THE RELATIONSHIP BETWEEN DIVIDEND PAYOUT AND PERFORMANCE OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN NAIROBI COUNTY

BY

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D61/71214/2014

A RESEARCH PROJECT PRESENTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS ADMINSTRATION IN FINANCE, UNIVERSITY OF NAIROBI

NOVEMBER 2015

DECLARATION

I declare that this research project is my original work and has not been submitted to any other university for award of a degree.

Signed…………………………………. Date………………………..

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This Research project has been submitted for examination with approval as the University supervisor.

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ACKNOWLEDGEMENT

I take this opportunity to give thanks to the Almighty God for seeing me through the completion of this project. The work of carrying out this investigation needed adequate preparation and therefore called for collective responsibility of many personalities. The production of this research document has been made possible by invaluable support of many people. While it is not possible to name all of them, recognition has been given to a few. I am greatly indebted to my supervisor Mr. Joseph Barasa, for his professional guidance, advice and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation to you. The staffs in the savings and co-operative societies cannot pass without my special acknowledgement for taking time off their busy schedule to provide me with all the information I needed in the course of the research. Without their immense cooperation I would not have reached this far. I would also wish to extend my sincere gratitude to all the MBA students, staff, lecturers and the entire University of Nairobi fraternity for changing me from what I was to what I am. Thank you all. May the Almighty God bless you.

DEDICATION

To my dear husband and servant of the living God

Simon Wesanza

(Your prayers have been my strong hold)

And

My beloved daughter and son

Patience

Wisdom

(That you may excel far beyond this)

ABSTRACT

The purpose of the study was to determine the relationship between dividend payout and firm performance among Sacco's in Nairobi County Secondary data on financial performance from the sample of 179 Sacco's was collected for the period 2010 till 2014. The study also used a questionnaire to collect primary data for purposes of answering the research question. The research question used in the study was: (i) what relationship exists between dividend payout and firm performance among Saccos in Nairobi County. The data was analyzed by using descriptive statistics as well as inferential statistics. Descriptive statistics was useful for coming up with an understanding of the data and thus helped in organizing and summarizing of the data while inferential statistics was to help in making of valid conclusions from the data. Correlation and regression analysis was used in order to find the degree of relationship and thus help in fulfilling the purpose of the study. The results of the relationship between dividends and firm performance showed that there exists a relationship between dividends and firm performance. There was a positive relation between net profit after tax and total assets, revenues and dividends as shown by the positive coefficients. The results also showed that the extent of the relationship between dividends and firm performance was significant. This in fact shows that dividends have a significant influence on firm performance as do revenues and total assets. The study recommends that firms should pay dividends since they are relevant and they affect the value of the firm. In addition dividends are a signal to investors and the market of how the firm is performing.

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LIST OF ABBREVIATIONS

BIHH	-	Bird In the Hand Hypothesis
DIH	-	Dividend Irrelevance Hypothesis
MM	-	Modgiliani & Miller
NPV	-	Net Present Value
SPSS	-	Statistical Package for the social science
NSE	-	Nairobi Securities Exchange
SACCOS	-	Savings &Credit Co-operative Societies
SASRA	-	Sacco Societies Regulatory Authority

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Dividends are a form of returns paid to the stakeholders of any firm and are issued as per the management's decisions. Dividend payment is one of the major requirements to be met by any firm that would wish to be registered at the Nairobi Security Exchange hence the emphasis on the significance of greater understanding of all the relevant information regarding dividends by the managers of various corporate entities (Murekefu, Ouma, in press). Many stakeholders take up investments in most firms with the intent of wealth creation which they receive as dividends. Firms determine whether to pay dividends depending on their profitability and how much they would wish to keep aside as retained earnings (Pandey 2008). Stakeholders in firms could be common shareholders or preference shareholders. Firms with preference shareholders give priority to them when it comes to dividend payment as opposed to common shareholders. Payment of dividends by corporate entities is an indication to the stakeholders of a positive performance by firms (Kariuki, 2014).

There are many SACCOS in the country and worldwide whose major aim is to create wealth for the stakeholders by paying stable dividends to them accordingly as per (Chumari, 2014). Decisions in regard to dividend payment have not been made clear by the financial scholars in this particular area since there are no clear guidelines on deciding how much to pay and what is to be retained by firms. The dividend decisions are left for the managers of corporate entities according to Friends Consult Ltd Financial and Delinquency management; SACCOS like other corporate entities are expected to clearly show their performance. Additionally, it's vital also to indicate in the statements non-financial performance factors which are also directly affected by the payment of dividends by SACCOS.

Non-financial performance refers to the practice of measuring an organizations performance in terms of factors which cannot be measured in terms of money .Non-financial performance factors are the factors which cannot be quantified in monetary terms and few firms make use of them despite the fact that they also affect a firms overall performance. Non-financial performance factors are varied depending on entities. These factors may include growth of the firms, innovativeness, customer satisfaction, loan disbursements, stability, effectiveness, marketing, continuity of the various organizations affected. Researchers have conducted more studies on the relationship between dividend payout and performance but it is realized that non-financial performance factors have also to be considered (Evans, Kim, Nagarajan & Patro, 2009).

Dividends paid to stakeholders imply a reduction in retained earnings and amounts to be given out as loans. Savings and co-operative societies are expected to empower their stakeholders by paying them dividends which are stable. (Mostaque & Mazharet, 2003) identifies different nature of non-financial performance and their measurement practices in different firms. This research is meant to establish the existence of the relationship between dividend payout and performance in savings and credit co-operative societies that are based in Nairobi County because not much has been availed in terms of general performance in terms of non-financial-performance and financial performance of most firms.

There are about 5000 Savings and credit co-operative societies in Kenya according to the Ministry of co-operative Development Kenya, (2011) as researched by (Mwangi, 2011). Most SACCOS are in existence mainly with the intent of bringing together all the members of society to work as a team and ensure wellbeing of each member regardless of their status in the society. The members contribute a certain amount of subscription to retain membership and are given loans against their savings at any time when the need arises to enhance their welfare which is the major reason for the existence of the SACCOS (Mwangi 2011). SACCOS contribute to a greater extent to the growth of any economy through tax payment to the governments affected. Nuhu (2014) noted in his research that high dividends paid had higher tax implications which meant taxes to the governments affected.

