

## Ownership Structure and Firm Performance of Listed Companies in the Kenya's Nairobi Securities Exchange

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### ABSTRACT

*The purpose of this research was to find out the relationship between ownership structure and firm performance on firms listed in the Nairobi Securities Exchange for the period year 2007 to 2010. The research examined six variables which are ownership concentration, government ownership, foreign ownership, institutional ownership, individual ownership, managerial ownership and the control variables leverage and firm size. The research used both agency and stakeholder theory as the main theoretical framework to describe ownership structure. The study used descriptive research design and quantitative data was tabulated along a continuum in numerical form. Secondary data was collected from the financial statements of the companies quoted in the Nairobi Securities Exchange. Ownership structure was operationalized in terms of ownership concentration (percentage of shares owned by the top five shareholders) and ownership identity (actual identity of shareholders). Measures of performance were return on assets and return on Equity. Thirty three companies were studied using secondary data. Tolerance factor were used to test multi-collinearity. The key findings were that in the Kenyan context ownership concentration had negative relationship with firm performance while managerial ownership, individual ownership had positive relationship with firm performance. The control variable firm size had significant positive relationship with firm performance. The findings of the study have shed light on the continuous relationship between managerial ownership and firm performance. Due to low rate of tolerance the study found that there was no significant relationship between institutional ownership, foreign ownership, government ownership and the control variable leverage.*

**KEY WORDS:** Ownership structure, Firm performance, Ownership concentration, Individual ownership, Firm Size.