EFFECTS OF OWNERSHIP STRUCTURE ON FIRM'S DIVIDEND POLICY: EVIDENCE FROM NAIROBI SECURITIES EXCHANGE

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D61/61046/2011

A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2013
This study sought to investigate the effects of ownership structure (local and foreign) on the dividend policies of firm's listed at the Nairobi Securities Exchange. The study is causal in nature. The population of this study comprised of all the listed firms at the NSE from January 2008 to December 2012. A census of the population was conducted. Analysis was conducted through the use of a regression analysis. The findings generated two key results. First, the results indicated that ownership structure only influenced a paltry 0.8% of variations in payout as indicated by the adjusted R square. This meant that the model used explained very little of the firms' variability in dividend payout. The study therefore concluded that the firms' ownership structure does not significantly influence dividend policy. Secondly, Coefficient of changes in foreign ownership structure at 5% level of significance yielded a p-value which was not significant and was negative. Coefficients of changes in local ownership likewise yielded a p-value which was not significant either, but on the contrary had a positive sign. The study thus concluded that changes in ownership structure do not influence changes in dividend policy for companies listed in the Nairobi Securities Exchange. The study also concluded that though to an inconsequential extent, changes in local ownership were positively associated to changes in dividend policy while changes in foreign ownership were negatively associated to changes in dividend policy. The study recommends that further research be done to establish: the effect of other forms of ownership structures on firms' dividend policy; and why local ownership exhibited a positive relationship with payout while foreign ownership exhibited negative association with payout.