

**THE EFFECTS OF DIVIDEND ANNOUNCEMENT ON STOCK RETURNS FOR
FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE**

BY

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DECLARATION

I declare that this research project is my original work and, to the best of my knowledge has not been submitted to any university for a degree.

SIGNED.....DATE.....

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This Research Project has been submitted for presentation with my approval as Supervisor.

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DEDICATION

This Research Project is dedicated to my wife Sarah and my sons Hezekiah and Mark.

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My sincere gratitude goes to my supervisors Mrs. Angela Kithinji and Mr. Herrick Ondigo for their assistance and support.

I would also wish to thank my family for moral support, financial support and their understanding when I was not there for them during the period I was working to come up with this project.

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LIST OF ACRONYMS AND ABBREVIATIONS

- AAR** - Average Abnormal Returns (AAR)
- CAAR** -Cumulative Average Abnormal Returns (CAAR)
- NPV** -Net present value (NPV)
- NSE** -Nairobi Securities Exchange (NSE)
- IFC** - International Finance Corporation (IFC)
- NASI** -NSE All Share Index (NASI)
- ETS** -Electronic Trading System (ETS)
- WAN** -Wide Area Network (WAN)
- NYSE** -New York Securities Exchange (NYSE)
- MTBA** -Market-To- Book Asset Ratio (MTBA)
- PPS** -Pay-Performance Sensitivity (PPS)

ABSTRACT

Many studies on the effects of dividend announcement on stock prices have been done over the years. There is a general consensus that in situations of efficient markets, stock prices are a good estimate of the value placed on the security by the market at any point in time. When markets are imperfect, share prices may respond to changes in dividends. In this case, dividend announcements may be seen to convey implicit information about the firm's future earnings potential. Studies conducted in this area in the advanced capital markets like those in the United States of America, the United Kingdom, Japan and Germany have found that these markets are able to impound information and incorporate such information almost immediately in stock prices. The objective of this was to establish whether there is any statistically significant instantaneous increase in share price resulting from dividend announcement at the NSE. The research design for this study was descriptive in the form of event study methodology. This method is adopted as it has traditionally been used to test the announcement effect of dividend on the firm's value. The population of interest in this study was all the 63 companies listed at the Nairobi Securities Exchange as at December 2014. The sixty three (63) firms are grouped into twelve (12) categories which are; agriculture, automobile and accessories, banking, commercial, construction and allied, energy and petroleum, insurance, investment, investment services, manufacturing and allied, telecommunication and technology, and growth and enterprise market segment. Data for use in this study was secondary data and was obtained from the NSE and the published reports of the quoted companies. The published reports are publicly available from the companies and the NSE. Data for use included the daily closing stock prices and the announcement dates. The research used an event window of 60 days, 30 days before and 30 days after the date of the announcement. The research findings show that on average, the average abnormal returns for all the years were positive before the announcement date and negative after the announcement date. The figures showing results for average abnormal returns and the cumulative average abnormal returns shows that there are significant changes before and after the announcement of dividends payment as evidenced by the curves.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The dividend paradox has not only been an enduring issue in finance, it also remain unresolved. Black (1976) described it as a puzzle. Since then, a lot of research has been done trying to solve the dividend puzzle. Allen, Bernardo and Welch (2000) in their study noted that although a number of theories have been put forward in the literature to explain their pervasive presence, dividends remain one of the thorniest puzzles in corporate finance.

In his paper titled ‘Do dividends really matter?’ Merton H. Miller observed that there are few aspects of corporate financial policy where the gap between the academics and the practitioners is larger than that of dividend policy. The academic consensus is that dividend really don’t matter very much. Most practitioners on the other hand continue to insist that a firm’s dividend policy matters a great deal. Over the years, a wealth of literature has emerged in attempts to explain dividends policy and its effects on capital markets. Gordon and Litner (1956) examined corporate dividend decisions and policies and observed that there is a direct relationship between the firms’ dividend policy and its market value. Fundamental to this argument is their ‘bird in the hand’ proposition where they argued that investors see current dividends as less risky than future dividends or capital gains and therefore a bird in the hands is worth two in the bush.

In 1961, Miller and Modigliani (M&M) (1961) advanced the dividend irrelevance theory which stated that in a perfect world with no corporate and personal taxes, no transaction and floatation

costs, similar expectations with respect to company's future investment and profit, and where a company has a planned and fixed investment policy (Ross et.al.1999), the value of the company is not affected by the distribution of dividends. M&M in this paper strongly believed that the value of a company is determined solely by the earning power and the risk of its assets but not by the manner in which it splits its earnings stream between retained earnings and dividends. M&M further argued that an increase in dividend should result in loss to existing shareholders and these two will offset each other. M&M therefore concluded that the firms' share value is independent of the dividend policy.

Bhattacharya (1979), John and Williams (1985) and Miller and Rock (1985) in their signaling theory classic models argued that in a world of asymmetric information, insiders use the dividend policy as a signal to convey their firm's future prospects to less informed outsiders. These signaling models therefore imply that a dividend increase signals an improvement in firms' performance while a decrease in dividend suggest a worsening of its future profitability. Consequently, a dividend increase or decrease should be followed by an improvement or reduction in firms' profitability, earnings and growth. It can therefore be construed that the ability of dividend to disseminate information to the market has been empirically tested to answer two main question; Do un-anticipated changes in dividends cause share prices to change in either direction? Do dividend changes predict firms' future earnings? (Schults, 2004)

Pettit (1972) observed that the market reacts significantly to dividend announcement when firms reduce dividends or when dividends substantially increase. In quantifying the dividend announcement effect, Nur-Adiana, Hiau Abdulla, Rosemaliza, Abdul Rashid and Yusnidah

Ibrahim, (2002) found that dividend increase lead to positive abnormal returns, thus supporting the information content hypothesis, Jensen's free cash flow hypothesis and agency cost theory.

There however exist contrasting views about the market reaction to dividend changes. Watts (1973) observed that any information contained in dividend is trivial because the cost deciphering the dividend signal outweighs the possible wealth effect resulting in a stock price increase, implying that there is no significant relationship between dividend change announcement and both the share and future earnings reactions. This study did not therefore support the signaling content hypothesis. The contrasting opinions of the studies carried out on the effects of dividends announcement on the stock price is clear indication that the research on the reliability of the dividend signal is highly inconclusive.

1.1.1 Dividends and Relevant Dates

Gitman (2006) defines dividends as the periodic distribution of earnings to the owners or shareholders. In other words, dividends refer to the distribution of value to shareholders and may take different forms. According to Panday (1995) the usual practice is to pay dividends in cash. Dividends are also payable in the form of bonus shares or stock dividends. Expected cash dividends are the key return variables from which owners and investors determine the stock value. The decision to pay dividends and the amount to pay is decided by the Company's board of directors at quarterly or semi-annual meetings of the board. Payment of dividend is important as it is only through dividends or the prospect of dividends that investors receive a return on their investment or a chance to sell their shares at a higher price in the future.

Also, dividends represent the return to investors who put their money at risk in the Company. Lastly, paying dividends is important as it is a tool to reward existing shareholders and to encourage others to buy new issue of shares at high prices. Key inputs considered while making decisions on dividends include the past periods financial performance, future company outlook as well as recent dividends paid. Dividend decisions however vary depending on the dividend policy of individual company. Dividend policy is concerned with decisions regarding paying cash dividends in the present or paying an increased dividend at a later date. The Company could also pay in the form of stock dividends which unlike cash dividends do not provide liquidity to investors. Dividend policy is a significant decision taken by financial managers as the share value is affected by dividend.

Gitman (2006) identified three dates to keep in mind when considering dividends. The first is the declaration date, on which the company sets the dividend payment date, the amount of the dividend, and the ex-dividend date. The second is the record date, on which the company compiles a list of all current shareholders, all of whom will receive dividend. For practical purposes, however, this is an obsolete date as the more important date is the ex-dividend date, which generally occurs two days before the record date. The ex-dividend date was created to allow all pending transactions to be completed before the record date. If an investor does not own the stock before the ex-dividend date, he or she will be ineligible for the dividend payout. Further, for all pending transactions that have not been completed by the ex-dividend date, the exchanges automatically reduce the price of the stock by the amount of the dividend. This is done because a dividend payout automatically reduces the value of the company (it comes from

the company's cash reserves), and the investor would have to absorb that reduction in value (because neither the buyer nor the seller are eligible for the dividend).

1.1.2 Stock Price

A share price is the price of a single share of a saleable stock of a company. In simple terms, it is the highest amount one is willing to pay for the stock or lowest amount it can be bought for. The market price of a share is depicted on the securities exchange trading market. The speed with which the market reacts to new information about the share is a measure of the efficiency of its pricing process. This efficiency is likely to be enhanced if market participants have unlimited and costless access to all relevant information about the share's prospects and if high transaction costs do not constitute barriers to trading in the securities exchange. The investor, whether individual or institutional, may wish to take a decision about whether to buy shares in a company or to sell all or part of the existing holding.

The dividend valuation model ($V_0 = D_0 / (k - g)$) is used to estimate the company's share where, V_0 is the value of the share, D_0 represents the dividend per share, k is the cost of equity and g stand for dividends growth rate. A comparison of this value with the current price of the share will provide the investor with a buy, sell, or hold decision.

