

**THE RELATIONSHIP BETWEEN DIVIDEND PAYOUT AND THE  
VALUE OF COMPANIES LISTED AT THE NAIROBI SECURITIES  
EXCHANGE**

**BY**

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## DECLARATION

This research project is my original work and has not been submitted for a degree course in any university.

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Date.....

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D61/82183/2015

This research project has been submitted for examination with my approval as a university supervisor.

Signature.....

Date.....

Dr. Josephat Lishenga

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I thank my father Mr. James Sabila who strongly believes in education and always prayed for me. I thank my siblings Dr. Paul Sabila and Charity Sabila who challenged me to do masters.

## **DEDICATION**

I dedicate this research project to my father and siblings whose strong believe in education made me not to give up.

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## **ABBREVIATIONS**

CAPM - Capital Asset Pricing Model

CMA - Capital Markets Authority

DPR – Dividend Payout Ratio

DPS - Dividend per Share

EPS - Earnings per Share

MM - Modigliani and Miller

MPS - Market Price per Share

NPV – Net Present Value

NSE - Nairobi Securities Exchange

NYSE - New York Stock Exchange

ROA - Return on Assets

SD – Standard Deviation

VIF – Variable Inflation Factor

## **ABSTRACT**

The objective of this study was to find out the correlation between dividend payout and the value of companies quoted at the Nairobi Securities Exchange. The dependent variable was the value of the firms, the independent variable was the dividend payout and the control variables were profitability, capital structure and size of the firm. This study reviewed Dividend Irrelevant Model, Dividend Relevance model, Bird in the Hand Theory, Information signaling effect theory, Tax Preference Theory and Clientele Effect Theory. The study population was all the 65 listed companies at the Nairobi Securities Exchange as at 31<sup>st</sup> December 2016 and the study sampled 16 firms from almost all the sectors apart from insurance and telecommunications. The study period was five years from 2012 to 2016. Regression and correlation models were used. Strata software was used to analyze data. The study found out that companies that pay high dividends are highly valued in the market than firms that do not or pay low dividends. The study also found out that dividend payout, profitability and size of the firm had a positive relationship with the value of the firm. The study also found out that dividend payout had the strongest positive correlation followed by profitability and the size of the firm had a very small positive correlation with the value of the firm. On the other hand an increase in the capital structure resulted to a negative correlation with the value of the firm. The study found that an increase in the amount of debt in capital structure resulted to a decrease in the value of the firm. The results of the study supported the dividend relevance theory which states that investors are influenced by the dividend policy of a firm.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the study

Dividend is that part of profits that is distributed to a class of shareholders of a company from retained earnings. According to Musyoka (2015), when a firm makes profits, its board of directors can decide to retain them as a source of internal finance or distribute them to its ordinary shareholders as dividends. Dividends are declared by the board of directors and approved by the common stock holders.

If a company decides not to pay dividends it can use the excess cash to repurchase its own stock, invest in more projects, acquire new firms, acquire profitable assets and reinvest in financial assets. According to Kinyua (2013), using retained earnings would be cheaper to a company as it is an internal source of finance compared to the external sources of finance. Some financial analysts argue that a company that retains its profits for growth will increase its stock price and also its value of stock in the market. Dividends can be paid annually, biannually or quarterly. Start-ups and growing firms hardly pay dividends because all of their profits are plowed back so as to help sustain high-than average growth and expansion. On the other hand, larger and more established companies pay dividends regularly so as to maximize the shareholders wealth.

To pay Dividend or not is one of the finance options that a company has to decide from time to time. Modigliani and Miller (1961) came up with Dividend Irrelevance Theory also known as MM Theory in 1961. Gordon (1962) and Lintner (1956) came up with the Dividend Irrelevance Theory, they argued that dividend payment has a direct relationship

with the firm's value. They stated that investors would prefer investing in a company that pays dividends regularly and consistently. According to Rozeff (1982), payment of dividends may serve as a solution to agency problems as it reduces funds that would be available to managers and hinder them from pursuing their own goals. Mugo (2014) argued that payment of dividends has an impact in market price of a share (according to signaling theory) and thus a higher dividend per share increases the company's value firm in the market and vice versa.

### **1.1.1 Dividend Payout**

According to Fumey and Doku (2013), dividend payout is the ratio of total profits paid out to ordinary stock holders as dividends. Dividend payout policy can be stable, constant or residual. This policy is made by the board of directors of a company and once it is approved it becomes like a liability to the company, in that a company should consistently pay dividends and even if the company's performance is not good most companies find it difficult to reduce or not to pay dividends. If they opt not to pay dividends, this decision would give a negative signal to the existing and prospective shareholders as they will view it as not performing. Companies that pay dividends consistently are viewed as financially sound and the demand of their shares is high in the market. Firms that incur losses cannot declare dividends and thus firms that pay dividends are viewed as profitable companies. Modigliani & Miller (1961) stated that a firm's value is not influenced by its dividend payout. On the contrary Gordon (1962) in his Bird in the Hand Theory stated that shareholders would value current dividends to future capital gain. He termed current dividend as bird in the hand and future capital gain

as bird in the bush. According to Gordon (1962), dividend payout has a direct relationship with the value of the firm. Firms have different dividend payout policies depending on their growth stage, investment opportunities, and cost of external capital, their investors' preference and the companies' size. Start-ups and growing firms would prefer not pay dividends and instead use the profits to grow their business. Enterprises that have a residual dividend payout policy will invest in all the profitable projects and distribute the balance as dividends to its ordinary shareholders. If the cost of raising additional capital in the market is expensive a company would rather utilize its retained earnings as a source of internal finance which is always cheaper than external sources of finance. According to Gordon (1962) and Walter (1963), Companies whose investors value dividends to capital gain would opt to pay dividends to their shareholders and vice versa. Large and well established firms regularly pay dividends. Only profitable companies pay dividends. Companies are not obligated to pay dividends, however enterprises listed at the NSE should have a clear dividend policy.

### **1.1.2 Value of the Firm**

This is the economic company's value in the market. It is the total claim the creditors and shareholders both ordinary and preference shareholders lay claim on the company. The value of an enterprise shows how a firm is valued in the market by the current shareholders, prospective shareholders, competitors, creditors among other stakeholders. Firm's net worth is the total of its debt and equity which is based wholly on the income generated by the firm's assets (Modigliani, 1980).

The market value reflects the price of its shares in the market. It is also known as market capitalization for public quoted companies and it is given as the product of its total outstanding shares multiplied by its market price per share. The best dividend policy maximizes the shareholders net worth. According to Gordon (1962) and Lintner (1963) companies that pay high dividends have a higher demand of its shares in the market than firms that do not pay high dividends. Thus high demand for shares in the market causes their prices to go up and hence increases the value of the firm. Most investors would want to invest in companies that pay high dividends. Investors will negatively view a company that used to pay dividends and stops or reduces the payout rate.

