EFFECTS OF DIVIDEND PAYOUT RATIO ON THE VALUE OF FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

KYALLO ADELAIDE NDANU

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DECLARATION

That this research project is my original work and has not been submitted for the award of a degree in this or any other institution.

Signature..... Date 24/11/2022

Adelaide Ndanu Kyallo

D61/72646/2014

This research project has been submitted with my approval as the university supervisor.

Supervisor

Signature..... Date 22/11/2022

Prof. Josiah Aduda

DEDICATION

I dedicate this research project to my parents Mr and Mrs Kyallo for their financial and emotional support, without them I could not have come this far in my education, to my siblings I appreciate them for guidance and support throughout the project writing and to my son Liam may he grow up to achieve his hearts desires.

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ABSTRACT

Dividend payout effect on firm value has been an area of great controversy in finance and there has not yet come a unified conclusion concerning it. There have been different theories that have been developed on dividend policy and also many studies have been conducted on the same topic and still there has not come up with a unified solution on the topic thus my study to establish whether dividend payout ratio has an effect on firm value for companies listed on NSE. The research employed descriptive survey thus giving description on existing phenomena without changes. The study population was 56 companies listed in the Nairobi Securities Exchange for the period 2014 to 2020.The data collected included dividend per share, earnings per share, current liabilities, current assets, net profit/loss, total revenue, total assets, market value of equity and book value of equity. The independent variable was dividend payout ratio, the control variables were profitability, liquidity, and company size and firm value was the dependent variable. The data was organized and summarized using Microsoft excel and then exported to STATA version 12 for further analysis.The correlation analysis concluded that liquidity had a weak positive significant relationship with the firm's profitability (R= 0.155). The firm's size had moderate positive significance with the profitability of the firm (R=0.405).Firm value had a weak positive significant relationship with the profitability of the firms (R=0.133). However, liquidity had a weak negative significant relationship with firm size (R=-0.325). Finally, the firm value had a weak positive influence on firm size (R=-1.91). Panel regression analysis concluded that dividends are not significantly affected by the firm value (Beta=170.4, P>0.05). However, firm value was significantly affected by profitability positively and firm size negatively (Beta = 2309.62 and Beta = -12708.52, respectively).

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Dividend payout effect on firm value has been an area of great controversy in finance and there has not yet come a unified conclusion concerning it (Budagaga, 2017).The dividend policy decisions are important to stakeholders, managers, lenders, financial consultants and more especially to the company since the dividends they give to their shareholders will determine their future investments (Oyinlola&Ajeigbe, 2014).

Theories developed on dividend policy include; Bird in hand theory which shows investors need of dividends payment rather than capital gain, signaling theory that states how the dividend payout is used to determine the company's viability for a while by the investors and Dividend Irrelevance theory which considers dividend policy decisions to be irrelevant meaning that the firm's value and its capital structure are not affected whether the company issues dividends or not (Chege, 2014).

In Kenya, before any company is listed, there are a number of requirements it must meet and one of them is a well-defined dividend policy so that the shareholders are guaranteed of their dividends at a specific time during the year (NSE, 2002).Companies that are listed in the NSE are required to make payments of dividends to their shareholders at a specific time of the year. From the above it is therefore evident that dividend decision is an area of great controversies which requires solutions. This study therefore sought to solve this puzzle and to come up with more information regarding the subject.

1.1.1 Dividend Payout Ratio

This is the part of the share given to shareholders from the net income made by the organization (Hayes & Kenton, 2019). Dividend decision entails the management decisions to give their profits in dividend form or use it as capital in the business or to pay its creditors or to retain it for future use. These decisions are what may cause conflict between the investors and managers. It is determined by dividing the dividends per share and earnings per share of a company (Little,2019).

Reducing dividends payouts by a company that has been paying its dividends will give a bad image, thus they either need to maintain paying their dividends as normal or increase payments ratio. While companies that have not been paying dividends if they start paying they will be seen as performing better (Luvembe, Njaringu&Mungami,2014).

1.1.2 Value of the Firm

It is defined as the whole value of the business (Kenton &Murphy, 2019).It is derived using five measures that is; the book value viewed as not being a realistic measure, market value which is cumbersome, the capitalized value which may require a known parameter, deductive judgment on the other hand may require precise analysis and the adjusted net worth may require more knowhow of the gaming simulation model (Tharikulwat,2014).

The value of the firm is also viewed as the summation of creditors and shareholders a company has whereas market value shows the worth of the firm as viewed from the stock exchange, it is derived at by shares and stock price a company has. Lonkani(2018) stated that traditionally the firm value used to be viewed as the shareholders' value, thus the

activities that were undertaken to add up value was linked to increasing shareholders value. However new researchers have based firm value on all groups of stakeholders.

1.1.3 Dividend Payout Ratio and the Value of the Firm

Modigliani and Miller (1961) argues that the dividend payout a company uses has no effect on its value nor its capital structure. They argued that the only determinant of firm value is their business investments and the future prospects.(Gordon &Lintner, 1964) explains how shareholders would rather be paid their dividends instead of waiting on the return on the investments in the future which is not guaranteed.

The empirical studies conducted on the topic including (Odum,Chinwe,Omeziri,&Chinedu, 2019) deduced that there is no relationship between dividend payout ratio and firm value whereas (Kariuki, 2015) concluded the opposite that is dividend payout showed effect on firm value. Awadh and Kaplelach(2019) established an increase in Profit per earnings ratio and EPS significantly affected the value of firm whereas payout ratio showed no significant association. From the above theoretical analysis, the expected relationship amidst dividends payout and the value of the firm is not clearly established and therefore causes a rise to a need for more research on the area.

1.1.4 Nairobi Securities Exchange (NSE)

It began its operations in Nairobi in1954. It began as an association by the stockbrokers of European under an Act of British Kenya. It developed to be recognized internationally based on its financial performance.

In September 2006, the NSE shifted to automated trading thus enabling investors to be able to trade efficiently. It has witnessed enormous transformation throughout the years and it

has been able to get an award for the Africa most innovative stock exchange in 2013.In 2011 it acquired the name Nairobi Securities exchange from Nairobi stock exchange so that it can reach its mandate of providing broader service of the capital markets.

The NSE has grown and has been able to trade in various securities including government and corporate bonds in 2014.It has also enjoyed a number of trading deals like the Shanghai Stock Exchange in 2013 and the Korean exchange in 2014.TheNairobi Securities Exchange is monitored by the Capital Markets Authority established in1990 which promotes and facilitates an efficient capital market.

The NSE has 63 companies that are listed from different industries of the Kenyan economy. The study sought to establish whether dividend policies used by the companies affects firm value for the period of 7years that is from 2014 to 2020.

1.2 Research Problem

How dividend policy affects firm value has been a puzzle for some time now, contradicting findings have long been established. There have been various conclusion on the subject by various researchers. M &M (1961) found out the non-relation amidst the value of the firm and dividend policy adopted, Masara (2015) contrary to the M & M established a connection on the dividend policy used and the value of commercial banks listed on NSE. Abdulkarim(2014) concluded dividend policy as a controversial area. Apart from Modigliani and Miller theory there are still other market imperfections that exists and thus the emergence of other theories including; agency costs, tax preference, signaling effect and clientele effect. Mulwa (2014) also found a connection on the variables. Awadh and Kaplelach (2019) wrote a journal comparing firms' performance metrics and value of

markets of Companies on NSE, they found out that an increase in Profit/Earning (P/E) ratio and Earnings per share (EPS) affected the firm value positively while payout ratio increase did not show relationship to the companies. Janthan(2013), Anton (2016) and Khan et al (2015) found out that dividend payout ratio and firm value are positively associated while Manjanatha (2013) and Odum et al (2019)stated that they are not associated. From the theoretical and empirical research it is evident that the theory of dividend policy and its effect on firm value has not wholly been exhausted and thereby creating a gap for researchers to study.

The dividend theory puzzle therefore seems to be an area of great controversy therefore this study helped to further expound on the effects of dividend payout for 63companies listed on the NSE for the most recent years that is 2014 to 2020. The researcher also examined the influence of other factors affecting firm value like liquidity, profitability and company size thus widening the scope of study. Further, the study employed a descriptive survey research design which is a detailed way of data analysis and therefore it greatly impacted the outcome of the findings. The research period was also during partly when the world was dealing with the Covid 19 pandemic thus giving a different view and also outcome since we will be able to establish whether Covid 19 had an impact on the companies performance. Also since the research will be on all the listed companies on the NSE, the scope of the study will be wide covering the different industries in the economy thus giving a somehow general outcome pertaining the economy.

1.3 Research Objective

The main objective of this research was to establish the effect of dividend payout ratio on the value of the firms listed at the NSE.

