DETERMINANTS OF DIVIDEND PAYOUT OF AGRICULTURAL FIRMS LISTED AT NAIROBI SECURITIES EXCHANGE

BY

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DECLARATION

Declaration by the Student

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

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

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LIST OF ABBREVIATIONS

ANOVA   Analysis of Variance

CBK   Central Bank of Kenya

CMA   Capital Markets Authority

DPS   Dividend per Share **EPS**

Earnings per Share

GDP   Gross Domestic Product

GFIN   Global Financial Innovation Network

NPV   Net Present Value

NSE   Nairobi Securities Exchange

ROA   Return on Assets

ROI   Return on Investment

SPSS   Statistical Package for the Social Sciences

USAID   United States Agency for International Development

ABSRACT

Dividend payout is very crucial for the shareholders as it signals the productivity of the company. The investors look at the shares before buying or selling them. The research assessed the determinants of dividend payout. The study pivotal area was Agricultural Firms listed at the NSE. The regressor variables were; profitability, firm size, leverage and business growth. The study used secondary data for the analysis. Descriptive and inferential statistics were crucial in building the findings. 14.5% of the variables were studied while 84.5% were not among the independent variable. The data was collected for a period of six years spanning from 2015 to 2020. The population of the study were all the agricultural firms listed at the NSE. The analytical model formulated demonstrated that a unitary change in profitability causes a decrease in dividend payout by 29.9% when all other factors are kept constant. A unit change in each of firm size, leverage or business growth causes a change in dividend payout by 6.7%, 15.1% and 45% respectively when other factors are kept constant.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The fundamental principle of every firm is to continuously maximize the shareholders' wealth. Dividend payout entails the amount distributed to shareholders as a percentage of earnings or cash flows made during a particular period. Dividend payout has grown tremendously because of proliferation, capital structure and the going concern of the firm. Ogundajo et al (2019) posit that prudential and optimal dividend payout decision has been the nucleus of the organization since time immemorial. The managers' jurisdiction entails the decision making on the dividend payout while at the same time ensuring reinvestment to reinforce the continuity of the firms. Okoro et al (2018) opined that the optimal capital structure enhances the ability to maximize wealth. The firms' sustainability can be made from the dividend ratio. The assumptions propping up is that firms with foreseeable cash flows and stable earnings has higher dividend payout (Arif, 2013). Nevertheless, the firms with financial distress, unpredictable and fluctuating earnings may not give out dividend. However, in some cases the profitable companies may not distribute dividends because of retained earnings or reinvestment (Wapukhulu, 2019).

The fundamental theories that reinforced this study were: Dividend Irrelevance Theory, Signaling Theory and Pecking Order Theory. Dividend Irrelevance Theory by Modigliani and Miller (1961), which states the dividend irrelevancy in the decisionmaking on disbursement of dividend to shareholders. Further, it put forth the fact that whenever the shareholder gets more in dividend, the lesser capital appreciation and vice versa. Signaling Theory portrays that market is efficient whenever the information is disseminated to everyone equally. Mworia (2016) postulated that the sellers and the buyers should possess relevant and updated information. Therefore, dividends are only paid after all the projects with positive net present value have been invested into. The remnants are distributed to shareholders as dividend (Pandey, 2009). Pecking order theory illustrates that financial management prefer sourcing funds internally to external methods. Debt is cheaper than equity due to asymmetric information. It postulates that shareholders prefer capital appreciation to dividend on earning. However, there is need for plowing backs capital because of reinvested yields (Batu 2013).

Agricultural sector is the backbone of Kenya economy. It contributes 33% to the GDP while at the same time employing 40% of the entire population (USAID, 2020). Furthermore, its exports amount to 65% of the total annual export and serve as the highest foreign exchange earner. Majority of Kenyan population depends on agriculture for their livelihood. Agricultural sector is also a source of raw materials for other sectors and provide food security. Nevertheless, agricultural sector faces myriad problems ranging from inaccessibility to finance, unfavorable weather conditions, inflations, and lack of fertilizers among others. This research is therefore very critical in assessing determinants of dividend payout in the agricultural firms listed in NSE. It shed more light on the determinants of dividend payout hence critical for decision making.

1.1.1 Determinants of Dividend Payout

Determinants of dividend payout are factors that influence the dividend payout (Cheptoo, 2018). Bulla (2021) described dividend payout as that proportion of earning that is remitted to shareholders. It is also the percentage of earnings given to the shareholders (Kimani, 2016). In a nutshell, dividend payout is the portion given to shareholders as benefit derived after investment. The determinants under this research are profitability, firm size, leverage, and business growth. The continuous growth in firm size and the capability to pay out higher dividend increases (Chumari, 2014). There are several measures that blueprint the firm success in dividend payout. Large firms have already stabilized, and the operation is at optimum hence maintain constant dividend payout or increase periodically. The natural logarithm of revenues is the yardstick determining the firm size (Mariam, 2018).

Profitability of the firms happen when there is proper execution of plans and objectives (Namusonge, 2017). The returns to shareholder map out a well-organized and going concern company. Profitability and dividend payout is always anticipated to correlate positively. Leverage is the obligation to the firms. Firms which are greatly affected by leverage must reinforce its equity base to generate more return. The leverage increases the commitment payments in forms of principal and interest. Jensen (1986) stipulated that highly leveraged firms have minimal retained earnings to pay dividends. The study opined that interest take up large percentage meant for dividend. The ability to withstand the leverage challenges illustrates efficiency and effectiveness in business. Maximum utilization of assets in production means the firm is operating at its optimum.

Ravichandran (2016) postulated that determinants of dividend payout include growth prospects. The research concluded that dividend payout has significant negative association on the growth. The high growing companies have great demand for capital reinvestment. Nyantori (2018) used profitability and total assets as the dominants of dividend payout. The dividend payout also considers business risk associated with payment, firm size, and growth or gearing ratio. According to Arif (2013) leverage and business risk are the determinants of dividend payout. Bulla (2021) used the firm size, growth, leverage and retained earnings as the parameters for the dividend payout.

1.1.2 Dividend Payout

Dividend payout is the amount paid directly to shareholders for investing in the company (Ahmed, 2015). It is a portion of the company's earnings and is paid annually (Cheptoo, 2018). The fraction disbursement of earning represents the percentage of total earning. The remnant or retained earnings is paramount for the continuous growth of the company (Kiyondi, 2013). It is reinvested to run the current operations and safeguard the future wealth being of the organization. Retained earnings is the engine that promotes the tremendous growth. Subramanian (2016) postulated that dividend is thermometer for measuring financial health of the company. Dividend payout is the amount distributed among the shareholders as the value for their own investment.

Dividend payouts depend mostly on the company's policies. The managers make decisions as per their exposure to the business environment. Some managers are risk takers, risk neutral or risk averse and their decision are reflected on their dividend payout.