### **1.1.3 Dividend Payout and the Value of the Firm**

Modigliani and Miller (1962) argued that a company's value has no relationship with its dividend payout while others argue that an enterprise's net worth is determined by its dividend payout. However there has been an unending discussion to establish whether an enterprise's net worth is affected by its dividend payout. This argument brought up two types of Models. The first model is the Dividend Irrelevant Model which outlines that dividend policy has no relationship with the net worth of an enterprise and the second model is the Dividend Relevance model that the value of an enterprise is influenced by the dividend policy of an enterprise. Modigliani and Miller (1962) argued that an enterprise net worth not influenced by its dividend policy. They stated that stock holders will not focus on the dividend payout when they want to invest since they can create their own dividend policy, if an investor does not want additional dividend he can use the cash distributed as dividends to purchase additional stock. Likewise if an investor wants cash

and the company does not declare dividends then he can sell some of his shares to get cash. Thus according to Modigliani and Miller (1962), a company's dividend policy is irrelevant to the existing and potential shareholders. They also stated that the net worth of an enterprise is based on its earnings and its investment policy and not by the company's dividend policy. Their arguments were based on a perfect market scenario where taxes and transaction costs do not exist, that all investors are homogeneous, that all investors have identical information at the same time at no cost, that there are no brokerage costs, that the future profits of the firm are known with certainty, that dividend is a passive residual and that the shareholders have the power to make home-made dividends.

Prof. James E. Walter and Myron J. Gordon came up with dividend relevance theories. Gordon (1962) and Lintner (1963) argued that dividend payment is very important and that companies that give dividends are highly value in the market than firms that do not. In their Bird in hand theory they stated that stock holders favor current benefits over future gain. Walter's Model stated that the option of paying or not paying dividends would always have an impact on the net worth of companies. Myron J. Gordon came up with the Gordon's Growth model in the late 1950's which states that the current dividends are vital in determining the value of the firm.

#### **1.1.4 Nairobi Securities Exchange**

NSE is the principal association in Kenya giving an automated platform for the listing and trading of multiple securities. The securities at the Nairobi Securities Exchange are



traded publicly and in Africa it is the second self-listed exchange. It is number five in Africa in terms of market capitalization with an average of USD. 20billion as at 31<sup>st</sup> December 2016. There are 65 firms quoted at the NSE as at 30 June 2016. For a firm to be quoted at the NSE it must be cleared by CMA, which is an independent government regulating agency given the mandate of licensing, supervising and monitoring affairs of market intermediaries including the stock exchange. Shares and Bonds are the products traded at the Nairobi Securities Exchange. Most companies whose shares trade in the NSE pay dividends.

## **1.2 Statement of the problem**

Various studies have been done over the years around the globe to establish whether a company's value is affected by its dividend payout. Some scholars like Modigliani and Miller (1961) claimed that dividend payment does not affect the net worth of an enterprise. On the contrary Gordon (1962) and Walter (1963) disagreed with MM irrelevance theory. They both agreed that dividend payment has a favorable relationship on the value of the company. According to them dividend payout has a direct relationship with the net worth of the company. They stated that firms that pay high and consistent dividends are more popular in the market than companies that do not pay dividends at all. They also argued that both current and potential stock holders view immediate dividend to be more reliable than long term capital gain which is uncertain.

Some scholars have done their research and supported the information signaling theory which is in agreement with dividend relevance theory. Others have done their research and supported the tax preference theory which agrees with dividend irrelevance theory. Still others have done their research and supported the clientele effect theory which states that investors value dividend differently. Clientele effect theory states that investors would invest in a company which is in line with their investment objective. The old would prefer to invest in a company that pays high and regular dividends. On the other hand young investors would prefer to invest in a company that does not pay dividends as they are more interested in future capital gain.

Black and Scholes (1976) researched on the relationship between dividend policy and the value of firms. Their findings supported dividend irrelevance theory. They concluded that an enterprise's value is not affected by its dividend policy. Amollo (2016) researched on the impact of dividend policy on the bank's value of Commercial Banks in Kenya. According to Amollo (2016), dividend payment is relevant as far as the value of the firm is concerned. This finding supported dividend relevance theory. Waiganjo (2014) studied dividend policy's impact on market capitalization for companies quoted at NSE. His study supported dividend relevance theory. Many researches have been done on this topic and different scholars have had different views concerning the relationship between firms' value and dividend payout. This study was carried out to add to the existing knowledge so as establish whether dividend payout supports Dividend Irrelevance Model or Dividend Relevance Model in the prevailing economic situation in Kenya.

### **1.3 Objectives of the study**

The objective of this study was to establish whether there is a relationship between dividend payout and the value of the firm.

#### **1.3.1 Specific Objectives**

The specific objective of this study was to find whether capital structure, profitability and the company's size affected the value of firms quoted at the NSE.

### **1.4 Value of this study**

This study will be used by other scholars when doing their own research. It will assist organizations know the effects of dividend payment on the net worth of their companies. This study will also enable investors know in which companies to invest in according to their dividend preference. Investors that would want dividends would invest in high paying dividend companies and likewise investors that would prefer capital gain would invest in companies that do not pay dividends but rather plowback their profits. It will also enlighten organizations on how to target their clientele. This research will be beneficial to Capital Market Authority on the area of compliance to the laid down policies and regulations on dividend policy. It will also be beneficial to the Government on the tax matters. This study will provide a basis for further research on the gaps that will be identified. This research will be used by other stakeholders such as the creditors, suppliers, employees of organizations to know how dividend policy of an organization will affect them. This study will be of help to companies when formulating their dividend policy. This study will also serve as point of reference to future researchers.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter analyses theories, past studies, literatures, researches and empirical studies done on the effects of dividend policy on the company's value.

### **2.2 Theoretical foundations and Theoretical Framework**

Two models have been developed concerning dividend policy. The first model is the Dividend irrelevance Theory and the second model is the dividend relevance theory.

#### **2.2.1 Dividend Irrelevance Theory**

Modigliani and Miller (1961) claimed that a company's value is not dependent on its dividend policy. According to them dividend payment is irrelevant and does not influence an investor's decision whether or not to buy shares of a company. They argued that investors can create their own dividend policy either by selling their shares if they want additional cash or by purchasing shares using the cash distributed to them as dividends.