1.1.1 Dividend payout

Dividends are returns on investments by shareholders of any corporate entity like SACCOS, Banks, Insurance firms and many others. Dividends can be paid in form of cash or by acquiring more shares instead of receiving the cash. Kariuki (2013) noted that firms can pay out dividends in fixed amount of shares held. Stock dividends increase the number of shares held by the stakeholders and regular dividends are paid in intervals (quarterly, semi-annually or annually whereas special dividends are paid in addition to the regular dividends (Lintner 1956). Firms may decide to pay out dividends or not depending on various factors among them, the investment at hand, the liquidity position, profitability, expectations of stakeholders, age of corporation among many others according to (Ongeri, 2014). Stakeholders know with certainty that firms which pay dividends have a higher firm value as opposed to the ones that do not pay dividends. Dividend payout depends on the dividend policies embraced by different firms (Kapoor, 2009)

Dividend policy also enables firms to know how much to be distributed to the stakeholders or retained by the firm for other investment purposes of the firm according to (Velnampy, Nimalthasan & Kalaiarasi, 2014) among other factors that determine dividend payment. Also as per their research, every investor takes up the risk of undertaking any investment because of the anticipated future returns to be obtained inform of dividends hence the emphasis on the importance of a firms dividend policy to the stakeholders. There are various determinants of dividend payout such as asset growth rates, desire of shareholders, profitability, nature of industry, Risk, growth, magnitude of earnings, liquidity and the size of the firm (Zameer, Rasool, Igbal, Arshad, 2013). In US, firms pay dividends quarterly whereas special dividends are paid at irregular intervals in accordance to the study done (Linter1956).

Dividend payment policies are relevant to any firm since they determine to a great deal the firm value and overall performance although many studies done have put more emphasis on the impact of dividend policy on performance i.e non-financial performance is little regarded in most studies hence the need to study the non-financial factors and their measures (Mostaque, Mazharet 2003).

1.1.2 Performance of SACCOS

A quantitative measure of an entity's performance not expressed in monetary units is referred to as a non- financial performance. Some of these may include; number of new products, customer satisfaction, and quality in service, loan disbursements, growth, continuity, stability of the firm among many others. Financial measures show the impact of the firm's policies and procedures on the firm's current financial position and its current return on shareholders' whereas non-financial factors show the firms current and potential competitive position. By supplementing accounting measures with non-financial data about strategic performance and implementation of strategic plans, companies can communicate objectives and provide incentives for managers to address long-term strategy. Non-financial performance has to be measured alongside other performance indicators and clearly stated in financial statements (Friends consult Ltd n.d)

The payment of dividends by firms has different impact according to the various performance indicators. The use and usefulness of non-performance measures to determine the extent to which firms combine financial, nonfinancial and subjective performance measures and that every kind of measure affects a firms operations differently (Chow & Stede 2006).Non-financial measures have the advantages over measurement systems based on financial data. It gives a link to long-term organizational strategies. Financial evaluation systems generally focus on annual or short-term performance against accounting yardsticks. They do not deal with progress relative to customer requirements or competitors, or other non-financial objectives that may be important in achieving profitability, competitive strength and longer-term strategic goals. Also, non-financial data can provide indirect, quantitative indicators of a firm's intangible asset. Some of the performance determinants are, Asset growth rates ratio, Liquidity ratio, Return on assets, Return on equity (Molla 2015). The financial growth indicators of firms are Internal financing of investments, Increase in firm value, Reduction of agency costs and conflicts, Effective and efficient capital structure. Also, the financial measures may include sales growth, earnings growth, Dividend growth, Bond credit ratings, cash flow and increase in stock price (Okibo, Alinyo 2013). The non-financial measures may include internal business processes, learning and innovation, new products, competence and integrity of managers.

1.1.3 Relationship between dividend payout and performance of SACCOS

The dividend policy of any firm determines the size of the firm and its level of growth which are non-financial indicators as per researches done by (Uwuigbe, Jafaru & Ajayi, 2012) on dividend policy and firm performance in Nigeria. Firms decisions to payout dividends impacts on other operations of the firm either positively or negatively. Research has been conducted to determine whether a firm's dividend policy has an impact on the future performance of the firm either financially or otherwise (Abrahamsen & Balchen, 2010).

There are various theories that have been put forth by academicians in regard to performance and dividend policy of a firm as follows; Bandura A. (1999), psychological theories have been proposed to explain human behavior and the findings have been that knowledge affects which human potentialities can be cultivated, which are underdeveloped and whether efforts at change are directed mainly at psychosocial, biological or social structural factors. In his research on cognitive theories, human beings are seen as an internal system through which external influences operate mechanistically on action, but individuals exert no motivate, self-reflective, self-reactive, creative or directive influence on the process. Cognitive theory states that a person's thoughts control his actions, personality, and to some degree his circumstances.

Transaction cost theory explains why companies exist and expand or get some activities be in done for them by external environment. Companies minimize the cost of exchanging resources with the environment. Before firms pay out dividends, they greatly consider the costs likely to be incurred and would want to minimize the same as much as they could. (Williamson 1981). Signaling theory explains that as firms pay dividends to the stakeholders, it gives positive information to the public about the firms value and to the firms that do not pay dividends, this has a negative effect to the stakeholder's because this gives them information will portrays that the future value of the firm is likely to be negative and this may cause stakeholders to withdraw their investments for fear of losing in the undertaking.

1.1.4 Savings &Credit Co-operative societies (SACCOS) in Kenya

Firm's performance can be measured by the level of innovativeness, customer satisfaction, and growth of the firm, firm stability and motivation among others. Dividend payment refers to the decision of the managers to distribute part of their earnings to the stakeholders of the firms and in this case the SACCOS. The decision of the SACCOS to pay out dividends to its stakeholders has varied impacts including the inability of giving out loans to its members, satisfaction to the shareholders since their need for money is met in order to deal with other financial challenges. As firms think of paying out dividends they have to make sure the processes are aligned with the current innovations so as not to be obsolete and serve their customers efficiently. The above leads to enhanced performance of the firms, especially SACCOS.

The major roles of SACCOS are financial intermediation and investment though the basic one is financial intermediation. Molla (2015) found out in his study about

‘*Determinants of the performance of Savings and Credit co-operative societies in South WolloZone*’ that growth of SACCOS has been affected due to various problems. Due to these problems worldwide, the research will be conducted on registered Savings and credit Co-operative societies that have the head offices in Nairobi County to determine whether financial and non-performance has a relationship with the SACCOS dividend policy, which could be one of the reasons why some saccos are growing whereas others don’t. Nairobi county has the greatest number of savings and credit co-operative societies with large membership hence the need to carry out the research in some of them with the intent of gathering relevant information that will guide the managers and academicians among others to make informed decisions.

