



**Capital Markets Corporate Governance Survey of Small and Medium Enterprises (SMEs) in
Kenya**

(An assessment of level of corporate governance in SMEs)

Survey Report

April 2020

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Executive summary

Statistics by the Ministry of Trade, Industry and Co-operatives indicate that SMEs in Kenya employ more than 80% of the working population and therefore play a central role in the country's economic and growth strategies. Thus, efforts to make SMEs more competitive can help the country achieve its development objectives by creating more jobs, strengthening sectors and developing business models that work. It is envisaged that SME competitiveness could be improved by way of adopting good corporate governance practices which assures of sound management and strategic practices that will steer the SMEs growth through competitive advantages that are gained by eliminating bad management practices that lead to losses and imminent failure.

In this regard, in 2016, the Capital Markets Authority launched a Code of Corporate Governance (CG) Practices for Issuers of Securities to the Public that listed companies comply with as part of their reporting obligations. In 23rd October 2019, the Authority published a corporate governance report aiming to raise visibility of the state of corporate governance of issuers of securities to the public in Kenya in order to empower investors and respective boards to encourage continuous improvement in corporate governance practices. However, adoption of these corporate governance practices has proved to be challenging especially to the SME for various reasons which may include the fear of unknown, perceived or real costs incurred in the adoption of the practices amongst others. To unravel the myth, the Capital Markets Authority in collaboration with the Kenya National Bureau of Statistics conducted survey research aimed at understanding challenges being faced by SME's as potential issuers in implementation of corporate governance framework and the status of corporate governance adoption within SME industry.

The data was gathered through a questionnaire with open and closed ended questions that was administered with the assistance of the Kenya National Bureau of Statistics. The survey findings indicate that 77.0 per cent of the establishments that responded had over Ksh.10 million annual turnover and over 63% have been making profits in the last three years, a condition that makes them viable for listing at the Nairobi Securities Exchange (NSE). The survey also established that

38% of the respondents were not aware of corporate governance requirements and 28% indicated that was expensive to implement corporate governance practices in their enterprises. The survey revealed that 23% of the respondents were not interested in listing due to the fact that they were not willing to cede ownership of their businesses.

The study recommends the need for further engaging SME's on the benefits of listing and on why corporate governance is necessary for success of their businesses. The study also recommends that the Authority should relook at the costs associated with the implementation of corporate governance framework within the SME's industry with a view to make them more affordable.

1.0 Background

1.1 Introduction

The Kenyan financial market offers a wide range of platforms through which Small and Medium Enterprises (SMEs) can source for funds to finance their operations. The capital market is one of the avenues that SMEs can use to raise capital. A company however required to adhere to certain set rules and regulations including good corporate governance (CG) practices which are set by the Capital Market Authority (CMA). The code of corporate governance for issuers of securities to the public, 2015 and the corporate governance for market intermediaries, 2011 are some of the regulations that CMA has developed. These regulations require listed companies, companies intending to offer securities to the public and market intermediary to comply with corporate governance practices prescribed by CMA.

To assess and inform the capability of SMEs to comply with the standard corporate governance practices, a research survey was deemed as necessary. The findings would inform the changes and possible separate corporate governance practices for SMEs that would allow them to easily qualify to access finance through the capital market.

CMA has embarked on a process of coming up with corporate governance practices for SMEs. In collaboration with Kenya National Bureau of Statistics (KNBS), CMA carried out a survey to

establish the ability of SMEs as potential issuers in future through listing as a capital raising and growth strategy.

The challenge for SMEs is that established corporate governance frameworks around the world have been developed with large issuers primarily in mind. This was the case for the development of the CG Code gazetted in 2017. As such the CG Code may not reflect the characteristics of the SME, where owners may often be its managers as well, or where company ownership may be shared across family members.

It is worth mentioning that corporate governance is relevant to companies of all sizes, but frameworks applied are likely to vary from one company another e.g. big companies versus SMEs in this context. Corporate governance in large companies is associated with the agent-principal issue: managers are agents for the shareholders (the principals and owners). In family-owned businesses and SMEs in general, the agent-principal issue is less likely to arise, or less likely to be so significant.

1.2 Objectives

The objective of corporate Governance Survey on Small and Medium Enterprises was to collect information from SMEs, as potential issuers through listing as a capital raising and growth strategy, on their level of corporate governance, challenges they are experiencing in the implementation of the corporate governance practices and their views on corporate governance matters.

1.3 Outline of the report

The rest of the report is organized as follows: Chapter two presents the survey methods and techniques, and Chapter three presents survey findings.

2.0 Survey methods and techniques

2.1 Methodology

Definition of SME: The survey considered small enterprises as firms with 10-49 employees and medium enterprises have 50 or more employees. Information on firm size using these categories, and for SMEs with 9 or less employees, was collected to enable classification and differentiation of the enterprises.

Sampling: This survey was establishment based and targeted 200 SMEs drawn from six main categories which consisted firms with potential to list at NSE, namely; KPMG top 100, NSE IBUKA firms from CMA, Companies under LSE, accelerator incubator, EAVCA and KAM. The targeted respondent were CEOs and managers in SMEs.

2.2 Legal, regulatory and institutional framework

This study was conducted by CMA in collaboration with the KNBS. KNBS is mandated and empowered by the statistics act, 2006 to collect, analyze and disseminate statistical information, as well as coordinate the National Statistical System (NSS).

2.3 Instrument design

This study employed face to face interviewing technique where a structured questionnaire was administered to the respondent. Follow up calls, site visits and emails were done to the respondents who required further information. The questionnaire was designed by KNBS and CMA and administered by KNBS.

The questionnaire consists of five parts:

- I. General information of the establishment
- II. Status of corporate governance
- III. Challenges experienced in implementing governance framework
- IV. An assessment of the establishment's listing prospects

The questionnaire sufficiently captured all the data elements that are required to achieve the study objectives.

2.4 Identification and training of field personnel

Survey personnel were drawn from KNBS, they included 10 research assistants drawn from KNBS pool of research assistants. The training was conducted on February 28th 2020 at CMA offices and conducted by the two institutions. There was also a set of supervisors and coordinators who ensured that the data collection met the universally accepted standards.

2.5 Data collection

The establishments selected fell in Nairobi City county and Mombasa county. The survey achieved a response rate of 52.0 per cent from the targeted 200 SMEs. Data collection started on 3rd March 22, 2020 for a period of 11 days.

2.6 Data Analysis techniques

The responses were captured and analyzed using the Statistical Package for Social Sciences (SPSS).