Modigliani and Miller (1961) based their arguments on the following assumptions; that the market is perfect where there are no taxes, no brokerage costs, that all investors are homogeneous, that information is available to all investors at the same time and at no cost, that all investors are rational and risk averse. This theory was criticized by both Gordon (1962) and Lintner (1963). In real world an investor cannot escape brokerage costs. An investor has to incur brokerage costs when selling and purchasing stocks. Both dividends and capital gain attract taxes at different rates and so tax is unavoidable in both cases. It is evident that managers are more informed than the stock holders and the

public and their assumption of the access to the same information does not hold water and this is evident in information signaling theory. This theory is relevant because it shows how some investors are not keen about the dividend policy of a company.

### **2.2.2 Bird In Hand Theory**

This theory falls under the dividend relevance model. Developed by Gordon (1962) and Lintner (1963), they argued that stock holders favor current benefits to future capital gains. According to them current benefits in terms of dividends is likened to the bird in hand. They stated that future capital gain is uncertain and that shareholders would prefer to have what they can see than what they cannot see. They also argued that future capital gain is risky and not promising. They pointed out that the future is uncertain and that the more distant the future is the more uncertain it is likely to be. Investors are risk averse and would always prefer certain current dividend to future uncertain capital gains. According to this theory dividend payment has more weight in determining the net worth of an enterprise. Thus this theory posits that a company that pays dividend is more popular in the market than a company that does not. It also suggests that the price for the shares of the companies that pay dividend has a higher demand in the market and thus causing its shares to sell at a higher price than a company that does not pay dividends. This theory is relevant because it shows how some investors are only attracted to companies that pay high, consistent, timely and reliable dividends.

### **2.2.3 Tax Preference Theory**

Developed by Litzenberger & Ramaswamy (1982), they stated that stock holders are inclined to lower payout companies so as to take advantage of tax and reduce their tax expense. According to them some investors would prefer future capital gains to current dividends on the following grounds. Firstly, the tax charged on capital gains are lower than the tax charged on dividends, this is because capital gain is taxed at a lower rate than dividends. This is preferred by wealthy stockholders who own most of the shares and since dividends are determined by the management and approved by the shareholders, these wealthy shareholders will always disapprove dividend payments. Secondly, tax on capital gains is paid at the end when stocks are sold and so tax expense on future capital gains will be lower than tax expense charged on current dividends because of the time value of money and hence some shareholders would prefer future capital gains to current dividends. Such investors would prefer companies to retain most of their earnings so as to take the advantage of low tax expense on capital benefits. This theory contradicts The Bird in hand Theory as it advocates for a lower dividend payout. According to this theory firms that have a lower dividend payouts are more marketable in the market than firms that pay a higher payout and hence the former has a higher market value than the later. Low payout results to a low cost of capital and a high market price per share. This theory is relevant since it clearly shows why some investors prefer investing in companies that do not pay dividends or pay low dividends.

#### **2.2.4 Information Content/ Signaling Theory**

This theory states that a company that pays dividends signals that a company is financially sound, stable and profitable. Investors would analyze and invest in companies that pay dividends because the future of such firms is promising. This is because only profitable firms pay dividends. Unprofitable companies cannot pay dividends because dividends are paid out of profits. Most investors would avoid investing in unprofitable firms as their future is uncertain. This theory suggests that companies that pay dividends have high value than firms that do not this is because the shares for companies that pay dividends has a higher demand in the market than for companies that do not. An increase in dividends is also a sign that an enterprise is doing well financially and a decrease in dividends signals that a company may be facing financial challenges. Stock holders and the public monitor the dividend payment of a company since they believe that the managers have more insider information than them and they will rely on these signals so as to know whether to invest in a company or not. A company that increases its dividends is more likely to experience a high demand for its shares in the market and thus the price of their shares to go up and hence increase the value of the firm. Likewise a company that reduces its dividend payment will most likely face a reduction in the demand of its shares in the market and this will cause a decrease in its share price causing the value of the firm to go down.

However Modigliani & Miller (1962) assumed and stated that information will be available to all parties at the same time and at no cost. However this is not true in reality. Since managers will have more information than the outsiders, shareholders perceive

dividend changes as signals of management's future earnings forecasts. Mugo (2014) argued that payment of dividends has an impact in market value of a share (according to signaling theory) and thus a higher dividend payment increases the net worth of the firm in the market and vice versa. This theory is relevant because it explains why a firm's dividend policy signals the public about its financial performance.

### **2.2.5 Clientele Effect Theory**

This theory states that certain investors are attracted to a firm because of the firm's dividend policy. These investors will sell their shares if the firm's dividend payment is not in line with their dividend objectives. Likewise they will buy shares from companies whose dividend payment is in line with their dividend objective. Mostly, investors seeking reliable source of income like the old, the retirees and the poor investors would prefer companies whose dividend policy shows high, consistent, reliable, timely and regular dividends. However investors in their peak earning years and the rich investors would most of the time prefer reinvesting their dividends as they do not have a pressing need for a reliable income. Such investors would be attracted to companies that have a low dividend payout or to those that do not pay dividends. This theory is relevant since it shows how different class of investors behaves in relation to their investment objectives.

### **2.2.6 Agency Theory**

This theory outlines the relationship between two parties, the agent and the principal where the agent executes duties on behalf of the principal. In this context the stock holders are the principals and the managers are the agents. The managers run the



company on behalf of the shareholders. Agency cost will always exist because of the competing priorities of the shareholders and the managers of the company. According to Modigliani and Miller (1961) they assumed that agency cost does not exist, they assumed that shareholders and managers will always agree and that there will be no disputes between them .However in reality there will always be competing priorities between managers and the stock holders.

Rozeff (1982) stated that payment of dividends may serve as a solution to agency problems as it reduces funds available to managers and hinder them from pursuing their own goals. Agency theory is a theory that addresses how agency conflict between the agents and the principals can be resolved or minimized. The conflicts are normally caused by competing needs and objectives between the principals and the agents. By paying high, regular and consistent dividends managers will be left with fewer funds at their disposal and thus will not be able to invest in projects that may not be beneficial to the shareholders. Paying of high dividends will also mean that managers will have less funds at their disposal and thus will not be able to give themselves abnormal allowances. Most investors will be attracted to companies that pay high dividends because they will be assured that their money is not being misused by the managers. This theory explains why some investors prefer to invest in firms that pay high dividends.

### **2.3 Determinants of Firms Value**

A firm's value is determined by several factors, among them; dividend policy, earnings, profitability and capital structure.

### **2.3.1 Dividend Payout**

Companies that pay high dividends have a higher demand of their shares in the market than companies that pay low dividends. According to Modigliani and Miller (1961) a company's net worth is influenced on its earning power and by its investment decision. According to them dividend policy of a company will not affect the investors' decision whether to invest in a firm or not since they can create their own dividend policy. On the contrary Gordon (1963) and Lintner (1963) stated that a firm value is based on its dividend policy. They argued that investors will be attracted to companies that pay dividends as current dividends are certain to companies that pay future capital gains. They argued that the value of stock for companies that pay dividends will be higher than those that do not.

