THE EFFECT OF BREADTH OF OWNERSHIP ON STOCK PERFORMANCE FOR FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

BY

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A RESEARCH PROJECT PRESENTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTER OF BUSINESS ADMINISTRATION DEGREE, FACULTY OF BUSINESS AND MANAGEMEMENT SCIENCE, UNIVERSITY OF NAIROBI

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DECLARATION

I affirm that this research project is my original effort and has never been submitted for a degree in any learning institution or university.

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D61/86323/2016

This research project has been submitted for examination with my consent as University of Nairobi supervisor.

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DEDICATION

This project is devoted to my wife for according me support while undertaking my project.

ABSTRACT

The core reason for this study is to determine the effect of breadth of ownership on stock performance for firms listed in the NSE. A descriptive research design was embraced. The research targeted 63 firms that are quoted at the NSE. However, only 47 firms that have traded consistently within the period of study were selected. This study used secondary data in the analysis. Yearly data for five years (December 2015 to December 2019) was collected and analyzed. Data during 2020 was not considered since the Covid-19 pandemic had an effect on the share prices. According to the correlation analysis outcomes, ownership of breadth is significant and positively related to performance of a stock. The analysis for breadth of ownership indicates that the coefficient of correlation r is 0.084 and has p value $0.003<0.05$. The size of a firm is significantly and negatively related to performance of a stock, where the coefficient r was found to be negative 0.394 and has p value of $0.006<0.05$. Dividend policy was insignificant and positively related to performance of a stock, where the coefficient r was found to be 0.130 and has p value of $0.383>0.05$. The adjusted R-Square was found to be 0.197 which showed that 19.7% of variance in stock performance for firms that are quoted at the NSE are described by breadth of ownership, size and dividend. The F test identified breadth of ownership, firm size and dividend policy collectively significantly influence performance of a stock for the companies that are listed at the NSE at the 5% significance level. The results for regression analysis indicated that breadth of ownership had a significant and positive relationship with performance of a stock at 5% significance level. Firm size had a significant and negative relationship with performance of a stock at 5% significance level. Dividend policy had an insignificant and positive relationship with performance of a stock at 5% significance level. The research concludes that companies with more shareholders are bound to make decisions which will positively influence the operations of the firms. The findings also conclude that firm size has an influence and smaller firms are able to change and adapt to different circumstances in response to the stock market dynamics and able to grow much faster than larger companies. This leads to the conclusion that dividend policy does not affect stock performance for the listed firms. There is no causal link between dividend policy and stock performance. The study recommends that listed firms increase their number of shareholders through allotment of further shares and increase of authorized share capital. On firm size, the study recommends that small firms should capitalize on their growth potential to increase their value in the stock market. Dividend policy should be ignored by firms which endeavor to perform at the stock market. The listed firms should not put much emphasis on dividend policy since it has no causal relationship with stock performance. The study suggests that further research should be done in stock markets across the East African region to enable comparison of results and generalization of the finding.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
CMA	Capital Market Authority
DPS	Dividend per Share
DY	Dividend Yield
DWH	Durbin Wu Hausman
EMF	Efficient Market Hypothesis
EPS	Earning Per Share
NASI	NSE All Share Index
NSE	Nairobi Securities Exchange
NSE 20	Nairobi Securities Exchange 20 Share Index
NSE 25	Nairobi Securities Exchange 25 Share Index
ROA	Return on Assets
VIF	Variance Inflation Factors

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In modern financial literature, the effect of breadth of ownership on performance of a stock forms one of the key frequently discussed topics (Karanja, 2006). Stock price appreciation, for example, is positively linked to a broader breadth of ownership, as stated by Amihud, Mendelson, and Uno (1999). They argued that by raising the number of shareholders who can own a security could increase its worth. According to Chen, Hong, and Stein (2002), a decrease in the stock's breadth of ownership predicts a lower return, while a rise in the stock's ownership breadth predicts a higher return. It has been noted that changes that are in mutual fund ownership breadth are positively linked to potential returns, as maintained by Priestley and Ødegaard (2005). As reported by Rose (2014), a rise in ownership breadth resulted in growth in stock value for the following year, and the reverse is true. Stock excess returns increases with the level of wideness of ownership, as claimed by Yang and Hu (2019). As a result, shareholders hope to optimize and gain returns that are sufficient to warrant the investment.

Two theories namely the Efficient Market Hypothesis(EMH) and the Q principle of investment supported this study. According to the EMH, market prices represent all available knowledge. The arrival of new information is the foremost reason of price increase. An efficient market is that in which prices react fast to new information and

without any biasness. Existing security prices, as a result, considers all available information at any given time. Therefore, there is no reason to assume that rates are too high or poor (Fama, 1970). The second theory for this research is the Q theory of investment. According to this theory, firms' investments are determined by whether q is more than or less than one. It has been discovered that if the q-ratio is greater than one, then the security market values the invested capital of the firm more than the its replacement cost. This reassures companies to escalate their built capital stock. The company will thus rise its investment (Tobin, 1978).

The Nairobi Securities Exchange (NSE) is Kenya's sole security exchange, and it has a significant impact on how the economy operates because it plays a vital role in capital growth and distribution (Kirui, Wawire & Onono, 2014). The Nairobi Securities Exchange has 13 segments and 63 companies listed (The NSE Investors handbook, 2020). Safaricom Limited, the firm with the largest market capitalization in 2017, with Kshs 721 billion, had 80.2 percent payout ratio. Kenya Orchards Limited, on the other hand, was one of the companies with the lowest market capitalization in 2017, with Kshs 1.24 billion, and a payout ratio of 1.47 percent (The NSE Investors handbook, 2020) As a result, businesses with a greater shareholder base are thought to have a favorable relationship with high returns.

1.1.1 Breadth of Ownership

The percentage of market shareholders who own a specific stock is known as breadth of ownership (Choi, Jin & Yan, 2013). The number of investors who invested in a particular stock is described by Chen *et* al (2002) as the ownership scope. A decrease in the scope of investors of a specific security implies a decrease in the scope of ownership. They claim that the number of people who own a business is a determining factor in its value (Chen et al,2002). Unlike previous research, Yang and Hu (2019) explained the investors base from the position of real market trading activity, representing the corresponding power of purchaser-initiated and trader-initiated investors. Stock splits are another way to expand the investor base by lowering the minimal financial value required to trade a specific lot size (Baker & Gallagher, 1980). Companies can likewise expand their scope of shareholders' base by registering on a stock exchange market (Kadlec & McConnell,1994).

Breadth of ownership is of importance because it be able to have a direct influence on a corporation's economic operations and commercial relationships. Individual investors participate in corporate governance processes by exercising their voting privileges on the organization's main decisions in the context of a legitimate concern for all partners. Shareholders play a critical role in a company's finance, activities, governance, and power (Arya, 2018). A larger pool of investors can aid in raising sufficient funds to allow a business to make more profitable, high-return investments.

The number of mutual fund investors who have long positions in the stock is used to calculate ownership breadth (Chen et al,2002). Yang and Hu (2019) calculated the ratio of purchaser-initiated (trader-initiated) transactions for each stock. They further constructed how the ownership breadth changes for a stock i in month k. Choi et al. (2013) concentrated on determining the breadth of ownership by considering all major shareholders in a company and then excluding those with less than a hundred shares. This study will measure breadth of ownership by extracting the total number of shareholders of each particular firm for any amount of shares held.

1.1.2 Stock Performance

Stock performance, according to Baker (2006), is the gain or loss on securities owned by shareholders for a given time period. Lee (1998) defines stock performance as a profit or loss on an investment that is strongly influenced by investor perceptions and fundamentals. The return is monetary and is calculated over a set period of time. The returns are either capital or income, expressed as a percentage (Gartner, 1995). A profit-making company typically distributes a percentage of its profits to its shareholders each year. This is one of the types of returns that a stock market investor might expect. An investor will definitely earn proceeds on the stock market by purchasing a security at a lesser price and retailing it at a greater price in the secondary market (Peress, 2005).

Since stock performance is used as an indicator in investor and government decision-making, many investors will invest heavily in securities on account of obtaining a return greater than their capital cost (Wang, 2012). Stock performance is critical since investors

want to make money when they put their money into stocks. Prospective shareholders often examine stock output before deciding whether or not to purchase them (Reddy & Narayan, 2016). Stock performance can be used to predict industry dynamics and developments in the future (Sirucek, 2013). When stock returns are higher, firms and corporations become more profitable, which leads to the growth of the economy (Aliyu, 2011).