3.0 Survey Findings

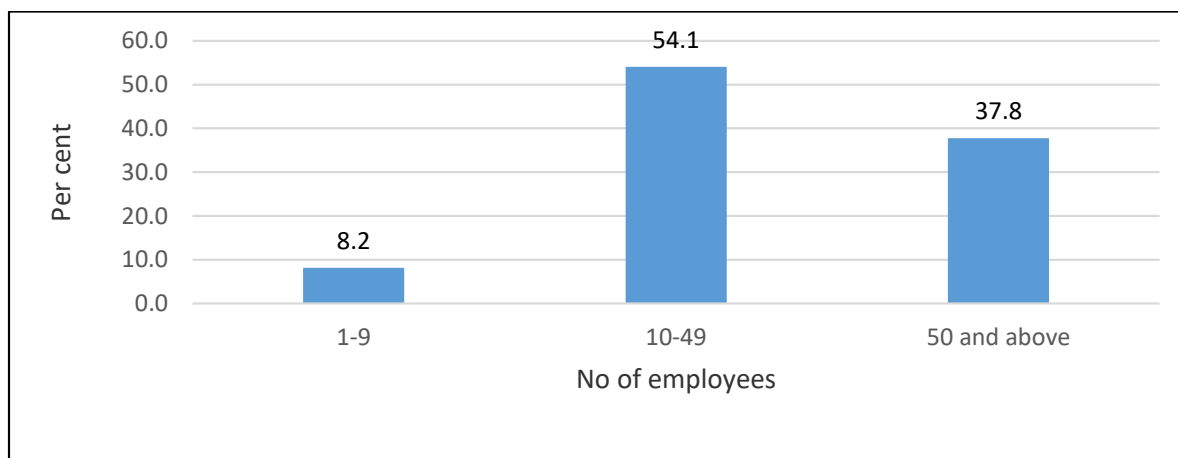
3.1 General information of SMEs

This section presents the profile/general characteristics of SMEs that responded to the survey.

Size of Respondent SMEs

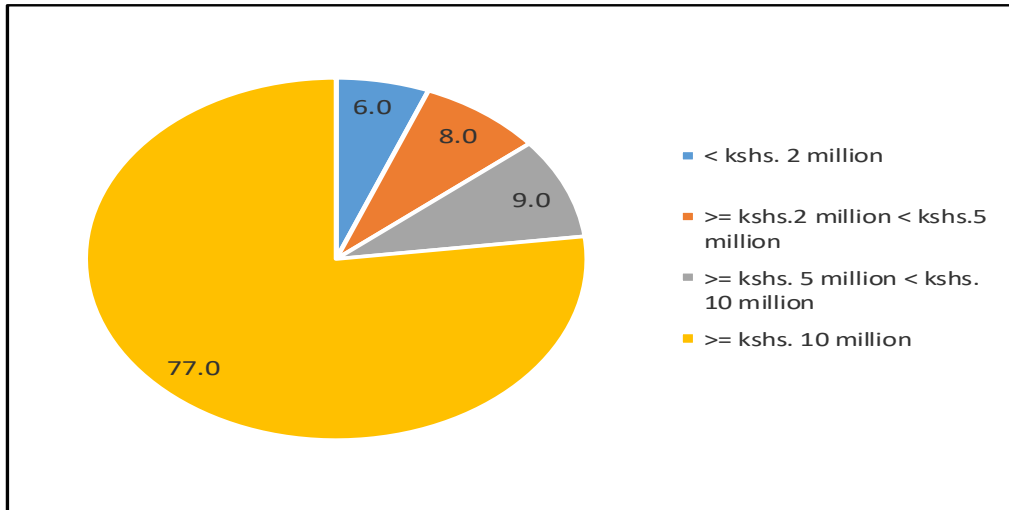
Figure 1 shows that majority (54.1%) of the establishments indicated that the number of employees as at 30th June 2019 was between 10 – 49. This was followed by firms with more than 50 employees at 37.8 per cent and 8.2 per cent were micro enterprises with between 1-9 employees.

Figure 1: Proportion of SMEs by number of employees



The survey findings indicate that 77.0 per cent of the establishments that responded had over KSh 10 million annual turnover while 6.0 per cent had less than KSh 2 million annual turnover in 2019. Establishments with less than KSh 10 million annual turnover but greater or an amount equal to KSh 2 million annual turnover accounted for 17 per cent of the establishments that responded.

Figure 2: Proportions of SMEs by current annual turnover

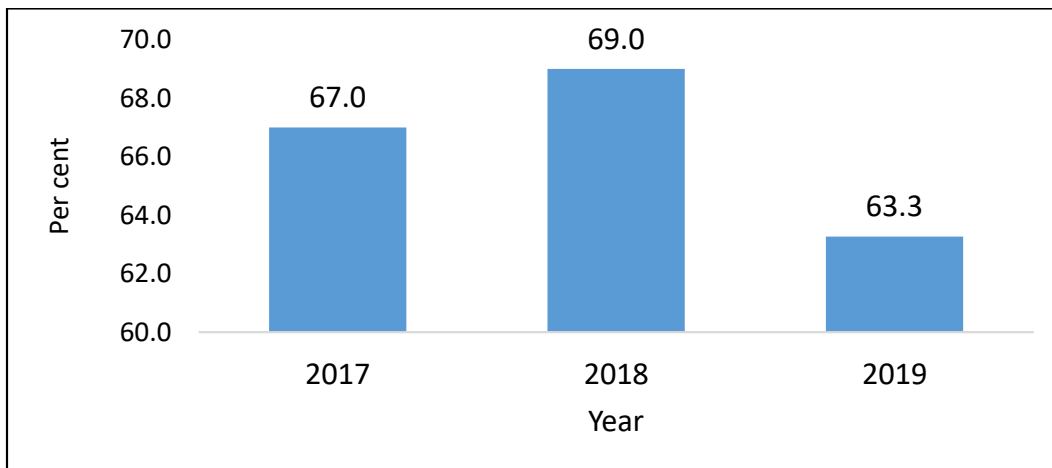


Source: KNBS

Profitability of Respondent SMEs

Figure 3 shows proportions of firms that recorded profits in the years 2017, 2018 and 2019. In 2017 67.0 per cent of the firms that responded to the interview questions indicated that they recorded profits. The proportion of profitable firms increased to 69.0 per cent in 2018 and then declined to 63.3 per cent in 2019.