### **2.3.2 Capital Structure**

According to Ross et al (2004), the capital structure of a company is the ratio between equity and long term debt a company utilizes to fund its investments. Debt financing is almost always cheaper than equity financing because interest on debt reduces the amount of tax payable. Use of equity financing only or low amount of debt dilutes the ownership of the common stock holders and thus use of an optimum proportion of debt increases the net worth of an enterprise. Without the risk associated with an increased amount of debt financing, an increase in debt proportion would raise the net worth of a business and because of the risk associated with debt that an optimal capital structure must be constructed so as to reduce the cost of capital and at the same time increasing the net worth of an enterprise.

### **2.3.3 Profitability**

Dividends are paid by profitable companies. Firms that are unprofitable cannot issue dividends because dividends are only issued from profits. Profitable companies are more marketable in the market than unprofitable companies. Investors would prefer to invest in profitable companies and hence causing the value of such companies to go up in the market because of the high demand of their shares. Likewise unprofitable companies are unattractive to current and prospective shareholders and hence such companies do not perform well in the market.

### **2.3.4 Firm's size**

Large and established firms are more marketable in the market than small and growing firms. Large companies have more assets, income and profits than small companies. According to Love and Rachinsky (2007) large companies perform better than small companies and thus the value of large firms in the market is more compared to the value of small firms.

## **2.4 Review of the Empirical studies**

Black and Scholes (1976) did a research to investigate whether dividend policy has a relationship with the value of the firm. They investigated twenty five companies quoted at the New York Stock Exchange (NYSE) using CAPM model. They found out that an enterprise's net worth not determined by its dividend policy. Sabrin et al (2016) studied to find out whether the value of manufacturing companies for manufacturing firms quoted at the Indonesia stock exchange is influenced by a company's profitability. The

duration of study was six years between 2009 and 2014 using multiple regression analysis. The outcome revealed that an enterprise's net worth is influenced by the company's profitability.

Anton (2016) researched on the effect dividend policy on firm net worth on companies quoted on the Bucharest Securities Exchange and established that dividend payout ratio positively influences firm value after controlling other firm specific variables. The study sampled 63 companies from 2001 to 2011. Fixed effect model was used in the study.

Salih (2010) studied to find out whether a company's value is determined by its dividend policy for quoted companies in the United Kingdom. 362 companies from different sectors were sampled from 1998 to 2007. Fixed effect regression model was used. The

outcome showed a favorable relationship between the firm's value and its dividend policy

Nwamaka & Ezeabasili (2017) studied the effect of dividend policies on firm value. They sampled 10 companies quoted in the Nigerian Stock Exchange from 1995 to 2015. The methodology used was the ordinary Least Square regression analysis for primary data and multiple regression for secondary data. The results proved that firm value is greatly influenced by dividend policy for limited public companies.

Ochieng (2016) did a researched on whether a company's value is influenced by its dividend decision for the quoted firms at the NSE. The study was a census of all the 65 companies listed at the NSE and the duration of the study was 5years between 2011 and 2015. The methodology was quantitative research design. The conclusion was that dividend policy is relevant and affects positively firms listed at NSE.

Amollo (2016) did a research to find out whether the banks value is affected by the dividend decision of commercial banks in Kenya. The research took into account a period of five years from 2011 to 2015. It covered all the eleven banks listed at the NSE for the period ending 31<sup>st</sup> December, 2015 using multiple regression and correlation analysis. The results showed a favorable correlation between dividend payment and the banks value.

Ndeto (2014) studied to establish whether the value of firms quoted at the NSE is affected by the firm's payout ratio. A sample of 29 companies from a population of 61 firms quoted at the NSE was selected. The analysis took into account a duration of five years between 2008 and 2013. The study used descriptive research design. The study showed a significant correlation between dividend payment and the value of firms quoted at the NSE.

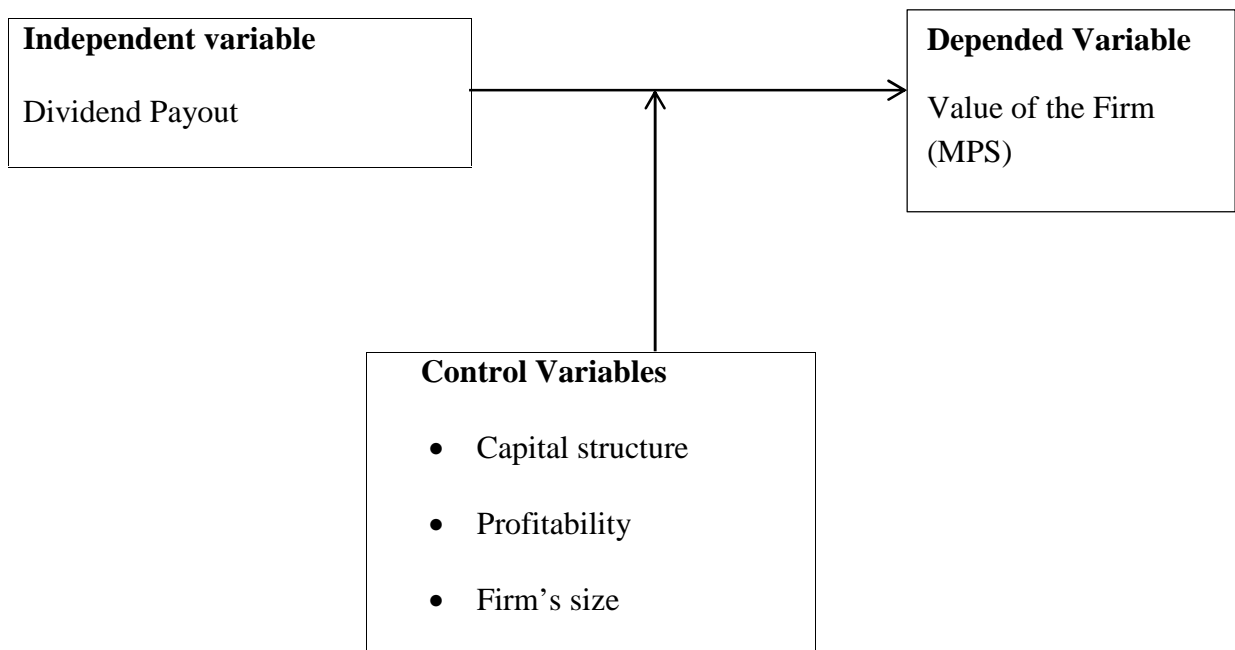
Waiganjo (2014) studied dividend policy's impact on market capitalization for companies quoted at NSE. He sampled 18 companies out of 60 companies listed at NSE. The period of study was for 5 years from 2009 to 2013. Descriptive survey design methodology was used. The finding was that dividend policies of the listed firms influence their market capitalization.