1.4 Value of the Study

Listed companies on the NSE will benefit from the outcome of this research specifically the managers of these companies would be more informed as to whether they should or should not pay dividends to their shareholders, the amounts they should pay and the priority to be given when deciding between investments and dividends pay for the companies listed. The decisions about dividend pay will therefore be simplified for the managers.

Shareholders who have invested in most of these listed companies will also be able to know more about the dividend decisions made for them by their firms which are to reduce or not give dividends. They will also be in a better position to negotiate with their firms on the importance of paying dividends to them.

Scholars will gain from the study since the studies undertaken previously did not give solutions on the dividend puzzle. This research would give more information on the topic and therefore assist future researches

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

It entails different sections including; theoretical reviews, determinants of firm value, empirical studies and conceptual framework.

2.2 Theoretical Review

The theories include; dividend irrelevance theory, bird in hand theory and information signaling theory, each of these are discussed below

2.2.1 Dividend Irrelevance Theory

Modigliani and Miller (1961) developed this theory. It has become like a basic foundation on dividend policy in finance despite many controversies surrounding it. They argued that the dividend policy an organization decides to adopt has got no effect on its firm value as well as its capital structure, it is only determined by the business investments and future prospects (Chege, 2014).

They argued that even if the dividends are paid and the organization needs capital to finance its investments then it can offer new shares and therefore the share price will not be affected. This only happens in the assumption that there exists; a capital market that is perfect, transaction costs and taxation are not there and moreover the investors cannot choose between dividends and capital gains,(Chege,2014).

The study of dividend irrelevance theory is the basis of dividend theories even though their assumptions their findings of dividend payouts having no effect on firm value, it is the

basis in which dividends effect on value of firm was based. It is relevant since its concept is still relevant to today's financial applications and it also helped this study to see the effect of not giving shareholders dividends on the value of the firm.

2.2.2 Bird in Hand Theory

Gordon and Lintner (1964) came up with this theory to respond and enhance the dividend irrelevance theory earlier developed (Smirnov, 2019).It explains how shareholders would rather be paid their dividends instead of waiting on the return on the investments in the future which is not guaranteed (Chege, 2014).

Although the theory also has got its assumptions which include; the companies source of capital is either equity or retained earnings and no debt financing, the investors avoid risk and the growth rate is constant. The theory concludes that a company which pays its dividend is viewed as of higher value compared to the one that does not pay its dividends. (Chege, 2014)

This theory was relevant to this study since it highlighted the effect of paying dividend now rather than holding the profits for future investments and the vice versa.

2.2.3 Information Signaling Theory

The theory was developed by (Ross, 1977).It states how investors can rely on the dividend policy used by the managers to establish the future performance of the company. The theory acts in the assumptions that markets are efficient. It argues that if an organization gives out dividends to its shareholders then it is certain about the future of the organization that it can maintain its profits (Chege, 2014).

Management only increases dividends to shareholders when the profits have increased thus a positive signal and reduce dividends when the profits have decreased thus a negative signal to investors(Chege,2014).Although it is not always that the information is symmetrical that is what the managers know about the company is not guarantee that the investor will also know.

This theory was applicable to this study in the sense that it helped the researcher examine the behavior of investors and company's performance when the dividends have been paid and when they have not been paid.

2.3 Determinants of Value of a Firm

2.3.1 Dividend Payout Ratio

It is the part that is given to shareholders from the net income made by the organization (Hayes & Kenton, 2019).

Dividend payout ratio arises from the dividend policy that organization decides to keep that is, 0% where it doesn't give anything to the shareholders, 100% where it gives all the profit of the organization to the shareholders or 50% where it gives part of the profits to the shareholders. It is determined by dividing dividends per share and earnings per share of a company (Little,2019).

2.3.2 Corporate Governance

This is how the investors of the company shield themselves from losses that may be caused by the management of an organization (Lovani, 2018). It includes the size of board, the composition of board and the independence of board. If the size of the board is large there would be more conflicts between members but the costs for supervision will reduce. From

previous empirical evidences it has established that size of the board does not influence firm performance. A board that which gender balanced is also viewed to help in the monitoring of the board. And finally more independent directors help in monitoring capability of the board whereas if the directors are diverse it affects the monitoring capability thus affecting the firm value.

The measure differs per country because of diversity in corporate governance thus causing in differences in economic, social and regulatory conditions per these countries (Abdirouf, 2011).

2.3.3 Liquidity

Liquidity is defined as the rate at which an asset or anything can be converted into cash (Hassan, 2022). A more liquid asset or commodity is considered more preferable than the one that is illiquid. In the investment and financial field those assets or securities that are considered most liquid include; stocks and exchange-traded funds, money market accounts, US commercial paper, and other short-term money-market securities. When deciding to invest in a company's stock or bond its liquidity is considered as a determining factor. A company that has a high liquidity ratio means that it can easily meet its obligation of paying debts as compared to one with a low liquidity especially when the economic conditions are not favorable or the companies specific market is performing bad. When calculating for the liquidity ratio**,** When the ratio is 1 it means the current assets and liabilities are equal, when the ratio is above 1 it means the current assets are more than the current liabilities and when the ratio is below 1 it means that the current liabilities are more than the current assets.

2.3.4 Ownership Structure and Monitoring System

It is divided into concentrated and diversified ownership structure (Lovani,2018). A concentrated ownership structure is where there are a lot of shareholders so they can highly monitor the manager's activities so they can ensure higher shareholders value. In a diversified ownership structure the shareholders are few therefore the monitoring of activities is less. Even though researchers have argued that concentration of ownership should positively increase the firm value since it reconciles the interest of shareholders and managers' others argue in the opposite direction. The issue of family firm arises in the ownership structure of whether it increases or reduces firm value.

2.3.5 Corporate Social Responsibility (CSR)

It is the activities undertaken by the organization so as external social costs are reduced (Rupp & Kung, 2018).Corporate social responsibility is also an attribute of corporate governance. It is viewed that firms that have the managers owning a lot of shares in it will have fewer CSR while firms where the managers own less shares the level of CSR is high, from previous studies it has been established that firms which offered more pension funds, high skill labor and unions contributed to high social performance sustainability.

2.3.6 Company size

It is the differences in the production capacity and services a company has (Mule, Mukras &Nzioka, 2015). Size of the firm is viewed as affecting the value of the firm due to economies of scale.

Company size affects firm value in the sense that a larger firm has more total assets, the cash flow is positive and the company is viewed as stable and more profitable than small

ones (Moeljadi, 2014).Also a large company will attract more stakeholders who invest in the business and therefore after sometime affect positively the value of the firm, otherwise a small company due to its small asset base, the profitability is considered low and thus their firm value is decreased.

2.3.7Profitability

Profitability is defined as how much money a company makes from its resources (Mule et al., 2015).

If company makes more profits it is able to give to its shareholders. Therefore, companies with higher profitability are viewed as having a higher value in the investor's eyes as compared to those with lower profits (Moeljadi, 2014).

2.4 Empirical Studies

This section highlights the various empirical evidences that could be found in this topic. It looks at the global and local researches that have been undertaken concerning the topic.

2.4.1 Global Studies

Odum,et al,(2019) undertook a study to establish whether the dividend payout ratio used affects the firm value of companies in the Nigeria stock exchange. They also looked at other factors and if they affected firm value including profitability, leverage policy, holding cash and firm size. The samples were taken from the breweries and beverage companies and data analysis used panel ordinary least square regression technique. From the study, profitability and leverage had significance on firm value, firm size, holding cash and dividend payout ratio showed no relationship to firm value.

Manjunatha (2013) through his study of equity, debt, dividend payout ratio and the firm value. He also established equity return, retention ratios and prices of shares for Indian public companies. The study wanted to establish the general association of dividends, debt equity and equity return on shares. Data was extracted from 29 companies at the Bombay stock exchange and the National stock exchange. Descriptive research design was employed and the findings showed no association amidst dividend payout, debt and equity on prices of shares.

Janthan (2013) studied whether dividend payout ratio has an effect on the Sri Lanka hotels and restaurants profitability at the Colombo Stock Exchange. Correlation and regression analysis was used on data analysis. He established that dividend payout affects firm performance. He recommended managers should adopt a policy of paying dividends that will enhance profits thus firm performance.

A study conducted by(Sudiyanto, Puspitasari,&Kartika, 2012) to establish if the policy of company or firm performance influences the firm value for manufacturing firms at the Indonesian Stock exchange as from 2008 to 2010. Financial leverage and company's performance had negative relationship while firm value and leverage showed positive association. Managers' incentive showed no significance to the performance of the company, but had significance to the company's value. Capital expenditure tested positive to performance of the company and negative to firm value whereas firm's performance showed positive relationship with firm value.

