ROA which assessed the firm performance supporting findings from Lehn *et al*. (2003) who contended that firm size has a positive relationship on growth opportunities which has effects on firm performance. In another study done on companies listed on the Tehran Stock Exchange (TSE) on the relationship between ownership structure and firm performance (Talebnia, Salehi, Valipour and Shafiee, 2010) controlled firm size as variable. The logarithm of the total sales measured the size of the company while firm performance was measured using Tobin q. After carrying out a random sample and applying correlation and multiple regression analysis, results indicated size of firm does not have an effect on Tobin q. However, Talebnia *et al.* stated that the only companies to be selected in the analysis should be only those companies with a profit disregarding those with zero or loss which are also possible performance for the firm. Instead Talebnia *et al*. should have included them and checked the impact of the firm performance.

Conceptual Framework

A conceptual framework is the diagrammatic presentation of variables, showing the relationship between the independent variable and dependent variables. In this study, the independent variables will be; financial transparency, risk transparency,

governance transparency and social transparency. The study seeks to study how these independent variables influences financial performance among companies listed in East Africa. The relationship between the independent variables and dependent variable is presented schematically in the conceptual framework in Figure 2.1.

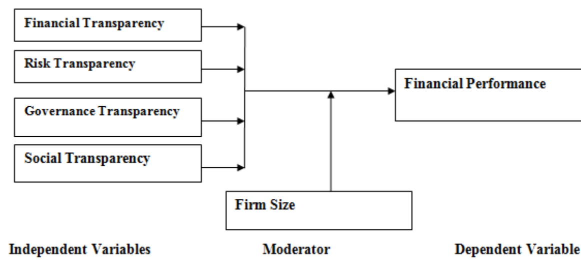

Figure 2.1. Conceptual Framework

RESEARCH METHODOLOGY

Research Design

Correlation research design will be adopted in the study. According to Oso and Onen (2009) correlation design is more fit whenever the study seeks to explore causal effect between study variables. Currently the study explored the moderating effect of firm size on the influence of corporate transparency on financial performance of listed companies in East Africa.

Sample Size

Although, there are alternative sampling approaches; Kothari (2011) categorized sampling approaches into probabilistic and non probabilistic. Through probabilistic approach all individuals have an equal chance of being considered while in non probabilistic approach there are clearly subjective procedures to be followed when selecting a respondent (Kothari, 2011; Oso and Onen, 2009). Currently, all companies which were listed for all years between 2006 to 2015 in which 51 hailed from Nairobi securities exchange, 16 from Uganda securities exchange, 7 from Rwanda securities exchange and 24 from Daresaalam securities.

Data Processing and Analysis

The regression model used in the analysis will be as follows:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \alpha_1 X_{1it}F_{it} + \alpha_2 X_{2it}F_{it} + \alpha_3 X_{3it}F_{it} + \alpha_4 X_{4it}F_{it} + \varepsilon_{it} \quad (1)$$

Where; Y_{it} represent financial performance
X_{1it} represent financial transparency for firm i in period t
X_{2it} represent Risk transparency for firm i in period t
X_{3it} represent Governance transparency for firm i in period t
X_{4it} represent Social transparency for firm i in period t
F_{it} represent firm size for firm i in period t
$X_{it}F_{it}$ represent interaction between respective independent variable with Firm size for firm i in period t

RESULTS AND DISCUSSION

Correlation Analysis

Pair wise correlation was carried to identify the strength of the relationship between variables.

There was a positive and significant relationship between financial transparency and financial performance (rho= 0.402, p value <0.05). Secondly, there was a positive and significant relationship between risk transparency and financial performance (rho= 0.249, p value <0.05). Thirdly, there was a positive and significant relationship between governance transparency and financial performance (rho = 0.402, p value <0.05). Further, there was a positive and significant relationship between social transparency and financial performance (rho = 0.714, p value <0.05).

Table 4.1 Correlation Analysis

	FP	FT	RT	GT	ST	FS
FP	1					
FT	.402**	1				
RT	.249**	.623**	1			
GT	.402**	.407**	.371**	1		
ST	.714**	.175**	.106**	.256**	1	
FS	-.223**	0.048	-0.044	0.015	-.16**	1

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

There was an inverse and significant relationship between firm size and financial performance (rho= -0.223, p value <0.05).

