Government Ownership Structure and Financial Performance of Firms Listed at the Nairobi Securities Exchange, Kenya

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Abstract

Purpose: Different groups of shareholders have a growing impact on the financial performance of companies listed on Nairobi securities markets. Policies regarding different ownership structures and the performance of companies at the NSE have led to the growing need to establish how distinct ownership structures influence the performance of this security market. This study sought to establish the relationship between government ownership structure and the impact it brings on the financial performance of firms listed at the Nairobi Securities Exchange in Kenya.

Methodology: The study adopted a causal quantitative design and targeted the population of all the 62 firms listed at the NSE, Kenya thereby conducting a census on the study population for a period of 10 years between 2014-2023. Secondary data was sourced from NSE, CBK, CMA, and financial statements of the respective companies listed at the NSE and stored in data collection sheets to aid in the analysis of data. STATA18 software was applied to conduct inferential analysis and correlation analysis using the panel regression model. The research correlation analysis findings depicted a weak negative correlation between government ownership structure and the financial performance of listed companies at the NSE.

Findings: The study findings of the panel regression model indicated coefficient values of 2.010 with P values of 0.051. From the overall results, government ownership had a negative effect on the financial performance of companies listed at the NSE, Kenya.

Unique Contribution to Theory, Practice and Policy: The study recommended strategies that will encourage more private individuals and institutions to co-own state enterprises, the study recommends that the government look into implementing management practices similar to those of the private sector and advance the divestment program. Furthermore, to provide government-owned firms an advantage in management, the government should think about implementing training in business acumen and entrepreneurship. In conclusion, the study recommends that the ownership structure in Kenya should be restructured to reduce government ownership further to pass more control and decision-making to private investors. However, the government should retain some ownership in foreign and local firms to enhance shareholders' confidence, protection of investments, and managerial monitoring.

Keywords: *Government Ownership structure Financial Performance, Nairobi Securities Exchange*

JEL Codes of Classification: *O16, H82, G32*

INTRODUCTION

Firms' financial performance has been predominantly linked to the deliberate decisions cautiously made and executed by the owners of the firm. Every shareholder group has different economic motives and ways to grow their investment (Kao et al., 2019). Alabdullah (2018) has argued that different shareholders have different strategic decision-making powers, that may affect the performance of an organization. Therefore, the concept of ownership structure in firms has become one of the most principal considerations among investors and regulatory bodies worldwide. Galego et al. (2022) argue that ownership structure is classified as one of the most effective tools employed to assist the board of directors in enhancing financial performance.

Many scholars have defined ownership structure in different terms, Alkirudi(2021) defines ownership structure as a percentage of shares owned by various parties in equity capital. Tanui, (2021) defines ownership structure as the composition 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, the ownership structure is a term referring to individuals and institutions that have a high stake and control over the operations of the firm based on the contribution to the firm capital structure (Abbasi & Malik, 2015).

According to Huang (2018), the impact of government ownership on financial performance is dependent on whether the government is the largest shareholder in a firm and whether the government ownership is through a parent state-owned enterprise. In addition, Huang (2018) contends that the largest non-government shareholder positively influences the overall performance of the firm. Therefore, the largest controlling shareholder, either government or non-government, has a significant impact on the financial performance of firms. Government ownership is anticipated to affect performance because of the political appointment of managers who may lack effectiveness and prioritize political goals.

According to Jensen and Meckling (1976), financial performance is a tool that measures how well a company uses its resources in generating profit thus making it a vital tool to several stakeholders in a company. Financial performance stands for profits, extra payment, total or net sales, sales, investments, and their returns (Mutisya, 2015). 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). Jensen and Meckling (1976) reiterates that, a company's financial performance can be greatly impacted by its government ownership structure. This is mainly because of the possibility of agency problems that arise when government managers' interests diverge from the objective of maximizing shareholder value; in other words, government managers may put social or political goals ahead of pure profit maximization, which could result in poorer financial performance.

