
Foreign Ownership and Financial Performance of Firms Listed at the Nairobi Securities Exchange in Kenya

Article history: Revised format: 6th January 2026, Available online: 22nd April 2026

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Abstract:

Purpose: The purpose of this study was to establish the effect of foreign ownership structure on the financial performance of firms listed on the Nairobi Securities Exchange (NSE).

Material/methods: The study was guided by Stakeholder Theory. A census survey was conducted on all 63 NSE-listed firms, extracting secondary data from audited financial statements spanning 2014–2024 using a structured data collection sheet. An explanatory research design with a longitudinal approach was adopted, and both descriptive and inferential statistics were employed. Random effects regression analysis was conducted using STATA to assess the relationship between foreign ownership and firm financial performance.

Findings: The results revealed that foreign ownership has a positive and statistically significant effect on firm financial performance, demonstrating that international investors contribute to enhanced profitability and operational efficiency.

Conclusion: The study concludes that foreign ownership strengthens firm profitability among NSE-listed companies.

Value: The study provides insights for managers and investors by showing that foreign ownership enhances firm profitability through improved governance, transparency, and access to international expertise. It guides firms on maintaining optimal foreign shareholding to strengthen operational efficiency and strategic decision-making. Additionally, the findings inform policymakers and capital market regulators on the importance of creating an investor-friendly environment to attract and retain foreign investors, ultimately supporting a more competitive and sustainable Nairobi Securities Exchange.

Keywords: Foreign Ownership, Ownership Structure, Firm Financial Performance, Nairobi Securities Exchange, Stakeholder.

Paper Type: Research Article

Recommended citation: Rotich, D. K., Rono, L., & Tenai, J. (2026). Foreign ownership and financial performance of firms listed at the Nairobi Securities Exchange in Kenya. *Journal of Economics, Management Sciences and Procurement*, 5(1).

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1. Introduction

Firm performance is widely recognized as a key indicator of organizational stability, profitability, and long-term sustainability, making it a central concern for investors, policymakers, and scholars worldwide. It reflects a firm's economic health and its contribution to national growth and financial system stability (Labini et al., 2025). Firms with strong financial results are better positioned to attract capital, expand operations, and invest in innovation and research, thereby enhancing competitiveness and long-term value creation (Kirimi & Kariuki, 2022; Bai, 2025). However, maintaining consistent performance remains challenging in increasingly competitive and volatile global markets, and even firms within the same industry often display significant variations in profitability (Lee et al., 2022). These disparities underscore the importance of examining internal determinants of performance, particularly ownership structure.

Over the past decades, global corporate governance reforms have intensified following major financial scandals and crises that exposed weaknesses in oversight and accountability systems (Gomez, 2005). Such events highlighted the importance of ownership configuration in shaping corporate control, strategic direction, and risk management. Ownership structure determines how power and monitoring responsibilities are distributed among shareholders, influencing managerial behaviour and financial outcomes (Crisostomo et al., 2015). Within this framework, foreign ownership has gained prominence as a governance mechanism capable of strengthening accountability and improving operational efficiency through enhanced monitoring and access to international expertise.

Theoretically and empirically, foreign ownership is often associated with superior managerial skills, advanced technology transfer, and improved access to global markets. Foreign investors tend to introduce performance-based incentives and professional management practices that can enhance productivity and profitability (Aydin et al., 2007; Pallathitta, 2005). Djankov and Simeon (2008) argue that foreign shareholders contribute both generic and specialized knowledge that improves governance standards and operational capabilities. Similarly, Azzam, Fouad, and Ghosh (2013) observed that foreign-owned firms generally demonstrate stronger financial performance due to better governance systems and efficiency-driven management practices. Nevertheless, the empirical evidence remains inconclusive, as some studies report no significant or even negative relationships between foreign ownership and firm performance depending on institutional and market contexts (Aguilera & Cuerva, 2004; Zemlinerová, 2010).

In Kenya, the relationship between foreign ownership and financial performance has produced mixed findings. Chege (2013) found a positive association between foreign ownership and profitability among firms listed on the Nairobi Securities Exchange, suggesting that foreign investors enhance efficiency and governance quality. Conversely, Ochieng and Ahmed (2014) reported that Kenya Airways' performance did not improve as expected following privatization and increased foreign participation, raising questions about the extent to which foreign ownership benefits are realized in practice. Additionally, fluctuations in capital market activity such as the decline in equity turnover during the COVID-19 period (CMA Handbook, 2021) and instances of

corporate distress among listed firms have intensified concerns regarding governance effectiveness and investor confidence.