Figure 3: Proportion of Profitable SMEs in 2017, 2018 and 2019

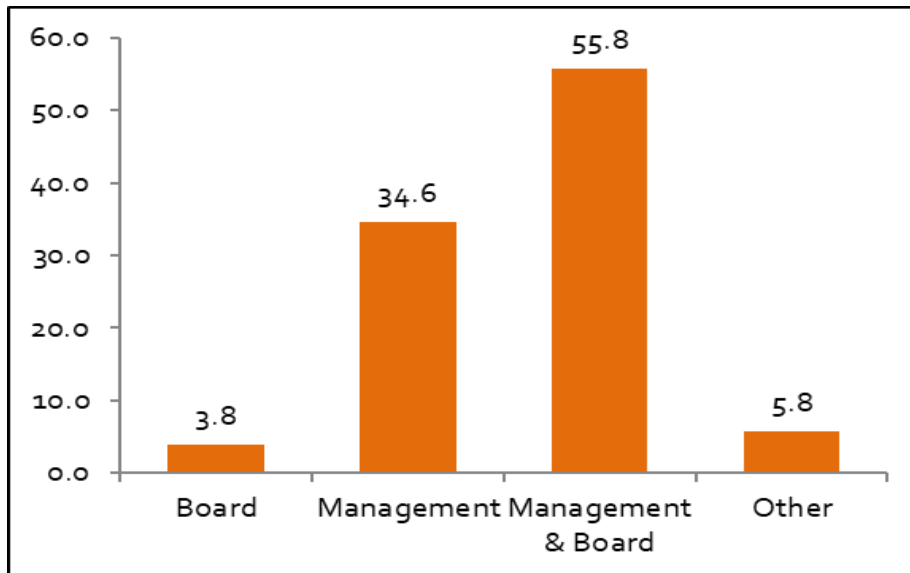


3.2 Status of corporate governance in SMEs

3.2.1 Current governance framework

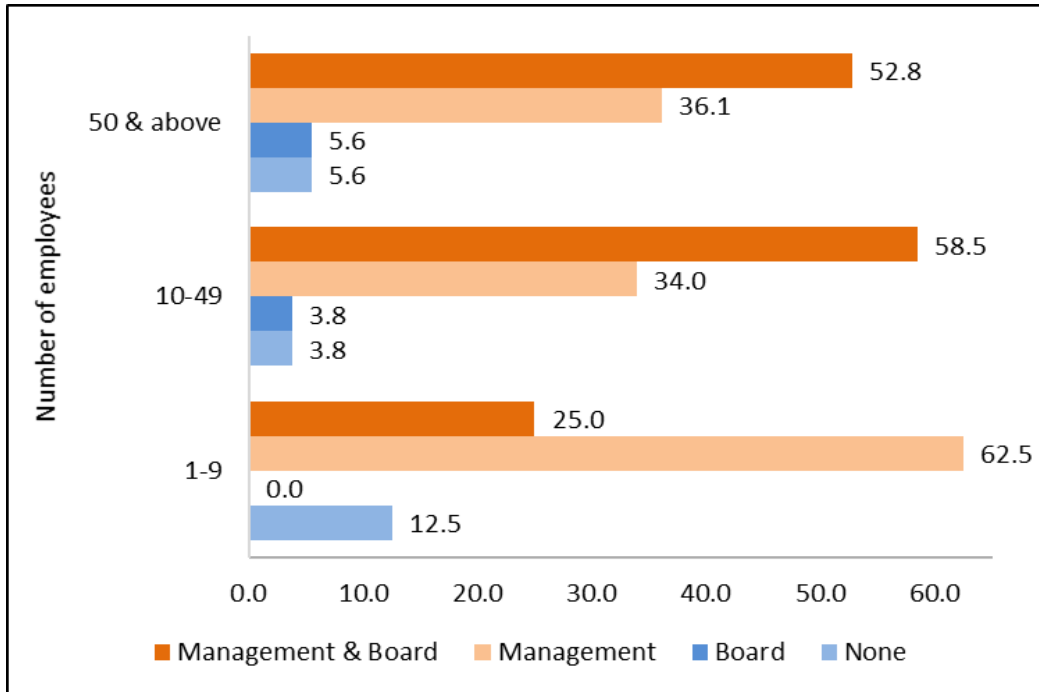
Corporate governance is broadly defined as the structures and processes by which companies are directed and controlled. It focuses on the interaction among three key decision-making institutions: shareholders, a board, and management. The survey sought to establish the corporate governance structures that exist in SMEs. Results indicate that 55.8 per cent of SMEs had both board¹ and management and 34.6 per cent had management only as shown in Figure 4. Among SMEs that reported both board and management types of governance, in 60.2 per cent there was separation of roles between the board and management. Results further indicate that SMEs that are larger have management and board corporate governance structures (Fig 5).

Figure 4: Types of corporate governance in SMEs



¹ Throughout the report, this refers to a board or an equivalent setup that performs similar functions.

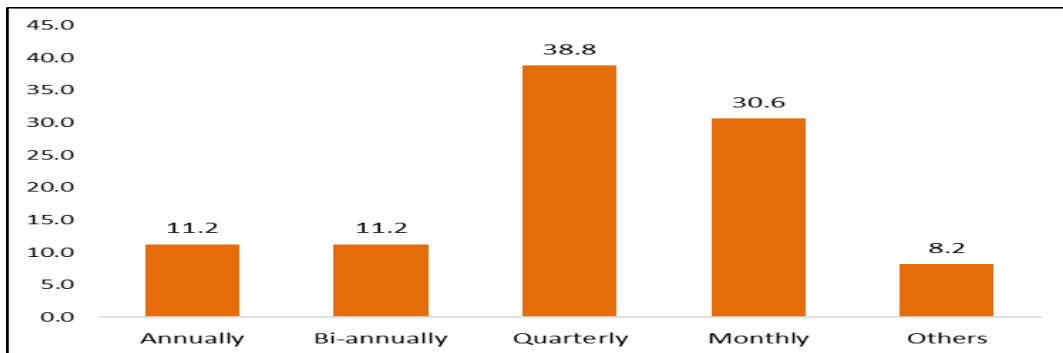
Figure 5: Types of corporate governance and SME size



Frequency of board meetings

The frequency of board meetings often indicates the adequacy of checks on decisions of management, and review of strategic decisions for an institution. The survey found that most boards meet on a quarterly or monthly basis at 38.8 per cent and 30.6 per cent, respectively as shown in Figure 6.