Anton (2016) sought to find out whether dividend policy affected firm value. The study was undertaken on 63 non-financial firms in the Bucharest Stock exchange, Romania from2001 to 2011.Other factors considered in the study included the firm size and leverage

which showed a positive relation to firm value also dividend payout ratio. The study employed panel data analysis method in analysis.

Khan et al (2015), undertook a study to find out whether dividend payout ratio affected the value of non-financial firms at the Karachi Stock Exchange from the year 2008 to 2012.The data used was from the balance sheet and the annual reports of the Pakistan State Bank and the analysis used panel data regression, they also incorporated fixed effect model in the analysis. The research concluded that dividend payout ratio positively affected profitability (and the vice versa is also true) while leverage and firm size showed insignificant effect to firm profitability.

Soesilo, Gunadi,&Vandraini(2020),conducted a study to establish whether the firm value is affected by liquidity, leverage, profitability, dividend payout ratio and price earnings ratio. The firm value was denoted as Tobin's-Q. Data was collected from the non-financial firms on IDX of index LQ 45 from 2015 to 2017.Multiple linear regression was used for analysis. They came to a conclusion that, debt, equity ratio, current ratio, dividend payout ratio does not affect firm value while price earnings ratio and return on equity positively affects the firm value.

Amidu (2007), undertook a study to establish whether dividend policy affected firm performance for firms at the Ghana Stock Exchange for 8years' period. He employed the ordinary least square technique to calculate the regression equation. So as to simplify the work '1'was used for companies paying dividends while'0' for companies not paying dividends. The findings showed that dividend policy, the return on assets and the growth in sales was positively related while leverage, dividend payout ratio, and return on assets

was negatively related. Larger firms were also seen to perform poorly when measured using return on assets.

2.4.2 Local Studies

Kariuki, (2015) sought to establish whether dividend policy has an effect on the financial performance of manufacturing firms at the NSE. The study involved the 10 manufacturing companies from 2002-2015.Using return on assets measurement dividend payout ratio and firm value showed significant positive relationship. The researcher recommended that firms to give their shareholders dividends for improved value in the market.

A study done by (Khalayi, 2014) to establish whether the capital structure used has an effect on firm value of companies at the NSE for the period 2009-2013.It was undertaken on a sample of 38 actively trading companies and causal method of research design was employed. The study concluded that both capital structure and the size of firm positively correlated to the firm value.

Awadh and Kaplelach (2019) undertook a study to establish whether performance metrics of firms showed effect on value of markets for NSE companies. They established an increase in Profit perratio and EPS significantly affected the value of firm whereas payout ratio showed no significant association. All the firms on the NSE's data was used from 2013-2017.Multiple regression and multiple correlations was employed to analyze data.

Mugo (2017) conducted a research on factors affecting stock price for companies at the NSE after initial public offering. The study was undertaken on the 9companies for the period 2006-2015.The study wanted to establish whether dividend policy, liquidity, size

affects market prices of stock for companies on the NSE in Kenya IPO's. Size and liquidity showed a positive association while dividend payout showed no effect on stock price.

Masara,(2015) wanted to establish whether dividend payout ratio affected all the listed commercial banks at the NSE.All variables including, growth opportunity, dividend payout ratio and profitability had significance to the value of the firm while liquidity had a no significance.

In a study to establish whether the dividend payment method used affects the volatility of share price for companies at the NSE, (Njogu, 2020) concluded that they positively related. Share price volatility was the dependent variable while the independent variables included repurchase price per share, cash dividends per share, property dividends per share and scrip dividends per share. The study was conducted from 2013 to 2019 on 50 listed companies that were sampled. The study employed descriptive research design and data was collected from secondary sources.

Mogambi (2018), undertook a study to establish whether dividend payout ratio affected the value of insurance companies at the NSE. All 6 insurance companies on the NSE were sampled for the study for the period 2008 to 2017.The independent variable was dividend payout ratio while liquidity, capital structure and firm size were the control variables and firm value the dependent variable. Descriptive cross sectional design was used and data analyzed using multiple linear regression analysis. The R-square value was 0.513.The study found out that firm size and liquidity were positively co-related while capital structure and dividend payout ratio gave an insignificant statistical value to the study.

Ngunjiri, (2020) conducted a study to establish whether dividend payment policies affected the volatility of stock price for listed companies at the NSE. It was conducted on the 40 continuously listed firms from 2004 to 2008.Cross sectional regression analysis was employed while controlling volatility on earnings, size of firm, growth on asset and leverage. The study concluded that dividend policy that is dividend yield and payout ratio had an insignificant effect on firm value while earning volatility and firm size showed positive relationship to stock price volatility.

2.5 Conceptual Framework

The conceptual framework shows how the independent variable; dividend payout ratio together with the control variables; profitability, liquidity and company size affect the dependent variable; firm value. Dividend payout ratio is derived from the division of dividend per share and earnings per share, profitability is derived from the division of net profit and total revenue, liquidity derived from the current ratio and company size is derived from the natural logarithm of total assets while the firm value is derived by the division of market value of equity and book value of equity

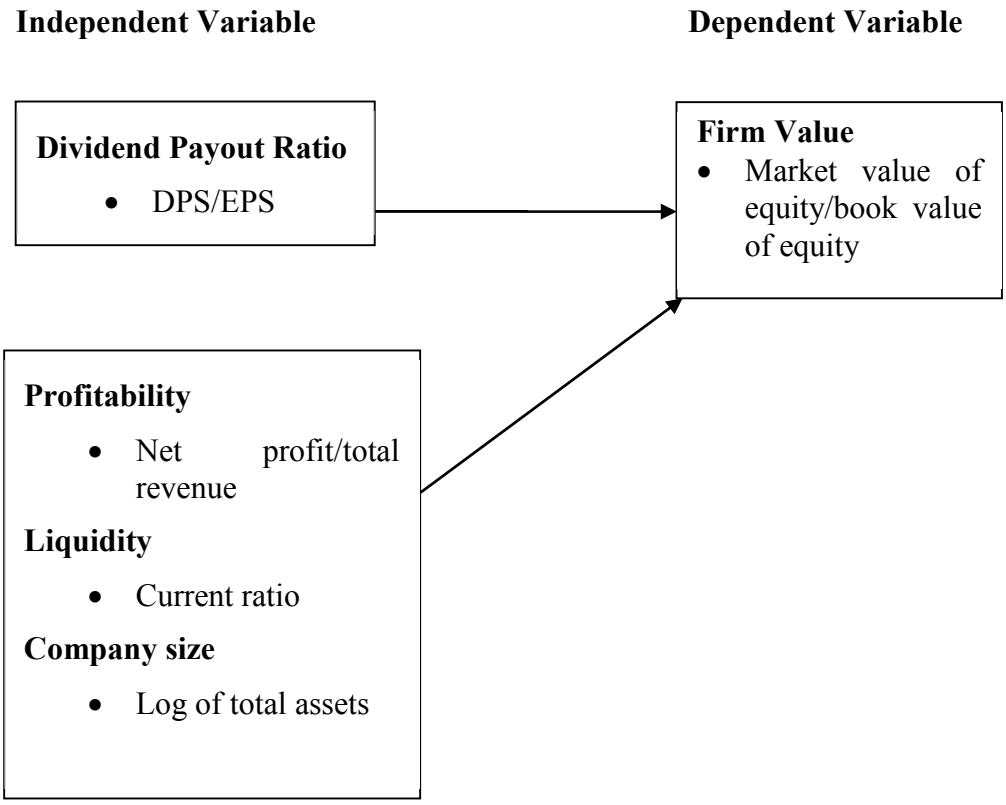

Figure 2.1: Conceptual Framework Source: Researcher, (2022)

2.6 Summary of Literature Review

The theories bird-in-hand, dividend irrelevance theory and signaling theory explained the impact and importance of dividend policy and if it has role in the worth of an organization. Modigliani and Miller established firm value is believed to result from firm assets other income spread between retained income and dividends. On the contrary, both bird in hand theory and signaling theory shows dividends policy affects value of the firm. Firm value is seen to be affected by different factors including dividend payout ratio, ownership structure and monitoring system, liquidity, corporate social responsibility, corporate governance, size of the company and profitability.

Of the empirical research conducted concerning the topic for the global studies, Janthan, Anton and Khan et al found out that dividend payout ratio and firm value are positively associated while Manjanatha, Odum et al and Soesiloet al stated that they are not associated. For local studies, Kariuki, Masara and Njogu found an association between dividend policy and firm value while Mugo, Awadh and Kaplelach,Mogambi and Ngunjiri found no relationship existed between the two.