The primary goal of corporate manager is to maximize the value of shareholders' investment in the firm. Whether this goal is attained largely depend on the investment and financing decisions öundertaken by mangers in their capacity as principal agents of the shareholders. It is expected that rational managers would select investment decisions on the basis of projects with a positive net present value (NPV) and a capital structure that would minimize the cost of capital of the firm (Uddin, 2003)

Understanding why stock prices change and why those changes take place is critical to every investor. If the rational investor had a way of knowing how prices will behave before hand, the investor will make his investment decisions in a way that would outperform all others in the market.

1.1.3 The Nairobi Security Exchange

The Nairobi Securities Exchange (NSE) was constituted as Nairobi Stock Exchange in 1954. It was registered as a voluntary association of stockbrokers in the European community under the Societies Act. Between 1954 and 1963, Africans and Asians were not permitted to trade in securities and therefore, the business of dealing in securities was confined to the resident European community.

The NSE has grown tremendously in terms of volume of activities and at one point was rated by the International Finance Corporation (IFC) as the best performing market in the world with a return of 179% in dollar terms. In 1996, the NSE recorded the largest share issue in its history following the privatization of Kenya Airways when the Government of Kenya proceeded to offer 235,423,896 shares to the public. More than 110,000 shareholders acquired a stake in the airline with the Government of Kenya reducing its stake from 74% to 23%.

The NSE is located at the Nation Centre along Kimathi Street in Nairobi and is a member of the African Securities Exchange Association, East African Securities Exchange Association and an affiliate member of World Federation of Exchanges. The Exchange works closely with the Uganda Securities Exchange and the Dar es salaam Securities Exchange especially on matters to do with cross listing of securities. In 2015, the NSE was ranked second best performer amongst Africa's large bourses according to African Alliance (AA) market data despite recent foreign

investor outflows. The data showed that the NSE All Share Index (NASI) was up 6.3 per cent in the year at 173 points, while the NSE 20 share index was at 5,091 points. Trading at the exchange is done through the Electronic Trading System (ETS) which was introduced in 2006 and conducted through a Wide Area Network (WAN). Consequently, brokers do not need to send their staff (dealers) to the trading floor to conduct business, thus enhancing convenience.

Performance at the Exchange is measured using mainly two indices. First, the NSE 20 share index which has been in use since 1964 and measures the performance of 20 blue chip companies with strong fundamentals and which have consistently returned positive results. The index primarily focuses on price changes for the 20 companies.

The other measure is the NSE All Share Index (NASI) which was introduced in 2008 as an alternative to the NSE-20 Share Index. The NASI is an indicator of the overall performance of the market since it incorporates all the trading shares of the day. The NASI main concern is the overall market capitalization rather than the price movement of selected counters. The Nairobi Securities Exchange had 63 companies categorized into twelve (12) sectors as of December 2014. The twelve (12) sectors are; agriculture, automobile and accessories, banking, commercial, construction and allied, energy and petroleum, insurance, investment, investment services, manufacturing and allied, telecommunication and technology, and growth and enterprise market segment.

1.2 Statement of the Problem

Black (1976) observed that the harder we look at the dividend picture, the more it seems like a puzzle with pieces that don't fit together. In trying to fit these pieces, many studies on the effects of dividend announcement on stock price have been done over the years. Miller and Modigliani (M&M) (1961) in their paper on Dividend Policy, Growth and the Valuation of Shares concluded that dividend are irrelevant and cannot influence the value of the firm. They argued that once the investment policy of a firm is known to the investor, he will not need any additional input on the dividend history of the company thus rendering dividend irrelevant. There is a general consensus that in situations of efficient markets, stock prices are a good estimate of the value placed on the security by the market at any point in time. Even M&M (1961) suggest that when markets are imperfect, share prices may respond to changes in dividends. In this case, dividend announcements may be seen to convey implicit information about the firm's future earnings potential. Studies conducted in this area in the advanced capital markets like those in the United States of America, the United Kingdom, Japan and Germany have found that these markets are able to impound information and incorporate such information almost immediately in stock prices. Pettit (1972) investigated the relationship between dividend announcement, security performance and capital market efficiency. The study found out that dividend announcements were significant in determining firm value. It was also found that most information implicitly in the announcement is reflected in the securities prices as of the announcement period with the largest change in most categories occurring in the announcement period.

Uddin (2003) using Dhaka Stock Exchange (DSE) as a case study observed a sample of 137 dividend paying companies listed on the DSE. The study showed that over the period starting from 30 days prior to the dividend announcement, investors lost upto 19.52% of their securities value. The results therefore were consistent with the Miller and Modigliani (1961) hypothesis of dividend irrelevancy.

In the case of emerging capital markets like Kenya, the scenario appears to be different. Osei (1996) argued that a sizeable number of investors do not know much about the operation and mechanisms of the capital markets partially due to lack of efficient communication to facilitate information flow. Studies carried out to test the reaction of stock prices to dividend announcement at the Nairobi Securities Exchange (NSE) have returned varying conclusions. For instance, in a study by Muigai (2012), 10 banks listed at the NSE were analyzed using the event study methodology for a period of 5 years from 2007 to 2011. The study found that there was no conclusive pattern of the effect of dividend announcement on the share prices of banks listed at the NSE. In another study by Mukora (2014), the author sought to establish the effect of dividend announcement on stock returns of firms listed at the NSE. A sample of five commercial banks was picked and the announcements were analyzed for a period of five years using the event study methodology. The study showed that the average abnormal returns were negative before the announcement date and positive after the announcement date for all the years. Likewise, the cumulative average abnormal returns slopped downwards before the announcement date and sloped upwards after the announcement date for all the years. The study concluded that dividend announcement had a positive effect on stock returns for firms listed at the NSE. Njuru (2007) sought to establish whether there existed under reaction anomaly at the NSE. The study covered seven years from January 1999 to December 2005. The study observed a continuation of positive

returns in the days following stock dividend announcement and concluded that there is existence of under reaction of stock dividend announcement at NSE.

Earlier studies done at the NSE also gave conflicting findings. For instance, in a study by Onyango (2004), the author analyzed annual earnings announcements for 16 companies quoted at NSE between the year 1998 and 2003 and concluded that, NSE is efficient at semi-strong form. The author observed that annual announcement at NSE contain relevant information to investors which are fully impounded in stock prices. This observation however contradicted that of Ondigo (1995) who after studying 18 companies quoted at the NSE between 1990 and 1994 found no evidence in support of information content of annual reports at NSE.

Considering inconsistencies noted in the studies so far carried out at the NSE, there is need to carry out further analysis on the effect of dividend announcement on stock market price at the NSE. This study also seeks to establish whether there exist variation in the reaction of the various categories of stocks at the NSE. The study is largely an extension of similar work by a number of researchers who have attempted to explain the stock market reaction to dividend announcement using cross- sectional regressions.

1.3 Objectives of the study

The objective of this study was to establish whether there is any statistically significant instantaneous increase in share price resulting from dividend announcement at the NSE.

1.4 Value of the study

This study is of theoretical importance in that it will make a contribution on the ongoing debate on the validity of efficient market hypothesis. It will also provide practical insights to investors, investment advisors and fund managers with interest in the Kenya securities market. In addition, the study will be useful to researchers who may want to further explore this subject and expand their knowledge on security markets in general.

The study will also be beneficial to market regulators and other players including the Capital Market Authority (CMA) and the Nairobi Securities Exchange (NSE) as they can use the findings to make policy decisions on the securities market.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Many theoretical and empirical studies have been done in the area of dividends and their impact on the share price. These studies have however returned varying results both in the international and local arena. This chapter highlights the main theories on dividends and the empirical studies done on the effects of dividend announcement on stock price.

2.2 Theoretical Review

2.2.1 Signaling and Information Content Theory

Participants in the market (shareholders, managers and others) have the same information about a firm in a perfectly informed market. An information asymmetry situation may however arise in cases where one group of participants has superior information about the firm's current situation and future prospects. It is generally a consensus amongst academicians that managers possess superior information about their firms relative to other interested parties and may under the circumstances be compelled to use dividends as signals to convey to investors the favorable future prospects of their firm.

Much of the theoretical and empirical work on the dividend phenomenon is attributed to the pioneering study of Miller and Modigliani (1961). The outcome of their work was the much scrutinized dividend irrelevance conclusion. In arriving at this conclusion, MM defined certain assumptions regarding the state of the market. These assumptions were that there were no taxes, no transaction costs and no asymmetric information or other market imperfections. In other

words MM conclusions were based on a perfect market assumption. They argued that dividend payout level should not have any effect on the value of the firm's share value because the value of the firm's share was simply the present value of the stream of future cash flows from current assets and future growth opportunities. MM further argued that a dividend payment was merely an exchange of current cash for future cash of equal market value. On the basis of this, dividends do not have any effect on firm's valuation; they concluded that dividend policy was irrelevant to the firm's financing decision.