In his study, Mutisya (2013) researched whether financial performance of quoted companies at the NSE is affected by dividend payments. The research was a census survey of 61 companies listed at the NSE. It focused on 5 years between 2009 and 2013

using multiple regression analysis methodology. The research revealed a positive correlation between financial performance and the dividend payment for companies quoted at the NSE.

## 2.5 Conceptual Framework

A firm that pays high, consistent, timely and reliable dividends will have a high value in the market than a company that does not. A company that has an optimal capital structure will have a high value in the market because its cost of capital will be low. Profitable companies have high value in the market than unprofitable ones. Large and established firms are more marketable in the market than small and growing firms.



**Figure 2.1: Conceptual Model**

## **2.6 Summary of Literature review**

This chapter analyzed various dividend policy theories. These included dividend irrelevant Theory, Agency Theory, Tax preference theory, Signaling Theory, Bird in Hand Theory, Clientele Theory and. It also reviewed empirical studies by different scholars on dividend policy. The determinants of the value of the firm and the conceptual framework were also discussed in this chapter. Most scholars stated that dividend payout has a positive relationship with the company's value. However a few scholars argued that dividend payout has no relationship with the value of the firm. It is because of this contradiction that this research is carried out to establish whether the current economic situation in Kenya is in favor of Dividend Relevance Theory or Dividend irrelevant theory.

## **CHAPTER THREE: METHODOLOGY**

### **3.1 Introduction**

This chapter outlines the methodology that was used by this research and these entails the design, the size of population, how the size of the sample was selected, the data collection method and how data was analyzed.

### **3.2 Research Design**

Research design is defined by Ngechu (2006) as the technique of choosing the appropriate way used to address study questions and provide research solutions to them. This study used multiple regression and correlation analysis research designs to find out whether dividend policy has a relationship with the value of the firm. According to Apat (2012), correlation study entails gathering and analyzing data so as to find out whether a relationship exists among variables and the degree or direction of the relationship. Multiple regression was used because it predicts a continuous dependent variable from a list of independent variables. This research utilized secondary data from the audited accounts of the quoted firms and quantitative technique was used to analyze data.

### **3.3 Population**

Adeniyi et al (2011) defined population as a representative of all conceivable component, portion or findings pertaining to a specific area of concern to the researcher. This study took into account all companies listed at the NSE as at 31st December 2016 as the target population. These included all the 65 firms.



### **3.4. Sample size**

It is the selected parts of a population with objects that are identical. Stratified sampling technique was used because firms were picked from each sector. This study sampled twenty companies, at least one from each sector and utmost five. Twenty firms were selected because these represented the characteristics of the entire population since they were sampled from each sector. This study sampled data form 2012 to 2016 and only companies that were listed for the last five years were picked.

### **3.5 Data Collection**

This research relied on already prepared secondary data from published financial reports form the company's website and also from the NSE. These included the listed companies at the NSE, DPR, Firm's size, and profits for a period of five years under study, market price per share, capital structure.

### **3.6 Data Analysis**

This is the method of applying systematically logical or statistical approach to outline, describe, delineate, evaluate and present data. This study showed a positive correlation between dividend policy, profitability and Firm's size. The study also revealed a negative correlation between dividend payment and capital structure. The independent variable in this study was Dividend Payout Ratio (DPR) and the controlling variables were Capital Structure, Profitability, Firm's size, and the dependent variable was the value of the firm measured by Market price per share. Stata software was used because of its accuracy, speed and it is also easy to use. The variables were measured as follows;

**Table 3.1 Measurement of Variables**

<b>Variables</b>	<b>How it will be measured</b>
Value of the Firm	Measured by MPS
Dividend Payout	Measured by DPS/EPS
Capital Structure	Measured by Debt to Equity Ratio
Profitability	Measured by Return on Assets (ROA)
Firm's size	Measured by Natural Logarithm of Assets

The model that was used was multiple regression analysis because of the various variables.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where;

Y= Value of the Firm which was measured by the Market Price per share (MPS).

X<sub>1</sub>= Dividend payout ratio, this was measured by DPS/EPS

X<sub>2</sub>= Capital Structure, this was measured by debt to equity ratio. =Debt/Equity

X<sub>3</sub>= Profitability, this was measured by Return on Assets ratio given by dividing annual earnings by total assets=Annual Earnings/Total Assets

X<sub>4</sub>= Company's size measured by Natural Logarithm of Assets.

$\beta_0$  is the constant whereas  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$  and  $\beta_4$  represented the independent variables coefficients.

e is the error term that represents the uncaptured residual factors by the regression model.

### **Test of Significance**

The H<sub>0</sub>=There is no relationship between dividend policy and the value of firms listed at the NSE.

The  $H_1$ =There is a relationship between dividend policy and the firms listed at the NSE.

Z test was used in this research since the sample size is small.

Hypothesis test was used to test the significance of the variables.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

There is contradiction on the influence of dividend payouts on the value of firms. While other studies have found positive relationship between these two variables, others have established unfavorable links. The aim of this study was to fill this gap by establishing how a firm's value is influenced by dividend payout. This chapter focused on the outcome of the study. The results are presented in two sections, that is, one and two. While section one presents descriptive statistics, section two on the hand presents regression results.

### **4.2 Response Rate**

This study exclusively relied on secondary data of the companies listed at Nairobi Stock Exchange. This data consists of financial reports available at the website of NSE, which include income statements and statement of financial position. The researcher was able to access complete information from 16 listed companies listed at NSE. This was 73% of the targeted response rate which was in line with Mugenda and Mugenda (2003) stating that a response rate of 50% to 70% is sufficient for a study, this rate was therefore excellent for this particular study.

### **4.3 Data Validity**

The study purposively considered data that would be able to give an answer to the research question. This data was drawn from the NSE website for a duration of 5years (2012 to 2016) and was verified against information collected from the same company to

check if there was any discrepancy. The study noted that the two data sources provided similar information rendering validity to the data collected. The findings also confirmed that the data applied was collected from almost all the sectors of the economy apart from the insurance and telecommunication sectors

#### 4.4 Descriptive

This study described the means, standard deviations, minimum and maximum values of both the dependent variable (value of the firm measured by the market share price) and the explanatory variables (Rate of return on assets, dividend payout rate, capital structure and the size of the firm). In addition, the study presents a correlation matrix in this section. Figure 4.1 displays summary statistics.

