EFFECT OF OWNERSHIP STRUCTURE ON FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

SAID BASMA ARIF

A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULLFILLMENT OF THE REQUIREMENT FOR THE AWARD OF DEGREE OF MASTERS OF BUSINESS ADMINSTRATION, SCHOOL OF BUSINESS UNIVERSITY OF NAIROBI

2021

DECLARATION

This research project report is my original work and has not been submitted to any other institution for any academic purpose

Said Basma Arif Date: 22/11/2021

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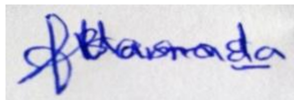
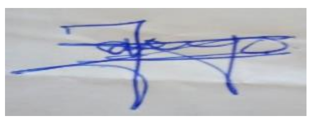


This research project report has been submitted for examination purposes with my approval as the university supervisor.

Dr. Fredrick Ogillo  Date: … 22/11/2021.

Lecturer;

Department of Finance and Accounting, University of Nairobi

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LIST OF ABBREVIATION

CEO	Chief Executive Officer
CMA	Capital Market Authority
GDP	Gross Domestic Product
NCA	National Construction Authority
NSE	Nairobi Securities Exchange
ROA	Return on Assets
ROE	Return of Expenditure
ROI	Return of Investments

ABSTRACT

The exploration inspected the impact of proprietorship structure on monetary execution of assembling firms recorded at the Nairobi Securities Exchange in Kenya. Specific objectives depended on the free factors which included; government, foreign, local and management ownership structures. The review was directed by the agency hypothesis, stakeholder hypothesis and stewardship hypothesis. The review led an in-depth examination of both experimental and theoretical audit; a spellbinding an exploration configuration was utilized in this review and designated a sum of 10 assembling firms recorded at the Nairobi protections Exchange. Information was gathered from designated association's bookkeeping records for the period 2016 to 2020. Gathered information was investigated utilizing both distinct and inferential measurements utilizing factual bundle for sociologies. The review set up a positive and huge relationship between government possession and execution, this kind of proprietorship was distinguished to be more powerful at British American Tobacco and Carbacid. The discoveries gave a positive however unimportant relationship between foreign proprietorship and monetary execution. Foreign proprietorship was found to have more impact on monetary execution of British American Tobacco and Carbacid. Moreover, the discoveries gave a positive however inconsequential relationship between management possession and monetary execution. Management possession was found to impact monetary execution of Aubumann and Unga bunch fabricating. Finally, the discoveries gave a positive yet immaterial relationship between local proprietorship and monetary execution. This sort of proprietorship was recognized to be more powerful at Eveready East Africa and Kenya Orchards Ltd. The review reasoned that proprietorship design of recorded assembling firms influences monetary execution. In light of the discoveries of the review suggested the requirement for firm directors and general financial backers to be prepared on best proprietorship plan that can help company's usefulness.

CHAPTER ONE: INTRODUCTION

1.1 Introduction of the study

The investigation focused on the ownership structure of firms which was defined as the compositions of individual or institutional shareholding in a firm. Another definition terms ownership structure as the shareholding composition that includes managers as part of the firm owners in addition to being agents of the organization. Furthermore, ownership structure is defined as a term depicting the individuals and institutional that has a high stake and control on the tasks of the firm dependent on the commitment to the firm capital structure (Abbasi and Malik, 2015). These outcomes of possession structure are molded by the lawful and institutional setting of the country where the firm works. The dependent variable financial performance was defined in this study as "a measure of how well a company is optimally deploying scarce resources to generate profits. It can also be described as a function of factors that should be optimally utilized to maximize the returns" (Ndiba, 2016).

The research was led by the hypotheses which included agency hypothesis that was based on an agreement between firms an agent to carryout businesses activities under the instructions of the owner or independent given the mandate to plan and implement strategies that can help in the sustainability of a business (Rashid, 2020); the second theory adopted by the study was the stakeholder theory developed by Freeman in 1984 which looks at the interest of all stakeholders both in the internal and external environment influencing business operations (Silitonga, 2020). The third theory is stewardship theory that is inclined towards human relations between managers and the owners of the business, owners of the business are presumed to seek the service of a manager they can trust. The assumption of this theory was used in this study to explain the underlying beliefs that existed in the relationships between the study variables.

Ownership structure of any business is a serious concern for both business leaders and regulators in the manufacturing sector (Tanui, Yegon & Bonuke, 2019). Who owns the firms and has control of the firm has their interest at heart and in most cases is to maximize profit in their investment. In most manufacturing firms the interest of shareholders and managers can differ based on the interest of the ones who supply capital to the firm. Holders of larger part investors through their capacity to choose and control larger part of directors and decide the result of the investor's votes have gigantic forces to help themselves to the detriment of minority investors (Wanjiku, 2015).

1.1.1 Ownership Structure

As used in the study, the terminology was defined as structure of shareholding by individuals or institutions that have a higher stake in organization assets. The structure in most cases comprise of a few shareholders with a larger contribution to the capital of the firm. The structure varies from firm to firm based on the ownership type, however, many scholars agree that, whichever type of ownership may be, it dictates how a firm will be governed (Tanui, Yegon & Bonuke, 2019). Given that major shareholders are not directly engaged in the daily activities of the organizations; they appoint managers to control the operations of these firms which lead to an agency problem. Changing and unpredictable business environment has led to close scrutiny of ownership structures.

As firms look for means of raising high capital to meet all the financial leads, they enlist at the securities exchange markets all across the world (Yaghoobi & Khansalar, 2016).

Trading at the securities markets attracts all sorts of shareholders from both local and international market which adds new dynamics to firm that had only a few shareholders or had full centralized operations. The structure that may be found fit by owners of an organization impacts the performance of the organization. Shareholders have profitability interest when investing in firms, hence they have a say in what portfolios the firm invest in. the investment decisions may not be really inclined towards organization firms, but done in an area that has a higher return in little time frame to add into the dividends they expect out of the firms.

Ownership spread by selling shares in securities market is mostly preferred by managers as a source of equity as compared to borrowing from the bank. One of the advantages of share trading is that it boosts investors' confidence on the management of the firm which goes a long way in ensuring that sufficient resources are available to meet the financial needs of a firm (Alabdullah, 2018). Various scholars both locally and internationally has shown that preference for capital structures vary based on the need of the organization, as other change from private to public and public to private, there are a number of organizations that remain controlled by states due to the sensitivity of the operations they engage in. while other have remained private and controlled by a few individuals in order to enjoy all the profits realized. To assess the various ownership structures and their impact on monetary execution, the investigation obtained the proportions of each type of ownership held in stock by investors.

