

## **Effect of Chief Executive Officers' Remuneration Announcement on Stock Returns for Firms Listed at the Nairobi Securities Exchange**

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### **Abstract**

In an efficient market, stock prices reflect all available information and stock price changes are expected to be random and unpredictable. Taking into consideration the fact that the main source of new information about any company gained by concerned parties usually are the public announcements delivered by companies in different ways, the stock prices on an efficient market should react directly to all the new information announced by companies. However, a growing amount of research shows that the activity of financial markets reflected by movements of stock prices does not always comply with the Efficient Market Hypothesis. Event study technique was used in this study. This study's target population involved the companies listed at the NSE from 2017-2018. The sample had 20 listed firms at the NSE who had declared their CEO remuneration. The findings showed that only two companies' abnormal returns had statistically significant abnormal returns at the day of CEO remuneration announcement at 5% significance level. All others had statistically insignificant abnormal returns. According to the t-test statistics for the CAR, event was found to be non-statistically significant at 95% level of confidence. These findings suggest that investors at the Nairobi stock exchange perceived the announcement of CEO remuneration events as insignificant and hence recovered and steadied instantaneously, hence the insignificance of CAR and AAR. The study finds that generally, announcement of CEO remuneration has no effect on events the abnormal returns change in homogeneity with the normal. The study recommends that since the scope was limited to the period surrounding the events around the CEO remuneration announcement, the study recommends Auxiliary studies could be done to examine stock returns' performance in periods without CEO remuneration announcement and compare performance with the periods prior to remuneration announcement events as it is in this study.

**Key Words:** *Remuneration announcement, Stock returns*

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