Stock market indexing is a widely used metric for evaluating stock price. A company's announced dividends have a huge impact on its stock price. Stock output is also measured using market capitalization, return on asset, return on investment, dividend pay-out ratio, and earnings per share (Daferighe et al, 2012). The NSE 20 share index is commonly used as a point of reference for performance of the stock assessment and is used to quantify stock performance (Idewa, 2017). Stock performance can also be measured on the basis of market share price progression proportion. The ratio for price earnings is also one indicator for stock efficiency (Kumar & Warne, 2009). However, the Tobin's q ratio will be used to assess stock performance in this study.

1.1.3 Breadth of Ownership and Stock Performance

According to Yang and Hu (2019), the number of people who own a company have a big impact on the performance of securities. They argued that the performance of a stock rise as the number of owners increases. Nevertheless, they demonstrated that the shareholders' numbers have an important and positive effect on the performance of stock in both huge and little stocks, as well as in young and old stocks. Amihud et al, (1999) concluded that,

appreciation of stock price is positively linked to the growth in the number of shareholders, proving Miller's (1977) hypothesis. As a result, they stressed that expanding the number of shareholders who may own a specific security could increase its value. As claimed by Miller (1977), based on short-sale constraint theory, ownership scope and potential performance of stock have shown a positive linkage. Other literature supports the short-sale constraint theory. Chen et al (2002) discovered that the shift in ownership scope predicts potential stock returns in a positive way. As maintained by Lehavy and Sloan (2008), the autocorrelation of change of ownership breadth causes a positive association between change of shareholders' breadth and returns on stock. According to Rose (2014), the breadth of ownership and the price of a stock in the following quarter have a positive relationship.

As stated by Merton (1987), the ownership breadth is negatively correlated with potential stock return, based on investor recognition theory. Arbel et al (1983) endorse investor awareness theory. They all discover a negative connection between variations in ownership breadth and potential performance of a stock. According to Cen, Lu, and Yang (2013), when investor attitude variance is strong, the association between ownership breadth and potential return is negative, but becomes positive when the attitude impact is minimal. Ownership breadth changes and stock performance have a negative relationship, according to Choi, Jin, and Yan (2013). The ownership choices of small retail investors drive this negative correlation. Cao and Wu (2019) pointed out an Invert-U shape association between breadth change and future stock performance. They argued that when ownership

breadth increases, higher breadth change predicts lower future return, whereas when ownership breadth decreases, higher breadth change predicts higher future return. According to Priestley and Odegaard (2005), there is a positive link between returns on stock of a mutual fund and the breadth of ownership. However, when the analysis was conducted to represent all stock market investors, it yielded negative results. Furthermore, they did not find the effects by looking at monthly horizons rather than quarterly horizons; in fact, they found the opposite effect for the first half of the year, when short sales are limited.

1.1.4 Nairobi Securities Exchange

In 1991, the NSE became a private firm, and in 2014, it self-listed (The NSE 2020). It was originally known as the Nairobi Stock Exchange, but in 2011 it changed its name to reflect that it traded securities other than stocks, including debt instruments and derivatives. Listed companies, brokers, and investment banks are among the NSE's members, which trades in bonds and securities taking place (Muituri, 2014). 63 firms were trading by the year 2019, with a minimum of five million dollars' worth of trade volume at the NSE (The NSE 2020). The Capital Market Authority oversees the Nairobi Security Exchange and has also been mandated with the inclusive obligation of approving listing of any securities in addition to public offers that are traded and issued. The three main indices that show stock market performance at the NSE are as follows: the NSE 25 share index, the NSE 20 share index, and the NSE All Share Index (NASI). The NASI is a broad performance measure of a market that considers the performance of all NSE-listed companies. The NSE 20 and NSE

25 share indices are based on trading activity and reflect the performance of the top 20 and 25 firms, respectively.

The output of various NSE-listed companies' stock returns in relation to their number of shareholders has been displayed. Safaricom Limited, for example, had a total of 560,018 shareholders and 40 billion shares in circulation. The company declared a Kshs 24.84 billion final dividend (Safaricom Limited Annual Financial Report, 2019). Sasini Limited, on the other hand, with a total of 6,835 shareholders and Kshs 228,055,500 in shares, had a final declared dividend of Kshs 114,028,000 (Sasini Plc Annual Financial Report, 2019). KCB Group Limited, on the other hand, had a total of 191,942 shareholders in that year, with Kshs 3.2 billion in stock. A total final dividend of Kshs 11,099 million was announced by the company (KCB, group integrated report & financial statements, 2019). With 100 million shares, British American Tobacco Kenya Limited had 4,808 shareholders. The company paid out a total of Kshs 3 billion in final dividends (British American Tobacco Kenya Limited, Annual Report, 2019).

1.2 Research Problem

Generally, firms with the highest shareholders' numbers are purported to report a higher stock performance. For instance, a higher number of shareholders may have a positive influence on a corporation's stock performance. This may be attributed to the decrease in the least transaction unit which intern it rises a firms' investors' base, and finally the stock performance goes up (Amihud et al, 1999). As reported by Rose (2014), that a higher

ownership breadth indicates more optimistic investors and can results to higher future stock performance. At the same time, a wider breadth of ownership may negatively influence the stock performance of a company. The subpopulation which the breadth of ownership was measured may attributed to the anomalies. When ownership breadth is calculated across all investors, stock performance is poor, according to Choi, Jin, and Yan (2013).

In the Kenyan financial market, there are some inconsistencies in the impact of ownership diversity on stock results for listed businesses at the NSE. In 2019, Kakuzi Plc, for example, had a much smaller number of shareholders (1,321) but still managed to declare a higher final stock performance with a Tobin's q ratio of 1.05. (Kakuzi,2019). Sasini Limited, which has a larger number of shareholders than Kakuzi Plc with 6,826 shareholders, announced a lower stock performance with a Tobin's q ratio of 0.03. (Sasini, 2019). As can be seen from the examples above, having a larger number of shareholders in a corporation does not always mean better results. Equity Bank, on the other hand, with a larger shareholder base of 27,362, posted a higher stock performance with a Tobin's q ratio of 0.47. (Equity Report, 2019). Car and General (K) Limited, which has fewer shareholders than Equity Bank, which has 1,123 shareholders, has announced a low stock performance with a Tobin's q ratio of 0.12 (NSE, 2019). This demonstrates that there is inconsistency in the relationship between a company's number of shareholders and its stock results.

There are also contradictory positions on international studies which is a gap in this study. For instance, Priestley and Odegaard (2005) established a negative link between change in ownership breadth and performance of stock in a study conducted internationally. Chen, Hong, and Stein (2002), on the other hand, found that the change in ownership breadth positively forecasts potential stock returns. More so, most studies were done in developed markets. There is also a need to try the same in a developing market. One of the major gap that has been evidenced in this study is the methodological gap. This was evidenced in the locally done study by Karanja (2006), who used stock prices instead of using the Tobin's Q ratio as a performance stock measure. Nevertheless, Karanja (2006) in his study to established a link between the number of shareholders and returns of stock in a study conducted at the NSE has been overtaken by events. The study was conducted between (1997-2003) which is 18 years ago. This study therefore pursues to address the gap and to seek answers for the question of the research, what is the effect of breadth of ownership on stock performance for firms that are quoted at the NSE?

1.3 Research Objective

To determine the effect of breadth of ownership on stock performance for firms listed in the NSE.

1.4 Value of the Study

This research will add to the existing literature on stock performance, especially as it relates to ownership breadth. The outcomes of this study will be beneficial in determining the level of shareholders necessary to impact the stock performance. Scholars and academicians

may look to this research as a kick off point for further studies in the Kenya context or developing nations. This contribution to the literature will aid in a deeper understanding of the study principles and, as a result, will stimulate academic interest.

By highlighting the breadth of ownership and the resulting stock performance, the research will assist investors in reviewing their asset allocation methods. The study's results will provide the management of the listed companies with information that will help them to have a better understand of the financial market. This can help the management in making appropriate decisions that will maximize the shareholders' wealth as well as master plan for the future growth considering the level of shareholders to adopt. Individual, corporate, and private investors would need this information to assist them in making informed investment decisions among a wide-ranging of options.

The research will further help the government agencies and the Capital Markets Authority (CMA) to establish governing and legislative frameworks that will help the NSE quoted corporations in developing and implementing acceptable levels of ownership scope that will optimize returns on stock and shareholder profit on investment in Kenya. This will eventually boost the industry and consequently domestic investments.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter analyzes the review of literature which is in line with the study objective. The theoretical review, determinants of stock performance, empirical literature review, literature review summary and gaps that are related to the study and finally the structure of the concept are discussed in this chapter.

2.2 Theoretical Review

The theories highlighted in this research are the Efficient Market Hypothesis and Q theory of Investment.

