EFFECTS OF MONETARY POLICY ON DIVIDEND PAYOUT OF BANKS LISTED NAIROBI SECURITIES EXCHANGE

BY

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DECLARATION

Declaration by the Student

This is my original research project and has not been handed to any other university or examination body.

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This research project has been submitted for examination with my approval as supervisor undersigned of the university.

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DEDICATION

My special dedication for the family members for the continuous love, support and care. The family, friends and relatives stood with me throughout the period of study. It is my time to recognize their special efforts, guidance and prayers. May Allah Bless You Abundantly.

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LIST OF ABREVIATIONS AND ACRONYS

ANOVA   Analysis of Variance

CBK   Central Bank of Kenya

CBR   Central Bank Rate

GDP   Gross Domestic Product

NSE   Nairobi Securities Exchange

SMES   Small and Medium Enterprises

SPSS   Statistical Package for Social Sciences

ABSTRACT

Monetary policies are paramount in shaping the economic well-being of any country. The formulation of policies is strategically for the futuristic survival and sustainability of the business and the economy. The main objective this study was to determine the effect of monetary policies on the dividend payout. The shareholders have also expected for high dividend payout as an indication that corporate governance is maximizing the shareholders' wealth. The research utilized secondary data from 2016-2019. The integral determinants were Repo Rate, Central Bank Rate, and 91-Day Treasury Bill Rate. The theories anchoring this research were Liquidity preference theory, pecking order theory and life cycle theory. The census was undertaken since all the commercial banks listed in the NSE were studied. The quantitative descriptive research design was integral method useful in this research. The SPSS was utilized to build the foundation of this research. The research assessed and found out that the regressed variable was dividend payout and correlated with the predictor variables such in Repo Rate, Central Bank Rate, and 91-Day Treasury Bill by negative 49.6%, negative 2% and positive 79.6% respectively. The research indicated that 91-Day Treasury Bill was significantly correlated with dividend payout by 79.6%. The research recommended for further consideration of macroeconomics factors since they were not exhaustive in this study. The multicollinearity test was done using Variance Inflation Factors. The findings postulated Repo rate with 1.538, Central Bank Rate 1.044 and 91-Day Treasury Bill at 1.558. This eliminated the assumption that predictor variables were correlated. The multicollinearity was within the normal range and insignificant. In a nutshell, the monetary policies have come of age to transform the economy. The key builders must be addressed to enhance efficiency, effectiveness and to promote economic growth.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

According to Lestari (2018), monetary policy measures the central bank's ability to moderate cash flows. CBK is mandated to formulate police that regulates the financial stability (Bulla, 2021). These policies are paramount for management of foreign exchange reserved, money flow and interests. The policies are targeted towards achieving financial stability, control employment opportunities, boost the economy and stabilize the currency. The dividend payout decisions are crucial in the firms' management (Muhammad, 2016). Financial policies aim to reduce fluctuations in prices which have been negatively affected by inflation and the sky rocking of commodities' prices. According to Libhane (2015), dividend payout refers to a percentage in residual income attributed to equality among the shareholders. An inter-relation concerning monetary policy and dividend payout is thus a vital area worth a study.

This study is founded on three theories: pecking order theory, liquidity preference theory, and life cycle theory. Pecking order theory (Chowdhury, 2006) emphasizes firms prioritizing the financial principle that encourages the least resistance. Lifecycle theory concerns corporate payout, which suggests that an increment in interests favors capital gains (Pandey, 2004); when there is a decrement in interests rates, the result is investors' preference on dividends. The theory on liquidity choice holds that all variables are constant. Investors have a taste in cash and seek premium compensation for all illiquid assets invested, including real estate, bails, and stocks. The theory focuses much expectation in interest rates and proposes that securities buyers are uninterested in the maturity timeline of securities.

This study draws its motivation from management and strategy on dividend payout dilemma. The corporate governance has multiple decisions that correlate with the dividends payout. Tut (2019) postulated the need for the consideration of different options before dividend payout. For example, sky rocking interest rates result from heightened Central Bank Rates (CBR), limited business investments which hinder any chances of innovation. Funds generated internally are the most preferential, followed by borrowed funds and on tail-end funds raised by shareholders for leverage purposes. When a firm limits payouts, free cash comes into existence to represent reserved earnings thereby paralyzing the need for more debt and equality of capital (Zipporah, 2020).

1.1.1 Policy on the monetary value

The monetary value idea can be elaborated as a combination of systems moderating money flow, value, and prices in a particular country. Chowdhury et al. (2003) suggested that monetary value is a skill of manipulating flow and movement accompanying credits to reach stable prices while enhancing the flourishing economy. This idea is characterized by actions that the central bank takes to manage money flow using policies (Ahmed, 2015). Moreover, it champions stability through allowing opening markets, discounted rates, residual conditions, much regulation in banking processes and also in interest rates. The monetary policies enhance the self-regulating system (Tut, 2019). It is very useful in the sporadic nature of financial environment (Zipporah, 2020).

According to Namusonge (2019), Goals set in money management policy are useful in the attainment of the predetermined targets. The target includes the probability, rise in promotion, fine-tuning the business cycle, reversed financial crisis, fulfilled employment, steady but calculated interest rates, and exact exchange rates. In the context, a monetary constituent covers completely economic policy requiring cushioned coordination (Faure, 2003). It manages monetary value and

economic stability. Moreover, it is major instrumental elements in the country including discount allowance, stipulated reservations, operations in respect to an open-air market, rates in central bank and international exchange market set-ups (Makori, 2015). Abounding to reservations in the requirement, the centralized banking system reserves a percentage of commercial bank's credit as a no-interest worth reservation to limit the commercial bank to generate credit. This percentage is denoted as Cash Reservation ratio (CRR), and its recent portion is 5.25 of summation of all banks liabilities regarding locally and international currency inputs. The proportion varies from time to time (Njoroge, 2011) to reach the anticipated results.

Discount allowances operate based on provision for verified short-term loans hence can deter the commercial banks rates. That means the last option source is facilitating funds for cooperating banks. Forward restrictions are laid on the financial institution against seeking funding from the marketplace (Wanjiru, 2013). In a case of the commercial bank buying or selling securities in the ancillary market for the attainment of quantified reserve amounts, or infusing cash straight into the economy through purchasing securities in exchange for financial stocks to manipulate the presence of money in the same economy, the condition is referred to as open marketplace operations. The controlling central bank rate (CBR) is the least rate that is allowed by law every time the governing bank offers a received bid when it hopes to transact liquidity via an upright repo exchange (Wanjiku, 2016) to transact or integrate liquidity in the whole system.

1.1.2 Distributed Dividends

Dividends are referred to the amount of money paid in from earnings (Mbogo, 2020).

Distributions by themselves refer to dividends and deliveries from investment as liquidation dividends. Payments made directly to concerned shareholders are classified and characterized by dividend policy. This policy attempts to counter optimum stability between reserved earnings paid out dividends and privileges issues (Lestari, 2018). Industrial differences and anticipated future returns are the dominating determinants in this policy (Baker et al. 1999). Moreover, the policy evaluates the present earnings that can be remunerated to the shareholders, including how that can be reserved for future use. Some shareholders have a preference for firms financing their earnings for the betterment of the future; however, others take likelihood to pay out cash. The prevalent macroeconomic situation in any economy facilitates managers enough time to strategize beforehand either to pay out dividends or to invest back the finances. According to Brearley and Myers (2000), another crucial issue of concern in the composition of dividend policy relate to prerequisite by the law, liquidation, controlling issues; managerial concerns; dividend's stability; splits in assets; feedback from the market, and repurchasing of the stock.

Proportion in dividend payout is determined by concerns raised in the payout itself. The ratio can be defined as the ratio of amount announced as surplus payable to stakeholders shared as the ratio of earning per the shares (EPS). The portions reveal the ratio on net profit that an organization is mandated with a decision to reserve and determine what shares to pay out to investors (Ogilo, 2015). That ratio is calculated based on the performance of the firms, forecasted plans, and policy on the dividends. Firms with greater present and forecasted earnings are anticipated to sustain a

greater payout as likened to firms with minimal present and forecasted earnings. That means that a firm with massive capital credentials would be expected to pay minimal dividends.

