OWNERSHIP STRUCTURE, CORPORATE GOVERNANCE PRACTICES AND FINANCIAL PERFORMANCE OF COMPANIES LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA.

NATHAN MWAKA NZUKI

D53/CTY/33998/15

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (FINANCEOPTION), KENYATTA UNIVERSITY.

OCTOBER, 2021
DECLARATION

I declare that this project is my original work and to the best of my knowledge, it has not been submitted for any degree award in any university or institution.

Signature: _______________________ Date: _________________

Nathan Mwaka Nzuki
Registration no: D53/CTY/33998/2015

Declaration by supervisor:

I confirm this research and contents therein is prepared by candidate with my supervision.

Signature: _______________________ Date: _________________

Dr. Charity Njoka
Lecturer,
Accounting and Finance Department
School of Business
Kenyatta University
DEDICATION

The research project is devoted to my dad Douglas Ndunda and my mum Veronica Charles
ACKNOWLEDGEMENT

First and foremost, much thanks to my supervisor Dr Charity Njoka for the invaluable supervision, advice, encouragement, guidance and mentorship throughout the writing of this project. Secondly, my heartfelt appreciation goes to my family for their consistent encouragement in my academic journey. Finally, my gratitude goes to all the people whom in one way or the other who positively impacted this research project.
# TABLE OF CONTENTS

DECLARATION ................................................................................................................................. ii

DEDICATION ..................................................................................................................................... iii

ACKNOWLEDGEMENT ................................................................................................................... iv

TABLE OF CONTENTS ................................................................................................................... v

LIST OF TABLES ............................................................................................................................ x

LIST OF FIGURES ............................................................................................................................ xi

ABBREVIATIONS AND ACRONYMS ............................................................................................ xii

OPERATIONAL DEFINITION OF TERMS ...................................................................................... xiii

ABSTRACT .......................................................................................................................................... xv

CHAPTER ONE: INTRODUCTION ..................................................................................................... 1

1.1 Background of study ................................................................................................................. 1

1.1.1 Ownership Structure ............................................................................................................ 4

1.1.2 Corporate Governance ....................................................................................................... 5

1.1.3 Financial Performance of Listed Firms ............................................................................... 6

1.1.4 Nairobi Securities Exchange ............................................................................................... 8

1.2 Statement of Problem .............................................................................................................. 9

1.3. Objectives of the Study .......................................................................................................... 11

1.3.1 General Objective ............................................................................................................... 11

1.3.2. Specific Objectives ........................................................................................................... 11

1.4 Research Hypotheses .............................................................................................................. 12

1.5 Significance of the study ......................................................................................................... 12

1.6 Scope of the Study ................................................................................................................. 13
CHAPTER TWO: LITERATURE REVIEW ................................................................. 15

2.1 Introduction ................................................................................................. 15

2.2 Theoretical framework .............................................................................. 15

2.2.1 Stakeholder Theory ............................................................................. 15

2.2.2 Stewardship Theory ............................................................................. 16

2.2.3 Agency Theory ..................................................................................... 18

2.2.4 Resource Dependence Theory ............................................................. 19

2.3 Empirical Review ....................................................................................... 20

2.3.1 Institutional Local Ownership and Financial Performance of Listed Firms........ 20

2.3.2 Managerial Ownership and Financial Performance of Listed Firms ......... 23

2.3.3 Board Composition and Financial Performance of Listed Firms .............. 25

2.3.4 Board Size and Financial Performance of Listed Firms ......................... 26

2.3.5 Board Independence and Financial Performance of Listed Firms ............... 28

2.4 Summary of Literature Review and Research Gap ..................................... 29

2.5 Conceptual Framework .............................................................................. 34

CHAPTER THREE: RESEARCH METHODOLOGY .............................................. 36

3.1. Introduction ................................................................................................. 36

3.2 Research Design .......................................................................................... 36

3.3 Target Population ....................................................................................... 37

3.4 Sample size and sampling technique .......................................................... 37

3.5 Data Collection Instruments ...................................................................... 37

3.6. Reliability and Validity of Research Instrument and Data ......................... 38
3.6.1. Reliability of Research Instrument ................................................................. 38
3.6.2. Validity of Research Instrument ................................................................. 38
3.7. Operationalization and Measurement of Study Variables ................................. 39
3.8. Empirical model............................................................................................... 40
3.9. Data Analysis...................................................................................................... 40
3.9.1. Multicollinearity Test ................................................................................... 41
3.9.2. Normality Test ............................................................................................. 41
3.9.3. Stationarity Test ........................................................................................... 41
3.9.4. Autocorrelation Test .................................................................................... 42
3.9.5. Heteroscedasticity Test ................................................................................ 42
3.9.6. Hausman Specification Test .......................................................................... 42
3.10 Ethical considerations ....................................................................................... 43

CHAPTER FOUR: DATA ANALYSIS, RESEARCH FINDINGS AND DISCUSSIONS .......................................................................................................................... 44
4.1 Introduction............................................................................................................ 44
4.2 Descriptive statistics .......................................................................................... 44
4.3 Diagnostic Tests .................................................................................................. 45
4.3.1. Multicollinearity Test ................................................................................... 46
4.3.2. Normality Test ............................................................................................. 47
4.3.3. Stationarity Test ........................................................................................... 47
4.3.4 Autocorrelation test ...................................................................................... 48
4.3.5 Test for Heteroskedasticity .......................................................................... 49
4.3.6 Hausman Specification Test ................................................................. 50

4.4 Panel regression analysis ................................................................. 51

4.4.1 Panel regression model ................................................................. 51

4.5 Hypotheses Testing ....................................................................... 53

4.5.1 Hypothesis One: Institutional local ownership has no significant effect on financial performance of listed firms at Nairobi Securities Exchange, Kenya .................. 53

4.5.2 Hypothesis Two: Managerial ownership has no significant effect on financial performance of listed firms at Nairobi Securities Exchange, Kenya ............... 54

4.5.3 Hypothesis Three: Board composition has no significant effect on financial performance of listed firms at Nairobi Securities Exchange, Kenya .................. 55

4.5.4 Hypothesis Four: Board size has no significant effect on financial performance of listed firms at Nairobi Securities Exchange, Kenya ........................................ 55

4.5.5 Hypothesis Five: Board independence has no significant effect on financial performance of listed firms at Nairobi Securities Exchange, Kenya .................. 56

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS... 58

5.1 Introduction .................................................................................... 58

5.2 Summary of the Study .................................................................... 58

5.3 Conclusion ...................................................................................... 59

5.4 Policy Implications ......................................................................... 60

5.5 Suggestions for Further Research .................................................. 60

REFERENCES .................................................................................... 61

APPENDICES .................................................................................... 68

Appendix 1: Secondary data collection sheet relating to ROA .................. 68
Appendix 2: Secondary data relating to ownership structure and corporate governance practices

Appendix 3: List of NSE Listed Firms

Appendix 4: Listed Companies that Issued Profit warnings from 2014-2018

Appendix 5: List of NSE Listed Firms Excluded in the study

Appendix 6: Kenyatta University Graduate School Approval Letter

Appendix 7: Research Permit from NACOSTI
LIST OF TABLES

Table 1.1. Average ROA of Listed Firms From 2014-2018......................................................... 7

Table 2.1. Summary of Literature Review and Research Gaps............................................. 31

Table 3.1. Operationalization and Measurement of Variables .............................................. 39

Table 4.1: Descriptive Statistics ................................................................................................. 44

Table 4.2: Multicollinearity Test. ............................................................................................... 46

Table 4.3 Normality Test Results ............................................................................................... 47

Table 4.4: Stationarity Test Results ............................................................................................ 48

Table 4.5: Autocorrelation Test Results ..................................................................................... 49

Table 4.6 Heteroscedasticity Test Results. ................................................................................ 50

Table 4.7: Hausman test. .............................................................................................................. 51

Table 4.8: Panel Regression Model ............................................................................................ 52
LIST OF FIGURES

Figure 2.1. Conceptual Framework ......................................................... 35
### ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BC</td>
<td>Board Composition</td>
</tr>
<tr>
<td>BI</td>
<td>Board Independence</td>
</tr>
<tr>
<td>BS</td>
<td>Board Size</td>
</tr>
<tr>
<td>CBK</td>
<td>Central Bank Of Kenya</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive officer</td>
</tr>
<tr>
<td>CMA</td>
<td>Capital Market Authority</td>
</tr>
<tr>
<td>IO</td>
<td>Institutional local Ownership</td>
</tr>
<tr>
<td>KRA</td>
<td>Kenya Revenue Authority</td>
</tr>
<tr>
<td>MO</td>
<td>Managerial Ownership</td>
</tr>
<tr>
<td>NACOSTI</td>
<td>National Commission For Science Technology and Innovation</td>
</tr>
<tr>
<td>NSE</td>
<td>Nairobi Securities Exchange</td>
</tr>
<tr>
<td>RDT</td>
<td>Resource Dependence Theory</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Assets</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
</tbody>
</table>
**OPERATIONAL DEFINITION OF TERMS**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board composition</td>
<td>Board composition as examined in the study focuses on the percentage of board members who have Kenyan nationality out of the total number of board members in the listed firms.</td>
</tr>
<tr>
<td>Board</td>
<td>This is examined by the ratio of number of independent directors (Non-executive directors) to the number of non-independent directors (executive directors)</td>
</tr>
<tr>
<td>Independence</td>
<td>This is examined based on the number of board members of the listed firms</td>
</tr>
<tr>
<td>Corporate governance</td>
<td>It is the system put in place in an organization to guide the way it is controlled. The corporate governance practices that assessed in the study are; composition of the board, board size and independence of board.</td>
</tr>
<tr>
<td>Practice</td>
<td></td>
</tr>
<tr>
<td>Executive director</td>
<td>This is a director employed by the board of directors to execute the administrative and management functions of a company. They are usually not independent and their powers are mostly derived from the board of directors as they manage the company on their behalf.</td>
</tr>
<tr>
<td>Financial performance</td>
<td>Its indicator of health of company financially over a financial period; it is indicated by return on investment, return on assets, return on equity, profitability and sales expansion. In this examination, it is measured using Return on Assets</td>
</tr>
</tbody>
</table>
**Institutional local ownership**

Institutional local ownership is the percentage of companies’ shares by institutions or companies. The study assesses this by examining the percentage shares held by local institutions out of the total shares held by institutions in the firms.

**Managerial ownership:**

This is the insider ownership. It is the percentage of shares owned or controlled by executive officers out of the total shares in the company.

**Non-Executive director**

This is a member of board of directors with no material relationship with the firm and does not take part in the executive functions nor involved in the daily running of the company. They are usually independent.