Despite extensive global research, limited studies have comprehensively examined the effect of foreign ownership on firm financial performance in developing economies using robust panel methodologies that address firm heterogeneity and evolving market conditions. The mixed empirical findings, coupled with recent economic disruptions and structural changes in Kenya's capital market, reveal significant conceptual and methodological gaps. Therefore, this study seeks to investigate the relationship between foreign ownership and financial performance among firms listed on the Nairobi Securities Exchange in Kenya.

2. Theoretical Framework

The Stakeholder Theory posits that a firm's long-term success depends on its ability to balance and integrate the interests of diverse stakeholders, including shareholders, employees, customers, suppliers, creditors, communities, and government institutions (Freeman et al., 2004). In the context of foreign ownership, foreign investors constitute influential stakeholders who contribute not only financial capital but also governance expectations, global networks, and performance-driven strategies. Their involvement can enhance transparency, accountability, and strategic oversight, thereby strengthening the firm's capacity to generate sustainable economic value while responding effectively to stakeholder demands. Furthermore, Stakeholder Theory views managers as custodians entrusted with aligning shareholder objectives with the broader interests of multiple stakeholder groups to ensure long-term survival and competitiveness (Manville & Ober, 2003; White, 2009). The presence of foreign owners may shape managerial conduct by introducing stricter monitoring systems, international reporting standards, and performance-based evaluation mechanisms that promote responsible and efficient decision-making. In addition, foreign investors often encourage adherence to ethical practices, improved risk management, and enhanced disclosure, which collectively reinforce corporate legitimacy and stakeholder trust. By fostering governance frameworks that balance profitability with accountability and social responsibility, foreign ownership can contribute to stronger financial performance outcomes. Thus, Stakeholder Theory offers a robust conceptual lens for understanding how foreign ownership influences managerial responsiveness, stakeholder engagement, and ultimately the financial performance of firms operating within Kenya's capital market.

3. Empirical Review (Hypothesis Development)

Foreign ownership has long been regarded as a key determinant of firm financial performance due to its association with improved corporate governance, access to international capital, and the transfer of advanced managerial and technological expertise. Institutional foreign shareholders are particularly recognized for promoting accountability and strengthening long-term governance systems, thereby enhancing sustainable performance (Sakawa & Watanabe, 2020). Douma et al. (2006), in a study of Indian corporations, found that firms with foreign ownership outperformed domestic firms in both Return on Assets (ROA) and Tobin's Q, concluding that foreign corporate ownership had a statistically significant positive effect on accounting- and market-

based performance measures. This superior performance was attributed to foreign investors' access to advanced technology, global networks, effective management practices, and stronger international reputations (Aitken & Harrison, 1999).

Evidence from other regions further supports the positive association between foreign ownership and firm performance. Boardman et al. (1997) reported significant performance differences between multinational enterprises and domestic firms in Canada, while Willmore (1986) found that foreign-owned firms in Brazil exhibited higher productivity and capital intensity than locally owned firms. Similarly, Wiwattanakantang (2001) observed that Thai firms under foreign control achieved superior performance outcomes. However, some studies suggest that the relationship may not be strictly linear. Aneta (2016) identified a threshold effect, where performance improved with foreign ownership up to approximately 61–65%, after which additional foreign participation led to declining performance. This finding aligns with Greenaway, Guariglia, and Yu (2014) and Akimova and Schwödiauer (2004), who argued that excessive foreign ownership may limit local responsiveness and create coordination challenges.

Foreign investors are often viewed as catalysts for stronger monitoring and governance systems. Stulz (1988) argued that foreign shareholders implement strict control mechanisms to safeguard expected returns, thereby reducing agency costs and enhancing transparency. Nevertheless, Lee (2008), using South Korean panel data, found that although ownership concentration improved financial performance, the direct effect of foreign ownership was insignificant, suggesting that monitoring efficiency rather than ownership type may drive outcomes. Similarly, Cespedes, Gonzalez, and Molina (2010) emphasized that ownership concentration, whether foreign or domestic plays a central role in shaping firm value and governance quality. Despite these mixed findings, the prevailing empirical evidence suggests that foreign ownership can significantly influence firm financial performance, leading to the development of the hypothesis that.