Firm execution can be characterized by measuring changes in investors' abundance upon interest of a given organization. Despite the fact that there are elective proportions of firms, the execution by embracing the various exact investigations may face challenges Sehrish, Saleem, and Yasir (2012). A good example, utilized Return on Assets (ROA), share value development, and deals among others. Locally, Ongore (2011) estimated it by utilizing ROA, Return on Equity (ROE), and profit yield. Mule (2013) embraced ROA, ROE, and Tobin's Q model.

In certain examples, banks have ascribed their credit hazard helpless portfolio arrangement to insider loaning, macroeconomic unsteadiness, and loaning to high danger borrowers whose credit value isn't viable (Kariuki, 2013). Thus, business banks have come to facilitate government protections while moderating these difficulties (Ngige, 2011). This is in accordance with suggestions by Kariuki (2013), who contended that there is a need for business banks to incorporate their danger assessment standard with winning financial conditions and hence alleviate themselves against unsound execution. In this review, banking execution will be operationalized as weighted normal of value return of 10 recorded banks in Kenya.

1.1.3 Policies abounding monetary and dividends payout

The monetary policies are paramount in determination of the appropriate dividend policies. It stabilizes the returns and ensures continuous growth of economy (Bulla, 2021). It ensures a predictable retunes. The monetary policies are crucial pillars regulating interest linked to booms and recessions. Banks increase interest rates to their repeated customers every time CBR

skyrockets. For instance, in a case, the central bank upscale basic rates, viable interest rate's clients get touched through the rise in mortgages and rise in credit card rates. The result is reduced expenses individuals and cooperates spends, invests, or meant for savings. In this chain of events, expenses in bills rise, leaving households with more liabilities, thereby forcing them to live below their normal expenses.

Further, building assets become tiresome due to the rise in liabilities. This causes a huge impact on all business-generated revenues (Musa, 2011) and the profit that is available for shareholders. Policy on monetary funding operates on restrictions that influence the cost and the presence of external sources in charge of funding (Pandey & Bhat, 2007). In circumstances of monetarism policy restrictions, the dividends paid out may vary, thus causing a low payout. To curb the above situations, firms opt to waive payouts and spend funds generated within the firm for growth and investment.

Consequently, when there is a relation on monetary policy, it would allow a firm to use external funds, leaving them with internal funds from which they are allowed to pay for expenses.
In times of risen inflation, a nation's currency worth decreases, commodities are more expensive, and losses are felt in investment markets. The highest costs in inputs lower the profit ratio. Thus, a firm has a difficult time paying shareholders. A stake in a firm a such a time is also so expensive, which is a discouragement to investors.

1.1.4 Banks Listed at the Nairobi Securities Exchange

Dealings in share ratios and stocks date back to the 1920s. The first professional stock dealing firm was founded in 1951. Initially named Nairobi Stock Exchange (NSE), now Nairobi Security Exchange was initiated by a team of brokers in stocks on charitable bases in regard to societies Act. Official privatization of Kenyan commercial banks through the broker market was conducted in 1988. In that period of time, NSE was accorded as the most efficient market by International Finances Corporation (IFC). In past years, the NSE was categorized by changing aspects such as automating trade activities in 2006 and enabled remote trade for the stockbrokers. These expansions have necessitated phasing out of the physical requirement of trading floor's dealers (NSE, 2017), thus creating more trading time daily to 6 hours per day. The stock market (NSE) was officially certified by the Capital market authority through Preliminary public offering (P.P.O.) in June 2014. Furthermore, the shares were enlisted at the core investment column after self- enlisting. NSE was the second bourse in Africa. As of 31st June 2017, 67 organizations have been recorded in the NSE partitioned into these accompanying areas; banking, development and associated, horticulture, producing industry, autos and adornments, energy and petrol, speculation administrations, business and administrations, and protection.

Different areas of the worries are speculation, land venture business, and trade exchanged assets, just as telecom and innovation (NSE, 2017). Monetary development and securities exchange returns have been a significant issue in the worldwide market, and shareholders look to put resources into nations that yield the best returns (Wachira, 2013). Past examinations that concern determinants of profit strategy, for example, (Ndungu, 2009), have seen the benefit in it, organization magnitude, and liquidity as the critical determinants of profit strategy.

Currently, there are 12 Commercial Banks quoted at the Nairobi Stock Exchange. NSE provides a blueprint for expertise capital management. It is supreme in communication network while playing vital role in growth of commercial banks. it links the banks to international standards of operation, public floatation, and mobilization of resources. Central Bank of Kenya is regulatory body that supervises, oversight, guideline and discipline the banking sectors. Central Bank Acts are crucial for the economic development and provide appropriate roadmap for the commercial banks. Commercial banks have undergone significant transformations because of innovations and technological advancements.

1.2 Research Problem

An organization's capacity to deliver profit is one of the main traits that financial analysts examine in settling on speculation choices on recorded organizations. Financial elements and fluctuations of profits combined with moving government strategy change influence cost and accessibility of assets to put resources into projects with shareholders extended profits from speculation. As the market intrigues rates upsurge, the expense of capital ascents and commercial banks administrators need to weigh and harmonize between taking care of profit and furrowing benefit for capital stocks. Simultaneously financiers have other venture choices to contribute their abundance liquidity, such as depository bills and bonds, which will offer better yields. Holding profit saves the organization from bringing floatation expenses and weakening the possession of those outcomes from giving extra value. Therefore, associations are, in this way, confronted with basic dynamics regarding whether, how, and when to deliver profit. Companies' directors are accordingly under commitment

to persistently screen their current circumstance since it can possibly affect their choices, including those identifying with profit payout.

Commercial banks at the Nairobi Securities Exchange are progressively becoming hesitant to pronounce profits or issue rewards. Against this scenery, numerous financial backers have transparently communicated disappointment (Rao, 2016). In such manner, different reasons have been progressed for this fluctuation, including the existence of methodical threats, essentially the macroeconomic variables including financial approach. Moreover, the governments utilize overall financial and money-related strategies to arrange monetary wellbeing of their countries. It is crucial, positive and basic macroeconomic factor worth examination by the scholarly world. The magnitude and direction of drastic development in the commercial banks depends on policies laid down by the central bank. The banking sector is a great contributor to the economic development. It forms an integral part of the GDP and steer the country towards successful cashflow and circulation of money.

An examination by Rao (2016) zeroed on the degree to which macroeconomic mechanisms impact the productivity of the five firms recorded at the NSE. Notwithstanding, the review had a smaller logical concentration by checking on just the recorded firms in the energy and fuel area. Money-related arrangement variables were excluded from the review in both the calculated and scientific models. Zeroing-in on the determinants of profit payout proportion with regards to Indian organizations, set up that profit payout differed across firms Labhane (2015). The financial strategy was, in any case, excluded from the logical model and the review set was Indian thus, the end may not be instigated to the Kenyan circumstances. An examination by Makori (2015) zeroed-in on

macroeconomic powers influencing the execution of development and the associated organizations. The area of focus was the listed firms at the NSE between the timeline 2004 to 2013. Nonetheless, the review didn't concentrate on money-related strategy, had no specific concentration on monetary policies, and was limited to just the development and unified organizations' unique circumstances.

The banking sector has been affected by numerous policies that are rigid in nature and may not allow the innovation to rule the market. The policies and regulation may hinder the achievement since it might be retrospective in nature. Kerongo & Nyamuite (2018) stated that unstable macro environment has triggered changes in the monetary policies hence the commercial banks have returned to the drawing board to enhance their service delivery. An examination by Wanjiru (2013) zeroed in on the relationship between macroeconomic boundaries and profit payout while emphasizing price rises, trade rates, cash supply, and loan cost as macroeconomic factors impacting profit payout. Nonetheless, the review did not stress the REPO, CBR, and 91-Day Treasury charge rates as fundamental elements of a money-related approach. The accentuation on the effect of macroeconomic factors on monetary execution of Malaysian firms, found out that share cost can just be anticipated by data on past loan fee yet in the second example; it was uncovered that share cost would not be probable by data from any of the macroeconomic factors. More so, because it focuses on an extraneous background, the discoveries seem not to have any significant bearing on the Kenyan setting because of the remarkable relevant properties. The examination likewise centered on share cost instead of profit strategy.

