SPRING 2013 FACTORS INFLUENCING PERFORMANCE OF LISTED FIRMS IN KENYA: A SURVEY OF LISTED FIRMS AT THE NAIROBI SECURITIES EXCHANGE (NSE)

BY

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A Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY

SPRING 2013
STUDENT'S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, ownership institution or university other than the United States International University in Nairobi for academic credit.

Signed: Jacob Onyango Odeny (ID 633791)  
Date: 11 JUNE 2013

This project has been presented for examination with my approval as the appointed supervisor.

Signed: Dr. Timothy Okech  
Date: 18 JUNE 2013

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Date: 2 JULY 2013
Dean, Chandaria School of Business

Signed:  
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Deputy Vice Chancellor, Academic Affairs
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ABSTRACT

This study sought to examine the factors that influence firm performance. More specifically, three objectives were set out: to investigate the effect of ownership concentration on firm performance; to determine the effect of foreign ownership on firm performance; and to determine the effect of state ownership on firm performance.

The study was designed as a descriptive study. The population was 58 listed companies at the Nairobi Securities Exchange from which a sample size of 45 firms was selected. Secondary data was collected for these firms from their annual reports as well as from NSE database on ownership and performance. Data was analysed using descriptive analysis, multiple regression analysis and correlation analysis. The data was tested if it met the conditions for an OLS regression analysis. After the tests, it was noted that the data failed most of the assumptions of an OLS regression. Given that, the data was therefore transformed in the SPSS into rank scores and normal scores. The transformed data was therefore run for an OLS regression to assess whether ownership variables influenced firm performance. The analysed data was presented in tables and figures.

The study found that ownership concentration did not significantly affect firm performance. The results of the full rank score regression showed that ownership concentration had a positive and insignificant effect on performance. The results of the normal score regression model also showed the same results. Ownership concentration had a positive and insignificant effect on performance.

The study found that foreign ownership did not significantly affect firm performance. The full rank score model results showed that foreign ownership had a positive but insignificant effect on performance. The normal score regression model results showed that foreign ownership had a negative but insignificant effect on performance. The study also found that state ownership did not have a significant effect on the performance of listed companies. More specifically, the full rank score model results showed that state ownership had a negative but insignificant effect on performance. The normal score regression model results showed that state ownership had a negative but insignificant effect on performance.
The study concludes that indeed performance is unaffected by the corporate governance as measured by ownership concentration. Thus corporate governance has not had a significant impact on performance of listed firms in Kenya as measured by their return on equity. The study further concludes that performance of firms listed on the NSE is not affected by the foreign ownership. None of the measures of blockholders had a significant impact on performance as measured by return on equity. Most importantly, multinationality has a significant impact on the performance of firms. This might be due to market imperfections providing a powerful motivation to firms to explore the multinational ownership advantages; for ownership concentration, know-how, managerial skills and marketing ability.

Based on the findings, various recommendations were made. First, the study recommends that for listed firms at the Nairobi Securities Exchange, it does not matter the presence or absence of any type of ownership and therefore this should not worry the firms as it has no influence on their overall performance. Secondly, the study recommends that it is important for the Capital Markets Authority to relook into the corporate governance issues since in this study, no evidence was found for the impact of corporate governance on performance.
ACKNOWLEDGEMENT

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DEDICATION

I dedicate this project to my wife, Wendy Achieng' and all the enthusiasts of the workings of securities markets in Kenya.
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1.1 Background of the Problem

Firm performance encompasses three specific areas of firm outcomes: financial performance (profits, return on state ownership, return on investment, etc.); market performance (sales, market share, etc.); and shareholder return (total shareholder return, economic value added, etc.) (Devinney et al., 2005). Academically, firm performance is the ultimate dependent variable of interest for those concerned with just about any area of management: accounting is concerned with measuring performance; marketing with customer satisfaction and market share; operations management, with productivity and cost of operations, organizational behavior with employee satisfaction and structural efficiency; and finance with capital market response to all of the above. March and Sutton (1997) found that roughly 28% of articles in the Strategic Management Journal, the Academy of Management Journal and the Administrative Science Quarterly included some measure of firm performance.

Performance is so common in organizational research that it is rarely explicitly considered or justified; ownership concentration is treated as a seemingly unquestionable assumption (Devinney et al., 2005). The multidimensionality of performance covers the many ways in which organizations can be successful; the domain of which is arguably as large as the many ways in which organizations operate and interact with their environment. The definition of performance underlying the measures used in the vast majority of studies has also been a matter of debate in the past. The characterization of performance as a single-criterion construct, mostly focusing on an indicator of business results, has long been criticized as a main stumbling block to theoretical progress (Austin & Crespin, 2006).

Regardless of the role of performance in the equation, results achievement is obviously a must in the performance debate (Huselid et al., 2005; Bennett et al., 2006). However, there is no consensus in the literature about whether results should be considered as merely one of the multiple dimensions of performance (Scott & Einstein, 2001) or as a different variable
reflecting the evaluation of the results of performance, such as productivity or efficiency
(Campbell, 1993).

In any case, wider strategic approaches to business and particularly work derived from the
resource-based perspective (Barney, 2001) have long claimed that the contribution of
individuals to the organization goes far beyond results achievement, especially when
searching for long-term added value or sustainable competitive advantage. This being the
case, the concept of performance should integrate both the ‘hard’ (results) and the ‘soft’
(competency-based) types of measures in order to gain comprehensiveness.

Different authors have worked on the integration of these multiple dimensions into a
comprehensive model of performance. Most of them converge in the distinction between a
set of factor focusing on the task or job specifics and another one which deals with a myriad
of add-ins that may show up as a function of individual traits, and that surround task
performance (Austin & Crespin, 2006).

Borman & Motowidlo (1993) coined the term contextual performance and defined it as a set
of interpersonal and volitional behaviors that support the social and motivational context in
which organizational work is accomplished. Along this line, Scott & Einstein (2001) propose
three interrelated performance dimensions: outcome-based (whenever clearly-defined goals
can be set), behavior-based (observable behaviors relevant to individual work roles) and
competence-based (regarding skills/knowledge shown by employees in their daily activities).

The shareholder structure normally was described and measured by ownership concentration
like the largest shareholder, the second largest shareholder or minority shareholders, etc., and
it illustrates the outcome of configuration for corporate control (Wu, 2003). Equity split or
transfer will lead to shareholder structure changes which may results in restructuring of
corporate control, then make changes for corporate governance. According to a third view,
ownership structure is equal to equity ownership or equity structure, which can be understood
as the proportion of shares held by shareholders (Sun, 2002).
Recent years have seen increased research into the relationship between ownership structure and bank profitability. Several studies have been conducted on the relative performance of foreign versus domestic banks. Studies of the relative performance of foreign versus domestic banks in industrial countries include DeYoung & Nolle (1996), Berger et al. (2000) and Vander Vennet (1996); and studies focusing on developing countries (or both developing and industrial countries) include Bonin et al. (2004) and Clarke et al. (2000). Most of these studies have argued that foreign banks are more profitable than their domestic counterparts in developing countries and less profitable than domestic banks in industrial countries.

In a research study conducted by Goldberg, et al. (2000), foreign-owned banks, on the whole, tended to be healthier than their domestic counterparts. Comparing the 1995-2000 performance of foreign and domestic banks in select Latin American countries, they revealed that while foreign banks differed little from their domestic counterparts in overall financial condition, they showed more robust loan growth, a more aggressive response to asset quality deterioration, and a greater ability to absorb losses - characteristics that jointly portray that they are by far more profitable than domestic banks. Jeon et al. (2004) stated that foreign banks are more likely to earn higher returns on state ownership and equity than domestic banks.

Drawing similar conclusions, Micco et al. (2004) explain that foreign-owned banks tend to have much lower overhead costs. Also, higher rates of return among foreign banks reflect lower-cost operations and / or improved investment and lending practices that improve earnings. But, in industrial countries, foreign banks experience lower margins (measured either as a share of total state ownership or as a share of loans plus deposits) than their domestic counterparts.

It has been argued since long time that private ownership of firms leads to better firm performance, since private ownership leads to better intra- firm allocation of resources. However, it does not guarantee that privately owned firms would always perform better than public sector firms. At the same time, it has been argued that if firms are subjected to competitive forces, they would perform efficiently irrespective of the sector it belongs
(Sumon & Dimova, 2003). On the other hand, Demestz & Lehn (1985) found no effect of ownership structure on accounting profits. And, Leech & Leahy (1991) found a negative and significant relationship between ownership concentration and firm value and profitability. Thus, the impact of ownership on performance is to some extent ambiguous and hence leads to interesting empirical exercises.

Since Jensen & Meckling (1976), it has been widely accepted that organizational form influences operating behavior, as it defines the nature of residual claims and, thus, the motivations of the firm’s owners. Without regulation, competition has the effect in the long run of obliging firms to establish the most efficient corporate governance and allocation of control rights, making the ownership structure of firms endogenous.