From the various studies conducted on dividend theories it is evident that there has not been a conclusion on whether dividends affect the value of the firm therefore there was need to carry a more recent research on the same from the year 2014 to 2020of 63listed companies on the NSE. The study also factored in the effect of Covid-19 on firm performance and thus gave more insight to this study. Further, the study also covered all the 11 sectors of the NSE thus giving an overview of dividend payout ratio effect on the different sectors.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is divided into research design, population and sample, data collection, diagnostic tests and also data analysis.

3.2 Research Design

The research employed descriptive survey thus giving description on existing phenomena without changes. Descriptive research is used to give observations and description with no influence on variables (Koh.&Owen.2000). As a result, such studies are observable value and are not experimented. This is because the study population is data from the companies listed on the NSE therefore no alteration of data thus describing and measuring the already existing data.

3.3 Population and Sample

The study population was all the 63companies listed in the Nairobi Securities Exchange for the period 2014 to 2020from the 11 different sectors of the NSE listed companies. The information was from previous audited financial statements and reports of the companies.

3.4 Data Collection Instrument

Data was acquired from secondary sources that is, the audited financial statements from the 63 companies and from the NSE website for the period 2014 to 2020.The data collected included; dividends per share, earnings per share, current liabilities, net profit, total revenue, current assets, market value of equity and book value of equity.

3.5 Diagnostic Tests

The study examined the model's fitness, where the Hausman test was used to test between fixed and random data. Comparison diagnosis was carried out to establish whether data was fixed or random between the period of 2014 to 2020. The findings tested data between fixed and random effects by evaluating the probability of difference between the fixed and random at more than 5% significant level.Data was tested for heteroscedasticity using the modified Wald test for group-wise, heteroscedasticity was used for the fixed effect regression model. Wooldridge test for autocorrelation for paneled data was also used. Cross-sectional dependence was tested to remove biases as a result of contemporaneous correlation. Pesaran's test was conducted to test cross-sectional dependence.

3.6 Data Analysis and Presentation

Data analysis used panel regression model, to deduce the association between the dependent and independent variables.

The equation is as follows:

$$Yit = \beta_1 + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \varepsilon_{it}$$

Where:

Y=Value of the firms measured by market value of equity/book value of equity.

β_1=the intercept of regression equation that is the value of the firm when there are no dividends paid.

β_2-β_5=Is the coefficients of independent variables.

X_2=Measures dividend payout ratio it is derived from division of dividend per share and earnings per share.

X_3=Measures profitability derived from division of net profit and total revenue.

X_4=Measures liquidity derived from division of current assets and current liabilities.

X_5=Measures firm size derived from the natural logarithm of total assets.

ε =error term which captures the unexplained variations in the model.

i stands for the i : th cross-sectional unit, i = 1, ..., N

t stands for the t : th time period, i = 1, ...,T

3.7 Ethical Consideration

While carrying out this study, the researcher ensured that all the ethical standards were adhered to. Before data collection, all the relevant permissions, such as a recommendation letter from the University of Nairobi and a research permit from The National Commission for Science Technology and Innovation were obtained.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Overview

This chapter provides data analysis obtained from 56 NSE-registered firms in Kenya. The study targeted 63 companies; however, complete records from 7 firms could not be obtained, and therefore, they were excluded from the study. The data was extracted for seven years, from 2014 to 2020, using data extraction forms from annual financial statements and reports presented by the NSE. The data was organized and summarized using Microsoft excel and then exported to STATA version 12 for further analysis. Data was arranged per firm for seven years with their respective earnings per share, dividend per share, net profit/loss, total revenue, total assets, current assets, current liabilities, total assets, market value of equity and book value of equity. The collected data were calculated to provide dividend payout ratio, profitability, liquidity, firm size and firm value. The summary results were presented in the following subsections.

4.2 Descriptive Statistical analysis

The descriptive results were evaluated using mean and standard deviation. Dividend payout ratio data was obtained by dividing dividend per share by earnings per share, profitability derived by dividing net profit/loss divided by revenue, liquidity derived by the ratio of current assets and current liability, company size, through a log of total assets and finally, firm value by dividing market value and the book value of equity. The descriptive statistics were summarized in Table 4.1.

Table 4.1: Descriptive Statistical analysis of Dividend and Firm Value

	Observation	Mean	Std. Dev.	Min.	Max.
Dividend	392	0.3056	4.0192	-53.57	55
Profitability	392	0.0096	0.5200	-4.22	1.52
Liquidity	392	2.1318	2.2996	0	14.2
Firm Size	392	7.2320	1.0097	3.84	9.12
Firm Value	392	-13790.38	174637.4	-2248525	461292.3

Source: Research data (2022)

The results in table 4.1 revealed that the average dividend paid was 30.56% compared to earnings per share, the standard deviation was 4.0192. This shows that the dividend is 30.56% of earnings per share of the company, which indicates that the firms retain 67.44%. However, the variation is very high across the firms. The results also reveal that the average profitability of the firms is 0.96% of the total revenue of the firms listed in NSE, with a standard deviation of 52.0%. This implies the firm has low average profitability, whereas, from standard deviation, the results indicated that there are firms that make extremely high profits. In contrast, others make extremely low profits across the companies. However, there are more firms making profits as compared with those that are performing poorly.

Liquidity standards at an average of 2.1318, implying that most firms have more than twice as many current assets as compared with current liability. The standard deviation of 2.2996 indicates a higher liquidity variation among the firms. The firm size has an average of 17 million (antilog of 7.2320), the standard deviation is 1.0097. This shows that the organization has sufficient financial leverage, which is an important catalyst for investment. However, profitability could be better in some of the firms despite having high total assets.

The findings revealed that the market performance of most firms is poor, as revealed by market capitalization that is (13790.38) times the book value with a standard deviation of 174637.4. This shows that the poor performance of firms is as a result of negative equity, whereby the majority of the firms are working under loans and creditors (liabilities).

In order to probe further, trends of dividend, profitability, liquidity, firm size and firms value were evaluated from 2014 to 2020. The results are summarized in Table 4.2.

Table 4.2: Trend of Dividend and Firm Value between 2014 to 2020

Years	Dividend	Profitability	Liquidity	Firm Size	Firms' Value
2014	-0.4339	0.1291	2.0573	7.1438	12445.89
2015	0.0900	0.1241	2.1000	7.2057	-19206.09
2016	0.3118	0.0809	2.1896	7.22625	-2117.37
2017	0.4434	0.0438	2.2519	7.2461	-36629.65
2018	0.2750	-0.0911	2.0414	7.2596	-38127.2
2019	0.1786	-0.0757	2.1246	7.2705	-7753.06
2020	1.2739	-0.14375	2.1579	7.2732	-5145.16
Average	**0.3056**	**0.0096**	**2.1318**	**7.2330**	**-13790.38**

The results in table 4.2 indicate that the dividend payoff has been improving from 2014 to 2020. This show that most firms listed in the NSE traded more on stock to increase their market capitalization rather than making profits from business activities, thus creating a variance between the market performance of share and company performance. Subsequently, the profitability of the firms has steadily reduced from an average profit of 12.91% in 2014 to an average loss of 14.38% of total revenue in 2020. Liquidity over the years has not shown significant variation, indicating that liquidity in most firms was stable. The firm size has been steadily increasing since 2014, from an average of 13,9 million

shillings to 18.8 million at the end of 2020. The results have also indicated that the firm value has been declining from 12445.89 in 2014 shareholders' value to (38127.2) in 2018 and slightly increased till 2020 with (5145.16). The variation of market value versus book value is associated more with the businesses' political, economic, social, technical, ecological and legal environment.

4.3 Correlation Analysis

Correlation analysis was done, and the following results were obtained. The results were summarized based on dividend, profitability, liquidity, firm size and firm value, as shown in Table 4.3.

Table 4.3: Correlation Coefficients

		Dividend	Profitability	Liquidity	Firm Size	Firm Value
Dividend	Pearson Correlation	1				
Profitability	Pearson Correlation	.024	1			
Liquidity	Pearson Correlation	-.098	.155**	1		
Firm Size	Pearson Correlation	.056	.405**	-.325**	1	
Firm Value	Pearson Correlation	.007	.133**	.071	-.191**	1

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

Source: Research Data (2022)

The results indicate that liquidity had a weak positive significant relationship with the firm's profitability (R= 0.155). The firm's size had moderate positive significance with the profitability of the firm (R=0.405). The findings also reveal that the firm value had a weak positive significant relationship with the profitability of the firms (R=0.133). However, liquidity had a weak negative significant relationship with firm size (R=-0.325). Finally, the firm value had a weak positive influence on firm size (R=-1.91).