Research by Pandey (2004) zeroed in on the conduct of Indian distresses' concerning profit payout under confined financial arrangements. The review stretched out the Linter system to inspect adjusted broad information on 571 organizations for a term of about ten years. However, the Kenyan setting is remarkably different; hence the discoveries by Pandey (2004) may not straightforwardly apply. From the previous statistics, apparent information loopholes exist. A portion of the loopholes exist naturally and independently, some are context-oriented, and others are methodological. The recent study will endeavor to address the gaps by responding to the exploration address: What are the effects of monetary policies on dividend payout of banks listed at Nairobi Stock Exchange?

1.3 Research Objective

The goal of this examination was to assess the impact of monetary policies on the dividend payout of firms listed at NSE.

1.4 Value of the Study

The management and corporate governance of firms listed at the Nairobi Securities Exchange may acquire significant understanding. Additionally, get equipped on the monetary policies useful for directing them in settling on profit choices, the consideration for the macroeconomic elements, and majorly the financial approach changes. The study will give attraction key examples to progress and best practices for the administration of the organizations, with a general view to augmenting partner interests, including the investors, staff, clients, providers, and the public authority. The financial strategy board (FSB) of the Central Bank of Kenya may discover and review discoveries that enhance a massive contribution to strategy improvement to create a sound monetary climate.

Other critical approach organs of Kenya, the East Africa locality, and the whole world would likewise innovates new ways that are significant for the accomplishment of different arrangement yearnings.

The review will provide the essential data for the accomplishment of different approach goals, including the Vision 2030's monetary column and the Big four plan of the Kenyan Republic. The examination discoveries will add knowledge to the current stream of information on money-related approaches and profit payout. The discoveries of the examination would likewise direct analysts on potential spaces of study need in a bid to improve the macroeconomic examination stream. The hypothetical propositions of liquidity inclination hypothesis, the assumption hypothesis of loan costs, corporate payout life cycle hypothesis, and hierarchy hypothesis have each been exposed to experimental tests.

The academicians and scholar will obtain an insight information on the operation of CBK, NSE and CMA in the service delivery. Furthermore, the research will be a paramount reference point for further consideration. This research will be useful in forecasting and predictability.

The study is useful in reinforcing theories while at the same time it will be a key for the policies formulation by the policy makers, government parastatals and independent bodies. The study will unlock the driving force in the commercial banks and consolidate the information that is useful to the policy makers and scholars. This study strives to provide imperative highest standards information concerning Central Bank of Kenya, NSE and CMA. The role played by the banks is paramount and cannot be underestimated.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This segment contains an evaluation of major studies that are affiliated to effective regions as reported by different scholars through theoretical review. The section additionally involves experimental assessment writing, essentially on past examinations (empirical review) by different analysts whose concentration and discoveries have a critical bearing on the current examination. The part closes by summarizing the literature reviewed, identifying the loopholes in information propelling this current review.

2.2 Theoretical Review

Supporting the review is the liquidity inclination hypothesis dependent on the perception that, holding any remaining elements consistent, shareholders lean toward clutching money and will in general favor pay for interest in land, stocks, and securities because of their illiquidity ascribes. The assumption hypothesis of loan fees contends that singular shareholders are primary concerning maximizing and approaching ideal information on the future transient paces of interest. The hierarchy hypothesis proposes that a firm would renounce delivering profits and use held income for financing as opposed to acquiring whenever expenses of outside wellsprings of assets are high. The life cycle hypothesis of corporate compensation out contends that dependent on winning macroeconomic conditions, for example, loan fee, swelling, and guidelines, firms would be constrained to change their profit payout strategies and financing choices (Bindra, 2013)

2.2.1 Liquidity Preference Theory

Founded Keynes's (1936) liquidity inclination hypothesis tries to clarify how the financing is still raised and affected by request and supply of cash. Despite the fact that holding fluid money abstains one from devouring all his present pay, Keynes (1936) contended that premium would not motivate saving policy. As indicated by this way of thinking, the premium is, to a greater extent, an inspiration for shareholders to leave behind liquidity. Hence, liquidity is a trait of resource; with the degree of resource liquidity expanding as it will in general money.

The hypothesis depends on the perception that is holding any remaining elements steady, financiers favor clutching money and will, in general, incline toward pay for interest in land, stocks, and securities because of their illiquidity ascribes. As indicated by the hypothesis, the remuneration needed by financial backers to leave behind cash goes up as the interval of time for recovering the money increments. On the other hand, the increment in remuneration rate goes down as the money recuperation time skyline diminishes. Actually, this guess is meant as "forward rates ought to surpass foresighted spot rates" (Musa, 2011).

The liquidity theory has shortcomings that include assumption that the employment rate does not change and specific level of income. This is unsystematic and illogical in the cognizant of fast-paced business environment. The theory further stipulate for either cash or investment in bonds basis in the business undertaking. However, the current global market advocates and practices the maintenance of cash for liquidity purposes. In the nutshell, the theory does not consider the sporadic aspect of interest rate and savings which are the predominant factors in the market. It is crucial for this theory to incorporate the real elements in the business environment.

The premium sworn off for not holding stocks, bonds, and other less fluid resources is clarified by the interest for cash as a resource. The interest for liquidity is dictated by exchange, preparatory and theoretical rationale. Financial backers request more cash to clutch when fees on loan diminish (Baker, 2016). The cost of current security is driven down for its respect line up with the loan fee. The speculative intention of holding cash specifies that interest for cash increments with the decline in loan costs, as well as the other way around. Financial backer inclinations influence recorded firms' profit approaches and are constrained to transform them to reflect winning financing costs in the economy (Berk, 2009).

2.2.2 Pecking Order Theory

The theory postulates that while sourcing funding, firms prioritize financing based on the principle of least resistance (Donaldson, 1961; Myers et al., 1984). Internal sources of funds are the most attractive option, then debt, and finally equity as the last option. By limiting payouts, a firm would have free cash flows in the form of retained earnings and, therefore, no need for additional debt and equity capital. Retaining earnings save the company from incurring floatation costs and dilution of ownership that results from issuing additional equity. Retaining earnings can help a company accumulate funds to fund future projects and generate more returns for shareholders.

Despite the numerous advantages of pecking order theory, it has some shortcomings. The importance of the theory includes its usefulness guideline on information asymmetric, valuable roadmap for funding new programs and the choice of appropriate, cost-efficient financing plans. The drawbacks include the limited flexibility in the theory and cannot be special in making practical applications due to its theoretical traits. It limits the fundings and difficult to include new

innovated funding methods. The theory still relies on the past assumptions and has not absorbed emerging market issues on the recent financial methods. Pecking Order theory is predominant in cases of existence of informational asymmetries. The theory has not exhausted determinants of cost of financing. It has failed the quantifiable measure of the effect of cost of financing. The imbalance in the transactional operation results from the unequal distribution of information. The firms are dictated by the accurate consumption of information hence paramount in the financial health, prospective performance, risk assessment and futuristic anticipations.

Equity and debt issues also depend on several macroeconomic factors such as market liquidity, prevailing interest rates on government bonds, and how attractive the issuing company is perceived by the market where its shares are issued (Hafeez, 2009). Dividends comprise a substantial cash outflow, and a company must put in place proper plans and policies to guide dividend decisions. The cost of external funds is an essential determinant in determining whether a concern should borrow or utilize internal sources of funds. A firm would forgo paying dividends and utilize retained earnings for financing rather than borrowing at high external costs (Musa, 2011).

2.2.3 Life Cycle Theory of Corporate Pay-out

Payout behavior can best be explained by time-dependent cost, advantages of payout, as the benefits of retention (Inagambear, 2012). Additional considerations should be taken into account apart from focusing on free cash flow to impress shareholders. An optimal payout policy should be hinged on the managerial motivation for income out and capital requirements for investment. Overtime earnings and investment opportunities are set to change, and therefore a trade-off between retention and payout evolves and changes (Grullon, Michaely & Swaminathan, 2002).