Problem Statement

The financial performance of a firm is influenced by many factors but key among them is the ownership structure. Government ownership and financial performance at the NSE is a distinctive and complicated area in that a company ownership structure is bound to change over time so long as it is publicly listed and actively trading, (Anthony,2014). Nganga,(2017) posits that, with a click of a mouse, numerous companies at the NSE have exchanged ownership from government ownership to foreign ownership to local ownership, etc. The different ownership

structures over time are bound to make some impacts on the financial performance of these companies an occurrence that the current study aspires to get an insight into and shed some more light on its effect on corporate finance. In 2014, NSE reported a decline in performance caused by depreciated shilling against the dollar. The dollar depreciation saw a decline in foreign ownership due to rising imports and short-term capital flows with ROA declining from 15.02% in 2014 to 14.6% in 2015,(CBK report,2017). This finding is also according to Otieno (2017), who in his study stated that two-thirds of firms at the NSE recorded a decline in performance in the year 2015. Total income decreased by 11.3% from Kshs. 808.3 million in 2016 to Kshs. 717.2 million in 2017, (NSE Report 2018). Further, NSE (2018) reported a decline in the firm's performance. The report showed that the average ROA of the firms at the NSE stood at 10.15% as of 2017 and declined to 8.05% in 2018 an indication of a decrease in financial performance. In the year 2020, ROA declined from 7.25% in 2019 to 6.4% in 2020 accounting for a reduction in profits from 148B posted in 2019 to Kshs 137B in 2020 accounting for reduced trading activity. According to (CBK report 2022), the performance of companies at the bourse performed dismally with ROA falling to 5.9% in 2021 from 6.4% in 2020 reflecting low demand for new ownership or lack of new listing. In 2023, the NSE was labeled as the worst-performing security exchange globally with ROA decreasing marginally by 8% from Kshs. 2.34B in 2022 to Kshs. 2.15B in 2023. According to NSE (2023) data, in October 2023, foreign owners shed shares worth KSH 1.1B and instead invested in their home countries which offered comparatively high returns. The exit of foreign investors returned losses of 25.2% at the NSE. Empirical evidence links financial performance to ownership structure with conflicting results. Studies from the existing literature that have found mixed consensus on the influence of firm ownership structure on firm financial performance among others are Al Farooque et al. (2020) in Thailand and Al-Matari and Al-Arussi (2016) in Oman, Adamu and Haruna (2020) in Nigeria, Ng'ang'a. (2017) and Ochieng and Ahmed (2014) in Kenya indicating a positive significant effect. Raji (2015) in Ghana, Naidu, (2021) in South Africa, Kiruga, (2023), and Muthoni, Olweny, & Nasieku (2018), in Kenya, have found negative effects. On the other hand, Liu, (2018) in China, and Ofori, Nyuur, & Darko, (2014) in Nigeria have indicated no effect. Based on conflicting empirical gaps and statistical evidence of the decline in performance at the NSE, the current study sought to add knowledge on the study area to explain the question, what are the effects of government ownership on the financial performance of firms listed at NSE?

Objectives of the Study

The general objective of the study was to establish the effects of government ownership structure and financial performance of firms listed at the Nairobi Securities Exchange, Kenya

Research Hypotheses

H_{01}: Government ownership has no significant effect on the financial performance of firms listed at the NSE, Kenya

LITERATURE REVIEW

The section presents the theoretical review, empirical review, and conceptual framework.

Theoretical Review

Agency Theory was applied to anchor upon the objective of the study. Jensen and Mekling (1976) espoused the agency theory of the firm suggesting that modern corporations are subject to conflicts arising due to the separation of the decision-making and risk-bearing functions of

the firm. An agent is the one whose authority is delegated to which then means that the decisions they make are within the powers conferred to them by principals (Brahmadev & Leepsa, 2017). According to Jensen and Mekling (1976), the separation of ownership between the managers (agents) and owners (principals) may result in conflicts that increase agency costs. These costs are related to monitoring and controlling management behaviors. The theory attempts to deal with firstly, the agency problem where there is a conflict of interest between a company's management and the company's stockholders, and secondly, that the principal and agent settle for different risk tolerances.

Sanda et al. (2005) point out that agency theory can also be served in the government context where the government (agents) acts on behalf of its citizens(principals). Based on agency theory, ownership structure can effectively work as an effective governance tool to minimize agency costs when citizens have significant information that they can use to monitor and influence the decisions made by their government in conducting the affairs of their citizens, (Nidumolu 2017). In contrast, according to the agency theory, government owners, with unique objectives that differ from their citizens" objectives, may contribute to ineffective governance and lower managerial incentive, (Okhmatovskiy,2010). This may result in lower corporate company performance compared to the case of privately-owned companies, (Musacchio,2018). This is because of the argument that the government's hand in grabbing resources from the principal owner who is the citizen may result in lower corporate company performance, (Zhang, 2006).