In such a scenario no relationship between the firm’s profitability and the type of organizational form is expected (Demsetz & Lehn, 1985). However, banking is one example of how regulation affects corporate governance because national laws define some bank ownership types. In these cases, bank ownership is an exogenous variable because banks cannot freely adopt their optimum ownership structure, and differences in profitability and risk-taking behavior may arise between banks with different type of ownership. Therefore, such as Lang & So (2002) explained, the choice of ownership whatever state, foreign or private are all important in the context of bank, and both an essential element for the development of a healthy banking system in developing countries. The mix and concentration of stock ownership do indeed significantly affect a company’s performance (Xu & Wang, 1999). From all the experiences above we can tell that the overall level of ownership concentration as well as ownership types seem to determine enterprise performance (Claessens & Djankov, 1998).

Prior to August 2011, the Nairobi Securities Exchange (NSE) was categorized into three market segments; Main Investment Market Segment (MIMS); Alternative Investment Market Segment (AIMS); and Fixed Income Market Segment (FIMS). The MIMS segment was further categorized in four sectors, namely: agricultural; industrial and allied; finance and investment; and commercial and services. They have since been re-classified into 12 sectors...
to align them with various sectors of the economy (NSE, 2011). These sectors are agricultural (7 companies), commercial and services (8 companies), telecommunication and technology (2 companies), automobiles and accessories (4 companies), banking (10 companies), insurance (4 companies), investment (3 companies), manufacturing and allied (9 companies), construction and allied (5 companies), and energy and petroleum (4 companies).

The other two sectors are fixed income securities market segment which lists preference shares and bonds (NSE, 2011). There are therefore 56 companies currently listed and trading on the NSE.

A look at the performance of the NSE over years reveals that it has been deviating. The NSE 20 shares index closed at 5,444 in December 2007, 3,521 in December 2008, 3,247 in December 2009 and 4,432 in December 2010 (KNBS, 2013). The variations in performance over the years could be attributed to a number of governance factors of which the present study seeks to study.

1.2 Statement of the Problem

Empirical studies that discusses the role of ownership structure in corporate governance around the world include (Shleifer & Vishny, 1997; La Porta et al. 1999), with examples of those specifically examining the relationship between ownership structure and firm performance being (Bathala & Rao, 1995; Mitton, 2002; Ng, 2005; Vethanayagam et al., 2006). The effect of ownership structure and concentration on a firm’s performance is an important issue in the literature of finance theory (Zeitun & Tian, 2007).

It is worth noting that most research on ownership structure and firm performance has been dominated by studies conducted in developed countries. However, there is an increasing awareness that theories originating from developed countries such as the USA and the UK may have limited applicability to developing markets. Emerging markets have different characteristics such as different political, economic and ownership concentration conditions, which limit the application of developed markets’ empirical models.
Kenyan studies have been contradictory in theory findings on the relationship between ownership structure, and firm performance (Mbaabu, 2010; Muka, 2010; Ongore & K’obonyo, 2011 and Kihara, 2006). This inconsistency in past empirical findings is what the current study seeks to focus on by providing a perspective from listed companies on the effects of ownership structure on firm performance.

1.3 General Objective

The general objective of this study was to determine the factors influencing performance of listed firms in Kenya with specific focus on the firm ownership structure.

1.4 Specific Objectives

1.4.1 To determine the effect of ownership concentration on performance of listed firms in Kenya
1.4.2 To determine the effect of foreign ownership on performance of listed firms in Kenya.
1.4.3 To determine the effect of state ownership on performance of listed firms in Kenya

1.5 Significance of the Study

1.5.1 Financial Managers
This study is important to the financial managers as the results can help them to be more sensitive to the influence that the various owners may have to the decisions they make with regard to the various corporate decisions such as ownership structure.

1.5.2 Government
The government through the regulators can know how the various owners may make decisions that may affect some sectors of the economy and come up with regulations. Policy makers can pursue economic reforms that will influence the corporate policies to be geared towards the welfare of the nation at large and protection against minority investors.
1.5.3 Scholars
Scholars can have an insight of the relationship between ownership structure and performance of listed firms in Kenya.

1.6 Scope of the Study
The study covered all the firms listed on the NSE. The study only covered the issues of ownership structures and their subsequent effect on performance of listed firms in Kenya. Lastly, the study covered the period from 2002-2013.

1.7 Definition of Terms

1.7.1 Ownership Structure
This is the relative amounts of ownership claims held by insiders and outsiders. It is the shareholder structure which refers to equity ratio occupied by various shareholders (Wu, 2003).

1.7.2 Ownership Concentration
This is the overall concentration of the ten largest shareholders, the holdings of the largest shareholder or inside shareholders as either managers or directors (Zeitun & Tian, 2007).

1.7.3 Domestic Ownership
This is where the ownership of a firm is substantially owned by citizens or ownership concentration of the parent country (Berger et al., 2000).

1.7.4 State Ownership
This is where a majority of the shares of a firm are substantially held by the government (Boubakri et al., 2005).

1.7.5 Performance
This encompasses three specific areas of firm outcomes: financial performance, market performance, and shareholder return (Divenney et al., 2008).

1.8 Chapter Summary

This chapter has set out the background of the study and the questions the study hopes to answer. The Population has also been identified. In addition, those who might find the study helpful and definitions of the technical terms is also included in this chapter. In Chapter two, the literature that has been written on this topic and related ones will be reviewed to shed more light on the field and identify gaps that this study will seek to fill. The methodology used is discussed in Chapter Three. The fourth chapter presents results and findings while the fifth chapter will look at the discussion, conclusion and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature relevant to the current study. The chapter is organized as follows. First, theories that attempt to explain the ownership structures of firms are presented in section 2.2. Section 2.3 presents the conceptual framework and a review of the different ownership structures that firms adopt. Section 2.4 is an empirical review of the studies on the relationship between ownership concentration, foreign/domestic ownership, state ownership and firm performance. Section 2.5 is a critique of these studies.

2.2 Effect of Ownership Concentration on Performance

2.2.1 Ownership Concentration and Profitability

The effect of ownership concentration on company profitability has been studied since Berle & Means (1932). Other studies comparing profitability of manager-and owner-controlled companies, often categorized by the share of the largest owner, generally found a higher rate of return in companies with concentrated ownership (Cubbin & Leech, 1983). These studies, however, were seriously lacking a theoretical foundation. They neither used nor provided a theory of ownership structure and seemed to imply that shareholders could increase profit by rearranging their portfolios. This point was emphasized by Demsetz (1983) who argued theoretically that the ownership structure of the firm is an endogenous outcome of the competitive selection in which various cost advantages and disadvantages are balanced to arrive at an equilibrium organization of the firm.

A study conducted in Kenya by Ongore & K’Obonyo (2011) on interrelations among ownership, board and manager characteristics and firm performance in a sample of 54 firms listed at the Nairobi Securities Exchange (NSE). These governance characteristics, designed to minimize agency problems between principals and agents are operationalized in terms of ownership concentration, ownership identity, board effectiveness and managerial discretion.
The typical ownership identities at the NSE are government, foreign, ownership concentration, manager and diverse ownership forms. Firm performance is measured using Return on State ownership (ROA), Return on Equity (ROE) and Dividend Yield (DY). Using PPMC, Logistic Regression and Stepwise Regression, the paper presents evidence of significant positive relationship between foreign, insider, ownership concentration and diverse ownership forms, and firm performance (Ongore & K’Obonyo, 2011).

2.2.2 Ownership Concentration and Performance

However, the relationship between ownership concentration and government, and firm performance was significantly negative. The role of boards was found to be of very little value, mainly due to lack of adherence to board member selection criteria. The results also show significant positive relationship between managerial discretion and performance. Collectively, these results are consistent with pertinent literature with regard to the implications of government, foreign, manager (insider) and ownership concentration ownership forms, but significantly differ concerning the effects of ownership concentration and diverse ownership on firm performance.

Earle, et al, (2004) examined the impact of ownership concentration on firm performance using panel data for firms listed on the Budapest Stock Exchange, where ownership tends to be highly concentrated and frequently involves multiple blocks. Fixed-effects estimates imply that the state ownership of the largest block increases profitability and efficiency strongly and monotonically, but the effects of total block holdings are much smaller and statistically insignificant. Controlling for the state ownership of the largest block, point estimates of the marginal effects of additional blocks are negative. The results suggest that the marginal costs of concentration may outweigh the benefits when the increased concentration involves “too many cooks.”

Ferri, et al, (2010) studied the impact of ownership structure on performance in European banking using a large panel of over 300 banks for 15 years from 19 countries. They used profitability, loan losses and cost efficiency as measures of firm performance. The results are contrary to the widely held belief that shareholder ownership is superior to stakeholder
ownership in banking. There are no significant differences in profitability across ownership classes. Co-operatives and publicly owned savings banks outperform commercial retail banks in terms of cost efficiency and loan losses. There is some heterogeneity within the stakeholder-owned banks.