**Table 4.1 summary Statistics**

Variable	Obs	Mean	S. D	Min	Max
Market Share Price (MPS)	80	82.94	101.00	2.80	331.5
Dividend Payout Rate (DPR)	80	1.39	2.59	-0.25	12.5
Return on Assets (ROA)	80	3.57	14.50	-55.87	88.3
Capital Structure(Debt/Equity)	80	0.72	1.49	-2.47	9.34
Firm Size (lnAssets)	80	16.80	1.91	12.81	19.68

Source: Computed from research data

Summary statistics from Table 4.1 show that the market average share price for all firms listed at NSE during the period of this study (2012-2016) was 82.94 Kenya shillings and it ranged between a minimum of 2.80 Kshs and a maximum of 331.5 Kshs with a

standard deviation of 101.00. According to these results, the average dividend payout was 1.39 Kenya shillings, the maximum was 12.5 Kenya shillings, while the minimum was - 0.25 Kenya shillings with a standard deviation of 2.59 during the study period.

Similarly, summary results from Table 4.1 indicate that the average return on assets for companies listed at the Nairobi Securities Exchange from 2012 to 2016 was 3.57% and this ranged between minimum of -55.87 % and a maximum of 88.3% with a standard deviation of 14.5%. Furthermore, the mean capital structure as measured by debtors-equity ratio was 0.72 and it oscillated between a minimum of -2.47 and a maximum of 9.34 with a standard of 1.49. Finally, the mean firm size as measured by natural logarithm of total firm assets was 16.80 and it ranged between a minimum of 12.81 and a maximum of 19.68.

#### 4.5 Correlation Matrix

Table 4.2 presents correlation matrix between the dependent variable (MPS) and the explanatory variables ROA, DPR, lnAssets, and capital structure.

**Table 4.2: Correlation Matrix**

	MPS	ROA	DPR	Capital structure	Firm size
MPS	1.000				
ROA	0.4216	1.000			
DPR	0.6257	0.329	1.000		
Capital structure	-0.204	-0.042	-0.065	1.000	
Firm size	0.1521	0.0769	0.0531	0.0796	1.000

Source: Computed from research data

Correlation matrix tests the correlation between dependent variable and the explanatory variables. The outcome from Table 4.2 reveals that ROA, DPR, and the firm size are positively correlated with the firms'. This means that an appreciation in these variables causes an increase in the market share price for those firms listed on the NSE. On the other hand, capital structure determined by debt to equity ratio is negatively related to the company's share price (firm's net worth).

#### **4.6 Regression Analysis**

The general objective of the study was to determine the relationship between dividend payout and the value of firms at the NSE. The study incorporated return on assets, size of the firm and capital structure as control variables in the regression equation. The study employed Ordinary Least Squares (OLS) on the panel data of firms listed on the NSE from the year 2012-2016 to estimate the Y(MPS) equation. This model was found suitable because the dependent variable (MPS) was continuous. After running a regression, post estimation tests of multicollinearity and heteroscedasticity were conducted to check the validity of the estimated results.

##### **4.6.1 Multicollinearity test**

Diagnostic test for multicollinearity was undertaken using the Variance Inflation Factors (VIF). Multicollinearity is a situation where explanatory variable in a multiple regression model can be linearly predicted from the others with substantial precision. The presence of this problem can lead to unstable estimates and hence making it very difficult to assess the impact of explanatory variables on the dependent variable. For this test, VIF values

greater than 10 and 1/VIF values which are less than 0.10 is an indication of the presence of multicollinearity (Mendenhall & Sincich., 2004). The results of this test are shown in Table 4.3.

**Table 4.3: Variable Inflation Factors**

Variable	VIF	1/VIF
Return on Assets	1.22	0.818110
Dividend Payout Rate	1.12	0.890982
InAssests	1.02	0.978818
Capital Structure	1.11	0.903914

Mean VIF 1.12

Source: Computed from research data

The results as presented in Table 4.3 show that there is no multicollinearity because the variance inflation factors are all less than 10 and the tolerance values (1/VIF) are all greater than 0.1. This confirms the validity of the estimated results using OLS.

#### **4.6.2 Test for Heteroscedasticity**

Heteroscedasticity occurs when the variance is different across observations; it can lead to biased estimators. The study employed Breush Pagan to predict the constancy of the variance across observations. The null hypothesis states that there is constant variance which means there is no heteroscedasticity. The test on the variables had a p-value of



greater than 5% which was 0.7781 which led to the acceptance of the null hypothesis; illustrating the absence of heteroscedasticity (see Table 4.4).

**Table 4.4: Breusch-Pagan / Cook-Weisberg test for heteroskedasticity**

Ho: Constant variance

chi2(1) = 0.08
Prob > chi2 = 0.7781

Source: Computed from research data

### 4.6.3 Regression Results

Table 4.5 shows regression outcome for the study with Market Share Price (MPS) as dependent variable representing firm value and dividend payout, return on assets, natural logarithm of assets (firm size), and capital structure (debt/equity ratio) as independent variables.

**Table 4.5: OLS regression results**

MPS	Coef.	Std. Err.	T	P>t
ROA	.01597	.0085911	1.86	0.021
DPR	.2867	.046085	6.22	0.000
CapitalS	-.2042	.07919	-2.58	0.012
lnAssets	.09380	.05950	1.58	0.119
_cons	1.700106	1.01557	1.67	0.098
No of obs	80			
Prob > F	0.000			
R-squared	0.4997			

Source: Computed from research data

#### 4.7 Discussion of Research Findings

The results for F-Statistics test for the model was 0.000 (see Table 4.5). This was less than 0.05 at 95% confidence interval, meaning that the study rejected the null hypothesis that the coefficients of explanatory variables are zero (0) hence ascertaining also the significance of the OLS regression model. On the other hand, the R-squared statistic (0.4997) of the OLS regression shows that explanatory variables explain dependent variable by a big percentage. Generally, ROA, DPR, company's size and Capital structure explain firm's value listed on the NSE by 49.97% % based on the results. The estimated equation Y (MPS) is now presented as:

$$\text{MPS} = 1.700106 + 0.01597 \text{ ROA} + 0.2867 \text{ DPR} - 0.2042 \text{ CapitalS} + 0.09380 \text{ LnAssets} + e$$

Where MPS is the market share price -the firm value;

ROA=Return on assets (representing profitability of a firm);

DPR=Dividend payout rate;

Capital structure=Debt/Equity ratio;

Ln Assets=natural logarithm of total assets (firm size), and

e=error term

A positive sign on the coefficient of dividend payout rate (DPR) as presented in Table 4.5 indicate a positive relation with the company's value which was measured by the Market Share price. Its P-value of 0.000 which is less than 5% significance interval, shows that DPR is significant at 1% level. In addition, the size of the variable (0.2867) indicate that a unit increase in the DPR causes an appreciation of the firm value by 28.67%. These findings are consistent with the studies by Anton (2016) and Salih (2010) for case of

United Kingdom, Nwamaka & Ezeabasili (2017) for Nigeria who observed similar results. These results imply that firms which pay higher dividends, their shares are highly demanded, and this is what leads to appreciation of their value. This means that the policy of a firm regarding dividends is very critical on an enterprise's net worth.