Further, Lazzarini,(2018), Shleifer,(1998) and Le,(2011) argue that the government will divert resources meant for its citizens and direct them toward achieving social and political objectives (such as securing votes for the ruling party) rather than business objectives (such as profit maximization). They are reported to obtain supplies from expensive suppliers and make overinvestment decisions, (Okhmatovskiy2010). These suboptimal actions ultimately expropriate resources from minority owners and increase agency costs, negatively impacting corporate performance, Chen,2007 & Le, (2011). The problem is worsened by the fact that the citizens perceive their voice to be insignificant in initiating change and are usually unwilling to monitor as it may involve seeking costly information and therefore disincline and opt to internalize part of the government's failures.

Government ownership, agency problrms, and firm performance are all interelated Government ownership significantly affects a company's performance and long-term value. The agency costs and hold-up constraints related to ownership and separation control can only be reduced by effective governance processes. Manager incentives can be better aligned with governmental objectives by putting in place strong corporate governance frameworks with independent boards, public reporting, and unambiguous performance indicators. This increases managers' confidence in their ability to improve the performance of the company in order to maximize profits rather than forward their own agendas, (Voleti, 2024)

This theory will be relevant in examining the relationship between government ownership (agents) on behalf of its citizens (principals) lacking knowledge and authority over the enterprise's operation. Government ownership might provide a control mechanism to discipline the management's self-interest behaviors more in line with company objectives, hence improving performance.

Conceptual Framework

The independent variable government ownership structure was used to drive this study. Financial performance was the dependent variable.

| Government Ownership
Percentage of shareholding by the Government | → | Financial Performance
Return on Assets (ROA) |
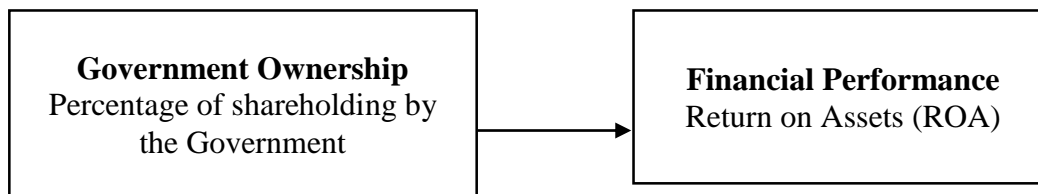
Independent Variables   **Dependent Variable**

Figure 1: Conceptual Framework

Empirical Review

Elvin & Hamid, (2016) studied the effects of ownership structure and corporate governance on firm performance in Malaysia. This study aimed to establish whether ownership structures and corporate governance practices truly influence firm performance. The study's specific goals were institutional, government, family, foreign, managerial, and concentrated ownership. Firm performance was measured in the aspect of market performance - Tobin-Q, price to earnings, and price to book value. The participating firms were non-financial public firms that were actively listed in the main market of Bursa Malaysia during the 5 years (2010-2014). The sample was tested and analyzed by using empirical quantitative method and multiple regression analysis. The study findings indicate that government ownership has a statistically significant relationship with the financial performance of firms in Bursa Malaysia.Ths study was done in Malaysia which is different from thr Kenyan perspective.

Thai and Kabir (2017) in their study, sought to establish the effects of corporate social responsibility, foreign ownership, and state ownership, and how they influenced the performance of companies listed in Vietnam. The study revealed that government ownership neither supports firm performance nor corporate governance of firms listed in the Vietnam Securities market. The study relied on data sourced from annual financial records of companies listed and was processed by undertaking a robust regression analysis, fixed effects model, and ordinary least squares regression. The study however deviates from the current study in terms of geographical perspective and contextual gaps regarding corporate governance and social responsibility as some of the study variables.

Aymen (2014) conducted a study to determine the effect of ownership structure and financial performance of banks in Tunisia. The study took a sample of 19 banks belonging to the professional association of banks in Tunisia. The study period was between 2000 and 2010. The specific variables studied were ownership concentration government ownership, private ownership, and foreign ownership. Panel regression data was selected as the model of analysis and ROA period financial performance. The study results found that return on assets (ROA) had a positive relationship with government ownership and private ownership. But overall, the impact of ownership structure on the financial performance of banks is insignificant.The study was done on commercial banks in Tunisia and threfeore cannot be generalized to firms listed at the NSE in Kenya which is the focus of the current study.