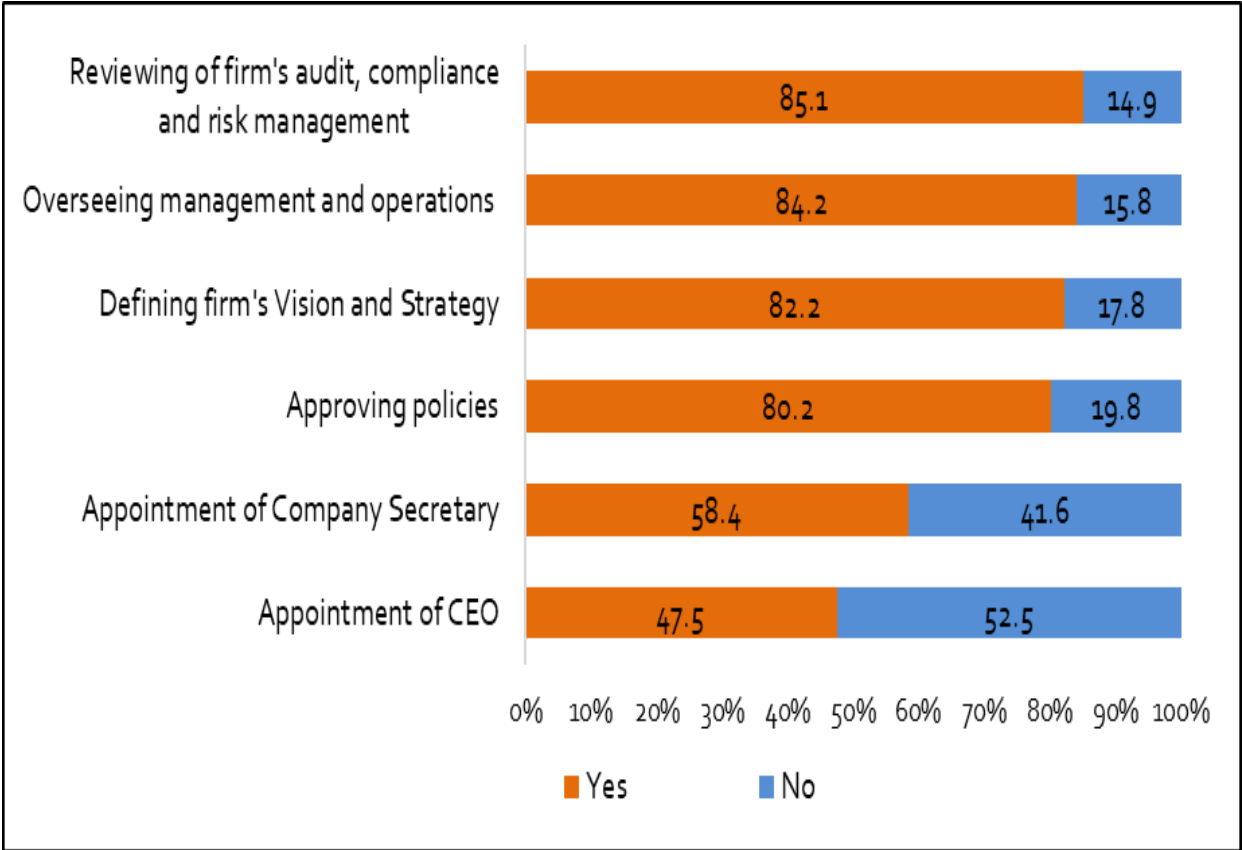
Figure 6: Frequency of board meetings



Functions performed by boards of SMEs

The survey sought to establish the functions conducted by boards of SMEs. The board performs various functions that are critical to success of an enterprise. In more than 80.0 per cent SMEs that responded, the board or defines the firm's Vision and Strategy, oversees management and operations of the firm, approves policies and reviews the firm's audit, compliance and risk management. Notably, the results indicate a minimized role of in appointment of key personnel whereby only 58.4 per cent and 47.5 per cent of SMEs boards appoint company secretary and the CEO, respectively.

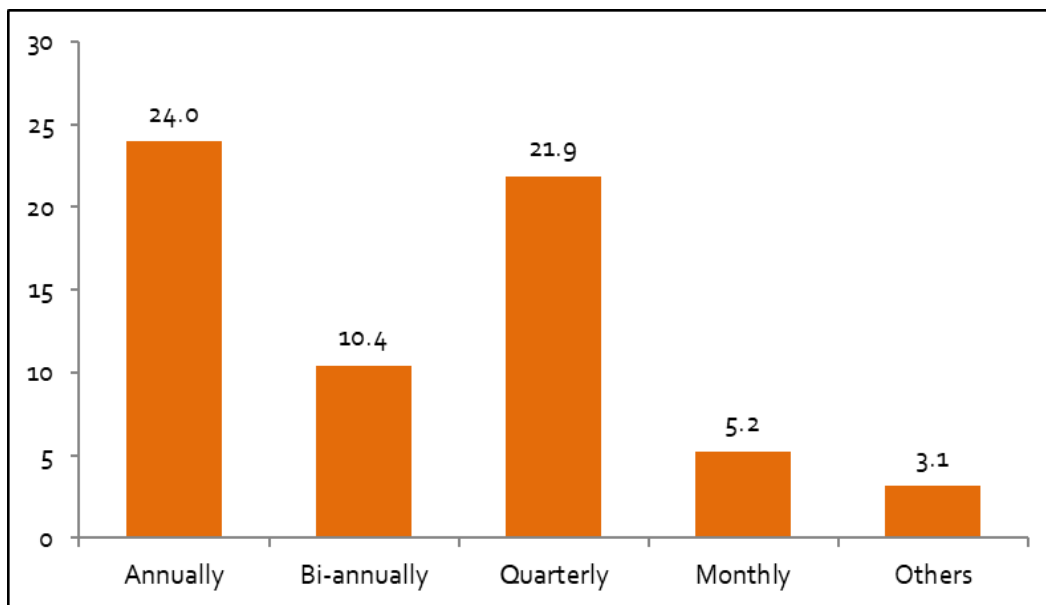
Figure 8: Governance policies and practices used by SMEs



Induction and training of boards

The survey sought to establish if SMEs conduct induction and regular training for board members. 61.4 per cent of the firms interviewed give induction and regular training. Most firms do induction and training on an annual or quarterly basis with 24.0 per cent and 21.9 per cent respectively. 10.4 per cent do induction and training on a bi-annual basis while 5.2 per cent do induction and training on a monthly basis. 3.1 per cent do induction and training when need necessary e.g. when a new member is appointed.

Figure 7: Induction and training



3.2.2 Corporate governance policies, practices and compliance procedures

Corporate governance policies and practices

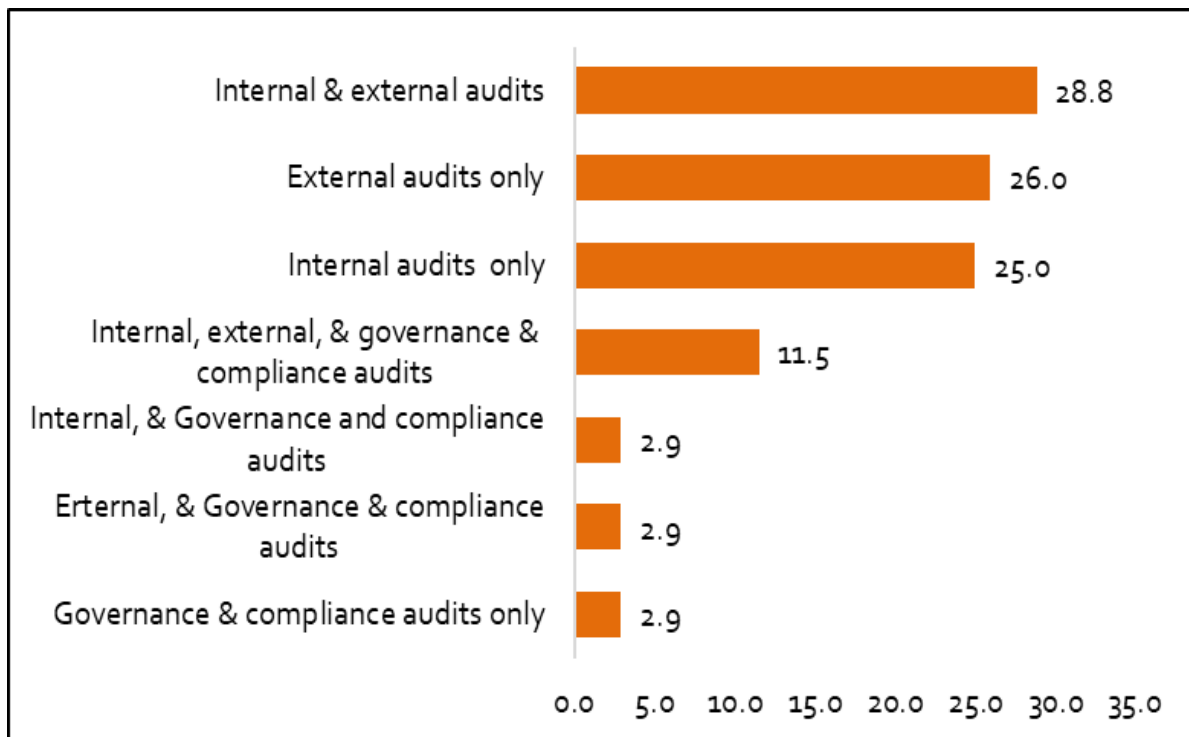
More than 80.0 per cent had governance policies in place for code of ethics and conduct and risk management. 64.4 per cent had governance policies in place for conflict of interest. Less than 50.0 per cent had governance policies in place for appointment and remuneration of chairman and board members and board charter.