Traditionally, concentrated ownership has been thought to provide better monitoring incentives, and lead to superior performance (Leech & Leahy, 1991). On the other hand, it might also lead to extraction of private benefits by the controlling shareholders at the expense of the minority shareholders (Maher & Andersson, 1999). The principal-agent model suggests that managers are less likely to engage in strictly profit maximizing behavior in the absence of strict monitoring by shareholders (Prowse, 1992; Agrawal & Knoeber, 1996). Therefore, if owner-controlled firms are more profitable than manager-controlled firms, it would seem that concentrated ownership provides better monitoring which leads to better performance.

Gugler (1999) provides a comprehensive survey of empirical studies of the effects of ownership concentration on corporate performance, beginning with the pioneering work of Berle & Means (1932) to more recent work by Leech & Leahy (1991), Prowse (1992), Agrawal & Knoeber (1996), and Cho (1998). Based on primary studies from the US and UK, he finds that although the results are ambiguous, the majority of studies find that firms with concentrated ownership tend to significantly outperform manager-controlled firms.

Demsetz & Lehn (1985) found no association between ownership concentration and profitability (return on equity) in large US companies when controlling for determinants of concentration and other variables. According to standard agency theory (Shleifer & Vishny, 1997), the choice of a privately optimal ownership structure involves a tradeoff between risk and incentive efficiency. Other factors kept constant, larger owners will have a stronger incentive to monitor managers and more power to enforce their interests and this should increase the inclination of managers to maximize shareholder value.
Generally speaking, however, the owners’ portfolio risk will also increase the larger the ownership share. To the extent that companies differ in terms of firm specific risk, the privately optimal share of the largest shareholder (owner) will therefore, vary. Furthermore, the nature and complexity of activities carried out by individual firms may also vary, and so may the marginal effect of monitoring on the shareholder value of individual firms (Demsetz & Lehn, 1985).

According to Morck et al. (2005), the differences in ownership structure have two obvious consequences for corporate governance. On the one hand, dominant shareholders have both the incentive and the power to discipline management. On the other hand, concentrated ownership can create conditions for a new problem, because the interests of controlling and minority shareholders are not aligned. Therefore, it will be an economic image for minority shareholders to look for interests’ protection through board of directors.

While previous researchers Jensen & Meckling (1976), thought that improved the share participation for insider controllers may decrease agency cost and increase firm performance. As early as 1932, there were researchers who suggested that an inverse correlation should be observed between the diffuseness of shareholdings and firm performance (Berle & Means, 1932), while later this comment was argued by some other researchers (Demsetz & Lehn 1985, Holderness & Sheehan 1988, Himmelberg et al. 1999), who found concentrated ownership is not associated with better operating performance or higher firm valuation.

Small shareholders may have an insufficient incentive to maximize total shareholder value because the control and monitoring gains from large block shareholdings are shared with other investors. And if one or a very small group of shareholders attempts to acquire a large ownership stake, the gains will largely be captured by the other shareholders who sell their shares at a premium reflecting increased demand for the shares and value of the firm. This in effect leads to a positive equilibrium effect of ownership concentration on company performance since companies with large owners will do better and since minority investors have insufficient incentives to change the ownership structure.
With increasing ownership shareholding, improved incentives will have less of an effect on performance if the marginal effect of monitoring effort is decreasing (Jensen & Ruback, 1983). Besides, a large ownership stake in a particular company indicates a less than fully diversified portfolio on the part of the owner so that the owner risk aversion may induce the company to trade off expected returns for lower risks. This is because a risk-averse investor, who has most of his investments in a particular line of state ownership, is always wary of the chances of his capital being substantially reduced or even wiped out in a hostile investment environment (Short, 1994).

2.3 Effect of Foreign Ownership on Performance

Earlier and recent empirical studies conclude that foreign firms have performed better than the domestically owned firms. Therefore, the foreign ownership has positive influences on the firm’s performance. This might be true for developed countries; however, in developing and transition economy, some findings are in contrast with earlier empirical findings. In this section, the empirical results of foreign ownership effects are reviewed in developed and developing countries.

2.3.1 Foreign Ownership

Researches on firms with foreign ownership operating in developed countries, Goethals and Ooghe (1997) conducted a study to investigate the performance between 25 Belgian firms and 50 foreign companies, which are Belgian taken over by foreigners. They calculated twenty-eight financial ratios for both foreign and domestic firms and concluded that foreign takeovers have positive impacts on the performance of firms by using regression analysis. Moreover, the firms with foreign ownership performed better than their domestically owned counterparts. Besides Alan and Steve (2005) also looked at the short and long term performance of foreign companies acquired by UK corporations. The findings on 333 overseas acquisitions by UK limited companies for the period 1984-1995 revealed significant positive returns on the firm performance.
Grant (1987) and Qian (1998) assessed the relationship between the performance and multiple explanatory factors per se multinationality. Grant’s study investigated performance of overseas production based on three methods; static, dynamic regression and disaggregated analysis for the period 1972-1984 revealed that profitability for the 304 largest UK manufacturing firms drawn from The Times 500 list of British largest companies was positively correlated to their level of multinationality. If the overseas production increases, it means an increase in sales and profitability.

2.3.1 Foreign Ownership and Inter-industry Activities
Qian included in his analysis the 164 largest US industrial corporations on the Fortune 500 listings for the period 1981-1992 and applied regression method to examine data. He found that the return performance is different due to differences in the level of foreign involvement. Most importantly, multinationality has a significant impact on the performance of firms. This might be due to market imperfections providing a powerful motivation to firms to explore the multinational ownership advantages; for ownership concentration, know-how, managerial skills and marketing ability.

Liu et al. (2000) looked at the issue from different angle and examined intra-industry productivity spillovers from FDI on manufacturing sector in UK. Their empirical study is consisted of 48 different UK manufacturing industries over the 1991-95 periods. Caves-type single equation model was applied to test for effect of technology spillovers. The findings indicate that FDI existence has a positive spillover on the productivity of UK owned firms.

Piscitello and Rabbiosi (2005) extended the study to Italy to investigate the influence of inward FDI coming into existence through acquisitions. The empirical results consist of foreign acquisitions that occurred in Italy for the period 1997-1997. Their sample was based on 113 foreign acquisitions, 74 of them undertaken by European firms, 31 by US firms and 8 from other countries. The evidence from OLS regression analysis shows that acquisitions improve the target firms’ performance in the medium term. This is due to the transfer of ownership benefits and also being part of international network of the acquiring firm.
2.3.3 Foreign Ownership and Firm Performance

Although, it is commonly agreed that foreign owned firms have been performing better than their domestically owned counterparts, some conflicting results in respect to the conclusions have been encountered. One of them, Kim and Lyn (1990) made a research to evaluate firms’ performance operating in U.S. using t-test and regression analysis. Their empirical sample for the study is based on the 54 largest foreign corporations operating in US in the period of 1980-1984. The corporations are grouped into the different industries. Nine of them are in mining, twenty-nine in manufacturing and sixteen in other industries. The results indicate that foreign owned firm operating in USA is less profitable than randomly selected domestically owned U.S corporations. Reasons for that might be US firms are less R&D incentives and more advertising oriented than foreign owned firms.

More studies of the firms operating in developing and transition economies, Konings (2001) extended a research to test the effects of FDI on productivity performance of firms on three developing economies: Bulgaria, Romania and Poland. The dataset is consisted of 2,321 firms in Bulgaria for the period of 1993-1997, 3,844 firms in Romania between 1994 and 1997 and 262 firms in Poland over the period of 1993-1997. The evidence shows that foreign corporations do not perform better than domestic ones, except in Poland. This might be due to taking time for foreign ownership impacts on performance. Moreover, he found no evidence of positive spillovers of foreign investment to domestic firms.

Khawar (2003) also finds no evidence of spillovers in Mexican manufacturing industry based on econometric approach. She derived the data set from the Mexico Industrial Survey for the year 1990. However, her study reveals that foreign firms are more productive than domestic firms, because of indication the presence of a strong foreign ownership on the productivity of individual firms.

Aitken, and Harrison (1999) find no evidence of spillovers from foreign firms to domestic owned firms in Venezuela. They employed the data set of 43,010 observations covered form 1976 trough 1989 was gathered directly from Venezuela’s National Statistical Bureau. They estimated log-linear production functions to investigate if foreign ownership is related to an
increase in the productivity of plant and whether foreign equity participation has positive or negative spillovers to domestic firms. The findings show no evidence supporting the presence of technology spillovers to domestic firms from foreign firms.

Another research conducted by Dauma et al. (2003) in developing economy tested foreign ownership effects on performance of 1005 Indian firms in 1999 and 2000 by applying regression method. They observed that foreign ownership positively affects firm performance.