In Kenya, Gichohi (2018) studied the effects of ownership of the structure and financial performance of listed firms at the Nairobi Securities Exchange employing government ownership, local ownership foreign ownership, and managerial ownership as the specific variables. The study adopted descriptive statistics, Pearson's correlation analysis, and linear regression analysis for inferential statistics using STATA software. The study was for six years between 2012 and 2017. The results of the study depicted a negative and insignificant relationship between government ownership structure and financial performance of firms listed at the NSE, Kenya. The study concluded that increased ownership by the government deteriorates the performance of companies at the NSE, Kenya. This study used simple multivariate regression while the current study used panel data regression in a bid to estimate the model relating shareholding and firm performance.

From the empirical literature reviewed, several literature gaps were filled by the current study. Firstly, there was a lack of conclusive knowledge concerning the real effect of government ownership structure among firms listed at the NSE, Kenya.Most of the studies carried out had both empirical and methodological conflicting results with Elvin & Hamid,(2016), Aymen (2014).Thai and Kabir (2017) concludes that there is no significant impact between ownership structure and financial performance, while Gichohi (2018) in Kenya indicates a negative financial performance. This study sought to bridge this gap as there was overwhelming evidence of a knowledge gap in ownership structures in developing economies, where the markets are undercapitalized with few listed companies

METHODOLOGY

The study applied a causal quantitative design to establish the existence of cause-and-effect relationships among variables (Cooper &Schindler, 2014). The target population of the study comprised all the sixty-two (62) companies listed at the NSE, in Kenya as of 2023(NSE 2023 Report). The choice of the NSE was informed by the fact that it sets high standards and accuracy of the information that is regulated and disseminated to the public by all listed firms. The readily available financial statement in the NSE handbook and CMA website also informed the choice of the population. A census was conducted in the study for all the constituents that made up the population. This helped to achieve comprehensive coverage. Secondary data from the past financial reports of the institutional companies was used in the study. Additionally, a secondary data report was obtained from the financial institution's published sources, CMA, CBK, KNBS, Ministry of Finance, and other government records to aid in the accomplishment of the study objective.STATA 18 statistical software will be used to generate tables, graphs, regression, statistical analysis, and other statistical parameters, and the data was entered on the data collection sheets. The study employed a panel regression model. The panel regression model is a combination of cross section and time series data,(Zulfikar, 2018) in which the data including time series and cross-sectional data is pooled into a panel data set and estimated using a panel data regression.

The study employed a panel regression model in the form below.

$$Y_{it} = \beta_0 + \beta_1 GO_{it} + \varepsilon_{it} \dots\dots\dots Equation\ 1$$

Where.

Y_{it} = Financial Performance for NSE i at time t

β_0 Represent Constant,

GO_{it} Represent Government Ownership for NSE i at time t

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β₁, Represent Regression Coefficients of the variable

it represents indices for individuals and time

ε_{ii} Represent the error term that varies non-stochastically over i and t

FINDINGS AND DISCUSSIONS

This chapter mainly focused on data analysis as stipulated in the research methodology and the study findings as set out in the research objectives.

Descriptive Statistics

Table 1: Descriptive Statistics on Government Ownership Structure

	Min	Max	Mean	Std. Dev	Skewness	Kurtosis	Jarque-B	Sig(P-value)
Government Ownership	0.03	0.67	0.08	0.30	0.2923	2.4593	3.4876	0.1748
Financial Performance	-0.19	0.23	0.14	0.11	-0.6088	2.991	8.1544	0.0801

The results of descriptive statistics show that government ownership had an average of 0.08. This implies that 8% of firms listed at the NSE are government-owned. The corresponding standard deviations of 0.30 indicate a rather significant variability indicating that government ownership structure typically deviates from the mean by up to 30%. This is also evidenced by a wider spread with a minimum of 3% and a maximum of 67%. This means that while some listed firms had a low government ownership concentration of 3%, others had a very high proportion of government ownership of 67%. The skewness of 0.2923 indicated that the distribution with an asymmetric tail extended toward the positive side. This means that the distribution was positively skewed to the right and therefore a large proportion of data lay on the right tail of the distribution. The kurtosis coefficient of 2.4593, which measures the thickness of the tails of the distribution, was considered to be normal. Hair et al. (2007) argued that skewness values mustn't be greater than 2 while kurtosis values mustn't be greater than 7 for data to be considered normal.