The theory fails to focus on the free cash flow as the paramount way of trying to impress shareholders and does not reflect financial health. The payout traits are well elaborated the benefit resulting from payout, the time factor depending on the cost and the advantages resulting from retained earnings (Mwangi, 2018). Furthermore, the theory fails to incorporate the optimal payout policy. The optimal dividend payout must be guided by the managerial motivation and the mandatory capital for reinvestment, going concern and futuristic returns. The fundamental principles are rigid while the managerial decisions keep changing based on the emerging markets in regards to macroeconomics. The macroeconomics factors such as interest rate, fluctuation of prices and skyrocketing prices may pressure dividend payout policies (Bullah, 2021).

Firms operate in a constantly changing environment, and therefore their dividend payouts opt to be flexible to adapt to these changes. Macroeconomic changes present opportunities and challenges to a firm, and therefore, a firm should adapt its policies to these changes, among them, being the dividend policy. Based on prevailing macroeconomic conditions such as interest rate, inflation, and regulations, firms would be compelled to change their dividend disbursement policies and financing options (Baker, 1999).

2.3 Determinants of Dividend Pay-out in the Commercial Banks

Monetary policies are generated and executed by CBK. It aims at the enhancing value of Kenya shillings. It entails the regulation to protect the currency. It controls interest rates and provide yardstick for longevity investments. The major monetary policies include Treasury Bill Rates, exchange rate, cash reserve ratio and CBR among others. The fundamental principle of monetary

policies is the regulation of the skyrocketing prices and fluctuations hence improve the quality and value of money.

2.3.1 The Central Bank Rate

Section 36 (4) under CBK Act provide a framework on the operation of the interest rate by the CBK. CBR is a discount rate that is useful in the regulation of economic liquidity. It mandates the CBK to publicly publish the lowest interest rate chargeable on loans. This is well known as Central Bank Rate, and it is analysed and recommended by the Monetary Policy Committee (MPC) subsequently after every two months in Kenya. The magnitude and direction depicted by the CRB is based on the functional policies. The mandate of the policy is to promote clarify and certainty thereby enhancing effectiveness in money market

Mwangi (2017) stipulated that CBR is crucial for quality Kenya shilling and regulate the money in economic circulation. CRB is supreme in ensuring the money are well preserved and there is stability in the economy. It promotes the productivity and innovation of goods and services hence increase in the economic growth. It is very important in the improvement of the standard of living.

2.3.2 REPO

Repurchase Agreements (Repo) is formulated by the CBK to reduce excess liquid from economic circulation. It entails the binding agreement on the contractual loans. The reverse repo can be run in the cases where CBK wants to enhance liquidity of domestic market. It involves the buying back the government securities. It reduces the money available in the circulation.

Repo is very important in the effective source of short-term funds. It avoids the systematic risk and facilitate the operation. Repo encourages financial leverage while reinforcing the price stability. The lack of efficient plan can cause economic imbalance, however, with the presence of repurchase agreement, it can enhance economic stability. The repo is crucial for operation in the market.

2.3.3 91-day Treasury Bill Rate

It is used to refer to short-term security by the government to supplement the budget. Modigliani and Cohn (1979) formulated the money illusion impacts whereby the market might be depressed in cases where nominal interest but low real interest. The presumption state that stock can react not in accordance with inflation. The higher previous studies have concluded on minimal reaction of market to monetary policies. The purpose of economic policies is to reinforce the economy growth and to encourage the free flow of goods to enhance GDP. The review zeroed in on the 91-Day Treasury charge rate, national bank rate, and REPO rate as the powerful money-related arrangement instruments. Different relapse examination was directed to decide the impact of money related approach on revenue rate in Kenya. Pandey (2004) required a review on the conduct of Indian worries concerning profit under the limited money-related strategy.

Business Daily (2021) indicated that Treasury Bill Rate are crucial for obtaining short-term funds to reinforce deficit budget. The minimum amount being Kshs. 100,000 and welcomes denominations of Kshs 50,000. It is paramount for submitting bid, auction, payment, and interest. The T-bills are useful in the longevity capital investments. The importance of treasury bills includes minimal risk, offer better rates, assist firms with the short-term goals. However, the challenges are on secondary market elaborate on the need to hold money till maturity.

2.4 Empirical Review

The researchers have done explorative, comprehensive, and intensive studies in the major areas including monetary policy and dividend payout. Some studied these variables separately and came with different and mixed findings. Ahmed & Murtaza conducted a study regarding the dividend paid in Malaysia. The pivotal period run from 2007-2011 while optimizing sampling of 100 from the population of 854. The conclusion based on analysis portrayed that size, liquidity and investment opportunity had positive association with dividend. The research was undertaken in Malaysia and cannot be generalized to represent the Kenya economy. Furthermore, the research did not study monetary policies.

Lestari (2008) researched corporate policies. The pivotal area was factors determining dividends. The period of study spanned from 2011-2015 and optimized 32 manufacturing companies. The results from the analysis depicted a correlation between cashflow, dividend, size, and dividend policy. However, the research postulated that absence of association amid leverage and size among others. However, the study done in Indonesia may not provide a clear yardstick for the Kenya Market. The study focused on manufacturing firm which is different from this study.

Azhagaiah & Veeramuthu (2010) focal point of research was effect of firm-size on the dividend behavior of corporate firms. The study was undertaken in Indian via empirical model. The study lifespan of 10years spanning from 1996-2007. The study incorporated several analysis methods such Full Britain Model and Descriptive method. The guiding data collected from time series resulted by depicting existing association amid firm size and dividend behavior. Nevertheless,

India has different regulations, GDP, Social and Macroeconomic environment hence need to research in Kenya on the effect of monetary policies.

Pham et., (2021) studied the dividend payment on the financial performance. The research took place in Vietnam. The data collection covered a period of 2008-2019 with 450 firms. The data was easily accessible since the 450 firms were quoted in stock market. The study optimized accounting-based performance and obtained negative association between dividend payment and market expectations.

Justyna, Madra & Ulrichs (2019) studied the determinants of dividend payout decision. The pivotal focus point was publicly listed food firms. The utilization of unbalanced panel data that crisscrossed 15 European nations with 14years from 2003 to 2016 resulted in positive correlation between profitability and size on dividend paid. The data was generated from Emis Database. The study concentrated very much on the European states and fails to replicate the same in Kenya.

Uwuigbe (2013) researched on the determinants of dividend policy. The research used 50 firms quoted in Nigeria Stock Market. The studied obtained secondary data from 2006-2011 but use judgmental to analyses. The study concluded on the positive association between size, capital structure, board independence and dividend payment. Furthermore Agyemang (2013) research on the determinants of divided payout in Ghana and postulated that there is statistically significant association between age, liquidity, and dividend policies.

Mwangi (2018) strived to assess the correlation amid monetary policies and dividend payout. The research executed on the firms listed in Nairobi Security Exchange in Kenya. the secondary data was obtained from KNBS and NSE. The period spanned from 2006-2016 with the utilization of the descriptive analysis. Descriptive research was special in this study. The findings advocated for critical analysis on the effect of monetary hence still study will fill such a gap.

Mbogo (2020) studied the effects of monetary policy tools on performance. The study utilized the time series analysis and descriptive method. The panel data collected was adequate since it covered 10years from 2010-2020. The study indicated a positive correlation between the dividend payout and the monetary policies. However, the research focused on the banking sector and excluded the major sector that contribute significantly to GDP.

Tuigong (2015) assessed effect of dividend policy. The study was undertaken from 2001-2011 using Data Weighted Data of 55 firms with generation of the secondary to reinforce the study. Stata was utilized in the analysis with clear focus on 10 sectors of the economy. The multiple regression was used in the study and indicated a negative correlation between inflation rate and dividend payout. The did not focus on the effects of monetary of all the firms quoted in NSE.

Bulla (2021) studied determinants of dividend payout. The pivotal area was emerging stock market while considering 552firms. The study period spanned from 2000-2010. The findings demonstrated level of association between dividend and dividend payout being strong and positive. Earnings per share and dividend payout portray a statistically negative association. However, the business risk and dividend payout showed a negative correlation. Hence there is a huge gap to be filled.

