

The Relationship between Ownership Structure and Leverage of Firms Listed in the Nairobi Securities Exchange

Pamelah Mukonyi¹, Kefah Basweti², Simon Kamau³

^{1,2,3}(Department of Accounting Finance and Management Science, Egerton University, Kenya)

Abstract: *The aim of the study was to examine the relationship between ownership structure and leverage of firms listed in the Nairobi Securities Exchange (NSE). The objectives of the study were: to evaluate the relationship between state ownership and leverage, to determine the relationship between private ownership and leverage, to determine the relationship between foreign ownership and leverage and to evaluate the relationship between institutional ownership and leverage. The data for the study was obtained from 44 firms that had been consistently listed in the NSE from 2006 to 2014. Correlation and regression analysis was used to test the relationship between ownership structure and leverage. The results of the study indicated that there was no statistical significant relationship between ownership structure and leverage of firms listed at the NSE*

Keywords: *leverage, Nairobi Securities Exchange, Ownership Structure*

I. Introduction

1.1 Background of the study

Ownership structure and leverage are two important factors that influence important decisions made regarding an organization. Ownership structure refers to equity ratio occupied by various shareholders [1]. Publicly owned firms have legal separation between management and ownership. The owners might be having the funds required but they lack the managerial skills to manage the organization efficiently and effectively. On the other hand, they might be having business ideas but do not have sufficient funds to enable them implement the ideas. For this reason they seek internal and external borrowing. This brings in the relationship between debt holders and shareholders and thus the agency conflict between the two parties [2].

[3] note that both the principal and the shareholders are utility maximizers. Therefore, shareholders are forced to incur some monitoring costs in order to reduce the amount of divergence of interest by the managers. According to [4], ownership structure can improve the performance of firms by decreasing monitoring costs and providing better control over the management. This is because the risk taking incentives by management can be reduced by the nature of ownership in a firm. Additionally, ownership structure may prevent the managers from undertaking sub-optimal projects and increasing their earnings leading to a reduction in shareholders wealth [5]. Firms that are owned by a block of shareholders may be able to reduce the willingness of the management to engage in strategic changes and this can lead to a risk aversion.

Financial leverage affects firm value by influencing agency costs [6]. Debt financing limits the amount of free cash available to managers and this act's as a means of controlling the agency problem. According to [7], shareholders prefer debt financing so as to maintain their voting rights to control and monitor their firms. Additionally, debt acts as a disciplining mechanism which lenders utilize in order to monitor the actions of the managers. [8] noted that the use of debt enables shareholders to transfer the responsibility of monitoring the actions of the managers to the lenders. Managers of firms financed by debt are forced to reduce wasteful expenditure and enhance operating efficiency so as to meet the debt covenants. Nonetheless, the use of debt can induce managers to forego projects with positive net present values [9].

Leverage is highly associated with bankruptcy risk. Additionally, lenders impose a lot of restrictions on firms that take up leverage. This helps reduce the probability of default or bankruptcy. This also helps in reducing the agency conflict between the two parties. Companies with high debt ratio tend to disclose more detailed information to assure investors and lenders than those with low risk levels [10]. A different view shows that as the debt of the company increases, they prefer not to disclose much information because debt holders do not require information as shareholders and again the information may make debt holders to lose confidence in the organization. The debt holders might start seeing the possibility of firms not being able to settle their debts [11]. Therefore, firms are supposed to gravitate structures that yield the best results through making the best decisions. This is generally because firms that have the best ownership structure tend to operate efficiently and effectively.

Ownership structure and leverage are two important aspects in the governance of firms. According to [6], debt financing enables owners to take actions to maximize their wealth. Financial leverage affects agency costs thereby influencing the value of a firm. [12] notes that shareholders have a tendency of raising more debt so as to reduce the agency costs. Consequently, ownership structure may play an important role in determining

the capital structure of a firm. [13] argue that ownership structure has a significant impact on the financial decisions of a firm. Thus, owners may opt for increased levels of debt in an aim to improve the performance of their firms.