H₁: Foreign ownership has significant effect on firm financial performance of firms listed in NSE

4. Methodology

This study was grounded in the positivist research philosophy, which assumes that reality is objective, measurable, and can be examined through empirical observation and statistical testing. Positivism was considered appropriate because the study aimed to test hypothesized relationships between foreign ownership and firm financial performance using quantitative secondary data. An explanatory research design was adopted to establish causal relationships between the study variables. This design enabled the researcher to examine how changes in foreign ownership influence financial performance outcomes among firms. In addition, a longitudinal approach was employed to analyze trends over time. The longitudinal design allowed the study to examine repeated observations of firms across a 11-year period (2014–2024), capturing dynamic changes in foreign ownership patterns and financial performance among firms listed at the Nairobi Securities Exchange.

Study Population and Selection Criteria

The study focused on all firms listed on the Nairobi Securities Exchange as outlined in the NSE Listing Manual (2021). A census method was adopted to incorporate every eligible listed firm, thereby enhancing the representativeness of the findings and improving the generalizability of the results to the entire market. To ensure consistency and reliability of the panel data, clear selection criteria were established. Firms were required to have been listed before 2014, remain actively listed throughout the study period, and consistently publish audited financial statements between 2014 and 2024. Companies that were delisted, newly listed after 2014, suspended from trading, or lacking complete financial and foreign ownership disclosures were excluded to preserve data continuity and ensure robust longitudinal analysis. The selected eleven-year period (2014–2024) was strategically chosen to capture significant economic developments, including the COVID-19 pandemic. This timeframe enabled the study to assess changes in foreign ownership patterns and firm financial performance before, during, and after major economic disruptions.

Data Collection

The study utilized secondary data drawn from audited annual reports, the NSE Handbook, and official disclosures issued by the Capital Markets Authority and the Nairobi Securities Exchange. Data were gathered through content analysis using a structured data extraction sheet to systematically capture relevant financial and ownership information from published statements.

Measurement of Variables

Firm financial performance, the dependent variable, was measured using Return on Equity (ROE), calculated as profit after tax divided by shareholders' equity. Foreign ownership, the main independent variable, was measured as the proportion of shares held by foreign investors, institutions, or individuals, including foreign corporations and financial entities. To enhance analytical accuracy, the study incorporated control variables. Firm size was measured as the natural logarithm of total assets, while firm age was computed as 2024 minus the year of incorporation. These standardized measurements ensured consistency, comparability, and reliability of data across firms and over time.

Table 1: Measurement of Variables

Variable Definition	Indicators	Scale	Measurement
Dependent variable			
Return on equity	ROE	Ratio	EBIT/ equity
Independent Variables			
Foreign Ownership	Share held by foreigners	%	Percentage of shareholding foreigners
Control Variables			
Firm size	total assets	ratio	Log of current year total Assets
Firm age	years since incorporation	number	2024 minus the establishment date of the company

Data Analysis

Data analysis involved both descriptive and inferential statistics. Descriptive statistics including means and standard deviations were used to summarize the distribution and characteristics of the variables. Pearson's correlation analysis assessed the strength and direction of relationships between ownership structure and financial performance, while panel regression analysis was employed to test the study hypotheses and examine the moderating effect of financial leverage. Prior to regression analysis, diagnostic tests such as multicollinearity checks were conducted to ensure model validity. The study utilized a multivariate panel regression model to estimate the effect of government ownership on firm financial performance, incorporating firm size and age as control variables to enhance robustness and minimize omitted variable bias.

Model Specification

Thus, the model testing direct effects of foreign ownership and financial performance are as follows:

$$FP = \beta_{0it} + \beta_1 fa_{it} + \beta_2 fs_{it} + \beta_3 FO_{it} + e_{it}$$

Where;

FP = Financial Performance of firm

GO = Foreign Ownership

β_0 = the constant term of firm

fa = Firm Age

fs= Firm size

$\beta_{ii} = 1, \dots, 3$ measure of the sensitivity of the dependent variable (FP) to unit change in the predictor variables Foreign Ownership.