Despite their conclusion on dividend irrelevance under conditions of perfect capital market, M&M conceded that dividend policy could be important if firms used dividend changes to convey information not otherwise known to the market. Managers may for instance announce dividend changes with an aim of moving market expectations about future earnings. It is this proposition that has given rise to numerous research, both theoretical and empirical that have come to be referred to as the information content of dividends. The response of the market to dividend changes, initiations and omissions are that share price usually increase, following dividend increase and initiations, while share price usually decline following dividend cuts and omissions. However, researchers such as Jin (2000) have acknowledged that price changes do not always follow this typical pattern. Various models have been formulated in attempts to explain the observed market reaction from dividend initiation and to analyze whether dividends can be used credibly to signal new information to the market. These models are anchored on the understanding that managers have private information about their firms' future prospects and then choose dividend levels that support their private information. The signal is credible if other firms, whose future prospects are not as good, cannot deceptively mimic the dividend actions of the firms with good future prospects. These theories provide a rationale for dividend changes and

generate hypotheses from which empirical work can judge the observed effects of dividend initiation.

Bhattacharya (1979) came up with a model of dividend signaling in which managers' signal the quality of an investment project by adhering to specific dividend policy. The 'investment project quality', measured as the expected profitability, is private information known only to managers. An important assumption of Bhattacharya model is that, if the payoffs from the project are not enough to cover committed dividends, the firm will resort to outside financing to cover the shortfall. This may lead to high transaction costs. Therefore, a firm with an investment project of high quality would have lower expected transaction costs to meet its committed dividend obligations than would a firm with a low-quality project, making it unprofitable for the latter firm to mimic the dividend policy of the firm with a high quality project.

John and Williams (1985) introduced their model that they referred to as 'signaling equilibrium'. A credible signal is defined as any action that is prohibitively expensive for other firms to mimic, thus explaining why firms without favorable information do not increase dividends. If the signal is credible, then investors will attach a higher value to the signaling firm than to the non-signaling firm. This is the signaling equilibrium because investors are able to assign different values to firms based on the content of the signal. This analysis indicated that the effect of asymmetric information was most important when a firm had incentives to establish its true market value. For instance, where the payment of a dividend serves as a proxy for favorable inside information, managers, acting in the interest of their current shareholders, may distribute cash dividend if it signals that better firms distribute larger cash dividends. The market will believe that firms with more favorable private information will choose to pay larger dividends,

and as a result will react to the signal in a way that adjusts share prices accordingly. John and Williams (1985) also focused on the tax disadvantage of cash dividends. They believed higher share prices must be great enough to compensate shareholders for additional personal taxes on dividends.

Jensen (1986) also attempted to explain the dividend content hypothesis by proposing a theory referred to as the free cash flow hypothesis in which he argued that free cash flow exist in a company when there are excess funds after accounting for all projects with positive net present value. According to this theory, a conflict of interest between shareholders and managers over the payment policies of the free cash flows could explain the stock price reaction. The theory holds that stock prices will increase if there is unexpected dividend payment as this is associated with less free cash flow and thus fewer tendencies to over-invest. The theory in other words implies that faced with excess cash flow, managers could accept marginal investment projects with negative net present value (NPV) thereby eroding the value of the stock.

2.2.2 Agency Theory

Dividends payment can resolve the agency problem between shareholders and managers. When the retention ratio is low, managers are required to raise additional capital to finance investment. The proponents for dividends payout argue that when dividends are paid, they provide certainty about the firms' well being, that dividends are also attractive to investors looking to secure current income. Reducing or omitting dividend distribution could negatively affect companies that have a long standing history of stable dividend payouts. Increasing dividend payouts would positively affect the company and those companies without a dividend history are generally viewed favorably when they declare new dividends. Those who argue against dividends feel that

the consideration of a dividend policy is irrelevant because investors have the ability to create 'home made dividends' by adjusting their personal portfolio to reflect their own preference for income. Investors interested in streams of income are more likely to invest in bonds with steady interest payment rather than dividend paying stock whose value can fluctuate.

The agency theory of dividends therefore provides an alternative explanation for the positive wealth effect resulting from dividend announcements. Paying of dividends serve to reduce agency cost in some ways. One is that paying dividends eliminates the amount of free cash flow available to managers to spend on wasteful investment projects. Two is that by starting a dividend program, firms will find the need to go for external financing sources which will lead to increased monitoring of the firm ultimately reducing agency conflict between management and stockholders.

Easterbrook (1984) suggested that dividends might be an effective tool to reduce the agency cost associated with the separation of ownership and control. He argued that dividends payments forced managers to raise funds in the financial markets more frequently than they would without a dividend program as cash flows may not be sufficient to meet regular dividends payments. This creates room for constant monitoring by other parties including investment bankers, commercial bankers and other interested parties. Arising from this close monitoring, managers have fewer chances to follow their own interests as compared to those of the shareholders.

Jensen (1986) argued that agency costs exist because shareholders cannot perfectly monitor their managers who in the absence of perfect monitoring may use excess cash for uses not in the best interest of shareholders. He proceeded to state that a dividend, which minimizes discretionary

cash flow from management control, benefit shareholders by eliminating possibility of wasteful investments.

2.2.3 The Theory of Efficient Capital Markets

The ideal capital market is one in which prices provide accurate signals for resource allocation. Under this scenario, firms are able to make investment decisions and investors can choose among the securities that represent ownership of firms' activities under the assumption that security prices at any time fully reflect available information. An efficient market is therefore one where prices always fully represent available information. In capital markets, like normal markets, traders are assumed to be rational economic agents, who have rational expectations and who want to maximize expected utility (Brown et.al.1988).

The basic case for the theory of efficient capital markets is that the actions of the many competing analysts, who make up the market, ensure that it is an efficient processor of information, and that the share price incorporates instantaneously and in an unbiased manner all available information. If current and past information is immediately incorporated into current prices, then, only new information or 'news' should cause changes in prices.

To describe efficient capital markets, it is important to contrast them with perfect capital markets. The purpose of capital markets is to transfer funds between lenders and borrowers efficiently. The following conditions are necessary for perfect capital markets. First, markets are informational efficient, that is, information is costless and it is received simultaneously by all individuals. Secondly, markets are frictionless, that is, there are no transaction costs or taxes, all assets are perfectly divisible and marketable, and there are no constraining regulations. Thirdly, there is perfect competition in product and securities markets. In product markets, this means that

all producers supply goods and services at minimum average cost and in securities markets it means that all participants are price takers. Lastly, all individuals are rational expected utility maximizers. Given these conditions, both product and securities markets will be both allocationally and operationally efficient.

Allocational efficiency refers to when prices are determined in a way that equates the marginal rates of return for all producers and savers. Operational efficiency on the other hand deals with cost of transferring funds. In perfect capital markets, transactions costs are assumed to be zero. Therefore, we have perfect operational efficiency. Arising from the above, it can be argued that capital market efficiency is much less restrictive than the idea of perfect capital markets as outlined.

Fama (1970, 1976) did substantial work on the whole subject of efficient capital markets. Fama identified three types of efficiency, namely weak form efficiency, semi-strong form efficiency and strong form efficiency. The weak form efficiency is a situation where no investor can earn excess returns by developing trading rules based on historical price or return information. The information in past prices or returns is not useful or relevant in achieving excess returns as all investors will be in possession of such information. Semi-strong form efficiency refers to a situation where no investor can earn excess returns from trading rules based on any publicly available information that may include annual reports and similar publicly available data.

Strong-form efficiency is a situation where no investor can earn excess returns using any information, whether publicly available or not. Of concern to this study is the semi-strong form of the efficiency market theory as the speed of adjustment of share prices to an information generating event such as dividend initiation is critical. It should however be noted that research

has shown that there exist evidence against the Efficient Market Hypothesis and alternate theories of market behavior especially after detection of certain anomalies in the capital markets.

The anomalies are as elaborated below;

First, we have what has come to be known as the January Effect. Rozeff and Kinney (1976) laid down evidence that showed that there were generally higher mean returns in January compared to other months of the year. Their conclusion was based on work done for the New York Security Exchange (NYSE) stocks for the period 1904-1974. Their study showed that the average return for the month of January was 3.48% while the mean return for the other months was only 0.42%.

Secondly, the Price/Earning (P/E) Ratio Effect was popularized by Sanjoy Basu (1977). The researcher argued and presented evidence that stock of companies with low P/E ratio earned a premium for investors during the period 1957-1971. The study was able to prove that investors holding low P/E ratio portfolio earned higher returns than those who held the entire sample of stocks.

Thirdly, we have the Mean Reversion (Overreaction) Hypothesis. Debondt and Thaler (1985, 1987), observed that there existed strong evidence on over and under reaction to earnings announcement. They noted instances where stock prices over-reacted to changes in earnings. They indeed observed and reported positive/negative estimated abnormal stock returns for portfolios that previously generated inferior/superior stock prices and earning performance. (Russel and Torbey)

Fourthly, we have the Pricing of Closed End Funds. According to Malkiel (1977), the market valuation of closed end investment company shares reflects mispricing. He argue that the pricing of these shares appear to suggest market imperfection in capital asset pricing.