Excess dividend payout map out that a company is very industrious. However, in some instances it might be disbursing more than their affordability. This is usually done as a strategic plan in order to attract investors. Less dividend payout shows businesses that ploughs back the profits and reinvest for future growth (Mariam, 2018). The hundred percentage payout is non-sustainable for the longevity. The drastic reduction in the dividend payout is yardstick that indicates financial distress and mitigating measures must be considered as priority. Firms' policies have different parameters for dividend payout ranging from fixed and constant dividend payout to residual dividend payout (Ahmed, 2009). Due to myriad challenges facing dividend payout in the agricultural firms, it motivated the researcher to pursue this study.

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Numerous studies have focus on wide range of dividend payout. Cheptoo (2018) concentrated on growth, company size and leverage. The study used secondary data published by the companies. The higher the growth rate the lower the dividend payout and vice versa. Furthermore, company size, risk and the return on the assets can determine the dividend payout. Bulla (2021) used Earning Per Share (EPS) to determine dividend payout. Kimani (2016) indicated dividend payout as proportion of earnings while (Ahmed, 2009) postulated that dividend payout is percentage of retained earnings.

1.1.3 Dividend Payout and its Determinants

The agricultural firms as well as other companies tries to maintain dividend payout to ensure that the shareholders and investors reap from their wealth (Bulla, 2021). The metrics employed in the dividend payout is dictated by the determinants of dividend payout such as profitability, firm size and leverage. These are yardsticks to determine reinvestment. The decision-making process of any agricultural firm relates to its dividend payment and its determinants.

Dividend payout metrics is supreme net earnings canon. The dividend payout and its determinants are tied to each other while gauging the going concern of the company to the unforeseeable future. The retained earnings are ploughed back to either enhance profitability, improve firm size or for the leverage of the company (Nuhu, 2014). The dividend payout stipulates a comprehensive picture of the capability of the firm. However, there are exceptional scenario in dividend payout, therefore, investors must do both fundamental and technical analysis before arriving at relevant conclusion.

Dividend payout demonstrates the prospective companies with eagles' eye in prudential profitability. The share repurchases works positively in cases where the investors are either speculative or hedging. The investor can convert the stock to cash or speculate for the future higher yields. Alber & Ahmed (2007) opined that dividend unlike share repurchase provide a signal of financial health. Developed countries have intensive markets working on securities. It is a supreme metric to determine the business functionality and operation that reinforces growth potential. A fundamental great ratio on these metrics designates the maturity of the firms and prudent management.

Profitability and dividend have great correlation that is useful in fundamental and technical analysis of both stock and shares.

1.1.4 Agricultural Firms listed in Nairobi Securities Exchange

The agricultural firms listed in NSE are very few given the fact that the global population is paramount and tied to agricultural productivity and effectiveness. The agricultural innovation enhances effectiveness and efficiency in the production (Packkisisamy, 2010). There is a greater demand towards the improvement in agricultural productivity. It therefore creates longevity driver in Nairobi Stock Exchange. NSE has experienced the asymmetric information traits, in some cases there is a thin capitalization in relation to the GDP, some stocks possessing illiquidity characteristics controlled and commanded by foreigners.

According to GoK (2020) NSE took a major milestone in demutualization in the year 2006 to 2008 and increased the trading hours. The previous timeline was running from 10:00 am to 12:00pm but it was adjusted to 1:00pm for an extra one hour. A broadspectrum network was implemented in 2007 to eradicate brokery. The innovative and creative measures in place for instance, introductions of the functionality in the trading rights. This has been reflected in the NSE strategic plans. The agricultural firms play a crucial role in NSE (Ombura, 2012). Agricultural activity is the backbone of Kenya economy by enhancing the transformation and economic development.

1.2 Research Problem

The dividend policy has been formulated in different companies to suit their abilities and projections. Firms prefer payment of dividends only when the projects with positive NPV have been undertaken. Cheptoo (2018) dividend payout is critical in signaling the company going concern. The percentage of earnings is transformed into dividend to provide holistic value for the shareholders wealth. The confidence of shareholders is rubberstamped through proclamations on increase in dividend payout. It is a critical yardstick that portrays positive financial performance. The shareholders and investors are keen to invest in companies with huge returns. The excellent performance of corporate management is intertwined with financial performance. The failure to give out dividend or drastic reduction, map out a general picture of a no longer going concern company. Its valuable indications that must be supported by both technical and fundamental analysis in arriving at the conclusive facts and findings. In nutshell, the dividend payout has been used since time immemorial to indicate the financial performance.

The agricultural firms must demonstrate their ability to withstand other sectors' competition in the financial markets. The capital market has always provided timely and efficient information that is useful to the investors (USAID, 2021). Furthermore, it has innovated many ways that are integral part for financial performance of agricultural firms listed in NSE. Their innovative ways of reaching global market through Global Financial Innovation Network (GFIN) widen the spectrum of commercial operations, fair competition, partnership, and collaboration that healthy towards realizable financial performance (Zhou, 2006). The state of agricultural productivity is an indication of the future of the country. It reflects the nation's will to provide constant food supply, technological innovations, infrastructural development, job creation, global trade, and revenue generation.

Agriculture is the heartbeat of the majority of the developing countries. According to World Bank (2019) Agriculture accounts for 65% exports that are significant in economic growth. It has been supreme sector that has reinforced Kenyan GDP. This has necessitated the government to stimulate economic growth through the BIG Four project and the key among them is food security. The value addition of agricultural products has been the major aim in boosting foreign exchange. Nairobi Security Exchange has provided platform for showcasing investment products that are on demand. USAID (2021) published that agriculture is driving engine of the Kenya economy. It is a key propellant that accounts for approximately 33% GDP of Kenya while employing 40% of the total population. Furthermore, since 70% of Kenya resides in the rural areas, agricultural production through agricultural firms enhances food security, value addition, innovations, productivity, and efficiency.

Empirical studies both international, regionally, and locally have given inconclusive findings. Lestari (2018) researched on factors influencing corporate policy and dividend payout in Indonesia. The findings stipulated that cash flows, firms' size and dividend affects the dividend payout. Mworia (2016) did a research on financial leverage and ratio of dividend payout. The findings show negative relation between financial leverage and ratio of dividend. Kimani (2016) researched on capital structure and amount of dividend paid in all firms listed in NSE. The findings demonstrated positive relation between size and dividend while leverage and dividend indicated negative relation. Cheptoo (2018) carried out a research on relationship between selected

company characteristics and dividend payout. The findings show weak positive relationship between leverage and ratio of dividend. The preceding research findings demonstrated mixed and inconclusive results. Furthermore, the researchers have concentrated on other companies and minimal research on agricultural firms listed in NSE. Moreover, the areas of focus have been capital structure, leverage, dividend policy among others with minimal concentration on dividend payout. Therefore, there is a great research gap that need to be bridged through the study of determinants of dividend payout of agricultural firms listed in NSE. The study finalized on; what are the determinants of dividend payout of agricultural firms listed at the NSE?

1.3 Research Objective

The objective of the study was to investigate determinants of dividend payout of agricultural firms listed at the NSE.

