

## AN EMPIRICAL TEST OF SHAREHOLDER MONITORING HYPOTHESIS AT THE NAIROBI SECURITIES EXCHANGE

By: Anthony Muriungi <sup>1</sup>, Prof. Mirie Mwangi (PhD)<sup>2</sup>, Prof. Mary Kinoti (PhD)<sup>3</sup> and Dr.  
Kennedy Okiro (PhD)<sup>4</sup>

### **Abstract**

*Most corporate governance studies have focused on the composition and effectiveness of board members, little attention has barely focused on the interaction between the identity of significant shareholders and the decisions they influence in the firm. Corporate governance literature is currently based on empirical studies in developed countries, but the efficiency of developed and developing markets' corporate governance mechanisms is disparagingly different. This paper presents an ideal moment for examining the large shareholder monitoring hypothesis at Nairobi Securities Exchange which is a developing securities exchange market. Previous studies examining the interaction between corporate governance and firm value have emphasized the significance of institutional shareholder monitoring and dividend policy and capital structure decisions as corporate control mechanisms that influence value creation in a firm. This study is supported by dividend signaling, capital structure theory, and shareholder monitoring hypothesis. The data for the study is for the period (2008-2017) and the target population is sixty-six companies trading securities at NSE 2008-2017. The findings of this study suggest that dividend signaling is still a relevant theoretical explanation for dividend payment by companies with diverse shareholders and large shareholder monitoring has no strong theoretical significance on its own but empirical evidence presents a complementary explanation for the role of large shareholders at the Nairobi Securities Exchange. Nairobi Securities Exchange has a high level of ownership concentration and dividend payment has a significant positive effect on the firm value which is in line with the signaling hypothesis, the independent role of large shareholders was negated and therefore did not support the shareholder monitoring hypothesis. The findings of this study have significant policy implications to policymakers, regulators should not rely on the market mechanism as protection to minority owners. Firms should be encouraged to regularly pay dividends if profitable and investors should understand the ownership structure of listed firms they invest in.*

**Key Terms:** Shareholder monitoring, Ownership concentration, Dividend signaling, Firm value

---

<sup>1</sup> Department of Finance and Accounting, University of Nairobi ([amunyugi@must.ac.ke](mailto:amunyugi@must.ac.ke))

<sup>2</sup> Professor, Department of Finance and Accounting, University of Nairobi

<sup>3</sup> Professor, Department of Finance and Accounting, University of Nairobi

<sup>4</sup> Senior Lecturer, Department of Business Administration, University of Nairobi

## 1.1 Introduction

Theoretical literature asserts that dividend payment can signal better prospects for investors and firms with concentrated ownership can effectively monitor managerial activity. Debt financing is predominantly hypothesized to be a catalyst for firm performance and corporate governance theories aver that debt can signal firm wellbeing and could also act as a disciplinary mechanism that could encourage managers to work in the best interest of the firm (Morck, Shliefer & Vishny, 1988). This study begins by exploring the theoretical literature under the debt signaling hypothesis, institutional monitoring hypothesis, and agency theory. Linter (1956) hypothesized the idea that dividend payment had a signaling role to uninformed shareholders, he saw dividends as a communication tool for informing investors about the earning capacity of the firm. Modigliani and Miller (1961) contested the opinion and econometrically demonstrated that firms' internal characteristics like profitability and business risk were more critical in determining the value of the firm. Later on, Jensen and Meckling (1976) argued that in the absence of mutual interest between firm owners and stewards, the latter would extract the benefit of control through improper contracting and this would disadvantage firm owners, they emphasized the importance of managerial ownership in quality firm decisions. Shliefer and Vishny's (1986) study on the impact of increased institutional shareholding on the firm, revealed that large shareholders provided an alternative governance mechanism that helped to check on managerial excesses and misappropriation of wealth at the expense of minority shareholders. The role of dividend signaling and shareholder monitoring has continuously been examined by several researchers (Georgeta & Stefan, 2014; Kisavi, Mukras & Oginda, 2013; Ongore, K'Obonyo & Ogutu, 2011) more recently Lopez and Rodriquez (2012) observed that corporate governance decisions had a different effect in different business environments.