1.2 Research problem

Velnampy, Nimalthasan & Kalaiarasi (2014) researched on dividend policy and firm performance from manufacturing companies listed on Colombo Stock Exchange in Sri Lanka. In their research, a set of listed companies were investigated using data for the periods 2008-2012. Profitability and Return on Equity were used as determinants of firm performance whereas dividend payout and Earning per share were used as measures of dividend policy. Statistical tests used were correlation, Regression analysis and descriptive statistics. They found out that determinants of firm performance such as Return on Equity and Profitability are not significantly correlated with dividend payout and Earnings per share meaning firms do not properly practice dividend policy guidelines.

Murekefu, Ouma (in press), researched on the relationship between dividend payout and firm performance on listed companies in Kenya. They used regression analysis to establish the relationship and found out that dividend payout was a major factor affecting firm performance. The relationship was strong and positive hence the conclusion that dividend policy is relevant and managers should devout adequate time in designing a dividend policy that will enhance firm performance and therefore shareholders value.

Agyei (2011) carried out a study on dividend policy and bank performance in Ghana for a period of 5 years from 1999- 2003. The research was based on 16 commercial banks in Ghana and the information was gathered from the financial statements obtained from the Banking Supervision department of the Bank of Ghana. The fixed effect model was preferred to carry out the analysis .From the study, the average dividend paid by banks over the period of study was 24.65% and it was realized that banks which paid dividends increased their performance. Generally, the results were in tandem with earlier studies that dividend policy has an effect on firm value.

Kariuki (2014) studied the relationship between dividend and performance of SACCOS With the objective of determining the relationship between dividends and the performance of Saccos in Nairobi County. A descriptive research design was employed in this study. A census was conducted on the target population of 43 Saccos in Nairobi County. Secondary data was collected from the financial statements of target population for the last five years. Regression model was used to find the relationship between the dependent variable (performance) and independent variables(Dividend, asset growth rates and organization growth).From the above regression model, the study found out that there were factors influencing the performance of Saccos in Nairobi County, which are dividends, asset growth rates and organization growth. They influenced it positively. Based on the findings, the study recommends that SACCOs should develop dividend policies to guide them in establishing and guiding them in surplus distributions. This research seeks to answer the following question. What is the relationship between dividend payout and performance of SACCOS in Nairobi County?

1.3 Research objectives

The objective of the research is to determine the relationship between dividend payout and performance of savings and credit co-operative societies.

1.4 Value of the study

The employees of a SACCO are the staffs that have been contracted to work for the Sacco and most probably are also members since they have made some investments by having shares. They are to work either on permanent and pensionable terms or contractual basis depending on the agreement. The employees are paid a salary on monthly basis and other employment benefits that accompany any employment The findings of the research will help employee be able to monitor the overall performance of the SACCOS by observing the previous trend in dividend payout and establish whether the entity has a foreseeable future or whether to prepare themselves psychologically and look for other greener pasture that can be seen to have a brighter future.

The SACCO managers are the agents who have been appointed by the shareholders to manage the operations of the SACCO. Their role is to ensure that the SACCO members welfare is taken care of and facilitate the achievement of the stakeholders wealth maximization goal. They form policies and strategies that will enable them to manage funds invested and ensure a smooth running of the societies operations. The research findings will give them clear guidelines on the relevant information that will help in decision making in regard to dividend matters.

The academicians are the learned people with greater and deeper understanding in given discipline. The research will add more incites to the body of knowledge and also act as a basis for further research by other scholars in the field of co-operative development. The research aims at ensuring savings and co-operative societies form policies that will give academicians attain thorough understanding of the operations of SACCOS and add to the body of knowledge by carrying out further research due to the gaps identified.

Financial Analysts provide guidance to business and individuals making investment decisions. They asses the performance of stocks, bonds and other types of investments. SACCOS issue stocks to the shareholders which gives them the right to be members of the SACCOS and this calls for the financial analysts advise in regard to how much should be paid out as dividends and at what time they should be paid to enhance the entities l performance.

Potential and current investors refers to the stakeholders who have already joined the SACCOS and are members whereas potential stakeholders are those members of society who have not joined the SACCOS and could be willing to join at one point in time. Those who are members know the operations of the SACCO and clearly understand both financial and non-performance of the entities, they are more interested in the overall performance of the firm in order to decide on whether to retain their savings in the SACCOS or transfer them to other kind of investments like old mutual, insurance or housing schemes. The research finding will help the potential investors decide whether to take up investments or keep off completely.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter explores the various theories and empirical studies that have been done in the past. It also contains theoretical literature that explains theories that have been conducted to review the relationship between dividend payout and nonperformance of firms. Kariuki (2014) in his research identified (Mugenda & Mugenda, 2003) explaining literature review as one that involves locating, explaining reports of proceeding studies with understanding, and observations together with opinions connected to the research to be undertaken. The chapter will also identify the research gaps discovered from the various studies that were undertaken in the previous studies in regard to the area of concern.

2.2 Theoretical Literature Review

There are stakeholders who prefer to be paid dividends while there are investors who prefer capital gains which are a result of retained earnings. Due to the above, there are theories which stipulate that dividends are irrelevant while others explain why dividends are relevant.

2.2.1 Bird in the Hand Hypothesis

The theory was put forward by (Gordon 1959) and (Lintner 1962)..The theory identifies stakeholders of firms to be in preference of dividends as opposed to having the retained earnings which generate capital gains. Investors who are low income earners like the retirees prefer stable dividends unlike the stakeholders who have more income like those who are in the employment and are still young and strong to make more earnings. The investors in this theory are not sure of future investments to be undertaken by the firms retained earnings but they are sure of the dividends at hand since they can see them and put them into use The investors as per the theory insists that the dividend policy of a firm affects its value. This is founded in the idea that all individuals are aware of the difference between rights and wrong and the consequences associated with wrong or criminal behaviors. Proponents of this theory believe that people choose to obey or violate the law after calculating the gains and consequences of their actions based on the fact that they value what they have than what is anticipated.

2.2.2 Dividend Irrelevance Hypothesis theory

Dividend irrelevance theory is one of the major theories concerning dividend policy in an enterprise. It was first developed by Modiglian and Miller (1961) in a famous seminal paper in that year. The dividend Irrelevance theory states that a firm's dividend policy does not have any effect on the firm value. The value of the firm depends upon the investments undertaken by a firm and its profitability and not the its dividend policy. Explains in their study that there are no taxes, no transaction costs and there is information symmetry concluding that the firms' dividend policy is irrelevant hence the policy decided upon has no impact on the firm value. Matthew, Enekwe, Innocent, Anyanwaokoro& Mike (2014) noted in their research that Modiglian and Miller also discovered investors can come up with 'homemade' dividends, in which investors can come up with own dividend policy such that those who could be in need of the dividends and do not have them can convert their stocks into cash by selling them whereas those who do not need the dividends can buy more stocks to increase their shareholdings. The propositions are not true since in any perfect market there are taxes, transaction cost and information asymmetry which affects the decisions to be made by a firm. MM concludes that the firm value depends on the present and future cash flows of a firm. These studies are yet to be proved correct by the academicians.