2.5 Conceptual Framework

The Conceptual Model is roadmaps or diagrammatic representation portraying association involving regressor and regressed variables. It portrays the existing association that is crucial in analysis to establish the level of correlation. This study will optimize CBR, Repo and 91-Day till Bill as a predictor variable while dividend payout will be the predicted variable.

Independent variable   **Dependent Variable**
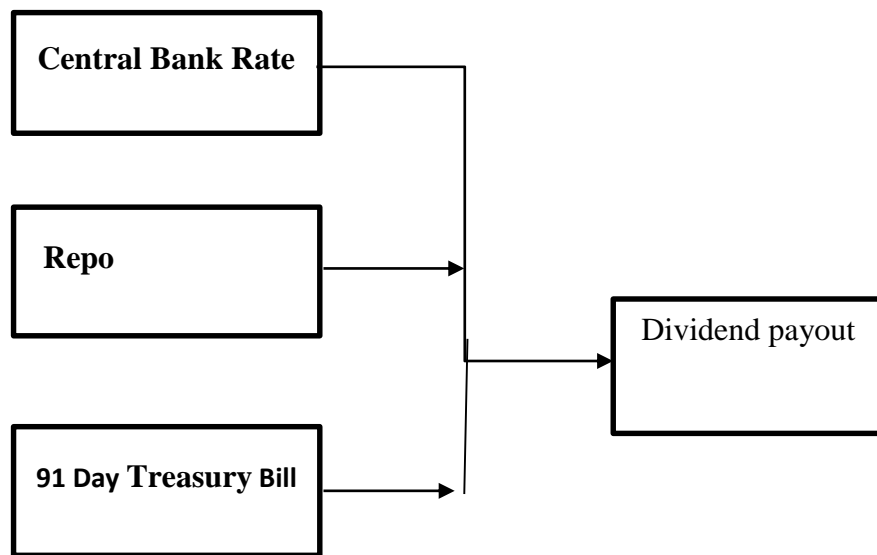
Figure 1: Conceptual Model

2.6 Summary of Literature Review and Research Gap

From hypothetical and empirical review, it has arisen that there are mixed and inconclusive findings which might have resulted from research frameworks among others. Some studies might have ascribed to wrong decisions in the research plan. Most examinations have blended board and time series information and have gone to the degree of fitting standard least squares model without doing old style relapse test. This might have opened up a road for drawing one-sided discoveries.

Further, a few investigations took on distinct exploration plan which might not have made solid estimation of financial strategies in respect to questionnaires. Therefore, there is need to investigate the concentrate particularly after changes in Companies act in 2015 just as changes in International monetary revealing strategy on arrangement.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Chapter three of this study was paramount in substantiating research design, target population, source of data, analysis, and relevant presentation. It unveiled the predominant method that was useful and suitable for this study.

3.2 Research Design

Kothari (2004) stipulated that research design is a roadmap that blueprints the study to resolve the research predicaments. The major studies that have been utilized more frequently include descriptive, exploratory and causal design. The aforementioned research designs have elaborated and ease the study of phenomena and events. This study used descriptive longitudinal method due to the longitudinal survey. Cooper & Schindler (2006) formulated descriptive research entailing a phenomena and traits linked to the targeted population. This design was suitable since it was relevant and useful to the area of the study, nature, analysis and gave a wide-spectrum for interpretation.

3.3 Population

Mugenda & Mugenda (2003) builds credibility in the population by postulating that a set of people, elements, groups of things and services represent the population. The study entailed the 12 commercial banks quoted in the NSE. The quoted firms are mandated by law to publish the audited reports and financial statements for ease accessibility by the public, to enhance accountability and transparency.

3.4 Data Collection

Data collection is integral part of the research. This research focused on the secondary data that was obtained from Nairobi Securities Exchange and the Central Bank of Kenya. The data was also obtained from specific banks' websites. The dividend payout was sourced from published financial statements for 4 years spanning from 2016 to 2019 for the 12 Commercial Banks listed in NSE. This data was easily source from NSE. The annual data was crucial for the study. The data on Monetary policies and determinants were generated from firms affiliated to CBK.

3.5 Data Analysis

The secondary data generated from published financial statement was reviewed, classified, edited, coded, summarized, analyzed, and interpreted for quality information. Descriptive analysis was used in this study. Descriptive was very useful in dispersion and central tendency while the regression analysis portrayed the level of association through correlation scrutiny.

3.5.1 Diagnostic Tests

Diagnostic test was performed to evaluate the level of accuracy, linearity, normality, correlation, and multicollinearity. The presumption on the normal distribution is best examined through graphical method. Scatter graphs was suitable for the testing of linearity while Variance Inflation Factors (VIF) tested the multicollinearity. It showed the level of correlation among the variables.

3.5.2 Analytical Tests

Analytical test was conducted to portray magnitude of correlations. Furthermore, it was useful in depicting direction on the effect of monetary policy replicated in the dividend payout. The focal

point of the study was the firms listed at the NSE.

The research utilized empirical model demonstrated as;

$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Y =dividend payout ratio. It is measured as DPS or dividend paid/EPS or net income

X_1= Repo rate (US dollar)

X_2 = Central bank rate

X_3 = 91 Day Treasury bill rate

α_0 =constant of the regression equation

$\beta_1, \beta_2, \beta_3$ and β_4= regression coefficients that will be estimated

ε = error term or disturbance term

α_0 =constant of the regression equation

$\beta_1, \beta_2, \beta_3$ and β_4= regression coefficients that will be estimated

ε = error term or disturbance term

3.5.3 Significance Tests

Statistical significance gauged through T-test and F-test. The tests were supreme for validation, scalability, reliability, and dependability. The findings were interpreted to provide useful and understandable information.

CHAPTER FOUR: DATA ANALYSIS, RESULTS, AND FINDINGS

4.1 Introduction

This chapter is very paramount in the data analysis and the presentation. It provides the crucial roadmap towards analytical findings while spearheading the conclusive facts-finding. The study encompasses the logical and systematic presentation while utilizing descriptive statistics and regression models to reinforce the interpretation and research findings. The paramount analysis includes analysis of variance, regression, and linearity test.

4.2 Regression Diagnostics

Regression analysis is very important in establishing the level of associations. It is useful in expressing the magnitude and direction. The data analysis should meet the fundamental standards that shows the assumptions underlying the regressor and regressed variables. The regressor variables should not be random and the residual value must be zero and depicts normalcy at the same time being constant. In Summary, the regression analysis must put in the consideration the fundamental aspects of linearity and normality. Furthermore, it must incorporate the homoscedasticity. Therefore, various tests are paramount for the research.

4.2.1 Multicollinearity Test

The linear method of regression stipulates no significance amid the variables. The independent variables should not be correlated for the accurate and reliable results. The Multicollinearity amid Treasury Bill, CBR, Repo Rate was undertaken to stipulate the level of association and degree of accuracy. The study optimized Variance Inflation factors as demonstrated in the table below.

Table 4.1 Variance Inflation Factors

| Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Repo	0.665	**1.538**
C. Bank Rate	0.978	**1.044**
Treasury Bill	0.655	**1.558**

a. Dependent Variable: Dividend Payout

Mwangi (2018) stipulated that multicollinearity must be maintained within minimal percentage. Sapsford (2007) postulated that multicollinearity traits is impossible to get rid of completely. Cooper and Schindler (2006) stated that VIF beyond 10.0 opine the significant multicollinearity amid the regressors variables. The Variance Inflation Factors as demonstrated by the findings in the table above were 1.538, 1.044 and 1.558 For the Repo Rate, Central Bank Rate and Treasury Bill respectively. The research provided the crucial finding that there is absence of significant multicollinearity between the predictor variables. All the regressor variable had value less than 10.0.

4.2.2 Linearity Test

Linearity test was undertaken to demonstrate the level of linearity. It was paramount to determine if the variables followed the statistical linear and association. The test was done through the optimization of scatter graphs to depict the results.