Fifth, we have the scenario of the Distressed Securities Market which have been popularized by various scholars among them Ma and Weed, (1986). Although there exist a general consensus that stock in the distressed security scenario are efficiently priced, there is equally another strong view that stock pricing may be inefficient during the bankruptcy period. There is adequate evidence that investors have always sought superior returns in the securities market. Other investors have been known to attract a substantial amount of money by offering the possibility of high returns by exploiting the anomalies in the market for distressed securities.

Lastly, we have the Weather. A study conducted by Saunders (1993), at the NYSE showed that the stock index tend to be negative when cloudy. Other recent studies by Hirshleifer and Shumway (2001) who analyzed data for 26 countries similarly observed that stock market returns are positively correlated with sunshine.

In conclusion, the various theories advanced on the effects of dividend on stock price have tended to support the view that dividend initiation has a positive effect on the stock price. For instance, proponents of Signaling and Information Content Theory including Bhattacharya (1979) and Jensen (1986) appear to hold the view that dividend initiations have a positive effect on the stock value. Miller and Modigliani (1961) have however presented evidence to support the irrelevancy of dividend in as far as the value of the stock is concerned. It should however be

noted that even with their dividend irrelevance proposition, the two theorists still conceded that dividend policy could be an important tool for firms to convey information not otherwise known to the market. The Agency theory on the other hand appear to support the relevance of dividend by asserting that dividend provides an alternative explanation for the positive wealth effect resulting from dividend announcements.

2.3 Abnormal Returns

In finance, an abnormal return is the difference between the actual return of a security and the expected return in the market. Abnormal returns are in some cases, triggered by events. These events are typically occurrences or information that has not already been priced by the market and could take the form of dividend announcements, company earnings announcements, interest rate increase, lawsuits and mergers. All these events could result to abnormal returns.

2.3.1 Determinants for Abnormal Returns

In their paper titled Insider trading around Dividend Announcements: Theory and Evidence, John and Lang (1991) asserted that dividend effect must be conditioned upon other important variables, termed as ‘determinants for abnormal returns’. Given the reporting requirements and regulations of insider trading, John and Lang argued that the direction and extent of insider trading could be an important tool to signal with less informed investors. A critical affirmation of John and Lang model was the insinuation that all initiations of dividends do not indicate ‘good news’. They argued that investors’ interpretation of dividend initiation was conditional on the current state of the firm’s investment opportunities, which are revealed through the trading activity of corporate insiders. Therefore, some firms’ higher than expected dividend announcements would generate a positive share price response when accompanied by significant

insider buying. In other cases, higher than expected dividend announcements would result in a negative stock price response for other firms when accompanied by abnormal intense insider trading. The model predicted a significant difference in the share price response to dividend initiations between firms with and without prior insider selling, with the results pointing that the average announcement-day excess return for the firms with insiders purchasing shares was about 2.5% higher than that for the group with insiders selling shares.

Other researchers have provided their input on the variables for the determinants of abnormal returns. Lang and Litzenberger (1989), in their paper titled ‘Dividend Announcements: Cash Flow Signaling Vs. Free Cash Flow hypothesis’ captured the nature of investment opportunities using an approximation of Tobin’s Q ratios and provided evidence that the announcement of dividend was significantly more positive for firms that appeared to over-invest. The results of their study indicated that the average abnormal returns at the announcement of dividends was more than three times larger for firms with average Q ratios of less than one (1) as compared to those with average Q ratios of greater than one (1). Their study further indicated an inverse relationship between the Tobin Q ratio and the dividend announcement, therefore suggesting that the dividend change was differentially interpreted by the market based on firms’ investment opportunities.

According to a study by Lippert et al. (2000), there exist a relationship between the level of executive compensation and stock price performance. The study recognized the importance of a control variable termed as the market-to- book asset ratio (MTBA) which served as a proxy for project quality. The study hypothesized that the abnormal returns following dividend increase would be negatively related to pay-performance sensitivity (PPS), which they defined as the

extent to which management's compensation was tied to the performance of the firm. The market therefore view dividend increases by firms with high MTBA ratios as reliable signals, thereby resulting in a significant price response. The conclusion of this study was consistent with the agency theory literature on the relevance of dividend signals.

Another explanation of the determinants for abnormal returns was offered by Mikhail et al. (2001) who suggested that share price reactions to dividend changes were related to firm's earning quality which was defined as the extent to which past earnings were associated with its future operating cash flows. Their theory was founded on the assumption that positive abnormal returns after dividend increases was negatively related to a firm's earning quality. The study established that as the firm's earning quality increased, the market reaction to dividend increases reduced by about 34%, strongly suggesting that the information in a firm's earnings for future cash flows diluted the market reaction to dividend increases.

In attempting to establish the motivation behind the market disparate reaction to dividend initiations, Jin (2000) disqualified the differences between firms with positive or negative abnormal returns. Jin's research was motivated by his observation of the substantial heterogeneity in stock market reaction to dividend initiations. His observation was that 30 to 40 percent of dividend initiating firms realized a negative abnormal return, indicating that the market perceived dividend announcements as positive, value-increasing events in some cases, and negative, value decreasing events in others. In order to test whether this scenario truly existed, the study set to examine empirically the firm-specific characteristics contributing to the credibility of the dividend announcement by utilizing an extended version of the market model to determine the firms' two-day cumulative abnormal return (CAR) surrounding the initiation

announcement date. The study identified a number of firm-specific characteristics that influence the market's reaction to dividend announcements. These were identified as firm size (extent of publicly available information), earnings volatility (predictability of firm performance), institutional holdings (extent of monitoring) and earnings change (market anticipation). His study therefore provided evidence that support the notion that firm-specific credibility affects the market's reaction to dividend announcements.

2.4 Review of Empirical Studies

A number of studies have been done both locally and internationally on the effects of dividend announcement on the value of the firm. However, these studies have largely returned varying and mixed findings thereby worsening the controversy surrounding dividend announcement.

2.4.1 International Studies

Pettit (1972) investigated the relationship between dividend announcement, security performance and capital market efficiency. His interest was to establish whether the market makes use of announcement of dividends in assessing the value of securities. He studied the announcement dates of all dividend change for a set of 625 New York Securities Exchange (NYSE) companies from January 1964 to June 1968 from the Wall Street Journal Index. In total, there were approximately 1,000 dividend changes announced by the 625 firms. According to Pettit (1972) to develop a meaningful measure of performance, the study made use of the market model. The study found that dividend announcements were significant in determining firm value. It was also found that most information implicitly in the announcement is reflected in the securities prices as of the announcement period with the largest change in most categories occurring in the announcement period.

Uddin (2003) using Dhaka Stock Exchange (DSE) as a case study observed a sample of 137 dividend paying companies listed on the DSE. The choice of companies depended on the sector to which they belonged. He applied the event study methodology to calculate the security return, expected return, market adjusted abnormal return and the daily cumulative abnormal return. The event window was identified as 30 days before and 30 days after the event. Uddin (2003) found that investors do not benefit from a dividend announcement. The study showed that over the period starting from 30 days prior to the dividend announcement, investors lost upto 19.52% of their securities value. The results therefore were consistent with the Miller and Modigliani (1961) hypothesis of dividend irrelevancy.

Aharony and Swary (1980) endeavored to establish whether or not quarterly dividend announcement convey useful information beyond that provided by quarterly earnings numbers. Cumulative abnormal returns were found to be significant. The study therefore confirmed that change in quarterly cash dividends provide useful information beyond that provided by corresponding quarterly earnings numbers.

Kwan (1981) sought to solve the controversy formed in finance literature regarding the empirical evidence of the information content of dividend. The study found evidence of dividend-increase announcing firms being less likely to have subsequent earnings decrease than firms that do not make announcements. The study concluded that dividend announcements do contain information about the present and the future.

Asamoah (2010) studied the Ghana Security Exchange (GSE) to ascertain whether there was an instantaneous reaction of the companies' share prices to dividend announcement in order to provide the basis for confirming or dispelling the EMH conclusions as far as the Ghana Security

Exchange was concerned. The event study methodology was used to achieve the research objective and the Wilcoxon Matched-Pair signed-Ranked Test was employed in testing the null hypothesis. The study found that GSE was not semi strong efficient resulting in the conclusion that the GSE must address itself to three forms of efficiency-operational efficiency, allocation efficiency and pricing efficiency.

Patel and Prajapati (2014) studied 20 selected companies in the Indian Security Market and sought to find the empirical evidence of stock dividend announcement by investigating the existence of abnormal returns. Sample data was drawn from companies listed in the BSE that announced dividend over the period January 2008 through December 2011. Daily returns of stock prices under study were examined for the dividend announcement effect using descriptive statistics and paired sample t-test. The study found no significant average abnormal return on event day during any period of dividend announcement, whereas cumulative average abnormal returns was found significant on event period 57 times positive move, 49 times negative move and 64 times constant or near zero volatility. The results of paired t-test for means showed significant differences for some companies in average number of transactions before and after announcement during the period 2008 to 2011.

2.4.2 Local Studies

Mukora (2014) in her study on the effect of dividend announcement on stock returns of firms listed in Nairobi Securities Exchange, picked a sample of five commercial banks and analyzed the announcements for a period of five years using the event study methodology. The study showed that the average abnormal returns were negative before the announcement date and positive after the announcement date for all the years. Likewise, the cumulative average

abnormal returns sloped downwards before the announcement date and sloped upwards after the announcement date for all the years. The study concluded that dividend announcement had a positive effect on stock returns for firms listed at the Nairobi Securities Exchange.