1.1.2 Financial Performance

A number of scholars have defined financial performance in various ways; however, there are commonalities in their definition. What most scholars have in common is that financial performance stands for profits, extra payment, total or net sales, sales, investments and there returns (Mutisya, 2015). Most organizations strive to better their financial performance as a way of protecting investor's interest. Shareholders invest their money and expect returns at the end of the financial year, poor financial results can scare away potential investors, lead to losses and reduction of firm value in the market (Mudi, 2017). Measuring financial performance helps managers to arrive at a determination on whether they are achieving set objectives (Mukyala, Rono & Lagat, 2020). Prior to considering the numbers and types of measures to put in place, an understanding of the clarity on goals and objectives of the business entity becomes imperative. Financial performance was measured using various significant ratios, they include; the Return on Assets, RoI & ROE. In analyzing monetary execution of the assembling firms the investigation adopted Return on Equity proportions.

1.1.3 Ownership Structure and Financial Performance

The relationship between proprietorship arrangement and management of firms is connected to agency relationship as owners of the firms are seen as managers who delegate authority to agents who are the board of directors who are fully involved in the activities of the firm. The separation of ownership from the day to day management of firms might instigate a possible misunderstanding among owners and the executive because both owners and managers have different objectives and this conflict may naturally reduce management incentives to maximize corporate efficiency. Phung and Mishira (2015) while investigating the association between various kinds of ownership structures and productivity of organizations, they established that forms of organization ownership positively influence the productivity of organizations.

Big investors in firms have direct control on the running of a firm, as such they may push firm managers to adopt best corporate governance controls which may reduce or eliminate any losses that may be realized as a result of agency problems (Gayan & Shanika, 2016). The running of a firm with direct control of big investors may disadvantage minority shareholders; however, the capital market regulator has in place regulations that protect all investor's interests. Therefore, the relationship between a firm productivity and ownership structure is paramount and needs to be treated with the seriousness it deserves (Yahaya & Lawal, 2018). Many firms with global dominance have collapsed and lost their market share when in times when major investors sold their shares and pulled out of the firm.

1.1.4 Manufacturing Firms listed at the Nairobi Securities Exchange, Kenya

Before Kenya gained independence in 1963, the security market acted as trading point of shares by brokers and was majorly unregulated as compared to securities markets in developed countries. NSE has gone through various changes since its initiation, which incorporates order of exchanging rules, Central store framework, computerization of the market and demutualization from common organization to-organization ltd by shares (Nairobi Securities Exchange, 2016). Compared to other markets in the region, Nairobi Securities Exchange is highly ranked as biggest companies prefer listing and trading there shares in Nairobi (Iraya & Musyoki, 2013).

NSE is licensed, monitored and supervised by the Capital Markets Authority (CMA) which is the security market regulatory body in Kenya. The Capital Market Authority has a responsibility of ensuring great corporate administration rehearses among recorded organizations and improvement of productive market (NSE, 2016). Currently, the 64 listed companies in the Nairobi securities exchange are distributed among various industries such as, growth market enterprise segment, manufacturing & Allied Agricultural, Telecommunication & Technology, Insurance, banking etc., Since 1964, NSE 20-share has always been used by the Nairobi stock exchange in measuring the performance of 20 blue-chip companies. However, in 2008, Nairobi stock exchange changed its performance measure to NSE all share index which measures the general market performance incorporating all traded shares of each day (NSE, 2016).

With the development of the Kenyan economy and increased interest by major multinationals to invest and operate in Kenya (Ndiba, 2016). The government of Kenya has created a good environment for the manufacturing which has played a crucial role in creating employment for many Kenyans and become a big contributor to the GDP of the republic. The a secure and regulated securities market, manufacturing firms have been able to raise equity capital and made major investment in cement, Maize and wheat flour milling, Food and Beverage, Sugar processing and glass production. Despite the massive investments witnessed in the last decade, the manufacturing sector is below par and much has not been realized (Ng'ang'a, 2017). Big companies are still struggle due to harsh economic environment brought out by excessive imports, over taxation, poor technology and scarcity of raw materials.

1.2 Research Problem

Ownership of firms can be a cause of conflict between owners of the firm and the management entrusted with the mandate to run the affairs of the organization (Marouan & Moez, 2015). Despite the kind of ownership that the board of a firm may decide to adopt, it's impossible to have the owners engage in the day to day affairs and transaction businesses directly with clients. However, the owners in this case majority shareholders of the firm may decide on the firm vision, mission and action plans that guide managers in running organizations (Amin & Hamdan, 2018). Different firm ownerships have been identified to have an influence on financial perfomance of manufacturing firms; however, there was no agreed minimum ownership threshold that positively enhances the financial performance of manufacturing firms (Mukyala, et al. 2020).

The manufacturing firms in the country are one of the touchy sub-areas for monetary development and advancement, in this manner, it ought to be an area expected to be observed genuinely (Mang'unyi, 2011). When firms trade shares at the securities market they gain more equity that gives them a leverage to undertake big investments with good returns, however, the number of shareholders increases and ownership concentration reduces (Khamis, Elali & Hamdan, 2015). The presence of various people in the proprietorship structure of recorded assembling firms can prompt irreconcilable situation and the inquiries that emerge is whether contrast in the possession structure impacts monetary execution. An inquiry stayed on whether there would have been a distinction in monetary execution of recorded assembling firms if the proprietors of organizations comprised of various gatherings like the public authority, local ownership, management ownership or foreign ownership nearby possession (Kakanda, 2016).