2.2.1 The Efficient Market Hypothesis

Market prices represent entirely accessible information as far as the efficient markets hypothesis is concern. Fama and Samuelson, in the period of 1960s, conducted an independent study that concluded that in a knowledge efficient market, changes in prices must be unpredictable if all market participants' perceptions and information are equal. The form that is strong, the form that is semi, and the form that is weak are the three types of business efficiencies (Fama, 1970). The form that is weak indicates that prices of the security represent all historical market movement details. All publicly accessible information is incorporated into the semi-strong form's security prices. Both privately and publicly accessible information is factored into the strong form's stock prices. This ensures that using inside knowledge to make abnormal gains is impossible for even corporate insiders.

The market participants' preferences and behavior of are the most continuing critiques of the EMH. The modeling preferences should be standard and that should optimize additive with separation of time to the expected utility functions from certain families that are parametric for instance the risk aversion (Lo, 2008). However there is paradigm shift where experimental economists and psychologists have documented behavioral biases that are specific decision making to an individual under uncertain condition, quite a lot of which lead to unattractive results for the economic welfare of an individual for instance, overconfidence (Gervais & Odean, 2001), aversion of loss (Odean, 1998) and probabilities for miscalibration (Lichtenstein et al., 1982).The EMH critics argued that the market participants' often act irrationally which is analyzed in behavioral finance. Recently in the market history there is evidence that rather than investors being rational they exhibit spectacle psychological considerations that affects the asset prices (Schwert, 2001). Noise trading, investors that are not rational, social movements, psychological related factors reflect the predictability of stock returns in a market that is reflective (La Porta, Lakonishok, Shlifer & Vishny, 1997).

According to this principle, the price of an asset reflects all relevant knowledge about the asset's intrinsic value. In the stock market, the principle supports the accurate and efficient pricing of company securities based on market available information. If new information about a company's share and its success is obtained in the market, that information will be reflected in the price of a trading share quickly and rationally. Expected returns on a stock

will be the matching if a completely efficient stock market were to be reached, and only unanticipated random knowledge would cause the price of a stock to deviate from the expected average yields. Extremely high market efficiency is discouraged because it would remove lucrative opportunities that encourage security analysts to generate knowledge (Sanford & Joseph, 1980). The Nairobi Securities Exchange is productive in its weak form because stock prices take into account all previously available information. The relevance of EMH to this research is that it emphasizes on how quickly knowledge about stock prices is absorbed by shareholders, who then turn to capitalize on returns.

2.2.2 Q Theory of Investment

The brainchild of Brainard together with Tobin, the theory of Q of investment was born in 1968. According to the Q theory, a company's decision to spend heavily is influenced by the stock market valuation in relation to the expense of capital cost. Tobin's q ratio as pioneered by Tobin (1978) is extensively used as an alternative for investment prospects in the literature for finance. Tobin's q is a measure of a company's wealth created for its shareholders. It measures how much more valuable a corporation is when weighed up against its asset book value. A high q ratio is usually regarded as positive because it means that the firm's worth is better than its total assets. The Tobin's q ratio can also be used to determine the total value of a stock market. A high ratio in comparison to the historical tendency could mean that there is overvaluing of the stock market, and vice versa (Jan, 2018).

Tobin’s q critique has been established by various scholars. Part of the problem is that a high value of Tobin’s q does not automatically mean that a company is more valuable in any significant way. Despite the common use of market-to-book representations for Tobin’s q, such as the mostly-used Simple q, are unpredictable measures of the value of a corporation. Since Tobin’s q is a ratio based on a business’s book worth of assets, regressions pursuing to establish the predictors of Tobin’s q are probable to produce biased estimates due to omitted assets such as intangibles assets and specific details of a company such as the level of current assets and depreciation among others that can progressively modify the Tobin’s q (Bartlett & Partnoy, 2020).

As a result, when value of the market equals cost of replacement, it is deemed to be at equilibrium. This is a method of determining whether a corporation is overestimated or underestimated. Tobin concluded that when q is greater or less than one, it affects the firms' decisions relating to investments. Under circumstances when the q-ratio is higher than one, the stock market values the installed capital of the business higher than the cost of the replacement. This inspires companies to escalate their built capital stock. This means that, the company will rise its opportunities for investment. If a company's q-ratio is less than one, the stock market rates its capital assets less than their replace8ment cost. This will deter managers from replacing a company's capital assets when they wear out. According to Tobin, a firm's q-ratio, which will be either greater or less than one, will determine the firm’s decision whether it will invest (Tobin, 1978). The estimated returns on stock are linked to these three variables, according to this investment theory: book-market equity

ratio, expected earnings, and expected investment (Armand, 2016). The Q theory of investment has established that there is an existing connection between stock prices and corporate investments. It then goes on to give a measure of the stock price in relation to the company's assets (Armand, 2016). The relevance of Q theory of Investment is that the Tobin's q will be used as a tool in this study to measure the stock performance.

2.3 Determinants of Stock Performance

The determinants the stock performance delved into are: breadth of ownership, size of the firm, and dividend policy.

2.3.1 Breadth of Ownership

The percentage of market shareholders who own a specific stock is known as breadth of ownership (Choi, Jin & Yan, 2013). With short-sale constraints taken into account, Chen *et al* (2002) found a positive link between ownership breadth and the performance of a stock. Choi *et al* (2013), discovered a negative correlation between the changes in total ownership breadth and potential yields. Arbel, Carvell, and Strebel (1983), Lehavy and Sloan (2008), is one of the studies that endorse Choi et al. (2013). (2009). Cen *et al* (2013) create a strong multi-asset model and argue that when investor sentiment variation is strong, the connection between the number of shareholders and potential stock return is negative, but becomes positive when the sentiment impact is minimal. According to Ou (2020), the size of a company's ownership has a significant influence on the stock price's movement with the market.

2.3.2 Size of the Firm

The scale of a corporation's operations is referred to as firm size (Ehikioya, 2009). According to Guest (2008), large businesses are typically thought to be capable of leveraging economies of scale and reach, diversification, and a high level of formalization in terms of procedures. Since big businesses have more money than small businesses, they can take advantage of any lucrative opportunity that arises. On the other hand, larger firms tend to have organizational rigidity as a result of their larger firm size which might lead to many unnecessary bureaucratic hindrances, which can result in the loss of profitable opportunities that require immediate attention, making large firms less profitable than small firms with simple decision-making, and this can have a negative impact on the economy (Goddard et al.2005; Banchuenvijit, 2012). The size of the firm is expected to exist as a major indicator of value of the firm, according to these claims.

However, the evidence for a connection between the size of a firm and returns on stock is conflicting. Mazviona and Nyangara (2014), for example, argued that the firm size has a positive and meaningful impact on stock returns. Farhan and Sharif (2013) and Duy and Phuoc (2016), conversely, discovered a negative link between firm size and returns on stock. However, Hafni and Suciati (2018) discovered that size of the firm has no impact on stock returns in Real Estate firms quoted at the Stock Exchange market in Indonesia between 2012 and 2016.

2.3.3 Dividend Policy

The dividends ratio paid out over a given period to the price of a share is used to measure dividend yield (Botha, 1985). Dividend Yield (DY) is linked to stock prices in a positive way. Dividends are essential to shareholders because they make available information about the enterprise's future prospects (Kanwal *et al,* 2011). Dividends reduce risk for businesses, which has an effect on stock prices. Businesses pay dividends for a number of factors, and dividend remittance have an outstanding effect on the share price of the business in question. A high dividend yield can result in low returns for a variety of reasons (Karanja, 1987). Several studies have been published that show a connection between dividend policy and returns of stock.

According to Khan et al. (2011), dividend yield is positively linked to stock prices. According to Sharif et al. (2015), companies should pay dividends on a regular basis because this will cause stock market prices to rise. Similarly, according to Suwanna to (2012), stock prices rise remarkable after dividend announcements. Munyua (2012) found a clear positive association between prices of a stock and dividends issued for listed-companies on the NSE in his research. Announcements of dividend have a major influence on the returns of a stock at the NSE, according to Owira (2016). More businesses should consider declaring dividends because it improves liquidity on the NSE and, as a result, provides positive returns.

2.4 Review of Empirical Literature

Yang and Hu (2019) looked into the connection between investors' base and stock excess returns. They constructed a trading-based investor base measure using purchaser-initiated volume and trader-initiated volume in individual stocks, and investigated the position of investor base in returns of a stock using data from the Chinese Stock Market. They discovered that shareholder base has a positive and important impact on returns of a stock. In large and little stocks, as well as young and old stocks, the impact of investor base on returns of a certain stock is positive and important. Furthermore, they showed that the investor base impact is consistent across sample of different periods, capital markets, with or without existence of short-selling constraints.