Figure 4.1: Scatter Graph on Treasury Bill and Dividend Payout
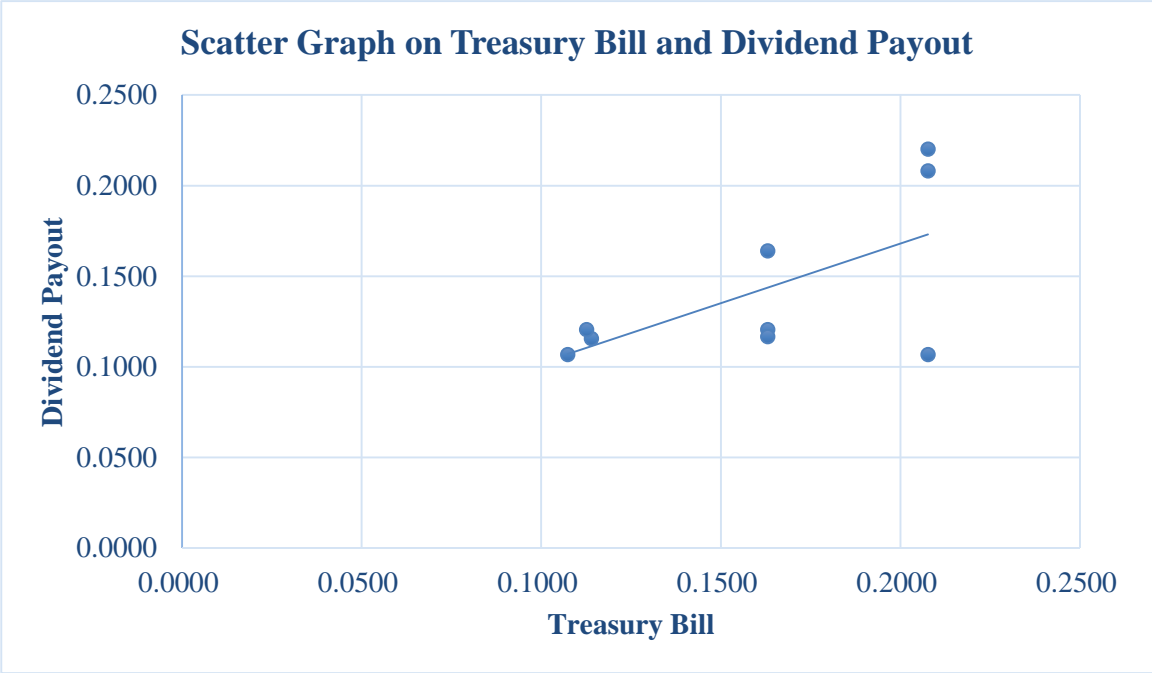
The findings stipulated by the scatter graphs show the linear distribution pattern amid the Treasury Bill and Dividend payout. The line drawn incorporating the Dividend payout and payout is shown in the straight line.

Figure 4.2: Scatter Graph on CBR and Dividend Payout
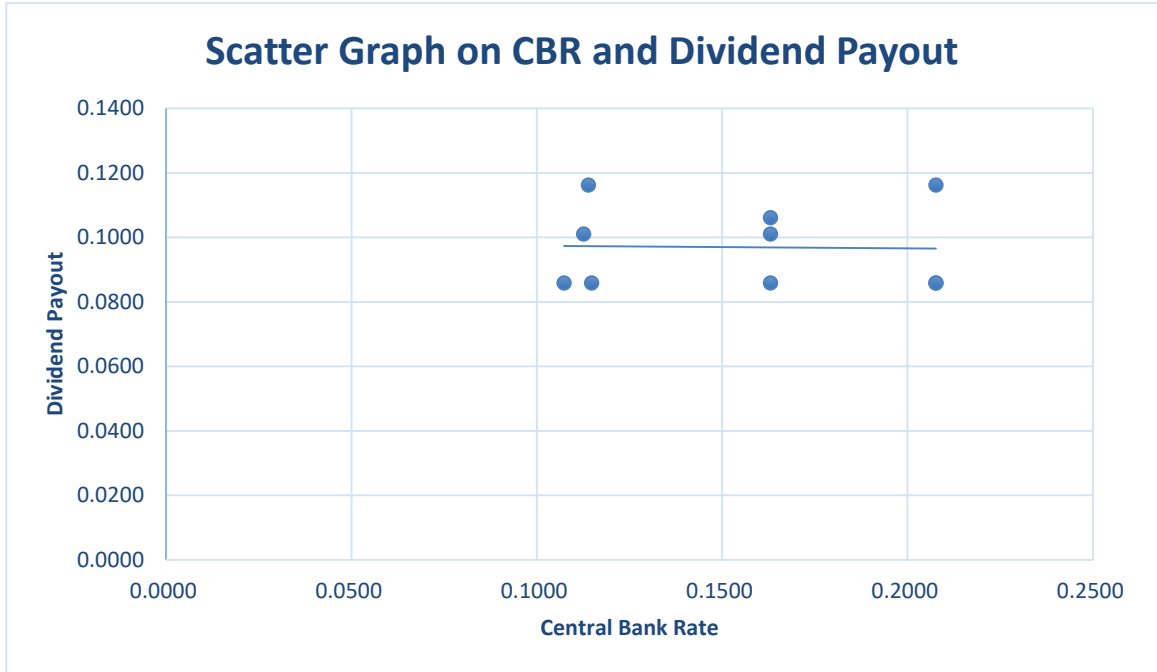
The Scatter demonstrates the existence of linear correlation amid the Dividend payout and Central Bank Rate. This is demonstrated by the above scatter graph.

Figure 4.3: Scatter graph on Repo Rate and Dividend Payout
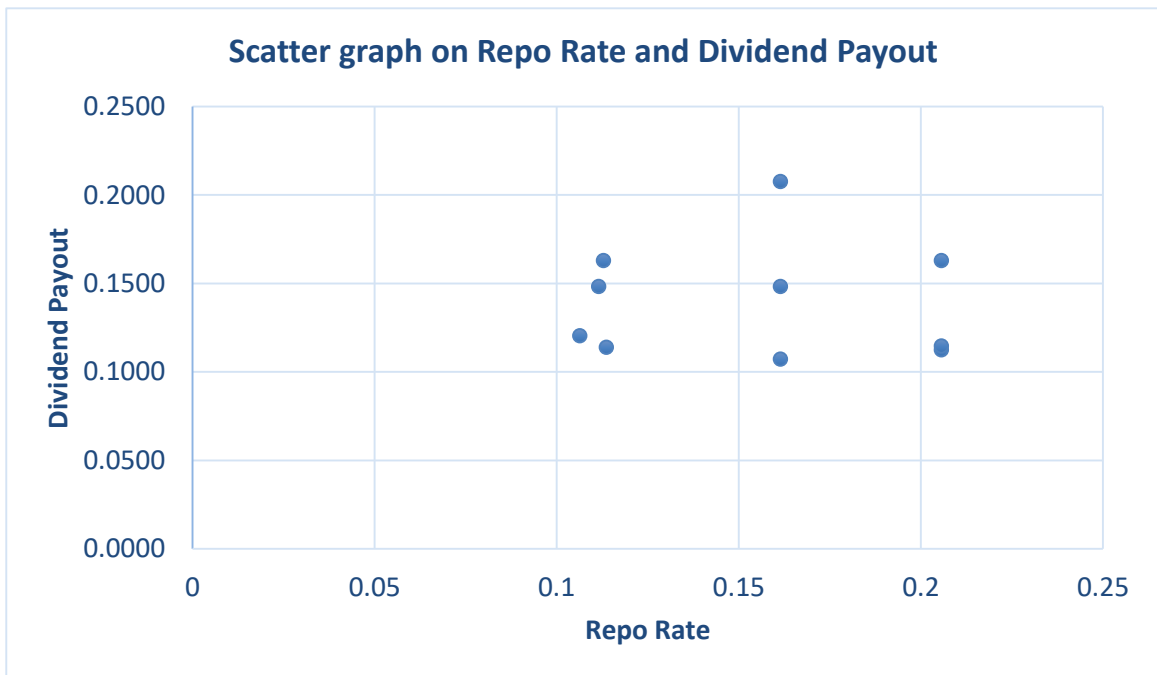
The scatter as per the above scatter graph and Repo Rate demonstrated the absence linearity association amid the dividend payout.