Studies that have been done by various researchers in the past have addressed similar thematic areas; for example, Angolo (2017) examined ownership concentration and their effect on companies trading at the NSE Kenya. The researcher established that public authority possession had significantly and positively impacted performance. Ndiba (2016) carried out an investigation on ownership structure and its relationship to economic performance of firms processing sugar in Western Kenya. The review set up a huge positive connection between monetary performance and possession structure. Phung and Mishira (2015) examined the associations that exist between various forms of company ownership and its effect on their performance at Vietnamese security market. A spellbinding examination configuration was embraced by the analyst in carrying out the investigation and established a concave relationship of foreign ownership with firm performance. Gayan and Shanika (2016) explored the impact of proprietorship structure o firm performance of recorded assembling firms in Sri-lanka. The review utilized an experimental audit of studies and it was set up that block proprietorship has a negative relationship with firm performance. Most investigations audited have zeroed in on cross area firms recorded at Nairobi Securities Exchange and stock markets in major economies using a quantitative approach with much focus put of the financial statements of listed firms. Furthermore, there is no agreed threshold for different ownership that can be adopted by firms to ensure financial. The study sought to solve this information gap by providing answers to the following question; does public ownership affect monetary execution of manufacturing organizations recorded at the NSE, Kenya?

1.3 Objective of the Study

To examine the effect of ownership structure on financial performance of manufacturing firms listed at the Nairobi Securities Exchange, Kenya.

1.4 Value of the Study

Through this study, students, researcher and lectures identified meaningful research gaps that stimulate interest in conducting further research in future. In addition, the researchers enhanced their skills and knowledge through this study and successfully suggested recommendations on relevant areas for further studies.

The study findings were useful to policy makers to formulate appropriate regulations to guide the governance of the targeted firms in this study. The management of listed firms as well as non-listed firms used the study findings to effectively deal with public ownership issues in their companies.

In practice, the study recommended appropriate ownership structure that enabled appropriate structural adjustment to enhance returns and performance thus creating competitive advantages. Firms operating in Kenya and beyond whether listed or non-listed were guided by the discoveries of this investigation in their quest to get investors and raise more equity for their business capital needs.

CHAPTER TWO

LITERTURE REVIEW

2.1 Introduction

This chapter covered the study theoretical review, determinants of variables, empirical review, conceptual framework and Summary of literature.

2.2 Theoretical Review

2.2.1 Agency Theory

The agency hypothesis was formed by Jensen & Meckling in 1976. They suggested a theory of how the governance of a company is based on the conflicts of interest between the company's owners (shareholders), its managers and major providers of debt finance".

In running of the organization, managers and shareholders work towards enhancing the profitability of the organization however, they differ on the outcome is shared as all seek to maximize their interest (Afang & Bature, 2016). As appointed agents under the terms and conditions of the owners, managers are expected to be effective and accountable in managing the resources at their watch and ensure high levels of efficiency in operations so as to ensure shareholders get more returns. Scholars writing in support of the theory assumptions have clearly demonstrated the association that exists between the various forms of ownership and the productivity of organizations. In organizations where ownership is not concentrated, agency problems have been seen to frequently occur. As managers push to advance to push for what best fits the interest of their own and that of the organizations, shareholders remain unprotected and can easily be exploited as decision making becomes problematic (Afang & Bature, 2016).

Different researchers have called attention to various deficiency in the application agency theory; according to their findings in its applications, they established that the owners of organization hire agents to advance their interest, as appointed agents follow a given script of action plans and strategy (Alabdullah, 2018). Owners of the organization can veto their powers and decide which direction the firm takes; hence the unpredictability of the association between the two parties brings in conflicts which also vary from one set-up to the other. The theory was found to be weak in explaining the relationship between third parties and owners of the firm. In most cases, managers contract third parties in carrying out a given number of tasks without the direct authority from individuals with majority shareholding.

2.2.2 Stakeholder Theory

It arose in 1970 and was developed by Freeman in 1984. The theory incorporates corporate accountability to a broad range of stakeholders" (Amin & Hamdan, 2018). Businesses do not operate in a vacuum, in both internal and external environments managers faces a number of factors that affect their day to day activities hence need to ensure they put into consideration the interests of all individuals and organizations that have a direct or indirect relationship with the firm (Berķe-Berga et al. 2017). It's prudent for the managers of the firms to identify and list all interest and concerns have and incorporate it into the business strategies.

According to Angolo (2017) "managers in organizations have a large network to serve apart from the business owners. These networks, called stakeholders, range from suppliers to community members and their relationship with the organization are more vital as compared to the relationship between agents and business owners". The hypothesis is applicable to the review as it likewise illuminates the independent variable. Other networks apart from the owners of a firm are also vital to a firm. The firm management regardless of the type should play a role in incorporating stakeholders in running of the firm (Kakanda, et al. 2016). This is an act of corporate social responsibility which also affects the performance of the firm.

The theory failed to clearly explain characters of individual players in an organization management and their relationship to the immediate or wider environmental set-up. In addition to this, the proponents of the theory do not give an account of internal factors that control the running of an organization (Gichohi, 2018). As the level of ownership in the listed manufacturing firms is determined by the number of shares sold and bought at the securities market, majority shareholders may dictate how certain operations are undertaken and other stakeholder with little shares in the firm may not be involved at all in the affairs of the company. The failures to account for the influence of each stakeholder in the environment make it difficult for managers in organization to understand the best set of stakeholders to engage in the running of firms (Gichohi, 2018).

2.2.3 Stewardship Theory

It was advanced by two renowned academic scholars Donald and Davis (1991). The proponents of the theory assume that individuals entrusted with the running of an organization take responsibilities with utmost faithfulness and conduct business operations with high levels of accountability (Ibrahim, 2016). Different types of ownership delegate authority to managers to plan and implement number strategies that sustain and grow the business over years. As supported by the theory, managers who act as per the assumptions of the theory require less control and are motivated by exercising powers and need less motivation as compared to others who are not stewards. Owners of the firm do not necessarily have to award managers big salaries and hefty allowances to be motivated (Mishra & Kapil, 2017).

Stewardship theory is highly accepted by scholars because it advocates for collectivist, disregard of monitoring costs (Marouan & Moez, 2015). Proponents of the theory stresses on emotional attachment and benevolent behavior, the problem of accounting for such behavior and action brings in the issue of culture of stewardship (Mudi, 2017). Such ambiguity can lead to misconceptions about the idea behind stewardship theory. First of all, stewardship has a strong religious connotation; stewardship in this sense carries a strong moral component, which is lacking from the theory of stewardship by Davis.
The theory of stewardship is more anchored on leadership and management plans that steer the organizations in its operations. Proponents give too much emphasis on leader's qualities and their abilities to enhance productivity of their organizations (Kakanda, et al. 2016). Through the adoption of the theory, this study was able to explain how public ownerships facilitate and empower organization structures with minimal pressure on the trusted agents and principal relationship. The structures as supported by the proponents enable managers create systems that enable efficient flow of processes in organization.