Huka (1998) set to examine whether dividend policy had any effect on share prices for companies quoted in the Nairobi Securities Exchange. The study covered the period 1997 to 2000. The study found that shareholders preference for dividends varied from one company to the other. The Cumulative Excess Price (CEP) and t-statistics for the selected companies showed negative effect of dividend payment on share prices but the degree of variation differed implying indifference in dividend preference.

Iminza (1997) in a study titled empirical investigation of the information content of dividend payment on share prices of publicly quoted companies analyzed data from sampled companies using correlation analysis, chisquare distribution and F-distribution. The study found that dividend and share prices are highly correlated. The correlation was found to be even higher when the change in dividend was negative.

Kanini (2006) investigated market efficiency and the effects of cash dividend announcement on share prices of companies listed on the NSE. The study covered the period between 2000 and 2004 and sampled firms making up NSE 20 share index. The study found that cumulative adjusted returns were significant for ten days before and ten days after the announcement indicating that share prices are indeed responsive to cash dividend.

Mbaka 2010 sought to find out the applicability of the dividend signaling theory at the NSE between 2003 and 2007. A sample of 20 firms was picked and 80 announcements were analyzed. The results from the analysis indicated that dividend announcement impacted on the share price. Companies that announced decreased dividends showed drops in returns after announcement in most years. Those with increasing dividend showed increasing returns while those with no change in dividend showed mixed reactions to dividend announcement.

Koech (2010) using the event study methodology sought to establish whether there is a significant difference in the abnormal adjustment in stock prices for retail and institutional investor firms as a result of dividends announcement. The study analyzed 10 firms for a period of five years between 2005 and 2009. The study found that there was no significant difference in abnormal adjustment in stock prices for retail and institutional investor firms as a result of dividend announcement.

Onyango (2013) conducted a study with the objective of analyzing the influence of dividend and earnings announcement on shareholders wealth in the Kenyan economy. The study sought to establish whether change in dividend announcement lead to change in stock prices. The study covered the period between 2008 and 2010 and 10 companies that constantly announced dividends were selected. The results of the study showed little influence of dividends and earnings on shareholders' value.

Muigai (2012) analyzed the effect of dividend declaration on share prices of banks listed on the NSE. The study covered a period of 5 years from 2007 to 2011 and 10 banks were considered for the study. The event study methodology was used and an event window of 91 days. 60 days were used as the estimation window. The finding of this study did not indicate

any conclusive pattern of the effect of dividend declaration on the share prices of the banks listed on the NSE. The study recommended further research to establish the other factors that influence the share prices of the banks listed.

Wamweya (2012) sought to test whether post earnings announcement drift exist at NSE. The study aimed to verify whether positive earnings surprise were followed by positive abnormal stock returns and whether negative earnings surprise was followed by negative abnormal stock returns during the event window of 60 days. 38 securities were sampled and analyzed over a period of three years from 2009 to 2011. The results showed that firms that report good news in their earnings tend to have their stock returns move upwards in direction of the earnings surprise. The same trend hold for firms that report bad news where their stock returns tend to move downwards for a period of at least 60 days from earnings announcement. The researcher recommended further research using better methods of earnings forecast and a longer period of study.

Njuru (2007) sought to establish whether there existed under reaction anomaly at the NSE. The study covered seven years from January 1999 to December 2005. The study observed a continuation of positive returns in the days following stock dividend announcement and concluded that there is existence of under reaction of stock dividend announcement at NSE.

CHAPTER THREE

RESREARCH METHODOLOGY

3.1 Introduction

This chapter describe the research methodology applied in conducting the study. The chapter describe the research design, the target population and the sample design, data collection and data analysis procedures and the model that will be applied in analyzing the data.

3.2 Research Design

The research design for this study was descriptive and more specifically the event study methodology. This method is adopted as it has traditionally been used to test the announcement effect of dividend on the firm's value (Pettit, 1972, Aharony and Swary, 1980, Woolridge, 1982) and also due to the descriptive nature of dividends and share prices. An event study according to Bodie, et al, (1999) describes a technique of empirical financial research that enables an observer to assess the impact of a particular event on a firm's security price. An event study would quantify the relationship between firm-specific event, like dividend announcement and security return. The definition of the event study will be the study of the changes in stock price beyond expectation (abnormal return) over a period of time (event window) The event study methodology sought to determine whether there is an abnormal security price effect associated with an event following which the researcher can infer the significance of the effect. The study covered a period of 5 years from 2010 to 2014 using an event window of 30 days before and 30 days after the announcement date.

3.3 Population

The population of interest in this study was all the 63 companies listed at the Nairobi Securities Exchange as at June 2015 (Appendix 1). The sixty three (63) firms are grouped into twelve (12) categories which are; agriculture, automobile and accessories, banking, commercial, construction and allied, energy and petroleum, insurance, investment, investment services, manufacturing and allied, telecommunication and technology, and growth and enterprise market segment.

3.4 Sample Design

The study proposed to investigate a total of 20 firms quoted in the Nairobi Stock Exchange that comprise the NSE 20 share index. These companies are a fair representation of all companies listed at the NSE. The firms are listed in Appendix 1.

3.5 Data Collection

Data for use in this study was secondary data and was obtained from the NSE and the published reports of the quoted companies. The published reports are publicly available from the companies and the NSE. Data for use included the daily closing stock prices and the announcement dates.

3.6 Data Analysis

The research used an event window of 60 days, 30 days before and 30 days after the date of the announcement.

3.6.1 Analytical Model

In estimating the abnormal returns, the market adjusted return (MAR) was applied in the study.

First, the daily abnormal return (AR) is calculated by comparing the daily stock returns with the returns of the market. The difference between the two returns is known as unexpected or abnormal returns arrived at as follows;

$$AR_{i,t} = R_{i,t} - R_{m,t} \quad (1)$$

Where;

$AR_{i,t}$ = Abnormal return for stock i on event day t.

$R_{i,t}$ is the fractional change of stock i adjusted price (P_i) on event day t also known as discrete return by Strong (1992) and is expressed as;

$$R_{i,t} = (P_{i,t} - P_{i,t-1}) / P_{i,t-1}$$

$R_{m,t}$ is the fractional change of the market index (K) on event day t or the market's return on event day t. This is expressed as follows;

$$R_{m,t} = (K_t - K_{t-1}) / K_{t-1}$$

Activity days that fall in the period before the dividend announcements are denoted as event days -1, -2, -3, -4, -5 and so on while the dividend announcement day is numbered event day 0; and event days following the announcement are numbered event days +1, +2, +3, +4, +5 and so on. The following precautionary measures are provided for the purpose of attaining reasonable results; if trading in the stock is suspended on a certain event day, the abnormal returns on that day are equal to zero. In other words, the daily returns for an individual stock is treated as average daily returns during the suspended period. This is computed as;

$$R_{i,s} = \left| (P_{i,a} - P_{i,a-1}) / P_{i,a-1} \right| / t_{i,s}$$

$R_{i,s}$ = Average daily returns of stock i during the suspended period.

$P_{i,a-1}$ = Stock i's adjusted price the last trading day before the suspended period.

$P_{i,a}$ = Stock i's adjusted price the first trading day after the suspended period.

$T_{i,s}$ = The number of days during the suspended period of stock i plus the first trading day after the suspended period.

After computing the abnormal return, the next step is to determine the daily cross-sectional average abnormal returns (AAR_t) for a specific day. The daily cross-sectional average abnormal return is computed by summing the daily abnormal returns for each observation across companies and dividing this figure with the total observations on that day as follows;

$$AAR_t = \sum AR_{i,t} / N_t \quad (2)$$

N_t = The number of valid observations on event day t

Finally, the last step is to sum the cross-sectional average abnormal returns to yield cumulative average abnormal returns (CAAR) for event day t as follows;

$$CAAR_t = \sum AAR_t \quad (3)$$

To test whether the daily average abnormal returns on event day t is equal to zero, a t statistic is calculated. The t test determines whether the individual stock returns are statistically different from zero given their distribution about the average. In practice, some stocks will perform better than the average while some will be below average. According to Dawson (1981), this test will show whether there is statistically less than five percentage chance that these average returns and variation about them would have occurred for a group of stocks which did not change in price, which is the same as testing whether there is a significant change in stock price due to dividend announcements.

$$T = AAR_t / (St \sqrt{N_t}) \quad (4)$$

Where;

$$St = \sqrt{\sum (AR_{i,t} - AAR_t)^2 / N_{t-1}} \quad (5)$$

$$i = 1, 2, 3, 4, 5, \dots, N_t$$

Due to the uncertainties surrounding the exact occurrence of information release, there is a necessity for a test of the cumulative average abnormal returns (CAAR) on a specified event period to be executed. To test whether the CAAR over a period of T days is equal to zero, a t -statistic which is used to consider whether there has been any market reaction to dividend announcements is calculated as shown below;

$$t_T = (CAAR_T / T) / (s_t / \sqrt{T}) \quad (6)$$

where

$$s_t = \sqrt{\sum_{t=1}^{T-1} |AAR_T - (CAAR_T/T)|^2} \quad (7)$$

Where $t = 1, 2, 3, 4, 5, \dots, T$

$CAAR_T =$ Cumulative average abnormal returns over the T-day interval.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the findings of the study, interpretations and discussions according to the objectives and summarizes the results of the data analysis. The objective of the study was to establish the effects of dividend announcement on stock returns for firms listed at the Nairobi Securities Exchange.