There are sixty-six companies listed and trading shares at NSE in ten sectors; Agriculture, Automobiles and accessories, Banking, Commercial & services, Construction & allied, Energy & Petroleum, Investment, Manufacturing & allied, and Telecommunication & technology. On average Kenya listed firms pay a significant amount of their earnings as dividends, a study by Ochieng and Kinyua (2013) on dividend pay-out for listed firms in Kenya saw a pay-out of

seventy-two percent in 2002 and a low of forty-four percent in 2008. Previous studies have determined that listed firms in Kenya have high large shareholder concentration, Kisavi et al. (2013) observed an average shareholder concentration of sixty-four percent, Aduda, Chogi, and Magutu (2013) observed an average Tobin Q of 1.4796 for listed firms in the period 2004- 2007 and noted that corporate governance measured by the fraction of non-executive directors in the board was inversely related to firm performance which confirms the significance of large investors in company enhancement.

## **1.2 Research Problem**

Khan (2006), has examined a sample of 330 UK firms and found that dividend payment had a negative relationship with ownership concentration but observed further that the presence of large institutional shareholders had a positive relationship with dividend payment, but individual block holders negatively affected dividend payment. Gurgler and Yurtoglo (2003) have empirical evidence from Germany which indicates that ownership concentration by single largest shareholder has a negative wealth effect on other shareholders and the presence of another second larger shareholder helps to improve shareholder value through increased dividend payment. In Japan, Gul (1999) found growth opportunities were significantly negatively related to the debt levels and dividend yield. Hong and Nguyen (2014) found managerial ownership had a positive effect on dividend payment but dividend payment and leverage are negatively related in Ho Chi Minh City Stock Exchange (HOSE). In Kenya, Kiruri (2013) found that higher ownership by the state undermined bank performance but higher ownership concentration by foreign and domestic firms helped improve firm performance. Ongore, K'Obonyo and Ogutu (2011) found shareholder identity influenced managerial discretion and firm performance. Other studies examining the role of shareholder monitoring as a corporate governance mechanism have provided inconsistent results (Kiruri, 2013; Ongore et al., 2011). The objective of this study is to empirically test the applicability of the shareholder monitoring hypothesis as corporate governance mechanisms that influence valuable decisions at Nairobi Securities Exchanges.

## **1.3 Research Objective**

This study paper seeks to examine the complementary role of shareholder monitoring as a corporate governance mechanism that influences firm value.

## **2.1 Theoretical Literature**

Linter (1956) suggests that payment of dividends releases more information to investors especially where they don't actively participate in the management of the firm. He also noted that managers would rather raise than lower dividends because lowering dividends would send wrong signals to investors about the prospects of the firm. The role of dividend as a corporate governance mechanism has been supported by Jensen (1986) where he argued that dividend payment reduces the amount of free cash flow available to the managers so that they are not tempted to overinvest in their gratifying projects at the disadvantage of investors. Myers's (1984) pecking order hypothesis suggests that the use of debt takes precedence over new equity issues to finance investments because debt is cheaper to acquire and more readily available than an equity issue. Ross (1977) suggested that the use of debt can signal positive prospects for the firm where there is information asymmetry between managers and shareholders.

Shliefer and Vishny (1986) have argued that the presence of large institutional investors in a firm helps to monitor managerial activity because large investors have the ability and incentive to monitor managerial activities. Large shareholders have costs and benefits to the firm, while the benefit of control lies on their effectiveness and ability to monitor the managers, like other rational entrepreneurs, large shareholders have their interests which may not be the same with minority shareholders within the firm (Shliefer & Vishny, 1997; Demsetz & Lehn 1985). According to Jensen and Meckling (1976), investors can put in place mechanisms that will ensure managers work in the best interest of the firm, these mechanisms include incurring agency costs through active monitoring, adequate compensation through salaries and bonuses, and curtailing managers' discretion. The role of managers as a control mechanism when they own a significant amount of ownership can mitigate agency problems and lower the cost of control to investors, but there is another corporate control mechanism like institutional investors, dividend, and debt policy which are less costly.