2.3 Determinants of Financial Performance

2.3.1 Government Ownership

This type of ownership most characterized by government control and political interferences as politicians fight for the representation of their tribe men and women in influential management positions (Amin & Hamdan, 2018). The controls also manifest itself in resource allocations during budget processes, in Africa for example, firms in areas perceived to have a populace that does not support current regime may be provided with little resources or the state firms resident in those areas have little or no impact on the residents. It has been observed that many state owned firms record poor financial performance due to embezzlement of resources and mismanagement as people entrusted to run the organizations are rarely held accountable for their misdeeds.

The problem of under-performance of such firms has led to the push of privatization of many state parastatals in Kenya (Saidu & Gidado, 2018). Many of the firms that changed ownership from government to private or any other underwent massive restructuring and recorded considerable improved performance. For some it has been challenging for ownership to change because of bureaucracy, the government has continued bailing out year in year out but little success has been achieved. Despite most government firms recording poor performance, not all perform poorly. Some that have established effective management systems and succession plans have managed to effectively manage their resources and avoided leadership wrangles.

2.3.2 Foreign Ownership

On average foreign owned firms have better financial leverage as a result of foreign exchange rate advantage? Furthermore, managers of foreign firms ascribe to international standards with huge experiences from across continents. This explains why the NSE is dominated by foreigners as they also have the financial muscle to buy out small shareholders (Kinyanjui, 2018). This ownership style is more involving and may entail more than financial investment and include expatriates, technology transfer, and knowledge transfer that go along in streamlining international business to achieve a working system that serves both local and international corporate needs.

Foreign owned firms have other competitive advantage like pools of innovative employees who are sourced from across the world. They also have expatriates who guide the companies through their journeys in local markets, in so doing they overcome the many business challenges that derail the progress of many local firms (Mang'unyi, 2011). In other cases, foreign investors can own an enterprise in the country though their sister companies or through an investment firms that act on the behalf to overcome legal restrictions that bar foreign ownership in a country. Despite the generally notion that these type of firms have an advantage in the market, some fail to make an impact and close business.

As a result of their indirect control on the operations of offshore companies, foreign owners usually have little control on the undertaking of hired managers. Their little influence or lack of may not be improved even with introduction of surveillance systems used to minimize wastages and structuring the operational flow of organization activities (Mang'unyi, 2011). Owners of a firm focus on gaining maximum profits and dividends from shares they hold on a firm, misrepresentation of facts by managers in foreign countries can bleed the organization to its death bed especially if managers put their own interest first (Uwuigbe & Olusanmi, 2012).

2.3.3 Local Ownership

In Kenyan context this form of firm ownership is by a Kenyan born or registered as a citizen. Saidu and Gidado (2018) undertook a study of company ownership and their relationship to productivity of manufacturing and allied companies in France. The researcher comprehensively analyzed financial statements of all targeted companies and supplemented the findings by interviewing chief financial officers. The findings point to the fact that manufacturing firms that had many shareholders and not French incurred huge agency costs which affected negatively their profit levels.

Kiruri (2013) undertook a study to investigate the relationship that exists between various forms of ownership and monetary performance of financial institutions in Kenya. The comprehensive investigation ascertained that the nature of ownership that a bank has influences the productivity and profitability of an organization. The nature of the influences exhibited according to the ownership style varied; as institutional and state ownership resulted in a negative impact while foreign and local ownership were positively and significantly related.

2.3.4 Management Ownership

Supervisors look to expand their own benefit instead of that of the proprietors of the firm or the actual firm. Be that as it may, administrators are focused by various outside control components, like the market influences and furthermore by inward control systems, for example, pay and rewards motivators (Mokaya & Jagongo, 2015). Its human possible that organization managers put their own interest above that of an organization, as companies make profit their salaries may not measuring to the huge profits that they bring to the company. Hence, they seek a better share of the cake by being shareholders of the company and earn a percentage of the profit as dividends.

Managers of a company perform important roles of ensuring that the resources of the company are effectively and efficiently used to maximize productivity (Nguyen, et al. 2020). Investor's interest in the company is to earn dividends which can be realized once profits are good. Poor profit making can affect share pricing and stock trading, this has an immediate impact on the monetary influence of the firm as directors will be constrained to borrow to sustain operations of the firm or take on investment opportunities. When managers own a stake in the company, the direction of the organization might change based on conflict of interest. In some cases, they cease to be agents and take full control of the operations and no longer answerable to their bosses (Setiawan, Bandi, Phua & Trinugroho, 2016).

2.4 Empirical Review

Angolo (2017) investigated forms of ownership on profitability of firms registered and trading at securities Market in Kenya. A descriptive approach was adopted and used on 63 companies that the researcher targeted. A conventional least square relapse model was utilized to set up the connection between the review factors. It was established that government ownership significantly influenced the financial firms of listed companies.

Ndiba (2016) set to investigate forms of ownership on profitability of sugar processing firms in Western Kenya. A descriptive approach was used by the researchers and collected data from accounting records for 2001 to 2008.the accounting records were retrieved from firm publication and verified online sources such as company websites and publications. Information gathered was dissected utilizing distinct and inferential insights. From the discoveries, the review set up that monetary presentation of organizations was fundamentally affected by proprietorship structures and company sizes.

Phung and Mishira (2015) set to look into the association between various kind of organization ownerships and profitability of firms registered and trading at the Vietnamese security market. The firms targeted by the researcher summed up to 2,744 for duration of 5 years starting 2007. The paper tracked down that firm presentation expanded past 28.67 percent level of state possession. Foreign possession had a curved relationship with firm execution. The investigation further discovered that, firm exhibition increments with an expansion of foreign possession up to a degree of 43% and afterward diminishes.