4.2 Study Findings

The population of interest in this study was all the 63 companies listed at the Nairobi Securities Exchange as at December 2014. The sixty three (63) firms are grouped into twelve (12) categories which are; agriculture, automobile and accessories, banking, commercial, construction and allied, energy and petroleum, insurance, investment, investment services, manufacturing and allied, telecommunication and technology, and growth and enterprise market segment.

The study investigated a total of 20 firms quoted in the Nairobi Stock Exchange that comprise the NSE 20 share index. These companies were a fair representation of all companies listed at the NSE. Data for use in this study was secondary data and was obtained from the NSE and the published reports of the quoted companies. The research used an event window of 60 days, 30 days before and 30 days after the date of the announcement. The analysis was done for five years (2010-2014) on the selected companies. Analysis was done as specified in the analytical model in chapter three.

4.2.1 Analysis for 2010

Both the abnormal and cumulative returns were calculated from the daily and expected returns and then plotted to bring out the trend for the year 2010 as shown in the figure below.

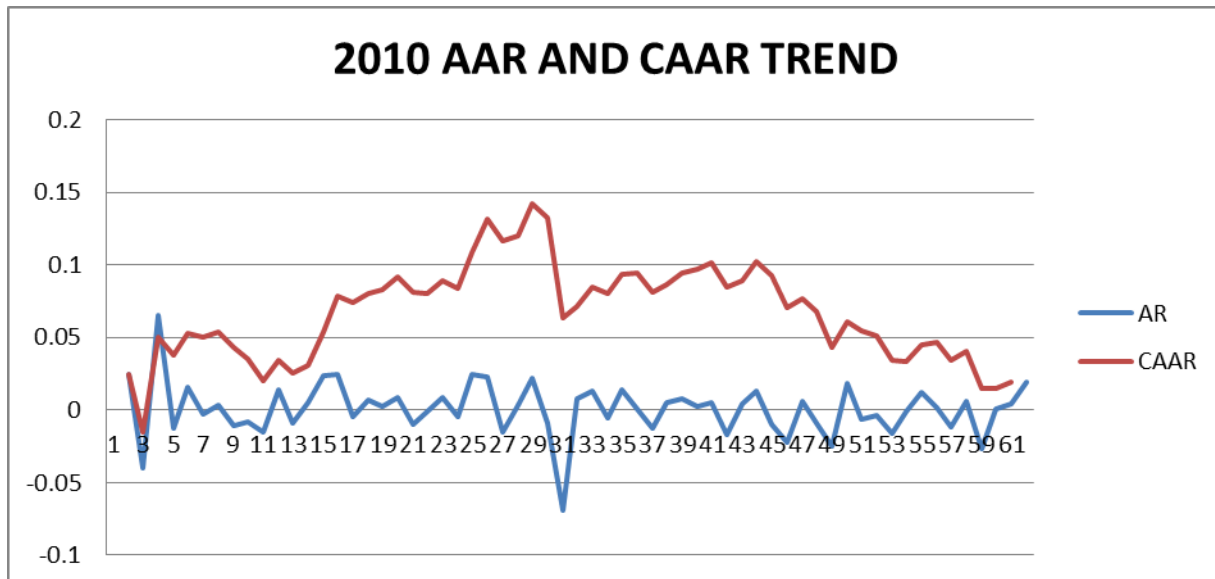


Figure 4. 1: 2010 AAR AND CAAR TREND

As shown in the figure 4.1 the curve for cumulative average abnormal returns for 2010 generally slopes upward a period of 30 days before the dividend announcement date, and is generally downward sloping for the 30 days after the announcement. The curve for average abnormal returns is changing drastically both before the dividend announcement date and after, but is negative at some point before the dividend announcement date and positive after the dividend announcement date. Both the curves have a sharp kink on the day of announcement a clear indication that that dividend announcement has a significant effect of stock returns as depicted by figure 4.1.

4.2.2 Analysis for 2011

Both the abnormal and cumulative returns were calculated from the daily and expected returns and then plotted to bring out the trend for the year 2011 as shown in the figure below.

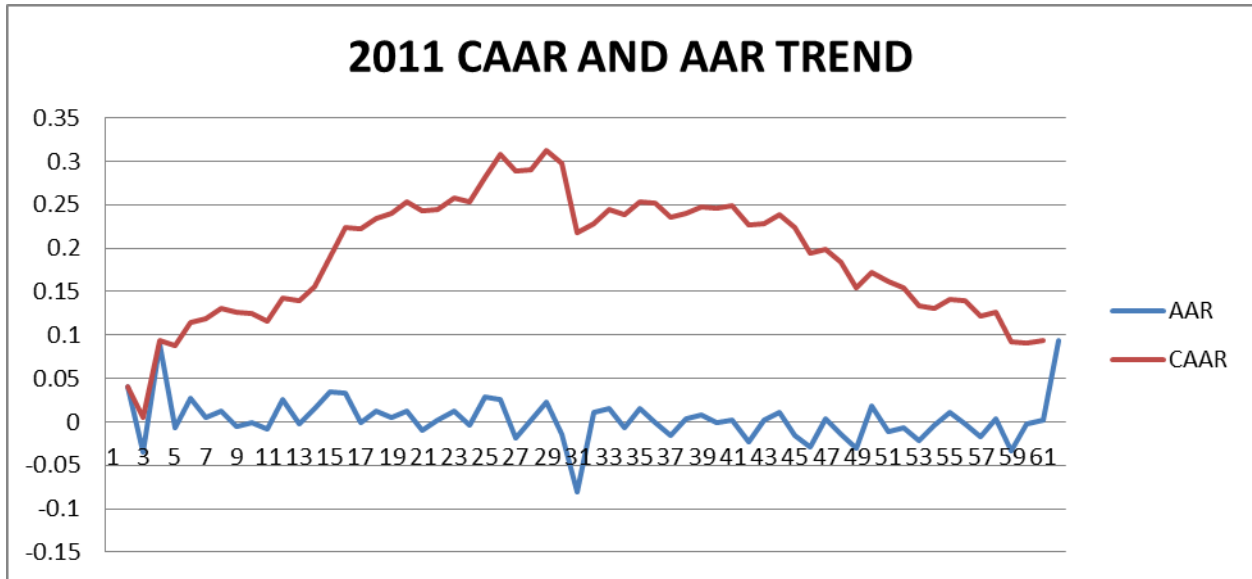


Figure 4. 2: Analysis for 2011

As shown in the figure 4.2 the curve for cumulative average abnormal returns for 2011 generally slopes upward a period of 30 days before the dividend announcement date, and is generally downward sloping for the 30 days after the announcement. The curve for average abnormal returns is stagnating both before the dividend announcement date and after but a visible significant change is seen on the announcement date. Both the curves have a sharp kink on the day of announcement a clear indication that dividend announcement has a significant effect of stock returns as depicted by figure 4.2.

4.2.3 Analysis for 2012

Both the abnormal and cumulative returns were calculated from the daily and expected returns and then plotted to bring out the trend for the year 2012 as shown in the figure below.

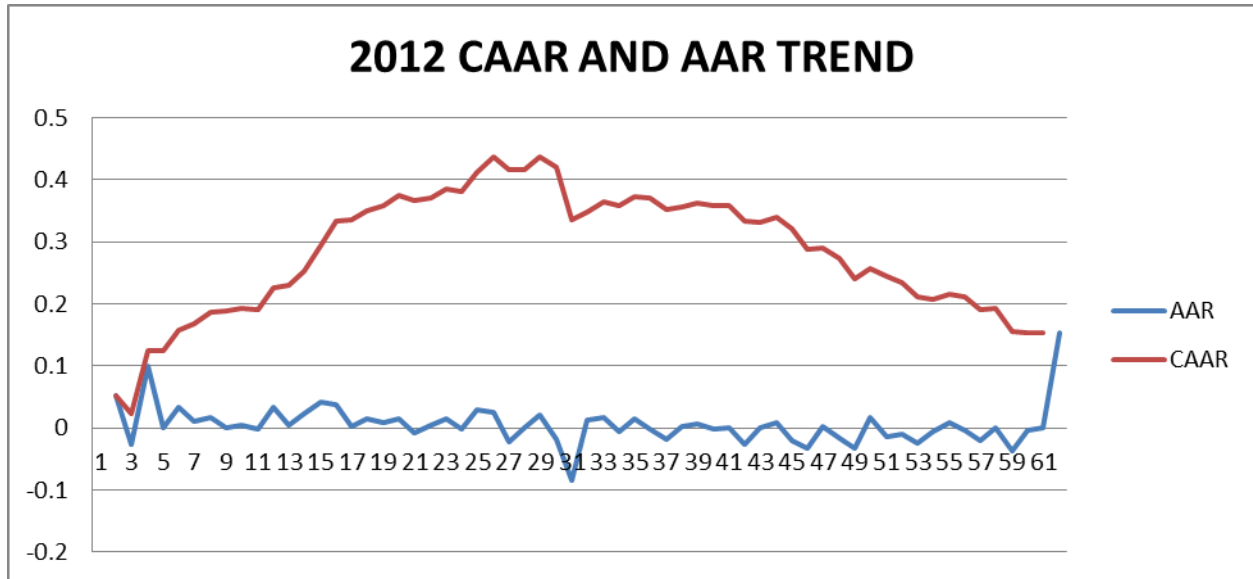


Figure 4. 3: Analysis for 2012

As shown in the figure 4.3 the curve for cumulative average abnormal returns for 2012 generally slopes upward a period of 30 days before the dividend announcement date, and is generally downward sloping for the 30 days after the announcement. The curve for average abnormal returns is fluctuating both before the dividend announcement date and after. Both the curves have a sharp kink on the day of announcement a clear indication that that dividend announcement has a significant effect of stock returns as depicted by figure 4.3.