4.4 Diagnosis Test

The study examined the model's fitness, where the Hausman test was used to test between fixed and random. The study also diagnosed autocorrelation, homoscedasticity and cross-sectional Dependence using Wooldridge and Modified Wald tests respectively.

4.4.1 Test of Fitness of the model

A comparison diagnosis was carried out to establish whether data was fixed or random between the period of 2014 to 2020. The study adopted the Hausman test between fixed and random data. The findings tested data between fixed and random effects by evaluating the probability of difference between the fixed and random it is more than 5% significant level.

Table 4.4: Comparison between fixed data and random data

	(b)	(B)	(b-B)	Sqrt (diag(V_b-V_B)
	Fixed	**Random**	**Difference**	**Std. Error**
Dividend	38.83	170.44	-131.61	360.202
Profitability	-7744.79	2309.62	-10054.41	7668.255
Liquidity	1586.50	2664.14	-1077.63	4665.532
Size	-18979.71	-12708.52	31688.24	58203.56
Model Summary				
Chi Square	1.87			
Prob>Chi-Square	0.7663			
a Dependent Variable: Firm Value				

Hausman test showed that the probability was more than 5%; hence the random effect was adopted (Chi-Square = 1.87, P=0.7663>0.05). Where the null hypothesis was rejected, resulting in to the choice of the random effect over the fixed effect.

4.4.2. Test for Heteroscedasticity

Data were tested for heteroscedasticity using the modified Wald test for group-wise,heteroscedasticity was used for the fixed effect regression model. The results were given as; H0: sigma(i)^2 = sigma^2 for all firms, Chi2 (41) = 5.3e+04, Prob>chi2 = 0.0354. The null hypothesis showed homogeneity of variance, which was accepted. Therefore, there was homoscedastic within the residual errors.

4.4.3 Test of Autocorrelation in panelled data

Wooldridge test for autocorrelation for panelled data was used where; H**o**: no first-order autocorrelation (F (1, 55) = 61.457, Prob> F = 0.7634). The null hypothesis was accepted; hence there was no serial correlation. Therefore, there was no autocorrelation within the panel data.

4.4.4 Cross-sectional Dependence Test

Cross-sectional dependence was tested to remove biases as a result of contemporaneous correlation. The null hypothesis indicates that residuals are not correlated. Pesarant test was conducted to test cross-sectional dependence. It was established that; Pesaran's test of cross-sectional independence = 3.244; P =0.5340. The average absolute value of the off-diagonal elements = 0.6382. This indicates that there is no cross-sectional dependence

(P>0.05). Therefore, the study was fit for panel regression analysis using random data effect.

4.5 Panel Regression Analysis Results

The panel regression analysis utilized random effect in examining the dividend payoff and firm value. The study examined the dividend as well as the control variables, that is, profitability, liquidity and firm size. The summary mode was presented in table 4.5 using a 5% significant level.

Table 4.5: Panel Regression Model

	Coef	Std. Error	Z	P>Z	(95% Conf. Interval)	
Dividend	170.44	1845.967	2.95	0.926	-3447.584	3788.474
Profitability	2309.62	19296.11	-0.87	0.045	-35520.06	40129.29
Liquidity	2664.14	5538.153	10.84	0.630	-8190.444	13518.72
Firm Size	-12708.52	16913.76	4.94	0.032	-45958.89	20441.84
_ Cons	-0.050	126947.9	-0.74	0.569	-176448.8	321177.6
Model Summary						
R Square (Within)	0.0000					
R Square (Between)	0.0246					
R Square (Overall)	0.0112					
Sigma_u	111251.71					
Sigma_e	137261.62					
Rho	0.3964					
Wald $Chi^2(4)$	1.06					
Sig.	0.9005					

a Dependent Variable: Financial Performance (ROA)

Panel regression analysis was done in the equation 1 model, where random data was used to investigate the hypotheses based on the Hausman Test. *R2* was obtained from the model summary, and the regression coefficients were used for the interpretation.

The model was given by;

$y_{it} = 2309.62x_{2it}-12708.52x_{3it}$

where;

y_{it} = Firm Valueof firm *i*at time *t*

x_{1it} = Dividend payout ratio of firm *i*at time *t*

x_{2it} = Profitability of firm *i*at time *t*

x_{3it} = Liquidity of firm *i*at time *t*

x_{4it} = Company sizeof firm *i*at time *t*

X_{5it} = firm size

The results indicated that dividends are not significantly affected by the firm value (Beta=170.4, P>0.05). However, firm value is significantly affected by profitability positively and firm size negatively (Beta = 2309.62 and Beta = -12708.52, respectively).

CHAPTER FIVE:

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Overview

The section presents a summary of the study, findings, conclusion and recommendation. A summary of descriptive statistics, correlation and panel regression analysis are discussed in this section. The conclusions and recommendations of the study were derived from the summary.

5.2 Summary

The results revealed that most firms listed at the NSE paid low dividends to their shareholders compared to retained earnings. Further, the findings established that variation across the firms resulted from differences in the type of industry that the firms operated in. Similarly, the firms' profitability was found to be very low, and again there was a high variation across firms. The majority of the firms were found to have made profits over the period of study.

The findings also revealed a declining trend in profits made by the firms, whereas there was an increase in firm size over time. In addition, the firms' liquidity remained stable over the period, with a higher current ratio across the firms. The performance of the firms in relation to firm value has indicated a decrease over time, with more firms making losses.

The study also examined the correlation between the study variables. The findings revealed a positive weak significant relationship between profitability, liquidity and firm value. However, there was a moderate positive relationship between profitability and firm size. In addition, the findings revealed a weak negative correlation between a firm's size,

liquidity and firm value. The results also found that dividends had no significant relationship with firm value and liquidity. Finally, the findings established a significant positive relationship between profitability and firm value and a significant negative relationship between profitability and firm size.

5.3 Conclusions of the Study

Conclusions were derived from the findings of the study. On the direct relationship between dividend payout and firm value, the study concluded that there was no significant relationship between dividend payout and firm value. This implies that an increase in the firm's value did not influence the payment of dividends. The study established that the majority of the firms listed at the NSE retained most of the profits made in a financial year. This could only reduce the amount paid as dividends but could not affect the firm's value.

The study concluded that there was a significant positive relationship between the two variables on the relationship between firm value and profitability. The study concluded that the high profits made by the listed firms enabled them to acquire more assets. The increased profitability was also attributed to firms having less liability. The study further concluded that the high disparity of profits made by firms was due to the type of industry that the firms operated in. some firms made massive profits while others made huge losses over the same period, an indication that firms were affected by specific industry factors.

Further, the study concluded that firm size had a significant negative relationship with firm value. This implies that the size of the firm is independent of the ability of the firm to make profits and issue dividends. Some firms were found to have high market value but were not profitable.

And finally, the study concluded that firm value had no significant relationship with Liquidity. Liquidity remained constant whether firms listed in the NSE made losses, profits, or increased or decreased value. This implies that the value of the firm is not in any way influenced by Liquidity.

5.4 Recommendations of the Study

In conclusion, firms listed in the NSE should increase their profitability to enhance their capacity to pay dividends to their shareholders. This is because dividend payout has no relationship with the firm's value but rather its profitability. Firms should enhance their internal efficiency and effectiveness to minimize losses.

The study also recommended the firms Listed in the NSE restructure their business models as the profitability of most firms was found to have a consistent decline trend. The firms could also diversify to other business activities to overcome challenges posed by the rapid changes in the business environment.

Since firm size has no relationship with firm value, the study recommends that the management of the firms listed at the NSE be innovative and adopt emerging technologies so as to be competitive enough to generate more income. As a form of restructuring, non-core activities should be outsourced to concentrate on the core business, thus enhancing productivity.

The companies should also develop strategies to mitigate the effects caused by Covid-19. This could be through seeking some interventions and reliefs such as taxation reliefs from the government. This will enable the organizations to perform better and increase their value in the long run.

The study also recommended that firms find the right balance in their capital structure. This is because most firms' share prices had significantly declined over the seven years that the study was conducted.

5.5 Limitations of the Study

The study relied on secondary sources, specifically data obtained from financial records provided by the NSE. Complete records from seven companies could not be obtained as the companies had been delisted from the burse.

In addition, the study was conducted during a period when the country experienced serious negative effects due to COVID-19. Therefore, the financial performance of most listed firms declined during this period; however, the researcher could not establish whether the decline in performance could be associated with the pandemic.

Finally, the study only targeted those firms listed on the NSE; therefore, the findings may be generalizable to other firms not listed.

5.6 Suggestions for Further Research

The study recommends further research to assess the relationship between dividend payout and the firm's capital structure. This is because the current study did not find any significant relationship between dividends and the value of the firm.