1.2 Statement of the problem

[6] propose that ownership structure is a primary determinant of the extent of agency problems. [8] asserts that ownership structure is likely to have an influence on agency costs. This is because large shareholders have a greater incentive to collect information and monitor the actions of the managers thereby affecting financial decisions made by the firm. According to [9], ownership structure can have a significant impact on managerial decisions and opportunism which can consequently have an impact on financial decisions as well as the value of the firm. Nonetheless, the use of debt can also assist in reducing the agency costs. According to [14], Modigliani and Miller's (MM's) proposition without corporate taxes states that the value of a levered firm is equal to the value of unlevered firm and his proposition with corporate taxes argues that the value of a levered firm is higher than the value of unlevered firm. However, [15] holds that as the debt increases, the bankruptcy cost of the firm also increases which occurs due to inability of the firm to pay off its debt from earnings. The firm therefore needs an optimal capital structure because ownership structure may not be adequate in reducing agency problem. MM's proposition with personal tax shows that if personal tax rate on interest income is greater than the personal tax rate present value, interest tax shield will be less. [7] noted that leverage is used by lenders and shareholders as a disciplinary mechanism of monitoring the actions of the managers. Consequently, owners may increase leverage in order to reduce the agency costs. Further, [3] argue that few studies have focused on the relationship between ownership structure and leverage especially in emerging markets. Therefore, this study aims to evaluate the relationship between ownership structure and leverage of firms listed at the Nairobi Securities Exchange.

1.3 Main Objective of the study

To evaluate the relationship between ownership structure and leverage of firms listed in the Nairobi Securities Exchange.

1.4 Specific Objectives of the study

- i. To evaluate the relationship between state ownership and leverage of firms listed in the Nairobi Securities Exchange
- ii. To determine the relationship between private ownership and leverage of firms listed in the Nairobi Securities Exchange
- iii. To determine the relationship between foreign ownership and leverage of firms listed in the Nairobi Securities Exchange
- iv. To evaluate the relationship between institutional ownership and leverage of firms listed in the Nairobi Securities Exchange
- v. To determine the relationship between ownership structure and leverage of firms listed in the Nairobi Securities Exchange.

1.5 Hypothesis of the study

H₀1: There is no statistical significant relationship between state ownership and leverage of firms listed in the Nairobi Securities Exchange.

H₀2: There is no statistical significant relationship between private ownership and leverage of firms listed in the Nairobi Securities Exchange

H₀3: There is no statistical significant relationship between foreign ownership and leverage of firms listed in the Nairobi Securities Exchange

H₀4: There is no statistical significant relationship between institutional ownership and leverage of firms listed in the Nairobi Securities Exchange

H₀5: There is no statistical significant relationship between institutional ownership and leverage of firms listed in the Nairobi Securities Exchange

II. Literature Review

2.1 The Modigliani and Miller Theory

According to the Modigliani and Miller hypothesis, a firm's value does not depend on its debt policy [15]. The theory is based on the critical assumption that corporate income taxes do not exist. The total market value of firms that belong to the same risk class is independent of the debt mix and is given by capitalizing the expected net operating income by capitalization rate appropriate to that risk class. The arbitrage argument states that firms of same risk class have similar type of assets and therefore similar value which is not affected by their

financing decisions [16]. In reality, corporate income taxes exist and interest paid to debt holders is treated as a deductible expense. The value of a levered firm is the sum of value of equity and value of debt. A levered firm has a high value as compared to an unlevered firm as a result of deductibility of interest charges for tax computation. [17] suggests that capital structure of a firm is as a result of the firm's trading off, the advantages arising out of increased leverage in the form of low cost of debt and a debt tax shield against the potential financial distress that may arise as a result of increased debt.

2.2 Agency Theory

The Agency theory argues that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns [14]. Agency theory addresses the relationship where in a contract 'one or more persons (the principal(s)) engage another person (the agent(s)) to perform some services on their behalf which involves delegating some decision making authority to the agent [18]. This comes in as a result of the separation of management and ownership, when the shareholders of the company or the board of directors have to employ managers to run the business on their behalf and need to monitor their performance to ensure they act in the owner's interest. The major agency relationships in business are those between shareholders and managers and between debt holders and shareholders. As a result of these relationships, there exist agency conflicts.