4.3.1 Normality Test

Linearity test presupposes the existence of the normality in the distribution. The normality test was undertaken using the Regression standardized residual. It was paramount to establish the normality test to provide a great blueprint for the analysis. Normality test is paramount for description of distribution algorithms, efficiency, and robustness of test.

Figure 4.4: Normal P.P Plot of Registration Standardized   residual Dependent variable   Dividend Payout

Normal P-P Plot of Regression Standardized residual
Dependent variable: Dividend Payout
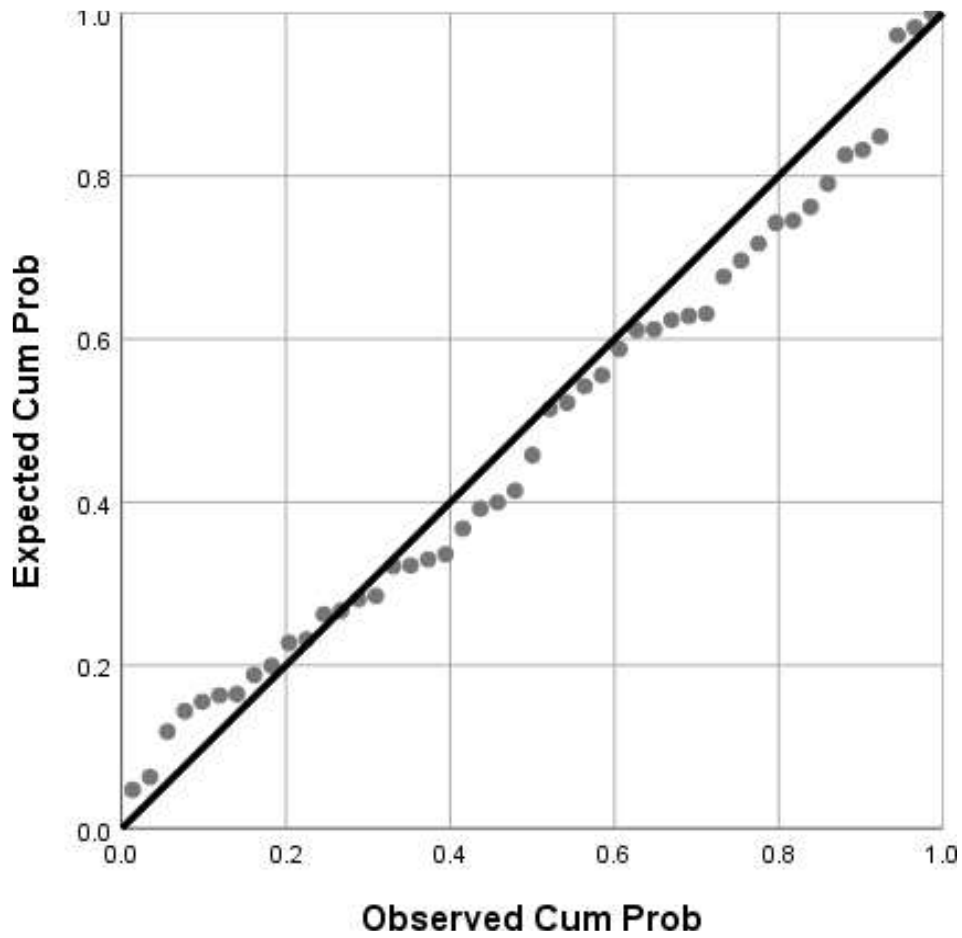
4.4 Descriptive Statistics

The descriptive statistics cannot be underestimated in the research since it provides the measure of central tendency while stipulating the parameters for the dispersion. The central tendency measures the focus of the data in the specific central point. On the other hand, dispersion will involve the determination of how the data has been spread. Mean and standard deviation is useful for the central tendency and dispersion respectively.

Table 4.2 Descriptive Statistics

Variable	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Dividend Payout	48	.6698	.0000	.6698	.1788	.1982	.039
Repo	48	.0784	.1066	.1830	.1255	.0210	.000
Central Bank Rate	48	.0310	.0860	.1161	.0964	.0120	.000
91-Day T-bill	48	.1464	.0600	.2076	.1176	.0400	.002

The table depicts the dividend payout had a minimum of zero portraying the firm which did not give out dividend during the period. The greatest dividend payout was indicated as 0.6698 which indicated the dividend payout of 66.98% during the period. The dividend payment had a mean of 0.1788 accounting for the 17.88%. It indicates that dividend payout was averaged to 17.88% in the banks listed in NSE. However, the variance posted 0.38 in the firms while standard deviation was 0.1982.

The variance of dividend payout was 0.039 while the standard deviation was 0.1982, representing 19.82% deviation about the mean. The Repo rate indicated the range of 0.0784 which accounted for 7.84%. The mean was 0.1255 representing 12.55% hence it posited that though there is greater

volatility it inclined to 12.55. However, it posted a negligible variance while possessing the standard deviation of 0.0210 hence depicting 2.10%. The table above further give elaborate finding on the Central Bank possessing a minimum of 0.08.

4.1 Correlation Analysis

The correlation matrix is crucial test for establishing the degree of association amid the variables. It is crucial for the assessment of magnitude and direction. The inverse association amid the variable and can confidently be concluded as negative correlation. In other cases, a change in one variable can stimulate an adjustment of another variable towards the same direction hence posit a positive correlation. These statistical parameters are paramount in the establishment of the present association.

Table 4.3: Correlation Matrix

		Dividend payout	Repo	CBR	Treasury-bill
Dividend Payout	Pearson Correlation	1	-.496	-.020	.795[**]
Repo Rate	Pearson Correlation	-.496	1	-.252	-.314[*]
CBR	Pearson Correlation	-.020	-.252	1	.118
91-DT-Bill	Pearson Correlation	.795[**]	-.314[*]	.118	1

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

The three predictor variables included the Repo rate -0.496, Central Bank Rate -0.020 and Treasury

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Bill of +0.795. The correlation matrix reinforced the robustness of the level of association amid the predictor variable and the predicted variable. The findings from the research indicated the magnitude of 0.795 and a positive direction of Treasury Bills verse the dividend payout hence positively significant association (Strong).

4.2 Regression Analysis

The research proceeded to assess the effect of monetary policy on the dividend payout. The firms under the comprehensive and detailed analysis were the one listed in the NSE. The analysis of the coefficient of determination was paramount in the elaborations that consider each predictor variable (Repo Rate, Treasury Bill, and Central Bank Rate) impact on the predicted variable (Dividend Payout). The three determinants were the paramount by jointly determining the dividend payout as illustrated below.

Table 4.4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.800[a]	.637	.479	.0299316

a. Predictors: (Constant), 91-Day T-bill, Central Bank Rate, Repo Rate

b. Dependent Variable: Dividend Payout

Table above provided more insight on the coefficient of determination. The adjusted R square showed 47.9%. The comprehensive information anchored by the R square postulates that the regressor variables which include 91-Day Treasury Bill, Central Bank Rate as well as Repo Rate jointly influenced 47.9% of the regressed variable which is dividend payout.

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Table 4.5: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.012	3	.005	4.088	.048[b]
	Residual	.006	45	.001		
	Total	.018	48			

a. Predictors: (Constant), 91-Day T-bill, Central Bank Rate, Repo Rate
b. Dependent Variable: Dividend Pay out

The table above provides a yardstick for the scrutiny of analysis of variance. The sum squares as a result of regression is 0.012 and the average square is 0.005 while F calculated posit 0.005 and the significance level is 0.048 with the 3 degree of freedom. The sum of squares resulting from the residual is 0.006 under the 8 degrees of freedom while the square mean is 0.001. The p value is less than 0.05 thereby implying that the association is significant at 95% significance level.

Under the ANOVA scrutiny, F-Test of 4.088 under the P Value P<0.01 is crucial impression and expression that the regressor variables including 91-Day Treasury Bill, Central Bank Rate as well as Repo Rate had a strong significant effect on the dividend payout.