Since the scope of the study was all the companies listed in the Nairobi securities exchange, the researcher recommends that further study be carried out on financial institutions not listed in the NSE to examine whether the findings are generalizable to all industries.

Finally, further studies should be carried out using both primary and secondary sources. This is because by using a questionnaire to collect primary sources, the researcher can structure the questionnaire in a way that information not provided by the secondary sources can be obtained.

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APPENDICES

Appendix I: Dividend Payout Ratio

Firm	2014	2015	2016	2017	2018	2019	2020
Eaagads	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kakuzi	0.46	0.16	0.13	0.17	0.24	0.19	0.44
Kapchorua	0.23	-0.86	0.30	-0.45	0.47	-0.62	4.03
Limuru Tea	-53.57	0.94	-0.13	-0.08	0.94	1.27	-0.65
Sasini	2.50	0.06	0.00	0.00	0.77	-0.36	0.00
Williamson	0.12	-0.84	0.38	-0.73	0.72	-2.13	2.64
Rea Vipingo	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Car & General	0.12	0.79	0.27	0.47	0.15	0.16	0.11
Eveready	0.00	0.00	0.00	0.79	0.00	0.00	0.00
Express Kenya	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kenya Airways	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Longhorn	0.74	0.21	0.53	0.59	0.00	0.47	0.00
Nairobi Business Ventures (NBV)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nation Media Group	0.57	0.64	0.84	1.09	0.00	0.78	55.00
Sameer	-5.42	0.00	0.00	0.00	0.00	0.00	0.00
Standard Group	0.19	-0.17	0.00	0.00	0.00	-0.11	0.00
TPS Eastern Africa	1.00	-0.83	2.60	0.97	0.51	0.43	0.00
Wpp Scan Group	0.27	0.45	0.45	0.63	0.91	0.00	-2.06
Bamburi	0.92	0.41	0.48	1.32	0.63	0.00	0.00
Crown Paints	6.25	4.07	0.32	0.19	0.23	0.13	0.07
East African Cables	0.52	-0.27	0.00	0.00	0.00	0.00	0.00
East Africa Portland	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kengen	0.31	0.12	0.21	0.47	0.33	0.21	0.09
KPLC	0.08	0.08	0.09	0.30	0.00	0.00	0.00
Total Energies	0.27	0.27	0.22	0.24	0.35	0.32	0.25
Umeme (Ushs)	0.39	0.30	0.29	0.35	0.09	0.10	1.53
Centum	0.00	0.00	0.09	0.11	0.30	0.18	0.12
Home Afrika	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Olympia	12.66	0.00	0.00	0.00	0.00	0.00	0.00
Trans century	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BOC	0.22	0.39	0.46	1.49	0.84	1.00	0.56
BAT	0.79	0.78	1.09	1.18	0.55	0.81	0.54
Carbacid	0.16	0.45	0.48	0.51	0.60	0.67	0.55
EABL	0.49	0.53	0.45	0.57	0.76	0.53	1.16
Flame Tree	0.00	0.00	0.00	5.00	0.00	0.00	0.00
NSE	0.18	0.32	0.69	0.33	0.41	0.67	0.12
Kenya Orchards	0.00	0.01	0.01	0.01	0.01	0.01	0.00
Unga	0.25	0.27	0.17	0.54	0.15	0.11	1.11
Safaricom	0.82	0.80	0.80	0.75	0.80	0.80	0.76
ABSA	0.32	0.65	0.59	0.63	0.58	0.66	1.17

Bank of Kigali (FRw)	0.00	0.00	0.00	0.40	0.35	0.34	0.34
Diamond Trust Bank	0.08	0.11	0.09	0.11	0.11	0.11	0.23
Equity Group	0.32	0.39	0.46	0.40	0.38	0.34	0.38
Housing Finance	0.30	0.22	0.25	1.39	-0.22	-1.21	-0.06
I&M Holdings	0.21	0.20	0.20	0.21	0.36	0.28	0.31
KCB	0.44	0.45	0.54	0.54	0.45	0.37	0.48
NCBA	0.11	0.14	0.15	0.15	0.14	0.17	0.40
Stanbic	0.15	0.42	0.47	0.48	0.31	0.22	0.44
Standard Chartered Bank	0.57	0.95	0.77	0.87	0.74	0.66	1.08
Co-operative Bank	0.30	0.22	0.30	0.40	0.37	0.40	0.51
Britam	0.19	-0.60	0.24	1.15	-0.38	0.21	-0.07
CIC	0.24	0.23	1.43	0.58	0.50	1.08	-0.91
Jubilee	0.14	0.18	0.16	0.14	0.15	0.16	0.16
Kenya Re	0.13	0.14	0.16	0.16	0.26	0.18	0.10
Liberty	0.20	0.40	0.43	0.41	0.54	0.41	0.41
Sanlam	0.50	-8.14	0.00	0.00	0.00	0.00	0.00

Source: NSE Data (2014-2020)

Appendix II: Profitability

Firm	2014	2015	2016	2017	2018	2019	2020
Eaagads	-0.44	0.21	0.00	0.13	-0.75	0.01	-1.44
Kakuzi	0.09	0.19	0.21	0.21	0.15	0.25	0.17
Kapchorua	0.11	-0.02	0.09	-0.04	0.12	-0.09	0.02
Limuru Tea	0.00	0.02	-0.18	-0.28	0.02	0.02	-0.04
Sasini	0.02	0.40	0.16	0.08	0.08	-0.12	0.00
Williamson	0.21	-0.09	0.14	-0.08	0.13	-0.05	0.05
Rea Vipingo	0.13	0.41	0.41	0.27	0.40	0.11	0.10
Car & General	0.03	0.01	0.01	0.01	0.02	0.02	0.02
Eveready	-0.15	-0.16	-0.31	0.79	-0.44	-1.59	-0.52
Express Kenya	-0.45	-0.49	-1.54	-1.80	-2.64	-1.07	-1.94
Kenya Airways	-0.03	-0.23	-0.23	-0.08	-0.07	-0.10	-0.69
Longhorn	0.07	0.08	0.07	0.09	0.11	0.12	-0.21
Nairobi Business Ventures (NBV)	0.11	0.04	0.05	-0.70	-4.22	-2.62	-2.97
Nation Media Group	0.18	0.18	0.15	0.12	0.12	0.09	0.01
Sameer	-0.02	0.00	-0.23	0.00	-0.26	-0.60	0.06
Standard Group	0.05	-0.06	0.04	-0.05	0.05	-0.12	-0.10
TPS Eastern Africa	0.04	-0.05	0.02	0.02	0.03	0.03	-0.59
Wpp Scan Group	0.04	0.03	0.03	0.03	0.04	0.05	0.06
Bamburi	0.11	0.15	0.15	0.05	0.02	0.01	0.03
Crown Paints	0.00	0.00	0.02	0.03	0.02	0.04	0.07
East African Cables	0.07	-0.20	-0.16	-0.28	-0.35	0.40	-0.42
East Africa Portland	-0.04	0.85	0.47	-0.21	1.52	-1.18	-1.12
Kengen	0.16	0.45	0.19	0.25	0.22	0.22	0.46
KPLC	0.07	0.07	0.07	0.04	0.02	0.00	-0.01
Total Energies	0.01	0.01	0.03	0.02	0.02	0.02	0.05
Umeme (Ushs)	0.07	0.09	0.10	0.02	0.09	0.08	0.03
Centum	0.63	0.67	0.41	0.37	0.14	0.17	0.19
Home Afrika	0.01	-1.50	-0.76	-0.69	-3.18	-2.45	-1.26
Olympia	0.09	-0.03	0.03	0.07	-0.01	0.01	0.02
Transcentury	-0.22	-0.21	-0.11	-0.77	-0.82	-0.90	-0.99
BOC	0.18	0.13	0.12	0.04	0.07	0.06	0.09
BAT	0.20	0.22	0.21	0.18	0.20	0.16	0.22
Carbacid	0.59	0.49	0.45	0.47	0.40	0.42	0.48
EABL	0.11	0.15	0.12	0.12	0.10	0.14	0.09
Flame Tree	0.09	0.08	0.06	0.02	0.01	0.02	0.03
NSE	0.50	0.46	0.35	0.36	0.30	0.14	0.31
Kenya Orchards	-0.44	0.47	0.06	0.08	0.12	0.14	-0.22
Unga	0.03	0.03	0.03	0.00	0.04	0.03	0.00
Safaricom	0.16	0.20	0.19	0.23	0.24	0.25	0.28
ABSA	0.37	0.33	0.27	0.25	0.26	0.24	0.13
Bank of Kigali (FRw)	0.35	0.34	0.29	0.28	0.29	0.32	0.26
Diamond Trust Bank	0.27	0.26	0.23	0.20	0.20	0.22	0.10
Equity Group	0.48	0.40	0.30	0.39	0.37	0.35	0.25
Housing Finance	0.15	0.15	0.11	0.02	-0.10	-0.02	-0.40