[19] argues that monitoring the performance of individual work effort is always a cost of any firm and organizational inefficiencies are created when the flow of information on individual performance is decreased or blocked. This can happen if there are large teams, unmonitored professionals, or executives of corporations who act autonomously. [18] reported that the main concern of agency theory is how to engage in agreements whereby the performance of agents can be measured and incentivized for them to act in a manner that goes hand in hand with the interests of the shareholders. As a result, lenders can be used as a means of monitoring the actions of the agents.

2.3 Trade-off theory

The trade-off theory states that a firm's optimal debt ratio is determined by a trade -off between the costs and the benefits of borrowing, holding the firm's assets and investment plans constant. According to [20], the static trade off theory holds that companies with larger portion of tangible assets are likely to have a higher debt to equity ratio. Firms which highly depend on growth opportunities and intangible assets tend to have high distress cost. Firms that experience high levels of business risk are not sure of generating enough income to utilize their debt tax shield and therefore issue less debt. [21] suggests that leverage is an advantage to shareholders as long as they are rewarded up to the point where tax benefit deductibility of interest offsets potential bankruptcy costs. The trade-off theory consists of two parts: Static trade off theory and dynamic trade-off. Static trade off- theory suggests that firms select an optimal capital structure that balances the advantages and disadvantages of using debt and equity. [22] observe that the dynamic trade- off theory argues that firms may move away from their target capital structure adjusting leverage only when it strays beyond extreme bounds due to fixed cost of issuing equity.

2.4 Ownership Structure

According to [23], an organization's ownership structure is a major element of its corporate governance. Ownership structure refers to the distribution of equity with regard to votes and share capital and also by the identity of the equity owners. According to [18], these structures are so important in corporate governance because they determine the incentives of managers and thereby the economic efficiency of the corporations they manage. Ownership structure is measured by the percentage of shares held. [24] suggests that ownership structure is one of the most important factors in shaping the corporate governance system of any country. This is because it determines the nature of the agency conflict that might exist.

[25] classifies ownership structure into two; ownership concentration and ownership identity. Ownership concentration denotes the manner in which shares owned by the majority shareholders are distributed. This varies from one firm to another. Ownership identity relates to majority shareholders and who they are. These are those who have the ability to influence decision making. They are mainly classified into foreign, domestic investors and institutional investors. [26] suggests that state ownership is when ownership of a resource is vested in the state, or any major branch of the state. According to (27), direct state ownership is often associated with the pursuit of political objectives at the expense of other stakeholders in the firm. While partial state ownership may enhance the investment opportunities available to the firm, empirical evidence suggests that it generally exacerbates agency problems and impairs firm performance.

[28] suggests that better overlap between control and ownership should lead to a reduction in conflicts of interest resulting into higher firm value. The kind of conflicts that might exist includes conflicts between the shareholders and the managers, lenders and shareholders or between the shareholders and the government. [24]

notes that when ownership of a company is concentrated, large shareholders would play an important role to monitor the management. This therefore means that the shareholders who hold a large percentage of share capital are the ones who influence decision making in any given organization. Ownership composition defines who the shareholders are and who among them belongs to the controlling groups. Consequently, ownership is classified into different forms including state ownership, foreign ownership, private ownership, institutional ownership.

2.5 Leverage

[29] defines leverage as the extent to which firms make use of their money borrowings to increase profitability. Leverage is viewed as a result of events that determine companies' source of financing to run the business. An entity whose exposure to risky assets exceeds its equity capital is said to be leveraged. Higher leverage magnifies market risk and liquidity risk as leveraged firms may be forced to sell assets in order to reduce exposure under adverse market conditions. Debt constrains managerial expropriation by imposing fixed obligations on corporate cash flow in situations in which default on debt would deprive managers of control and related benefits [18].