3.2.3 Monitoring corporate governance practices

Compliance procedures

Effective corporate requires that a firm has policies and procedures that ensure compliance. These include internal and external audits, and governance and compliance procedures and audits. Lack of these increases errors and minimize risks to an enterprise. The survey sought to establish how small and Medium Enterprises (SMEs) comply with corporate governance laws and regulations. To ensure compliance to corporate laws and regulations 25.0 percent and 26.0 percent of the firms use internal and external audits respectively. 28.8 per cent use both internal and external audits while 11.5 per cent use internal, external and governance and compliance audits.

Figure 8: Compliance to corporate governance laws and regulations

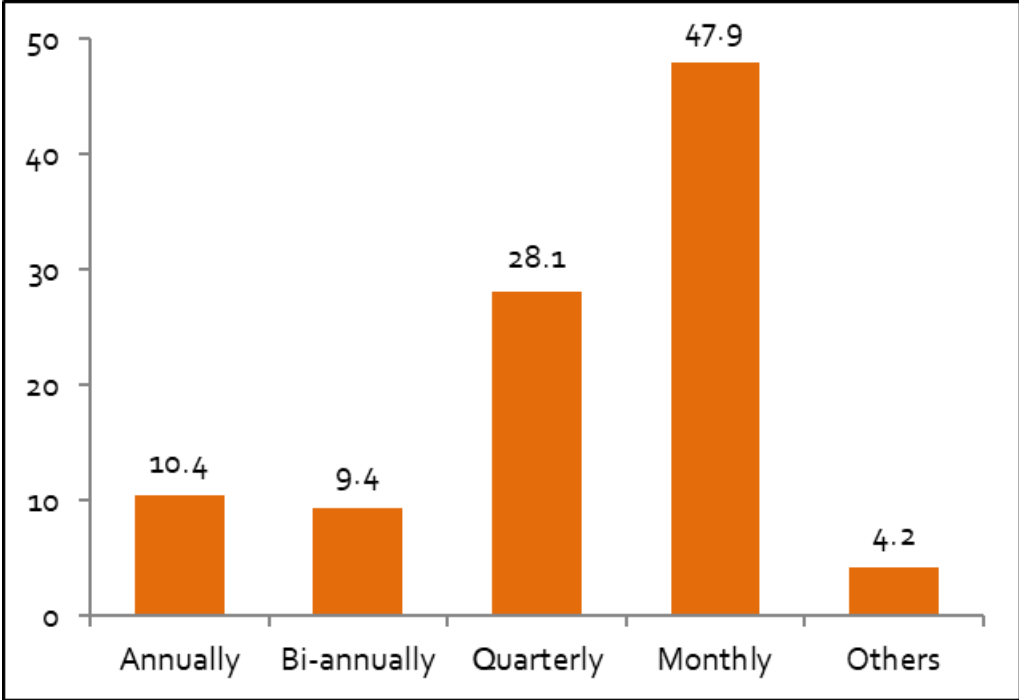


Frequency of monitoring internal control and risk management

The survey findings indicate that 94.2 per cent of the firms do monitor internal control mechanisms and risk management framework continuously. Of these firms, most firms monitor

on a monthly or quarterly basis at 47.9 per cent and 28.1 per cent, respectively. Other monitor on an annual or bi-annual basis as shown in Figure 9.

Figure 9: Frequency of monitoring internal controls and risk management



3.2.4 Financial reporting, and communication with stakeholders and planning

Annual Financial Statements

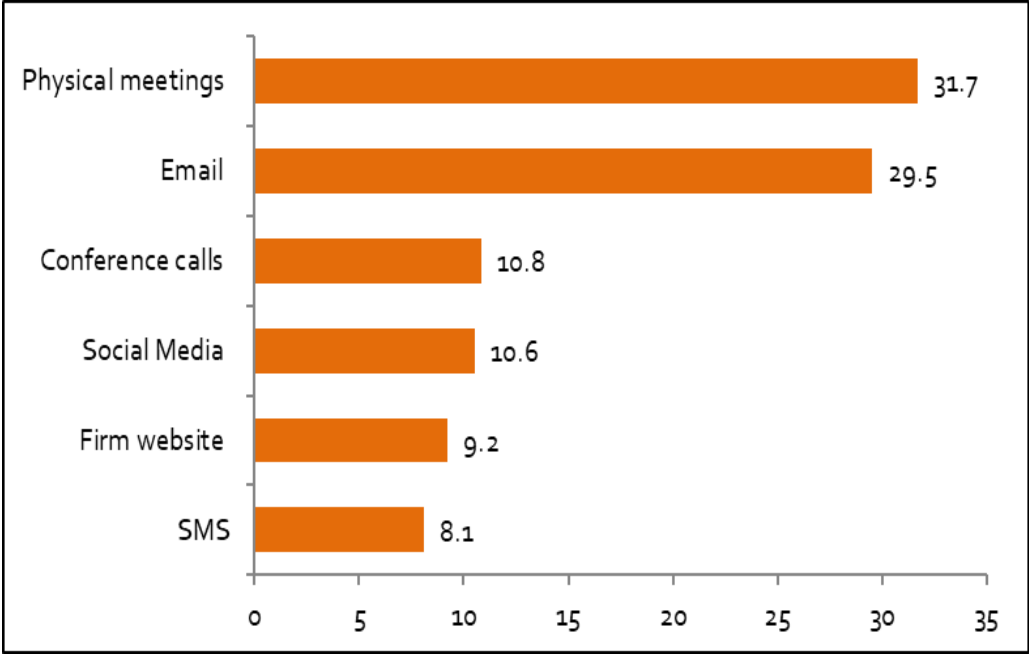
The survey sought to establish if Small and Medium Enterprises (SMEs) prepared annual financial statements. All firms interviewed prepare annual financial statements with 96.2 per cent being audited by external auditors.

Communication between shareholders and stakeholders

The survey sought to establish the channels of communication in Small and Medium Enterprises (SMEs). The main ways of communicating between shareholders and stakeholders was through physical meetings and emails at 31.7 per cent and 29.5 per cent, respectively. 10.8 percent communicated through conference calls while 10.6 percent communicated through social

media. Fewer firms communicated through SMS and the firms' website 8.1 percent and 9.2 percent respectively.