Panel Diagnostic Tests

Test for the auto correlation was tested by use of Durbin-Watson statistics. As shown in Table 4.2, F statistics was (F= 54.219, p value > 0.05). Serial autocorrelation test was not significant and it signified absence of first order autocorrelation. Consistent with the early studies of Ntim *et al.*, (2012) and Mathuva (2016), serial correlation was found not to pose problem. Further heteroscedasticity test was done by use Breusch-Pagan-Godfrey (Chi) test. According to Gujarati and Porter (2009) a good regression model should not have heteroscedasticity. Results of the study had a chi square of 2.228 and p value > 0.05. Since the p value was greater than 0.05 and not significant thus we did not reject the null hypotheses and concluded that heteroscedasticity was not present. To see if time fixed effects are needed when running a FE model used F Limers. It is a joint test to see if the dummies for all years are equal to 0, if they are then no time fixed effects are needed. Results of the study revealed that there was no need to introduce dummy variables or use two analysis since the p value was greater than 0.05.

Table 4.2 Panel Diagnostic Tests

Breusch –Pagan LM Test	χ^2-value	p-value
	220.05	0.000
Test Results for Time Fixed Effects	F-value	p-value
	0.581	0.612
Heteroskedasticity test	χ^2-value	p-value
	2.528	0.075
Serial correlation	F-value	p-value
	4.219	0.064

Hausman Test

Hausman Test results in Table 4.3, since the p value was less than 0.05 the most appropriate model to fit was fixed effect.

Granger Causality Test

As shown in Table 4.4 the study revealed that most of the p values of the lagged corporate disclosure against financial performance were greater than 0.05 level of significance implying that corporate transparency does not granger cause

Table 4.3. Hausman Test

Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
		77.003	9	0.000
Variable	Fixed	Random	Variable (Diff.)	Prob.
FT	0.169	0.181	0.001	0.606
RT	0.000	-0.004	0.000	0.708
GT	0.121	0.112	0.001	0.706
ST	0.279	0.265	0.001	0.551
FS	-0.009	-0.007	0.000	0.438
FT*Fs	0.000	-0.001	0.000	0.664
RT*FS	-0.002	-0.002	0.000	0.513
GT*FS	-0.004	-0.002	0.000	0.490
ST*FS	-0.003	0.001	0.000	0.025

financial performance is not rejected. Moreover, the approach was appropriate to examine whether one time can be used to forecast another period time series. Although, the study revealed that a single component of corporate transparency does not granger cause financial performance a mixture of corporate transparency granger causes financial performance. Thus, the reason for unidirectional and directional causality though the results the nature of the relationship between variables was not disclosed.

Regression Analysis

The main objective of the study sought to examine the moderating effect of firm size on the relationship between corporate transparency and financial performance of listed companies in East Africa. The coefficient of determination was 0.772, which showed that 77.2% of the variation in financial performance was accounted for by corporate governance transparency, firm size and moderated corporate governance transparency. The trio had joint significant contribution since an F-statistics was 27.061 and a p value of 0.000. The first hypothesis of the study stated that financial transparency has no significant influence on financial performance of listed companies in East Africa securities exchange. Results of the study revealed that there was a positive and not significant influence between financial transparency and financial performance of listed companies in East Africa. These findings conflicted Tarus and Omandi (2013) who reported positive and significant relationship between financial transparency and financial performance of listed companies in NSE. Also they differed with Edogabaya and Kamardin (2015) who also reported positive and significant relationship between financial transparency and financial performance in Nigeria securities exchange. The second hypothesis stated that risk transparency has no significant influence on financial performance on listed companies in East Africa securities exchange. Results of the study revealed positive and non significant relationship between risk transparency and financial performance of companies listed in East Africa securities exchanges.

The findings were in contrast of Iatridis (2008) who purported that UK based companies disclosed their levels of risk exposure to improve their corporate image positively. Further, disclosure of risky information serves to bridge the knowledge and information gap between the principal and agent. Verrechia (2001) noted that since investors usually use the cost of equity to discount their expected earnings, then risk transparency would help them to lower cost of capital and by so doing firms' performance will be enhanced.