## 2.2 Empirical Literature

Lins (2003) examined 1433 firms in 18 economies of the emerging countries and noted that individual block shareholders had a positive managerial monitoring role and could significantly help to lower managerial agency costs in turn add more firm value. Sander, Roman & Andre (2011) observe that even though most of the US firms are dominated by multiple block holder structures, there is no clear-cut evidence that dispersed ownership structures provide better firm value compared to single block holders. Gurgler and Yurtoglo (2003) examine the relationship between Tobin q and dividend yield for different types of ownership subgroups in Germany and observed the control power of the highest shareholder to be seventy percent and noted majority-controlled firms had higher Tobin Q when dividends increased. Genc and Angelo (2012) observed that ownership concentration had a positive influence on firm value in Italy.

Studies examining the influence of large shareholders in developing securities markets have mixed findings, Hong and Nguyen (2014) observed that managerial ownership had a positive effect on dividend payment but dividend payment and leverage were negatively related in Ho Chi Minh City Stock Exchange (HOSE). Abdul et al, (2015) found company size and profitability have a positive impact on company value and ownership structure had no influence on company value but ownership, company size, and profitability affected company value through dividend payment in Indonesia stock exchange (IDX). Nkobe, Simiyu, and Kibiwott (2013) revealed that dividend payment was a major determinant of share price volatility at the Nairobi Securities exchange. Yegon, Cheruiyot, and Sang (2014) observed that dividend payment was positively related to a fixed asset, return on capital employed (ROCE), and earnings per share (EPS) at Nairobi Securities Exchange.

Finance literature suggests that large investors have the potential to influence shareholder value through active monitoring, the ability of large shareholders to participate or intervene in firm decisions could help to positively make better decisions. Managers who are active shareholders can be more valuable to a firm because as stewards it is expected they will work in the interest of the company and therefore less need to monitor their managerial activity. Debt holder's contracts with firms are important, the use of debt subjects the firm to external monitoring by debt holders and encourages shareholders to positively evaluate managerial decisions. Ross (1977) has argued

that the use of debt by firms provides confidence about the quality of investment projects and this provides a signaling role to investors. Shareholders have the advantage of free monitoring and dividend assurance without substituting with investment financing which helps to check managerial investment overcrowding problems (Jensen, 1986). Modigliani and Miller (1958) saw firm internal characteristics as key to value creation and it was irrelevant how the financing of investments was to be made, though, in 1963, he admitted that in a world with taxes the value of a firm would increase proportionately to the amount of debt used other things held constant. He also saw dividend payment and mode of payment as irrelevant to firm value creation in the absence of a firm proper investment strategy and firm profitability.

### 3.1 Methodology

This study followed a longitudinal survey design, a longitudinal survey was necessary to discern the pattern of change for the variables over time. The target population for this study was sixty-six companies listed at Nairobi Securities Exchange as of 31<sup>st</sup> December 2017 (Appendix I). The population was chosen because they are public entities with diverse ownership concentration and a common platform for ownership transferability which is of interest to the researcher. Empirical studies in this field have focused on firms listed at stock exchanges. This study obtained data through secondary sources, mainly from annual financial statements obtained from the respective company's website and the capital market authority where necessary. Data were derived from published financial statements by use of a pre-set data collection form. Operational definition and measurement of each variable in this study are as follows: firm value is defined as Tobin q and measured as the firm market value over its book value; dividend payment is operationalized as dividend yield and measured as the dividend paid over the market value of the firm; shareholder monitoring is defined as the level of ownership concentration which is measured as the total of percentage of shares held by ten largest shareholders in the firm. A summary of statistical tests and regression models used to examine the research hypothesis is as follows.