1.4 Value of the Study

The research is paramount in shedding more light on the dividend payout and its determinants. It creates insight knowledge and yardsticks for references. Furthermore, the results obtained are precious in relooking on assumptions of theories underpinning this study, critique, and forensic academic research. The management of agricultural firms will also utilize the results for more productivity, innovation, corporate governance, adequate planning, monitoring and providing business decorum. Moreover, the study provides knowledge to both shareholders and investors as they seek value for their investment. The organizational policy makers can utilize information in providing suitable policies that safeguard both firms' and investors' interest through harmonious guidelines and policies. The government will maximize the results in implementation of BIG four projects. It will reinforce the formulation of agricultural recovery stimulus while at the same time advocating for timely dividend to the shareholders.

It will be valuable in the policies formulation of dividend payout to create shareholders value for their wealth. It is paramount in balancing the investment in projects with positive NPV while at the same time protecting the investors. Worldwide agricultural entrepreneurs can use it in promoting and incorporation of their views in the current global markets. Moreover, it reinforces creative, innovative, agricultural continuous improvement and technological advancement.

The research will upgrade and update references materials for the university. It will foster knowledge while ensuring that scholars have benefited. The academicians are great beneficiaries through well-arranged and displayed analytical skills, wide spectrum

knowledge and relooking at the importance of theories that reinforces this study. In general, the research will stipulate the supremacy of dividend payout while the same time bridging the previously existing gap.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter is a comprehension of relevant theories, determinants of dividend payout, empirical review, conceptual systematic framework, research-gaps and literature analysis.

2.2 Theoretical Review

This section contemplates theories underpropping the title under examination. This research focused on the following theories: Dividend Irrelevance Theory, Signaling Theory and pecking order theory.

2.2.1 Dividend Irrelevance Theory

It was founded by Miller and Modigliani (1961) while publishing report demonstrating dividend irrelevancy in a tax-free world and imperfects markets. The theory narrated that the dividend payout decision neither generate nor dismantle the shareholders' value. The shareholders do not have to redeem shares to cash. At the same time cannot pay more for companies with the great dividend payout. It is a great benchmark that reflects payout having no effect on the valuation of the firm. However, in cases of taxations, market imperfections, transactional costs, presence of asymmetric information and agency cost dividend payout may have effect on the value of the firm Lestari (2018).

However, the theory has several assumptions that cannot stand in the realistic market. It assumes that there is no taxation cost. This is unrealistic since the market are subjected to personal and corporation taxes. Moreover, dividend payout involves transactional cost which is the contrary to the theory. The proposition that capital market operate perfectly in unrealistic.

The dividends payouts do not improve the firm's ability to generate profits. The dividend payout reduces the amount needed to reinvest in the firm and capability to continuously improve firm's stock price. Mworia (2016) postulated that dividend payout causes the company to incur unnecessary cost. The dividend payout has no effect on wealth. Dividend policy is integral part of financing decision. Dividend policy is passive in financing decision.

2.2.2 The Signaling Theory

This theory of dividends stipulates that the managers maximize the dividend payout to disseminate signals concerning the prospective and futuristic (Bhattacharya, 1979). The theory was expounded by Miller and Rock, (1985); John and Williams, (1985). The theory assumes existence of informational asymmetry. This theory indicates that market

efficiency exists whenever the information is replicated at the same time and is similar and equally disseminated. The sellers and buyers should possess relevant and updated information. The companies have utilized this theory while attracting new investors in the market. The corporate governance of the organization provides clear blueprint that attracts investors through strategic and tactical dividend payout.

The shortcoming of the theory includes the assumption that the credibility of the information is reflected on dividend payment. It proposes that managers are more informed than outsiders hence make periodic decision that may not reflect true and fair position of the company. Signaling Theory has been applied in company who expects financial distress but want to attract investors. The firms anticipate prospective and prosperous financial improvement that are key pillars in financial health. The tactical proclamation of high dividends is to relay the fundamental information to the shareholders Morara (2021). The declaration of more dividend is to maintain the investors from selling the stocks while anticipating futures financial distress and collapse (Miller and Rock, 1985).

Ross (1977) postulates that dividend payout fill the existing gap while bridging the management and investors. The fundamental factor is existence of asymmetric information between investors and corporate governance regarding financial health of the firm. This will ensure that Signaling theory sails through. Hence can attract more investors and retain the current investors. The information portrayed in the market shows the firm is very profitable. In nutshell, the shares will not demonstrate the intrinsic value of the firm (Malkawi et al., 2010). The financial analysts and forensic investment analyst demonstrate that dividend may have implicit information concerning the company's ability and profitability. The stability, positive and negative changes in dividend payout is fundamental indicator of futuristic prospects.

2.2.3 Pecking Order Theory

Donaldson (1961) postulated that the financing of a firm is critical factor that must be checked to arrive at the most optimum source. Myet et al (1984) opined that company preferences should follow certain criteria to cover financial demands. The theory indicates that financial management prefer sourcing funds internally to external methods. Debt is cheaper than equity due to asymmetric information. The equity financing option is the last resort of any company. Financial practitioners follow

financial hierarchy process to avoid both the relinquishing of wealth and negative detrimental selection immanent in external funds.

Pecking Order Theory is paramount where asymmetric information exists. The imbalance in transactional power results from information inequality. The company enthralls an accurate company's financial health, future prospective, risks and future anticipations. Due to high asymmetric information, external borrowings demand greater return rate to commensurate the greater risk factor (Mwangi, 2018). The companies control the flow of information to have great advantage over investors. The issuance of debt signals stock's undervaluation and optimistic believe of governance that the investment has positive Net Present Value. However, issuing equity signal negative implications that the stocks underwent overvaluation.

Dividend payout is therefore a fundamental factor that can enlighten on the company's earnings. Firms pursuing risky project prefer external sources as the most appropriate and optimum to internal source. The company can reduce taxes by borrowing based on the periodic payment of interest (Morara, 2021). Internal financing comes up with draconian rules on the tax avoidance methods. Dividend payout is important in provision of value to the shareholders' wealth. The aim of all going concerns companies is to maximize and optimize value to the shareholders.

2.3 Determinants of Dividend Payout

The study will attempt to provide scalar quantity on the association between dividend payout and its determinants and how it influences the outcome. The organization have demonstrated different methods and patterns of dividend payout. This study focused on profitability, firm size, leverage, and business growth while trying to find out their effect on dividend payout.

2.3.1 Profitability

Financial performance of agricultural firms is mostly on the profitability. It is a benchmark that shows productivity, efficiency, and effectiveness in its operation. Excellent financial performance illustrates good financial health and going concern. There are several measures that blueprint the firm success in revenue generation and

profit-making. It is great subjective measurement of maximization of assets to generate revenue. Maximum utilization of assets in production means the firm is operating at its optimum. According to Pandey (2009) financial performance determines the wealth being of the agricultural firms.

The metrics employed in the dividend payout dictates the prospective investments. It can dictate where the profit can be reinvested back. The decision-making process of any agricultural firm relates to its financial performance. In nutshell, the financial performance is paramount in decision making, strategic implementation and plans executions.

The immense factor considered in determination of dividend payout is profitability. Dividends accounts for a percentage of aggregate earnings. The increment in earning illustrates a lot of cash flow that can be used to speculate and invest on the project with positive NPV (Ajanthan, 2013).