The descriptive statistics of financial performance indicate that the average performance of financial firms at the NSE was 0.14. These results suggested that the average performance as measured by the ROA of firms listed at the NSE was 14%. The accompanying standard deviation of 0.11 is an indication of a significant performance variability indicating that an individual company's performance typically deviates from the mean by up to 11%. A minimum and maximum value of -0.19 and 0.23 respectively is an indication of ROA across firms being moderately dispersed around the mean. The results findings are supported by Mukulu, Nteete, and Namusonge (2012) who argued that performance measurement is important for organizations as a means of continuous improvement and also as a means of determining whether or not organizations are achieving their objectives. The skewness value of -0.6088. Suggests that the distribution of financial performance is slightly skewed to the left. This indicates that the majority of data points in the distribution are concentrated on the left side of the mean, with a longer tail extending toward the lower values. The kurtosis value of 2.991 is positive and indicates that the distribution of financial performance measured the thickness of the tails of the distribution and was considered to be within the appropriate range of seven.

According to (George & Mallery, 2019) and (Hair et al., 2022), kurtosis values should not be greater than 7 for data to be considered normal.

Correlation Analysis

Table 2: Correlations Coefficients

Correlation		Government Ownership	Financial Performance
Government Ownership	Pearson Correlation Sig.(2-tailed)	1	
Financial Performance	Pearson Correlation Sig.(2-tailed	-0.011** 0.922	1

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

The results of the correlation coefficient between government ownership and the financial performance of listed firms at the NSE with an R coefficient of -0.011. This indicates that the financial performance of firms listed at the NSE had a weak negative relationship with the percentage of shares held by the government. The P value of 0.922(P>0.05) which is higher than the 0.05 significant value is an indication that the percentage of shares held by the government was not statistically significant at a 5% level of significance.

Panel Regression Analysis

The study sought to know the relationship between government ownership structure and the financial performance of firms listed at the NSE, Kenya.

Table 3: Model Summary

Regression Statistics	
Multiple R	.876[a]
R Square	.767
Adjusted R Square	.734
Standard Error	.37290
Observations	620

Table 3 indicates the results of the model summary with Multiple R showing the correlation coefficient between the observed and predicted value of 0.876. The correlation coefficient depicted a strong positive linear relationship between government ownership structure and the financial performance of companies listed at the NSE, Kenya. The coefficient of determination (R^2), is a measure that provides information about the goodness of fit of the model. The results of the model summary revealed an R^2 value of 0.767 (76.7%). The adjusted R-squared which is a modified version of R-squared takes into account how many independent variables can be added or adjusted to improve the regression model to increase the reliability of that model.In other words, the adjusted R-squared shows whether adding additional predictors improves a regression model or not. The results of the adjusted R^2 of 0.734 imply that if additional predictor variables are taken into account, 73.4% of the variations in the percentage of government ownership will improve the financial performance of companies listed at the NSE.

Other factors not included in this study model explain the remaining 26.6 % of the variation in financial performance of firms listed at the NSE in Kenya

Analysis of Variance (ANOVA)

Table 4: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.841	3	4.947	4.291	.012[b]
	Residual	68.027	59	1.153		
	Total	**82.868**	**62**			

Critical value = 2.75

From the ANOVA statistics, the study established the regression model had a significance level of 0.012 (1,.2%) which is an indication that the data was ideal for concluding the population parameters as the value of significance (p-value) was less than 5%.

An F statistic is a test based on the F-test used to determine the significance of an R square change. A significant F change implies the variable added significantly improves the model prediction. The calculated F value was greater than the critical value (4.291 > 2.75) proving that the regression model is effective in its explanation of the variation in the financial performance. The significance value was less than 0.05 indicating that the model was significant. Therefore we reject the null hypothesis that the model is insignificant and conclude that government ownership has a significant effect on the financial performance of companies listed in NSE.

Optimal Model

Table 5: Regression Coefficients

	B	Std Error	Beta	tStat	P-value	[95% Conf. Interval	
(Constant)	12.325	3.194		3.859	0.000	6.027	18.624
Government Ownership	-2.010	1.023	-0.101	-1.965	0.051	-4.027	0.007

Dependent Variable: Financial Performance

Table 5 shows the results of government ownership with Beta values of -2.010 and P value of 0.051 (P>0.005). The negative beta value implies that when the government increases its ownership of firms listed at the NSE by a unit, it results in a decrease in financial performance by 2.010 units. The coefficient of government ownership had a significance probability of 0.051 which is greater than the 0.05 significance level implying that a change in the level of government shareholding did not have a significant effect on the financial performance of firms listed at the NSE.