Rose (2014) used data from Portuguese mutual funds to investigate the ownership of breadth and returns on stocks. They used a model that was parallel to Chen *et al*, (2002), which includes variances of short-sales constraints and opinion. They discovered that stocks with the leading negative fluctuations in breadth underperform stocks with the leading positive deviations in scope in one month and one quartier horizons, but when looking at longer horizons the findings are mixed, using mutual fund holdings data. The study discovered that short-sale constraints have an influence on returns of stocks. As a result, when short-sale restrictions are in place, stock values are elevated as opposed to fundamentals. The findings are similar with the model for Miller's (1977). The findings also showed that they remain true during times of financial crisis.

Choi, Jin, and Yan (2013) investigated the investor base measurement in relation to stock. They show that rises in ownership breadth forecast little returns based on data from a section of all investors at the Shanghai Stock Exchange in China, where there was prohibition of short-selling. This outcome is driven by small retail investors. Increases in retail ownership width tend to be linked to overpricing. The connection between investors' base and returns on stocks is also dependent on the subgroup over which the investors' base is calculated, according to the findings. Contrary to Chen et al. (2002)'s hypothesis, potential returns are low when the investors' base is calculated across all shareholders' increases, with a reduction of short-sales related constraints. The ownership choices of small retail shareholders drive this negative association.

Cen, Lu, and Yang (2013) conducted research to determine the cross-sectional breadth–return relationship, with the assumption that shareholders who are influenced by market sentiment have a skewed confidence in the aggregate. The sample of the study covered a period from 1980 to 2007 from first quarter to last quarter for the respective years. Wharton Research data were the provider of the mutual fund data for this study. They projected that reliant on the comparative strength of two opposing powers, disagreement and emotion, the breadth–return correlation may be positive or negative. They claimed that when investor attitude variance is strong, the correlation between ownership breadth and future return is negative, but becomes positive when the impact is minimal.

Karanja (2006) looked into the association between stock prices and the investors' base of companies listed on Kenya's National Stock Exchange (NSE). He looked at 48 companies listed on the NSE from 1997 to 2003 using data from the NSE. This study used entirely data from secondary sources that was retrieved from the final accounts and corporations' websites that are NSE listed businesses. The study collected data which encompass the number of shareholders and yearly stock prices for all the companies that are listed for a period of seven years. The findings of this analysis show a nonlinear negative connection between stock prices and the shareholders numbers. Keeping all other variables unchanged, companies with the most shareholders appear to post the lowermost prices for a stock prices. This shows that the number of shareholders a company has at any particular time does not determine the stock prices of different firms.

Priestley and Odegaard (2005) looked at the investors and returns on stock in a new study. This was primarily to revisit Chen et al finding's (2002). Although some of their findings were inconsistent to Chen et al (2002), they also demonstrated that their findings were primarily due to the mutual fund industry. The research used information from the Norwegian share market and the Oslo Stock Exchange to discover that measuring broader breadth metrics generated results that were opposite of Chen et al (2002). The findings of the analysis were also found to be based on the horizon at which they were measured. They did not find the effects when they looked at monthly horizons instead of quarterly horizons; in fact, they found the opposite effect for the first half of the year, when short sales are limited.

Chen, Hong, and Stein (2002) used mutual funds which is based in the United States to investigate ownership breadth and stock returns. The sample period of the research was from 1979 to 1998. They created a stock market model with divergent viewpoints and restrictions on short sale. When the investor base is low, it indicates that the sales that are short and constraints related are tightening and the prices are a bit high comparative to basics. Reduced breadth, according to the report, should predict lower returns. The study found that stocks whose shift in scope in the prior quarter is in the lowermost decile of the sample, it underperforms those in the top decile by 6.38 percent in the twelve months after creation, using mutual fund holdings data from 1979 to 1998.

A research by Amihud *et al*, (1999) looked at the number of investors and prices of stock in Japan. The sample period covered a period from 1991 to 1996. A total number of 66 Japanese firms that were trading on the Tokyo Stock Exchange were sampled, for which the firm that issues lessens the minimum unit of transaction. The change in the number of all investors was determined as the percentage change in the corresponding variable from year -1 to year 0. Merton's (1987) advocated that a rise in the shareholder base will raise values for stocks. Companies in Japan will lower their stock's lowest trading unit, making it easier for small shareholders to trade the stock. They discovered that lowering the smallest trading unit expands a company's base of retail shareholders and the liquidity in the market, as well as resulting in a substantial increase in stock price. Furthermore, a rise in investors base is positively linked to stock price appreciation.

2.5 Summary of Literature Review and Research Gaps

The empirical research on the effect of breadth on stock performance has shown mixed outcomes. Priestley and Odegaard (2005), Karanja (2006), Choi, Jin, and Yan (2013) found a negative correlation between variations in ownership breadth and stock performance in their research. Chen *et al* (2002), Yang and Hu (2019), and Rose (2014), on the other hand, argued that the shift in ownership breadth positively predicts potential stock returns. Cen, Lu, and Yang (2013), on the other hand, argue that when investor attitude variance is strong, the association between ownership breadth and potential return is negative, but becomes positive when the attitude impact is minimal.

Preceding studies regarding the association between returns on stock and ownership scope has shown mixed results. Similarly, since the majority of studies have been conducted in developed markets, creating the same in a developing market would help to close the gap. As a result, the aim of this study is to broaden the frameworks and reach a more detailed and well-considered conclusion on the consequence of scope of breadth on the performance of a stock for quoted organizations on the NSE.

2.6 Conceptual Framework

The conceptual framework incorporates both the independent and dependent variables listed in the theoretical framework and described in the literature review, as well as how these variables interact with one another. The independent variable (breadth of ownership)

is the input that affects the dependent variable (stock performance) of listed firms on the NSE.

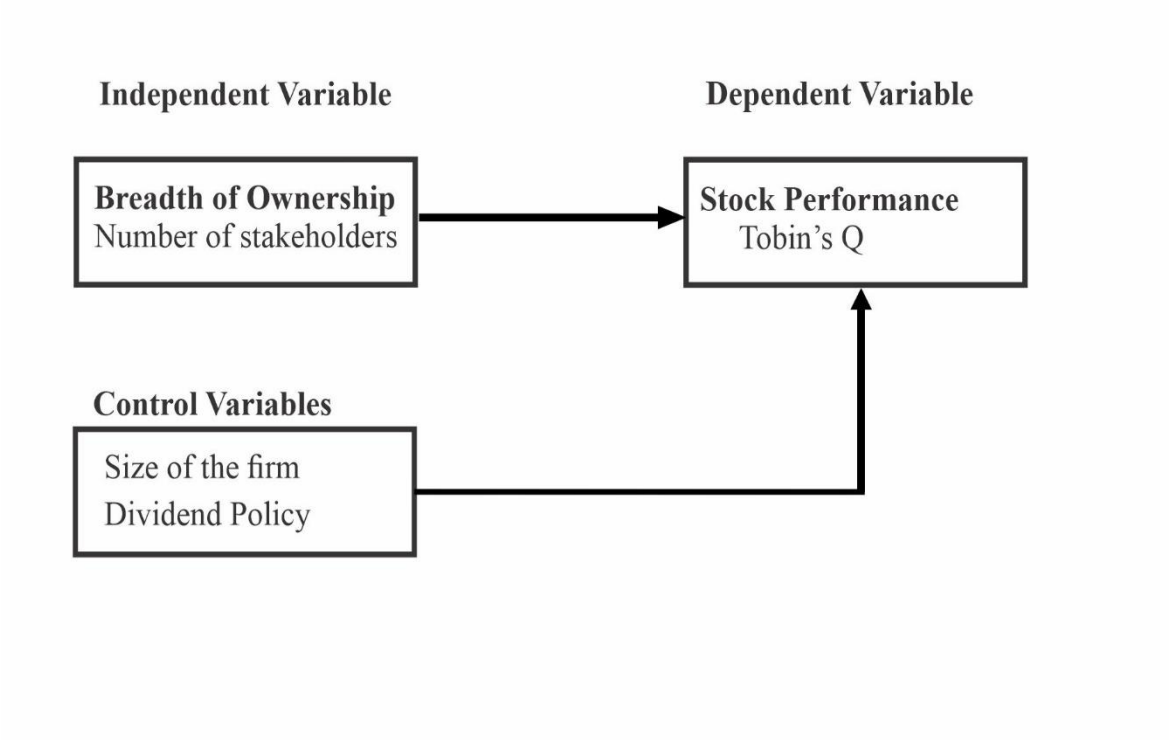


Figure 2.1 Conceptual Framework

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The methodology for this research study is presented in this chapter. The design of the research, study population, collection of data, diagnostic tests, analysis of data and operationalization of study variables are all covered in this chapter.