2.2.3 Dividend signaling and information asymmetry theory

These theory was developed by Bhattachary (1979) and Miller and Rock (1985) and found out that the payment of dividends by firms managers is an indication that there is a great expectation of higher future earnings by the firms. This sends a signal to the investors that the future of the firm is bright and encourages them to take up risks by investing therein.

In this theory, the firms which pay out dividends are seen to convey positive information about the future earnings of the firm, management's quality and level of commitment (Miller and Modigliani 1961). David (2010) noted that firms commit to pay dividends in order to credibly signal to investors private information about their bright future. The firms which do not pay dividends sent signals of a future that is not clear to the stakeholders in regard to the earnings to be made. Investors would invest more into firms which have a stable dividend policy as opposed to the one that do not allow dividend payment to the stakeholders. One of the important factors that affect a firms dividend policy as per the Canadian managers is the information content of dividends (Baker, Dutta and Saad,2008).It was noted that investors ignore other sources of information that dividends on the ground that they are fundamentally unreliable screening mechanisms because of the moral hazard involved in communicating profitability (Battacharya,1979).

2.3 Determinants of SACCO performance

Zuriekat, Salameh & Alrawashdeh, (2011) carried out a research on participation in performance measurement systems and level of satisfaction where they identified the following non-performance determinants.

2.3.1 Employee satisfaction

Employee satisfaction is an indicator of non-performance to any business entity and these can be identified by seeing the level of commitment of the employees and efficiency at work place. Employee satisfaction results to high productivity and helps firms to achieve their ultimate goal in the long run. According to National Business Research Institute, employee satisfaction helps firms to understand company culture, address employee benefits, improve teamwork, improve productivity and identify succession plans.

2.3.2 Innovativeness

Non-performance in any business entity can be identified with the level of innovativeness among the employees since this is dependent upon employee characteristics and the process within the organization. Midgley & Dowling, (1978) researched on innovativeness and found out that innovativeness is related to the organizations level of product development, Market research and Media selection.

2.3.3 Motivation

The term motivation refers to factors that activate, direct, and sustain goal-directed behavior. Motives are the "whys" of behavior - the needs or wants that drive behavior and explain what people do. It is also the willingness to exert high levels of effort towards organizational goals. There are various theories which explain motivation like Maslows needs hierarchy, Herbergs two factor theory, Mcclelland's Learned needs and Alderfer's ERG theory which explain the various aspects of motivation

2.3.4 Size

Large organizations benefit more from discount rates and can also get funding with much ease since it is presumed that they will be able to repay on time and also due to the capital base they own.

2.4 Empirical Literature Review

2.4.1 International evidence

Stivers, Covin, Hall and Smalt. (1998),Carried out a survey on how nonperformance measures are used and found out that customer service was important and over 90% of the correspondent showed that customer satisfaction and customer service are highly important, 44.3 % of the response showed that Research and Development was important while innovation and employee performance was less important. Stakeholders who do not require dividends will have to incur floatation costs when issuing new stock to keep their policy intact (Anand 2004). This studies have been subjected to various tests and the findings have been that in a perfect market there are taxes paid, transactions and there is information asymmetry hence dividend policy is not irrelevant. Quraishi and Mahtab (2014) found out in their research on dividend payout of companies in Bangladesh that insider trading activities bring inequity in the market and dividend policy is used to convey information of the market but dividends may not be a perfect signal if markets don't understand the information, act timely and accordingly. Enekwe, Innocent and Mike (2014) did a research on the effects of dividend payment on the market price of shares for quoted firms in Nigeria and found by use of Exposit Facto research design which mean the use of historical data with a sample size of 17 quoted firms under the period of study 2003-2011 that dividend per share has a positive and significant effect on the market prices of shares and supports the theory of dividend relevance.

In the research done on the relationship between certain Economic Theories and Dividend payout ratio done in Iran by the use of descriptive-correlation model on the population that consisted of all firms listed in Tehran Stock Exchange during the period of 2004-2010,It was found out that firms operating in the same industry usually have similar dividend payout policy which could be due to imitation or similar structures (Jahanshad ,Poorzamani & Ghauomi 2013).Another study was done to review the relationship between dividend policy and performance of firms evidence from Iran capital market that made use of a sample size of 93 companies whose required information was available in study period between 2004-2009.The findings were that there is a positive relationship between Economic and accounting performance indexes and dividend policy. Also, Accounting performance indicators have more explanatory power than Economic performance indicators in predicting dividend in Iranian market (Zanjirdar & Seif 2012). Abrahamsen &Balchen (2010) found out in their research on whether dividends predict future firm performance on private firms in Norway in the period (1994-2007) that non-listed firms are highly flexible in their dividend policy whereas engage in smoothing of their dividends.

2.4.2 Local evidence

Ahmed (2013**)** carried out a research on the non-financial factors influencing the performance of Islamic insurance in Kenya and found out that there are three non-financial factors which affect the performance of Islamic insurance companies. The factors studies were the legal and regulatory framework, unethical practices which were realized to be of great influence on the performance of the insurance. Also, they found out that the competency of employees had a strong influence on the performance, followed by legal and regulatory framework, then unethical practices. It was concluded that commercial insurances should focus on all the factors in order to grow and stabilize the industry.

Various studies have been conducted in this area of dividend policy like, factors that determine dividend payout ratio among Savings and Credit Co-operative society in Kenya (Mbuki, 2010) The relationship between dividend payout ratio and capital structure of companies listed at the stock exchange identifying the various determinants of dividend payout and capital structure (Kiprono, 2012).In the research, there are varied factors which affect a firms dividend policy. It was realized that others have also been able to research on the determinants of dividend payment by financial sector firms listed at the NSE (Eric, 2012).

Aroni, Namusonge, Sakwa (2014) carried out research on the influence of dividend payout on investments in shares and found out that dividend payout factor is significantly correlated with investor decisions to invest shares of firms listed on the NSE in Kenya. Mugo (2012) conducted a study geared towards finding the financial factors influencing performance of SACCOs in Kenya. As a result the study found that funds misappropriation influences performance of Sacco's. The study concluded that Sacco's need to improve on their internal audit department and other internal control measures. It also established that investment decisions made by Sacco's influence their performance. It also emerged from the study that Sacco's need to invest in prudent projects in order to achieve better returns. It was also found that Sacco's should put in place loan recovery strategies and introduce collateral securities as a way of eliminating or reducing loan defaulting. The study established that member withdrawal affects Sacco's performance. The study concluded that Sacco's should introduce more products in order compete with other organizations such as Micro finance Institutions.