The Panel model thus becomes.

$$ROA = 12.325 - 2.010_{it}$$

Where:

Y_{it} = Financial Performance for NSE i at time t

GO_{it} Represent Government Ownership for NSE i at time t

Discussion

The findings of the hypothesis were used to make inferences and draw conclusions about the population based on the sample data applied. The hypothesis results were used to evaluate and give predictions about the connection between the variables that are independent and dependent.

The objective was to determine the effect of government ownership on the financial performance of all listed firms in the NSE. The null hypothesis states that government ownership has no significant effect on the financial performance of listed firms in the NSE. From the results, a unit increase in the level of government ownership leads to a decrease in the Return of assets (ROA) by -2.010 units, with all other variables held constant. The decrease is evidenced by the p-value of 0.051 higher than the significant 0.05 value. Therefore, the study accepts the null hypothesis and concludes that government ownership has no significant effect on the financial performance of companies at the NSE, Kenya.

This is consistent with the argument by Mutisya (2015) that government ownership is bureaucratic and inefficient and that even in the rights of ownership of firms the government does not have clear incentives to improve the performance of the firm. The findings also align with Gichohi, (2018) who contends that higher government ownership deteriorates the financial performance of firms. The results are in also agreement with the findings of Kiruri (2013) who established that a higher stake of government ownership of banks in Kenya has a negative effect on a firm's performance. It also resonates with the findings of Alfaraih et al (2012) in Kuwait who also established the existence of a negative relationship between government ownership and the performance of firms listed on the Kuwait Stock Exchange.

However, contrary to the findings is a study done by Abdelwahed (2014) who indicated a positive link between government ownership and financial performance in Egypt, Margaritis and Psillaki (2020) found that more state-concentrated ownership of firms ensures sound controls which as a result enhances financing effectiveness and consequently higher firm's financial performance. Similar findings were from those of Gitundu, Kiprop, Kibet, and Kisaka (2016) in Kenya.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The research concludes that government shareholding impacts the financial performance of firms at the NSE negatively. This conclusion is reinforced by the fact that, as opposed to other institutional investors, the government does not view profit-making as its primary goal. Rather, the government seeks to decrease unemployment and boost tax revenue. As a result, it is attempting to play two roles: economic regulator and firm owner, which frequently leads to opposing stances. More significantly, companies owned by the government are political ventures that are frequently characterized by bureaucracy and a lack of clear incentives that boost business performance.

Recommendations

Recommendations to encourage more private individuals and institutions to co-own state enterprises. The study recommends that the government look into implementing management practices similar to those of the private sector and advance the divestment program. In conclusion, the study recommends that the ownership structure in Kenya should be restructured to reduce government ownership further to pass more control and decision-making to private

investors. However, the government should retain some ownership in foreign and local firms to enhance shareholders' confidence, protection of investments, and managerial monitoring.

Suggested Areas for Further Studies

The study only examined a sample of publicly traded companies; it did not cover small or nonlisted firms. As a result, the study recommends a replica study to be done on small or non-listed firms to find out whether the combined use of different ownership structures would affect firm performance. Likewise, to gather comprehensive data that will aid in enhancing the performance of Kenyan firms through the adoption of suitable ownership structures, future research should employ a variety of instruments, such as focus groups, interview guides, and questionnaires, to engage participants in interviews.

The results showed that the regression model explains 76.4% of the variation in the dependent variable, which means that 76.4% of the changes in the outcome variable can be ascribed to the independent variables in the model.26.6% of the variance in the dependent variable is not explained by the independent variable. The study recommends that variables be considered in future studies of factors influencing financial performance. The study ignored nonfinancial goals such as corporate social responsibility, company reputation, employee satisfaction and diversity, which can have a significant impact on government ownership structure, and instead only examined the financial performance of the companies. As a result, the study suggests that future research examines goals that are both financial and non-financial as well as assess them in firms with various ownership forms.The study can also look at other sectors of the economy like the manufacturing, insurance and commercial banks to establish the effects of government ownership and the financial performance of these sectors. The study concluded that government ownership has a significant 76% impact on the financial performance of firms listed on the NSE, Kenya. Therefore, more research is necessary to examine the remaining 26.4% that is impacted by government ownership.

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