3.2 Research Design

This study incorporated a descriptive research design. Descriptive study focus on the what, where, and how of an event, making them better suited to creating a sketch of that occurrence. The research design that was descriptive related was selected because it permitted the investigator to establish the causal relationship between stock performance and breadth of ownership. This research approach was suitable for this analysis because the investigator needed to understand the relationship between the study variables (Cooper & Schindler, 2008).

3.3 Study Population

The research was done on the 63 listed firms at the NSE as at December 2019. This is a census study hence all the 63 firms were included. However, only listed firms that have traded consistently during the study period were considered. Firms that did not remain listed over this period, either due to deregistration or new listing was excluded from the study.

3.4 Data Collection

The analysis used exclusive data that was secondary in nature for this research. The NSEs' Website, CMAs' website and companies Annual Financial Statements formed the data source. Yearly data for five years (December 2015 to December 2019) was collected and analyzed. Data during 2020 was not considered since the Covid-19 pandemic had an effect on the share prices. Annual stock prices, number of shares outstanding, total assets, dividends per share and number of shareholders was collected as secondary data for all of the companies in the report. Appendix I contains the data collection sheet.

3.5 Diagnostic Tests

Several diagnostic tests were undertaken in this study to evaluate the applicability of the research structure. The data was subjected to normality tests to determine if it is normal. Normality measures can be calculated using the Kolmogorov-Smirnov test according to Creswell (2008). Secondly, multi collinearity was assessed using the variable inflation factor (VIF) and tolerance statistics. Multi-collinearity occurs, according to Woolsridge (2011), when VIF is greater than 10 and Tolerance is less than 0.2. In circumstances where the connection between independent variables is high, then results to multicollinearity, distorting the effects of study models. Thirdly, autocorrelation tests were assessed to establish the association between the present value of a variable and its previous values (Dunn, 2005). The Durbin-Watson value was used to measure autocorrelation where a value of between 1.5 and 2.5 indicated that there exists no autocorrelation (Khan, 2008). Fourthly, Linearity tests was also conducted in this study using the following; skewness and kurtosis, histogram and Shapiro-Wilk. Linearity indicates a direct proportional

relationship between dependent and independent variable. This means that any variation in the independent variable is always followed by a corresponding variation in dependent variable (Gall et al, 2006). The Durbin–Wu–Hausman (DWH) test was used to detect predictor variables in a regression model (Nakamura & Nakamura, 1981).

3.6 Data Analysis

The data gathered was categorized, graded, coded, and presented for review. The information gathered was evaluated by means of descriptive and inferential statistics. The information was analyzed by means of descriptive, correlation, and regression techniques. The analysis computed mean, median and standard deviations using descriptive statistics. Tables would be used in data presentation because they can provide a relative type to findings that are otherwise abstract. Multivariate regression analysis was used in this study to assess the association between the dependent and independent variables in inferential statistics. The researcher conducted a regression analysis using the data collected to determine the magnitude of the link between ownership breadth and performance of a stock. The following regression model was used in the research:

$$\mathbf{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Whereby;

Y –Stock performance

$\mathbf{X_1}$–Breadth of ownership

$\mathbf{X_2}$–Size of the firm

$\mathbf{X_3}$ –Dividend Policy

α– is the constant (intercept), and

β_1.....**β_3**-the coefficients giving the direction and strength of the association between the independent and dependent variables

ε- Is the error term at 5% significance level.

3.6.1 Operationalization of Study Variables

Table 3. 1 Operationalization of the Study Variables

Variable	Operational Definition	Measurement	Empirical Studies
Size	Total assets of an organization.	Natural logarithms of the total number of assets	Baker & Hall(2004)
Dividend Policy	The policy of a company in determining dividend payout to shareholders.	Dividend per share	Baker & Powell (1999)
Breadth of Ownership	The investors base who own a particular stock.	Number of shareholders of a particular company	Cheng, Hong & Stein(2002)
Stock performance	Measurement of a stock's return.	Tobin's Q.	Lee(1998)

3.6.2 Tests of Significance

Analysis of variance was embraced to examine the importance of the association between the variables in achieving the goals. The researcher considered the F-values to be

determined after completing the ANOVA statistics. The 95 percent confidence level was used, while the significant level will be set at 5%. The researcher considered the model to be substantially adequate to describe the relationship if the measured Significance F is less than 0.05. On the other hand, the t-test was used in the assessment the significance of the coefficients for correlation at 95% confidence level.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter summaries the data analysis, results and discussion of the results according to the conclusions.

4.2 Descriptive Statistics

Descriptive statistics were applied to give deeper insight on the data patterns. The statistics produces a representation of the mean, medium the standard deviation. The study targeted the 63 firms listed at the NSE. However, only 47 firms that have traded consistently during the study period were considered. Firms that did not remain listed over this period, either due to deregistration or new listing were excluded from the study. Table 4.1 below demonstrate characteristics of each variable.

Table 4. 1 Summary Descriptive

Descriptive Statistics	Breadth of Ownership	Size of the Firm	Dividend Policy	Stock Performance
Mean	36870.0000	21.6887755	3.5226	1.17971498
Median	7070.0000	21.8273763	.5900	.35632106
Std. Deviation	91444.23353	2.01490524	6.95536	2.040264886
Variance	8362047846.304	4.060	48.377	4.163

The mean breadth of ownership showed that the industry average number of shareholders was 36,870. This implies that most firms had a substantial number of shareholders. The

median breadth of ownership was 7070 which implies that more than half of the firms had shareholders that were below 7000. It can be taken to imply that some firms had a very large number of shareholders compared to the rest. The corresponding standard deviation of 91444.2335 showed that the number shareholders between the firms were highly varied.

The average firm size was 21.6 Million, this implies that most of the firms in the study were generally large and are bound to be efficient. The median firm size was 21.8 Million which again shows that there were fewer firms which were small. The standard deviation for the firm size was of 2 Million showing least variation.

The average dividend policy was at 3.5226. This implied that the firms issued dividends for every share outstanding was quite high which gives investors' confidence. However, a look at the median dividend per share 0.590 shows that there were firms which paid less than 1 for every share outstanding. The standard deviation of 6.955 shows least variation.

The average Tobin q value for the firms in the study was 1.1797 which is above 1 and implies that most of the firms had a higher stock performance. The median Tobin q value was 0.3563 showing near half of the firms struggled with their performance. The corresponding standard deviation was 2.0403 showing least variation in the values of stock performance.

4.3 Diagnostic Tests

The data was subjected to various diagnostic tests which are normality, multicollinearity, autocorrelation and linearity tests.

4.3.1 Normality Test

The study made use of skewness and kurtosis, histogram and Shapiro-Wilk Test to show whether a normal distribution was followed by the distribution of data. The outcomes of skewness and kurtosis are presented in table 4.2 below.