ϵ = the error term

i Represent the firm observation

t Measure of time

5. Results

The descriptive statistics for the study reveal important insights into the financial performance and foreign ownership of firms listed on the Nairobi Securities Exchange. The dependent variable, Return on Equity (ROE), had a mean of 4.80%, ranging from -11.60% to 26.60%, with a high coefficient of variation (1.31), positive skewness (1.07), and leptokurtic kurtosis (6.55). These results indicate that while most firms reported moderate ROE, a few experienced exceptionally high or negative returns, reflecting significant variability in profitability across the market. Foreign ownership (FO) averaged 34.27% across the sample, demonstrating moderate international participation in the listed firms. Its low skewness (0.51) and near-normal kurtosis (2.06) suggest that foreign ownership is relatively evenly distributed across firms, with no extreme concentrations dominating the market. This level of foreign investment implies that international investors play a meaningful role in shaping firm governance and strategic decision-making within the NSE. The control variables firm size (FS) and firm age (FA) showed stability across the sample. Firm size had a mean of 6.90 (log of total assets) with low dispersion (CV = 0.17), indicating the dominance of large firms, while firm age averaged 72.85 years, with moderate variation, suggesting a mix of mature and relatively young firms. The findings highlight a capital market characterized by moderate foreign ownership and considerable heterogeneity in firm profitability, underscoring the need to investigate how foreign ownership influences ROE among NSE-listed firms.

Table 2: Descriptive Statistics

Stats	N	Min	Max	Mean	SD	CV	Skewnes s	Kurtosi s
ROE	451	-11.60	26.60	4.80	6.30	1.31	1.07	6.55
FO	451	0.00	100.0	34.27	33.36	0.97	0.51	2.06
FS	451	3.86	161.0	6.90	1.17	0.17	-0.15	2.23
FA	451	11.00	0	72.85	31.59	0.43	0.59	3.20

Source: (Field Data, 2025)

Key; ROE = Return on Equity, FO = Foreign Ownership, FS = Firm Size, FA = Firm Age

Unit Root Test

The unit root test results in Table 3 indicate that all variables in the study, including Return on Equity (ROE), foreign ownership (FO), firm size (FS), and firm age (FA), are stationary at level, as evidenced by p-values below the 0.05 significance threshold (ROE = 0.003, FO = 0.000, FS = 0.000, FA = 0.020). This confirms that the statistical properties of these variables such as mean, variance, and autocorrelation remain stable over time, ensuring that the panel regression analysis produces reliable and unbiased estimates. The stationarity of ROE and FO supports the validity of examining the relationship between foreign ownership and firm financial performance among NSE-

listed firms, as the absence of unit roots mitigates the risk of spurious results and allows for meaningful interpretation of causal and correlational findings.

Table 3: Unit root test

		Statistic	z	p-value
ROE	rho	0.711	-0.981	0.003
FO	rho	0.403	-8.752	0.000
FS	rho	0.214	-13.528	0.000
FA	rho	0.668	-2.065	0.020

Source: (Field Data, 2025)

Correlation Results

The correlation results in Table 4 indicate that Return on Equity (ROE), the measure of firm financial performance, is positively and significantly associated with foreign ownership (FO) ($\rho = .376$, $p < .01$), firm size (FS) ($\rho = .114$, $p < .05$), and firm age (FA) ($\rho = .265$, $p < .01$). This suggests that firms with higher foreign shareholding, larger asset bases, and longer operational histories tend to exhibit stronger financial performance, highlighting the positive role of foreign investment, firm maturity, and scale in enhancing profitability. Additionally, the analysis shows a very strong positive correlation between foreign ownership and firm age ($\rho = .925$, $p < .01$) and a moderate positive association with firm size ($\rho = .266$, $p < .01$), implying that older and larger firms are more likely to attract foreign investors, likely due to their stability, reputation, and lower perceived risk. These patterns underscore the influence of firm characteristics in shaping foreign investor participation and, consequently, performance outcomes. The correlation findings support the view that foreign ownership contributes positively to firm financial performance among NSE-listed firms. They also align with prior studies emphasizing that ownership diversity, firm size, and maturity enhance governance efficiency, resource access, and market confidence, which together foster sustainable profitability (Khan et al., 2023; Liu et al., 2022; Ben Fatma & Chouaibi, 2023).

Table 4: Correlation results

	ROE	FO	FS	FA
ROE	1			
FO	.376**	1		
FS	.114*	.266**	1	
FA	.265**	.925**	.281**	1

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

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

Source: (Field Data, 2025)

Hypotheses Testing

The diagnostic tests confirm that the panel data satisfy key regression assumptions. The Jarque–Bera normality test returned $\chi^2(2) = 2.401$, $p = 0.5278$, indicating that the residuals were normally distributed. The Wooldridge test for autocorrelation produced an F-statistic of 3.760 with a p-value of 0.6914, confirming no first-order autocorrelation. Multicollinearity was not a concern, as the mean Variance Inflation Factor (VIF) was 2.11, well below the critical threshold of 10. Additionally, White's test for heteroscedasticity showed $\chi^2(9) = 4.03$, $p = 0.744$, indicating that the variance of residuals was constant across observations. These results demonstrate that the dataset is reliable, and the regression estimates are robust, justifying the use of parametric analysis for hypothesis testing.