Investors also need to understand the risk, especially be able to distinguish those that are “unintended or unanticipated” and those that are “consciously borne.” To enable this full disclosure of details related to risk need to be emphasized so that investors are able to make rightful decisions. The third hypothesis stated that governance transparency had no significant influence on financial performance of companies listed in East Africa securities exchange. Results of the study revealed positive and non significant relationship between governance transparency and financial transparency of listed companies in East Africa. These results were in agreement with Aksu and Kosedag (2006) contrasted these findings where a significant negative relationship was established amongst Turkey firms. This could have been caused by the choice of sample which included companies that have not been listed. Bearing in mind that those companies that are not listed are not compelled to disclosure their governance and also most companies are run by families whose management skills can be put into questions. In contrast in India, Varshney *et al*., (2012) support the findings after constructing a corporate governance index that includes external and internal mechanisms against economic added value. It worth noting that issue of corporate governance keeps on emerging now and then and therefore continued study over time will help reveal its dynamics. As per the highlighted studies most scholars seem to agree on the same findings even after assessing financial performance with varying indicators. In East African need for good corporate governance cannot be dispensed now that they are opening up to investors to other region who are willing and able to invest their funds in companies listed on these markets.

The fourth hypotheses of the study stated that social transparency has no significant influence on financial performance of listed companies in East Africa securities exchange. Results of the study revealed a positive and significant relationship between social transparency and financial performance of listed companies in East Africa securities exchanges. These results were in support of signaling hypothesis since an involvement in corporate social responsibility signifies that the corporation has made more resources more so the events can be used as advertising and promotion avenues through which corporation can reach to wider clientele.

According to signaling theory consistent sharing of information with the investors and member of the public will be followed by superior performance and especially where investor relies on public information (Ravid and Sudit, 1994). MolenKamp (2005) in a survey by KPMG found that social transparency was a show of innovativeness and customized way in which stakeholders enjoy benefits for a long term. This is due to the increase in esteem created by the shared reports which further gives company a competitive advantage over the rest thus increasing their performance. Results of the study indicated an inverse and non-significant relationship between firm size and financial performance of listed companies in East Africa (β = -0.009, p value>0.05). A close scrutiny of the firm size moderating effect revealed that it had no significant moderating effect on financial transparency, risk transparency, social transparency and governance transparency. Moreover, apart from the financial transparency firm size changed the nature of the relationship between social, risk and governance transparency changed from positive to negative signifying negative moderating effect though it was not significant. Though there are few studies on moderating effect of firm size on financial performance, present study supports an

Table 4.4. Granger Causality Test

Null Hypothesis:	F-Statistic	Prob.	Conclusion
FT does not Granger Cause FP	3.788	0.052	Directional causality running from FT to FP
FP does not Granger Cause FT	4.358	0.037	
RT does not Granger Cause FP	4.319	0.038	Un-directional causality from RT to FP
FP does not Granger Cause RT	0.171	0.679	
GT does not Granger Cause FP	1.420	0.234	Un-directional causality from FP to GT
FP does not Granger Cause GT	6.988	0.008	
ST does not Granger Cause FP	0.815	0.367	Un-directional causality from FP to ST
FP does not Granger Cause ST	28.551	0.000	
FS does not Granger Cause FP	4.158	0.042	Directional causality running from FS to FP
FP does not Granger Cause FS	3.763	0.053	
RT does not Granger Cause FT	0.111	0.739	
FT does not Granger Cause RT	2.322	0.128	
GT does not Granger Cause FT	0.554	0.457	
FT does not Granger Cause GT	0.371	0.543	
ST does not Granger Cause FT	1.062	0.303	
FT does not Granger Cause ST	0.065	0.799	
FS does not Granger Cause FT	2.978	0.085	
FT does not Granger Cause FS	3.599	0.058	
GT does not Granger Cause RT	0.301	0.583	
RT does not Granger Cause GT	0.029	0.865	
ST does not Granger Cause RT	0.000	0.985	No Causality
RT does not Granger Cause ST	1.634	0.202	
FS does not Granger Cause RT	0.805	0.370	
RT does not Granger Cause FS	6.482	0.011	Directional causality from RT to FS
ST does not Granger Cause GT	3.185	0.075	
GT does not Granger Cause ST	0.592	0.442	
FS does not Granger Cause GT	1.802	0.180	No Causality
GT does not Granger Cause FS	1.412	0.235	
FS does not Granger Cause ST	5.465	0.020	
ST does not Granger Cause FS	0.236	0.627	