4.2.4 Analysis for 2013

Both the abnormal and cumulative returns were calculated from the daily and expected returns and then plotted to bring out the trend for the year 2013 as shown in the figure below.

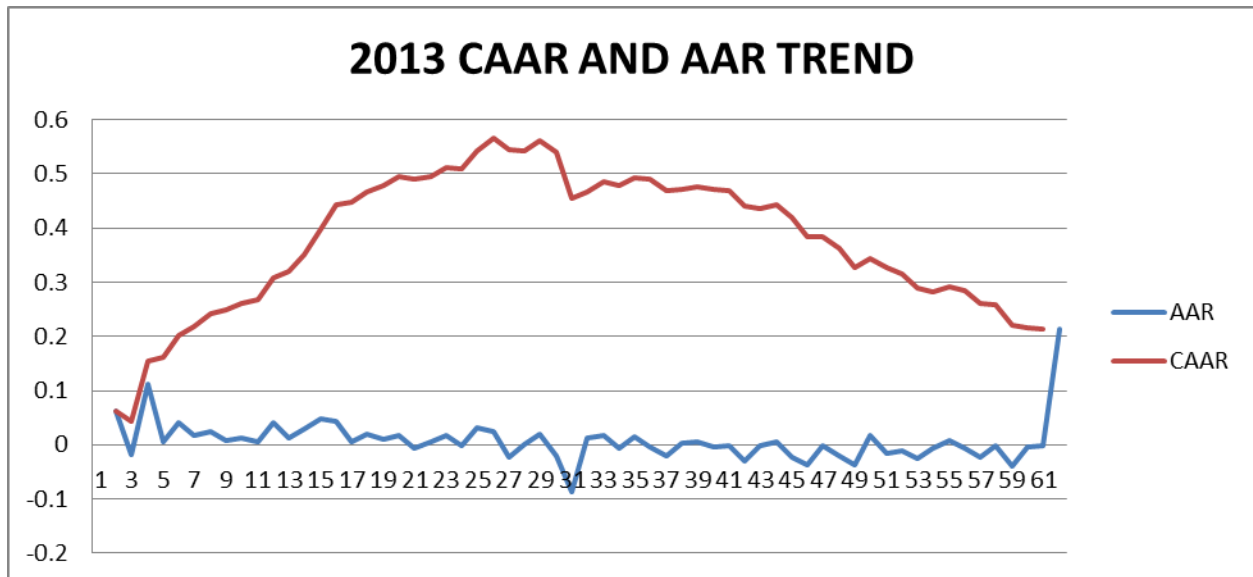


Figure 4. 4: Analysis for 2013

As shown in the figure 4.4 the curve for cumulative average abnormal returns for 2013 generally slopes upward a period of 30 days before the dividend announcement date, and is generally downward sloping for the 30 days after the announcement. The curve for average abnormal returns is changing drastically both before the dividend announcement date and after, but is positive at some before the dividend announcement date and negative after the dividend announcement date. Both the curves have a sharp kink on the day of announcement a clear indication that that dividend announcement has a significant effect of stock returns as depicted by figure 4.4.

4.2.5 Analysis for 2014

Both the abnormal and cumulative returns were calculated from the daily and expected returns and then plotted to bring out the trend for the year 2014 as shown in the figure below.

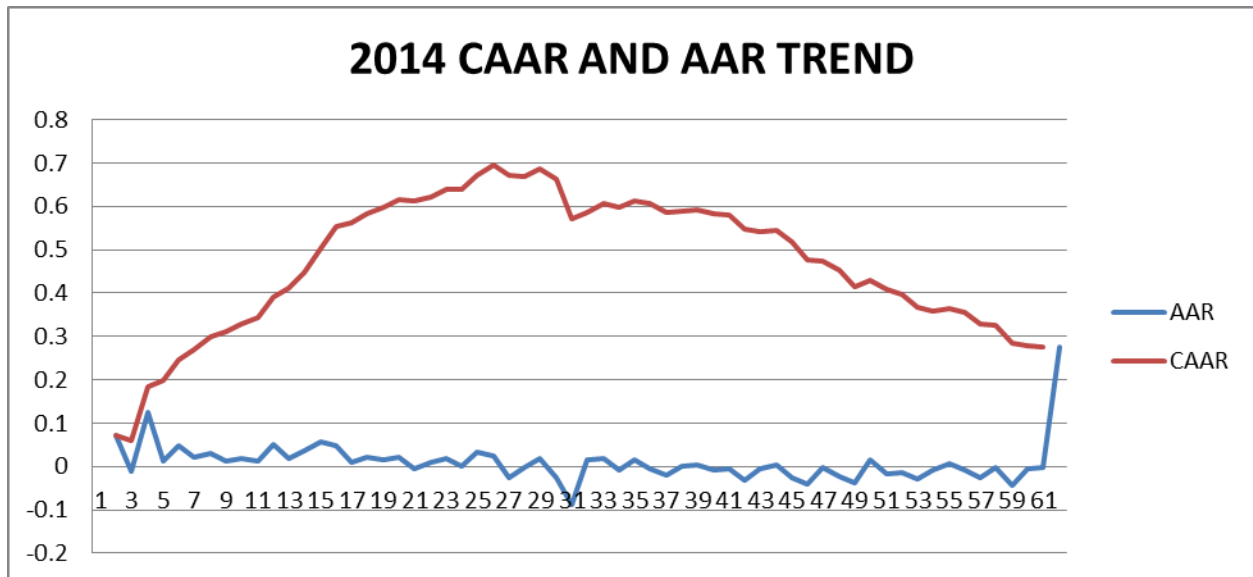


Figure 4. 5: Analysis for 2014

As shown in the figure 4.5 the curve for cumulative average abnormal returns for 2014 generally slopes upward a period of 30 days before the dividend announcement date, and is generally downward sloping for the 30 days after the announcement. The curve for average abnormal returns is changing drastically both before the dividend announcement date and after, but is positive at some point before the dividend announcement date and negative after the dividend announcement date. Both the curves have a sharp kink on the day of announcement a clear indication that that dividend announcement has a significant effect of stock returns as depicted by figure 4.5.

4.2.6 Analysis for years 2010- 2014

Both the abnormal and cumulative returns were calculated from the daily and expected returns and then plotted to bring out the trend for the years 2010-2014 as shown in the figure below.

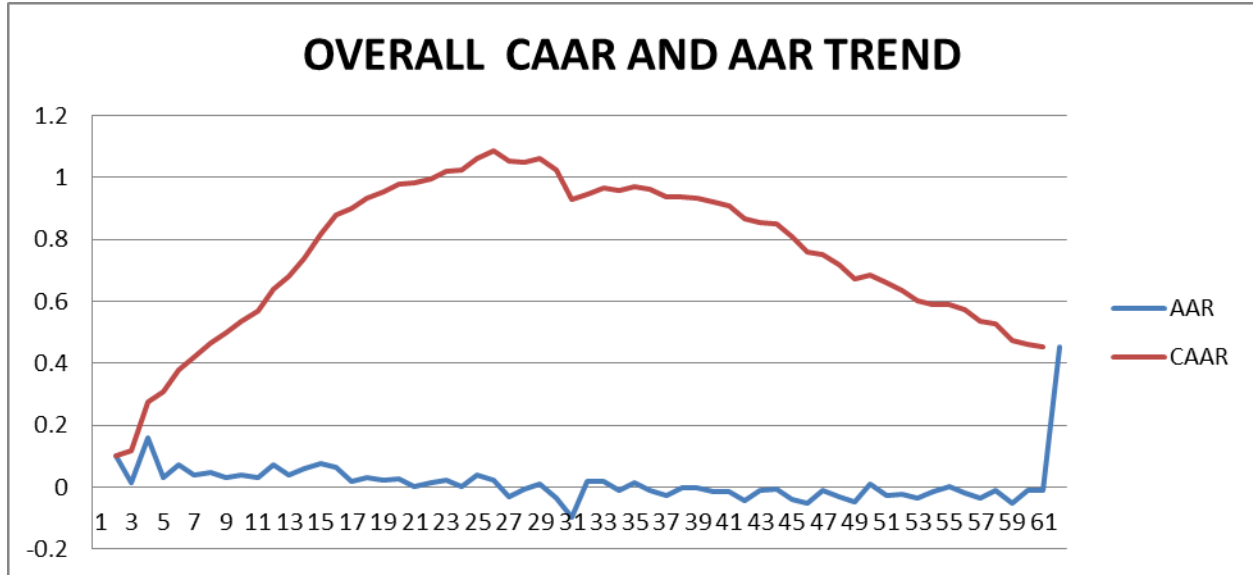


Figure 4. 6: Analysis for years 2010- 2014

As shown in the figure 4.6 the curve for cumulative average abnormal returns for 2010-2014 generally slopes upward a period of 30 days before the dividend announcement date, and is generally downward sloping for the 30 days after the announcement. The curve for average abnormal returns is changing drastically in the overall model both before the dividend announcement date and after, but is positive at some point before the dividend announcement date and negative after the dividend announcement date. Both the curves have a sharp kink on the day of announcement a clear indication that that dividend announcement has a significant effect of stock returns as depicted by figure 4.6.