The study also established that the profitability of the firm proxied by return on its assets is positively correlated with the company's value. The study found this relationship to be significant at 5% level given its p-value of 0.021. However, the impact of ROA on firm value was found to be weak given the size of the coefficient (.01597) which show that a unit change in the ROA causes a 1.597% change in the value of the firm. These findings are consistent with theory which argue that unprofitable firm cannot offer dividends to its shareholders, and that firms which make more profits are more attractive to investors. This implies that increase in ROA is more likely to cause an appreciation in the net worth of the firms at NSE holding all other factors constant.

Furthermore, the study has observed that capital structure which was computed as debt-equity ratio was significant at 5% confident level due to its p-value of 0.012 (less than 0.05). However, unlike DPR and ROA, the coefficient (-0.2042) of capital structure indicates a negative correlation with the firm value. This means that a unit increase in the amount of debt in capital structure leads to 20.42% decrease in the firm value. According to Ross et al (2004), this scenario is likely to occur in the case where firms rely heavily on debt financing. This means that between 2012 and 2016, most NSE firms could have financed their operations through debts.

Lastly, the results regarding the link between the size of the company (determined by natural log of total assets) and firm value (MPS) show that these variables are positively related. Based on the estimates, a unit increase in firm size will lead to 9.38% increase in the value of a firm at NSE. However, a p-value of 0.119 reveals that the size of the firm is not statistically significant to explain value of the firm. These discoveries are consistent with the findings of Love and Rachinsky (2007) who argued that large companies perform better than small companies and therefore, the value of large firms in the market is more compared to the value of small firms.

## **CHAPTER FIVE: SUMMARY, CONCUSSION AND RECOMMENDATION**

### **5.1 Introduction**

The objective of this study was to determine the relationship between dividends paid out to shareholders and the firms' value quoted at the NSE. This chapter focuses on the summary of the findings, conclusion of the study and recommendations. In addition, suggestions for further research, limitations of the study are presented.

### **5.2 Summary**

The objective of this study was to find out if dividend payout has a relationship with the value of companies quoted at the NSE. This target population of this study was all the 65 companies listed at the NSE as at 31<sup>st</sup> December 2016. The study sampled 16 firms based on the availability and consistency of the data. Secondary data was obtained from NSE historical data.

The dependent variable was the value of firms measured by market price per share and the independent variable was dividend payout determined by dividend payout ratio. The control variables were profitability determined by Return on Assets, capital structure determined by Debt to Equity ratio, and company's size determined by natural logarithm of firm's total assets.

This research project found out that dividend payout directly and positively affects the value of companies quoted at the NSE. In addition, dividend payout was strongly

correlated with the value of the firm. These results imply that firms that pay consistent, predictable, reliable and high dividends are highly valued in the market and the demand of their shares is high in the market causing their share prices to go up. On the other hand, these results can be inferred to mean that firms which do not pay dividends are not popular in the market causing their prices to be less competitive in the market.

Regarding control variables, study established that the profitability of the firm proxied by return on its assets is positively correlated with the value of the company. This implies that profitable firms are attractive to investors and hence appreciation of the firm value. In addition, firm capital structure which was measured by debt/equity ratio influences the value of the firm listed at NSE but in a negative direction. Furthermore, the study observed that the size of a firm is significant and positively correlated to the company's firm.

### **5.3 Conclusion**

The aim of this study was to investigate the relationship between dividend payout and the value of firms listed at NSE. The study applied ordinary least squares on annual data from 2012-2016 for 16 firms. Based on the discussion of findings and summary, this study makes several conclusions: first, the study concludes that there is a positive and strong relationship between the values of the firms listed at NSE and the rate of dividends paid out. This indicates that dividends paid to the shareholders determines that attractiveness of a firm and hence its value.

Secondly, the study concludes that the rate of stock turnover explains the company's value in a positive manner. An increase in profitability of the firm could attract investors probably due to higher dividends and hence the attractiveness of company. Third, an increase in the amount of debt in capital structure of the firm is negatively affect the company's value. Finally, the study concludes that the company's size influences the value of the company positively. This implies that bigger firms have higher value than small ones.

#### **5.4 Recommendations**

For companies to be competitive in the market they should have a strong dividend policy in place which promotes payment of high dividends so as to retain current shareholders and also to attract potential investors. Companies should endeavor to be profitable so as to be competitive in the market. Firms should have an optimum capital structure so as to increase its value in the market. Firms should focus on growth so as to increase its value in the market.

#### **5.5 Limitations of the study**

This study took into account only listed companies at the Nairobi stock exchange which may not be conclusive of other unquoted companies. It sampled only sixteen firms from each sector which may not reflect the true state of the other companies left out in the sectors. It also reviewed a period of five years from 2012 to 2016 which is a short duration.

## **5.6 Suggestions for further Research**

Future researchers should consider reviewing unquoted enterprises at the NSE and compare results with this and find out if dividend payout of unquoted companies still affects the value of such firms. They should also consider listing other factors like the macro economic factors to find out if they affect the company's value listed at the NSE. They also should research to find out if political, social and cultural factors affect the net worth of companies quoted at the Nairobi Securities Exchange.



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## APPENDIX I: REGRESSION RESULTS

. reg lnMPS ROA DPS CapitalS lnassets

Source	SS	df	MS		Number of obs =	80
					F(4, 74)	= 17.27
Model	70.7389591	4	17.6847398	Prob > F	=	0.0000
Residual	75.7662926	74	1.02386882	R-squared	=	0.4828
				Adj R-squared	=	0.4549
Total	146.505252	78	1.87827246	Root MSE	=	1.0119

lnMPS	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]	
ROA	.0217481	.0083858	2.59	0.011	.005039	.0384571
DPS	.2817382	.0469334	6.00	0.000	.1882214	.3752551
CapitalS	-.0044269	.0022061	-2.01	0.048	-.0088226	-.0000312
lnassets	.0856028	.0602754	1.42	0.160	-.0344986	.2057042
_cons	1.700106	1.01557	1.67	0.098	-.3234607	3.723672