2.3.2 Firm Size

Firm size is a parameter used to determine the firm capability to sustain operation. The larger the size of the firm the greater resources. Resources provide holistic avenues for generating earnings to the firms. Large firms use their resources efficiently and effectively to achieve economies of scale. The smaller the firm, the fewer the resources hence the firm may face financial constraints. Resources are the key determinants of organizational earnings (Becker, 2018). The firm's growth and revenues generation depend on firm size because of the availability of resources. Resources are always scarce, limited, and valuable but has unlimited wants. Khan and Mustapha (2016) postulated that firm size and dividend payout are positively correlated. As per Chen & Dhiensiri (2009) the greater the firm size, the faster the maturity rate and the easier access to capital markets.

Rajan & Zingales (1995) reported that the large companies usually diversify to be less prone to collapse and bankruptcy.

2.3.3 Leverage

The financial leverage is determined through the equity to debt ratio. Leverage ratios map out the ability of the firm to repay debts and to sustain it operations. The fundamental determinant of financial distress is on leverage ratio (Pandey, 2008). The

financial health of the organization is the backbone determining the future earnings. Al Shabibi & Ramesh (2011) established no significant correlation between leverage and dividend payout. However, Kuwari (2009) opined that leverage has a very strong negative association with dividend payout.

The ratio of debts over equity is maximized in the companies' financial operations. The corporate governance usually comes up with dividend policies. The determination of policies is done in consideration with the projects with positive NPV (Namusonge, 2017). The higher the debts, the higher the transaction cost incurred hence the lower the dividend payout. The prudential management of debts is paramount and supreme. Cheptoo (2018) concluded on a weak positive relation between leverage and dividend payout. High borrowings increase the operations and maintenance of debts through payment of principal amount and the interest charged. The interest charged on top of the amount borrowed affects liquidity of the firm. The utilization of the earnings in repayments of loans leads to low residual earning hence low dividend payout.

2.3.4 Business Growth

Business Growth is very critical in measuring the dividend payout. Revenues and sales are the key yardstick for determining the growth. Cheptoo (2018) statistically has negative influence on the dividend payout. The research indicated that a company from time to time uses its earnings in the reinvestment of projects with positive net present value. Earnings are utilized in speculation and hedging. The projects that are predicted to generate high yield are prioritized before dividend payout. Corporate Governance views dividend payout as the unnecessary incases of prospective projects that add value to shareholders wealth.

Azouzi (2016) on his studies concluded that growth has negative correlation with dividend payout. The negative association was associated with reinvestment into project. The research further stated the importance of reinvestment in improving futuristic profitability of the firm. It stabilizes the future financial safety and avoidance of income tax. Furthermore, it diversifies the risk, expands the business and act as cushion in unforeseen economic shocks.

2.4 Empirical Literature Review

Many scholars, researchers and academicians have explored this area of research. Lestari (2018) studied the factors determining the corporate policies on the dividends in Indonesia. The researcher focused 2011-2015 while sampling 32 manufacturing firms.

The research findings indicated that there is existing association between cash flow, dividend, size, and dividend policy. However, there is no association between a leverage, firm risk, growth anticipations, investment opportunities in dividend policies and dividends. The study used Program Software Eviews and multiple regression to arrive at conclusive findings. The study focused on manufacturing and there is urgent need to study other economic sectors.

Ahmed and Murtaza (2015) did research on dividends paid by the listed firms in Malaysia. The period covered was 2007-2011 and utilized multivariate regression analysis to decipher the level of correlation. Sampling process was executed with 100 firm's selections out of 854. The finding indicated that size, liquidity, investment opportunity have positive correlation with dividend payout. However, leverage and company's performance had no correlation with dividend payout. The focused nation was Malaysia which is different with economic environment.

Azhagaiah & Veeramuthu (2010) did a research on the effects of firm size on the dividend behavior of corporate firms. The selection of 73 firms of Indian was analyzed using empirical method. The study focused on ten years running from 1997 to 2006. The testing method was a full Britain model. Time series was utilized, and the findings indicated that firm size, growth prospects and leverage were correlated with dividend behavior. The research was done in Indian, and the focus was on dividend behavior which is different from dividend payout.

Justyna, Madra & Ulrichs (2019) researched on the determinants of dividend payout decision. The focal point of the research was publicly quoted food industries enterprises. The study optimized unbalanced panel data that covered 15 European countries. The period of study was 14 years running from 2003 to 2016. The research intended to find out the determinants of dividend payout of the publicly quoted food industries operational in the markets. The primary data was obtained via Emis Intelligence Database. The conclusion of the study indicated profitability and size had positive influence on dividend payout while liquidity had negative correlation. The study focused on European Countries hence there is need for Kenya-based study.

Uwuigbe (2013) did a study to find out the factors determining dividend policy. The selection of 50 firms listed in Nigeria. Judgmental analysis was used and secondary data running from 2006-2011 (6years). The area of focus included financial performance, size, capital structure and independence of board on dividend payments. The finding

concluded on the positive correlation on dividend payout. Nevertheless, the operating environment is different.

Agyemang (2013) studied the determinants of dividend payout policy of listed financial institution in Ghana. The study focused on dividend policies. The focus was on the listed financial firms in Ghana Stock Exchange. The findings reflected a statistically significant correlation between age, liquidity, and dividend policies. However, liquidity was insignificantly correlated. The research was done in Ghana and cannot be generalized in Kenya Perspective.

Pham et, (2021) did research on the dividend payment on the firm's financial performance of Vietnam. The data was sourced from 450 firms listed on their stock market with their period spanning from 2008-2019. Furthermore, Pooled OLS was used with the incorporation of Fixed effect Model to arrive at predominant findings. The interpretation on the analysis demonstrated that the decision on dividend payment is negatively correlated with firm's performance. The findings further illustrated that dividend rate had a positive effect on accounting-based performance but had negative association with market expectation. The research utilized accounting-based performance. The research done previously in Vietnam cannot be generalized to represent the Kenyan set-up.

Singh (2019) undertook the research on the dividend policy on effect of dividend policy on stock price. The research was done in Indian Market with a total of 50 companies listed on National Stock Exchange. The period of the research was from 2008-2017. The analysis used multiple panel data regression Models. The research postulated that there is significant effect of dividend policy on the stock prices. This research was undertaken in Indian Market which has different GDP, economic development, and policies hence there is need to study determinants of dividend payout in Kenya. Murekefu & Ouma (2012) strived to assess the association amid dividend policy and dividend payout. The research used census survey among the firm listed in Nairobi Security Exchange in Kenya. The study period was sufficient and adequate for analyzing spanning from 2002 to 2010. The results from analysis showed that dividend payout is positively correlated with firm performance. Descriptive research method was useful in this study. The research was done in the previous years, and there is need for the updated findings. Furthermore, the research done previously did not focused on agricultural set-up hence there is gap to be filled.

Nduta (2016) undertook research on the effect of divided policy and financial performance of firms. The researcher concentrated on the firms listed in the Nairobi Stock Exchange. The research used return on asset to measure financial performance. The research period was a span of ten years ranging from 2006-2015. The study maximized descriptive research design. The data collected was sourced from the fortytwo firms. The findings showed a positive correlation amid firm performance and dividend payout ratio. The study further established a positive association amid firm's financial performance dividend per share. Nevertheless, the association between leverage and firm performance and was negative. The study concentrated on the effect of dividend policy and not determinants, hence motivating this study.