Kimeli et al (2012) studies the SACCOs strategies on members savings Mobilization, The study utilized a sample of 30 SACCOs out of 2,500 and 180 SACCO members out of 150,000 in Nairobi area. These were selected through simple random sampling method. A semi structure questionnaire was used to collect data from 210 respondents. Data was analyzed using a multiple linear regression model to test relationship and assess impact of the independent variables on members' savings mobilization. A response rate of 45.7% (96) respondents was achieved. Correlation coefficient revealed that training requirement had an average positive influence on saving mobilization, while investment opportunities and intervening Variables had a strong positive influence on saving mobilization. The most significant factors were investment opportunities, and intervening variables at 99% confidence level. It was therefore concluded that cooperative strategies partially affected members' savings mobilization.

David (2010) explains in his research on the Dividend policy decisions why firms distribute dividends and why investors appreciate dividends in spite of dividends inefficiency as a means of paying out cash. He concluded that additional empirical evidences are necessary to establish the past theories and some empirical facts. Accordingly, it's not clear why investors like dividends and why firms distribute them.

Kariuki (2014) studied the relationship between dividend and performance of saving and credit co-operative societies registered by Sacco society regulatory authority in Nairobi County, a descriptive research design was employed on the study. A census was conducted on the target population of 43 Saccos in Nairobi County. Secondary data was collected from the financial statements of target population for the last five years. Regression model was used to find the relationship between the dependent variable (L performance) and independent variables(Dividend, asset growth rates and organization growth).From the above regression model, the study found out that there were factors influencing the performance of Saccos in Nairobi County, which are dividends, asset growth rates and organization growth. They influenced it positively. Based on the findings, the study recommends that SACCOs should develop dividend policies to guide them in establishing and guiding them in surplus distributions.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter identifies the research design to be employed, the study population, sampling and data analysis of the research findings.

3.2 Research design

Research design refers to the detailed outline of how an investigation will take place. It includes how data will be collected, the instruments to be used and how the instruments will be used, together with the means of analyzing the data after collection.

The research adopted a descriptive survey design. According to Kothari, (1985), descriptive design allows the researcher to describe record, analyze and report conditions that exist or existed. The research study used both quantitative and qualitative approaches. The data was collected to study the relationship between cash dividend payout and performance of savings and credit co-operative societies in Nairobi County.

The research made use of descriptive statistics including percentages to assess the ratio of cash dividends paid out to the profits. The quantitative method of data analysis has been conducted on the descriptive statistic to obtain the relationship between cash dividend payout and non-l performance. The data has been collected by use of a survey because they help in acquiring self-report data from study participants. Surveys can be administered by use of questionnaire or interviews. Closed ended question were used for simplicity and clarity.

3.3 Study population

The population refers to the entire group of beings, objects, entities or items of study interest by the researcher. In this research, the population of interest is the Savings & Credit Co-operative societies registered with the SASRA. Kariuki (2014) researched on the Relationship between Dividend Payout and performance on the 43 SACCOS registered under SASRA for a period of 5 years from 2009-2013 in Nairobi County and found out that there is a positive correlation relationship between the dividends paid out and the firm's l performance. Mwangi (2011), there are 1790 SACCOS within Nairobi County as per the ministry of cooperative development and marketing. Mugenda et al (1999) a representative sample of the population characteristics should be 10% of the population to give a relevant and representative data. I will carry out my research on 179 SACCOS in Nairobi county to collect the data for my research within a period of 5years from 2010-2014 to determine the relationship between Dividend Payout and non-performance of SACCOS in Nairobi county.

3.4 Sampling

The sampling technique to be employed would be simple random sampling in order to give every member of the population equal opportunity to be selected and interviewed. Kariuki (2014) made use of a census approach to carry out her research because most of them have similar organizational structures and operations. Stratified sampling is a technique in which the researcher divides the population into strata and then selects items of interest from each stratum by use of simple probability sampling.

I will use stratified sampling in order to ensure that specific groups are represented. According to Mwangi (2011), depending on their organization structures, there are various functions relating to the overall objectives of the firms hence considering them for the process will ensure no biasness. Mugenda et al (1999) suggested that for discipline studies, 10% of the accessible population is enough for a study sample. For purposes of this study, the sample size will be 10% of the total population of 1790 SACCOs of Nairobi County. This leads to us to a sample size of 179 SACCOS in Nairobi County.

3.5 Data analysis

The research made use of both primary and secondary data. Primary data is the data that has never been used and it's collected for the first time. This is obtained through the use of interviews. Secondary data was acquired from the SACCOS financial statements and annual reports. Regression model was used in order to determine the relationship between dividend payout and nonperformance of SACCOS then the findings from the regressed model was analyzed by use of Statistical Package for the Social Sciences (SPSS). The regression model that I used was also used in determining the relationship between dividend payout and performance of SACCOS. Kariuki (2014)

3.5.1 Analytical model

A regression analysis between variables was calculated i.e. dependent variable (performance) and independent variable (dividend).Dividend for the base year will be used to determine whether there is an increase or decrease in the performance for the following year.

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$ Where;

Y – SACCO Performance which was measured in terms of Profitability and non-financial factors.

α – Constant

ε - Error term

X_1 – Dividend which was measured using dividend rates for the year 2010-2014 which is a percentage of surplus income.

X_2 – Growth was measured by percentage increase or decrease of total assets over the period under investigation

X_3 - Loan disbursement which considered the frequencies at which the loans are taken and repaid back within the years of investigation.

ε - Error term

All the above statistical tests were analyzed using the Statistical Package for Social Sciences (SPSS), version 21. All tests were two-tailed. Significant levels were measured at 95% confidence level with significant differences recorded at $p < 0.05$.

3.5.2 Test of significance

I used the coefficient of determination to test the accuracy of models R, as a coefficient correlation to test the correlation of variables. ANOVA-Analysis of variance was used to test if there is any difference between groups on some variables and F-test to test the significance of the multiple regression model at 5% level of confidence.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the interpretation and presentation of the research findings drawn from the research instrument by way of data analysis. This chapter presents the analysis and findings of the study as set out in the research methodology. The research data was gathered exclusively through secondary data and questionnaires as the primary research instrument. The questionnaire was designed in line with the research objectives of the study. The research sought to determine the relationship between dividends payout and the performance of Saccos in Nairobi County.

