



Moderating Role of Institutional Ownership Structure on the Relationship Between Market Value to Book Value Ratio and Stock Price Volatility of Companies Listed on Nairobi Securities Exchange in Kenya

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Abstract

This study sought to examine the relationship between market to book value ratio (MPBV) and stock price volatility (SPV) of firms listed on Nairobi securities exchange. The study further explored the moderating effect of institutional ownership structure (INS) on the relationship between market to book value ratio and stock price volatility. Positivism research philosophy and explanatory research design which is panel in nature was adopted by the study to collect secondary data from 39 listed firms at Nairobi Securities Exchange from 2008 to 2019. The data was analysed using descriptive, correlation and panel data regression analysis. The findings indicated that control variables firm size and firm growth were significant to affect stock price volatility. Random effect model showed that market value ratios (MPBV, INS, SZ and GR) predicted 10.45% variation in SPV ($R\text{-sq} = 0.1045$). From the results MPBV ($\beta = -0.0469$, $p = 0.000 < .05$) and INS ($\beta = -0.0949$, $p = 0.012 < .05$) negatively and significantly influenced stock price volatility. Further INS moderated the relationship between MPBV ($\beta = 0.0815$, $\rho = 0.000 < .05$), and SPV. The study concludes that market to book value ratio influence stock price volatility. Also, institutional ownership structure moderates the relationship between market to book value ratio and stock price volatility.

Keywords: Market value ratio, Book value ratio, Stock price volatility, Nairobi securities exchange

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