Kimani (2016) assessed capital structure verses the aggregate amount of dividends payments remitted to the shareholders by all firm listed in NSE. The research wanted to find out the existing relationship. The study focused on the period of 2011-2015. Secondary data was sourced to maximize the quantitative research method. The research concluded that leverage and dividend payout have negative association. Furthermore, the firm size showed positive correlation with dividend payout. The study used deductive approach in the OLS and multivariate analysis. However, the research sought to establish the existing relationship and not the determinants of dividend payout hence need for this research

Cheptoo (2018) did research on the relationship amid selected company characteristics and dividend payout ratio of Agricultural firms listed at the NSE. The variables of the study were profitability, size, leverage, and prospects (independent). The study utilized secondary information available and did analysis of 7 firms. The study period was 20122017. The findings demonstrated a positive and statistically significant relation between profitability and dividend payout. However, growth prospect demonstrated a negative and moderated significance. The research showed positive but weak relation between leverage and dividend payout. Furthermore, the size of the firm was established to possess negative association with the dividend payout. The focus was on characteristics and relationship and there is need to study determinants of dividend payout. The study focused on the relationship and characteristics while this study will focus on determinants of dividend payout.

Bulla (2021) researched on determinants of dividend payout for the emerging stocks in NSE, Kenya. The independent variables were; Dividend, Earning per Share, Business risk and Growth opportunities. The research period covered 2000-2010 while utilizing

panel method and focusing on 62 firms listed in NSE. The findings from this study illustrates that the relations between dividend and dividend payout was a strong positive and significant. Earnings per share and dividend payout had fairly strong but significant association. However, growth opportunities and dividend payout were significant but had negative relations. The business risk also possesses negative significant though weak association with dividend payout. The gap exists on determinants of dividend payout on the agricultural firms listed in NSE.

2.5 Conceptual Framework

The conceptual framework maps out the association between the dependent variable and the independent variable. In this research, the dependent variable was dividend payout, while the independent variables were profitability, firm size, leverage, and business growth.
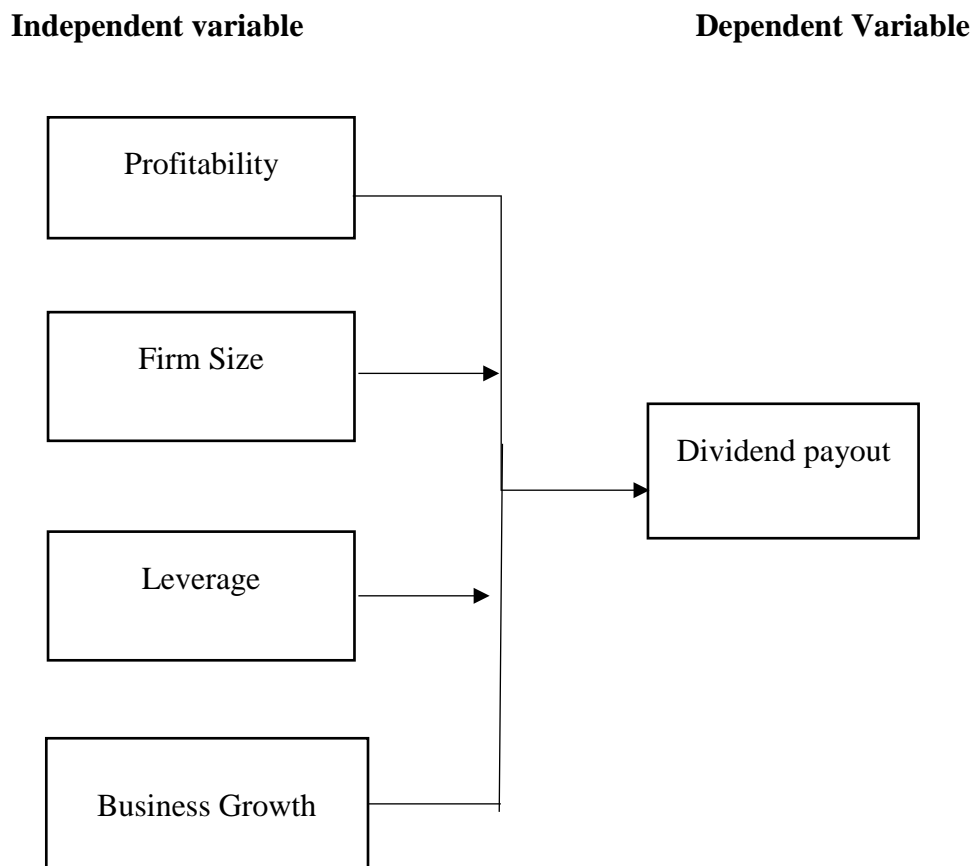
Independent variable   **Dependent Variable**

Figure 2.1 Conceptual framework (*Source: Researcher 2021)*

2.6. Summary of the Literature Review and Research Gaps

The literature and empirical studies have demonstrated the work of immense number of scholars, researchers and academicians who have focus on the dividend payout. The study had focus on international, regional, and local work that provide yardstick for the holistic development of this studies. It provided integral part that is fundamental in research gap. The previous studies came up with different, mixed, and inconclusive findings hence there is still a gap.

The works reviewed in global world and locally have not concentrated on the determinants of dividend payout with key consideration of profitability, size and leverage, business growth. The previous studies dealt with earning per share, dividend, growth prospects and business risk. As a result of the existing gap, it is fundamental to explore the research. Given immense challenges faced by the board, corporate governance, and managers it is prudent to undertake the research on determinants of dividend payout with key consideration on profitability, firm size, leverage and business growth. The researcher prioritized this study due to minimal theoretical information and no empirical study that has covered this area therefore becoming a channel that need research illumination and bridging that gap.

Author	Focus	Methodology	Findings	Knowledge gap	Focus of current studies
Bulla (2021)	Determinants of dividend payout in Emerging stock market	Panel regression, panel estimation and logistic regression	The findings from this study illustrates that the relations between dividend payout; and Dividend was strong and positive, Eps was positive while business risk and business growth was negative.	The area focused on emerging stock and did not study agricultural firms. The independent variables differ.	This study will focus on profitability, size and leverage as the key determinants

Cheptoo (2018)	The relationship between the selected company characteristics and dividend payout ratio of agricultural listed firms in NSE	The research utilized descriptive and inferential methods	The finding demonstrated a positive statically significant positive association between dividend payout; and profitability, however, negative on leverage and growth prospects	The findings are inconclusive on the determinants. The focus was on characteristics and relationship and there is need to study determinants of dividend payout	The current study concentrates on determinants such profitability, firm size and leverage to bridge the existing gap
Kimani (2016)	The capital structure and ratio of dividend payout of companies listed at the NSE have any relationship.	Descriptive research method	Showed that capital structure and ratio of dividend payout are negatively related.	The research concentrated on capital structure and not the determinants of dividend payout	This research will focus on determinants of dividend payout.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter focused on the research design used, population, data collection method, diagnostic test, and data analysis. The research aimed at finding out the determinants of dividend payment.