I&M Holdings	0.33	0.28	0.30	0.30	0.33	0.40	0.30
KCB	0.35	0.35	0.31	0.31	0.36	0.32	0.21
NCBA	0.30	0.26	0.23	0.21	0.20	0.23	0.08
Stanbic	0.49	0.33	0.26	0.26	0.33	0.30	0.26
Standard Chartered Bank	0.48	0.28	0.35	0.27	0.30	0.33	0.23
Co-operative Bank	0.29	0.35	0.34	0.31	0.29	0.32	0.22
Britam	0.18	-0.05	0.12	0.02	-0.09	0.13	-0.32
CIC	0.08	0.09	0.02	0.03	0.04	0.02	-0.02
Jubilee	0.13	0.14	0.14	0.15	0.16	0.14	0.14
Kenya Re	0.30	0.30	0.26	0.26	0.16	0.26	0.14
Liberty	0.14	0.08	0.07	0.06	0.05	0.06	0.06
Sanlam	0.17	0.01	0.01	0.01	-0.31	0.02	-0.01

Source: NSE Data (2014-2020)

Appendix III: Liquidity

Firm	2014	2015	2016	2017	2018	2019	2020
Eaagads	0.87	2.73	5.73	12.83	8.77	6.98	2.21
Kakuzi	6.66	4.44	4.92	3.90	5.94	11.00	11.22
Kapchorua	5.10	5.68	4.26	3.46	2.92	4.51	4.84
Limuru Tea	8.08	5.80	5.17	3.56	3.50	8.37	6.92
Sasini	2.33	4.40	4.93	4.24	5.76	4.25	5.74
Williamson	8.44	8.67	4.96	3.47	2.99	4.04	3.91
Rea Vipingo	6.50	9.50	13.88	14.20	7.61	8.49	9.02
Car & General	1.20	1.06	1.01	1.03	0.99	0.88	0.87
Eveready	1.33	0.86	0.45	2.60	2.53	1.50	1.04
Express Kenya	0.59	1.13	0.85	0.60	0.62	1.50	1.53
Kenya Airways	0.46	0.51	0.41	0.20	0.22	0.38	0.32
Longhorn	1.74	1.50	1.49	1.37	1.21	1.19	0.96
Nairobi Business Ventures (NBV)	1.98	1.98	2.73	2.99	1.65	1.51	0.20
Nation Media Group	2.37	2.10	2.07	2.02	1.95	1.93	2.04
Sameer	2.52	2.21	1.58	1.55	0.90	0.87	1.48
Standard Group	1.22	0.95	1.17	0.85	0.91	0.60	0.51
TPS Eastern Africa	0.80	1.04	1.63	1.08	0.43	0.66	0.67
Wpp Scan Group	2.46	2.76	2.38	2.28	2.07	2.02	2.33
Bamburi	2.30	2.36	2.70	1.72	1.30	1.38	1.81
Crown Paints	1.15	1.11	1.17	1.19	1.01	1.00	1.19
East African Cables	1.17	0.93	0.60	0.44	0.26	0.66	0.65
East Africa Portland	0.95	0.84	0.43	0.31	0.24	0.26	0.15
Kengen	1.10	0.95	1.20	1.48	1.50	1.31	2.00
KPLC	0.75	1.45	0.94	0.78	0.47	0.38	0.36
Total Energies	1.49	1.53	1.65	1.74	1.77	2.16	2.05
Umeme (Ushs)	1.03	1.01	0.87	0.59	0.44	0.73	0.54
Centum	3.17	2.14	2.24	2.27	2.12	2.03	2.07
Home Afrika	1.18	0.98	0.81	0.79	1.00	1.00	1.47
Olympia	1.17	1.60	2.39	1.63	1.74	1.60	1.69
Transcentury	0.00	0.63	0.50	0.40	0.25	0.20	0.19
BOC	2.14	2.06	2.26	1.95	1.88	1.98	2.51
BAT	1.25	1.45	1.41	1.32	1.59	1.09	1.30
Carbacid	6.30	4.51	7.09	7.01	9.43	5.69	5.76
EABL	0.72	1.02	0.77	1.01	0.83	0.88	0.84
Flame Tree	1.55	1.64	1.53	1.29	1.14	1.21	1.11
NSE	6.13	7.03	7.33	12.05	9.50	7.85	13.53
Kenya Orchards	1.77	2.08	2.02	1.71	2.11	1.98	1.93
Unga	2.33	2.37	2.30	1.64	2.14	1.96	1.58
Safaricom	0.74	0.62	0.65	0.46	0.63	1.08	0.86
ABSA	1.20	1.20	1.20	1.19	1.16	1.14	1.14
Bank of Kigali (FRw)	1.04	1.06	1.06	1.07	1.10	0.98	0.76
Diamond Trust Bank	1.18	1.16	1.16	1.17	1.18	1.20	1.19
Equity Group	1.23	1.20	1.21	1.22	1.20	1.20	1.16
Housing Finance	1.12	1.17	1.19	1.20	1.21	1.22	1.18

I&M Holdings	1.19	1.19	1.21	1.24	1.21	1.24	1.23
KCB	1.18	1.17	1.19	1.20	1.19	1.17	1.17
NCBA	1.18	1.19	1.22	1.20	1.14	1.16	1.16
Stanbic	1.26	1.23	1.23	1.21	1.18	1.19	1.19
Standard Chartered Bank	1.22	1.21	1.22	1.19	1.20	1.19	1.18
Co-operative Bank	1.18	1.17	1.21	1.11	1.21	1.21	1.21
Britam	1.42	1.29	1.27	1.30	1.30	1.31	1.14
CIC	1.44	1.46	1.38	1.33	1.31	1.29	1.24
Jubilee	1.28	1.33	1.31	1.31	1.32	1.31	1.32
Kenya Re	2.64	2.56	2.68	2.75	2.77	2.74	2.83
Liberty	1.23	1.22	1.24	1.25	1.26	1.26	1.28
Sanlam	1.18	1.16	1.16	1.16	1.06	1.06	1.06

Source: NSE Data (2014-2020)

Appendix IV: Firm Size

Firm	2014	2015	2016	2017	2018	2019	2020
Eaagads	5.65	5.86	5.88	5.97	5.96	5.97	5.98
Kakuzi	6.59	6.65	6.70	6.76	6.77	6.81	6.84
Kapchorua	6.29	6.30	6.33	6.31	6.40	6.31	6.29
Limuru Tea	5.49	5.50	5.45	5.42	5.43	5.37	5.36
Sasini	7.17	7.21	7.10	7.12	7.11	7.17	7.16
Williamson	6.93	6.93	6.95	6.92	6.98	6.92	6.90
Rea Vipingo	6.51	6.71	6.68	6.66	6.71	6.73	6.77
Car & General	6.91	6.95	6.99	6.97	7.01	7.07	7.08
Eveready	5.97	6.16	6.03	5.88	5.76	5.40	5.30
Express Kenya	5.68	5.65	5.58	5.56	5.51	5.67	6.13
Kenya Airways	8.17	8.26	8.19	8.17	8.14	8.29	8.23
Longhorn	5.88	5.84	6.27	6.27	6.38	6.37	6.39
Nairobi Business Ventures (NBV)	4.90	5.05	5.19	5.16	4.93	4.79	3.84
Nation Media Group	7.08	7.10	7.09	7.05	7.05	7.08	7.07
Sameer	6.59	6.57	6.52	6.47	6.41	6.18	6.02
Standard Group	6.61	6.64	6.64	6.65	6.67	6.62	6.61
TPS Eastern Africa	7.20	7.19	7.22	7.24	7.25	7.25	7.24
Wpp Scan Group	7.12	7.10	7.13	7.14	7.16	7.11	6.94
Bamburi	7.61	7.62	7.61	7.67	7.70	7.69	7.69
Crown Paints	6.59	6.66	6.70	6.77	6.74	6.74	6.75
East African Cables	6.90	6.92	6.88	6.85	6.82	6.80	6.77
East Africa Portland	7.20	7.36	7.44	7.44	7.58	7.56	7.55
Kengen	8.40	8.53	8.56	8.58	8.58	8.60	8.62
KPLC	8.34	8.44	8.46	8.52	8.52	8.52	8.51
Total Energies	7.51	7.53	7.56	7.58	7.59	7.57	7.63
Umeme (Ushs)	6.08	6.25	6.35	6.35	6.37	6.41	6.43
Centum	7.47	7.86	7.89	7.95	7.98	8.01	8.01
Home Afrika	6.57	6.59	6.59	6.65	6.65	6.64	6.65
Olympia	6.19	6.19	6.21	6.21	6.22	6.21	6.23
Transcentury	7.29	7.34	7.28	7.27	7.22	7.01	7.01
BOC	6.36	6.37	6.35	6.35	6.33	6.30	6.32
BAT	7.26	7.27	7.27	7.25	7.26	7.34	7.34
Carbacid	6.40	6.47	6.49	6.52	6.53	6.54	6.56
EABL	7.80	7.81	7.79	7.82	7.85	7.94	7.95
Flame Tree	6.00	6.12	6.18	6.23	6.26	6.36	6.40
NSE	6.23	6.28	6.30	6.32	6.35	6.35	6.36
Kenya Orchards	4.70	4.90	4.95	5.03	5.06	5.13	5.10
Unga	6.90	6.94	6.96	7.01	7.00	7.03	7.08
Safaricom	8.13	8.20	8.20	8.21	8.22	8.28	8.33
ABSA	8.35	8.38	8.41	8.43	8.51	8.57	8.58
Bank of Kigali (FRw)	8.68	8.75	8.81	8.86	8.94	9.01	9.12
Diamond Trust Bank	8.33	8.43	8.52	8.56	8.58	8.59	8.63
Equity Group	8.54	8.63	8.68	8.72	8.76	8.83	9.01
Housing Finance	7.79	7.86	7.86	7.83	7.78	7.75	7.74