Akimova & Schwödiauer (2004) examined the impact of ownership structure on corporate governance and performance of privatized corporations in Ukrainian transition economy. Their analysis was based on data from a survey conducted in 2001 on 202 medium and large industrial corporations in Ukraine between the periods of 1998-2000. OLS regressions were used for estimations. Empirical evidence shows that there are significant ownership effects on the performance, but which is non-linear relation. In other words, its effect is positive within lower range but negative from the point that closes to majority ownership.

The most recent study conducted by Barbosa & Louri (2005) investigated if firms operating in Portugal and Greece perform differently than their domestic counterparts. The final sample consisted of 523 manufacturing firms’ data produced by Portuguese Ministry of Labour in 1992 and based on standard survey that must be answered by firms with wage earners every year. In the Greek situation, 2,651 firms were used and data was obtained from ICAP directory in 1997. After using the robust method of quintile regression, the results suggested that ownership ties do not make a significant difference with corresponding firm performance in Portugal and Greece.

Another study about foreign owned firms’ performance was conducted by Gunduz & Tatoglu (2003). They employed the one-way analysis of variance (ANOVA) to investigate the effect of foreign ownership on performance of 202 non-financial firms listed on ISE in 1999. The findings reveal that foreign owned firms have significantly better performance than domestic firms regarding with ROA, but not in other financial performance ratios.
Isik et al. (2004) assessed the relationship among liberalization, ownership and performance of public, private and foreign banks for the period 1981-1990 in Turkey by applying DEA-type Malmquist productivity index approach. The findings indicate that the foreign owned banks were the most productive followed by private and public banks respectively. The reason for foreign banks being more productive is due to technological changes in their operation process.

Therefore, in the paper, we examine the effect of foreign ownership on performance of firms listed on the NSE in Kenya as a developing country and evaluate findings whether they are compatible with earlier studies. Moreover, we compare results whether the firms with foreign ownership perform better than domestic firms in Kenya.

2.4 Effect of State Ownership on Performance

Following the 2002 World Development Report, Boubakri et al. (2002) suggested three arguments justifying state over private ownership of bank namely that private banks are more prone to crisis; that excessive private ownership may limit access to credit to many parts of society; and finally that the government is more fitted to allocate capital to certain investment. Two additional theories have also been advanced for government participation in the financial market, namely, the development view and the political view.

2.4.1 State Ownership

The development view suggests that in some countries where the economic ownership institutions are not well developed, government ownership of strategic economic sectors such as banks is needed to jumpstart both financial and economic development and foster growth. The political view suggests that governments acquire control of enterprises and banks in order to provide employment and benefit to supporters in return for votes, contributions and bribes. Such approach is greater in countries with underdeveloped financial system and poorly developed property rights. Under the development view governments finance projects
that are socially desirable. In both views, the government finances projects that would not get privately financed (La Porta, et.al, 2002).

While such arguments have some validity, recent evidence however point to the costs of government ownership of banks, suggesting that state ownership have a depressing impact on overall growth (La Porta, et.al, 2002). There is a strong negative correlation between the share of sector state ownership in state banks and a country’s per capita income level. Greater state ownership of banks tends to be associated with lower bank efficiency, less saving and borrowing, lower productivity, and slower growth (Barth et.al, 2000). Even government residual ownership is likely to have an effect on performance (Boubakri, et al, 2002). Majority of research indicate that private ownership of banks is associated with superior economic performance (Cornett et.al. 2000; Lang & So, 2002).

Theoretically this is consistent with the agency relationship hypothesized by Jensen & Meckling (1976). State ownership would be deemed inefficient due to the lack of capital market monitoring which according to the Agency theory would tempt manager to pursue their own interest at the expense of the enterprise. Managers of private banks will have greater intensity of environmental pressure and capital market monitoring which punishes inefficiencies and makes private owned firms economically more efficient (Lang & So, 2002).

The impact of government ownership on company performance is an important issue for Kenya, and more generally in the transition literature, but as reported in the most recent survey (Estrin et al., 2007), the findings are inconclusive. Some researchers fail to identify any significant negative relationship between government ownership and company performance (Wang et al., 2004).

Sun and Tong (2003) use three measures of performance, market to book ratio, net income to sales and operating income to sales, but identify a marginally significant negative relationship (at the 10% level) only for the former. Wang (2005) documents a sharp decline in the operating performance of the Chinese firms after going public, but Wei et al. (2003)
find that, compared with the performance changes of the fully state owned enterprises during the same period, listed firms after share issue privatizations have higher productivity though not profitability.

2.4.2 States Ownership and Firm Performance

Studies, including Galal et al (1992), Megginson, Nash and van Randenborgh (1994), Boubakri and Cosset (1998), D’Souza and Megginson (1999), and Dewenter and MalATESTA (2000), have indicated that the performance of public enterprises has improved after they were privatized. All the above studies, except for the Galal et al (1992), used a similar method to show that privatization resulted in higher profitability and greater efficiency and concurred that capital investment had increased.

The study by Boubakri and Cosset (1998), unlike those above, was confined to developing countries. They examined the financial and operating performance of 79 privatized enterprises in 21 countries between 1980-92, although many developing countries only began to privatize towards the end of the period. A similar study was also undertaken by Carlin et al(2001) examining enterprise performance in transitional economies.

The theoretical literature pertaining to the influence of government ownership on firm performance offers a broad spectrum of potential effects of government ownership. Generally, these studies contend that privately owned firms are more efficient and more profitable than otherwise-comparable state-owned firms in competitive markets (Megginson & Netter, 2001). Similarly, Najid and Abdul (2011) claim that state-owned firms generally lack sufficient entrepreneurial drive and tend to be politically rather than commercially motivated, which leads to a poor financial performance. Mak and Li (2001) argue that government tends to be less active in monitoring its investments; they claim the weaker accountability and monitoring of state-owned firms’ financial performance, as well as easier access to financing, are likely to reduce the incentives of such firms to adopt strong governance mechanisms.
However, some researchers posit that if government has dominate ownership in a firm, then government may have an incentive to monitor management closely and effectively, which reduces the agency costs for other shareholders and increases the firm’s profitability (Bos, 1991). Similarly, Eng and Mak (2003) argue that state-owned firms tend to mitigate the problem of asymmetric information that results from imperfect information about the value of the firms given to investors and that such firms are also generally able to gain easier access to different sources of financing as compared with other firms. In addition, state-owned firms may face less pressure to comply with financial reporting regulations, which might motivate management to select accounting choices that improve firms’ performance (Aljifri & Moustafa, 2007).

The findings of empirical studies regarding the influence of government ownership on firm performance present mixed results. For example, Aljifri and Moustafa (2007) find that government ownership has a positive and significant impact on the United Arab Emirates (UAE) firm performance. Similarly, Najid and Rahman (2011) find that government ownership has a positive, significant influence on the performance of Malaysian firms. In addition, Ang and Ding (2006) show that government-linked firms in Singapore have higher valuations as well as better corporate governance compared with nongovernment-linked firms. In contrast, in Chinese firms Xu and Wang (1999) find a negative relationship between firm performance and state ownership.

Generally, empirical studies find that firm performance tends to benefit from some level of government ownership. In Kenya, the government owns an interest in many listed firms. Such firms are more likely to enjoy the benefits associated with government ownership, such as close and effective monitoring, a reduction in agency cost, and easier access to financing. Therefore, it is reasonable to assume that the performance of firms listed on the NSE will be positively affected by government ownership.
2.5 Chapter Summary

This chapter has presented a review of literature on the three research objectives of the study. However, there is need to emphasize that the empirical studies of the relationship between firm performance and ownership concentration and structure have produced mixed results. From all the experiences in the review of the literature we can tell that the overall level of ownership concentration as well as ownership types seems to determine enterprise performance. The following section presents the research methodology used in the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology. The chapter begins with a discussion of the research design used in the study. The next section deals with issues of population and sampling design. Under this, the population is discussed followed by the sampling design. The next section then discusses the data collection methods. Under this section, the type of data sought and the sources for the same are provided. This section also provides a discussion on the variables by providing an operational perspective of the variables used in the study. This helps provide the measures for the dependent variable and the independent variables.

3.2 Research Design

Research design is the blueprint for conducting the study that maximizes control over factors that could interfere with the validity of the findings. Designing a study helps the researcher to plan and implement the study in a way that will help the researcher to obtain intended results, thus increasing the chances of obtaining information that could be associated with the real situation (Burns & Grove, 2001). A research design is defined as a blueprint for conducting a research project (Malhotra & Birks, 2006). They classify research design into two broad areas namely exploratory research and conclusive research. Since the present study sought to test specific hypotheses, it can therefore be classified as a conclusive research based on the above classifications. The authors further noted that conclusive research designs may be descriptive or causal. Based on this, the research was descriptive one as it sought to describe the factors that influence performance in listed firms. The authors also noted that descriptive research can be cross-sectional or longitudinal. Under this classification, this study design was cross-sectional since data was collected from different samples at a particular instance in time.
Trochim & Donelly (2006) further defined research design as the glue that holds a research project. They classified research into three basic designs with respect to internal validity as randomised experiments, quasi-experiments, and non-experiments. Given this classification, the present study was construed as a non-experiment as it did not involve control groups. Since these classifications were based on studies that employ collection of primary data where internal validity is important, the present study opted to design this research based on the classifications of Malhotra & Birks (2006). Thus, this study used a descriptive cross-sectional research design for the study. This method was useful when research questions and hypotheses were formulated prior to the study as was the case in this study. Further, the method allowed for large samples therefore large data can be collected. The research approach was therefore appropriate for the study. The dependent variable was performance while the independent variables were: ownership concentration, foreign ownership and state ownership.