4.2 Descriptive Statistics

Table 4.1: Summary of the secondary data study variables

Performance Measures	Percentage	Std. Dev.
profitability growth rates	17%	0.01
dividend payout growth rate	49%	0.11
Asset growth rate	15%	0.03

Source: Research Findings

Table 4.1 presents the summary of the study variables from the Sacco's in Nairobi County over a five years period. Performance and of the 179 Sacco's in-terms of average profitability and dividend growth rates trends for the past five years. From the study period, a profitability growth rate was recorded at an average of 17% per annum while dividend growth rate was recorded at an average of 49% per annum. Both variables registered low standard deviation of 0.01 and 0.11 simultaneously an indication that the growth rates within the study variables was consistent and with little standard deviation from the mean .the findings also indicate a strong correlation between before tax profitability growth and dividend payout growth rates amongst the Sacco's in Nairobi County.

4.2.1 Descriptive Statistics for the Non-Quantitative Measures of performance

Relationship between dividend payout and non-quantitative measuresof organizational performance	**Mean**	**SD**
Dividend payouts has enabled the Sacco to focus on core competence	4.6	0.2
Dividend payouts has earned the Sacco good reputation and goodwill From the public	4.7	0.1
Dividend payouts has improved service delivery in the organization	4.4	0.4
Dividend payouts has improved member commitment to the Sacco	4.7	0.1
Dividend payouts has increase in communication and level of Engagement with between stakeholders	4.5	0.3
Dividend payouts has increase in the customer satisfaction index	4.9	0.0
Dividend payouts has decreased customer complaints about the Quality of service	4.6	0.1
Dividend payouts has increase in rate of repeat business from customers	4.6	0.1

Source: Research Findings

4.2.2 Respondents' demographic characteristics

This section is an analysis of the demographic information of the individual respondents and the respondent's organization. This was done so as to understand the background of the respondents and their work ability to give relevant data useful to the study.

4.2.2.1 Response Rate

The study targeted 179 respondents in collecting data. 129 out of 179 target respondents filled in and returned the questionnaire resulting in a 72% response rate.This response rate is considered adequate since according to (Mugenda and Mugenda, 1999) a response rate of 70% and over is excellent and adequate for analysis and reporting.

Table 4.1: Response Rate

Target population	179
Responses	129
Response Rate	72%

4.2.2.2 Length of Time in the Sacco Industry

The researcher sought to find out the length of time the respondents had worked in the Sacco Industry. The length of service was important to the study because the longer an employee has worked for the organization, the more conversant they will be with the organization's policies and practices. The findings are shown in Table 4.3

Table 4.2: Length of Time in the Sacco industry

Less than 1 year – 5 years	19	15%
6-10 years	62	48%
11 and over	48	37%
Total	**129**	**100%**

Source: Research Findings

The findings indicate that the institutions have a mix of new and experienced staff in management. The findings also indicate that institutional memory has been maintained with over 50% of staff having worked for more than 5 years. Staff retention is a critical aspect of organizational performance since it points to employee satisfaction. The findings strongly indicate that respondents have been in the Sacco Industry hence the high reliability of their responses

4.2.2.3 Highest Level of Education

The researcher sought to find out the respondents highest level of education. Age was considered important in the study because it impacts employee maturity and experience. This has an influence on how employees understand the management aspects of the organization and quality practices. The level of education of the respondents influences their understanding of quality management practices and organizational performance measurement. The findings show that the management of the organizations has technical competence to practice quality management

The findings are shown in Table 4.3

Table 4.3: Education level

Respondents highest level of Education		
Diploma	15	12%
Degree	77	60%
Masters	36	28%
PHD	0	0
Total	**129**	**100%**

4.3 Regression Results

The study conducted a linear regression model to establish the relationship between dividends and performance of Sacco's in Nairobi. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Performance of Sacco's in Nairobi County) that is explained by all the two independent variables (Dividends and profitability).

Table 4.4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.32	0.567	0.57	0.05

The study used ANOVA to establish the significance of the regression model from which an F-significance value of less than 0.05 was established. The model is statistically significant in predicting how organizational profitability and asset growth rates a affect dividend growth rates. This means that the regression model has a confidence level of above 95% hence high reliability of the results.

Table 4.5: Regression Coefficients results

Coefficients[a]					
Model	Un standardized coefficient		**Standardized coefficient**		
	B	Std. Error	Beta	t	Sig
(Constant)	0.32	0.65	0.48	0.66	0.02
profitability growth rates	0.09	1.75	0.23	1.78	0.1
Asset growth rates	0.13	0.06	-0.15	-1.5	0.16
Sacco focus on core competence	0.08	1.65	0.23	1.78	0.2
good reputation and goodwill from the public	0.13	0.04	-0.1	1.3	0.1
Improved services delivery	0.17	0.07	0.18	1.79	0.1
improved members commitment to the Sacco	0.12	0.07	-0.11	-1.24	0.23
increase in Communication and engagement	0.13	0.06	0.23	1.58	0.14
Increase in the customer satisfaction index	0.19	0.08	0.21	1.78	0.1
Decreased customer complaints	0.26	0.09	0.31	2.26	0.05
Increase in rate of repeat business	0.53	0.07	0.58	5.95	0.02

The established regression equation was;

$Y = 0.32 + 0.09X_1 + 0.13X_2 + 0.17X_3 + 0.12X_4 + 0.13X_5 + 0.19X_6 + 0.26X_7 + 0.53X_7 + \mathbf{e}$

4.4 Interpretation of the Findings

From this regression model, it was found Dividend payouts would be at 0.319 holding factors constant. A unit increase in profitability would lead to a change in Dividend payouts by factor of 0.09; a unit increase in Asset growth rates would lead to increase a change in Dividend payouts by factor of 0.13, A unit increase in Sacco focus on core competence would lead to a change in Dividend payouts by factor of 0.08; a unit increase in good reputation and goodwill from the public would lead to increase a change in Dividend payouts by factor of 0.13a unit increase in Improved services delivery would result to an increase in a change in Dividend payouts by a factor of 0.170, also unit increase in improved members commitment to the Sacco would result to increase in a change Dividend payouts by factor of 0.12.etc.

From the above regression model, the study findings indicate a high and strong correlation between the performances of Sacco's in Nairobi County, with its dividend payout growth rates and asset growth rates. The independent variables that were studied explain 57% growth in dividend payout by of Sacco's in Nairobi as represented by adjusted R2 (0. 57). This therefore means that the independent variables contributes 57% of the dividend performance by Saccos in Nairobi while other factors and random variations not studied in this research contributes a 43.% of the dividend performance of Saccos in Nairobi County.