[30], there are three types of leverage that is, operating leverage, financial leverage and combined leverage. Financial leverage is related to the financial activities of a firm. It results from the presence of fixed financial charges such as interest on debt and dividend on preference shares. Financial leverage may be favorable when a firm earns more on the assets than the cost of debt or unfavorable when the firm earns less than the fixed cost or return payable on funds. The operating leverage has its effect on operating risk and it is measured by the percentage change in earnings before interest and tax (EBIT) due to percentage change in sales. When financial and operating leverage are combined, they result into combined leverage. Leverage is measured by the use of the debt to total asset ratio (D/TA) or by the debt to equity ratio (D/E).

2.6 Empirical Studies

[31] studied the relationship between ownership structure and financial performance of commercial banks in Kenya. The purpose of the study was to determine the relationship between ownership structure and the financial performance of commercial banks in Kenya. The study used descriptive research design. It sampled 20 commercial banks drawn from the different ownership identities. Data was collected from secondary sources such as the annual reports of the Central Bank of Kenya, the Kenya Banking Survey 2013 and annual reports of the individual commercial banks. Findings of the study showed a positive relationship between foreign ownership and the different parameters of financial performance.

[32] studied the implications of firm ownership identity and managerial discretion on financial performance with empirical evidence from Nairobi Stock Exchange. The purpose of the study was to find out the interrelationships between ownership identity and managerial discretion, and their impact on financial performance. Pearson's Product Moment Correlation and Logistic Regression were conducted using SPSS. A census approach was used, to collect data from all listed firms in Kenya. The results of ownership identity were analyzed based on five elements: government; foreign; institution; diverse; and manager (insider). The results of the study showed a significant positive relationship between managerial discretion and performance.

[33] carried out a study on the relationship between ownership structures and dividend policy in the oil marketing industry in Kenya. The purpose of the study was to establish the relationship between ownership structures and dividend policy, with particular reference to oil companies in Nairobi Kenya. The target population of the study was all the 38 oil marketing companies in Nairobi. Secondary data was derived from the companies' audited financial statements and reports for 5 years from 2006 to 2010. The findings of the study showed that state ownership, private ownership and public ownership were positively related with dividend policy. Furthermore, institutional and managerial ownership structures were found to be negatively related with dividend policy.

[27] studied the relationship between agency costs and ownership structure. The purpose of the study was to find out how ownership structure affects agency costs. They used a sample of 1708 small corporations from the Federal Reserve Board's National Survey of Small Business Finances data base in February 2004. They measured agency costs by the ratio of annual sales to total assets and the ratio of operating expenses to annual sales. The findings showed that agency costs are significantly higher when an outsider rather than an insider manages the firm. They also found out that agency costs are inversely related to the manager's ownership share, agency costs increase with the number of non- manager shareholders and that to a lesser extent, agency costs are lower with greater monitoring by banks.

[34] carried out a study on the relationship between capital structure and agency costs of firms listed at the Nairobi Securities Exchange. The purpose of the study was to determine the relationship between agency costs and capital structure of firms listed at the Nairobi Securities Exchange. The study covered a target population of all companies quoted at Nairobi Securities Exchange between 1st January 2009 and 30th

December 2013. The study used secondary data from Nairobi Securities Exchange. Statistical Package for Social Scientist (SPSS) was used for data analysis. Regression analysis was applied to determine the effect of capital structure on agency costs. The findings of the study revealed that there is a positive correlation between capital structure and agency costs.

III. Research Methodology

3.1 Research Design and target population

This study adopted correlation research design since it provided a basis to determine the relationship between the various variables under study. The population of the study comprised the 61 firms listed in the Nairobi Securities Exchange (NSE) as at December 2014.

3.2 Sampling procedure and data collection

The study adopted a purposive sampling design. The sample constituted 46 firms which had been consistently listed in the Nairobi Securities Exchange from 2006 to 2014. Data on ownership structure and leverage was collected from secondary sources which comprised of annual published financial statements covering the eight year (2006-2014) period. Data on leverage comprised of total debt and equity. Conversely, data on ownership structure comprised the percentage of private, government, institution and foreign shareholding.