## APPENDIX II: SAMPLE OF FIRMS SELECTED FOR THE STUDY

SECURITIES	ISIN CODE	TRADING SYMBOL	TOTAL NUMBER OF ISSUED SHARES
<b>AGRICULTURAL</b>			
Kakuzi Ltd	KE0000000281	KUKZ	19,599,999
Sasini Ltd	KE0000000430	SASN	228,055,500
<b>AUTOMOBILES &amp; ACCESSORIES</b>			
Car & General (K) Ltd	KE0000000109	C&G	40,103,308
Marshalls (E.A.) Ltd	KE0000000364	MASH	14,393,106
<b>BANKING</b>			
Diamond Trust Bank Kenya Ltd	KE0000000158	DTK	266,321,115
The Co-operative Bank of Kenya Ltd	KE1000001568	COOP	4,889,316,295
<b>COMMERCIAL AND SERVICES</b>			
Longhorn Publishers Ltd	KE2000002275	LKL	369,940,476
Nation Media Group Ltd	KE0000000380	NMG	188,542,286
<b>CONSTRUCTION &amp; ALLIED</b>			
Crown Paints Kenya Ltd	KE0000000141	BERG	71,181,000
E.A.Portland Cement Co. Ltd	KE0000000190	PORT	90,000,000
<b>ENERGY &amp; PETROLEUM</b>			
KenGen Co. Ltd	KE0000000547	KEGN	6,243,873,779
KenolKobil Ltd	KE0000000323	KENO	1,471,761,200
<b>INVESTMENT</b>			

Centum Investment Co Ltd	KE0000000265	ICDC	665,441,775
Kurwitu Ventures Ltd	KE4000001216	KURV	102,272
<b>MANUFACTURING &amp; ALLIED</b>			
East African Breweries Ltd	KE0000000216	EABL	790,774,356
Kenya Orchards Ltd	KE0000000331	ORCH	12,868,124

## APPENDIX III: LISTED FIRMS AT THE NAIROBI SECURITIES

### EXCHANGE

<b>SECTORS</b>	<b>ISIN CODE</b>	<b>TRADING SYMBOL</b>
<b>AGRICULTURAL</b>		
Eaagads Ltd	KE0000000208	EGAD
Kakuzi Ltd	KE0000000281	KUKZ
Kapchorua Tea Co. Ltd	KE0000001760	KAPC
The Limuru Tea Co. Ltd	KE0000000356	LIMT
Sasini Ltd	KE0000000430	SASN
Williamson Tea Kenya Ltd	KE0000000505	WTK
<b>AOTOMOBILES &amp; ACCESSORIES</b>		
Car & General (K) Ltd	KE0000000109	C&G
Marshalls (E.A) Ltd	KE0000000364	MASH
Sameer Africa Ltd	KE0000000232	FIRE
<b>BANKING</b>		
Barclays Bank of Kenya Ltd	KE0000000067	BBK
CFC Stanbic of Kenya Ltd	KE0000000091	CFC
Diamond Trust Bank Kenya Ltd	KE0000000158	DTK
Equity Group Holdings Kenya Ltd	KE0000000554	EQTY
Housing Finance Group Ltd	KE0000000240	HFCK
I & M Holdings Ltd	KE0000000125	I&M
KCB Group Ltd Ord	KE0000000315	KCB
National Bank of Kenya Ltd	KE0000000398	NBK
NIC Bank Ltd	KE0000000406	NIC
Standard Chartered Bank Kenya Ltd	KE0000000448	SCBK
The Co-operative Bank of Kenya Ltd	KE1000001568	COOP
<b>COMMERCIAL AND SERVICES</b>		
Atlas African Industries Ltd	KE4000004095	ADSS
Express Kenya Ltd	KE0000000224	XPRS
Hutchings Biemer Ltd	KE0000000257	HBER
Kenya Airways Ltd	KE0000000307	KQ
Longhorn Publishers Ltd	KE2000002275	LKL
Nairobi Business Ventures Ltd	KE5000000090	NBV
Nation Media Group Ltd	KE0000000380	NMG
Standard Group Africa Ltd	KE0000000455	SGL
TPS Eastern Africa Ltd	KE0000000539	TPSE
Uchumi Supermarket Ltd	KE0000000489	UCHM

WPP Scangroup Ltd	KE0000000562	SCAN
<b>CONSTRUCTION &amp; ALLIED</b>		
ARM Cement Ltd	KE0000000034	ARM
Bamburi Cement Ltd	KE0000000059	BAMB
Crown Paints Kenya Ltd	KE0000000141	BERG
E.A. Cables Ltd	KE0000000174	CABL
E.A. Portland Cement Co. Ltd	KE0000000190	PORT
<b>ENERGY &amp; PETROLEUM</b>		
KenGen Co. Ltd	KE0000000547	KEGN
KenolKobil Ltd	KE0000000323	KENO
Kenya Power & Lighting Co. Ltd	KE0000000349	KPLC
Total Kenya Ltd	KE0000000463	TOTL
Umeme Ltd	KE20000005815	UMME
<b>INSURANCE</b>		
Britam Holdings Ltd	KE20000002192	BRIT
CIC Insurance Group Ltd	KE20000002317	CIC
Jubilee Holdisngs Ltd	KE0000000273	JUB
Kenya Re Insurance Corporation Ltd	KE0000000604	KNRE
Liberty Kenya Holdings Ltd	KE20000002168	CFCI
Pan Africa Insurance Holdings Ltd	KE0000000414	PAFR
<b>INVESTMENT</b>		
Centum Investment Co. Ltd	KE0000000265	ICDC
Home Africa Ltd	KE20000007258	HAFR
Kurwitu Ventures Ltd	KE40000001216	KURV
Olpympia Capital Holdings Ltd	KE0000000166	OCH
Trans-Century Ltd	KE20000002184	TCL
<b>INVESTMENT SERVICES</b>		
Nairobi Securities Exchange Ltd	KE30000009674	NSE
<b>MANUFACTURING &amp; ALLIED</b>		
A. Baumann & Co. Ltd	KE0000000018	BAUM
B.O.C Kenya Ltd	KE0000000042	BOC
British American Tobacco Kenya Ltd	KE0000000075	BAT
Carbacid Investments Ltd	KE0000000117	CARB
East African Breweries Ltd	KE0000000216	EABL
Eveready East Africa Ltd	KE0000000588	EVRD
Flame Tree Group Holdings Ltd	KE40000001323	FTGH
Kenya Orchards Ltd	KE0000000331	ORCH
Mumias Sugar Co. Ltd	KE0000000372	MSC
Unga Group Ltd	KE0000000497	UNGA



<b>TELECOMMUNICATION &amp; TECHNOLOGY</b>		
Safaricom Ltd	KE1000001402	SCOM
<b>REAL ESTATE INVESTMENT TRUST</b>		
STANLIB FAHARI I-REIT	KE5000003656	FAHR