Figure 11: Communication between shareholders and stakeholders



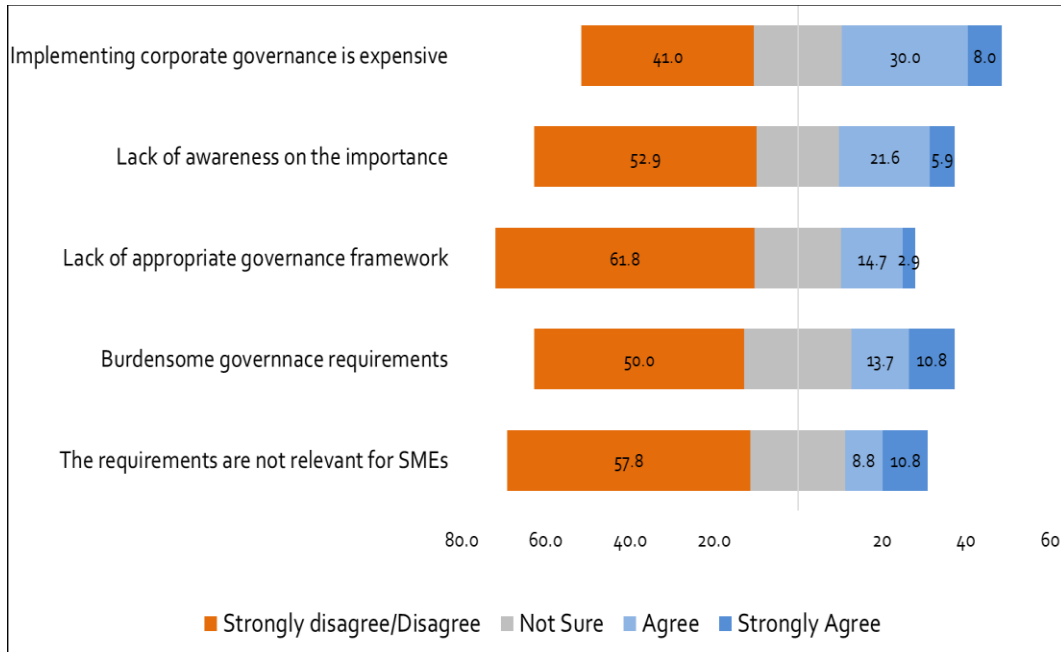
Strategic and long-term planning of SMEs

The survey sought to establish if Small and Medium Enterprises (SMEs) had a strategic plan and governance policies in place. More than 90.0 per cent of the firms interviewed had a strategic plan and a policy to promote long-term success and sustainability.

3.3 Challenges experienced in implementing governance framework

Figure 11 shows the opinion on some the challenges of implementing corporate governance in institutions. The commonly cited challenges were the expenses related to implementation and the lack of awareness. A total of 38 per cent and 27 per cent of SMEs agreed that they experienced these challenges, respectively.

Figure 12: Challenges in implementing corporate governance

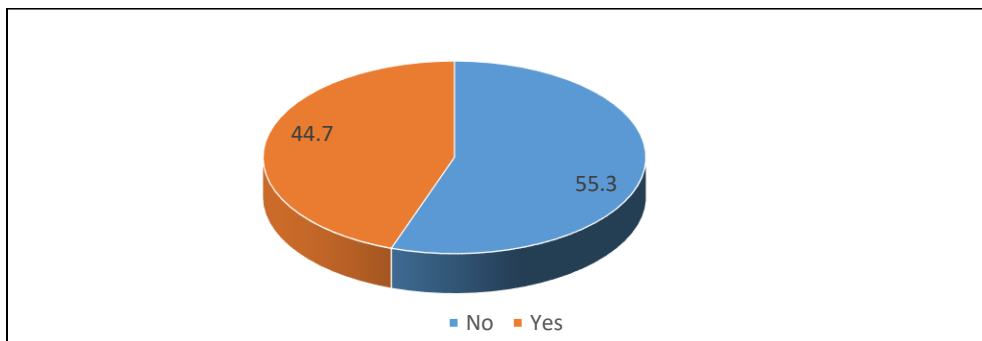


3.4 Assessment of SMEs listing prospects

3.4.1 Awareness of CMA code of corporate governance practices

Figure 11 shows that more 55.3 per cent of the respondents indicated that they are not aware of the capital market authority corporate governance practices for issuers of securities to the public.

Figure 13: SMEs Knowledge of CMA corporate governance practices (%)



3.4.2 SMEs sources of capital and listing prospects

Table 1 shows the proportions of firms according to their main source of funding by the amount of funding one can access. Among the respondents who indicated they would borrow from the capital market, 44.4 per cent said they could source between KSh 1 million and KSh 10 million followed by 33.3 per cents who said they could source between KSh 100 million and KSh 2 trillion. Similarly, the proportion of respondents who indicated they would source between KSh 10 million and KSh 100 million from Banks, Sacco, Savings and government grants stood at 45.1 per cent, 60.0 per cent, 43.8 per cent and 75.0 per cent respectively.

Table 1: Proportion of source of funding by the amount one can access

Amount of financing	Capital markets	Bank loan	Sacco loan	Digital lending platforms	Savings	Government grants	Donor funding	Any other	Total
10,000 - 500,000	0.0	2.8	6.7	100.0	0.0	0.0	0.0	0.0	2.9
500,001 - 1,000,000	11.1	4.2	6.7	0.0	12.5	25.0	0.0	16.7	7.6
1,000,001 - 10,000,000	44.4	45.1	60.0	0.0	43.8	75.0	40.0	33.3	45.3
10,000,001 to 100,000,000	11.1	42.3	26.7	0.0	41.7	0.0	53.3	50.0	38.8
100,000,001 to 20,000,000,000	33.3	5.6	0.0	0.0	2.1	0.0	6.7	0.0	5.3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

3.4.3 SMEs Interest in issuing shares to the public

Figure 14 Shows the proportion of SMEs interested in issuing shares to the public. The proportion of establishments that indicated that they are not interested in issuing shares to the public stood at 58.6 per cent while those who indicated that in the long term they are interested stood at 37.4 per cent. Only 4.0 per cent said have interest in issuing shares to the public in less than a year.

Figure 14: Proportions of firms interested in issuing shares to the public

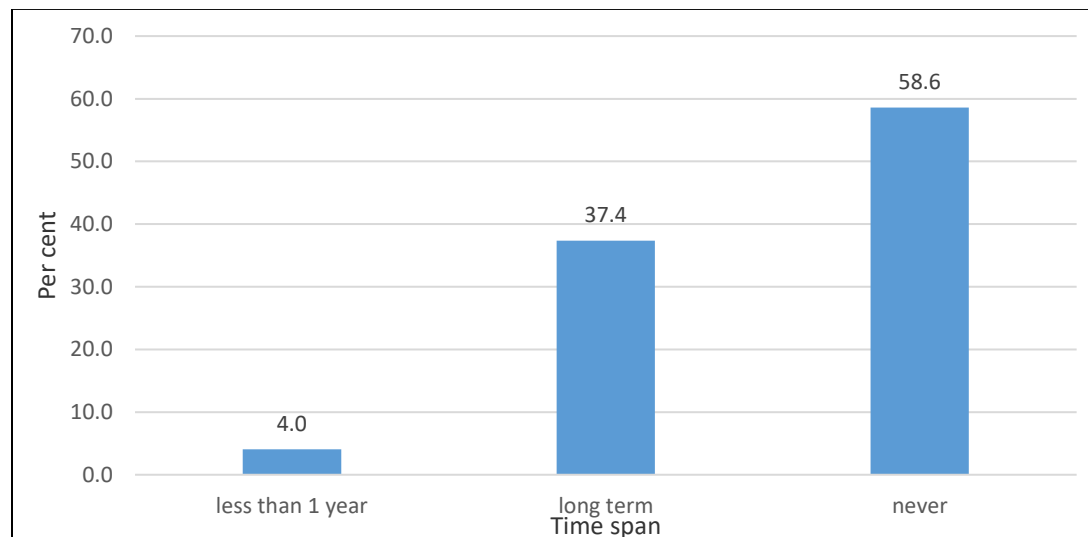


Table 2 shows the Proportion of SMEs income by interest in issuing shares to the public. The largest proportion of firms who reported that were interested in issuing shares in the long term have an annual turnover of KSh 10million and above. Among the firms that indicated that they are interested in issuing shares in the long-term, 88.2 per cent had an annual turnover of KSh 10 million and above followed 8.8 per cent who had an annual turnover of between KSh 2 million and KSh 10 million. An equal number of respondents with an annual turnover of KSh 10 million and above and between KSh 5 million and KSh 10 million indicated that they are interested in issuing shares to the public in less than a year.