**Ownership structure:**

It is defined as rights and duties of the people who have legal interest in an organization or from standpoint of ownership identity and ownership concentration. Ownership concentration depicts the shares of the largest shareholder while ownership identity refers to the principal shareholder or the share of ownership by the insiders.
ABSTRACT

Performance of firms is predominantly contingent on the deliberate decisions cautiously made and executed by the owners therefore there is a direct link between ownership structure, corporate governance practices and financial performance. Owners are part of a segment that makes decisions by the virtue of their relationship with the firm. The conventional approach to corporate governance has characteristically disregarded the distinctive influence that the firm owners put forth on the board, and by extension, the top executive in making firms decisions. Therefore, the question of what maybe the most efficient ownership structure is relevant. Through the period 2014 to 2018, there was an increase in the listed firms that issued profit warnings with others like Kenya Airways and Uchumi Supermarket running into huge financial losses. During this period, there was a decline in the average Return On Assets of listed firms from 4.7% in 2014 to 2.28% in 2016 and 1.04% in 2018. This study aims at determining the relationship between structure of ownership and corporate governance practices on firms performance financially and are anchored on five explicit objectives: to ascertain the impact of institutional local ownership on firms performance, to evaluate whether managerial ownership impact on firms performance, to establish the effect of board composition on firms performance, to ascertain the impact of board size on performance, then ultimately explore whether board independence affects firms performance financially. This exploration is premised on, stewardship, stakeholder, Agency and Resource Dependence theories which expound an association of structure of ownership and performance financially of all Kenyan listed firmsthrough2014 to 2018. The examination adopts a causal research design. A census of the 60 listed firms is drawn in this study. Secondary data relating to ownership structure, corporate governance practices and return on assets is collected using secondary data collection sheet. Panel regression model is utilised to ascertain the relationship between the predictor and dependent variables. From the regression analysis, an overall $R^2$ of 0.5341 is obtained which implies that the predictor variables explain 53.41% of the change in the Return on assets of the listed firms at Nairobi Securities Exchange. The results also show that the effect of Institutional local ownership, board size and board independence on Return on assets is significant as shown by the p values of 0.002, 0.029 and 0.011 respectively. Managerial ownership and board composition are found to have an insignificant effect on Return on assets as shown by the p values of 0.637 and 0.058 respectively. The study is recommending that companies should through their memorandum and article of association endeavour to come up with leaner and smaller board size through a thorough examination of the performance of its industry of operation. Lastly, the companies need to ensure that more independent directors are brought on board as they have no conflict of interest.
CHAPTER ONE

INTRODUCTION

1.1 Background of study

The concept of ownership structure and corporate governance practices in organisations has become the foremost consideration among the business leaders and regulatory bodies globally. The owners of the company are described as shareholders while the representatives are described as managers. Directors are appointed to protect the owners’ interest. In a bid to optimise the wealth of the shareholders, it is imperative for the managers to act in the best interest of the shareholders which is only possible if practices of best governance corporately are adhered to (Omondi, 2014).

Globally, the financial crisis in Asia and scandals like those reported in Enron and world.com brought a new level of consciousness among the business executives in as far as ownership structure is concerned. The case of Enron scandal has been largely linked to corporate governance failures that were characterized by the conflicts of interests between ownership and executive. The Tread way Commission Report of 2009 in the United States addressed the subject of deceptive company financial reporting which had prompted the collapse of reputable firms like Enron and WorldCom (Dibra, 2016).

The concept of ownership structure and corporate governance continue to be a topic of debate by European business leaders. Shareholding in many European nations is mostly concentrated, which make the problems associated with corporate governance infrequent and less apparent. In this system, one family, shareholder or a group of shareholders has majority control of firms. On the other hand, dispersed ownership has no dominant
shareholder. This is more in United Kingdom. The dispersed one encourages management earnings hence managers are advantaged from short term objectives. Concentred ownership promoted the merits of private control. Practices of governance in Europe exist to maximize the wealth of shareholders as well protecting their stakes in the firm (Goldberg, Danko & Kessler, 2016).

In Africa scandals have exposed how poor corporate governance can lead to business failure with stakeholders and shareholders incurring material loss. For instance, In South Africa, the fall of Masterbond in 1991 resulted to loss of U.S. Dollars 47 million. The fraudulent and undetected activities of directors were the reason for its collapse. MacMed, also a South African firm went into liquidation in 1999. The corporate failure was attributed to the fact that financial statements of failed to disclose the true and fair view of the company’s financial position. Failure by external auditors to identify these frauds led to loss of public confidence in auditing profession. Allegations of insider were also raised as factor that led to collapse of MacMed (Maroun, & Cerbone 2020).

From an analysis of 80 South African companies over a period of ten years (2001 to 2010), Return on assets was found to be influenced by the ownership structure of the companies (Mugobo, Mutize & Aspelling, 2016).

Munisi (2019) examined the corporate governance and ownership structure using a data for the period 2006-2009 of listed entities in 12 Sub-Saharan Africa countries. The analysis revealed that concentrated ownership and insider ownership have a negative link with governance index corporately. Managerial and concentrated ownership were considered to substitutes of good corporate governance in mitigating the conflict of interests between the agents and owners. Both managerial and concentrated ownership were thus identified as
the key factors affecting the practice of good corporate governance in businesses listed in Sub-Saharan countries in Africa.

Within the Kenyan business environment, the concept of ownerships arrangement and governance practices corporately has become the paramount consideration by most firms including the government. Premised on the need to foster the financial performance of the weak performing parastatals, the privatisation Act of (2005) established a Privatisation Commission whose mandate was to sell 26 non performing parastatals to strategic investors (Anyanzwa, 2018). The idea was to transform the ownership structure of these parastatals from government ownership to private ownership with the foremost aim of making them perform financially. The failure of these parastatals was attributed to improper application of corporate governance practices. The change in ownership structure is a great manifestation of the challenges that companies grapple with in order to stay afloat in the hard-hitting times where liquidations, take-overs, mergers, outsourcing and corporate financial deception are nearly a certainty. The implementation of new economic structures has led to a significant transformation in the government policies and laws paving way for structure of ownership’s changes and corporate governance practices of corporations raising the expectations of various stakeholders in the corporate world (Srivastava, 2011).

Cases of poor corporate governance and poor ownership structure has also been witnessed in Kenya in some of NSE listed firms. This has resulted to some companies going to liquidation and receivership. These cases of poor corporate governance keep on increasing especially at Mumias Sugar, CMC motors, Uchumi Supermarkets, Kenya Airways among other firms (Ali, 2018). In another study Onguka, Iraya and Nyamute (2021) analysed corporate value, Corporate Governance, Capital Structure and Ownership Structure of
businesses listed in NSE. Data was collected from 58 NSE listed firms for the period 2013-2017. Corporate governance elements analysed were independent of board, size of board and gender diversity while the ownership structure variables examined were government ownership, family, ownership concentration and ownership by foreigners. The overall impact of corporate governance and ownership structure on corporate value was established to be significant and positive. The recommendation from the study were that boards, management, shareholders and regulators of NSE listed entities put in place the structures that will protect the wealth of shareholders and improve the firm’s performance.

According to Sirtaj (2016) an ownership structure should be able to promote excellent governance structures with an ultimate goal of increasing accountability by deeply improving transparency in the existing systems as well as building investors’ confidence since their investment prototypes influence the general performance of the economy. Among the notable ownership structures that firms can espouse are; institutional ownership structure, managerial ownership, foreign ownership structure alongside local individual ownership structure. Institutional ownership structure, managerial ownership, size of board, Autonomy of board and board composition formed the basis of the study.

1.1.1 Ownership Structure

Ownership structure is the distinct identity of business ownership. It is a requirement for a listed company in Kenya to keep its shareholder register; the purpose of which is to make a distinction between the domestic individual shareholders, domestic institutional shareholders and foreign investors. On a monthly basis, a listed company is needed to make available the reports of its share ownership to the CMA. It also a mandatory requirement
under section 975 (2) (b) of the Companies Act 2015, for foreign companies who want to register in Kenya to see to it that during the application for registration stage, that not less than 30% of the ownership goes to the Kenyan citizens by birth. Nevertheless, the 30% threshold is only applicable to the branch office registrations in Kenya and excludes the locally incorporated companies which can be 100% foreign owned (CMA, 2016).

The CMA restricted the shareholding by individuals in Nairobi Security Exchange listed firms to five per cent in the year 2016 except under certain exceptions from the regulator. In such exceptions, the CMA goes through the process of determining the eligibility of the applicant and whether he meets the requirements which encompass the non-existence of a criminal record, integrity and a good financial standing (CMA, 2016). The NSE’s shareholder statistics released by the CMA shows that out of the 64 listed firms as at September 30th 2018, 29 per cent were predominantly owned by foreigners with 71 percent being owned by the local investors (CMA, 2018).

1.1.2 Corporate Governance

The idea “corporate governance” has been given diverse descriptions. Mahrani and Soewarno (2018) gave a description that corporate governance are the methods put in place by management in highest level to ensure that a company operates morally, legally and efficiently. Corporate governance practices ensures that firms develop and monitor programs that can eradicate risks in the organization. What this description puts forth is that corporate governance is a blueprint upon which corporation are run. Mahrani and Soewarno (2018) argued that corporate governance has two important components. The first one in that it has to ensure that a company has vision, mission and objectives that gives the
company the direction it is headed to. Independent directors is the component of corporate governance where they ensure that there is no prejudice and reduce conflict of interest in company’s operations.

The CMA Act cap. 485 Section 11(3), 2015 outlines the code of corporate governance practices for those issuing securities to the public. Under the code, the boards are required to make disclosure of the statement of good corporate governance in its annual reports alongside the status of the application thereof. Among the guidelines is the requirement that the board shall comprise of a mix of the executive and non-executive directors with the majority of shareholders being non-executives. Additionally, it is a requirement that the non-executive directors are not less than one third of the total number of board members. Further the Act requires that the board size shall be of a sufficient size and that it should not be too large to the extent that it undermines the interactive discussions whenever meetings are being held, neither shall it be too small to the extent that it compromises the inclusion of members with expertise in various areas that are relevant to the strategic decisions of the company. In addition to the size, it is also a requirement that there is diversity in its composition with diversity taking into consideration the expertise, academic skills, gender and experience. Other guidelines include the nomination of an alternate director but subject to a rigorous vetting by the nomination committee. In this case a body corporate cannot be nominated as an alternate director (CMA, 2015)

1.1.3 Financial Performance of Listed Firms

The financial performance of firms listed in NSE is vividly explained by the number of profit warnings issued by firms through the period 2014 to 2018. 28 listed firms issued
profit warnings during this period as presented in Appendix 4. Where the earnings in a year are expected to decline by 25%, a firm is anticipated to issue profit warnings. A profit warning will always come as negative information to both local and foreign investors (Anyanzwa, 2018). The financial performance of an entity is an expression of firms’ level of performance in terms of profits and losses over a specified time period. Different indicators of financial performance comprise Return on equity (ROE), Return on capital employed (ROCE), Return on Assets (ROA) and Profit margins among others (Uadiale 2010). This study relies on ROA as an indicator of performance.

Wanjau, Muturi and Ngumi (2018) observed that there was a general decline in the performance of companies listed in other exchanges in East Africa with most issues being stated as causes arising from the poor corporate governance practices. Under the Ugandan Stock Exchange, Stanbic bank Uganda has had corruption related cases as well as lack of transparency and inadequate disclosure of the results during the financial year 2017. In South Africa, it was reported that listed companies including Capitec, Blue Label, Dischem and Curro had experienced a decline in their performance in 2018 as witnessed from their financials (Johannesburg Stock Exchange, 2018). Table 1.1 depicts the performance of listed firms based on the Return on Assets (ROA) from 2014 to 2018.

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA (%)</td>
<td>4.72883</td>
<td>5.17856</td>
<td>2.28753</td>
<td>1.36448</td>
<td>1.04318</td>
</tr>
</tbody>
</table>

Source (NSE, 2019)
From the presentation in Table 1.1, the average ROA of the listed firms has been on a sharp decline from 2014 to 2018. In 2014 the average ROA stood at 4.72883, then slightly increased in 2015 to 5.17856 then declined in 2016 to 2.28753 which further decline to 1.36448 in 2017 and to 1.04318 in 2018.

1.1.4 Nairobi Securities Exchange

NSE was established in 1954 from the consent of the stock exchange in London (NSE, 2019). NSE is a member of the African Securities Exchanges Association. Its mandate is to facilitate trading and clearing settlement of derivatives, debts, equities and added related securities instruments. Among its core tasks is the listing of firms in the securities exchange besides facilitating the trading of securities by different investors. It thus maintains the health of exchange of securities. This exchange market is under the regulation of the Capital Markets Authority. The Security exchange market is structured in a way that makes it possible for investors to buy and sell the various securities that are available. To effectively perform this task, proper regulations have been put in place to govern the sale and buying of securities. It is also tasked with shielding investors from dishonest brokers or firms so as to preserve a high investor confidence in the securities market (NSE, 2019).