3.3 Population and Sampling Design

3.3.1 Population
Polit & Hungler (1999) refer to the population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications. In this study the population was companies listed on the Nairobi Securities Exchange (NSE) as at 31st December 2012. The number of listed firms at the time was 58 companies hence this was the target population. These companies are divided by the NSE into 12 sectors ranging from manufacturing to service and have varied ownership structures from foreign to local ownership with some having government ownership too.

3.3.2 Sampling Design
3.3.2.1 Sampling Frame
A sampling frame could be a list of geographical areas, institutions, individuals, or other units added (Churchill and Brown, 2007). However a proper definition was provided by Cooper and Schindler (2008) who deemed a sample frame to be a list of elements from which the sample is actually drawn and is closely related to the population. It is complete and
correct list of population members only. There is agreement on this definition by Saunders, Lewis, and Thomhill (2007), who define a sample frame as the complete list of all the cases in the population from which the sample is drawn. It is essential that the next step after the clear definition of population is the sampling frame.

### 3.3.2.2 Sampling Technique

A sampling technique is the method of selecting elements from the population that will represent the population (Collins and Hussey, 2006). Simple random sampling technique was employed to collect the data. The study worked with the sample population of some of the listed companies in the Nairobi Securities Exchange (NSE). There were approximately fifty three companies listed in the NSE within the Nairobi City, from where the respondent of the study were selected. Upon receiving the sample frame of the respondents that was provided by the heads of operations, the sample size was selected randomly. The respondents were randomly selected in order to ensure that each respondent had an equal chance of being chosen.

### 3.3.2.3 Sample Size

A sample is a proportion of a population that represents the characteristics of a population. Using sample size calculator from surveysystems.com at 95% confidence level and a confidence interval of +/-4 gave a sample size of 53 firms. The sample size was therefore 53 companies listed on the NSE. This sample was selected using simple random sampling technique to give every firm an equal chance of being selected. The study collected the sample frame from the 53 companies listed in the NSE involved in the study.

### 3.4 Data Collection Methods

The study made use of both primary and secondary data. Structured questionnaires developed and organized on the basis of the research’s specific objectives were distributed to finance managers and operation heads in the commercial banks so as to collect primary data. Since there is need to ensure that responses from the different respondents are uniform, the questionnaires were structured. There are various reasons for the choice of questionnaires as
primary data collection instrument; they are not only versatile but also the most popular instruments and a relatively inexpensive way of getting information. Secondary data was collected from the annual financial statements of the companies sampled. These were collected from the respective company premises (including their websites). Since data were collected from each of the firms on specific variables at specific times, the data used was panel data and no stationarity test would therefore be carried out.

3.5 Research Procedures

In order to test the validity of the questionnaire, a pilot test- adhering to the fundamentals tested by Cooper and Schindler (2008), who stated its importance as being a tool that can be utilized so as to detect weaknesses in the research design and the instruments- on 5 percent of the sample size were conducted. It was hoped that a defined time period of three days were sufficient for the pilot test. Based on the feedback obtained from the pilot test, the questionnaire was refined. The final version of the questionnaire was distributed to respondents in the sample size leaving out the respondents who took part in the pilot test. Since all the respondents were located within Nairobi area, three days were sufficient to distribute the questionnaires through drop and pick methods.

To ensure higher response rate follow up calls were made, a cover letter addressing the respondents by name and title was attached so as to elaborate the academic purpose of the research, the respondents were also given the option of anonymity in their response and they were also assured of confidentiality. The researcher carried out the data collection at the office premises of the target population. A time frame of two weeks was given to the respondents to fill out the questionnaires in order to avoid putting the respondents under undue pressure to fill out the questionnaire despite their busy work schedule.

The main source for secondary data was the annual reports of the sampled firms. These were collected from a number of places. Some were collected from the premises of the sampled companies for those companies that were easily accessible. Other reports were found from the Capital Markets Authority(CMA) as all public companies are by law required to file
copies of their reports with the Capital Markets Authority. Other reports were accessible via various websites such as respective companies' websites, the CMA website, and the africanfinancials.com website. These reports were collected for all the 53 sampled firms for the year 2013. The data was organized into an MS Spreadsheet for analysis.

3.6 Data Analysis Methods

Before regression analysis was performed, data was tested for the assumptions of OLS regression. Given that the data was panel data and not time series data, the study tested for normality and not stationarity. The data collected was analyzed using multiple regression and correlation analysis. In the first instance the objective was to establish whether or not a relationship exists between the blockholder ownership of quoted firms and corporate governance and performance. This objective was accomplished by use of a linear regression model. The model also tested for statistical significance at a level of significance of 95%.

The descriptive statistics of the performance indicator, Return on Equity (ROE), was calculated for all the companies listed at the NSE to describe and establish the variance in performances as a result of the ownership. This was accomplished through multiple regression. The data collected was analyzed using Ms. Excel and SPSS. The sample mean and standard deviation were calculated for all the companies listed to describe and establish the variance in ROE due to existence of various types of ownership. This identified whether ROE are correlated to the ownership.

3.7 Chapter Summary

The chapter described the research methodology that was used to carry out this study. First it has defined the population then is described the sampling technique, and size. This was followed by a description of the method that was used to conduct the research and the justification of the use of the chosen method. There is further discussion on the data collection methods and the instruments used stated. So as to ensure there is easy replicability, the research procedures were clearly described indicating that a pilot test was conducted. At
the end, the chapter looked at the data analysis methods which were used by the researcher to analyze the collected data, and make conclusive remarks on the study. The following chapter will present the findings of the data that was collected.
4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter presents the results and findings of the study on the research questions with regards to the data collected from the respondents. The first section provides the background information with regards to the respondents; consequently the remaining sections provide the summary of findings with regards to specific objectives. The respondents targeted in the study were thirty six companies listed in the Nairobi Securities exchange throughout the period under study. A total of thirty five responded which is indeed 77 percent of the sample size.

4.2.1 Type of Institution
Table 4.1 provides a summary of the respondents who were engaged in the survey on the basis of the type of institution they were working for. The results of the study showed that 9 percent of the total respondents were from the government owned institutions, while the remaining 91 percent were from the privately owned institutions.

<table>
<thead>
<tr>
<th>Type of Institutions</th>
<th>DISTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Government Owned</td>
<td>3</td>
</tr>
<tr>
<td>Privately Owned</td>
<td>32</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2013

4.2.2 Years of Operation of the Company
Figure 4.1 provides a summary of the study findings with regards to the years of operations of the company. The results of the study showed that the majority of the companies listed in NSE had been in operation for more than 11 years. As seen in the figure, 54 percent of the companies had been operational for more than 11 years, similarly 35 percent of the respondents had been operational between 6-10 years, and 10 percent of them had been
operational between 1-5 years while only 1 percent of the listed companies had been operational for less than 1 year.

![Figure 4.1: Years of Operation of the Company](image)

### 4.2.3 Level of Education of the Respondents

The study sought to establish the level of education of the respondents involved in the survey. Table 4.2 provides summary of the study findings. Whereas 50 percent of the respondents had bachelor’s degrees, 26 percent of the respondents had master’s degrees, while 14 percent of the respondents were diploma holders. Nine percent of the respondents had doctorate degrees while only 1 percent of the respondents had other form of qualification. This category includes respondents with certificate courses.

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Bachelors</td>
<td>18</td>
<td>50</td>
</tr>
<tr>
<td>Masters</td>
<td>9</td>
<td>26</td>
</tr>
<tr>
<td>Doctorate</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2013
4.2.4 Number of Years in the Organization

The study also sought to establish the length of period that the respective respondents had worked in their respective organizations. Table 4.3 provides a summary of the study findings. As seen in the table 26 percent of the respondents had worked for their organizations for less than 2 years, 43 percent of the respondents had worked between 3-5 years, and 20 percent of the respondents had been in their respective organizations for a period of 6-8 years and finally 11 percent of the respondents have worked for their organizations for more than nine years.