Table 2: Proportion of SMEs income by interest in issuing shares to the public

Annual turnover	Time frame			Total
	Less than 1 year	Long term	Never	
< KSh. 2 million	0.0	0.0	10.5	6.3
>= KSh.2 million < KSh.5 million	0.0	8.8	8.8	8.4
>= KSh. 5 million < KSh. 10 million	50.0	2.9	7.0	7.4
>= KSh. 10 million	50.0	88.2	73.7	77.9

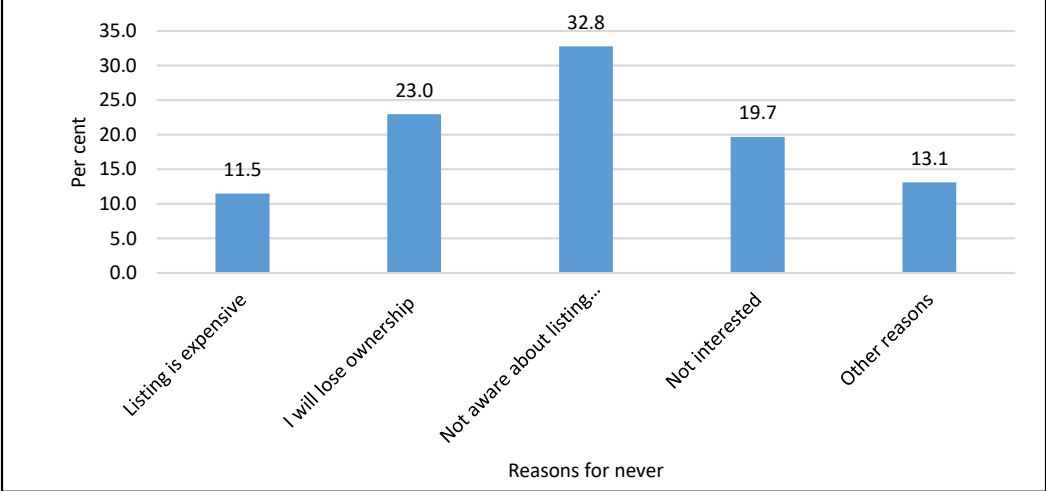
Table 3 shows the proportion of profitable firms that responded and their interests in issuing shares to the public. In 2018 and 2017, 33.3 per cent of the respondents indicated that they are interested in issuing shares to the public in the long term. Only 6.3 per cent and 6.1 per cent in 2017 and 2018 respectively said that they are interested in issuing shares to the public in less than a year. However, in 2019 majority of the profitable respondents indicated that they are interested in issuing shares in the long term.

Table 3: Proportion of profitable firms and their interest in issuing shares to the public

		Profitable firms in		
		2017	2018	2019
Interest in issuing shares to the public in?	less than 1 year	6.3	6.1	6.7
	long term	33.3	33.3	40.0
	never	60.3	60.6	32.0

Figure 15 shows the proportions of reasons given by respondents for having no interest in issuing shares to the public. Not aware about listing requirements was cited by 32.8 per cent of the respondents followed by fear of losing ownership of the company at 23.0 per cent. Respondents who indicated that listing is expensive stood at 11.5 per cent.

Figure 15: Reasons for non interest in issuing shares to the public (%)



3.5 Summary of findings

Majority of respondents(54.1 per cent) indicated that they have between 10-49 employees and about 37 per cent have over 50 employees. Most of the surveyed SME's (77.0 per cent) had over KSh.10 million annual turnovers. Most of them(over 63 per cent) have been making profit in the last three years i.e. from year 2017.

Over 55 per cent have both Board of Directors and management and 30% indicated that their Board of Directors have been holding Quarterly meetings. In more than 80.0 per cent responded that the board defines the firm's Vision and Strategy, oversees management and operations of the firm, approves policies and reviews the firm's audit, compliance and risk management.

To ensure compliance to corporate laws and regulations 25.0 percent and 26.0 percent of the firms use internal and external audits respectively. 28.8 per cent use both internal and external audits while 11.5 per cent use internal, external and governance and compliance audits.

About 94.2 per cent of the firms do monitor internal control mechanisms and risk management framework continuously. Of these firms, most firms monitor on a monthly or quarterly basis at 47.9 per cent and 28.1 per cent, respectively.

On challenges faced, about 38 per cent of the respondents indicated that implementing corporate governance is expensive followed by 27 per cent who indicated lack of awareness on its importance as one of the challenges. About 19.6 per cent indicated that corporate governance requirements are not relevant for SME's.

About 37 per cent of the respondents indicated that they are interested in listing but in long term, and the largest proportion of them have an annual turnover of KSh.10million and above. Majority of respondents (32.8 per cent) who indicated that they are not interested to list indicated that they are not aware about listing requirements and 23.0 per cent indicated that they fear losing ownership of the company. About 11.5 per cent of the respondents indicated that listing is expensive.

4.0 Recommendations and conclusion

Recommendations

A sizeable number of firms had the potential to raise capital through the NSE. Efforts should be made to bring them on board. The Market Development and investor education departments need to actively engage SME's for possible listing on the GEMS market. Over 55% of the respondents indicated that they have both management and the Board which is one of the requirements under GEMS listing. Also, most of the SME's indicated that they have been making profits since year 2017. However, a significant number (about 33%) of SME's indicated that they are not aware about listing requirements.

There is need for the Authority to sensitize SME's on corporate Governance framework requirements and practices. This is relation to compliance with corporate governance laws and regulations including monitoring of internal control and risk management. Over 55% of the respondents indicated that they are not aware about corporate governance requirements.

The Authority should consider reviewing corporate governance compliance costs and ensure that the costs are affordable to SME's. Over 38% of the respondents indicated that implementing corporate governance is expensive.

Issuer Governance and Investor awareness teams need to create awareness about the benefits of complying with the corporate governance code. Over 27% of the respondents indicated lack of awareness on importance as one of the challenges of implementing corporate governance. Also, there is need to ensure that the corporate governance framework is appropriate to the target stakeholders i.e. SME's.

There is need to tailor make a corporate governance framework for SMEs based on a dynamic phased approach, which takes into account; the degree of openness, size, complexity and level of maturity of individual companies.

Conclusion

From the findings of the survey, it's clear that there is need to engage SME's on benefits complying with Capital Markets corporate governance framework. Also, it would be necessary

to tailor-make a corporate governance framework for SME's aiming to unlock the challenges highlighted by the respondents.

Annex 1: Survey Questionnaire



**CAPITAL MARKETS SURVEY ON CORPORATE GOVERNANCE FOR SMALL AND MEDIUM
ENTERPRISES (SMEs) SURVEY**

March 2020

QUESTIONNAIRE

BACKGROUND

Introduction

Kenya National Bureau of Statistics (KNBS) and Capital Market Authority (CMA) are carrying out a survey to assess the corporate governance framework within which small and medium enterprises in Kenya operate. The survey seeks to collect data on various indicators that will depict the ability of SMEs as potential issuers in future through listing as a capital raising and growth strategy.