3.6 Data Analysis

Data analysis was done using Statistical Package for Social Sciences computer software. Karl Pearson Correlation was used to test the relationship between the independent variables and the dependent variable. Correlation co-efficient (r) value that was greater than 0.5 indicated a strong relationship between the variables while r value below 0.5 indicated a weak relationship between the variables. Two tail t-test and analysis of variance (ANOVA) test were used to determine the degree of significance of the relationship. The following model was employed:

$$LEV_{it} = \alpha_0 + \alpha_1 STOWN_{it} + \alpha_2 PRIVOWN_{it} + \alpha_3 FOROWN_{it} + \alpha_4 INSTOWN_{it} + \mu$$

Whereby:

LEV _{it} (Leverage)	Debt to equity ratio=LTD/E
STOWN (State ownership)	Percentage of state share holders
PRIVOWN (Private ownership)	Percentage of private shareholding
FOROWN (Foreign ownership)	Percentage of foreign shareholding
INSTOWN (Institutional ownership)	Percentage of shares held by institutions
α ₀	Y intercept
α ₁	Coefficient of explanatory variables
μ	Error term

IV. Data Analysis, Results And Discussion

4.1 Pearson Correlation Analysis and two tailed t test of the relationship between ownership structure and leverage.

		Debt to equity ratio	State ownership	Private ownership	Foreign ownership	Institutional ownership
Debt to equity ratio	Pearson Correlation	1				
	Sig. (2-tailed)					
State ownership	Pearson Correlation	.186	1			
	Sig. (2-tailed)	.113				
Private ownership	Pearson Correlation	-.037	-.271	1		
	Sig. (2-tailed)	.407	.037			
Foreign ownership	Pearson Correlation	-.091	-.188	-.340	1	
	Sig. (2-tailed)	.279	.110	.012		
Institutional ownership	Pearson Correlation	.022	-.206	-.196	-.624	1
	Sig. (2-tailed)	.443	.101	.101	.000	
N		44	44	44	44	44

According to table 4.1 above, state ownership and debt to equity ratio were positively correlated with a correlation co-efficient value of r=0.186. Nonetheless, there was no statistical significant relationship between state ownership and debt to equity ratio p=0.113 (P>0.05). Therefore, this study fails to reject the first hypothesis and concludes that there is no statistical significant relationship between state ownership and

leverage of firms listed at the NSE. Furthermore, the study results indicated that there is a negative relationship between private ownership and debt to equity ratio. However, the relationship between the two variables was not statistically significant $P=0.407$ ($P>0.05$). Consequently, this study fails to reject the second hypothesis and concludes that there is no statistical significant relationship between private ownership and leverage.

The correlation co-efficient value between foreign ownership and debt to equity ratio was -0.091 . This shows that there is a negative relationship between foreign ownership and leverage. The relationship between the two variables was not statistically significant as shown by the p value of 0.279 . As a result, this study fails to reject the third hypothesis and concludes that there is no statistical significant relationship between foreign ownership and leverage. Institutional ownership and debt to equity ratio were found to have a positive correlation ($r=0.022$). Nevertheless, the relationship between the two values was not statistically significant as shown by the p value of 0.443 . Accordingly, this study fails to reject the third hypothesis and concludes that there is no statistical significant relationship between institutional ownership and leverage.

4.2. Multiple regression analysis of the relationship between ownership structure and leverage

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
	.475	.040	-.059	11.0631073	.040	2.015	4	39	.804	2.054

b. Dependent Variable: Debt to equity ratio

a. Predictors: (Constant), Institutional ownership, Private ownership, State ownership, Foreign ownership

According to the multiple regression analysis results, the coefficient correlation (R) value on the relationship between ownership structure and leverage was 0.475 ($r<0.5$). This means that there is a weak positive relationship between ownership structure and leverage. The level of significance was 0.804 ($P>0.05$) which indicates that there is no statistical significant relationship between ownership structure and leverage. Therefore, this study fails to reject the fifth hypothesis and concludes that there is no statistical significant relationship between ownership structure and leverage.