3.2 Research Design

Research design is a guideline and framework of the research method that is suitable, appropriate and in line with the research topic. The research design was guided by population, data collection and analysis. The researcher utilized the quantitative descriptive research design to investigate the association between the dividend payout and its determinants. The method was chosen to provide insight knowledge based on quantifiable data. Burns & Grove (2003), postulated that research design is a formation that guarantee the undertaking of research with minimal intrusion and obstructions. The research focal point was the determinants of dividend payout for the Agricultural firms listed in NSE.

3.3 Population

It is a set of elements, object or individual possessing similar characteristics (Mugenda, 2003). It also refers to items measured, studied and under observation (Maxwell 2012). The targeted population composes of 7 agricultural firms listed in NSE as at 31st December 2020 hence utilizing census method since all agricultural firms were studied. The list is attached in the appendices section. The selection of firms was due to the already published information in NSE statements.

3.4 Data Collection

Data collection entails assembling and garnering raw information from varying sources for purposeful quantifications and computation (Creswell, J. W. 2013). It is an easier way of assembling, problem solving and statistical computation. The researcher can answer the research question. The data covered a period of six years from 2015 to 2020. The data was enough to make realistic, relevant and insightful findings. The data collected focused on profitability, size, leverage, and business growth. The data was adequate for juxtaposition, inferences, and interpretation.

3.5 Data Analysis

Assembled data was passed through critical process of editing, coding and analysis through SPSS and interpreted. Multiple regression models were useful. The interpretation, deductions and inferences was projected through descriptive analysis aided by charts, tables, and graphs. The analysis was done through SPSS software.

3.5.1 Diagnostic Test

The type and strength of the correlation between dependent and independent variables with aim of obtaining linearity was realized by performing several tests including multicollinearity, normality, and autocorrelations. Durbin Watson, Variance of Inflation and Kolmogorov-Smirnova was be used to test autocorrelation, and normal distribution respectively.

3.5.2 Analytical Model

Multiple regression model was applicable in this study given the numerical figures. It was precious in linking the variables and obtaining the line of best fit due to estimations

and approximations. Rensik (2003) stated that empirical model defines the linearity nature of the variables.

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

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

X_1 = Profitability measurable by ROA

X_2 = Size (Firm) measurable through natural log of total assets

X_3 = Leverage measurable through total debt to total assets

X_4 = Business's Growth is measured by annual change in revenue ratio

α_0 = constant of the regression equation β_1, β_2, β_3 and β_4 = regression

coefficients that will be estimated

$\mathcal{E}$ = error term or disturbance term

3.5.3 Inferential Statistics

The determination of statistical significance of the predictor variables utilized T-test, F-test as well as ANOVA was applicable in testing regression with 5% and 95% confidence level.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis anchored by the finding which is further reinforced by the discussion for greater understanding. The study utilized data from published financial reports of the seven listed agricultural firms. The data collected was reviewed, coded, classified and summarized. The study optimized descriptive and inferential statistics.

4.2 Descriptive Statistics

Descriptive statistics is very crucial for the analysis of minimum, maximum, mean and standard deviation.

Table 4.1 Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Payout	42	.000000	1.227315	.33016857	.270648178
Profitability	42	-.100842	.399498	.08439205	.098035264

	N				
Firm size	42	5.283297	7.118863	6.29322500	.560461722
Leverage	42	.028264	.595349	.17356960	.085435981
Business Growth	42	-.575150	.513930	.05621602	.216793985
Valid N (listwise)	42				

Source: Researcher 2021

The table demonstrated that Dividend Payout had a mean of 0.3301 with a standard deviation of 0.2706. Profitability had a mean of 0.08439 and standard deviation of 0.09803. Firm size had mean of 6.2932 and standard deviation of 0.5604. Leverage had a mean of 0.1735 with a standard deviation of 0.08543. Business growth mean was at 0.05621 with a standard deviation of 0.2167.

4.3 Correlation

Correlation was useful in the determination of association, magnitude and direction between the variables of the study. Correlation provided insightful knowledge through the utilization of Pearson Correlation.

Table 4.2 Correlation Analysis

Correlations						
		Dividend Payout	Profitability	Firm size	Leverage	Business Growth
Dividend Payout	Pearson Correlation	1	-.029	.140	-.024	.343*
	Sig. (2-tailed)		.858	.377	.881	.026
	N	42	42	42	42	42
Profitability	Pearson Correlation	-.029	1	.111	.025	.175
	Sig. (2-tailed)	.858		.485	.873	.268
	N	42	42	42	42	42
Firm size	Pearson Correlation	.140	.111	1	-.146	.055
	Sig. (2-tailed)	.377	.485		.358	.728
	N	42	42	42	42	42

Leverage	Pearson Correlation	-.024	.025	-.146	1	-.134
	Sig. (2-tailed)	.881	.873	.358		.397
	N	42	42	42	42	42
Business Growth	Pearson Correlation	.343*	.175	.055	-.134	1
	Sig. (2-tailed)	.026	.268	.728	.397	
	N	42	42	42	42	42
*. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

Source: Researcher 2021

The research finding posits a negative correlation of -0.029 amid Profitability and Dividend payout. The study has further revealed that there is a positive correlation between the Firm Size and dividend payout as shown by r=0.140 and p=0.377. Moreover, leverage posts a negative correlation amid dividend payout of -0.024 and p of 0.881. Business growth on the other hand had a positive correlation with dividend of 0.343 and p value of 0.026. The Pearson Correlation postulate the significant level of association between the predictor (profitability, Firm size, leverage and Business Growth) amid the predicted variable (Dividend Payout) as tabulated above.

4.4 Diagnostic Test

Diagnostic tests that were carried out for this study were: Multicollinearity test done through Variance of Inflation (VIF), normality via Kolmogorov-Smirnova while autocorrelation was done through Durbin Watson.

4.4.1 Multicollinearity Test

A test for multicollinearity was crucial in scrutinizing the correlation between independent variables. Tolerance and the VIF values were used where the value greater than 0.2 for tolerance and values less than 10 for VIF means that there is no multicollinearity.

Table 4.3 Multicollinearity

Coefficients		
Model	Collinearity Statistics	
	Tolerance	VIF

	Profitability	.955	1.047
1	Firm size	.965	1.036
	Leverage	.959	1.043
	Business Growth	.950	1.053

Source: Researcher 2021

From the table above it shows that all the tolerance values were more than 0.2 and all the VIF values were less than 10. This implied that no Multicollinearity existed among all the predictor variables.

4.4.2 Normality Test

Normality test was crucial in stipulating the linearity association amid the regressor and the regressed variable. It was useful in realizing the existing association that determined the direction and magnitude of relation.

Table 4.4 Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Dividend Payout	.143	42	.031	.890	42	.001
Profitability	.138	42	.042	.908	42	.002
Firm size	.131	42	.066	.921	42	.007
Leverage	.250	42	.000	.717	42	.000
Business Growth	.072	42	.200[*]	.982	42	.747

*. This is a lower bound of the true significance. a.