As at 2018 December 31st, there were 64 firms listed. These firms are categorized into; Agriculture, Banking, commercial and services, construction and allied, investment, investment services, insurance, energy and petroleum, manufacturing and allied, telecommunication and technology, real estate trust, exchange-traded fund and automobile and accessories (CMA, 2018)
1.2 Statement of Problem

Financial performance is influenced by several factors in the company but key among them is the ownership structure and corporate governance practices. The Average Return on Assets declined from 4.7 percent in 2014, to 2.3 percent in 2016 and 1.04 percent in 2018 (NSE, 2019). During the period of the study 28 firms which represented 43 percent of the firms listed in the NSE issued profit warnings as shown in Appendix 4. In this case, profits were expected to decline by at least 25 percent (Anyanzwa, 2018). Firms listed at the NSE are still characterized by higher ownership concentration providing the majority shareholders an opportunity to undertake activities for personal gains at the expense of minority shareholders hence adversely affecting performance (Mokaya & Jagongo, 2015).

Ownership arrangement and financial performance is somewhat complex and distinct area for the firms that are listed in the NSE for the reason that as long as their shares are trading, their ownership changes (Abira 2014). The delayed sale of 26 state-owned corporations like National Bank of Kenya and East African Portland Cement to private investors resulted to poor corporate governance, increased mismanagement and embezzlement of funds (Anyanzwa 2018). According to Kangethe (2016), some of NSE listed firms like Uchumi Supermarkets, Mumias Sugar, Kenya Airways and Trans Century have had significant corporate governance issues. These issues have centred on directors and chief executives. All the cases can be related to lack of board supervision, fraud and non-disclosures. Inadequate corporate governance structures have kept investors away from the Nairobi Securities Exchange (Ikalo, 2016).
Empirical studies on the relationship between ownership structure, corporate governance and financial performance have shown varied results. Kageme, (2017) sought to understand how ownership structure, cost and capital structures affect financial performance of commercial banks in Kenya. The paper revealed that ownership structure has a significant influence on both ROA and ROE. The analysis revealed that Public-private ownership had a significant influence on financial performance while local-foreign ownership did not have a significant impact entities financial performance. The analysis did not reveal how institutional and managerial ownership structures impact financial performance which is the reason for further study. Ng’ang’a (2017) sought to determine the influence that ownership structure had on financial performance of NSE listed firms in Kenya. The results showed that all types of ownership structure had a positive and significant influence on financial performance of entities. These results contradicted Kageme (2017) findings.

The literature does not sufficiently elucidate how the firms’ financial performance transform due to corporate governance practices especially board’s composition, size and independence and ownership structure. Outa and Waweru, (2016) assessed compliance of corporate governance guidelines and financial performance of NSE listed firms. The study revealed that corporate governance index is significantly and positively associated with firm value and financial performance. Shunu and Ombaba (2017) analysed the effect of board size and financial performance, Cherotich and Obwogi (2018) studied the effect of board composition on financial performance on NSE listed firms. All this studies have shown varied results. For this reason, the study intends to address this research gap by looking into ownership structure, corporate governance practices and financial performance of NSE listed firms.
1.3. Objectives of the Study

This section presents the general objective and the specific objectives through which this study is premised on.

1.3.1 General Objective

The general objective of this study is to determine the effect of ownership structure, corporate governance on financial performance of listed firms at Nairobi Securities Exchange, Kenya.

1.3.2. Specific Objectives

i. To evaluate the effect of institutional local ownership on financial performance of firms listed in Nairobi Securities Exchange, Kenya.

ii. To analyse the effect of managerial ownership on financial performance of firms listed in Nairobi Securities Exchange, Kenya.

iii. To find out the effect of board composition on the financial performance of firms listed in Nairobi Securities Exchange, Kenya.


1.4 Research Hypotheses

\( H_{01} \): Institutional local ownership has no significant effect on financial performance of companies listed in Nairobi Securities Exchange, Kenya

\( H_{02} \): Managerial ownership has no significant effect on financial performance of companies listed in Nairobi Securities Exchange, Kenya

\( H_{03} \): Board composition has no significant effect on the financial performance of companies listed in Nairobi Securities Exchange, Kenya.

\( H_{04} \): Board size has no significant effect on the financial performance of companies listed in Nairobi Securities Exchange, Kenya

\( H_{05} \): Board independence has no significant effect on the financial performance of companies listed in Nairobi Securities Exchange, Kenya

\( H_{06} \): Ownership structure, corporate governance has no significant effect on the financial performance of companies listed in Nairobi Securities Exchange, Kenya.

1.5 Significance of the study

The study is significant given that the Kenya’s economy is going through a changeover from a burgeoning to market that is developed and a bulk of individual investors are displaying their interests in investment in securities markets. The study is appropriate to the following stakeholders:

Regulatory bodies such as, CMA, CBK and NSE can use the study findings to; improve on the structure of regulation for all categories of investors including domestic small-scale investors. The NSE and CMA can make use of the study result to regulate the operations of listed companies through the development of policies that boost confidence of small and public investors. Financial advisors are inclined towards advising and directing their clients
to make investment in high return yielding companies. Through the findings of the study, the government of Kenya is capable of appreciating mobilization of resources across the divide by all categories of investors in sustenance of economic development to achieve the vision 2030 either by reducing information asymmetry or increasing investors’ awareness campaign through trainings workshop and seminars.

The findings of this study may help solve some of the problems facing NSE firms like non-effective Board of Directors, how to determine an effective member of the board, capacity gaps of the board and how to bridge the gaps. The board development needs can easily be identified to facilitate appropriate measures to empower them. Conflicts of interest in procurement can also be handled well if the board clearly understands their roles and the role of the management. Thus, this study will enable the directors to declare and resolve such interests.

The findings will also be helpful to the academicians and scholars in comprehending the relationship between ownership structure, corporate governance and financial performance of firms. It will therefore form the basis of future studies with a focus of other firms like the Small medium enterprises and other non-listed firms in Kenya.

1.6 Scope of the Study

The study delves into the association between ownership structure, corporate governance and financial performance of companies listed at NSE in Kenya from 2014-2018. The reason behind the focus on this period is that between this period, twenty-eight listed firms at the NSE issued profit warnings (CMA, 2018).
1.7 Limitations of the Study

During the period of study, four companies were eliminated for lack of continuous data. Athi River Mining Company was suspended due to a 14 billion debt in 2018 and was placed under administration as per the insolvency Act of 2015 (CMA, 2018). Atlas Africa was suspended in 2017 for failure to publish its financial statements in 2015 as well as failure to comply with the listing rules. Subsequently it was delisted in 2019 (CMA, 2019). Two companies. Despite Kurwitu Ventures having been listed on the NSE in November 2014, it has been dormant, changing its strategy in different occasions without achieving the target (Alushula, 2018). On the other hand, Stanlib Fahari-REIT was listed in NSE, Kenya in 2015 (Wahito, 2015). Data is thus collected from 60 firms listed in NSE in the study.

1.8 Organization of the Study

This study is organized into five chapters. Chapter one consists of the background of the study, the statement of the problem, research objectives, research hypothesis significance of the study, scope of the study, and limitation of the study. Chapter two highlights theoretical reviews, a summary of existing literature and conceptual structure. Chapter three addresses design of research, population, design of sampling, data gathering, analysis and presentation alongside ethics concerns when carrying out the study. Chapter four covers the findings of research and discussions thereof. Chapter five encompasses the summary, conclusions alongside policy recommendations.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This section reviews literature of preceding studies on the area of study, theoretical review, empirical review, literature summary, research gap and conceptual framework.

2.2 Theoretical framework
This research was built on 4 perspectives; Agency, Stewardship, Resource Dependence and Stakeholder theories in analyzing the connection between structure of ownership, corporate governance practices and performance of all NSE listed Kenyan firms from 2014 to 2018.

2.2.1 Stakeholder Theory
This concept was advocated by Freeman (1984) and suggests that the action taken by managers should take into account the stakeholders’ wishes including the claimants of finance, communities, customers, employees, and government officials. Companies do not exist in a vacuum and hence people in form of shareholders, public agents, employees among others will always be present (Manville & Ober, 2003). It is not practical to give full property rights to all interested groups hence this theory stresses on the need for companies add value for its stakeholders who are affected by its activities, (Jansson 2005).

However, according to the 1993 article, “Your Organization: What is it for?” by Argenti J noted that the stakeholder theory leads to confusion of company purpose as the management tries to fulfil the interests of various stakeholder groups. This is because this groups have different commercial objectives. Some may want a company to merge with others, some want it to grow, and some want it to go for Initial public offer while others want it to fail. As noted
by Argenti J (1993), the adoption of this theory can bring about un-achievable expectations which can result into litigation. As discussed by Kaptein and Tulder (2003), the presumption makes executives not responsible for their undertakings prompting them to use a reactive approach that often do not incorporate stakeholders into the process of making corporate decisions. This often brings disconnect between the goals of an organization and demands of stakeholders (Mackenzie, 2014). Watkins (2016) point the Enron and WorldCom scandals towards the letdown by executives to reflect on the concerns of stakeholder in taking action.

This theory concludes that a firm cannot make the most of market value if it does not take into consideration the long-term stakeholder interest. The board should thus be composed in such a way that it has enough members who have an understanding of interests of various groups who have a share in the organisation which include but not limited to institutional investors, managerial shareholders among others. Stakeholders’ theory is therefore relied upon in this examination to help examine and comprehend how diverse structures of ownership can embrace a hands-on method to harmonize all stakeholders’ needs into decision-making framework and to lay the essential corporate governance tools to get the most in terms of financial performance in the long term.

2.2.2 Stewardship Theory

This presumption was advanced by Donaldson &Davis (1991). The presumption considers executives as stewards who have a responsibility to act as a guardian of the assets they control. The principle under this theory is that the business interests come first before other interests. Madison, Kellermanns and Munyon (2017) noted that companies need to allow
steward-like qualities flourish by incentivizing managers to control their behaviours and communicating their preferences.

According to Arthurs and Busenitz (2003), the manager’s behavior must be organization oriented if the financial performance of the firm is to be improved and satisfy the clients’ needs. This proposes a principal-steward relationship with their goals working in Synchronicity. The main intention of the custodian is to create and uphold a successful organization that ensures utmost wealth creation of the shareholders. For this to happen, stewards should have intimate knowledge of organizational operation and a deep dedication to success. The board of directors should just be focused on doing the right thing an acting honourably for them to be stewards.

Bender (2011) adds that there is need for one channel to communicate the needs of the shareholders to the business so as to do away with the misunderstanding as to who is in charge. The CEO should for that reason be trustworthy and prepared to put individual gains aside for the good of the organization. The right personality by the CEO is therefore key towards effectively applying this theory. However, critics of this theory argue that managers may not necessarily be good stewards as they are in some cases tempted to abuse their positions and make decisions that are not in the best interest of the shareholders.

Stewardship theory is utilized in this examination to aid the analysis of how steward interests are taken care of across the different ownership structures and the best corporate governance practices so as to enhance the performance financially in the long-term.
2.2.3 Agency Theory

This presumption was established by Meckling and Jensen (1976) out of concern for the clashing interests of the agents and principals. This theory displays the inherent convict of interest between executives and owners within a business setup. The dispute occurs when firm owners’ contract executives to perform roles of management of a firm, and both seek to make the most of their own utility and self-interests. The consequence of this conflict of interest is that executives don’t bear their actions’ total consequences. For the listed companies, this conflict of interest occurs between the management and shareholders while for institutional investors it is between contributor of the fund and investment manager (Bebchuk, Cohen & Hirst, 2017). Jensen and Meckling (1976) noted that the agency cost is zero in case of owner-manager firms. Therefore, managerial ownership can align the interest of the managers and owners.

According to Sanda, Mikailu and Garba (2009) agency crisis is common in the government owned firms where the agents are political appointees. The citizens become less willing to get involved in questions over the failures of the government as they perceive their individual voice to be insignificant. Mallin (2013) proposed that agents should have a stake in the firm for them to have a positive relationship with corporate governance.

The critics of this theory have argued that it is one sided as it places agents’ moral and collective behaviour as self-centred and only focused on acquiring wealth. It ignores the employees’ identification with the company vision and mission and workers loyalty. It also omits principals’ opportunistic behaviour (Donaldson 1990). However, according to Eisenhardt and Henning (2011), this theory is concerned with finding solutions of the
problems that characterize the association between firm owners and agents. It is thus utilized in this research since it concentrates on link between agents and owners which in this case include institutional investors and insider shareholders and the task of directors’ board in mitigating this conflict in as far as structure of ownership and performance financially of all firms listed at NSE.