Table 4.5. Firm Size Moderating Effect

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.048	0.066	-0.738	0.461
Financial Transparency (FT)	0.169	0.097	1.740	0.082
Risk Transparency (RT)	0.001	0.088	0.003	0.997
Governance Transparency (GT)	0.121	0.082	1.478	0.140
Social Transparency (ST)	0.279	0.059	4.750	0.000
Firm Size (FS)	-0.009	0.006	-1.512	0.131
FT*FS	0.001	0.008	0.010	0.992
RT*FS	-0.002	0.007	-0.332	0.740
GT*FS	-0.004	0.007	-0.510	0.611
ST*FS	-0.003	0.005	-0.628	0.530
R-squared	0.772	Mean dependent variable		0.099
Adjusted R-squared	0.743	S.D. dependent variable		0.127
S.E. of regression	0.064	Akaike info criterion		-2.542
Sum squared residuals	2.688	Schwarz criterion		-2.026
Log likelihood	1009.715	Hannan-Quinn criterion.		-2.343
F-statistic	27.061	Durbin-Watson stat		1.660
Prob(F-statistic)	0.000			

insignificant moderating effect unlike Dogan (2013) research in Instabul stock exchange which found that direct relationship between firm size indicators and profitability. Dogan study has been echoed by Al-Matari *et al*., (2012) whose Kuwait Market financial performance responded to firm size positively even though the relationship was insignificant.

Lee (2009) study of firm profitability as influenced by firm size realized that the relationship was not linear contending to US firms study by Pervan and Visic (2012) which established a weak positive non-linear relationship. Conversely, other studies (Ammar *et al*., 2003; Amato and Burson, 2007) have demonstrated inverse relationship between firm size and profitability measures. This could be explained by researcher's selection of most companies that offer services which have a small asset base in their dealing unlike those firms those assets intensive and those that call for huge investment in capital. In a study that controlled firm size to study ownership structure and firm performance found that size of the firm did not have a significant effect on Tobin Q as a measure of firm performance.

FP =-0.048 + 0.169*FT +0.001*RT +0.121*GT+0.279*ST-0.009*FS+ 0.001* FT*FS-0.002* RT*FS-0.004* GT*FS-0.003* ST*FS (2)

Conclusion and Recommendation

Based on the study findings it is worth concluding that corporate transparency has effect on financial performance of firms listed at EASE, though the effect has different magnitude depending on the type of transparency. Moreover, the results support signaling hypotheses and legitimacy theory. The huge effects of financial transparency, risk transparency, social transparency and governance transparency could signify tremendous trends and development in the adoption of IFRS within EASE though all the countries were formally colonized by British hence they had high chances of adopting IFRS. By virtue of adopting IFRS there are better chances of attracting foreign direct investment which would improve the level of capital and economic development. Although, there was no significant relationship between financial transparency and financial performance of companies listed in East Africa

securities exchange. Since there was a positive and significant relationship there is need for listed companies to disclosure information on investment policy, financing policy and financial liquidity to enhance performance of listed companies. There is need for listed companies to embrace disclosure on operational risk exposure, market risk exposure and liquidity risk exposure. Moreover, through risk exposure investor's confidence will be boosted and will minimize agency costs associated with monitoring board operations. There is need for listed companies to disclose information on board ownership, compensation, academic profiles, tenure in the company, multiple directorship and committees they serve in different companies. This will minimize information asymmetry and ultimately improve management on monitoring costs. Through this approach shareholders will perceive their wealth protected and ultimately will act as a yard stick for superior performance. Although, participation on corporate social responsibility is voluntary there is need for listed companies to amplify their participation in social activities since this can create a coherent marketing plat form and team work environment. Moreover, any participation beyond normal lines of business may create an avenue to understand community and customers needs and consequently develop customized products. Finally, there was an inverse relationship between firm size and financial performance. This calls for evaluation of the company's asset base as such to minimize asset increase opportunity cost which may hamper firm's profitability. Although, firm size had inverse moderating effect on facets of corporate transparency it can be concluded an increase in firm size altered the level of corporate disclosure, this may impede the going concern of a corporation more so when investors perceive large firms to register inferior performance.

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