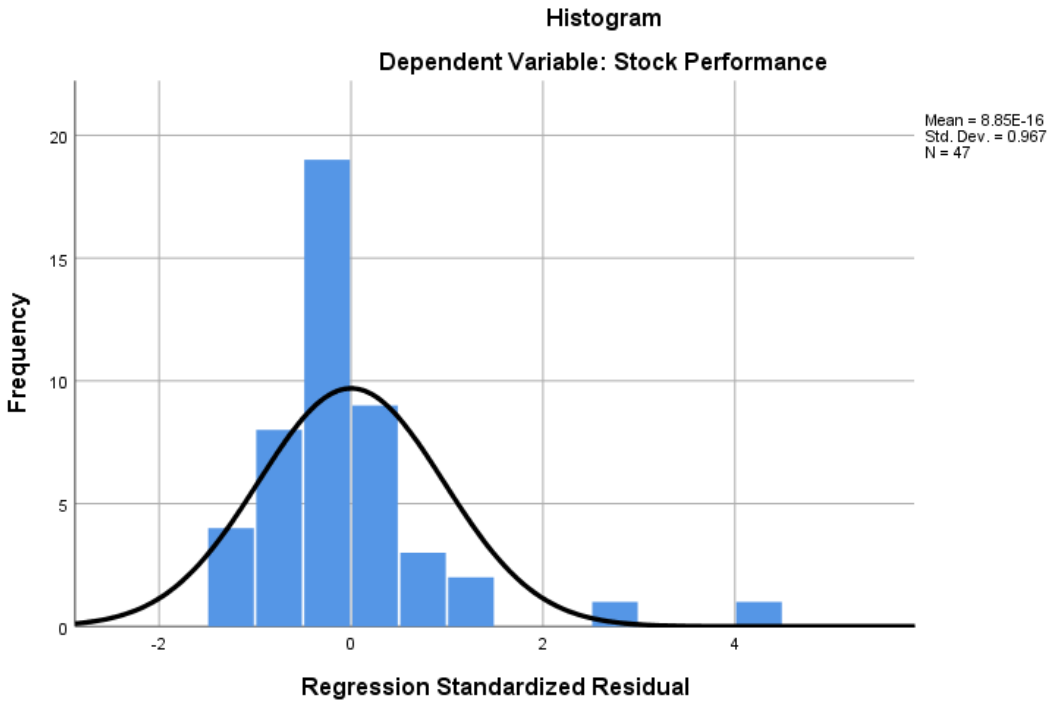
Table 4. 2 Skewness and Kurtosis

		Statistic	**Std. Error**
Mean		2.5917	.11835
95% Confidence Interval for Mean	Lower Bound	2.3496	
	Upper Bound	2.8337	
5% Trimmed Mean		2.6343	
Median		2.7500	
Variance		.420	
Std. Deviation		.64822	
Minimum		1.00	
Maximum		3.50	
Range		2.50	
Interquartile Range		.50	
Skewness		-1.464	.427
Kurtosis		1.808	.833

The values for skewness and kurtosis are all within the span of -1.96 to 1.96 which is the acceptable range. Therefore, we can assert that the data is distributed normally.

Further a Histogram of the data was produced to establish whether the data exhibits a normal distribution.

Figure 4. 1 Histogram for Normality Test



Results from figure 4.1 shows that there was little deviation of the sample distribution data from the bell curve distribution. The data can therefore be concluded to be normal.

Further, on table 4.3 below, Shapiro-Wilk Test was used to test data normality.

Table 4. 3 Shapiro Wilk Test for Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**Df**	**Sig.**	**Statistic**	**df**	**Sig.**
Breadth of Ownership	.164	47	.200	.965	47	.827
Size	.226	47	.200	.969	47	.882
Dividend Policy	.285	47	.200	.964	47	.837

The data was found to be normal since the Shapiro Wilk significance values were all above 0.05. If the Shapiro-Wilk Sig. values were below 0.05, then the data would be significantly deviate from a distribution that is normal.

4.3.2 Test for Multicollinearity

Multicollinearity was assessed using the variable inflation factor (VIF) and tolerance statistics which were demonstrated in table 4.4 below.

Table 4. 4 Test for Multicollinearity

	Collinearity Statistics	
Variable	**Tolerance**	**VIF**
Breadth of Ownership	.849	1.178
Size	.861	1.162
Dividend Policy	.976	1.024

Multicollinearity occurs when VIF is greater than 10 and Tolerance is less than 0.2. There was no existence of multicollinearity on the study variables since the VIF was less than 10 and the tolerance statistics more than 0.2.

4.3.3 Tests for Autocorrelation

Autocorrelation was measured using the Durbin-Watson value where a value of between 1.5 and 2.5 indicates that there exists no autocorrelation.

Table 4. 5 Tests for Autocorrelation

Model	Durbin-Watson
1	2.175

a. Predictors: (Constant), Dividend Policy, Size, Breadth of Ownership

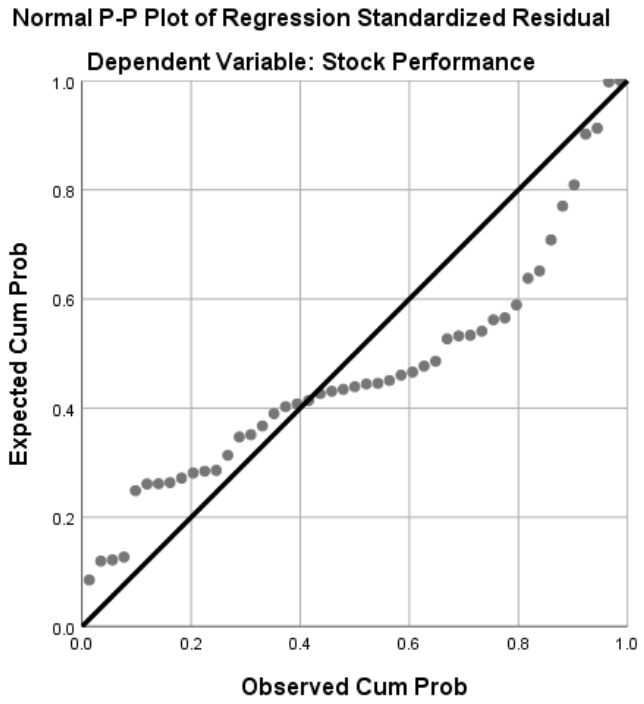
b. Dependent Variable: Stock Performance

The Durbin- Watson value for the data was 2.175, thus this indicated that there was no autocorrelation for the study variables.

4.3.4 Tests for Linearity

The Normal P-P plot was used to check for linearity of the study variables. The figure is presented as below;

Figure 4. 2 Test for Linearity



From the plot shown above, the study variables exhibited linearity. Linearity can assume as long as there are no drastic deviations.

4.4 Correlation Analysis

The correlation between the dependent variable (stock performance) and the independent variables (breadth of ownership, size and dividend policy) was computed using the Pearson Bivariate correlation coefficient. The association is presumed to be linear and the ranges for the coefficient starts from -1.0 to +1.0. The strength of the association between the dependent and the independent variables was determined by the correlation coefficient. The outcome of the Pearson Correlation is as displayed in Table 4.6 below.

Table 4. 6 Karl Pearson Correlation

		Breadth of Ownership	Size	Dividend Policy	Stock Performance
Breadth of Ownership	1				
Size	r	0.363	1		
	Sig.	0.012			
Dividend Policy	r	-.123	0.041	1	
	Sig.	0.411	0.783		
Stock Performance	r	0.084	-.394	0.130	1
	Sig.	0.003	0.006	0.383	

The table 4.6 shows the association between the dependent and independent variables. The research applied the Karl Pearson's coefficient of correlation(r). According to the outcomes, breadth of ownership is significant and positively related to performance of a stock. The analysis for breadth of ownership indicates that the coefficient of correlation r is 0.084 and has p value 0.003<0.05. Firm size is significant and negatively related to performance of a stock, where the coefficient r was found to be negative 0.394 and has p value of 0.006<0.05. Dividend policy is insignificant and positively related to performance of a stock, where the coefficient r was found to be 0.130 and has p value of 0.383>0.05.

4.5 Multivariate Regression Analysis

To determine the influence of scope of ownership on performance of a stock for corporations listed at the NSE, Kenya, a multiple regression analysis was conducted.

4.5.1 Coefficient of Determination (R^2)

The independent and dependent variables were subjected to linear regression analysis in order to determine the suitability of the model and forecast causal connection between the independent variables and the dependent variable. The same is presented in table 4.7

Table 4. 7 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.499a	.249	.197	1.828205866	2.175

a. Predictors: (Constant), Dividend Policy, Size, Breadth of Ownership

b. Dependent Variable: Stock Performance

Table 4.7 above shows that R value is 0.499 which displays there is a positive linear association between the independent variables (breadth of ownership, size and dividend policy) and the dependent variable (stock performance) and the variables are scattered around the line of best fit. Since *r* is positive then an increase in the value of one independent variable is linked with an increase in the dependent variable. The adjusted R-Square of 0.197 showed that 19.7% of variance in stock performance of listed corporations at the NSE are described by breadth of ownership, size and dividend policy.

4.5.2 Analysis of Variance (ANOVA)

The F ratio indicates that the model was statistically significant at ($p<0.05$) . The analysis is presented in Table 4.8 below

Table 4. 8 ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	47.763	3	15.921	4.763	.006b
Residual	143.720	43	3.342		
Total	191.483	46			

a. Dependent Variable: Stock Performance

b. Predictors: (Constant), Dividend Policy, Size, Breadth of Ownership

The researcher used F test to determine whether the model is statistically significant. The results from table 4.8 reveals that the model is statistically significant since the measured Significance F of 0.006 is less than 0.05. The implication is that breadth of ownership, firm size and dividend policy collectively and significantly influence stock performance of listed firms at the NSE.

4.5.3 Coefficients

The table 4.9 below shows coefficients of the independent variables.