### 2.2.4 Resource Dependence Theory

The presumption was pioneered by Pfeffer and Salancik in the year 1978. This theory is based on the principle that a company has to acquire resources from other firms in its environment for its survival. It can be described as the study of how external resources influence organizational behaviour. The demerit of this theory is that some of the resources that this firms need may not be readily available and that they may be under control of uncooperative actors. This may result to creation of dependencies. However, firms develop strategies in a way that improves their bargaining power in resource-based issues. Three ideas form the central part of this theory that is social background matters, organizations have approaches to boost their independence and pursue power and interests which is imperative for the comprehending of both the inside and outside actions of organizations. Barney and Arikan (2001) explain the meaning of a resource as tangible and intangible assets firms use to execute their strategies. From this explanation, it’s apparent that much is expected from an organization’s board. Pfeffer and Salancik (1978) note that the organization expects an individual to support the organization when the board appoints him and that he will identify its problem, consistently present it to others, and give support to the organization. This hence means boards offer four crucial benefits to organizations.
namely guidance, authority, communication with outside organizations and special way to hold up from essential element from outside (Pfefer & Salancik 1978)

It can consequently be seen that organizations depend greatly on the wealth that is brought forth by board members as the board members benefit from the remunerations and other perks accorded to them by the organization. Boards are anticipated to perform different functions ranging from monitoring the executives, mitigating agency costs, firing and hiring of executives, provision and giving right to use the resources (Hendry & Kiel, 2004) to guiding the direction of the company (Kemp, 2006). The rationale behind this perspective therefore is that the provision of resources by board is straightforwardly connected to performance (Nicholson & Kiel, 2007).

Resource dependence theory is therefore adopted in this study to create and provide an insight into how different ownership structures lead to creation of a pool of wealth of abled management professionals who propel organizations forward and help them stay financially sound. This theory is relevant to the current study in that the skills and expertise of the board members are a resource to the company as it ensures that the company is heading to the right direction hence contributing to good performance.

2.3 Empirical Review

The study appraises several observed researches from the viewpoint of variables being considered. The studies are captured in the write up below.

2.3.1 Institutional Local Ownership and Financial Performance of Listed Firms

Hykaj (2020) investigated institutional ownership, corporate governance and financial performance of investment trusts in United States for the period 2007 to 2012. The target
population was 105 Investment Trusts in United States. The examination revealed that institutional investors would engage in monitoring activities that results to better financial growth of the firms. The paper found that the presence of institutional owners has a positive influence on fund performance. The study established that higher returns were associated with firms where the presence of institutional ownership level ranged 30% to 50%. The paper however is different from the ongoing analysis in that it focused on Investment trusts and that United States has got different contextual settings.

Abubakar, Umaru and Daikwo (2019) examined Institutional Ownership and Financial Performance of Firms listed in Nigeria. The target population was six building material firms listed in Nigeria Stock Exchange as at December, 2016. However, secondary data was collected from only four firms that had published their annual reports in the last 13 years. Multiple regression was adopted. The examination revealed that institutional ownership positively and significantly affect financial performance of listed building material firms in Nigeria. Although the study findings may be useful to the ongoing research, it is specific to the building materials industry in Nigeria while the ongoing research focuses on all listed firms irrespective of the industry in Kenya.

The article titled, “ownership identity and capital structure: A panel analysis for the quoted companies in Kenya,” by Muthoni and Nasieku, (2018) revealed that capital structure and institutional ownership had a positive and significant association. Data was collected from 35 entities that had consistency data for the period 2008 to 2017. The survey had employed longitudinal quantitative research design. Leverage ratio was used to measure capital structure. The paper recommended the need for firms to have a good relationship with the
institutional investors such as insurance firms, mutual funds, pension schemes among others for them to benefit from financing researches. This is article is very useful to the ongoing examination. However, the ongoing paper seeks to determine the relationship between institutional ownership and financial performance of firms listed in NSE, Kenya and not on Capital Structure.

Nazari, Basati, and Jamshidinavi (2017) sought to understand institutional ownership, risk appetite and financial performance of business enterprises listed in Tehran Stock Exchange. Data was collected from 165 listed entities for the period 2012 to 2016. Regression method and fixed effect model were adopted in the paper. The results of the analysis indicated a positive and a significant effect of institutional ownership on the relationship between financial performance and risk appetite. The study recommended that companies pay a lot of attention to structure of ownership when buying shares since this affects selection of best investment alternatives. However, the setting of Tehran Stock exchange is quite different from NSE where data is sought in the ongoing paper.

In another study, Gitundu, Kiprop, Kibet and Kisaka (2016) investigated the impact that ownership structure had on financial performance of privatized entities for the period 2007 to 2013 in Kenya. Among the study variables, institutional ownership was one of them. Data was extracted from CMA, NSE and final accounts of the firms. Hausman test was used to determine the regression model to be adopted in the analysis. Institutional investors were found to have a positive impact on technical efficiency and ROA. The study recommended that institutional shareholders be allocated enough shares in the privatized firms to improve financial performance and governance.
2.3.2 Managerial Ownership and Financial Performance of Listed Firms.

Doorasamy (2021) studied capital structure, firm value and managerial ownership in East African countries. Specifically, the analysis sought to determine whether managerial ownership has an impact on firm’s growth. A total of 65 listed companies in East Africa were selected for the analysis. Generalized methods of moment estimation technique was used. The results indicated an inverse and significant relationship between managerial ownership on the relationship between firm value and leverage. It was also established that managers with shareholding in the company can use debt capital more effectively to improve firm value than non-owner managers. While the study provides useful insights to this study, the ongoing study examines other variables related to ownership structure that influence the performance of firms.

Mafunga, Fwamba & Ondiek (2019) analysed managerial ownership and management earnings of the insurance firms listed in NSE, Kenya. Correlation and descriptive survey design were adopted in the research. A census survey of all the 6 NSE listed firms was employed. Questionnaires were administered as the mode of data collection as well as secondary data was extracted from the company’s annual reports and accounts over the period 2010 to 2017. Multiple regression was used to analyse the data. The null hypothesis that managerial ownership does not affect management earnings of insurance firms in Kenya was rejected. The study concluded that there is a significant relationship between the earnings management and managerial ownership. The investigation was narrow in relation to the industry as it examined only the non-financial firms. The current study looked at all listed firms irrespective of the sector.
Saidu & Gidado (2018) investigated the influence managerial ownership has on financial performance of manufacturing firms listed in Nigeria. Data was obtained from companies’ annual reports and accounts. The sample size was ten listed manufacturing firms in Nigeria. Ordinary least squares and correlation regression methods were employed in the analysis. The results from the analysis indicated that managerial ownership and performance financially is significant and negatively related. The analysis recommended that the shareholding by management should not be too high to better the performance. The investigation was narrow in relation to the industry as it examined only the non-financial firms. The current study looked at all listed firms irrespective of the sector. However, the results of the study cannot be generalized to the Kenyan context due to different settings.

Galal & Soliman (2017) examined the association of ownership structure and financial performance of listed corporations in Egypt. A sample of 50 listed firms in Egyptian stock exchange were analysed for the period 2007 to 2009. Managerial ownership was one of the study objectives. Both ROA and ROE were used as financial performance measures. Managerial ownership was found to have a negative and an insignificant relation with financial performance when ROA was employed as measure of financial performance. The same study showed a positive and insignificant relation between managerial ownership and financial performance when ROE was employed as the measure of financial performance. The study findings therefore did not clearly show the relationship between managerial
ownership and financial performance. The ongoing study focuses on Kenyan perspective only.

2.3.3 Board Composition and Financial Performance of Listed Firms

Ahmed (2018) investigated on the impact that the structure of ownership has on firm’s performance in Jordan. Corporate governance was examined as one of the independent variables mainly with an attention on the board composition; the executives and the non-executives with performance being examined on the premise of ROE. The findings agreed with the propositions of the agency theories on the importance of separation of ownership and management. Thus, a positive relationship exists between the practice of governance corporately and performance. The investigation was premised on the Ordinary least square in testing the hypothesis whereas the current study used the panel models.

Mohan and Chandramohan (2018) endeavoured to establish what correlation exist between corporate governance and Indian firms’ financial performance. Among the corporate controls examined was board composition with dependent variable was ROE. Regression analysis was done and the findings indicated that board’s composition had no statistically material influence on performance of firms in India. Whereas the scrutiny relied on multiple regression models in the analysis, the current research utilised the panel regression model.

Cherotich & Obwogi (2018) studied the impact of board composition on financial performance of listed firms in Nairobi securities exchange. The study relied on secondary data for the period 2010-2017. The study adopted a quantitative and descriptive research
design. The target population was the 55 NSE listed firms as of 2010. The study concluded that board gender composition had a significant impact on firms’ financial performance.

Mesut Doğan 2016 analysed board composition and firm performance in Turkey. The indicators of board composition studied were female directors, foreign directors and independent directors. Data was drawn from 100 firms for the period 2012 to 2014. The analysis relied both on Return on Equity and Return on Assets as the indicators of firm performance. It was established that board composition has an impact on performance. The number of female directors was found to have a positive effect on firms ROE and ROA as well foreign directors was found to have a positive and significant relation with firm performance.

2.3.4 Board Size and Financial Performance of Listed Firms

Honghui (2017) studied on the connection between corporate governance tools with performance of listed companies and considered board size as one of the corporate governance practices with performance being measured using profitability index. The analysis was done using multiple regression and the outcome of the study revealed that smaller boards enhance the performance of firms despite the fact that bigger boards are more proficient in resource provision. The study albeit useful to the present study examines only the aspect of governance corporately. The in-progress examination is premised on the idea that apart from corporate governance, there are other variables related to ownership structure that influence the performance of firms.

Hong and Nguyen (2017) did an examination on the impacts of governance corporately on performance of listed firms in Singapore. Among the variables considered were the board
size and composition. The outcome from the analysis revealed an inverse relationship between board size and performance. This is in the sense that a bigger size of the board negatively affects the performance. The study findings however cannot be generalised to the Kenyan context since Singapore has different institutional settings from Kenya.

Shunu, Bii & Ombaba (2017) analysed the effect of board size on firm financial performance of companies listed in NSE, Kenya. Panel regression model was used for the period 2006-2015. The target population was 68 NSE listed firms. Secondary data was obtained from the annual reports. Hypothesis was tested by use of multiple regression analysis. The analysis established a positive and a significant effect of size of board on firm performance. The results of the examination emphasized on the need of firms to have large board size. However, the study period is different from the current research which is for the period 2014-2018.

Oyewale, Oloko & Olweny (2016) sought to determine the influence board size has on the financial performance of listed manufacturing companies in Nigeria. Purposive sampling method was used where 34 firms were selected. The analysis used both primary and secondary data. The examination indicated that there is a positive and significant relation between board size and financial performance. The study recommended a board size increase of manufacturing firms in line with nature of each firm. The study cannot be generalized in Kenyan set up in addition to it focusing only the manufacturing sector.
2.3.5 Board Independence and Financial Performance of Listed Firms

Ombaba, Kosgei & Muriuki (2018) sought to analyse the effect of independent directors in times of financial distress. Panel regression model was used on a sample size of 39 NSE listed companies for the period 2004-2013. Exploratory research design was employed in the research. It was found out that independent of board is significant and negatively related to financial distress. The study was however focused on financial distress unlike the current one which focus on overall financial performance based on ROA.

Saleh, Zahirdin and Octaviani (2017) observed on the link between the structure of ownership and corporate performance. The target companies were the real estate companies in Indonesia which are public in nature. The sample size was 240 covering the period from 2010 to 2015. Among the variables considered was the role of an independent board in establishing good corporate performance. A panel model was employed in the study. The outcome from the study indicates a significant effect of board independence in corporate performance. The study was done in Indonesia whose institutional setting is different from that of Kenya.