Lilliefors Significance Correction

The researcher optimized Kolmogorov-Smirnova and Shapiro-Wilk test to assess normality. The two posted o-values more than 0.05 insinuating normal distribution of data. This indicates that null hypothesis was rejected in the decision making process. The data was critical for the Pearson correlation matrix.

4.4.3 Autocorrelation

This test was important so as to check for correlation of error terms across time period analysis. The researcher performed the Durbin Watson test to check for autocorrelation.

Test for Autocorrelation

Table 4.5 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.381[a]	.145	.053	.263409398	1.296

a. Predictors: (Constant), Business Growth, Firm size, Leverage, Profitability

b. Dependent Variable: Dividend Payout **Source: Researcher 2021**

Durbin-Watson is a paramount indicator of correlation. From the table above the Durbin Watson value is 1.296 hence its fall within the normal range.

4.5 Regression Analysis

This is a mathematical formula that would be used in predicting the future. From our study the dependent variable Dividend payout, was regressed against all the other Independent variables; Profitability, Firm size, Leverage and Business Growth. The regression was analyzed at 5% Significance level.

4.5.1 Model Summary

Table 4.6 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.381[a]	.145	.053	.263409398

a. Predictors: (Constant), Business Growth, Firm size, Leverage, Profitability

Source: Researcher 2021

From the Regression Model above R indicates the correlation coefficient which is 0.381. This signifies a strong relationship between the variables. R square is the coefficient of determination 0.145. This implies that 14.5% of the variation of dividend pay-out ratio is expounded by specific factors in the analytic model (Profitability, Firm size, Leverage and growth Prospective). The other remaining percentages are factors not listed

4.5.2 Analysis of Variance

Table 4.7. ANOVA

ANOVAa					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.436	4	.109	1.571	.0202b
Residual	2.567	37	.069		
Total	3.003	41			
a. Dependent Variable: Dividend Payout					
b. Predictors: (Constant), Business Growth, Firm size, Leverage, Profitability					

Source: Researcher 2021

From the researcher's finding, the sum squares resulting in the regression postulated 0.436 while the mean posit 0.109 with 4 degrees of freedom. On the other hand, the sum square resulting after residual analysis is 2.567 while the mean square was 0.069 with 37 degrees of freedom. The Significance value is 0.0202; this is less than p=0.05 hence stipulating that the model is statistically significant. Therefore, it is crucial for forecasting the dividend payout by utilizing the profitability, firm size, leverage, and business growth for the agricultural firms listed in NSE. This analysis is very important for forecasting and the prediction at 95% level of significance.

4.5.3 Coefficient of Determination

Table 4.8 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	-.118	.489		-.242	.810	-1.108	.872
Profitability	-.299	.429	-.108	-.696	.491	-1.169	.571
Firm size	.067	.075	.139	.898	.375	-.084	.218
Leverage	.151	.492	.048	.307	.761	-.846	1.147

26

Business Growth	.450	.195	.361	2.313	.026	.056	.845

a. Dependent Variable: Dividend Payout

Source: Researcher 2021

The researcher's findings posit that if all the factors (Profitability, Firm Size, leverage and Business Growth were kept constant, the dividend payout autonomous value was negative 0.118. The finding further demonstrated that while keeping other predictors variables constant, an increase by one unit of profitability leads to decrease of dividend payout by 0.299, while an increase of one unit of firm size led to an increase in dividend payout by 0.067 when all other factors were kept constant, an incremental in the one unit of leverage posit an increase in dividend payout by 0.151, while an increase in the business growth promoted an increase in the dividend payout by 0.450 when all factors are kept constant. From this table above, at 95% confidence interval, it is evident that profitability (t = -0.696, p= 0.491) have negative effect on dividend payout while Firm Size (t=0.898, p=0.375), Leverage (t=0.307, p=761) and business growth (t=2.313, p=0.026) have a positive effect on dividend payout ratio.

Analytical regression model is summarized below.

$Y= -0.118 -0.299 X_1+0.067 X_2 + 0.151 X_3+ 0.450 X_4.$

The regression formula above can be used in prediction.

4.6 Discussing the Research Findings

The predictor variables were profitability, firm size, leverage, and business growth. Profitability was operationalized by the use of ROA, while firm size used the natural logs of total assets. On the other hand, leverage optimized the ratio of total debts to total assets while the business growth utilized annual change in the revenues. The predicted variable was dividend payout and it optimized the DPS or dividend paid.

The analytical model developed indicates that a change is one unit of profitability causes a decrease in dividend payout by 29.9% whenever all the factors are kept constant. A unit change in the firm size led to increase in dividend payout by 6.7%, while an increase in leverage causes a positive adjustment of 15.1% in dividend payout and finally a unit change in business growth led to an incremental in dividend payout by 45% when all the factors are kept constant.

$Y= -0.118 -0.299 X_1+0.067X_2 + 0.151X_3+ 0.450X_4.$

In the equation above, Y is the dependent variable represented by Dividend Payout while **X_1, X_2, X_3 and X_4** were profitability, firm size, leverage and business growth

respectively. The study also utilized the Pearson Correlation. The Pearson correlation coefficient between the variables revealed a strong positive correlation between Business Growth and dividend payout of ($r=0.343$, $p=0.026$). The study further revealed that weak positive associations exist between firm size and dividend. Both profitability and leverage produced negative correlation to the dividend.

The research reinforced the previous studies that indicated that firm size and growth had positive correlation with the dividend payout (Bulla, 2021). The study demonstrated the important role played by the firm size and business growth in the decision making on the dividend payout. Cheptoo (2018) indicated that firm size, profitability and growth had positive correlation with the dividend payout which this study has affirmed though this study postulated that dividend payout decreases the profitability of the firm.

The model summary showed that independent variables (Profitability, Firm Size, Leverage and Growth Prospects) explained only 14% of variation in the dependent variable as shown by R-Square. This demonstrated that 86% of changes in dividend were caused by factors not captured in the study. The model was fit at 95% confidence level with an F- ration of 1.57. Thus the multiple regression model generated can be used in predicting how independent variables selected affects ratio of dividend payout of agricultural firms quoted at the NSE.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter is the pillar of the research findings. It entails summarizing, concluding and recommending pivotal areas that need further scrutiny. The section analyzes shortcomings encountered in the study. The drawbacks posted helps future scholars to eliminate by looking at more avenues of reducing the challenges encountered. The chapter advocates for policy formulation, implementation and accomplishment of company objectives while at the same time striving to provide value to shareholders through dividend payout.

5.2 Summary of the Findings

The study strived to assess the determinants of dividend payout of the agricultural firms listed at the NSE. The predicted variable was dividend payout while the predictor variables were profitability, the firm size, leverage of the organization and the business growth. Secondary data was used for this study and was generated from the published financial statements of the listed agricultural firms for a period of 6 years. The research used descriptive and inferential statistical methods while incorporating SPSS for easier analysis, conclusion and interpretation.