The study established that the coefficient for dividends was 0.57, meaning that dividends positively and significantly influenced the performance of Saccos registered by in Nairobi County. This is in line with Malombe (2011) who found a positive but insignificant relationship between dividend policy and profitability SACCOs with FOSAs in Kenya. Njoroge (2001) also found that there is a positive correlation between dividends paid and both return on equity and return on Investment for companies listed at the Nairobi Stock Exchange in Kenya. In addition, Kent *et al* (2005) stated that dividend policies are the measurement for the division of earnings between payments to stockholders and reinvestments in the firm. Michaely (1995) indicated that there is existence of positive excess returns on the firms after the initiation of dividends.

The firms that paid dividends experienced much higher profits in the subsequent periods than the firms that did not pay. Al Farouque, et al (2005), found that dividends had a positive influence on corporate performance (ROA). However, Macquiera (1998) found no evidence of increasing earnings after dividend initiations. The study also deduced that asset growth rates had a positive and significant influence on performance of Saccos in Nairobi since it had a coefficient of. This is in line with Coricelli et al. (2012) find that the positive relation between asset growth rates and total productivity growth exists to a certain point and beyond such a critical threshold, the negative relation between asset growth rates and total productivity growth exists. However, this contradicts Margaritis and Psillaki (2010) who found that asset growth rates have a positive effect on l performance.

Giroud et al. (2012) show that reducing asset growth rates ratios result in better performance. Antoniou et al. (2008), provide evidence to support the notion that the relation between financial asset growth rates and performance is negative. Furthermore, Connelly et al. (2012) find that the variation in asset growth rates is not associated with l performance. The study further deduced that organization growth positively influenced performance of Sacco's in Nairobi as it had positive coefficient (0. 454). These studies imply a relationship between Organization growth and performance that might not necessarily be linear, as illustrated in Barrett et al. (2010), Yoon (2004), and Risseeuw (1997), which conclude that company growth beyond optimal level can deteriorate performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendation. The chapter presents the discussions drawn from the data findings analyzed and presented in chapter four. The conclusions and recommendations were drawn in pursuit of addressing the research objective which was to determine the relationship between dividend payout and performance of Sacco's in Kenya

5.2 Summary

The study sought to investigate relationship between dividend payout and the performance of Savings and credit societies in Nairobi. In order to achieve the objectives of the study, data was obtained from 2010-2014 financial years of one seventy nine Savings and credit societies in Nairobi. Primary data on management perception on the relationship between dividend payouts and the achievements of key performance (Non-quantitative measures of performance) was collected from the same organizations. Various variables were extracted and computed to enable adequate analysis to be carried out. From the result of the analysis, it was discovered that the dividend payout had a significant positive relationship with the firm's performance.

The results show a positive and significant relationship between profitability and dividend payout. The significance and the positive coefficient of the variable dividend payout indicate that when a Sacco's has a policy to pay dividend it influences its level of performance as measured by profitability asset growth and qualitative measures of performance. This is in line with the information content of dividend or signaling theory by Bhattacharya (1979), John and William (1985) and Miller and Rock (1985).Dividend payout in the model was to assess whether if a firm's policy was to pay dividend and eventually paid dividends affected its return on assets.

The findings also indicate a strong correlation between improvement in key performance indicators and dividend payout in Sacco's. Sacco's should also be keen in enhancing key performance indicators (Non-quantitative measures of organizational performance) since it helps organizations understand how well they are performing in relation to their strategic goals and objectives. In the broadest sense, a non-quantitative measures of organizational performance can be defined as providing the most important performance information that enables organizations or their stakeholders to understand whether the organization is on track or not

5.3 Conclusion

The effect of a firm's dividend policy on performance is a matter of considerable importance, not only to management, who must set the policy, but also to Sacco members and to economists seeking to understand and appraise the functioning of Sacco's. The findings of the study revealed a significant positive relationship between dividend payout and performance. This showed that a firm's dividend policy influence their levels of performance. Similarly, a study by Howatt (2009) also concluded that positive changes in dividends are associated with positive future changes in performance.

A certain percentage of SACCOS' earning is paid out to shareholders in the form of dividends. The main aim of dividends in a firm is shareholder's wealth maximization, to increase the value of the firm and to signal stakeholders that the firm's finances are sound. This is in line with Malombe (2011) who found a positive but insignificant relationship between dividend policy and profitability for Sacco's in Kenya. Njoroge (2001) also found that there is a positive correlation between dividends paid and both return on equity and return on Investment for companies listed at the Nairobi Stock Exchange in Kenya. The study therefore deduces that a dividend is one of the major determinants of performance of Sacco's.

The findings also indicate a strong correlation between improvement in key performance indicators and dividend payout in Sacco's. Sacco's should also be keen in enhancing key performance indicators (Non-quantitative measures of organizational performance) since it helps organizations understand how well they are performing in relation to their strategic goals and objectives. Based on the study findings and discussion, the study concluded that a dividend has a strong, positive and significant relationship with the performance of Sacco's in Nairobi County

5.4 Recommendations for Policy and Practice

Managements of SACCOs are torn in between the payment of dividends or not pay and use the money in financing their debts or invest it. On the other hand the managements must the attempt to take advantage of tax benefits associated with dividend payment in Sacco. This is because amount paid out as dividends in Sacco's is an allowable tax deduction according to Kenya's income tax act. For the management to be able to balance between the paying of dividends to its members and again invest in projects that will provide returns to the organization is a major dilemma for the management.

Dividend policy has an effect on the performance of the firms. Thus, the Sacco's should pay dividends to ensure that they have a positive outlook in the future. This is pertinent with the dividend theories of bird-in-hand theory, information signaling effect theory, tax differential theory and agency theory. These theories propose that dividend policy is relevant to the performance of the firm; other factors kept constant. It is also recommended that firms should maintain a clear and consistent dividend policy for the dividend policy to affect the performance of the firm. Sacco dividend policies should be established to guide the organizations in surplus distributions. This will guide them on when to pay dividends, how to pay dividends and when to retain surpluses.

It is also recommended that an investment policy should be developed and implemented. This will ensure that the management is not left to decide on how to use the little surplus left but would rather be guided by the investment policy. Tough the members always expect a return on investment in the form of dividend; however the payment of dividend should not undermine a firm's investment policy. The study also recommends that shareholders should also understand that, when a Sacco has unfavorable dividend payout ratio; it is due to either bad profits or investment in growth opportunity. In some cases, their dividends are deferred so as to increase profitability for the SACCO in order to have a good dividend policy in future.