Table 4. 9 Coefficients of the Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	12.148	3.129		3.882	.000		
	Breadth of Ownership	.596	.293	.292	2.036	.048	.849	1.178
	Size of the firm	-.515	.144	-.508	-3.569	.001	.861	1.162
	Dividend Policy	.055	.039	.187	1.398	.169	.976	1.024

a. Dependent Variable: Stock Performance

The slope of the regression line is significant because B has non-zero coefficients implying that a change in any of the variables causes a proportionate change in the stock performance of listed NSE firms. Breadth of ownership had a significant relationship with stock performance at 5% significance level since the p value 0.048 <0.05. Firm size had a relationship which is significant with performance of a stock as the p value 0.001<0.05. Dividend policy had an insignificant relationship with stock performance at 5% significance since level the p value 0.169>0.05.

The analysis shows that by considering all factors constant at zero, the stock performance for the listed firms will be at 12.148. The findings also indicate that by considering all other independent variables at zero, a rise in breadth of ownership unit leads to a 0.596 rise in stock performance. A rise in size of the firm unit leads to a 0.515 decline in stock

performance. An increase in dividend policy unit leads to a 0.55 increase in stock performance for listed firms at the NSE. This implies that there is a positive association between breadth of ownership and performance of a stock. There is also a positive association between dividend policy and performance of a stock. However, there is a negative connection between firm size and performance of a stock for quoted firms at the NSE. Considering the findings, the regression model is indicated as follows;

$$\mathbf{Y = 12.148 + 0.596X_1 - 0.515X_2 + 0.055X_3}$$

4.6 Discussion of Findings

The mean breadth of ownership showed that the industry average number of shareholders was 36,870. This implies that most firms had a substantial number of shareholders. The average firm size was 21.6 million, this implies that most of the firms in the study were generally large and are bound to be efficient. The median firm size was 21.8 million which again shows that there were fewer firms which were small. The average dividend policy was at 3.5226. This implied that the firms issued dividends for every share outstanding was quite high which gives investors' confidence. The average Tobin q value for the firms in the study was 1.1797 which is above 1 and implies that most of the firms had a higher stock performance. The median Tobin q value was 0.3563 showing near half of the firms struggled with their performance. The corresponding standard deviation was 2.0403 showing least variation in the values of stock performance.

The outcome of regression analysis proven a significant positive link between ownership breadth and stock performance. The findings also indicate that by considering all other independent variables at zero, a rise in breadth of ownership unit leads to a 0.596 rise in stock performance. These findings were consistent to the findings of Chen *et al* (2002) who found a positive correlation between ownership breadth and stock returns. Conversely, the findings were inconsistent with Karanja 2006 and Choi *et al* (2013) who found a negative correlation between the changes in total breadth of ownership and potential returns. Breadth of ownership had a significant relationship with stock performance with a p value $0.048<0.05$.

Firm size has shown a significant but negative relationship with performance of a stock. A rise in size of the firm unit leads to a 0.515 decline in stock performance for the quoted firms at the NSE. This is in contrast to the findings of Mazviona and Nyangara (2014), who found out that the size of the company has a positive and meaningful association with stock returns. The study results are however consistent with the outcomes of Farhan and Sharif (2013) and Duy and Phuoc (2016) who found a negative correlation between corporation size and returns on stock. Firm size had a significant association with stock performance with p value of $0.001<0.05$. This implies that stock performance is attributable to breadth of ownership and firm size.

There was an insignificant but positive connection between dividend policy and stock performance. Increase in dividend policy leads to a rise in stock performance of the quoted firms at NSE. An increase in dividend policy unit leads to a 0.55 increase in stock

performance for quoted firms at the NSE. The study conclusions are consistent to the conclusions of Sharif et al. (2015), who asserted that companies should pay dividends on a regular basis because this will cause stock market prices to rise. Similarly, Munyua (2012) found a clear positive association between prices of a stock and dividends issued for listed-companies on the NSE in his research which were echoed by Owira (2016). However, dividend policy had an insignificant relationship with stock performance at 0.169>0.05. Showing that stock performance may not have been influenced by dividend policy considerably.

The F-test showed that breadth of ownership, size and dividend policy reliably predict performance of a stock of quoted businesses at the NSE. The coefficient of determination(R^2) showed that, 19.7% of variance in stock performance of quoted firms at the NSE are described by breadth of ownership, size and dividend policy since the adjusted r-square is 0.197.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the research findings, conclusions, recommendations, limitations and suggestions for further research of the study. This is centered on the study objective.

5.2 Summary of Findings

The research establish that a positive correlation existed between breadth of ownership and stock performance. There was a positive correlation between dividend policy and the performance of a stock. There was a negative correlation between business size and the performance of a stock. At 5% significance level, breadth of ownership had a significant correlation with stock performance with a p value $0.003<0.05$. Organization size had a significant association with stock performance at $0.006<0.05$. This implies that stock performance is attributable to breadth of ownership and firm size. However, dividend policy had an insignificant relationship with stock performance at $0.383>0.05$. Showing that stock performance may not have been influenced by dividend policy considerably.

The regression coefficients are non-zero implying that a change in any of the variables causes a proportionate change in the stock performance of listed NSE firms. Breadth of ownership had a significant and positive relationship with stock performance at 5% significance level with a p value $0.048 <0.05$. Firm size had a significant and negative

relationship with stock performance with a p value 0.001<0.05. Dividend policy had an insignificant but positive relationship with stock performance at 5% significance level with a p value 0.169>0.05.

The analysis of variance considered the model to be substantially adequate to describe the relationship since the measured Significance F of significance probability of 0.006 is less than 0.05. The implication is that breadth of ownership, firm size and dividend policy collectively significantly influence performance of stock of listed firms at the NSE.

The coefficient of determination R of 0.499 indicated a positive linear relationship between the independent variables (breadth of ownership, size and dividend policy) and the dependent variable (stock performance) and the variables are scattered around the line of best fit. The adjusted R Square showed the total variation of the model is influenced by breadth of ownership, size and dividend policy. The figure for adjusted R was 0.197 which implied that 19.7% of the total variation in the performance of a stock of listed organizations at the NSE is described by breadth of ownership, size and dividend policy. The adjusted R is also positive revealing a positive association for some of the variables with stock performance of quoted companies.

5.3 Conclusion of the Study

The research pursued to test the influence of breadth of ownership on the performance of a stock for firms listed at the NSE. The research concludes that breadth of ownership significantly and positively influences stock performance for listed firms at the NSE. This implies that companies with more shareholders are bound to make decisions which will

positively influence the operations of the firms. The shareholders put pressure on the management of the firms in a bid to see the firms perform at the stock market. Many shareholders give diverse views on the operation of a firm which are beneficial compared to opinions and decisions made by fewer shareholders. These companies with many shareholders will be able to reduce the agency costs such as bonuses that are performance based, options of stock e.t.c, which will eventually help the company to maximize the shareholders' wealth.

The findings also revealed that firm size has significantly and negatively influences stock performance for listed firms at NSE. This leads to the conclusion that size of the firm negatively affects stock performance hence there is an inverse association between corporate size and the performance of a stock for listed organizations at the NSE. This implies that smaller firms are able to change and adapt to different circumstances and grow faster. Smaller firms derive their value from their growth potential rather than existing assets or profits, hence outperform larger firms at the stock market.

Further, the study revealed positively and insignificant relationship between dividend policy and stock performance. This leads to the conclusion that dividend policy does not affect stock performance for the listed firms. There being no causal relationship between dividend policy and stock performance, dividend policy therefore could not have influenced stock performance.

5.4 Recommendations of the Study

The study recommends that firms that are listed to increase their number of shareholders through allotment of further shares and increase of authorized share capital. More shareholders in a listed firm will imply additional capital stock which might be beneficial to investors in the form of increased return on equity and capital gains. The increase in number of shareholders should be done in a way that it does not dilute the value of investors' existing shares.

On firm size, the study recommends that small firms should capitalize on their growth potential to increase their value in the stock market. Small firms should take advantage and take chances on the market trends and events, this will help in increasing their stock performance and also boost their growth. Large firms on the other hand should utilize their assets and profits towards increasing their value at the stock market and hence increase their stock performance.

Dividend policy should be ignored by firms which endeavor to perform at the stock market. The listed firms should not put much emphasis on dividend policy since it has no causal relationship with stock performance. Firms can also not pay out dividends and rather put to use the funds in other meaningful engagements that could be beneficial.

5.5 Limitations of the Study

The scope of discussions of breadth of ownership and stock performance in Kenya is minimal and this limited the availability of empirical studies for literature review. The study however relied on discussions from studies done in foreign contexts to build literature review and hence conduct the research.

The other limitation came from obtaining the secondary data to be used for the study. The researcher had difficulty in obtaining data for the five years for all the firms quoted at NSE, Still, the researcher engaged the data manager at the NSE and obtained the required data which was then used for timely completion of the study.