Objective of the survey

The objective of the survey is to collect views from SMEs on key corporate governance challenges as potential issuers in future through listing as a capital raising and growth strategy.

Legal mandate

These statistics are collected under the Statistics Act (Amended), 2009 which empowers KNBS to collect economic statistics from establishments among other required information for the country. Failure to comply with the Act constitutes an offence and may result to legal and administrative action. It is also important that the information is accurately reported and timely when requested. The Constitution of Kenya, 2010 defines statistics as a shared function between the National and County governments. Accordingly, the fourth schedule identifies the national statistics and data on population, the economy and society, as a primary function of National Government.

Confidentiality

Information provided in the questionnaire by individual enterprises / establishments will be treated as confidential and will be used strictly for statistical purposes. The data / information collected will only be published in aggregated form. The staff involved are under oath not to disclose any information to any third party. Confidentiality is guaranteed under the statistics Act (Amended), 2009 which may be accessed on the KNBS Website www.knbs.or.ke.

Completion of the Questionnaire

All sampled enterprises / establishments are required to provide the required information in this form (questionnaire). In cases where one enterprise has two or more establishments, each establishment has to provide information in a separate form (questionnaire).

Queries

Queries or assistance regarding this survey should be addressed by the interviewer and / or supervisor. For more information contact the following office:

Director, Macroeconomic Statistics
 Kenya National Bureau of Statistics,
 Real Towers, Hospital
 Road
 P. O. Box 30266-00100, Nairobi
 Tel: 020-2911000 Ext. 1001

[E-mail: directorgeneral@knbs.or.ke](mailto:directorgeneral@knbs.or.ke) OR info@knbs.or.ke

For official use only		
Position	Name	Telephone No.
Research Assistant		
Supervisor		

PART I: GENERAL INFORMATION

-
1. Name of firm.....
 2. Year of incorporation.....
 3. Physical Address Details.....
 4. Company Email Address
 5. Respondent details
 - Name.....
 - Position/Designation.....
 - Email.....
 - Telephone number.....

6. What is your firm's current annual turnover? (Kindly tick where applicable)

- a. < Kshs 2 Million
- b. > Kshs 2 Million < Kshs 5 Million
- c. >Kshs 5 Million < Kshs 10 Million
- d. > Kshs 10 Million

7. Has your firm been profitable in the following years? (Kindly tick where applicable)

Year	Yes	No
2017		
2018		
2019		

8. How many employees does your firm have?

- a. 1 – 9
- b. 10 – 49
- c. 50 and above

PART II: STATUS OF CORPORATE GOVERNANCE

9. Does your firm have the following characteristics? (Tick where appropriate)

- a. Board
- b. Management
- c. Management and board
- d. None of the above
- e. Others (Kindly Specify)

10. Is there separation of roles between the board and management? ((1)Yes / (2) No

11. How frequently does your board or its equivalent meet? (Tick where appropriate)

- i. Monthly
- ii. Quarterly
- iii. Bi-annually
- iv. Annually
- v. Other (Kindly Specify)

12. Does your board or its equivalent perform the following functions

Function	Yes	No
a) Appointment of the CEO		
b) Appointment of Company Secretary		
c) Define the firm's vision and strategy		
d) Overseeing management and operations of the firm		
e) Approve policies		
f) Reviewing of firm's audit, compliance and risk management		

13. Does your firm have Governance policies in the following areas; (Tick all that apply)

Governance are policy in place?	Yes	No
a) Appointment and remuneration of chairman and board members		
b) Conflict of interest		
c) Code of ethics and conduct		
d) Board charter		
e) Risk management		
f) Others (Kindly Specify)		
g) Others (Kindly Specify)		

14. Does the firm have a strategic plan to guide its operations? (1) Yes / (2) No

15. How does the firm ensure compliance to its corporate governance laws and regulations?

- a. Internal audits and compliance procedures
- b. Governance and compliance audits
- c. External Audits
- d. Any Other (Kindly Specify)
- e. Any Other (Kindly Specify)

16. Does your firm prepare annual financial statements? (1) Yes / (2) No

17. Are your firm's financial statements audited by an external auditor? (1) Yes / (2) No

18. Does your firm have a policy to promote its long-term success and sustainability?

- a. Yes
- b. No

19. What are the 3 main ways that your firm communicates /relates with its shareholders and stakeholders? [Tick 3 that apply]

- a. Physical meetings
- b. Conference calls
- c. SMS
- d. Email
- e. Firm website
- f. Social Media
- g. Any Others (*Kindly Specify*)

20. A) Does your firm continuously monitor internal control mechanisms and risk management framework?

- a. Yes
- b. No

B) If your response to question 20 above is yes, how frequently?

- i.) Monthly
- ii.) Quarterly
- iii.) Bi-annually
- iv.) Annually
- v.) Others (*Specify*)

21. a) Do board members or equivalent receive induction and regular training?

- a. Yes
- b. No

b) If your response to question 21 above is yes, how frequently?

- i. Monthly
- ii. Quarterly
- iii. Bi-annually
- iv. Annually
- v. Other (*Kindly specify*).....

PART III: CHALLENGES EXPERIENCED IN IMPLEMENTING GOVERNANCE FRAMEWORK

22. Does your firm experience the following challenges in implementing corporate governance requirements (Tick where appropriate)

Corporate governance challenge	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a) Corporate governance is					
b) Lack of awareness on the importance					
c) Lack of appropriate					
d) Burdensome governance					

Others (Specify)

- a)
- b)

23. What recommendations would you propose for the challenges stated above? (Tick where appropriate)

- a. Reduce the cost of compliance
- b. Build awareness on the importance of the governance frameworks
- c. Develop specific governance requirements for SMEs
- d. Make the requirements relevant for SME business

Other(Specify)

- e.
- f.
- g.

PART IV: AN ASSESSMENT ON FIRM'S LISTING PROSPECTS

24. Sources of capital / funds for the firm

Source of financing	From your assessment, how much (<i>in KSh</i>) can you access from the sources listed?	Current three main sources of capital / funds for your firm? (<i>tick 3 that apply</i>)
a. Capital Markets		
b. Bank loan		
c. SACCO loan		
d. Digital lending platforms		
e. Savings		
f. Government Grants		
g. Donor funding		
h. Any other (<i>specify</i>)		
k. Any other (<i>specify</i>)		

25. a. Is your firm interested in issuing shares to the public in-? (Tick where appropriate)

- i. Less than 1 year
- ii. Long term
- iii. Never

b. If your response in question 25 (a) above is No or Never, kindly state your reasons

- i. Listing is expensive
- ii. I will lose ownership of the company
- iii. Not aware about listing requirements
- iv. Other reasons (specify).....

26. Are you aware of the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public?

- a. Yes
- b. No

Thank you for taking time to fill in this questionnaire. Kindly provide any other comments on the survey.

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Thank you for taking time to fill in this questionnaire. Your responses will inform the Capital Markets Authority's strategic focus towards creating a favourable environment to facilitate the growth and listing by small and medium enterprises at the Nairobi Securities Exchange