4.3 ANOVA test of the relationship between ownership structure and leverage

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	197.966	4	49.491	2.015	.804
Residual	4773.301	39	122.392		
Total	4971.267	43			

a. Dependent Variable: Debt to equity ratio

b. Predictors: (Constant), Institutional ownership, Private ownership, State ownership, Foreign ownership

From table 4.2 above, the level of significance was 0.804 with an F value of 2.015 . This indicates that there is no statistical significant relationship between ownership structure and debt to equity ratio because the P value is greater than 0.05 .

4.4 Regression coefficients of the relationship between ownership structure and leverage

Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Tolerance	VIF
(Constant)	-3.217	19.873		-.162	.872			
State ownership	.185	.227	.235	.814	.421	.246	3.382	
Private ownership	.045	.230	.064	.195	.846	.228	4.385	
Foreign ownership	.021	.204	.045	.104	.917	.234	7.458	
Institutional ownership	.058	.211	.111	.274	.786	.249	6.705	

a. Dependent Variable: Debt to equity ratio

From table 4.4 above, there was no statistical significant relationship between leverage and all the variables relating to ownership ($P>0.05$). Furthermore, as a result of a point decrease in ownership structure components, leverage is predicted to decrease by -3.217 . Table 4.4 further indicates that there was no multicollinearity as shown by tolerance ($T>0.2$) and variance inflation factor ($VIF<10$).

V. Summary And Conclusions

The aim of the study was to establish the relationship between ownership structure and leverage of firms listed in Nairobi securities exchange. The results of the study revealed that there is a weak positive relationship between state ownership and leverage with a correlation coefficient value of 0.186. The study also revealed that there is no statistical significant relationship between state ownership and debt to equity ratio ($P=0.113$, $p<0.05$). Furthermore, the study results showed that there is a negative relationship between private ownership and leverage. Moreover, foreign ownership was found to be negatively correlated with leverage ($r=-0.091$). Finally, institutional ownership was found to be positively but not significantly related with leverage ($r=.022$, $p=0.443$). The multiple regression analysis results indicated that there is a weak positive relationship between ownership structure and leverage. Nonetheless, the relationship between ownership structure and leverage was not statistically significant. This implies that leverage of listed firms does not depend on ownership structure. Therefore, this study concludes that ownership structure has no significant influence on firms leverage decisions.

VI. Suggestions For Further Research

A similar study should be conducted using other measures of leverage as well as other components of ownership structure. A comparative study with a longer period should be undertaken to determine the nature of the relationship between the variables. Lastly a similar study should also be conducted focusing on firms that are not listed in the Nairobi Securities Exchange.