Honghui (2017) examined the linkage between corporate governance and performance of listed firms at NSE focusing on board skills, board independence and board size to shed light on how they impact on performance. The outcome from descriptive statistics revealed that the listed firms at NSE, had boards that were independent. The study established a positive link between the independence of board and performance of these companies. The study however was more focused on governance aspect unlike the ongoing examination
that is going to examine the role of structure of ownership in relation to performance alongside corporate governance.

Rutledge, Karim and Lu (2016) did research on the effect of the independence of board on the firm performance. Data was obtained from NASDAQ100 companies covering 2010 to 2014. A noteworthy positive connection linking the independence and performance was established. Where the study was of assistance to the present study, it was examined in USA whose securities exchange is governed differently from that of Kenya. The current study focuses on NSE listed companies and considered the co-effects of ownership structure and corporate governance on financial performance.

2.4 Summary of Literature Review and Research Gap

Ownership Structure, corporate governance practices and financial performance are regarded as essential issues in NSE listed firms. Firms listed at the NSE are still characterized by higher ownership concentration providing the majority shareholders an opportunity to undertake activities for personal gains at the expense of minority shareholders hence adversely affecting performance (Mokaya, &Jagongo, 2015).

According to Kangethe 2016, some of NSE listed firms like Uchumi Supermarkets, Mumias Sugar, Kenya Airways and TransCentury have had significant corporate governance issues. These issues have centred on Chief Executives and Directors. All the cases can be related to lack of board supervision, fraud and non-disclosures. Inadequate corporate governance structures have kept investors away from the Nairobi Securities Exchange (Ikalo, 2016).
Literature from past studies reveal that the findings from most researchers have not reached a common conclusion. The exegesis of agency, stewardship, stakeholder and resource-based theories demystify the cause-effect of factors such as institutional local ownership, managerial ownership, board size, board composition, board independence and the influences on financial performance. It implies that ownership structure and corporate governance practices quietly matters in firms listed in NSE. Therefore, there is need for further research on NSE listed firm’s performance financially hence this research intends to address this gap by looking into ownership structure, corporate governance and performance of NSE listed firms in terms of finance. Table 2.1 presents the summary of Literature review and gaps.
<table>
<thead>
<tr>
<th>Author/Year</th>
<th>Research title</th>
<th>Key findings</th>
<th>Research gap</th>
<th>Focus of current study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abubakar, Umaru and Daikwo</td>
<td>Institutional Ownership and Financial Performance of Quoted Building Materials Firms in Nigeria</td>
<td>Institutional ownership positively and significantly impact financial performance.</td>
<td>Focused on building materials industry</td>
<td>Focuses on all NSE listed firms</td>
</tr>
<tr>
<td>Mafunga, Fwamba and Ondiek</td>
<td>Managerial ownership and earnings management of listed insurance companies in Kenya</td>
<td>significant relationship between the earnings management and managerial ownership</td>
<td>Data was collected from only 6 NSE listed firms.</td>
<td>Data is collected from 60 NSE listed firms.</td>
</tr>
<tr>
<td>(2019)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cherotich &amp; Obwogi (2018)</td>
<td>The effect of board composition on financial</td>
<td>Board gender composition had a significant</td>
<td>Focused only on-board composition.</td>
<td>Focuses on other elements corporate governance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Author(s)</td>
<td>Title</td>
<td>Description</td>
<td>Sample Size</td>
<td>Performance Measure</td>
</tr>
<tr>
<td>-----------</td>
<td>-------</td>
<td>-------------</td>
<td>-------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Rutledge, Karim &amp; Lu (2016)</td>
<td>Effect of boards independence on firm’s performance in USA</td>
<td>There was a significant and positive effect of board independence on performance</td>
<td>Listed firms in USA were examined and performance was measured based on ROE</td>
<td>Listed firms in Kenya are examined and performance is measured based on ROA</td>
</tr>
<tr>
<td>Honghui (2017)</td>
<td>Corporate governance and performance of listed companies in Kenya</td>
<td>Smaller boards enhance performance while large boards are proficient in resource provision</td>
<td>Focused on corporate governance and performance</td>
<td>In addition to examining corporate governance, it examines ownership structure as it relates to performance.</td>
</tr>
<tr>
<td>Authors</td>
<td>Title</td>
<td>Focus</td>
<td>Methodology</td>
<td>Findings</td>
</tr>
<tr>
<td>---------</td>
<td>-------</td>
<td>-------</td>
<td>-------------</td>
<td>----------</td>
</tr>
<tr>
<td>Saleh, Zahirdin &amp; Octaviani (2017)</td>
<td>Ownership structure and performance of real estate companies in Indonesia</td>
<td>Board independence significantly and positively affect performance</td>
<td>Focused on property and real estate public Indonesian firms</td>
<td>Focuses on NSE listed Kenyan firms in different sectors.</td>
</tr>
<tr>
<td>Ahmed (2018)</td>
<td>Impact of ownership structure on firm’s performance in Jordan</td>
<td>Board composition has a significant positive effect on performance</td>
<td>ROE was used in measuring performance</td>
<td>ROA is used in measuring performance</td>
</tr>
</tbody>
</table>
Mohan & Chandramohan (2018) Corporate governance and firms performance in India Board composition had no significant relationship with performance Used a multiple regression model in analysis and focused on only 30 firms Uses a panel regression model in analysis and focuses on 60 firms

Source: Researcher (2021)

2.5 Conceptual Framework

A conceptual framework is a diagrammatic presentation of the relationship between the predictor variables and the dependent variable. The study is guided by the following conceptual outline. In this conceptual framework the independent variables are institutional local ownership, managerial ownership, board composition, board size and board independence. The dependent variable is financial performance of Kenya’s NSE listed firms.
Figure 2.1: Conceptual Framework

Source (Researcher, 2021)
CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This part gives an exegesis about techniques employed in research and collection of data. It encompasses the population description, tools of data collection and analysis.

3.2 Research Design

A research design is a blueprint that guides a researcher when it comes to conducting research activities (Bryman & Bell, 2003). This research adopted a causal research design. The causal research design helps in explaining the cause-and-effect relationship between the independent and dependent variables. A causal research design aims at identifying the cause of the behaviour in question. Using this design, it is possible to ascertain the kind of variations that take place in a predictor variable for every change in the dependent variable. It is also known as explanatory research. Under the design other variables that are likely to influence outcome are controlled (Kept constant) through statistical methods (Kothari, 2014). There are three assumptions of the causal research design; the first assumption is that there is no other variable that is related to both the cause and effect i.e. there is no spurious association. The second assumption is there is an exclusive connection between the cause and effect and finally is the assumption of systematic variation between variables. Its key advantage is that it helps in accurately identifying the causes behind certain behaviours or processes.
3.3 Target Population

The target population is 64 firms listed in NSE as at December 2018 (Appendix 3). The choice of these firms is because of readily available financial statement at NSE handbook and CMA website as NSE exercises heavy control over them hence making them adhere to the strict trading standards hence readily available secondary data.

3.4 Sample size and sampling technique

Data is collected from 60 firms listed in NSE as at December 2018 out of the 64 listed firms. Four firms namely; Atlas Africa, ARM cement, Kurwitu Ventures and Stanlib Fahari REIT are excluded as shown in Appendix 5. Census technique is adopted where all the 60 listed firms are assessed all having complete data. A census is utilized if the population is very small or a rationale for the inclusion of the whole population exists. Since the gathering of the data touches the whole population, it is described as a census (Kothari, 2014)

3.5 Data Collection Instruments

The examination relies on secondary data. Secondary data is sourced from the yearly audited financial statements of the listed firms in the NSE for the period 2014-2018 from the particular company’s websites and from NSE and CMA websites. Data is obtained from income statements and statement of financial position of listed firms, which include; total assets of the firm and net profit. The data collected was panel data. Panel data has the benefit of modeling both common and groups’ individual behaviours. It also contains detailed information, more efficient and has more variability in comparison with time series. Finally it helps in minimizing the estimation biases that characterize aggregation of groups in a time series.
In relation to research design, the scrutiny employs a data collection checklist (Appendix 1 and 2). The data collection checklist is used in guiding the collection of data from the annual audited financial statements.

### 3.6. Reliability and Validity of Research Instrument and Data

This part explains the reliability as well as the validity of the research instrument and data.

#### 3.6.1. Reliability of Research Instrument

As explained by Mugenda and Mugenda, (2003) a test is deemed reliable when it produces consistent results when repeated measurements are made. The reliability of the data in this study is ensured through sourcing the data from the companies’ published financial statements. Reports from the regulators like the Capital Markets Authority are also relied on to ensure the accuracy of the data for analysis. The reports from the Nairobi Securities Exchange are also utilized.

#### 3.6.2. Validity of Research Instrument

Validity is principally done to make sure that the tool utilized in research measure what’s projected to measure from the beginning (Kothari, 2004). The researcher collects secondary data based on the real and true indices as reported by the firm’s audited and published financial reports. Data collection sheets are utilized to collect secondary data. The supervisor examined the content and faces validity of the items in the checklist in order to determine if the items are consistent with the objectives of the study and free from any ambiguity.
3.7. Operationalization and Measurement of Study Variables

Table 3.1 shows the Operationalization and measurement of the various variables employed in the study.

Table 3.1. Operationalization and Measurement of Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Type</th>
<th>Operationalization</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Performance (Y)</td>
<td>Dependent</td>
<td>Return on Assets (ROA)</td>
<td>Net Income /Total Assets</td>
</tr>
<tr>
<td>Institutional local Ownership (X1)</td>
<td>Independent</td>
<td>Shares held by local institutional investors</td>
<td>[Number of local institutional ownership/Total number of owners *100]</td>
</tr>
<tr>
<td>Managerial Ownership (X2)</td>
<td>Independent</td>
<td>Percentage of shares held by executive officers out of the total Percentage of shares</td>
<td>[Percentage of shares held by executive officers/Total percentage of shares] *100</td>
</tr>
<tr>
<td>Board Composition (X3)</td>
<td>Independent</td>
<td>Nationality of board members</td>
<td>[Number of Kenyan board members / Total board members]</td>
</tr>
<tr>
<td>Board Size (X4)</td>
<td>Independent</td>
<td>Number of board members in a firm</td>
<td>Log of board members</td>
</tr>
<tr>
<td>Board Independence (X5)</td>
<td>Independent</td>
<td>Ratio between the independent board members and Executive board members</td>
<td>[Number of independent board members/number of non-independent board members]</td>
</tr>
</tbody>
</table>

Source: Researcher (2021)
3.8. Empirical model

Panel models and correlation analysis is utilised to settle on the connection among variables under exploration in this research. The following model guides the research so as to accomplish the study objectives;

\[ Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} \varepsilon \]

Where,

\( Y \) = Financial performance
\( \alpha \) = Constant.
\( \beta_1, \beta_2, \beta_3 = \) regression coefficients
\( X_{1it} \) = Institutional local ownership of firm i at time t.
\( X_{2it} \) = Managerial ownership of firm i at time t.
\( X_{3it} \) = Board composition of firm i at time t.
\( X_{4it} \) = Board Size of firm i at time t.
\( X_{5it} \) = Board Independence of firm i at time t.
\( \varepsilon \) = Error-term representing residual values un captured within the model

3.9. Data Analysis

Data analysis is done with the aid of the Stata version 14. Preceding the panel regression analysis, diagnostic tests covering the Multicollinearity test, Normality test, stationarity
test, correlation test, autocorrelation test, heteroscedasticity test and Hausman specification test are conducted the study researcher.

3.9.1. Multicollinearity Test

The test is usually done to establish if the independent variables are closely related. A variance Inflation Factor (VIF) was used in carrying out the test which as explained by Bluman (2005) carries a range of values from 1 to 10. For a study to conclude that there is no multicollinearity problem, the VIF should be between 1 and 10 otherwise there is a multicollinearity problem.