(i) Shareholder monitoring and dividend payment

Step 1: Shareholder monitoring (SM) and dividend payment (DP)

$$DP_{it} = \beta_0 + \beta_1 SM_{it} + e_{it}$$

Step 2: Share holder monitoring (SM) and Capital structure (CS)

$$CS_{it} = \beta_0 + \beta_1 SM_{it} + e_{it}$$

- (ii) Shareholder monitoring (SM), Dividend policy (DP), Capital structure (CS) and Firm value

$$Tobin\ q = b_0 + \beta_1 SM_{it} + \beta_2 DP_{it} + \beta_3 CS_{it} + e_{it}$$

Tobin q = Firm Value (Tobin q)

$\beta_{1,2,3}$  = Regression coefficient

$e_1$  = error term

## 4.1 Results and Discussion of the Findings

### 4.1.1 Data Summary

Data for the analysis was derived from annual financial reports of listed companies at the Nairobi securities exchange for the trading period between 2008 and 2017. The total observations included in the analysis are presented in table 1 below.

	<b>Tobin Q</b>	<b>ownership concentration</b>	<b>Dividend yield</b>	<b>Capital structure</b>	<b>Firm size NA</b>
<b>N</b>	349	349	349	349	349
<b>Mean</b>	1.663	.715	.043	2.344	9.934
<b>Minimum</b>	.060	.274	.007	.026	7.38
<b>Maximum</b>	10.103	.957	.146	8.810	11.56
<b>First</b>	.330	.710	.080	.520	9.39
<b>Last</b>	.530	.692	.088	.026	11.56
<b>% of Total Sum</b>	100.0%	100.0%	100.0%	100.0%	100.0%

The total number of observations included in this analysis is 349.

### 4.1.2 Descriptive Statistics

A summary of descriptive statistics for ownership concentration, dividend payment, capital structure, and firm value is presented in Table 2. This information is derived from listed companies at the NSE for ten years (2008-2017).

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Skewness</b>	
	<b>Statistic</b>	<b>Statistic</b>	<b>Statistic</b>	<b>Statistic</b>	<b>Statistic</b>	<b>Statistic</b>	<b>Std. Error</b>

Tobin q	349	.060	10.103	1.66	1.59	2.048	.131
Ownership concentration	349	.274	.957	.715	.137	-.771	.131
Dividend yield	349	.007	.146	.043	.026	1.126	.131
Capital structure	349	.026	8.810	2.34	2.24	.880	.131
Firm size NA	349	7.38	11.56	9.93	.72	-.997	.131
Valid N (listwise)	349						

Tobin q and dividend yield are positively skewed with skewness statistics of 2.048 and 1.126 and this poses a challenge to parametric statistical analysis. To improve the normality characteristic of the data, the data were transformed to logarithm values. Firms listed in NSE have a high level of ownership concentration (72%) firm value measured by Tobin q is 1.66. The number of complete observations for this analysis was 349 out of the possible 554.

#### 4.1.3 Inferential Statistical Analysis

The influence of shareholder monitoring on dividend policy and capital structure decisions was analyzed by a linear regression model, the statistical hypothesis was to test whether there was a significant relationship between shareholder concentration and (i) dividend policy and (ii) capital structure decisions on firm value. The statistical model for the relation was:

Hypothesis (i) the influence of shareholder monitoring on dividend policy

Regression Model 1:  $Dyield_{it} = \beta_0 + \beta_1 SM_{it} + e_{it}$

$\beta_1$  = coefficient

$e_1$  = error term

The results for the analysis is presented in the statistical summary below

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	
1	.602 <sup>a</sup>	.363	.359	.22081	.363	98.393	2	346	.000	2.079
a. Predictors: (Constant), Dyield <sub>1</sub> , ownership concentration										
b. Dependent Variable: Dyield										
Coefficients										
Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.				