Table 4.3: Number of Years in the Organization

<table>
<thead>
<tr>
<th>No. of Years in the Organization</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 Years</td>
<td>9</td>
<td>26</td>
</tr>
<tr>
<td>3-5 Years</td>
<td>15</td>
<td>43</td>
</tr>
<tr>
<td>6-8 Years</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>9 Years and Above</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey Data, 2013

4.2.5 Position in the Company

Table 4.4 provides a summary of the study findings with regard to their position in the company. The results of the study show that the majority of the respondents were merely general staff. Specifically 72 percent of the respondents were general staff, none of the respondents was on the board of directors, only 5 percent of the respondents were in senior management, while 23 percent of the respondents were middle level managers.
### Table 4.4: Position in the Company

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Middle level Management</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>General staff</td>
<td>25</td>
<td>72</td>
</tr>
<tr>
<td>Senior Management</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data, 2013

4.3 Effect of Ownership Concentration on Performance

The first objective of the study was to establish the effect of ownership concentration on firm’s performance. The following subsection presents a detailed analysis of the various variables tested by the researcher.

#### 4.3.1 Ownership Concentration

Table 4.5 presents a summary of the findings with regards to the ownership concentration. The results show that ROE ranged from a minimum of -0.67 to a maximum of 30.52. The mean ROE was 0.8544 with a standard deviation of 4.53.

### Table 4.5: Ownership Concentration

<table>
<thead>
<tr>
<th>Continuous variables</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>-.67</td>
<td>30.52</td>
<td>.8544</td>
<td>4.53214</td>
</tr>
<tr>
<td>Ownership concentration</td>
<td>11.31</td>
<td>94.00</td>
<td>60.1656</td>
<td>18.81090</td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>11.69</td>
<td>18.73</td>
<td>15.4293</td>
<td>1.60370</td>
</tr>
<tr>
<td>State ownership</td>
<td>15.84</td>
<td>44.00</td>
<td>25.5832</td>
<td>10.0213</td>
</tr>
</tbody>
</table>

Source: Research Data, 2013
4.3.2 Normality of Distribution

Normality of distribution is usually tested using either Kolmogorov-Smirnov or Shapiro-Wilk test. Shapiro-Wilk test is suitable for sample of 50 or less. Thus the normality of distribution in this study was tested and interpreted using Shapiro-Wilk. This tests the hypothesis that the distribution is not normal therefore a significant value should lead to the acceptance of the hypothesis. Table 4.6 shows the results of the test.

Table 4.6: Normality of distribution test

<table>
<thead>
<tr>
<th></th>
<th>Kolmogorov-Smirnov</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>df</td>
</tr>
<tr>
<td>ROE</td>
<td>.496</td>
<td>44</td>
</tr>
<tr>
<td>Ownership concentration</td>
<td>.098</td>
<td>44</td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>.065</td>
<td>44</td>
</tr>
<tr>
<td>State ownership</td>
<td>.075</td>
<td>44</td>
</tr>
</tbody>
</table>

a. Lilliefors Significance Correction

*. This is a lower bound of the true significance.

As shown in table 4.7, the results showed that except for ownership concentration, foreign ownership and state ownership the ROE was significant at 5% level (p<0.05). The independent variables are normally distributed but not the dependent variable. This therefore leads to the acceptance of the null hypothesis – the data is not normally distributed. This correlation was negative for state ownership and positive for ownership concentration and foreign ownership. ROE was not significantly affected by ownership variables, p > 0.05.

Table 4.7: Ownership Concentration and Performance

<table>
<thead>
<tr>
<th></th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership concentration</td>
<td>.126</td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>.049</td>
</tr>
<tr>
<td>State ownership</td>
<td>-.093</td>
</tr>
</tbody>
</table>

Table 4.8 further shows the full rank OLS regression analysis results for the ROE model. From Table 4.8, the ranked score regression of ROE explained 4.5%, measured by adjusted
R² with an F ratio of 0.692 which was not significant at 5% level. The regression model accounted for 10.1% of the variance in ROE. None of the independent variables was significant at 5% level meaning that ROE was not influenced by ownership concentration.

<table>
<thead>
<tr>
<th></th>
<th>Full rank score regression model for ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>R²</td>
</tr>
<tr>
<td>.318</td>
<td>.101</td>
</tr>
</tbody>
</table>

Coefficients

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t-value</th>
<th>Sig.</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
</table>

The study also sought the respondents’ views on how ownership concentration affects firm’s performance. Figure 4.2 provides a summary of the respondents’ views. As clearly seen in the figure, 36 percent of the respondents strongly agree, 20 percent of the respondents agree, 6 percent of the respondents strongly disagree, and 10 percent of the respondents disagree while 28 percent of the respondents are uncertain if indeed ownership concentration affects the performance of firms listed in the NSE.

![Figure 4.2: Ownership Concentration and Firms Performance](image)

4.4 Effect of Foreign Ownership on Performance of Listed Firms in Kenya

The second objective of the study was to establish the effect of foreign ownership on the performance of firms listed in the NSE. The following subsection presents a summary of the findings in this regard. Table 4.9 shows that indeed foreign ownership has a positive
significant relationship with the performance of firms listed on the NSE (R=0.049 at p > 0.05).

Table 4.9: Effect of Foreign Ownership on Performance of Listed Firms in Kenya

<table>
<thead>
<tr>
<th></th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership concentration</td>
<td>.126</td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>.049</td>
</tr>
<tr>
<td>State ownership</td>
<td>-.093</td>
</tr>
</tbody>
</table>

Table 4.10 further shows the full rank OLS regression analysis results for the ROE model. From Table 4.10, the ranked score regression of ROE explained 4.5%, measured by adjusted R² with an F ratio of 0.692 which was not significant at 5% level. The regression model accounted for 10.1% of the variance in ROE. None of the independent variables was significant at 5% level meaning that ROE was not influenced by foreign ownership. Respondents were further asked to state if there is a relationship between foreign ownership and firms' performance. Figure 4.3 presents a summary of these findings.

Table 4.10  Full rank score regression model for ROE

<table>
<thead>
<tr>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>SE of estimate</th>
<th>R² change</th>
<th>F change</th>
<th>Sig. F</th>
</tr>
</thead>
<tbody>
<tr>
<td>.318</td>
<td>.101</td>
<td>-.045</td>
<td>13.458</td>
<td>.101</td>
<td>.692</td>
<td>.657</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t-value</th>
<th>Sig.</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign ownership</td>
<td>.045</td>
<td>.177</td>
<td>.044</td>
<td>.254</td>
<td>.801</td>
<td>.801</td>
<td>1.249</td>
</tr>
</tbody>
</table>

From the results of the study it can be seen that the majority of the respondents were in support of the idea that foreign ownership affects firms' performances. This is so because 56 percent of the respondents strongly agree, 30 percent of the respondents agree, 4 percent of the respondents strongly disagree and 6 percent of the respondents disagree while 4 percent of the respondents are uncertain on this aspect.
4.4.1 Rebalancing of Capital Structure

The study also sought to establish if indeed respondents believe rebalancing of capital structure will enhance firms’ performances. Figure 4.4 provides a summary of the respondents’ views. As clearly seen in the figure, 36 percent of the respondents strongly agree, 20 percent of the respondents agree, 6 percent of the respondents strongly disagree, and 10 percent of the respondents disagree while 28 percent of the respondents are uncertain if indeed rebalancing of the capital structure is likely to enhance firms’ performances.
4.5 Effect of State Ownership on Performance of Listed Firms in Kenya

The third and final objective of the study was to establish the effect of state ownership on the performance of listed firms in Kenya. The following subsection presents a summary of the findings in this regard. Table 4.11 presents a correlation matrix of the relationship between state ownership and the performance of listed firms. This correlation was negative for state ownership and positive for ownership concentration and foreign ownership. ROE was not significantly affected by ownership variables, p > 0.05.

Table 4.11: State Ownership and Performance

<table>
<thead>
<tr>
<th></th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership concentration</td>
<td>0.126</td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>0.049</td>
</tr>
<tr>
<td>State ownership</td>
<td>-0.093</td>
</tr>
</tbody>
</table>

Table 4.12 further presents the normal score OLS regression analysis results for the ROE model. From Table 4.12 below, the normal score regression of ROE explained 6.4%, measured by adjusted $R^2$ with an F ratio of 0.566 which was not significant at 5% level. The regression model accounted for 8.4% of the variance in ROE. None of the independent variables was significant at 5% level meaning that ROE was not influenced by ownership concentration, foreign ownership and state ownership.

Table 4.12: Normal score regression model for ROE

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R^2</th>
<th>Adjusted R^2</th>
<th>SE of estimate</th>
<th>R^2 change</th>
<th>F change</th>
<th>Sig.</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficients</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constants</td>
<td></td>
<td>.057</td>
<td>-.064</td>
<td>.969</td>
<td>.084</td>
<td>.566</td>
<td>.754</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ownership concentration</td>
<td></td>
<td>.069</td>
<td>.382</td>
<td>.066</td>
<td>.180</td>
<td>.186</td>
<td>5.370</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State ownership</td>
<td></td>
<td>.245</td>
<td>.369</td>
<td>-.244</td>
<td>-.665</td>
<td>.183</td>
<td>5.455</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign ownership</td>
<td></td>
<td>.002</td>
<td>.178</td>
<td>.002</td>
<td>.012</td>
<td>.794</td>
<td>1.259</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.6 Chapter Summary

In this chapter the researcher provided the findings with respect to the information given out by the respondents. The first section provides the study findings based on the respondent’s background. This was followed by the findings on the specific objectives. The next chapter provides the conclusion, summary as well as the discussions and the recommendations.
CHAPTER FIVE

5.0 SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of four sections, namely summary, discussion, conclusions, and recommendations following that order. The initial section provides a summary of the important elements of the study which includes the study objectives, methodology and the findings. The following section discusses the major findings of the study with regards to the specific objectives. Section three discusses the conclusions based on the specific objectives, while using the findings and results which are obtained in the fourth chapter. The last section provides the recommendations for improvement based on the specific objectives. It also provides the recommendations for further studies.