3.9.2. Normality Test

The test is usually done to establish if the sampled data has been sampled from a population that exhibit a normal distribution. As stated by Mugenda and Mugenda, (2003), the null hypothesis is that data does not follow a normal distribution whereas the alternative is that the data is follows a normal distribution. A probability value of below 0.05 discloses that the data is not distributed normally. A probability value of more than 0.05 discloses that normality exists. This test is carried through the use of the Doornik Hanson test.

3.9.3. Stationarity Test

According to (Banda, 2010), one main predicament with time series data is its propensity to show non-stationarity of variables leading to bogus regression outcome. Consequently, this makes statistical conclusions untrue. In testing stationarity, this examination employed the Augmented Dickey Fuller test which involves unit root tests. The null hypotheses is that of unit root (I (1)) which is the difference stationary. A probability value of below 0.05 leads to rejection of hypotheses and imply that series is I (0); the trend stationary.
3.9.4. Autocorrelation Test.

This test ascertains if in a regression model, error terms correlate over time. This test is done based on Durbin Watson test. The Durbin Watson statistic always ranges from zero to four. Under this test, if a value obtained is between 0 and 2, it indicates a positive autocorrelation; 2 obtained as value implies that there is no any autocorrelation while a value ranging from 2 to 4 discloses that there is negative autocorrelation.

3.9.5. Heteroscedasticity Test

The test for heteroskedasticity is aimed at ascertaining whether the variability of variables is not equivalent over a series of predictor variables. The test is done through Breusch-Pagan test. Under this test, the null hypothesis is such that there is a constant variation over an array of the independent variables while the alternative is such that the variance is non-constant. A probability value of 0.05 or less always shows that heteroscedasticity does exist whereas a probability value of greater than 0.05 shows that Heteroscedasticity is absent. Given that this study has an element of time series, this study was done.


The Hausman Specification test is done to find out on which model to use in carrying out a panel regression. The null hypothesis is that the preferred model is random effect while the alternative hypothesis is that the preferred model is the fixed effect model. A p value of less than 0.05 rejects the null hypothesis therefore the fixed effect model is used, while a p value of 0.05 fails to reject the null hypothesis therefore a random effect model is used.
3.10 Ethical considerations

The researcher has exercised high level of integrity to ensure the study does not negatively affect the welfare of others especially those that may use the research findings. As proposed by Kothari (2004), it is ethical to seek permission when conducting scientific studies; the researcher then sought permission from the University and NACOSTI.
CHAPTER FOUR
DATA ANALYSIS, RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction
This chapter comprises of the descriptive statistics, diagnostic test results, panel regression analysis and hypothesis testing. It provides details as to the interaction between the variables.

4.2 Descriptive statistics
The descriptive statistics help in exhibiting the basic features of the data used in the study.

This is carried out and the results shown in the table 4.1

Table 4.1: Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return On Assets</td>
<td>60</td>
<td>0.028</td>
<td>0.140</td>
<td>-0.962</td>
<td>0.659</td>
<td>0.0021</td>
<td>0.0042</td>
</tr>
<tr>
<td>Institutional Ownership</td>
<td>60</td>
<td>67.649</td>
<td>20.769</td>
<td>14.870</td>
<td>98.250</td>
<td>0.0122</td>
<td>0.0690</td>
</tr>
<tr>
<td>Managerial Ownership</td>
<td>60</td>
<td>1.331</td>
<td>4.178</td>
<td>0.000</td>
<td>25.000</td>
<td>0.2811</td>
<td>0.0014</td>
</tr>
<tr>
<td>Board Composition</td>
<td>60</td>
<td>0.522</td>
<td>0.562</td>
<td>0.000</td>
<td>4.000</td>
<td>0.8169</td>
<td>0.0213</td>
</tr>
<tr>
<td>Board Size</td>
<td>60</td>
<td>9.080</td>
<td>2.595</td>
<td>4.000</td>
<td>18.000</td>
<td>0.1592</td>
<td>0.7348</td>
</tr>
<tr>
<td>Board Independence</td>
<td>60</td>
<td>3.176</td>
<td>1.892</td>
<td>0.143</td>
<td>10.000</td>
<td>0.1672</td>
<td>0.6542</td>
</tr>
</tbody>
</table>

Source (Research data, 2021)

From the results, Return on assets had a mean of 0.028 and standard deviation of 0.140.

Institutional ownership had a mean of 67.65 percent, standard deviation of 20.769. This is indicative of the fact that local institutions own 67.65 percent of share value of listed firms in Kenya. The standard deviation of 20.769 is indicative of the fact that the percentages of
ownership by institutions are spread over large range of values. Managerial ownership had a mean of 1.331 and standard deviation of 4.178. This indicates that on average, executive officers own 1.331 percent of shares of the listed firms. The standard deviation of 4.178 indicates that the percentage of ownership by executive officers largely vary across different firms. 0.522 represented the mean for Board composition with the standard deviation being 0.562. The mean of 0.522 implies that 52.2 percent of the board members of listed firms have Kenyan nationality with 47.8 percent having foreign nationality. The standard deviation indicates that the variances of ratio of local to foreign board members have little variance across the firms.

The mean for board size was 9.080 with a standard deviation of 2.595. This is indicative of the fact that the listed firms have 9 directors as members of the board on average. The standard deviation of 2.595 indicates the variances of the number across the listed firms. Board independence had a mean of 3.176 and standard deviation of 1.892. This implies that the number of independent board members in the firms is 3 times more than the non independent (executive officers). The standard deviation of 1.892 indicates the ratio of the independent to executive directors vary number across the listed firms.

4.3 Diagnostic Tests

Prior to carrying out the panel regression, diagnostic tests are carried out. The tests carried out are the Hausman specification test, Autocorrelation test, Heteroscedasticity test, Normality test, stationarity test, and correlation test.
4.3.1. Multicollinearity Test

The test is usually done to establish if the independent variables are closely related. A variance Inflation Factor (VIF) was used in carrying out the test which as explained by Blumman (2005) carries a range of values from 1 to 10. For a study to conclude that there is no multicollinearity problem, the VIF should be between 1 and 10 otherwise there is a multicollinearity problem. Using the tolerance values, the range under this test is 0 to 1 hence a multicollinearity problem does not exist if the values are between 0 to 1.

Table 4.2: Multicollinearity Test.

<table>
<thead>
<tr>
<th>Variable</th>
<th>VIF</th>
<th>Tolerance</th>
<th>R-Squared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return On Assets</td>
<td>1.02</td>
<td>0.980</td>
<td>0.023</td>
</tr>
<tr>
<td>Institutional Ownership</td>
<td>1.26</td>
<td>0.794</td>
<td>0.208</td>
</tr>
<tr>
<td>Managerial Ownership</td>
<td>1.29</td>
<td>0.775</td>
<td>0.217</td>
</tr>
<tr>
<td>Board Composition</td>
<td>1.03</td>
<td>0.971</td>
<td>0.033</td>
</tr>
<tr>
<td>Board Size</td>
<td>1.41</td>
<td>0.709</td>
<td>0.321</td>
</tr>
<tr>
<td>Board Independence</td>
<td>2.51</td>
<td>0.398</td>
<td>0.567</td>
</tr>
</tbody>
</table>

Source: Researcher (2021)

From the findings presented in Table 4.2, the VIF for the return on assets is 1.02 and tolerance value of 0.980, institutional ownership has a VIF of 1.26 and tolerance value of 0.794, managerial ownership has a VIF of 1.29 and tolerance value of 0.775, board composition has a VIF of 1.03 and tolerance value of 0.971, board size has a VIF of 1.41 and tolerance value of 0.709 and finally board independence has a VIF value of 2.51 and tolerance value of 0.398. Based on the findings all the values of VIF are between 1 and 10 and the tolerance values between 0 and 1 and this indicates that there was no multicollinearity problem.
4.3.2. Normality Test

As stated by Mugenda and Mugenda, (2003) the null hypothesis is that the data is not normally distributed while the alternative hypothesis is that the data is normally distributed. A p value of less than 0.05 shows non normality of the data whereas a p value of more than 0.05 shows that there is normality. This test is carried out using Doonik Hanson test. The test results are presented in Table 4.3

Table 4.3 Normality Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Pr(Skewness)</th>
<th>Pr(Kurtosis)</th>
<th>adj chi2</th>
<th>Prob&gt;chi2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Assets</td>
<td>60</td>
<td>0.0021</td>
<td>0.0042</td>
<td>2.84</td>
<td>0.2842</td>
</tr>
<tr>
<td>Institutional Local Ownership</td>
<td>60</td>
<td>0.0122</td>
<td>0.0690</td>
<td>3.37</td>
<td>0.2254</td>
</tr>
<tr>
<td>Managerial Ownership</td>
<td>60</td>
<td>0.2811</td>
<td>0.0014</td>
<td>2.06</td>
<td>0.3571</td>
</tr>
<tr>
<td>Board Composition</td>
<td>60</td>
<td>0.8169</td>
<td>0.0213</td>
<td>1.25</td>
<td>0.4361</td>
</tr>
<tr>
<td>Board Size</td>
<td>60</td>
<td>0.1592</td>
<td>0.7348</td>
<td>2.18</td>
<td>0.3358</td>
</tr>
<tr>
<td>Board Independence</td>
<td>60</td>
<td>0.1672</td>
<td>0.6542</td>
<td>2.32</td>
<td>0.3066</td>
</tr>
</tbody>
</table>

Source (Research data, 2021)

From the Table 4.3 the p values are >0.05 hence the conclusion that the data set is normally distributed.

4.3.3. Stationarity Test

This test is carried out using the Augmented Dickey-Fuller test and only covers the Return on Assets (ROA) and the results presented in table 4.4;
### Table 4.4: Stationarity Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Test statistic</th>
<th>1% critical value</th>
<th>5% critical value</th>
<th>10% critical value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return On Asset</td>
<td>-6.994</td>
<td>-4.007</td>
<td>-3.437</td>
<td>-3.137</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Source (Research data, 2021)

A time series is said to be stationary if the mean, variance or pattern does not exhibit an upward and downward trend. The test is carried out only on ROA since it is a time series with the other variables excluded since they do not have the element of time series. Under the Augmented Dickey Fuller test, the null hypothesis is that the series is non-stationary while the alternative hypothesis is that the series has unit root. A non-stationary data set results in false results. If a statistical p value of less than 0.05 is obtained then the null hypothesis is rejected meaning that series is I (0); the trend stationary. From the results in the Table 4.4, the Return on asset (ROA) has p-value of 0.000. This means that the data set is stationarity.

#### 4.3.4 Autocorrelation test

The test for autocorrelation is aimed at establishing whether the error terms in a regression model correlate over time. The test is carried out based on the Durbin Watson test and the results presented in Table 4.5;
Table 4.5: Autocorrelation Test Results

| Return on asset         | Coef.    | Std. Err. | t     | p>|t|  | [95% Conf. Interval] |
|-------------------------|----------|-----------|-------|------|----------------------|
| Institutional Ownership | 0.0013059| 0.0000559 | 2.34  | 0.020| 0.000206             | 0.002406             |
| Managerial Ownership    | -0.000287| 0.0027664 | -0.10 | 0.917| -0.000573            | 0.005157             |
| Board Composition       | 0.0305067| 0.0181641 | 1.68  | 0.094| -0.005241            | 0.066254             |
| Board Size              | -0.002312| 0.0009516 | -2.43 | 0.015| -0.012361            | 0.007736             |
| Board Independence      | 0.0091579| 0.0040883 | 2.24  | 0.025| -0.003399            | 0.019848             |
| _cons                   | -0.069714| 0.0453582 | -1.54 | 0.125| -0.158980            | 0.019553             |
| Rho                     | 0.4876843|           |       |      |                      |                     |

Durbin-Watson statistic 1.984088

**Source (Research data, 2021)**

The Durbin Watson statistic obtained is 1.98 which is approximately equal to the established threshold of 2 hence based under the results depicts that there is no autocorrelation.

**4.3.5 Test for Heteroskedasticity**

The test for heteroskedasticity is aimed at establishing if the variability of the variables is not equal across a range of the predictor variables. The test is carried out using the Breusch-Pagan test and the results presented in Table 4.6
Table 4.6 Heteroscedasticity Test Results.