The findings also indicate a strong correlation between improvement in key performance indicators and dividend payout in Sacco's. Sacco's should also be keen in enhancing key performance indicators (Non-quantitative measures of organizational performance) since it helps organizations understand how well they are performing in relation to their strategic goals and objectives. In the broadest sense, a non-quantitative measures of organizational performance can be defined as providing the most important performance information that enables organizations or their stakeholders to understand whether the organization is on track or not.

Non-quantitative measures of organizational performance serve to reduce the complex nature of organizational performance to a small number of key indicators in order to make performance more understandable and digestible. Measurement in our modern world goes beyond simply counting and can equally include words, pictures and videos to describe and assess performance. Measurement is much more of a social activity. In our organization we have to balance quantitative and qualitative measures to gain a real understanding of performance.

5.5 Limitations of the Study

Since it was a survey study involving a large sample size and collection of both primary and secondary data and it was extremely tedious and time consuming. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried out. The study, however, minimized these by conducting in-depth interviews that significantly covers the shortcomings of the study. There was a challenge which was encountered during the study. Some Officers from Sacco's that participated in the study were initially reluctant to release information related to Audited accounts and annual reports making arguments that it was confidential. Such reluctance delayed the completion of data collection.

Further, the data was tedious to collect and compute as it was in very raw form. Further the presentation of the data in the different Sacco's was varied which made the data computation even harder. The limitation of this study was time constraints, limited financial resources and geographic distance between Sacco's in Kenya. Time and geographical constraints were overcome by the utilization of professionally trained research assistants without compromising the validity and reliability of the research findings, while the limited financial resources available were spent on research activities that could not be undertaken solely by the researcher.

In addition, the researcher did not overlook the major limitation of descriptive research design which is that the design makes it difficult to explain phenomena that occur over time, hence the study's findings are only applicable to the study's time frame. This makes it difficult to explain phenomena that occur over time, hence the study's findings are only applicable to the study's time frame. It was difficult to access secondary data due to strict confidentiality exhibited by most Saccos. The annual financial statements are also prepared under the fundamental assumptions and concepts which are subjective and therefore not be uniformly applied especially in terms of provisions and estimates.

This study was carried out within a limited time frame and resources which constrained the scope and depth of the study. This necessitated the adoption of a sample design hence these findings cannot be used to make generalizations on the effects of the level of diversification on corporate liquidity of Saccos. The study utilized secondary data, which had already been obtained and in the public domain. Unlike the primary data which is firsthand information, despite that the secondary data was tested for precision and remained relevant since it reflected current macroeconomic conditions and financial soundness in the republic of Kenya.

Lastly, most of the financial statements are reaffirmed in the preceding years meaning that material misstatements of firms’ performance can create a window of opportunity for prior year’s adjustments and this may not be brought to the attention of the public. This means the pattern depicted may affect the relationship established.

5.6 Suggestion for Further Research

The study suggests further research on the impact of Sacco Societies Regulatory Authority on dividend payment and the economic performance of Sacco’s in Kenya. The establishment of Sacco Societies Regulatory Authority (SASRA) the operating environment for Sacco’s is changing since it has introduced restrictions on investments that Sacco’s can invest in and has put stringent conditions which limit the payment of dividends.

The study also suggests that further the relationship between dividend decisions and management perception on performance and effects of external sources of funds to profitability of Sacco’s and performance. Other studies on the effect of management practices on of Sacco’s and other financial institutions companies should be undertaken in order to establish management practices that lead to better organizational performance .such studies should be targeted to benefit the organizations by formulating strategies to take advantage of the tax provisions in the income tax act that will enhance the organizational performance and counter the ever changing fiscal policy environment to ensure Sacco business performance is continually enhanced.

Other studies on the effect of government policy environment should be undertaken to get insight on the effect of fiscal and monetary policy adjustments on the performance of financial institutions in Kenya. This is in light to fiscal and monetary policy instability witnessed recently in Kenya that has seen the shilling depreciate fast against the dollar and rising interest rates .This will greatly inform the process of formulating policies that that would lead to better policy improvements and management of the Sacco industry in Kenya s and eventual economic condition improvement and enhancement of business competitiveness

Due to the turbulent nature of the business environment for example technology, risks and uncertainties, it will be appropriate to replicate this study after duration of ten years and establish the relationship between dividend decisions sand business performance as at that time then determine whether there are areas of commonalities or unique factors. The fact that this study limited itself to Savings and Credit Society in Kenya, I suggest that comparative study should be conducted in commercial banks in order to assess whether there are any similarities or differences from the results of this study. These results will be useful in to the in benchmarking themselves with other organizations in the finance sector.

Although this study has been done carried out for Sacco’s, companies with different ownership structure might use different might evaluate the impacts of their dividend policy decisions on the qualitative and quantitative measures of organization performance. A study may thus be carried out on companies with highly concentrated and dispersed ownership to determine the effect of dividend policy on profitability.

5.7 Implications on Policy, Theory and Practice

The management of SACCOS and other financial institutions companies should use the study to benefit the organization by formulating strategies to take advantage of the tax provisions in the income tax act that will enhance the organizational performance and counter the ever changing fiscal policy environment to ensure Sacco business performance is continually enhanced. The government and policy makers should get insight from the study in formulating policies that that would lead to better policy improvements and management of the Sacco industry in Kenya.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE Non-performance measures;

Please indicate (to a very little extent) to 5 (to a very great extent) on organizations use of the stated measures in performance evaluation.

1= to a very little extent

2= to a little extent

3= to some extent

4= to a considerable extent

5= to a very great extent.

Performance factors

Loans

Type of loans	**1**	**2**	**3**	**4**	**5**
Development					
Emergency					
Medical					
School fees					

Size of the loan	**1**	**2**	**3**	**4**	**5**
0-25000					

25001-50000					
50001-100000					
100001-250000					
250000&above					

Please indicate with a tick 1(Not often) and 4 (Quite often)

1. **Not often**
2. **Often**
3. **Neutral**
4. **More often**
5. **Quite often**

Loan	**1**	**2**	**3**	**4**	**5**
Frequency					

Please indicate with a tick to show the number of years taken to repay the loans issued accordingly.

Loan repayment period	√
0-6 months	
6-12 months	
1yr—2yrs	
4yrs—7 yrs	
10yrs-20 yrs	

Demographic information

Please provide the following information;

1) Number of employees. Below 100 (ii) 100-199 (iii) 200-299 (iv) 300-399) (v) 400 employees and above.

2) Please specify the amount of capital employed for your business up to the last financial year. Ksh…………………………..Million

Thank you for your time and co-operation