The research was unable to collect all data from the 63 listed companies at the NSE due to imperfections of non-disclosure and non-submission of ownership data to the NSE and CMA.

5.6 Suggestions for Further Research

The study only collected data from NSE in Kenya. However, the findings on breadth of ownership could be different in other East African countries. Further research should be done in other countries to enable comparison of the results of this study with other stock markets in the East African region. Furthermore, this would enable generalization of the findings.

There is a possibility that numerous other reasons may have influenced the performance of a stock which the study did not covered. A similar study would stimulate the literate wealth

if it was conducted parallel to this to ascertain the findings. This will eventually enlarge the literature scope on the performance of a stock. Also the period of study could be extended to check on whether the findings would be different.

It would also be very helpful if a similar study was conducted but covering the period of the Covid-19 pandemic. The results of such a research would be helpful in validating the findings of this study. Nevertheless, a similar study on companies that are not listed in the NSE should be undertaken and compare with the results from this study's findings.

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APPENDIX I: DATA COLLECTION SHEET

S. NO	Companies	Year	No. Of Shareholders	No. of shares Outstanding (shs)	Dividend payout per share(Shs Million)	Total Assets(Shs Million)	Yearly Stock prices(shs)
1							
2							
3							
4							
5							

APPENDIX II: LISTED FIRMS AT NSE AS AT DECEMBER 2019

COMPANY	SECTOR
1. Eaagads Ltd.	Agricultural
2. Kapchorua Tea Co. Ltd.	Agricultural
3. Kakuzi	Agricultural
4. Limuru Tea Co. Ltd.	Agricultural
5. Rea Vipingo Plantations Ltd.	Agricultural
6. Sasini Ltd.	Agricultural
7. Williamson Tea Kenya Ltd.	Agricultural
8. Car & General (K) Ltd.	Automobiles & Accessories
9. Absa Bank Kenya Ltd.	Banking
10. Stanbic Holdings Ltd.	Banking
11. I & M Holdings Ltd.	Banking
12. Diamond Trust Bank Kenya Ltd	Banking
13. HF Group Ltd.	Banking
14. KCB Group Ltd.	Banking
15. National Bank of Kenya Ltd.	Banking
16. NCBA Group Ltd	Banking
17. Standard Chartered Bank Ltd	Banking
18. Equity Group Holdings	Banking
19. The Co-operative Bank Ltd	Banking
20. BK Group	Banking
21. Express Ltd	Commercial & Services
22. Kenya Airways Ltd.	Commercial & Services
23. Nation Media Group	Commercial & Services
24. Standard Group Ltd.	Commercial & Services
25. TPS Eastern Africa (Serena) Ltd.	Commercial & Services
26. Scangroup Ltd.	Commercial & Services
27. Uchumi Supermarkets Ltd.	Commercial & Services
28. Longhorn Publishers Ltd.	Commercial & Services
29. Deacons (East Africa) Plc	Commercial & Services
30. Nairobi Business Ventures Ltd	Commercial & Services
31. Athi River Mining	Construction & Allied
32. Bamburi Cement Ltd.	Construction & Allied
33. Crown Paints Ltd	Construction & Allied

34. E.A Cables Ltd.	Construction & Allied
35. E.A Portland Cement Ltd.	Construction & Allied
36. Total Kenya Ltd.	Energy & Petroleum
37. KenGen Ltd.	Energy & Petroleum
38. Kenya Power & Lighting Co. Ltd.	Energy & Petroleum
39. Umeme Ltd	Energy & Petroleum
40. Jubilee Holdings Ltd	Insurance
41. Sanlam Kenya Ltd.	Insurance
42. Kenya Re- Insurance Corporation Ltd.	Insurance
43. Liberty Kenya Holdings	Insurance
44. Britam Holdings Ltd.	Insurance
45. CIC Insurance Group Ltd.	Insurance
46. Olympia Capital Holdings	Investment
47. Centum Investment Co. Ltd.	Investment
48. Trans- Century ltd.	Investment
49. Home Afrika Ltd	Investment
50. Kurwitu Ventures	Investment
51. B.O.C Kenya Ltd	Manufacturing & Allied
52. British American Tobacco Kenya Ltd.	Manufacturing & Allied
53. Carbacid Investments Ltd	Manufacturing & Allied
54. East African Breweries Ltd.	Manufacturing & Allied
55. Mumias Sugar Co. Ltd	Manufacturing & Allied
56. Unga Group Ltd.	Manufacturing & Allied
57. Eveready East Africa Ltd.	Manufacturing & Allied
58. Kenya Orchards Ltd.	Manufacturing & Allied
59. Flame Tree Group Holdings	Manufacturing & Allied
60. Safaricom Ltd	Telecommunication & Technology
61. Nairobi Securities Exchange Ltd	Investment Services
62. Stanlib Fahari	Real Estate Investment Trust
63. New Gold Issuer(RP) Ltd	Exchange Traded Fund

APPENDIX III: RESEARCH DATA

Company 5 year Averages	Breadth of Ownership	Size of the Firm (millions)	Dividend Policy (Dividend per share)	Tobin Q
Absa Bank Kenya Ltd	61,052	24.1056	1	0.239867
B.O.C Kenya Ltd	939	19.10831	4	1.060205
Bamburi Cement Ltd	3,383	22.05633	6.62	1.653713
British American Tobacco Kenya Ltd	4,775	21.32452	36.7	4.329061
Britam Holdings Ltd	25,060	23.00401	0.24	0.369396
Car & General (K) Ltd	1,123	20.71826	0.56	0.128168
Carbacid Investments Ltd	2,770	19.26742	0.56	7.293538
Centum Investment Co Ltd	36,923	22.4755	0.48	0.50282
CIC Insurance Group Ltd	17,001	21.82738	0.09	0.540182
Crown Paints Kenya Ltd	2,373	20.08699	0.48	0.553641
Diamond Trust Bank Kenya Ltd	11,063	24.6559	2.58	0.07813
E.A.Cables Ltd	14,268	20.46933	0	0.356321
E.A.Portland Cement Co. Ltd	1,286	22.7032	0	0.051249
East African Breweries Ltd	24,980	22.69065	7.7	3.182142
Equity Bank Ltd	27,362	24.70207	1.7	0.469829
Express Kenya Ltd	3,916	17.48826	0	0.426309

Housing Finance Co. Kenya Ltd	27,278	22.60478	0.59	0.146344
I&M Holdings Ltd	2,464	23.87175	15.1	0.187713
Jubilee Holdings Ltd	6,383	23.06925	8.2	0.30038
Kakuzi Ltd	1,321	19.94552	8	1.049451
Kapchorua Tea Co. Ltd	493	19.17962	8	0.329663
KenGen Co. Ltd	191,673	24.34361	0.52	0.146153
Kenya Airways Ltd	79,546	23.52104	0	0.165619
Kenya Commercial Bank Ltd	160,941	24.94121	2.6	0.19963
Kenya Power & Lighting Co Ltd	27,721	24.15473	0	0.070051
Kenya Re Insurance Corporation Ltd	103,680	22.16738	0.59	0.489394
Liberty Kenya Holdings Ltd	5,060	22.01179	0.3	0.203122
Longhorn Kenya Ltd	2,332	19.02653	2.56	1.101944
Nairobi Securities Exchange Ltd	13,134	19.16252	0.33	2.338694
Nation Media Group Ltd	11,245	20.84363	7.5	3.266339
National Bank of Kenya Ltd	48,802	23.16036	0	0.050821
NCBA Bank Ltd	26,224	23.88556	1.2	0.153871
Olympia Capital Holdings Ltd	3,252	18.90063	0	0.118812
Safaricom Ltd	587,321	23.54195	0.69	3.804514
Sanlam Kenya Ltd	3,560	21.78219	0	0.324887
Sasini Ltd	6,826	21.00888	0.9	0.302513

Scangroup Ltd	24,238	21.01502	0.55	0.963403
Standard Chartered Bank Kenya Ltd	30,436	24.0248	18.6	0.311642
Standard Group Ltd	3,520	19.90632	0.12	0.526341
The Co-operative Bank of Kenya Ltd	96,747	24.38766	0.88	0.189958
The Limuru Tea Co. Ltd	179	17.09567	0.54	5.625282
Total Kenya Ltd	5,733	22.03251	1.15	0.368373
Trans Century Ltd	1,853	21.30147	0	0.339008
TPS Eastern Africa Ltd	8,557	21.25954	0.26	0.339921
Umeme Ltd	5,548	19.23001	0.82	10.098636
Unga Group Ltd	7,070	20.69647	0.85	0.316113
Williamson Tea Kenya Ltd	1,479	20.6163	22	0.38344