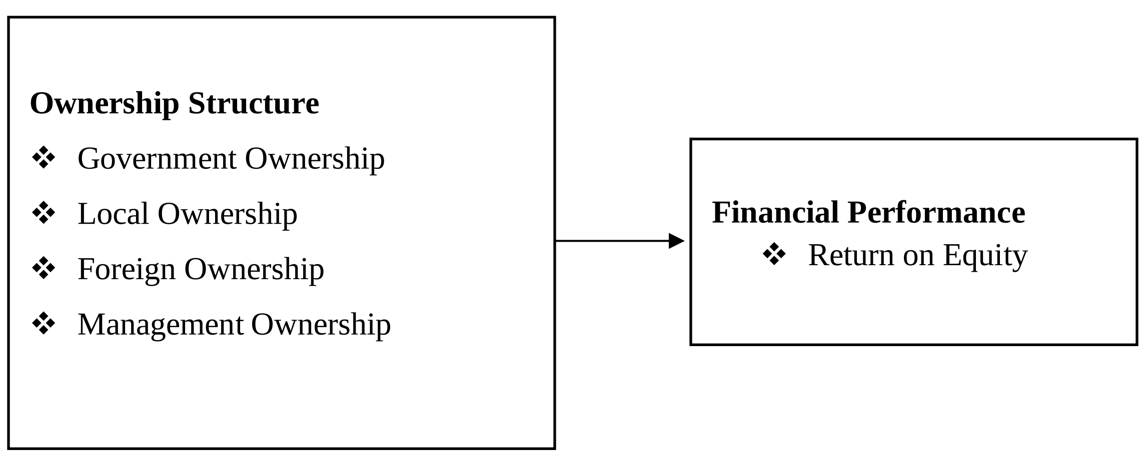
Yahaya and Lawal (2018) investigated the impact of possession structures on productivity of deposit taking Nigerian banks. 15 deposit taking banks were targeted in the study. Information relied was from accounting records published in bank websites and national dailies. The study covered duration of 4 years starting 2008. The gathered information acquired was exposed to framework summed up second technique. Discoveries uncovered a positive association between institutional possession and productivity of store taking banks.

Gayan and Shanika (2016) inspected the connection among proprietorship and usefulness of assembling firms in Sri-lanka. The analyst depended on optional information from fiscal summaries of the organization for a 5-year time frame. The review designated 20 organizations, information got from the organization sites was investigated utilizing connection examination and Multi-variation examination. The review set up that local possession had a negative and immaterial relationship with Return on Equity.

Gabriel and Osazuwa (2020) inspected the connection among proprietorship and efficiency of assembling in Nigeria West Africa. Optional information was gathered from bookkeeping records of the designated firms for a time of 10 years and processed for Return on Assets utilizing Tobin-Q strategy. The exact outcomes uncovered that administration proprietorship focus, block ownership concentration and institutional ownership concentration all have significant effect on the performance indicators.

Saidu and Gidado (2018) investigated the impact of administrative possession on monetary execution of recorded assembling firms in Nigeria. Non-review research strategy was embraced, and the review covered 40 assembling firms recorded at Nigerian Security Exchange market; the review targeted 10 companies and data was accessed from their websites and publications for a period of 5 years that the researchers expressed to be sufficient and useful in generalizing the findings of the study. According to the research findings, when managers become gain more ownership of a company, the performance tend to drop significantly.

2.5 Conceptual Framework



Independent Variable Dependent variable

Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covered the study research design, Target population, and Data collection procedures, data analysis and measure of variables.

3.2 Research Design

The review took on an illustrative exploration plan. Descriptive research design was intended to gather information from a sample with a perspective on dissecting them measurably and summing up the outcomes to a populace (Silitonga, 2020). Descriptive exploration configuration was utilized to set up the affiliations that exist between the factors under study. Unmistakable exploration configuration was liked in this review since it helped the researcher answer all critical questions that arose as the study was being conducted.

3.3 Target Population

Kombo and Tromp (2006) “a population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated to generalize the results”. The study targeted 10 manufacturing firm trading at the securities market in Kenya between 2016 and 2020. A census method was preferred because the number of manufacturing firms listed at NSE firms was very small.

3.4 Data Collection Procedures

The research depended only on secondary information from financial statements of the listed manufacturing firms. As a requirement by the Capital Market Authority, trading companies must share with the public financial positions of their companies in every financial year though print media or post on their company websites. Hence it was easy to download and compute the ratios, mean and standard deviations.

3.5 Data Analysis and Presentation

Computed secondary data were tabulated in an orderly manner, filtered and coded to facilitate computation. Computation of mean, standard deviation, co-efficient of connection and relapse was done to evaluate the degree of connection between the dependent and independent variable which was presented in figures and tables.

The multiple regression analysis model used to show how the independent variables predicted the dependent variables is shown;

$Y: \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \acute{\varepsilon}$

Where $\beta_{1,}$ $\beta_{2,}$ $\beta_{3,}$ β_4 are the regression co-efficient of the independent variables

Y = Financial Performance

β_0 = Constant

X_1 = Government Ownership

X_2 = Foreign Ownership

X_3 = Local Ownership

X_4= Management Ownership

ε is the error term normally distributed about a mean of zero

3.5.1 Diagnostic Test

The study used correlation and regression analysis as the main tools of analyzing the relationship between study variables, however, its acknowledge that this choice necessitated the need of adopting a number of assumptions regarding the quality and distribution of data relating to data homesedacity, independence of the variables, random errors and normality distribution of data. Before analysis was done statistical tests were done to build up the reasonableness of information in the investigation. The review adopted normality white tests to measure if discrepancy of errors was similar in all observation of independent variables; a lack of such consistency was concluded to mean presence of heteroscedasticity when identical distribution was made.

3.5.2 Test of Significance

ANOVA was utilized to survey the measurable importance or model integrity of fit in fulfilling the review targets. The determination of the significant of each variable under study was done using the t-test and p-values. F-test helped in testing the suitability of the regression model. Pearson correlation coefficient, R^2 and beta coefficients were also computed.

Table 3.6: Measures of the Variables

Variable	Measure	Scale
Financial Performance	Return on Equity	Ratio
Government Ownership	Proportion of ownership by government	Ratio
Foreign Ownership	Proportion of ownership by Foreigners	Ratio
Management Ownership	Proportion of ownership by Management	Ratio
Local Ownership	Proportion of ownership by Locals	Ratio

CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter covers the data analysis and interpretation of review findings. Descriptive statistics present the mean and standard deviations scores for government ownership, foreign ownership, management ownership and local ownership. Inferential statistics was in analyzing the regression, correlation and Analysis of Variance for the study variables.

4.2 Descriptive Statistic Analysis

The study computed the average and standard deviation of data collected to determine the extent of ownership structures. Correlational analysis was also undertaken to illustrate the nature of the relationships between study variables whereby the independent variables included government ownership, foreign ownership, management ownership and local ownership and while dependent variable was financial performance. Finally, a regression analysis was done to establish the extent of relationship between the variables.