		B	Std. Error	Beta		
1	(Constant)	.700	.092		7.612	.000
	ownership concentration	-.100	.086	-.050	-1.165	.245
	Dyield <sub>1</sub>	.602	.043	.599	13.961	.000
a. Dependent Variable: Dyield						

Model is strong and significant, previous years dividends have a greater explanatory effect on current years dividend which suggests that companies maintain or increase their dividend payment a fact established under the dividend signaling hypothesis, large shareholders have an insignificant effect on dividend policy  $\alpha = .245 > .05$

(iii) Shareholder monitoring and capital structure

$$\text{Regression Model 1: } CS_{it} = \beta_0 + \beta_1 SM_{it} + e_{it}$$

$\beta_1$  = coefficient

$e_1$  = error term

The results for the analysis is presented in the statistical summary below

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	
1	.951 <sup>a</sup>	.904	.903	.15858	.904	1623.487	2	346	.000	2.171
a. Predictors: (Constant), logCS1, ownership concentration										
b. Dependent Variable: CS										
Coefficients										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.				
		B	Std. Error				Beta			
1	(Constant)	.194	.082		2.368	.018				
	ownership concentration	-.108	.065	-.029	-1.667	.096				
	CS1	.961	.018	.942	54.177	.000				
a. Dependent Variable: CS										

The model is significant  $.0000 < .01$  the explanatory effect of capital structure variable is insignificant  $.096 > .05$  which is marginally close but insignificant. Regression results indicate that large shareholders have a passive role in capital structure decisions.

(ii) Shareholder monitoring (SM), Dividend policy (DP), Capital structure (CS), and Firm value  
Tobin  $q = \beta_0 + \beta_1 SM_{it} + \beta_2 DP_{it} + \beta_3 CS_{it} + e_{it}$

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	
1	.892 <sup>a</sup>	.796	.795	.18589	.796	674.415	2	346	.000	
2	.897 <sup>b</sup>	.804	.803	.18226	.008	14.930	1	345	.000	
3	.897 <sup>c</sup>	.805	.802	.18237	.000	.552	1	344	.458	
4	.897 <sup>d</sup>	.805	.802	.18234	.001	1.120	1	343	.291	2.275
a. Predictors: (Constant), ownership concentration, Tobinq <sub>1</sub>										
b. Predictors: (Constant), ownership concentration, Tobinq <sub>1</sub> , Dyield <sub>1</sub>										
c. Predictors: (Constant), ownership concentration, Tobinq <sub>1</sub> , Dyield <sub>1</sub> , CS										
d. Predictors: (Constant), ownership concentration, Tobinq <sub>1</sub> , Dyield <sub>1</sub> , CS, Firm size NA										
e. Dependent Variable: Tobin q										
<b>Coefficients</b>										
Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.				
	B	Std. Error	Beta							
1	(Constant)	.087	.080		1.080	.281				
	Tobinq <sub>1</sub>	.908	.025	.898	36.433	.000				
	ownership concentration	.113	.074	.038	1.528	.128				
2	(Constant)	-.152	.100		-1.517	.130				
	Tobinq <sub>1</sub>	.918	.025	.907	37.359	.000				
	ownership concentration	.121	.072	.041	1.680	.094				

	Dyield <sub>1</sub>	.138	.036	.092	3.864	.000
3	(Constant)	-.210	.127		-1.652	.099
	Tobinq <sub>1</sub>	.916	.025	.905	37.036	.000
	ownership concentration	.137	.075	.046	1.819	.070
	Dyield <sub>1</sub>	.141	.036	.094	3.915	.000
	CS	.015	.020	.019	.743	.458
4	(Constant)	-.042	.203		-.207	.836
	Tobinq <sub>1</sub>	.912	.025	.901	36.452	.000
	ownership concentration	.116	.078	.039	1.498	.135
	Dyield <sub>1</sub>	.139	.036	.093	3.863	.000
	CS	.019	.021	.023	.903	.367
	Firm size	-.015	.015	-.027	-1.058	.291
a. Dependent Variable: Tobin q						

To test the combined effect of shareholder monitoring, dividend policy, and capital structure a multiple regress model is used to analyze the relationship. The firm size variable is included in the model to account for size differences between firms, lagged Tobin q variable is included to account for the effect of serial dependency of the dependent variable. Results of the analysis indicate the regression model is strong,  $R^2$  (.802), all the models are significant (.000). Shareholder control variable coefficient (.113) but is insignificant (.128>.05), and therefore on its own, the presence of large shareholders in the firm has no significant effect on firm value. However, when the dividend policy variable is introduced, the significance of the ownership concentration variable improves to .094, and its explanatory effect increases to .121 suggesting a positive joint effect. The introduction of capital structure in the model improves the explanatory effect and the significance of dividend policy and shareholder control. Nevertheless, firm size did not seem to have any significant moderating effect on any variable relationship in this study. The findings here are significant and suggest that the presence of large shareholders, dividend payment, and an optimum capital structure have the potential to increase shareholder wealth.