The Hausman specification test was conducted to determine the appropriate panel model. The chi-square statistic of $\chi^2(5) = 7.79$ with a p-value of 0.1684 exceeded the 5% significance level, indicating no systematic difference between Fixed Effects and Random Effects estimates. This result validates the use of the Random Effects Model (REM), which efficiently captures both within-firm and between-firm variations over time while accounting for unobserved heterogeneity. By adopting REM, the analysis ensures consistent and unbiased coefficient estimates, allowing for accurate assessment of the influence of foreign ownership on firm financial performance among firms listed on the Nairobi Securities Exchange.

The random-effects regression model demonstrates adequate explanatory power and fit. The Wald chi-square statistic of 66.86 ($p < 0.001$) indicates that the independent variables collectively explain variations in financial performance (ROE). The within R^2 of 0.111 shows that 11.1% of variation in ROE is explained by differences within firms over time, while the between R^2 of 0.380 suggests that 38% of variation across firms is accounted for by foreign ownership and other firm characteristics. The overall R^2 of 0.362 indicates that about 36.2% of total variation in financial performance is explained by the model. These results confirm that the model fits the data sufficiently and is suitable for testing the study hypothesis.

The regression results show that foreign ownership has a significant positive effect on financial performance ($\beta = 0.234$, $p = 0.001$), supporting the hypothesis that foreign investors enhance firm performance through improved governance, technological expertise, and management practices. Among the control variables, firm size had a negative but marginally significant effect on ROE ($\beta = -0.020$, $p = 0.084$), suggesting that larger firms may face inefficiencies due to bureaucratic processes. Firm age was positively and significantly associated with ROE ($\beta = 0.187$, $p < 0.001$), indicating that older firms benefit from accumulated experience, market reputation, and stable resources. The findings confirm that foreign ownership strengthens financial performance in NSE-listed firms, highlighting the importance of external investment in enhancing profitability and firm efficiency.

Table 5: Random Effects Regression

Fixed-effects (within) regression Group variable: id		Number of obs	=	451		
		Number of groups	=	41		
R-sq:	Within	0.111	Obs per group	min	11	
	Between	0.380		avg	11.0	
	Overall	0.362		max	11	
corr(u_i,Xb) = 0(assumed)			Wald chi2(5)	=	66.86	
			Prob > chi2	=	0.0000	
FP	Coef.	Std. Err.	t	P> t 	[95% Conf. Interval]	
FO	0.234	0.068	3.450	0.001	0.101	0.367
FS	-0.020	0.012	-1.730	0.084	-0.042	0.003
FA	0.187	0.027	6.930	0.000	0.134	0.240
_cons	-0.030	0.131	-0.230	0.822	-0.287	0.228
Hausman test						
Chi2(5)	7.79					
Prob>chi2	0.1684					
Jarque-Bera normality test						
Chi (2)	2.401					
Prob>chi2	0.5278					
Wooldridge test for autocorrelation						
F(1, 20)	3.760					
Prob > F	0.6914					
White test for Homoscedasticity						
Chi2(9)	4.03					
Prob > chi2	0.744					
Multicollinearity						
Mean VIF	2.11					

Source: (Field Data, 2025)

6. Discussions

Based on the findings of this study, foreign ownership was found to have a significant positive effect on the financial performance of firms listed on the Nairobi Securities Exchange. This aligns with existing literature that emphasizes foreign investors' role in improving corporate governance, providing access to international capital, and transferring advanced managerial and technological expertise (Sakawa & Watanabe, 2020; Aitken & Harrison, 1999; Douma et al., 2006). Firms with higher foreign ownership benefit from enhanced accountability and stronger long-term governance systems, which translate into improved operational efficiency, transparency, and profitability. The results also support the notion that foreign investors act as catalysts for the adoption of global best practices and strategic decision-making, reinforcing their influence on firm performance as observed in studies from India, Brazil, Canada, and Thailand (Boardman et al., 1997; Willmore, 1986; Wiwattanakantang, 2001).