5.2 Summary

The main objective of the study was to establish the factors influencing performance of listed firms in Kenya. The study was guided by the following research objectives: to determine the effect of ownership concentration on performance of listed firms in Kenya, to determine the effect of foreign ownership on performance of listed firms in Kenya, and to determine the effect of state ownership on performance of listed firms in Kenya.

In order to collect data necessary for the realization of the research objectives, the study made use of a descriptive research design. A sample of Kenyan firms listed in the Nairobi Securities Exchange was used as the population for the study. They were sampled based on their average financial performance over the stipulated period of study. Since majority of the companies and the industry regulators have their headquarters in Nairobi, the study was carried out in Nairobi relying on both primary and secondary types of data. The tool for collection of the primary data was a questionnaire and the key informants in this case included managers and employees. A variety of Secondary data available in the form of annual reports of the individual companies in the sample and the central bank of Kenya, Central Bank of Kenya’s publications, Nairobi Securities Exchange annual reports,
governmental documents, books, journals, internet, international conference proceedings and reports, were used especially in the Literature Review. The study engaged the use of structured questionnaires which were pilot tested in order to ensure that there was data validity as well as reliability. Data coding was done using Microsoft Excel in combination with SPSS so as to generate the descriptive statistics for instance the frequencies as well as the percentages. The results were then presented in form of tables, as well as, figures.

Looking at the study findings, it is revealed that 91 percent of the listed firms were privately owned while the remaining 9 percent had government ownership. It was also observed from the findings, that majority of the respondents have been working in their respective organizations for more than 3 years. Also the study findings indicated that majority of the employees (50%) were bachelor’s degree holders, at the same time majority of the respondents were subordinates.

The findings on the effect of ownership concentration on the performance of listed firms revealed that indeed there is a positive relationship between ownership concentration and performance of listed firms in Kenya. Additionally it was revealed that rebalancing of capital structure, gaining a competitive angle in the market, helps to improve the performance of listed firms.

The findings on effect of foreign ownership on the performance of listed firms revealed there is a positive relationship between foreign ownership and performance of listed firms in Kenya.

Finally the findings on the effect of state ownership on the performance of listed firms revealed that indeed there is a positive relationship between state ownership and performance of listed firms in Kenya.
5.3 Discussion

The study sought to examine three main objectives: the effect of ownership concentration, state ownership, and foreign ownership on firm performance. This was in a bid to establish whether ownership variables are determinants of corporate performance in Kenya. This section presents a discussion of the findings based on the objectives of the study.

5.3.1 Ownership Concentration and Corporate Performance

Ownership concentration was measured as the proportion of shares held by blockholders where blockholders were defined as any shareholder with 5% or more of the total issued shares. The descriptive results showed that ownership concentration ranged from 11% to 94% with a mean of 60% and a standard deviation of 19%. These results show that ownership was highly concentrated in majority of the firms with few investors have more than 60% of the shares issues. Whether such shareholding added value to the firm was the basis of the study and therefore the basis upon which the regression analysis was performed.

The multiple regression analysis with ownership concentration as the independent variable and performance (ROE) as the dependent variable showed that there was no significant relationship. The results of the full rank score regression showed that ownership concentration had a positive effect on performance, $\beta = .127$, but the effect was insignificant, $p = .747$. This means that at 95% confidence level, performance is unaffected by ownership concentration. The results of the normal score regression model also showed the same results. Ownership concentration had a positive effect on performance ($\beta = .069$) but the effect was insignificant at 95% confidence level ($p = .858$). The two regressions confirm the same thing – ownership concentration does not affect performance in the sampled firms.

This is inconsistent with the findings of (Mululu, 2005) who found that performance was improved by ownership. The result was also inconsistent with the findings of (Lang’at, 2006) on corporate governance and firm performance. In the study, performance was measured by Tobin’s Q which is different from the present study which measures performance using ROE while corporate governance was measured using frequency of board meetings. Gathura,
(2007) also found a perfect linear relationship between ownership and firm performance hence inconsistent with these present results. The present study’s findings are also inconsistent with those of (Onyango, 2004) as far as ownership concentration is concerned. On the other hand, these results are consistent with Olteita’s (2002) findings.

Additionally Ferri, et al, (2010) studied the impact of ownership structure on performance in European banking using a large panel of over 300 banks for 15 years from 19 countries. They used profitability, loan losses and cost efficiency as measures of firm performance. The results are contrary to the widely held belief that shareholder ownership is superior to stakeholder ownership in banking. There are no significant differences in profitability across ownership classes. Co-operatives and publicly owned savings banks outperform commercial retail banks in terms of cost efficiency and loan losses. There is some heterogeneity within the stakeholder-owned banks.

The findings are also in line with Earle, et al, (2004) who examined the impact of ownership concentration on firm performance using panel data for firms listed on the Budapest Stock Exchange, where ownership tended to be highly concentrated and frequently involved multiple blocks. Fixed-effects estimates imply that the state ownership of the largest block increases profitability and efficiency strongly and monotonically, but the effects of total block holdings are much smaller and statistically insignificant. Controlling for the state ownership of the largest block, point estimates of the marginal effects of additional blocks are negative. The results suggest that the marginal costs of concentration may outweigh the benefits when the increased concentration involves “too many cooks.”

In the same regard the findings are consistent with the argument by Morck et al. (2005), who stated that the differences in ownership structure have two obvious consequences for corporate governance. On the one hand, dominant shareholders have both the incentive and the power to discipline management. On the other hand, concentrated ownership can create conditions for a new problem, because the interests of controlling and minority shareholders are not aligned. Therefore, it will be an economic image for minority shareholders to look for interests’ protection through board of directors.
5.3.2 Foreign Ownership and Corporate Performance

Foreign ownership was measured using the proportion of foreign ownership in relation to the issued shares in a firm. The descriptive results show that foreign ownership ranged from 16% to 44% with a mean of 26% and a standard deviation of 10%. Thus, where the foreigners had invested, they were not the majority shareholders in the sampled firms.

The multiple regression analysis with performance (ROE) as the dependent variable and foreign ownership as one of the independent variables showed that performance was not influenced by the level of foreign ownership in a firm.

The full rank score model results showed that foreign ownership had a positive but insignificant effect on performance, $\beta = .045$, $p = .801$. The normal score regression model results showed that foreign ownership had a negative but insignificant effect on performance, $\beta = .002$, $p = .991$. This means that at 95% level of confidence, the present study did not find any effect of foreign ownership on the performance of sampled firms.

These results are inconsistent with Olteita's (2002) findings as the study found that the foreign ownership significantly influenced firm performance. Barbosa and Louri (2005) concluded that performance of firms in Portugal was not affected by foreign ownership after controlling for firm and industry specific characteristics. However, they found ownership by foreign investors to have a positive and significant effect on the profitability of firms in Greece measured by gross return on assets in the upper quantiles of the profitability measure (Barbosa and Louri, 2005).

Douma et al. (2006) analyzed the effect of foreign ownership on the financial performance of Indian corporations with a distinction between foreign institutional and foreign corporate shareholders. They found that foreign firms perform better than domestic ones in terms of Return On Assets (ROA) and Tobin's Q. Upon further analysis, they concluded that ownership by foreign corporations has a positive and significant impact on both performance measures. When the results for foreign institutional investors are analyzed, no significant relationship was observed in terms of ROA. However, these investors had a positive and significant impact on Tobin's Q and this impact was larger than that of foreign corporate
shareholders. Thus, the researchers conclude that foreign institutional investors may have been investing in firms that are already better in terms of market returns (Douma et al., 2006).

Indeed this seems to be similar to Liu et al. (2000), who looked at the issue from different angle and examined intra-industry productivity spillovers from FDI on manufacturing sector in UK. Their empirical study consisted of 48 different UK manufacturing industries over the 1991-95 periods. Caves-type single equation model was applied to test for effect of technology spillovers. The findings indicated that FDI existence had a positive spillover on the productivity of UK owned firms.