Table 4.6: Model Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.080	.118		.690	.516
	Repo	-.050	.575	-.100	-.176	.870
	CBR	-.116	.785	-.383	-.491	.643
	Tbill	.792	.279	.758	2.731	.030

a. Dependent Variable: Dividend payout

The data collected from the table above will be paramount in obtaining the analytical equation that combine all the three predictor variables in the determination of the regressed variable.

Therefore,

$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mathcal{E}$

$Y = 0.080 +- 0.50X_1 + -116X_2 + .792X_3 + \mathcal{E}$

Y = dividend payout ratio. It is measured as DPS or dividend paid/EPS or net income

X_1 = Repo rate (US dollar)

X_2 = Central bank rate

X_3 = 91 Day Treasury bill rate

The regression equation shows that a change in one unit of dividend payout leads adjustment of the Repo Rate, Central Bank Rate, and 91-Day T-Bill by negative 5%, negative 11.6% and positive 79.2% respectively and under the constant value of 8%. In a nutshell, an increase in one unit of repo rate posted a negative change in dividend payout by 0.05, while an increase in one unit of Central Bank Rate led to a decrease in dividend payout by 0.116 and finally, an increase in the Treasury bill postulated an increase in dividend payout by 0.792 when all other factors are constant.

4.3 Discussion of Research Findings

The research was propounded by the objective to assess the impact of monetary policies on the dividend payout. The research optimized the descriptive method that summarized the fundamental aspects of this study. The standard deviation was used to portray the level of data spread while at the same time postulating the mean. It was an operational parameter for indicating the dispersion of the data.

The correlation was crucial for blueprinting the magnitude and direction of the regressed and regressor variable. The two variables namely, Repo Rate and Central Bank Rate were established to inversely correlated with the dividend payout since they had posited negative values of 49.6% and 2% respectively on the dividend payout. The treasury -Bill had positive and strong significant level of 79.5. The findings were an eye-opener on the direction of each independent variable. It enhanced the knowledge available on the monetary policies and dividend payout.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter entails a comprehensive summary establishing through the researcher's findings. It undertakes the conclusive findings as well as create a roadmap through the recommendation. This part relooks at the foundation of the research, summarize the drawbacks, and giving pivotal areas for scholars, anchored the theories and spearhead the policy formulation and the emerging practices.

5. 2 Summary of Findings

The research was supported by the motivation to find out the effect of the monetary policies on the dividend payout. The research used several research methods before arriving at the conclusive findings that built the foundation of this study. The normality test was run using the scatter via regression standardized residual and concluded that the errors was within the normal accepted and justifiable ways hence was not a big predicament in the study. The findings made good use of descriptive statistics, correlation, regression, and variance inflation factors among others.

The research also made good use of standard deviation to determine the spread out of data and their mean. The research did analytical test and diagnostic to come up with the linearity level of association. Repo rate and Central Bank rate demonstrated inversely association with the dividend payout. This indicated that an increase in the dividend payout led to a decrease in the repo rate by 49.6% and Central Bank Rate by 2% if all factors are maintained constant. The treasury bill moved

to the same direction with the dividend payout hence indicating the higher the dividend payout the higher the 91-Day Treasury Bill by 79.6. This anchored the previous findings by Mwangi (2018) indication that treasury Bill is crucial in the determination of the dividend payout. The findings advocated for the fundamental and technical analysis for the dividend payout based on the far-reaching consequences whenever the macroeconomic factors change in the fast-paced commercial environment.

5.3 Conclusion

This research reinforced the previous findings by the previous research that stipulated that treasury bill were positively correlated with the dividend payout. Mbogo (2020) study the monetary policies and the performance of commercial banks. The determinants of the study included the supply of money, open market operation, central bank lending and cash reserve ratio. The findings postulated the positive correlation between Central Bank lending and performance. However, this study established the negative effect of Central Bank Rate and the dividend payout.

The preceding and the current studies provide the integral findings based on comprehensive research. The study postulates the supreme antecedent of banking sectors that considers different macroeconomic factors to determine the dividend payout. This conclude that Repo Rate, Central Bank Rate, and 91-Day treasury Bill have shaped the dividend payout and must have been crucial for the decision making. It was therefore paramount to establish such a far-reaching, correct and up to date findings. The research postulated a linearity equation.

$Y= \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$ which was further replaced with the value established to

show.

$$Y = 0.080 +- 0.50X_1 + -0.116X_2 + .792X_3 + \varepsilon$$

Y = dividend payout ratio.

X_1 = Repo rate (US dollar)

X_2 = Central bank rate

X_3 = 91 Day Treasury bill rate

α_0 = constant of the regression equation

β_1, β_2, β_3 and β_4 = regression coefficients that will be estimated

5.4 Recommendations

This study reinforced the theories and built up their previous findings and postulations. Pecking Order Theory was crucial in the prioritization of the monetary factors to enhance monetary policies. The life cycle theory was crucial in advocated for the capital gains through dividend payout while liquidity choice postulated to enhance the productivity of commercial to ensure that banks pay high dividends. The policy makers must investigate the macroeconomics that enhance and dividend payout. The policies on Central Bank Rate, repo rate must be formulated to enhance the productivity of the commercial banks. The policy makers should exploit the available knowledge and come up with the most innovative ways that suit the current market needs.

5.5 Limitation of the study

The study narrowed the research to commercial banks listed on the NSE and failed to consider other commercial banks. Furthermore, there are numerous determinants apart from Repo rate, Central Bank Rate, and treasury. The other macroeconomics variables are very crucial in the determination of GDP. The future researchers and scholars should look widely with an eagle eye

to establish the crucial role played by each the variable which was not included in this research. It is therefore important to relevant data that can provide adequate, sufficient, and accurate findings. The research was reinforced by the historical data obtained from the Central Bank of Kenya. The secondary data may not be timely and futuristic. There are many emerging issues in the global markets, and this may not be reflected in the past historical data. Secondary though save cost and readily available may not reflect all the information in the market. The historical data does not incorporate the non-model determinants which can include all the social factors.

5.6 Areas of Further Research

This research recommends further assessment on the impacts of monetary policies on the Gross Domestic Products. This will provide logical and systematic benchmark for policy formulation and execution to enhance the country's productivity. Moreover, the scholars should focus on the role of monetary policies and in the performance of SMEs in Kenya. SMEs plays a key role in the economic development. SMEs have accounted for more than 70% employment in the Kenya (Worldbank, 2020). The study focusing on these areas will highlight areas that need technological innovation and infrastructural development to enhance performance.

This research advocates for the study on the non-quantitative determinants of dividend payout with clear justification on their past highlights and forecasting emerging issues. The study will create a predictive justification for the need for well-preparedness in the fast-paced business environment. It will be crucial to look at other aspects of monetary policies that have not been exhausted in the research. It builds a wide spectrum for research and increase the innovation and creativity.

5.7 Implication of the Study on Theories, Policies and Practice

This study is crucial for wide-spectrum reinforcement of theory; Liquidity Preference Theory advocates for the higher perspective of inspiring the shareholders through policies and practices that anchors the liquidity of a firm. Pecking Order Theory postulate the demand for external financing to enhance the productivity. The Life Cycle Theory sum up the importance of considering the macroeconomic factors such as interest rate in policies formulation. Furthermore, skyrocketing prices and other macro-economic factors stand out to be areas that need more practical policies and practices to spearhead performance. In a nutshell, this study advocate for policies and practices that are suitable to the trends in the global market and can solve unpredictable problems.

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APPENDICES

Appendix I: List of Firms Listed at the Nairobi Securities Exchange

BANKING	
1	ABSA Bank Kenya Plc.
2	Stanbic Holdings Ltd.
3	I & M Holdings Plc.
4	Diamond Trust Bank Kenya Ltd
5	HF Group Plc.
6	KCB Group Plc.
7	National Bank of Kenya Ltd
8	NCBA Group Plc.
9	Standard Chartered Bank Kenya Ltd.
10	Equity Group Holdings Plc.
11	The Co-operative Bank of Kenya Ltd
12	BK Group PLC

SOURCE NSE 2021