At the same time, the findings acknowledge the nuanced nature of the foreign ownership–performance relationship. While foreign ownership positively impacted firm performance in this study, prior research indicates potential threshold effects, where excessive foreign participation could reduce local responsiveness and create coordination challenges (Aneta, 2016; Greenaway et al., 2014; Akimova & Schwödiauer, 2004). The positive results observed in the NSE context suggest that foreign investors contribute effectively to monitoring and governance mechanisms, enhancing firm value and reducing agency costs (Stulz, 1988; Cespedes et al., 2010). Nevertheless, the effectiveness of foreign ownership may depend on complementary factors such as ownership concentration, managerial alignment, and firm-specific governance structures (Lee, 2008). Overall, the study reinforces the view that balanced foreign participation strengthens financial outcomes, underlining the practical importance of attracting and integrating strategic foreign investors to maximize firm performance in Kenya’s capital market.

7. Conclusion

The study also concluded that foreign ownership significantly enhances financial performance among firms listed on the NSE. Firms with notable foreign participation benefit from global management expertise, technological innovation, and international governance practices, which collectively strengthen their competitiveness and operational efficiency. Foreign investors often demand higher standards of transparency, accountability, and financial discipline, leading to improved management performance and better resource utilization. Their participation not only injects capital but also facilitates knowledge transfer, exposure to global markets, and access to advanced business strategies. These attributes contribute to long-term profitability and stability within Kenya’s corporate landscape. Moreover, the presence of foreign shareholders fosters a culture of professionalism and performance benchmarking, encouraging local firms to adopt best practices that align with international standards. The study therefore concludes that sustained foreign investment is beneficial to the growth and development of listed firms, as it enhances their ability to compete both locally and globally.

8. Recommendations

The findings of this study underscore the tangible benefits of foreign ownership for firms listed on the Nairobi Securities Exchange. Managers should therefore actively pursue strategic partnerships and equity participation from foreign investors. This can be achieved through targeted investor relations initiatives, joint ventures, or cross-border collaborations that leverage the technical expertise, managerial skills, and international market networks that foreign investors bring. Practically, firms can establish formal programs to integrate foreign partners into decision-making processes, adopt international best practices, and upgrade technology systems to enhance operational efficiency and profitability.

From a policy perspective, regulatory bodies and government agencies should create a conducive environment to attract and retain foreign investors. This could include implementing clear and transparent listing requirements, offering tax incentives, reducing bureaucratic hurdles, and ensuring political and economic stability. By

actively encouraging foreign participation, policymakers can help strengthen the overall performance of the NSE and promote a competitive capital market that benefits both local and international stakeholders.

Furthermore, the study highlights the importance of robust corporate governance in leveraging foreign ownership for performance gains. Firms should formalize governance structures that balance the interests of foreign investors, management, and other stakeholders. Practically, this could involve enhancing board oversight, establishing audit and compliance committees, and promoting transparency in financial reporting. Aligning management practices with stakeholder expectations, as emphasized by the Stakeholder Theory, ensures that foreign investors serve as active partners in enforcing ethical standards, compliance, and operational excellence, thereby improving firm reputation and long-term sustainability.

9. Limitations and Suggestions for Further Research

A key limitation of this study is its focus on a single ownership variable foreign ownership within firms listed on the Nairobi Securities Exchange (NSE). While the analysis provides valuable insights into the positive relationship between foreign participation and financial performance, it does not account for other ownership dimensions, such as domestic institutional investors, family ownership, or cross-sectoral differences, which may also influence firm outcomes. Additionally, the study relies exclusively on secondary quantitative data from audited financial statements, which limits the ability to capture qualitative aspects of foreign ownership, such as managerial influence, cultural integration, or strategic decision-making processes. Finally, the research is restricted to an 11-year period (2014–2024), which, while sufficient for observing trends, may not fully capture longer-term effects of foreign investment on firm performance.

Building on these limitations, future studies could investigate the threshold effect of foreign ownership on firm performance in Kenya, identifying the level of foreign participation beyond which additional equity may no longer contribute to performance gains or could even reduce efficiency. Another avenue for research is to examine the interaction between foreign ownership and corporate governance mechanisms, including board composition, audit quality, or managerial incentives, to determine how governance structures moderate or amplify the impact of foreign investors on financial performance. These studies would provide more comprehensive insights for policymakers, managers, and investors seeking to optimize foreign participation while ensuring sustainable firm growth.

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