### 5.1 Discussion of the Findings

The objective of this paper was to test the applicability of the shareholder monitoring hypothesis at Nairobi Securities Exchanges and the statistical hypothesis was to examine whether there was a significant relationship between shareholder monitoring, dividend policy, capital structure, and

firm value. Shareholder influence was operationalized as shareholder monitoring and defined as the level of ownership concentration in the firm, dividend signaling was defined as dividend yield and measured as a dividend paid over market value, and capital structure was defined as total debt over equity. The coefficient for shareholder concentration (.113) is insignificant  $p = .245 > .05$  implying that shareholder monitoring has no significant effect on dividend policy and firm value at Nairobi Securities Exchange. Similar results were observed by Kisavi, Mukras, Oginda (2013) who found insignificant results for shareholder concentration at Nairobi Securities Exchange. But contradicts the findings of Genc and Angelo (2011) who observed a significant shareholder influence on firm value when a single investor had control in Italy and Hong and Nguyen (2014) who observed that managerial ownership had a positive effect on dividend payment in Ho Chi Minh City Stock Exchange (HOSE) in Vietnam.

Shareholder monitoring by the level of ownership concentration is a corporate governance mechanism that finance theory suggests can complement other corporate governance mechanisms in the firm. There is a high-level shareholder concentration at NSE. (72%) a significant improvement from 65.3% observed by Kisavi et al. in 2013. Firm value as indicated by Tobin q was on average 1.66 this compares favorably against Kisavi et al. (2013) 1.32. The influence of large shareholders on dividend policy and firm value was insignificant. The inclusion of the shareholder monitoring variable in the regression equation marginally changed the dividend yield coefficient but the OC variable remained insignificant thus insufficiently negating the effect of ownership concentration on dividend policy.

## **5.2 Conclusions**

The findings of this study are significant to the shareholder monitoring hypothesis and validate the basic assumptions of agency cost theory by Jensen and Meckling, (1976). The study notes shareholder monitoring at NSE is a complimentary process without other corporate governance processes then large shareholders would be entrenched to the disadvantage of other shareholders. There is a high dividend omission during the period of study and most companies maintained a fluctuating dividend policy pattern over the period. Nairobi Securities Exchange is a developing market and the role of large shareholders at NSE is still an object for further research. Future research on the role of large shareholders should integrate the identity of large shareholders to

understand their unique influence. Researchers in developing countries should empirically test the relevance and applicability of finance theories developed through empirical evidence in developed markets. This study notes that theories conceptualized in developed markets could have different applicability in developing markets. The study is important to the theory and practice of finance particularly in the field of corporate governance and knowledge gaps have been highlighted.

### References

- Abdul, R. & Masdar, M. (2015). Effect of ownership structure, company size, and profitability on dividend policy in Indonesia Stock Exchange. *Australian Journal of Basic & Applied Sciences*.9 (20), 618-24.
- Aduda, J., Chogi, R. & Magutu, O. (2013). An empirical test of competing for corporate governance theories on the performance of firms listed at the Nairobi Securities Exchange. *European Scientific Journal* 9(13), 107-137
- Agrawal, A. & Mandelker, G. (1990). Large Shareholders and the Monitoring of Managers: The Case of Antitakeover Charter Amendments. *The Journal of Financial and Quantitative Analysis*, 25(2), 143–161.
- Berle, A. & Means, G. (1932). *The Modern Corporation and Private Property*. New York: Macmillan.
- Demsetz, H. & Lehn, K. (1985). The structure of corporate ownership: Causes and consequences. *Journal of Political Economy* 93, 1155-1177.
- Durbin, J. & Watson, S. (1951). Testing for serial correlation in the least square regression. *Biometrika*, 38(2), 159-171.
- Genc, A. & Angelo, P. (2012). Ownership concentration and effects over firm performance: Evidence from Italy, *European Scientific Journal* 8 (22) 39-49
- Georgeta, V. & Stefan, C. (2014). The impact of ownership concentration on firm value, empirical study of the Bucharest Stock Exchange-listed companies, *Procedia Economics and Finance* 15, 271–79
- Gurgler, K. & Yurtoglu, B. (2003). Corporate governance and dividend pay-out policy in Germany. *European Economic Review* 47, 731 – 758