I&M Holdings	8.25	8.22	8.26	8.38	8.46	8.50	8.55
KCB	8.69	8.75	8.77	8.81	8.85	8.95	8.99
NCBA	8.16	8.22	8.23	8.31	8.39	8.69	8.72
Stanbic	8.26	8.32	8.33	8.40	8.46	8.48	8.52
Standard Chartered Bank	8.35	8.37	8.40	8.46	8.46	8.48	8.51
Co-operative Bank	8.46	8.53	8.55	8.55	8.62	8.66	8.73
Britam	7.86	7.89	7.92	8.00	8.02	8.10	8.14
CIC	7.37	7.40	7.43	7.48	7.52	7.55	7.59
Jubilee	7.87	7.92	7.96	8.02	8.06	8.11	8.16
Kenya Re	7.51	7.56	7.59	7.63	7.65	7.70	7.73
Liberty	7.52	7.54	7.54	7.57	7.56	7.58	7.59
Sanlam	7.39	7.43	7.45	7.47	7.46	7.46	7.50

Source: NSE Data (2014-2020)

Appendix V: Firm Value

Firm	2014	2015	2016	2017	2018	2019	2020
Eaagads	3746.95	1314.07	1266.78	860.08	699.00	383.49	483.21
Kakuzi	1182.02	1840.46	1574.62	1491.98	1224.50	1277.04	1285.20
Kapchorua	388.18	548.02	381.09	362.04	351.04	426.46	427.69
Limuru Tea	3675.59	7681.11	4637.55	6390.52	6222.61	5566.26	4528.75
Sasini	246.69	412.93	396.59	611.06	400.78	299.12	347.73
Williamson	344.73	525.79	461.77	456.91	395.93	386.71	371.73
Rea Vipingo	664.26	0.00	0.00	0.00	0.00	0.00	0.00
C&G	891.06	577.38	381.84	275.82	441.73	532.68	449.58
Eveready	3580.74	3670.26	1014.23	917.41	479.82	2099.98	2099.98
Express Kenya	1218.06	1326.33	5421.83	-1976.60	-1293.43	10980.33	272.76
Kenya Airways	-461202.33	-1229699.53	-245446.60	-2169351.37	-2248524.59	-557909.23	-339958.08
Longhorn	5191.30	2882.89	1873.97	1555.64	1208.07	1667.75	1809.44
(NBV)	0.00	0.00	3740.55	1757.08	-860.49	-745.03	-23018.85
NMG	5690.32	4043.84	2025.72	2678.19	1639.48	962.36	403.92
Sameer	658.42	418.78	424.67	424.06	455.86	13894.77	7885.67
Standard Group	1432.53	1345.57	718.80	1621.27	1233.72	1584.36	1642.55
TPS Eastern Africa	716.72	86.87	502.99	858.18	23054.05	17860.71	-2533.51
Wpp Scan Group	2013.79	1299.37	797.04	813.49	818.41	1033.44	492.25
Bamburi	1885.82	2353.73	2198.84	2223.86	1437.17	1318.59	593.90
Crown Paints	1954.75	3209.71	1913.82	3239.89	5545.53	3403.03	1416.53
East African Cables	1697.56	1091.07	753.44	734.26	458.61	372.46	250.84
East Africa Portland	736.22	627.55	153.15	135.40	58.31	60.64	52.79
Kengen	107.50	31.08	101.75	307.86	243.52	193.47	75.22
KPLC	121.01	160.86	91.44	197.56	131.02	97.52	60.79
Total Energies	123.46	86.45	153.78	192.09	212.40	197.45	156.42
Umeme (Ushs)	108703.01	71721.08	35116.44	35229.17	16997.67	16131.24	14718.31
Centum	2029.11	1167.64	626.28	649.73	399.79	373.20	225.14
Home Afrika	5750.75	-13385.30	-2071.17	-1368.49	-269.56	-125.26	-74.61
Olympia	197.91	238.81	144.30	153.01	91.70	62.64	66.92
Transcentury	1524.31	1579.47	7275.97	-2384.76	-334.94	-300.00	-233.00
BOC	1396.92	1161.89	947.70	1296.78	963.75	786.77	765.20
BAT	11172.74	8866.87	10333.32	9693.60	7787.95	5146.57	3044.86
Carbacid	2569.93	1677.05	1277.02	1058.95	837.17	651.90	948.22
EABL	20114.36	11756.84	17100.23	15195.45	11859.54	9716.57	8716.83
Flame Tree	3665.71	1947.11	1147.88	1107.57	547.50	416.02	201.86

NSE	298.14	452.65	626.14	676.22	4990.53	1536.21	966.82
Kenya Orchards	-61.99	21.86	21.21	80.98	7.43	4.93	6.75
Unga	985.56	753.88	719.27	400.73	532.48	425.09	395.25
Safaricom	5398.33	6194.32	6572.38	9970.77	7177.97	8743.22	9590.72
ABSA	2364.94	1859.97	1166.05	1182.41	1345.41	1604.60	1128.26
Bank of Kigali (FRw)	0.00	0.00	0.00	664.89	317.29	-718.53	14.10
Diamond Trust Bank	1763.47	1181.94	685.01	1001.19	742.42	472.39	306.97
Equity Group	2902.94	2117.57	1381.00	1610.47	1384.97	1806.21	994.86
Housing Finance	1644.42	738.17	437.04	320.11	206.95	242.58	149.14
I&M Holdings	1717.08	1463.15	1100.54	1116.71	690.71	733.59	546.65
KCB	2249.01	1628.88	912.84	1236.95	1010.23	1335.65	859.64
NCBA	1620.24	1050.54	548.31	622.13	639.36	820.58	607.47
Stanbic	1328.63	850.10	694.31	745.44	803.96	880.79	649.57
Standard Chartered Bank	2405.08	2133.43	1446.94	2055.75	1798.92	2031.45	1460.41
Co-operative Bank	2280.62	1766.49	1055.96	2659.88	1178.10	1186.40	796.75
Britam	2689.77	1425.75	1084.27	1273.52	1053.38	773.11	1073.46
CIC	3483.78	2070.92	1328.84	1917.87	1304.72	892.61	730.30
Jubilee	1635.58	1564.58	1507.05	1471.57	1072.33	833.44	579.21
Kenya Re	596.96	670.18	652.58	465.69	344.14	265.51	188.84
Liberty	2022.87	1675.88	1043.07	872.17	843.73	872.48	676.93
Sanlam	3049.53	2272.46	1007.06	986.19	2517.90	2282.39	2172.56

Source: NSE Data (2014-2020)

Appendix VI: Research Permit

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Date of Issue: **28/November/2022**

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   i. Endanger national security
   ii. Adversely affect the lives of Kenyans
   iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
   iv. Result in exploitation of intellectual property rights of communities in Kenya
   v. Adversely affect the environment
   vi. Adversely affect the rights of communities
   vii. Endanger public safety and national cohesion
   viii. Plagiarize someone else's work
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National Commission for Science, Technology and Innovation(NACOSTI),
Off Waiyaki Way, Upper Kabete,
P. O. Box 30623 - 00100 Nairobi, KENYA
Telephone: 020 4007000, 0713788787, 0735404245
E-mail: dg@nacosti.go.ke
Website: www.nacosti.go.ke