4.2.1 Government Ownership

Table 4.1 presents the descriptive statistics of Government ownership for listed manufacturing firms. The findings were as follows: B.O.C Kenya Ltd with a mean score of 63.44 (SD =16.702); British America Tobacco with a mean score of 55.68 (SD = 7.880); Carbacid Investment Ltd with a mean score of 71.23 (SD =11.45); East African Breweries Ltd with an mean score of 56.72 (SD = 12.331); Mumias Sugar Co. Ltd with a mean score of 63.21(SD= 8.430); Unga Group Ltd with a mean score of 60.21 (SD=7.381); Eveready East Africa Ltd with a mean score of 69.32 (SD = 6.701); Kenya Orchards Ltd with a mean score of 64.34 (SD = 7.982); A-Baumann Co. Ltd had with a mean score of 69.99 (SD=8.443) and Flame Tree Holdings Ltd with a mean score of 73.44(SD=9.214).

Table 4.1: Government Ownership

Firm	Mean	Standard Deviation
B.O.C Kenya Ltd	63.44	16.702
British America Tobacco	55.68	7.880
Carbacid Investment Ltd	71.23	11.45
East African Breweries Ltd	56.72	12.331
Mumias Sugar Co. ltd	63.21	8.430
Unga Group ltd	60.21	7.381
Eveready East Africa Ltd	69.32	6.701
Kenya Orchards ltd	64.34	7.982
A-Baumann Co. Ltd	69.99	8.443
Flame Tree Holdings Ltd	73.44	9.214

Source: Researcher (2021)

4.2.2 Foreign Ownership

As illustrated in the table below is the descriptive statistics on foreign ownership. B.O.C Kenya Ltd with an average score of 62.08 and Std.dev of 5.415; British America Tobacco with an average score of 76.81 and Std.dev of 2.404; Carbacid Investment Ltd with an average score of 76.23 and Std.dev 7.3104; East African Breweries Ltd with an average score of 61.00 and Std.dev of 17.103; Mumias Sugar Co. ltd with an average score of 74.12 and Std.dev of 21.190; Unga Group ltd with an average score of 54.77 and Std.dev of 4.093; Eveready East Africa Ltd with an average score of 63.87 and Std.dev of 12.78; Kenya Orchards ltd with an average score of 80.11 and Std.dev 15.03; A-Baumann Co. Ltd with an average score of 67.09 and Std.dev of 9.023 and Flame Tree Holdings Ltd with an average score of 69.91and Std.dev of 10.25.

Table 4.2: Foreign Ownership

Firm	**Mean**	**Std.dev**
B.O.C Kenya Ltd	62.08	5.415
British America Tobacco	76.81	2.404
Carbacid Investment Ltd	76.23	7.3104
East African Breweries Ltd	61.00	17.103
Mumias Sugar Co. ltd	74.12	21.190
Unga Group ltd	54.77	4.093
Eveready East Africa Ltd	63.87	12.78
Kenya Orchards ltd	80.11	15.03
A-Baumann Co. Ltd	67.09	9.023
Flame Tree Holdings Ltd.	69.91	10.25

Source: Researcher (2021)

4.2.3 Management Ownership

Table 4.3 describes statistics of management ownership. The findings are as follows; reveal that: B.O.C Kenya Ltd with an average score of 51.75 and Std.dev of 18.638; British America Tobacco with an average score of 54.50 and Std.dev of 2.449; Carbacid Investment Ltd with an average score of 61.48 and Std.dev of 29.340; East African Breweries Ltd with an average score of 52.75 and Std.dev of 19.047; Mumias Sugar Co. ltd with an average score of 50.01 and Std.dev of 10.190; Unga Group ltd with an average score of 73.20 and Std.dev of 3.016; Eveready East Africa Ltd with an average score of 61.32 and Std.dev of 4.522; Kenya Orchards ltd with an average score of 59.22 and Std.dev of 5.311; A-Baumann Co. Ltd with an average score of 78.11 and Std.dev of 13.03 and Flame Tree Holdings Ltd with an average score of 55.00 and Std.dev of 7.302.

Table 4.3: Management Ownership

Firm	Mean	Std.dev
B.O.C Kenya Ltd	51.75	18.638
British America Tobacco	54.50	2.449
Carbacid Investment Ltd	61.48	29.340
East African Breweries Ltd	52.75	19.047
Mumias Sugar Co. ltd	50.01	10.190
Unga Group ltd	73.20	3.016
Eveready East Africa Ltd	61.32	4.522
Kenya Orchards ltd	59.22	5.311
A-Baumann Co. Ltd	78.11	13.030
Flame Tree Holdings Ltd.	55.00	7.302

Source: Researcher (2021)

4.2.4 Local Ownership

The table 4.3 below shows the descriptive statistics of management ownership of manufacturing firms targeted by the study. The results were as follows; B.O.C Kenya Ltd with an average score of 43.23 and Std.dev of 7.990; British America Tobacco with an average score of 41.33, a Std.dev of 9.880; Carbacid Investment Ltd with an average score of 63.22 and a Std.dev of 7.451; East African Breweries Ltd with an average score of 61.35 and Std.dev of 9.777; Mumias Sugar Co. ltd with an average score of 59.02 and Std.dev of 8.130; Unga Group ltd with an average score of 63.22 and Std.dev of 7.991; Eveready East Africa Ltd with an average score of 83.44 and Std.dev of 9.310; Kenya Orchards ltd with an average score of 78.54 and Std.dev of 12.33; A-Baumann Co. Ltd with an average score of 65.77 and Std.dev of 13.44 and Flame Tree Holdings Ltd with an average score of 50.34 and Std.dev of 14.35.

Table 4.4: Local Ownership

Firm	Mean	Std.dev
B.O.C Kenya Ltd	43.23	7.990
British America Tobacco	41.33	9.880
Carbacid Investment Ltd	63.22	7.451
East African Breweries Ltd	61.35	9.777
Mumias Sugar Co. ltd	59.02	8.130
Unga Group ltd	63.22	7.991
Eveready East Africa Ltd	83.44	9.310
Kenya Orchards ltd	78.54	12.33
A-Baumann Co. Ltd	65.77	13.44
Flame Tree Holdings Ltd.	50.34	14.35

Source: Researcher (2021)

4.3 Diagnostic Tests

These tests were conducted to test probabilities in measuring the correctness of the study findings.