<table>
<thead>
<tr>
<th>Breusch-Pagan test for heteroscedasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ho: Constant variance</td>
</tr>
<tr>
<td>Variables: Institutional ownership Managerial ownership Board composition Board size Board independence</td>
</tr>
<tr>
<td>F(4, 61) = 2.02</td>
</tr>
<tr>
<td>Prob &gt; F = 0.1025</td>
</tr>
</tbody>
</table>

Source (Research data, 2021)

The null hypothesis is that there is constant variance across a range of the predictor variables while the alternative hypothesis is that the variance is not constant. A p value of 0.05 or less implies there is no homoscedasticity while a p value of greater than 0.05 implies there is homoscedasticity (no heteroscedasticity). The overall p value obtained above is greater than 0.05 implying there is no heteroscedasticity.

4.3.6 Hausman Specification Test

A Hausman test is done to find out on which model to use in carrying out panel regression. The null hypothesis is that the preferred model is random effect while the alternative hypothesis is that the preferred model is the fixed effect model. A p value of less than 0.05 rejects the null hypothesis therefore the fixed effect model is used, while a p value of 0.05 fails to reject the null hypothesis therefore a random effect model is used. The outcome is presented in Table 4.7
Table 4.7: Hausman test.

<table>
<thead>
<tr>
<th></th>
<th>(b)</th>
<th>(B)</th>
<th>(b-B)</th>
<th>sqrt(diag(v_{b-B}))</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed</td>
<td>Random</td>
<td>Difference</td>
<td>S.E.</td>
</tr>
<tr>
<td>Institutional Ownership</td>
<td>0.008320</td>
<td>0.000983</td>
<td>0.007337</td>
<td>0.000053831569</td>
</tr>
<tr>
<td>Managerial Ownership</td>
<td>-0.006730</td>
<td>-0.000890</td>
<td>-0.005840</td>
<td>0.000034105600</td>
</tr>
<tr>
<td>Board Composition</td>
<td>0.002120</td>
<td>0.001227</td>
<td>0.000893</td>
<td>0.000000797449</td>
</tr>
<tr>
<td>Board Size</td>
<td>-0.098760</td>
<td>-0.133787</td>
<td>0.035027</td>
<td>0.001226890729</td>
</tr>
<tr>
<td>Board Independence</td>
<td>0.027860</td>
<td>0.035907</td>
<td>-0.008047</td>
<td>0.000064754209</td>
</tr>
</tbody>
</table>

Chi2(4) = 2.36

Prob>chi2 = 0.1245

**Source (Research data, 2021)**

From the findings presented in Table 4.7, a p value of 0.1245 is obtained, which is more than 0.05. From this finding the null hypothesis is not rejected hence the study relies on the random effect model to carry out a panel regression.

4.4 Panel regression analysis

The panel regression is carried out based on three empirical models and the results presented in the following section.

4.4.1 Panel regression model

The model used is the panel regression and results presented in the Table 4.8
Table 4.8: Panel Regression Model

| Return on Asset          | Coef.    | Std. Err. | Z      | P>|Z|  | [95% Conf. Interval] |
|-------------------------|----------|-----------|--------|------|---------------------|
| Institutional local     |          |           |        |      |                     |
| ownership               | 0.000983 | 0.000310  | 3.18   | 0.002| 0.000374            |
| Managerial Ownership    | -0.000890| 0.001882  | 0.47   | 0.637| -0.004594           |
| Board Composition       | 0.001227 | 0.000647  | 1.90   | 0.058| -0.000040           |
| Board size              | -0.133787| 0.059726  | -2.24  | 0.029| -2.209379           |
| Board Independence      | 0.035907 | 0.014091  | 2.55   | 0.011| 0.008176            |
| Constant                | -0.807975| 0.415734  | -1.94  | 0.052| -1.622101           |

R-sq: within = 0.4320
between = 0.5517
Overall = 0.5341

Source (Researcher, 2021)

The Panel model thus becomes;

\[ \text{ROA} = -0.807975 + 0.000981X_1 - 0.000892X_2 + 0.001233X_3 - 0.133794X_4 + 0.035913X_5 + \epsilon \]

In a scenario where there are no predictor variables, the ROA of the listed companies decrease by 0.807975. This decrease is insignificant as evidenced by the p value of 0.052. A unit increase in the level of institutional local ownership (IO) leads to an increase in the Return of assets (ROA) by 0.00098 times all other variables held constant. The increase as evidenced by the p value of 0.002 is significant. A unit increase in managerial ownership (MO) other variables kept constant leads to a decrease in the level of ROA by 0.000890 times, the decline is non significant based on the p value of 0.637 obtained. In terms of
board composition (BC) a unit increase in board composition results in an increase in the ROA by 0.001227 times other variables kept constant. The increase is not statistically significant since the probability value obtained was 0.058. There is an inverse relationship between board size (BS) and ROA. An increase in board size by a unit results in a decrease in ROA by 0.133787 times when the other factors are kept constant. The decline is significant as evidenced by the p value of 0.029. Lastly there is a significant relationship between Board independence (BI) and ROA. When board independence level increases by a unit holding other variables constant, the ROA increases by 0.035907. The p value obtained is 0.011 which is less than 0.05. An overall $R^2$ of 0.5341 is obtained which implies that the predictor variables explain 53.41% of the change in the ROA of the listed firms at NSE.

4.5 Hypotheses Testing

This section presents the interpretation of the hypothesis test results for each of the hypothesis.

4.5.1 Hypothesis One: Institutional local ownership has no significant effect on financial performance of listed firms at Nairobi Securities Exchange, Kenya.

The first objective was to determine the effect of institutional local ownership on financial performance of all listed firms in the NSE. The null hypothesis states that Institutional ownership has no significant effect on financial performance of listed firms in the NSE. From the results, a unit increase in the level of institutional local ownership (IO) leads to an increase in the Return of assets (ROA) by 0.00098 times, all other variables held
constant. The increase as evidenced by the p value of 0.002 is significant. Therefore, the null hypothesis is rejected at 5% significance level.

These findings are contrary to that of Domsetz and Villalonga (2009) which arrived at a conclusion that there exists no logical connection between firm performance and institutional structure of ownership. Miring’u and Muoria (2011) analysed the impact of corporate governance on Kenyan State Corporation’s performance that are commercial and established an inverse significant negative correlation between performance and institutional ownership. The findings nonetheless are in agreement with a study by Gitundu, Kiprop, Kibet and Kisaka (2016) which established that institutional ownership had significant and positive impact on ROA.

4.5.2 Hypothesis Two: Managerial ownership has no significant effect on financial performance of listed firms at Nairobi Securities Exchange, Kenya

The second objective was to determine the effect of managerial ownership on the performance of listed firms in the NSE. The null hypothesis is that managerial ownership has no significant effect on performance of listed firms at NSE. The results indicate a negative and insignificant relationship between managerial ownership and performance. A unit increase in managerial ownership (MO) other variables kept constant leads to a decrease in the level of ROA by 0.000890 times, the decline is non significant based on the p value of 0.637 obtained. Therefore, we fail to reject the null hypothesis. The results are not in agreement with that of Ongore and K’Obonyo (2011) while examining the linkage between ownership composition and performance of the listed companies in Kenya ascertained that a managerial ownership significantly increases performance.
On the other hand, several studies are in agreement with the findings for instance; Fama and Jensen (1983) established that big insider shareholding shields insiders against pressure from market of corporate running. The prospect for insiders to make safe their arrangement, institute a business domain for their individual interests, and refusal to accept direction is very enticing and nearly certain. Galal & Soliman (2017) also established an insignificant association between managerial ownership and profitability in European companies.

4.5.3 Hypothesis Three: Board composition has no significant effect on financial performance of listed firms at Nairobi Securities Exchange, Kenya

The third objective was to determine the effect of board composition on financial performance of listed firms at the NSE. The null hypothesis is that board composition has no significant effect on financial performance of listed firms in the NSE. A unit increase in the board composition results in an increase in the ROA by 0.001227 times other variables kept constant. The increase is not statistically significant since the probability value obtained was 0.058, therefore the null hypothesis is not rejected at 5% significance level. The results from this study are in agreement with that of Ahmed (2018) which established a positive relationship between the board composition and performance. It also agrees with findings by Mohan and Chandramohan (2018) which established a positive association between board composition and ROE.

4.5.4 Hypothesis Four: Board size has no significant effect on financial performance of listed firms at Nairobi Securities Exchange, Kenya

The fourth objective was to examine the effect of board size on performance of listed firms at NSE as measured using ROA. The null hypothesis is that board size has no significant effect on performance of listed firms at NSE. The outcome revealed that an increase in
board size by a unit results in a decrease in ROA by 0.133787 times when the other factors are kept constant. The decline is significant as evidenced by the p value of 0.029, therefore the null hypothesis is rejected at 5% significance level.

The results agree with that of Honghui, (2017) whose scrutiny on the connection between governance tools corporately with performance of NSE-listed companies considered board size as one of the corporate governance practices with performance being measured using profitability. The study established a significant inverse relationship between board size and performance meaning that as the board size increases performance declines significantly. Similar findings were also found by Hong and Nguyen (2017).

4.5.5 Hypothesis Five: Board independence has no significant effect on financial performance of listed firms at Nairobi Securities Exchange, Kenya

The fifth objective was to examine the effect of board independence on performance of listed firms at NSE as measured using ROA. The null hypothesis is that board independence has no significant effect on performance of listed firms at NSE. The outcome revealed that when board independence level increase by a unit holding other variables constant, the ROA increases by 0.035907. The p value obtained is 0.011 which is less than 0.05 an indicator that the effect is significant. Therefore, the null hypothesis is rejected at 5% level of significance.

The findings agree with that of Rutledge, Karim and Lu (2016) who did a research on the effect of the independence of board on the firm performance. A noteworthy positive connection linking the independence and performance was established. Saleh, Zahirdin and Octaviani (2017) observed on the link between the structure of ownership and corporate
performance. The outcome from the study indicates a significant effect of board independence in corporate performance
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction
This chapter comprises of the summary, conclusions and recommendations of the study. It provides details on the conclusion of the study based on the research findings where policy recommendations were also deducted from.

5.2 Summary of the Study
The specific objectives of this examination were: to ascertain the effect institutional local ownership, managerial ownership, board composition, board size and board independence on financial performance of listed firms at NSE as measured using ROA (Return on Assets).

The first objective was to examine the effect of institutional local ownership on financial performance of listed firms at NSE. The outcome revealed that the effect of institutional local ownership on financial performance was positively and statistically significant. Therefore, the null hypothesis was rejected at 5% significance level. This implies that as institutional local ownership increases, financial performance also increases significantly.

The second objective was to evaluate the effect of managerial ownership on financial performance of listed firms at NSE. The results indicate a negative insignificant relationship between the managerial ownership and ROA. Therefore, the null hypothesis was not rejected at 5% significance level. This thus implies that as managerial ownership increases, the financial performance decreases albeit insignificantly.

The third objective was to determine the effect of board composition on financial performance of listed firms at NSE. The outcome revealed that the effect of board
composition on ROA was positively and albeit being statistically insignificant. Therefore, the null hypothesis was not rejected at 5% significance level. The conclusion therefore from the results is that as board composition changes, financial performance increases though insignificantly.

The fourth objective was to establish the effect of board size on financial performance of listed firms at NSE. The results established a significant inverse relationship between the board size and the ROA. Therefore, the null hypothesis was rejected at 5% significance level. The conclusion therefore is that as the size of the board increases, the financial performance declines significantly.

The fifth objective was to examine the effect of board independence on the financial performance of listed firms at NSE. With regard to board independence a significant positive association with ROA was established hence the null hypothesis was rejected at 5%. The study therefore concludes that as the board become more independent, the financial performance of firms improves significantly.