References

- [1] Wu, F. (2003). *Hand Book of Quantitative Finance and Risk Management*. New York, Springer Publishers.
- [2] Damodaran, A. (1997). *Corporate Finance*. Oxon, John Wiley and sons
- [3] Bokpin, G., Isshaq, Z., & Aboagye, F. (2013). Ownership Structure, Corporate Governance and Corporate Liquidity Policy: Evidence from Ghana Stock Exchange. *Journal of Financial Economic policy*, 3(3), 262-279
- [4] Slama, S. & Taktak, Z. (2014). Ownership Structure and Financial Performance in Islamic Banks. *Journal of Islamic and Middle Eastern Finance and Management*, 7(2), 146-160.
- [5] Lappalainen, J., & Niskanen, M. (2012). Financial Performance of SMEs: Impact of Ownership Structure and Board Composition. *Management Research Review*, 35(11), 1088-1108.
- [6] Lee, Y. & Lee, S. (2014). Interaction Effects between Ownership Concentration and Leverage on Firm Performance. *Management Review: An International Journal*, 9(1), 70-106.
- [7] Ganguli, S. (2013). Capital Structure-Does Ownership Structure Matter? Theory and Indian Evidence. *Studies in Economic and Finance*, 30(1), 56-72.
- [8] Yarram, S. (2013). Ownership and Financial Leverage: Australian Evidence. *Asia Pacific Journal*, 17(1), 13-23.
- [9] Din, S., Javid, A., & Imran, M. (2013). External and Internal Ownership Concentration and Debt decisions in an Emerging Market: Evidence from Pakistan. *Asian Economic and Financial Review*, 3(12), 1583-1597.
- [10] Naser, K., Al-Hussaini, A., Al-Kwari, D. & Nuseibeh, R. (2006). Determinants of corporate social disclosure in developing countries: The case of Qatar. *Advances in International Accounting*, 19(1), 1-23.
- [11] Ochieng, M. (2013). Determinants of Leverage of Savings and Credit Co-Operatives in Kenya: An Empirical Approach. *International Journal of Business and Commerce*, 2(10), 58-65.
- [12] Huang, B., Lin, C., & Huang, C. (2013). The Influences of Ownership Structure: Evidence from China. *Journal of Finance*, 46(1), 209-226.
- [13] Al- Najjar, B., & Taylor, P. (2008). The relationship between capital structure and ownership structure. New evidence from Jordanian panel data. *Managerial Finance*, 34(12), 919-933.
- [14] Pandey, M. (2009). *Essentials of Financial Management*. New Delhi. Vikas Publishing
- [15] Pandey, I. M. (2010). *Financial Management*. New Delhi. Vikas Publishing House
- [16] Nikbakht, E. (2006). *Finance*. New York. Barron's Educational Series.
- [17] Moyer, C. & McGuigan, J. (2011). *Contemporary Financial Management*. New York Cengage Learning Publishers
- [18] Jensen, (1986): The Agency Cost of Free Cash Flow: Corporate Finance and Takeovers. *American Economic Review*.
- [19] Spitzer, R. (2007). *Transforming Performance Measurement: Rethinking the Way We Measure and Drive Organizational Success*. New York. Amacom publishers.
- [20] Powell, G. & Baker, K.H. (2009). *Understanding Financial Management: A Practical Guide*. New York. John Wiley and Sons.
- [21] Mohapatra, K.A. (1999). *Corporate Financial Management*. New Delhi. Discovery Publishing House.
- [22] Bruslerie, H., & Latrous, I. (2012). Ownership Structure and Debt Leverage: Empirical Test of a Trade-Off Hypothesis on French Firms. *Journal of Multinational Financial Management*, 1-39.
- [23] Rubach, M. (1999). *The Changing Face of Corporate Ownership*. London, Routledge publishers.
- [24] Zhuang, J. (1999). Some conceptual issues of corporate governance. Michigan, Economic and Development Resource Center.
- [25] Lee, J. (2008). *Handbook of Quantitative Finance and Risk Management*. Springer Science & Business Media. New York.
- [26] Yang, Y., Chen, J., Kweh, Q. & Chen, H. (2013). Ownership Structure and Efficiency in Taiwanese Electronics Firms. *Review of Accounting and Finance*, 12 (4), 351-368.
- [27] Ang, J., Cole, R. & Lin, J. (2000) Agency Costs and Ownership Structure. *Journal of Finance*, 20 (1), 81-106.
- [28] Holderness, C. G. (2009). *The Myth of diffuse ownership in the United States*. Review of Financial studies
- [29] Periasamy, M. (2009). *Financial Management*. New Delhi, Tata Mc Graw-Hill Education.
- [30] Khan, M. & Jain, P. (2005). *Basic Financial Management*. New Delhi, Tata Mc Graw-Hill Education
- [31] Avulamusu, A. (2013). *The Relationship between Ownership Structure and Financial Performance of Commercial Banks in Kenya*. Unpublished Journal, University of Nairobi.
- [32] Ongore, V.O. (2011). The Relationship between Ownership Structure and Firm Performance: An Empirical analysis of Listed Companies in Kenya. *African Journal of Business Management*.

- [33] Ntoiti, R. (2008). The relationship between ownership structures and dividend policy in the oil marketing industry in Kenya. Unpublished Journal, University of Nairobi.
- [34] Onsumo, P. G. (2014). The Relationship between Capital Structure and Agency Costs of Firms Listed at the Nairobi Securities Exchange. Unpublished Journal, University of Nairobi.