4.3.1 Test for Linearity

Linearity test established whether the relationship between independent and dependent variable is linear or not. The test shows values higher than 0.05 as in Table 4.5 hence there is linearity:

Table 4.5: Linearity Test

Variables	Deviation from Linearity	Significance Level
Financial Performance and Government Ownership	**.232**	**.015**
Financial Performance and Local Ownership	**.063**	**.608**
Financial Performance and Foreign Ownership	**.099**	**.504**
Financial Performance and Management Ownership	**.067**	**.671**

Source: Research Data (2021)

4.3.2 Test for Multi-Collinearity

Multi-Collinearity was tested using VIF and tolerance values. VIF value should not be greater than 10 and less than 1 (O'Brien, 2007). Table 4.6 indicates the values showing that there was no multi-collinearity as given by the values.

Table 4.6: Multicollinearity Test

Variables	Tolerance	VIF
Government Ownership	.880	1.167
Foreign Ownership	.972	1.029
Management Ownership	.892	1.121
Local Ownership	.789	1.021

Source: Research Data (2021)

Table 4.6 shows VIF values more than 1 and less than 10, while the tolerance values were above 0.20. The implication is existing lack of multicollinearity among the variables under study.

4.3.3 Test for Auto-correlation

It was tested using Durbin-Watson was used to test. Comparing Durbin-Watson test statistics d = 1.571 against values obtained from the tables at 0.05 level of significance, there was no autocorrelation.

Table 4.7: Test for Auto-correlation

Model	R	R-Square	Adjusted R-Square	Std. Error of Estimate	Durbin Watson
1	.787[a]	.619	.579	2.277	1.272

Source: Researcher (2021)

4.4 Pearson Correlation Co-efficient

Pearson bivariate correlation was calculated to find out whether the variables correlate as shown in Table 4.8:

Table 4.8: Correlation Matrix

		Y	**X_1**	**X_2**	**X_3**	**X_4**
Y	**Pearson correlation**	1.000				
	Sig					
X_1	**Pearson correlation**	.014**	1.000			
	Sig	.474				
X_2	**Pearson correlation**	.193**	.167**	1.000		
	Sig	.178	.484			
X_3	**Pearson correlation**	.536**	.261**	.695 **	1.000	
	Sig	.003	.103	.000		
X_4	**Pearson correlation**	.038**	.442**	.519**	.391**	1.000
	Sig	.4290	.0130	.0040	.0120	0.000

Source: Researcher (2021)

Where

Y= Financial Performance, X_1 = Government ownership X_2 = Foreign Ownership X_3 = Management ownership and X_4 = Local ownership.

Table 4.8 indicate that Government ownership has a weak and insignificant correlation with financial performance given by ($r = .014$; $p>0.05$). Foreign ownership is indicated to have a weak positive and insignificant correlation with financial performance given by ($r = .193$; $p>0.05$). Local ownership was also found to have a weak positive and insignificant correlation with financial performance as given by ($r = .038$; $p>0.05$). Management ownership was however found to a moderate positive and significant correlation with financial performance given by ($r = .536$; $p<0.05$). In conclusion, the outcomes uncovered a critical positive connection between government proprietorship, foreign possession, management proprietorship and local possession and monetary execution of firms recorded at the Nairobi Securities Exchange.

4.5 Regression Analysis

The analysis was done on financial performance against government proprietorship, foreign possession, the management possession and local proprietorship. The relapse model utilized for the review is as per the following;

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Data utilized for the investigation was gathered from the company's monetary statement for the period starting from 2016 to 2021.

4.5.1 Model Summary

Table 4.9 shows the results for relationship between outcome and predictor variables. R^2 is the coefficient of determination.

From the model summary in Table 4.9, r = 0.787. The implication is that, ownership structure and financial performance of listed manufacturing firms are positively related.

Table 4.9: Model Summary

Model	R	R-Square	Adjusted R-Square	Std. Error of Estimate	Durbin Watson
1	.787[a]	.619	.579	2.277	1.272

Source: Researcher (2021)

The adjusted R^2 of .579 meaning that 57.9% of variations in financial performance is influenced by variations in Government ownership, local ownership, foreign ownership and management ownership. This further implies that 42.1% of variations in financial performance was caused by variations in factors not studied in the model.

4.5.2 Analysis of Variance

Table 4.10 shows overall p-value which indicates that ownership structure and financial performance significantly relate at 0.000 ($p<0.05$). The implication is that the different forms of ownership structure studied in this model reliably predict financial performance of listed manufacturing firms in Kenya.

Table 4.10: Analysis of Variance

Model		Sum of squares	Df	Mean Square	F	Sig.
	Regression	2.36318	4	.590795	162.843	.000
	Residual	0.14515	40	.003628		
	Total	2.50833	44			

Source: Author (2021)

The table above indicates the fitness of the regression model to the data at 5% level of significance. Since the p-value of F-test of 162.843 was less than alpha = 0.000 ≤ 0.05, which prove a significant association between the study independent variable and the dependent variable.

4.5.3 Regression Co-efficients

Table 4.11 indicates individual relationship between the various predictor variables with financial performance of listed manufacturing firms in Kenya and their coefficient betas.

Table 4.11: Regression Co-efficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.071	.205		.548	.000	-	-
Government	.011	.019	.070	-.562	.579	.880	1.136
Foreign	2.495	.370	.797	6.744	.000	.972	1.029
Management	.610	1.462	.051	.417	.680	.892	1.121
Local	0.232	0.242	0.225	0.712	0.034	.789	1.021

Source: Researcher (2021)

Table 4.11 above, it’s evident that there was a connection between firm monetary performance and proprietorship structure. This relationship was as indicated in the equation that follow with the assigned co-efficient.

$$\mathbf{Y= 0.071+ 0.011X_1 + 2.495X_2 + 0.610X_4 + 0.232X_3}$$

From the table above: when government ownership increases by one unit, the financial performance increases by 0.011; when foreign ownership increases by one unit, financial performance increases by 2.495; when management ownership increases by one unit, financial performance increases by 0.610 and a unit change in performance resulted in a 0.232 positive change of local ownership. All variables were positively significant to the study as illustrated above.