The findings also align with Piscitello and Rabbiosi (2005) who extended the study to Italy to investigate the influence of inward FDI coming into existence through acquisitions. The empirical results consisted of foreign acquisitions that occurred in Italy for the period 1997-1997. Their sample was based on 113 foreign acquisitions, 74 of them undertaken by European firms, 31 by US firms and 8 from other countries. The evidence from OLS regression analysis showed that acquisitions improved the target firms performance in the medium term. This is due to the transfer of ownership benefits and also being part of international network of the acquiring firm.

The study findings are also in agreement with Konings (2001) who carried out a research to test the effects of FDI on productivity performance of firms on three developing economies: Bulgaria, Romania and Poland. The dataset consisted of 2,321 firms in Bulgaria for the period of 1993-1997, 3,844 firms in Romania between 1994 and 1997 and 262 firms in Poland over the period of 1993-1997. The evidence showed that foreign corporations do not perform better than domestic ones, except in Poland. This might be due to taking time for foreign ownership impacts on performance. Moreover, he found no evidence of positive spillovers of foreign investment to domestic firms.

Finally the findings affirms what Khawar (2003) established when he revealed that there was no evidence of spillovers in Mexican manufacturing industry based on econometric
approach. She derived the data set from the Mexico Industrial Survey for the year 1990. However, her study revealed that foreign firms are more productive than domestic firms as the results showed a strong relationship between foreign ownership and productivity of individual firms.

5.3.3 State Ownership and Corporate Performance

State ownership was measured as the proportion of shares held by the government in the firms in relation to the total shares issued. The descriptive results conducted showed that state ownership ranged from 12% to 19% with a mean of 15% and a standard deviation of 2%. This shows that there was low state ownership in listed firms in Kenya and the state was not a majority shareholder in any of the sampled firms.

The multiple regression analysis with performance (ROE) as the dependent variable and state ownership as one of the independent variables showed that performance was not influenced by the level of state ownership in a firm. More specifically, the full rank score model results showed that state ownership had a negative but insignificant effect on performance, $\beta = -0.319, p = 0.421$. The normal score regression model results showed that state ownership had a negative but insignificant effect on performance, $\beta = -0.245, p = 0.510$. This means that at 95% level of confidence, the results show that state ownership does not affect performance of the sampled firms.

In few studies that the benefits of state ownership have the efficiency arguments for state ownership been supported (e.g., police and prison ownership, see Hart et al., 1997). In contrast, most studies have found that state-owned firms do not better serve the public interest (i.e., Grossman and Krueger, 1993) and, in fact, that state-owned firms are typically extremely inefficient (i.e., Boycko et al., 1995), and (Dewenter and Malatesta, 2001).

The conclusion from these studies is generally that state-owned companies’ highly regard social objectives and combined with their extreme inefficiency becomes inconsistent with the idea that state ownership can lead to performance efficiency that profit maximizing privately-
owned firms cannot achieve. Additionally, political bureaucrats often have goals that are in conflict with social welfare improvements but are dictated by political interests. Dewenter and Malatesta (1997) established that public offerings of stock by state-owned companies are significantly more underpriced than public offerings of stocks by privately-owned companies, and the underpricing in the less developed capital markets is consistent with various political objectives of government officials rather than social welfare maximization. Jones et al. (1999) provide evidence that when governments convert state-owned firms to privately-owned firms via public share offerings, they underprice share issue privatization offers, allocate the shares to favored domestic investors, impose control restrictions on privatized firms, and typically use fixed price offers rather than competitive tender offers, all to further political and economic policy objectives.

In the same regard the findings are inconsistent with what was revealed by Aljifri and Moustafa (2007) who established that government ownership has a positive and significant impact on the United Arab Emirates (UAE) firm performance. Similarly, Najid and Rahman (2011) found out that government ownership has a positive, significant influence on the performance of Malaysian firms. In addition, Ang and Ding (2006) show that government-linked firms in Singapore have higher valuations as well as better corporate governance compared with nongovernment-linked firms. However, in Chinese firms Xu and Wang (1999) find a negative relationship between firm performance and state ownership.

5.4 Conclusion

5.4.1 Effect of Ownership Concentration on Performance of Listed Firms in Kenya

The study concludes that from the results of this study, performance is unaffected by the corporate governance as measured by ownership concentration. Thus corporate governance has not had a significant impact on performance of listed firms in Kenya as measured by their return on equity. Similarly rebalancing of capital structure, gaining a competitive angle in the market, reducing costs of credit due to reduced information asymmetry, can help improve the performance of listed firms.
5.4.2 Effect of Foreign Ownership on Performance of Listed Firms in Kenya

The study further concludes that performance of firms listed on the NSE was not affected by the foreign ownership. None of the measures of blockholders had a significant impact on performance as measured by return on equity.

5.4.3 Effect of State Ownership on Performance of Listed Firms in Kenya

The study concludes that there is no significant relationship between state ownership and performance of listed firms in Kenya. Additionally government tends to be less active in monitoring its investments; they claim weaker accountability and monitoring of state-owned firms’ financial performance, as well as easier access to financing, are likely to reduce the incentives of such firms to adopt strong governance mechanisms.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Effect of Ownership Concentration on Performance of Listed Firms in Kenya

In light of the findings, the study recommends the need for the Capital Markets Authority to relook into the corporate governance issues since in this study, no evidence was found for the impact of corporate governance on performance. This is more specific to the ownership concentration. It should be noted that institutional investors rarely hold seats on the boards of the firms in which they invest. Thus, at least in our sample, this type of involvement by institutional investors has no measurable impact on a firm’s performance.
5.5.1.2 Effect of Foreign Ownership on Performance of Listed Firms in Kenya

Theoretically, existence of large owners (blockholders) work as a monitoring mechanism and that large owners expropriate company state ownership. From this study, this number was not large for firms as can be seen that the mean score shows that about 50% of the firms had single blockholders and multiple blockholders. Lack of evidence for the influence of blockholder ownership on firm performance therefore leads to the recommendation that for listed firms at the Nairobi Securities Exchange, it does not matter the presence or absence of blockholder ownership and therefore this should not worry the firms as it has no influence on their overall performance.

5.5.1.3 Effect of State Ownership on Performance of Listed Firms in Kenya

The study recommends the need for governments to enhance their activities in the listed firms in Kenya. This is because, if government has dominant ownership in a firm, then government may have an incentive to monitor management closely and effectively, which reduces the agency costs for other shareholders and increases the firm’s profitability. This is because state-owned firms tend to mitigate the problem of asymmetric information that results from imperfect information about the value of the firms given to investors and that such firms are also generally able to gain easier access to different sources of financing as compared with other firms. In addition, state-owned firms may face less pressure to comply with financial reporting regulations, which might motivate management to select accounting choices that improve firms’ performance.

5.5.2 Recommendations for Further Studies

The researcher therefore recommends that further studies should gather more data by increasing the period of study and also the sample size. This will help provide results that can be generalised to the population of interest. In this regard therefore the researcher recommends that additional studies should be conducted on factors affecting the performance...
of firms listed at the Nairobi Securities exchange. Further studies should also be carried out with other performance data especially Tobin’s Q which has been used in other studies. This way, it would be possible to assert the impact of ownership factors on performance. There is also need to carry out industry-wide studies or case studies on the same in order to get an in-depth analysis of this phenomenon for various industries or specific companies.
REFERENCES


Wahid, S., Rehman, K. (2009), Foreign Banks are more efficient - a Myth or Fact. International Journal of Business and Management, 4(11), 116-126.


Appendix

Appendix 1: QUESTIONNAIRE

PART ONE: BACKGROUND INFORMATION & FEATURES OF THE LISTED COMPANY IN THE NAIROBI SECURITIES EXCHANGE.

Name of the Company (Optional) ________________________________

1. Please specify the type of company by ticking in the box
   a. Government Owned [ ]
   b. Privately owned [ ]
   c. Other (Please specify) ________________________________

2. Years of Operation of the Company
   a. Less than a year [ ]
   b. 1 – 5 [ ]
   c. 6 – 10 [ ]
   d. 11 – and above [ ]

3. Please indicate your level of education
   a. Diploma [ ]
   b. Bachelor [ ]
   c. Masters [ ]
   d. Doctorate [ ]
   e. Other (Please specify) ________________________________

4. How long have you been working in the company?
   a. Less than 2 year [ ]
   b. 3 – 5 years [ ]
   c. 6 – 8 years [ ]
   d. 9 years and above [ ]
5. What is your position in the company?
   a. Board of Directors [ ]
   b. Middle level Management [ ]
   c. General staff [ ]
   d. Senior Management [ ]
   e. Other (Please specify) ________________________________

6. Does your company have branches all over Kenya?
   a. Yes [ ]
   b. No [ ]
   c. Don’t Know [ ]

7. Does your company operate internationally?
   a. No [ ]
   b. East African region only [ ]
   c. Africa only [ ]
   d. The whole world [ ]

8. What is your current market price at the Nairobi Securities Exchange?

9. How often does your company issue bonuses and dividends?
   a. Yearly [ ]
   b. Half a year [ ]
   c. Quarterly [ ]
   d. Other (please specify) [ ]
   e. Don’t Know [ ]