- Hong, V. & Nguyen, T. (2014). Managerial ownership, leverage and dividend Policies: Empirical Evidence from Vietnam's Listed Firms. *International Journal of Economics and Finance*, 6 (5), 274-284
- Jensen, M. (1986). Agency costs of free cash flow, corporate finance, and takeovers. *American Economic Review*, 76 (2), 323–329.
- Jensen, M. & Meckling, W. (1976). Theory of the firm: managerial behavior, agency costs and ownership structure, *Journal of Financial Economics*, (4), 305-60.
- Khan, T. (2006). Company Dividends and Ownership Structure: Evidence from UK Panel Data, *Economic Journal* 116 (510), 172-189.
- Kiruri, R. M. (2013). The effects of ownership structure on bank profitability in Kenya. *European Journal of Management Sciences and Economics*, 1(2), 116-127.
- Kisavi, M., Mukras, S. & Oginda, M. (2013). Ownership concentration and financial performance of listed firms in Kenya: an econometric analysis using panel data, *European Scientific Journal* 9 (28), 194-211
- Lins, K. (2003). Equity Ownership and Firm Value in Emerging Markets. *Journal of Financial and Quantitative Analysis*, 38 (1), 159 – 184
- Linter, J. (1956). Distribution of incomes of corporations among dividends retained earnings and taxes, *The American Economic Review*, 46 (2), 97-113.
- Lopez, F. & Rodriguez, J. (2012). Ownership structure, financial decisions, and institutional setting. An international analysis through simultaneous equations. *Economics Research International*, 1-12
- Machek, O., Kubicek, A. (2018). The relationship between ownership concentration and performance in the Czech Republic. *Journal of International Studies*, 11(1) 177-186.
- Miguel, A., J. Pindado J. and Chabella, T. (2004). Ownership Structure and Firm Value. New Evidence from Spain: *Strategic Management Journal* 25 (12), 1199-1207
- Miller, M. & Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. *The Journal of Business*, 34(4), 411-433.
- Nkobe, K., Simiyu, K., & Limo, K., (2013). Dividend policy and share price volatility in Kenya, *Research Journal of Finance and Accounting*, 4 (6), 115-120

- Ochieng, E. & Kinyua, H. (2013). Relationship between inflation and dividend payout for firms listed at the Nairobi Securities Exchange, *International Journal of Education and Research* 1(6), 1-8
- Ongore, V., K'Obonyo, P. & Ogutu, M. (2011). Implications of firm ownership identity and Managerial discretion on financial performance: empirical evidence from Nairobi Stock Exchange. *International Journal of Humanities and Social Science*. 1(13), 187-195.
- Sander, J., Roman, K. & Andre, L. (2011). Blockholder dispersion and firm value. *Journal of Corporate Finance*, 17(5), 1330-1339,
- Shleifer, A. & Vishny, R. (1986). Large shareholders and corporate control. *Journal of Political Economy* 95, 461–88.
- Shleifer, A. & Vishny, R. (1997). A survey of corporate governance. *Journal of Finance* 52 (2), 737-783
- Yegon, C., Cheruiyot, J. & Sang, J. (2014). Effects of dividend policy on the firm's performance: Econometric analysis of listed manufacturing firms in Kenya. *Research Journal of Finance and Accounting* 5(12), 136-144