4.6 Discussion of findings

The review discovered a positive relationship of possession structure on manufacturing organization’s performance. It was seen that an increase of government ownership by one unit increased financial performance by 0.011, this was statistically significant at 0.579. Similar results were realized by Angolo (2017) whom examined ownership concentration and its relation to profitability of companies registered at the securities Market in Nairobi. It was established that; government significantly influenced the financial firms of listed companies.

An increase of foreign ownership by one unit increased financial performance by 2.495, this is statistically significant at 0.000 hence it was interpreted that, foreign ownership affected manufacturing firm financial performance. The findings related to Phung and Mishira (2015) study on possession design and firm execution: proof from Vietnamese

recorded firms. The investigation discovered that firm presentation increments with an expansion of unfamiliar proprietorship up to a degree of 43% and afterward diminishes.
An increase in management ownership by a unit increased financial performance by 0.610 which was statistically insignificant at 0.680. This proved that management ownership affect performance in an inverse manner. The discoveries of the review were in adjustment to the discoveries of Yahaya and Lawal (2018) which analyzed the impacts of possession structure on firm worth in Nigeria. The investigation had discovered that institutional possession affected store taking banks.

An increase in local ownership by a unit increased financial performance by 0.232 which was statistically significant at 0.034 which was interpreted that, local ownership had an effect on financial. These findings were similar to that of Ndiba (2016) that assessed the association between organization ownership forms and its effect on profitability of sugar manufacturing companies. It was established that ownership arrangement by sugar processing companies was heavily associated by the type of ownership that controlled the operations of the company.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter covers the study Summary, Conclusion, Recommendation and suggestions for further studies.

5.2 Summary of Research Findings

5.2.1 Government Ownership

The results revealed a critical and positive connection between government proprietorship and monetary execution of assembling firms recorded at the Nairobi Securities Exchange. Furthermore, government ownership was found to have a stronger influence on the performance of Flame Tree Holding and Carbacid investments ltd while it had the least influence on British American Tobacco and East African Breweries. The study positively relates to that of Angolo (2017) which reviewed the impact of possession concentration on firm performance of recorded companies that trade at NSE. It was established that; management possession had a negative impact on the performance of companies targeted by the investigation. Furthermore, it was established that; government ownership significantly influenced the financial firms of listed companies.

5.2.2 Foreign Ownership

The results revealed an insignificant positive association between foreign ownership and monetary execution of assembling firms recorded at the Nairobi Securities Exchange. In addition, foreign ownership was found to have more influence on British American Tobacco and Carbacid while low influence on monetary execution of assembling firms recorded at the Nairobi Securities Exchange was recorded at East African Breweries and Unga Limited. The study findings are similar to that of Phung and Mishira (2015) on proprietorship design and firm execution: proof from Vietnamese recorded firms. The paper tracked down that firm presentation expanded past 28.67 percent level of state proprietorship.

5.2.3 Management Ownership

The results revealed an irrelevant positive connection between the executive possession and monetary execution of assembling firms recorded at the Nairobi Securities Exchange. The study further established that; management ownership to have a stronger influence on Aubumann and Unga group manufacturing firms as compared to BOC gases and British American Tobacco manufactures firms. The study findings positively relate to that of Yahaya and Lawal (2018) which analyzed the impacts of proprietorship structure on firm worth of Nigerian store cash banks. Discoveries uncovered that main institutional possession had a positive and huge impact on monetary execution while others have unimportant impact.

5.2.4 Local Ownership

The results revealed an irrelevant positive connection between the management proprietorship and monetary execution of assembling firms recorded at the Nairobi Securities Exchange. Finally, it was set up that local possession impacts the monetary exhibition of Eveready East Africa and Kenya Orchards Ltd when contrasted with the monetary exhibitions of BOC Kenya and American Tobacco. The discoveries of this review contrast from that of Gayan and Shanika (2016) which examined the impact of proprietorship and its impact on monetary execution of organizations managing fabricating exercises in Sri-Lanka. The investigation discovered that local possession had negative and irrelevant relationship with ROE.

5.3 Conclusion

Depending on the discoveries of this study, it was concluded that ownership structures adopted by manufacturing firms affect financial performance. Government ownership was positively significant to financial performance of manufacturing firms as compared to local ownership, management ownership and foreign ownership which were statistically insignificant to manufacturing organization's monetary execution.

5.4 Recommendations

The review established that the listed assembling firms are affected by different ownership structures that were under study. As much as the relationship are positive and significant, it's evident that manufacturing firm managers are yet to settle on the form of ownership that lead to better financial performance which is attributed to the desire to raise more capital for their businesses. There is need for firm managers and general investors to be trained on best ownership plan that can aid firm's productivity.

5.5 Limitations of the study

The research had some short-comings; first, the financial statements were obtained through online sources which cannot be reliable. To ensure that data captured was reliable, audited financial reports were mainly used in this study. Secondly, the study focused only on four firm ownership i.e governments, management, foreign and local ownership in establishing financial performance of assembling organizations recorded at the NSE. There are other forms of firm ownership that affect financial performance of manufacturing firms, however, to make the study findings valid, the researcher consulted widely and with the help of the supervisor agreed to focus on the four as the most predominant variables.

5.5. Suggestions for Further Studies

For consideration on coming researches, the study suggested that scholars attempt to establish the minimum number of shareholding structures that a firm can have as it was established in this study that firms were influenced by all types of ownership under observation. Furthermore, it was suggested that future researchers to consider the effect of ownership structures on non-financial aspect of organizations as much of the literature available focus on financial performance.

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Appendix 1: Manufacturing firms listed at the NSE

1. B.O.C Kenya Ltd
2. British American Tobacco
3. Carbacid Investments Ltd
4. East African Breweries Ltd
5. Mumias Sugar Co. ltd
6. Unga Group Ltd
7. Eveready East African Ltd
8. Kenya Orchards Ltd
9. A Baumann Co. Ltd
10. Flame Tree Holdings Ltd

Appendix 2: Data Collection Form

This sheet will be used by the researcher to collect secondary data among the ten listed manufacturing firms at the NSE. These measurement units will be used to asses; Financial performance, Government ownership, Foreign ownership, Local ownership and Management ownership.

Measurement unit	**2016**	**2017**	**2018**	**2019**	**2020**
Return on Equity					
Proportion of ownership by Government					
Proportion of ownership by Foreigners					
Proportion of ownership by management					
Proportion of ownership by Locals					