Correlation analysis indicated negative association between profitability and dividend payout of -0.029 which translates to negative 2.9%. The research indicated positive association amid the firm size and dividend payout at r=0.140 and p=0.77 while leverage had negative association indicated by r= -0.024 and p=0.881. Business growth had a positive association with dividend payout at r=0.343 and p=0.026.

The regression findings postulated that correlation coefficient of 0.381, while the coefficient of determination was 14.5% stipulated by 0.145. This indicated that there was 14.5% variation in the dividend payout ratio resulting from the profitability, firm size, leverage, and business growth. The predictor variables affected dividend payout hence they were very critical in the research. The research further indicated there were other variables that affected the dividend payout as summarized in the regression model.

5.3 Conclusion

The finding demonstrated a conclusive finding on the determinants of dividend payout. The research found out that profitability, firm size, leverage and business growth affected the dividend payout. Profitability showed a negative association while firm size showed a positive association, leverage also showed positive correlation amid dividend

payout while business growth demonstrated negative correlation with the dividend payout. The data reviewed, classified, summarized and coded was analyzed through the use of SPSS. Regression analysis was crucial in establishing the association, magnitude and direction. The research finding for the 7agricultural firms in a period of 6years.

Regression analysis was crucial in establishing the association, magnitude and direction. The research finding for the 7 agricultural firms in a period of 6years. Profitability portrayed a negative correlation with the dividend payout of (negative) 0.029. However, there was positive correlation between the firm size and dividend payout as shown by r=0.140 and p=0.77, on the other hand leverage postulated negative correlation by r of 0.024 and p of 0.881. The business growth was shown by r=0.343 and p=0.026. The research concluded that leverage affected the dividend payout positively. However, the effect was insignificant. The greater the leverage the greater the dividend payout. Business Growth affected the dividend payout positively and significantly. The greater business growth the greater the dividend payout and vice versa.

The research concluded that the predictor variables including the profitability, firm size, leverage and the business growth affected the dividend payout. The conclusion can sum up that all the aforementioned variable affected the dividend payout. The study sought to investigate the determinants of dividend payout. The research was motivated by the need for minimal studies that have concentrated on the agricultural firms listed in NSE. The data as source from published financial statements and the descriptive statistics was reinforced by the inferential statistics.

5.4 Recommendation

The research findings indicated positive association amid firm size, leverage and business growth with the dividend payout. The researcher recommends proper utilization of resources at the disposal to enhance wealth creation. The research further advocates for proper analysis of return on assets to ensure optimum gross earnings (Profitability) of the firm. The research recommends for continuous and visionary relooking at the business growth to ensure revenues keep improving periodically to enhance the dividend yield.

The researcher promote need to maintain total debts verse total assets at specific range. The borrowed money must be used in the projects with net present values so that the shareholders can get the value for their money. Agricultural firms play a critical role in

dividend payout and development of the country, it is therefore important for the management to implement long term policies to enhance the attainment of the firm objectives.

5.5 Limitations of the Study

The research was undertaken through the assessment and investigation of agricultural firms listed in NSE. The research was run in a period of 6years while looking at the 7agricultural firms listed at the NSE. The research was narrowed to agricultural firms hence there is a need to expand to all listed firms in the NSE. This will provide more elaborate, detailed and comprehensive study.

Furthermore, secondary data from the published financial statement was used. Secondary data represent the historical information that may not be useful in the fastpaced changing commercial environment. Secondary data sometimes posit the retrospective and fails to provide a prospective blueprint. It is therefore important to use the current information while optimizing primary data.

5.6 Suggestions for Further Research

The research advocated for further research on all the firms listed in NSE. This will provide comprehensive information on the determinants of the dividend payout. The study should also look at the various determinants apart from profitability, firm size, business growth and leverage. This will be useful in provision of a more holistic and detailed information for the scholarly and academic references. The research will provide more knowledge, insight and decision making process.

The researcher advocates for the research on the role of firm size in the dividend payout. The study should also analyze the role of corporate governance, taxation, policies and regulations in the dividend payout. The motivation for dividend payout verse the reinvestment should be analyzed using comparative analysis as an eye opener for decision making, forecasting and management of company resources.

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APPENDICES

Appendix I: Agricultural Firms Listed at the NSE

Number	Agricultural Firms Listed in NSE
1.	Eaagads Limited
2.	Kapchorua Tea Ltd
3.	Kakuzi
4.	Limuru Tea Ltd
5.	Rea Vipingo Limited
6.	Sasini Limited

7.	Williamson Tea (K) Limited

Appendix II: Summary of Data Collected

Dividend Payout	Profitability	Firm size	Leverage	Business Growth
0.450724	0.046869	6.474079	0.188719	-0.116972
0.464292	0.044143	6.487062	0.191056	0.223908
0.140958	0.127826	6.542334	0.179268	0.475414
0.176336	0.122706	6.587229	0.174365	0.069227
0.201154	0.116962	6.629531	0.159134	0.066096
0.089440	0.333649	5.424753	0.219739	0.195810
0.319433	0.086360	5.458470	0.224841	-0.103367
0.361429	0.001041	5.442120	0.221381	-0.116282
0.476797	0.009044	5.390260	0.197272	0.331282
0.000012	-0.076060	5.340436	0.193119	-0.153027
0.000000	-0.100842	5.283297	0.158070	-0.229865
0.175569	0.162314	6.299447	0.168697	0.201566
0.150954	0.160383	6.369398	0.173832	-0.000639
0.190329	0.111092	6.427508	0.036139	0.051490
0.045540	0.304681	6.608266	0.028264	0.325916
0.902391	0.399498	6.599463	0.146535	0.148179
0.264968	0.209202	6.583690	0.176685	-0.139179
0.253000	0.014104	6.867104	0.216514	0.043385
0.468519	0.010268	6.873376	0.216684	0.013485

0.253000	0.003085	7.087959	0.154006	-0.019549
0.296253	0.069596	7.118863	0.127203	0.008659
0.588372	0.044640	7.032065	0.090595	0.285658
0.665790	0.026080	7.034998	0.090131	0.179159
0.034523	0.139207	6.712680	0.208048	0.099600
0.034756	0.119095	6.780093	0.198064	-0.032829
0.212873	0.028092	6.831729	0.201372	0.006221
0.062192	0.091171	6.832847	0.203172	-0.266235
0.743279	0.054808	6.867508	0.173787	0.311585
1.227315	0.031714	6.839352	0.169503	0.009086
0.932776	0.038562	5.689323	0.154103	0.513930
0.343480	0.120193	5.630206	0.125416	-0.575150
0.535328	0.094814	5.581343	0.107525	0.411765
0.218234	0.049894	5.565801	0.068846	0.061876
0.435499	0.063544	5.810901	0.064979	0.245396
0.063659	0.019897	5.893528	0.066532	0.114418
0.380833	0.179315	5.701181	0.595349	0.130254
0.165215	0.087677	6.241932	0.197269	-0.038571
0.157094	0.066223	6.209944	0.223631	-0.120492
0.197117	-0.011651	6.221807	0.224913	-0.100811
0.529843	0.050165	6.255368	0.198070	0.127659
0.475788	-0.025857	6.231871	0.192767	0.069631
0.182016	0.120962	6.456329	0.184328	-0.346614