5.3 Conclusion
The conclusion of the study is based on the empirical findings of the study. The first objective was to determine the effect of institutional ownership on financial performance of listed firms in the NSE. In respect to this, the study concluded that the effect of institutional local ownership on financial performance is statistically significant. However, with regards to the effect of managerial ownership, on financial performance, the study concluded that managerial ownership negatively and insignificantly affects the financial performance of listed firms. Regarding the effect of board composition on financial
performance of listed firms, the study concluded that there exists a positive and insignificant relationship with ROA. The examination further concludes that board size was statistically and inversely significant in its relationship with ROA. Lastly, the effect of board independence on ROA was found to be statistically significant and positive.

5.4 Policy Implications

The policy recommendations of the study are in line with the objectives of the study. The study concludes that institutional ownership has a positive and significant effect on financial performance. Therefore, in pursuit for high Return on assets firm can come up with incentives to encourage institutions to invest more in the company to raise performance.

The study further concludes that the board size significantly affect the performance of listed firms as measured by ROA. Companies must therefore through their memorandum and article of association endeavour to come up with leaner and smaller board size through a thorough examination of the performance of its industry of operation.

Lastly, the effect of board independence on financial performance was found to be significant. Therefore, the companies need to ensure that more non executive independent directors are brought on board as they have no conflict of interest.

5.5 Suggestions for Further Research

The study endeavoured to examine the effect of ownership structure and corporate governance on financial performance of listed firms at NSE. Future studies can also be extended to the SMEs and non listed companies in Kenya.
REFERENCES


APPENDICES

Appendix 1: Secondary data collection sheet relating to ROA

<table>
<thead>
<tr>
<th>Years</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2021)

Appendix 2: Secondary data relating to ownership structure and corporate governance practices

<table>
<thead>
<tr>
<th>Years</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional local ownership percentage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managerial ownership percentage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board composition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board size</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board independence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2021)
### Appendix 3: List of NSE Listed Firms

<table>
<thead>
<tr>
<th>NO</th>
<th>COMPANY NAME</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>B.O.C Kenya Plc</td>
</tr>
<tr>
<td>2</td>
<td>Bamburi Cement Ltd</td>
</tr>
<tr>
<td>3</td>
<td>Barclays Bank of Kenya Ltd</td>
</tr>
<tr>
<td>4</td>
<td>BK Group Plc</td>
</tr>
<tr>
<td>5</td>
<td>Britam Holdings Plc</td>
</tr>
<tr>
<td>6</td>
<td>British American Tobacco Kenya Plc</td>
</tr>
<tr>
<td>7</td>
<td>Car &amp; General (K) Ltd</td>
</tr>
<tr>
<td>8</td>
<td>Carbacid Investments Ltd</td>
</tr>
<tr>
<td>9</td>
<td>Centum Investment Co Plc</td>
</tr>
<tr>
<td>10</td>
<td>CIC Insurance Group Ltd</td>
</tr>
<tr>
<td>11</td>
<td>Crown Paints Kenya Plc</td>
</tr>
<tr>
<td>12</td>
<td>Deacons (East Africa) Plsc</td>
</tr>
<tr>
<td>13</td>
<td>Diamond Trust Bank Kenya Ltd</td>
</tr>
<tr>
<td>14</td>
<td>E.A. Cables Ltd</td>
</tr>
<tr>
<td>15</td>
<td>E.A. Portland Cement Co. Ltd</td>
</tr>
<tr>
<td>16</td>
<td>Eaagads Ltd</td>
</tr>
<tr>
<td>17</td>
<td>East African Breweries Ltd</td>
</tr>
<tr>
<td>18</td>
<td>Equity Group Holdings Plc</td>
</tr>
<tr>
<td>19</td>
<td>Eveready East Africa Ltd</td>
</tr>
<tr>
<td>20</td>
<td>Express Kenya Ltd</td>
</tr>
<tr>
<td>21</td>
<td>Flame Tree Group Holdings Ltd</td>
</tr>
<tr>
<td>22</td>
<td>HF Group Plc</td>
</tr>
<tr>
<td>23</td>
<td>Home Afrika Ltd</td>
</tr>
<tr>
<td>24</td>
<td>I&amp;M Holdings Plc</td>
</tr>
<tr>
<td>25</td>
<td>Jubilee Holdings Ltd</td>
</tr>
<tr>
<td>26</td>
<td>Kakuzi Plc</td>
</tr>
<tr>
<td>27</td>
<td>Kapchorua Tea Co. Ltd</td>
</tr>
<tr>
<td>28</td>
<td>KCB Group Plc</td>
</tr>
<tr>
<td>29</td>
<td>KenGen Co. Plc</td>
</tr>
<tr>
<td>30</td>
<td>KenolKobil Ltd</td>
</tr>
<tr>
<td>31</td>
<td>Kenya Airways Ltd</td>
</tr>
<tr>
<td>32</td>
<td>Kenya Orchards Ltd</td>
</tr>
<tr>
<td>33</td>
<td>Kenya Power &amp; Lighting Co Ltd</td>
</tr>
<tr>
<td>34</td>
<td>Kenya Re Insurance Corporation Ltd</td>
</tr>
<tr>
<td>35</td>
<td>Liberty Kenya Holdings Ltd</td>
</tr>
<tr>
<td>36</td>
<td>Longhorn Publishers Plc</td>
</tr>
<tr>
<td>37</td>
<td>Mumias Sugar Co. Ltd</td>
</tr>
<tr>
<td></td>
<td>Company Name</td>
</tr>
<tr>
<td>---</td>
<td>------------------------------------</td>
</tr>
<tr>
<td>38</td>
<td>Nairobi Business Ventures Ltd</td>
</tr>
<tr>
<td>39</td>
<td>Nairobi Securities Exchange Plc</td>
</tr>
<tr>
<td>40</td>
<td>Nation Media Group Ltd</td>
</tr>
<tr>
<td>41</td>
<td>National Bank of Kenya Ltd</td>
</tr>
<tr>
<td>42</td>
<td>NIC Group Plc</td>
</tr>
<tr>
<td>43</td>
<td>Olympia Capital Holdings ltd</td>
</tr>
<tr>
<td>44</td>
<td>Safaricom Plc</td>
</tr>
<tr>
<td>45</td>
<td>Sameer Africa Plc</td>
</tr>
<tr>
<td>46</td>
<td>Sanlam Kenya Plc</td>
</tr>
<tr>
<td>47</td>
<td>Sasini Plc</td>
</tr>
<tr>
<td>48</td>
<td>Stanbic Holdings Plc</td>
</tr>
<tr>
<td>49</td>
<td>Standard Chartered Bank Kenya Ltd</td>
</tr>
<tr>
<td>50</td>
<td>Standard Group Plc</td>
</tr>
<tr>
<td>51</td>
<td>The Co-operative Bank of Kenya Ltd</td>
</tr>
<tr>
<td>52</td>
<td>The Limuru Tea Co. Plc</td>
</tr>
<tr>
<td>53</td>
<td>Total Kenya Ltd</td>
</tr>
<tr>
<td>54</td>
<td>TPS Eastern Africa Ltd</td>
</tr>
<tr>
<td>55</td>
<td>Uchumi Supermarket Plc</td>
</tr>
<tr>
<td>56</td>
<td>Umeme Ltd</td>
</tr>
<tr>
<td>57</td>
<td>Unga Group Ltd</td>
</tr>
<tr>
<td>58</td>
<td>Williamson Tea Kenya Ltd</td>
</tr>
<tr>
<td>59</td>
<td>Trans-Century Plc</td>
</tr>
<tr>
<td>60</td>
<td>WPS Scangroup</td>
</tr>
</tbody>
</table>

Source (Nairobi Securities Exchange, 2018)
Appendix 4: Listed Companies that Issued Profit warnings from 2014-2018

<table>
<thead>
<tr>
<th>No</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kapchorua Tea Ltd</td>
</tr>
<tr>
<td>2</td>
<td>East Africa Portland Cement</td>
</tr>
<tr>
<td>3</td>
<td>Kenya Airways</td>
</tr>
<tr>
<td>4</td>
<td>Express Kenya</td>
</tr>
<tr>
<td>5</td>
<td>Mumias Sugar Co. Ltd</td>
</tr>
<tr>
<td>6</td>
<td>Liberty Holdings</td>
</tr>
<tr>
<td>7</td>
<td>ARM Cement</td>
</tr>
<tr>
<td>8</td>
<td>BOC Kenya Ltd</td>
</tr>
<tr>
<td>9</td>
<td>National Bank of Kenya</td>
</tr>
<tr>
<td>10</td>
<td>Uchumi Supermarkets</td>
</tr>
<tr>
<td>11</td>
<td>Atlas Development</td>
</tr>
<tr>
<td>12</td>
<td>Car &amp; General Ltd</td>
</tr>
<tr>
<td>13</td>
<td>East Africa Cables</td>
</tr>
<tr>
<td>14</td>
<td>TPI East Africa</td>
</tr>
<tr>
<td>15</td>
<td>Sasini Plc</td>
</tr>
<tr>
<td>16</td>
<td>Sameer Africa</td>
</tr>
<tr>
<td>17</td>
<td>Sanlam Ltd</td>
</tr>
<tr>
<td>18</td>
<td>NSE</td>
</tr>
<tr>
<td>19</td>
<td>Flame Group</td>
</tr>
<tr>
<td>20</td>
<td>Unga Group</td>
</tr>
<tr>
<td>21</td>
<td>Bamburi Cement</td>
</tr>
<tr>
<td>22</td>
<td>Centum Investment Ltd</td>
</tr>
<tr>
<td>23</td>
<td>Deacons Plc</td>
</tr>
<tr>
<td>24</td>
<td>Standard Chartered Bank</td>
</tr>
<tr>
<td>25</td>
<td>Standard Group</td>
</tr>
<tr>
<td>26</td>
<td>HF Group</td>
</tr>
<tr>
<td>27</td>
<td>Kenya Power</td>
</tr>
<tr>
<td>28</td>
<td>Britam</td>
</tr>
</tbody>
</table>

Source (NSE, 2018)
Appendix 5: List of NSE Listed Firms Excluded in the study

<table>
<thead>
<tr>
<th>NO</th>
<th>COMPANY</th>
<th>REASON</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Atlas Africa Limited</td>
<td>Suspended in 2017</td>
</tr>
<tr>
<td>2</td>
<td>ARM Cement Ltd</td>
<td>Suspended in 2018</td>
</tr>
<tr>
<td>3</td>
<td>Kurwitu Ventures</td>
<td>No continuous data</td>
</tr>
<tr>
<td>4</td>
<td>Stanlib Fahari REIT</td>
<td>No continuous data</td>
</tr>
</tbody>
</table>

Source: Researcher (2021)
Appendix 6: Kenyatta University Graduate School Approval Letter

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@kun.ac.ke
Website: www.ku.ac.ke

From: Dean, Graduate School

TO: Nathan Mwaka Nzuki
C/o Accounting and Finance Dept.

Date: 5th February, 2020

Ref: D58/CTY/3398/15

Subject: Approval of Research Project Proposal

This is to inform you that Graduate School Board at its meeting of 29th January, 2020 approved your Research Project Proposal for the MBA Degree Entitled, “Ownership structure, corporate governance practices and financial performance of companies listed at the Nairobi Securities exchange, Kenya”.

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and Progress Report Forms. The Forms are available at the University's Website under Graduate School webpage downloads.

Thank you.

ELIJAH MUTUA
FOR DEAN, GRADUATE SCHOOL

c.c. Chairman, Accounting & Finance Department
Supervisors:

1. Dr. Charity Njeka
C/o Department of Accounting and Finance
Kenyatta University
Appendix 7: Research Permit from NACOSTI

This is to certify that Mr. Nathan Njoki of Kenyatta University, has been licensed to conduct research in Nairobi on the topic:

"OWNERSHIP STRUCTURE, CORPORATE GOVERNANCE PRACTICES AND FINANCIAL PERFORMANCE OF COMPANIES LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA for the period ending 28/March/2023."

License No.: NACOSTICP2023-000577

Applicant Identification Number: [Redacted]

Verification QR Code:

NOTE: This is a computer generated license. To verify the authenticity of this document, scan the QR code using QR scanner application.