4.3 Test of Significance

The t-statistics for both the average abnormal returns and the cumulative average abnormal returns was calculated using the standard deviation of the average abnormal returns and the cumulative average abnormal returns respectively.

Test of Significance for AAR and CAAR for the Year 2010

Table 4. 1: One-Sample Test-2010

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
AAR	.421	60	.000	.001	.00	.01
CAAR	10.455	60	.000	.069	.06	.08

Ho: dividend announcement does not have an effect on stock returns of firms listed at the Nairobi Securities Exchange for the year 2010

H1: dividend announcement has an effect on stock returns of firms listed at the Nairobi Securities Exchange for the year 2010

One sample test was used to test the significance and the output is as shown in table 4.1 at a 5% level of significance. The t-test for AAR and CAAR is .421 and 10.455 respectively which lies in the rejection area. Hence we reject the null hypothesis that dividend announcement does not have an effect on stock returns of firms listed at the Nairobi Securities Exchange for the year 2010. The p-value for AAR and CAAR in the year 2010 is zero which results in the rejection of the null hypothesis since the value is less than the level of significance. Thus the study concludes that dividend announcement has an effect on stock returns of firms listed at the Nairobi Securities Exchange for the year 2010

Test of Significance for AAR and CAAR for the Year 2011

Table 4. 2:One-Sample Test-2011

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
AAR	.407	60	0.000	.001	.00	.00
CAAR	-1.671	60	0.000	-.009	-.02	.00

One sample test was used to test the significance and the output is as shown in table 4.2 at a 5% level of significance. The t-test for AAR and CAAR is .407 and -1.671 respectively which lies in the rejection area. Hence we reject the null hypothesis that dividend announcement does not have an effect on stock returns of firms listed at the Nairobi Securities Exchange for the year 2010. The p-value for AAR and CAAR in the year 2011 is zero which results in the rejection of the null hypothesis since the value is less than the level of significance. Thus the study concludes that dividend announcement has an effect on stock returns of firms listed at the Nairobi Securities Exchange for the year 2011.

Test of Significance for AAR and CAAR for the Year 2012

Table 4. 3:One-Sample Test-2012

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
AAR	.209	60	.000	.000	.00	.01
CAAR	14.901	60	.000	.065	.06	.07

One sample test was used to test the significance and the output is as shown in table 4.3 at a 5% level of significance. The t-test for AAR and CAAR is .209 and 14.901 respectively which lies in the rejection area. Hence we reject the null hypothesis that dividend announcement does not have an effect on stock returns of firms listed at the Nairobi Securities Exchange for the year 2012. The p-value for AAR and CAAR in the year 2012 is zero which results in the rejection of the null hypothesis since the value is less than the level of significance. Thus the study concludes that dividend announcement has an effect on stock returns of firms listed at the Nairobi Securities Exchange for the year 2012.

Test of Significance for AAR and CAAR for the Year 2013

Table 4. 4:One-Sample Test-2013

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
AAR	.867	60	.000	.012	-.02	.04
CAAR	.613	60	.000	.015	-.03	.06

One sample test was used to test the significance and the output is as shown in table 4.4 at a 5% level of significance. The t-test for AAR and CAAR is .867 and .613 respectively which lies in the rejection area. Hence we reject the null hypothesis that dividend announcement does not have an effect on stock returns of firms listed at the Nairobi Securities Exchange for the year 2013. The p-value for AAR and CAAR in the year 2013 is zero which results in the rejection of the null hypothesis since the value is less than the level of significance. Thus the study concludes that dividend announcement has an effect on stock returns of firms listed at the Nairobi Securities Exchange for the year 2013.

Test of Significance for AAR and CAAR for the Year 2014

Table 4. 5:One-Sample Test-2014

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
AAR	.520	60	.000	.001	.00	.01
CAAR	.150	60	.000	.000	-.01	.01

One sample test was used to test the significance and the output is as shown in table 4.5 at a 5% level of significance. The t-test for AAR and CAAR is .520 and .150 respectively which lies in the rejection area. Hence we reject the null hypothesis that dividend announcement does not have an effect on stock returns of firms listed at the Nairobi Securities Exchange for the year 2014. The p-value for AAR and CAAR in the year 2014 is zero which results in the rejection of the null hypothesis since the value is less than the level of significance. Thus the study concludes that dividend announcement has an effect on stock returns of firms listed at the Nairobi Securities Exchange for the year 2014.

4.4 Findings interpretation

The main aim of the study was to establish the effects of dividend announcement on stock returns for firms listed at the Nairobi Securities Exchange. The average abnormal returns (AAR) were calculated by subtracting the expected returns from the daily returns and adding the

dividend payment announced during the period for each of the days after announcement. The cumulative average returns were then calculated by summing up the average abnormal returns before and after the announcement. This is well illustrated in Chapter three on analytical model. The output of AAR and the CAAR were graphed to show the trend from year 2010 to 2014. A test of significance was conducted using the t-test for both the AAR and CAAR from year 2010 to 2014. Research findings shows that on average, the average abnormal returns for all the years were positive before the announcement date and negative after the announcement date. The figure showing results for AAR and the CAAR shows that there are significant changes before and after the announcement of dividends payment as evidenced by the curves.

The curve for CAAR slopes upward for all the years and downward after the announcement date. This shows that stock returns for the selected firms reacts positively towards the dividend announcement in all the five years. From the test of significance, the null hypothesis that dividend announcement does not have an effect on the stock returns of firms listed at the NSE is rejected. This shows that dividend announcement is statistically significant and affects the stock returns positively.

The study findings are in line with those of Muigai (2012) who analyzed the effect of dividend declaration on share prices of banks listed on the NSE. The study covered a period of 5 years from 2007 to 2011 and 10 banks were considered for the study. The event study methodology was used and an event window of 91 days. 60 days were used as the estimation window. The finding of this study did not indicate any conclusive pattern of the effect of dividend declaration on the share prices of the banks listed on the NSE. The study recommended further research to establish the other factors that influence the share prices of the banks listed.

Further the findings are backed up by Wamweya (2012) who sought to test whether post earnings announcement drift exist at NSE. The study aimed to verify whether positive earnings surprise were followed by positive abnormal stock returns and whether negative earnings surprise was followed by negative abnormal stock returns during the event window of 60 days. 38 securities were sampled and analyzed over a period of three years from 2009 to 2011. The results showed that firms that report good news in their earnings tend to have their stock returns move upwards in direction of the earnings surprise. The same trend hold for firms that report bad news where their stock returns tend to move downwards for a period of at least 60 days from earnings announcement. The researcher recommended further research using better methods of earnings forecast and a longer period of study.

CHAPTER FIVE

SUMMARY OF FINDINGS CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study and gives the conclusions and recommendations of the study based on the objectives of the study. The objective of the study was to establish the effects of dividend announcement on stock returns for firms listed at the Nairobi Securities Exchange.

5.2 Summary of the Findings

The study sought to examine the effect of dividend announcements on the stock returns of firms listed at the Nairobi Securities Exchange. The period covered was five years from 2010 to 2014. An event window of 60 days (30 days before and 30 days after the announcement) was used.

The average abnormal returns (AAR) were calculated by subtracting the expected returns from the daily returns and adding the dividend payment announced during the period for each of the days after the announcement. The cumulative average returns were then calculated by summing up the average abnormal returns before and after the announcement.

The analysis for the five years shows that for each of the year, the curve for average abnormal return change drastically both before the dividend announcement date and after, but is negative at some point before the dividend announcement date and positive after the announcement date.

On the other hand, the curve for cumulative average abnormal return for each of the years generally slopes upward 30 days before the dividend announcement date and is generally downward sloping after the announcement date.

Both curves have a sharp kink on the day of announcement, a clear indication that dividend announcement has a significant effect on stock returns.

In general, the average abnormal returns were positive before the announcement date and negative after the announcement date. There was an increase in the cumulative abnormal returns before the dividend announcement date leading to an upward sloping curve and a general decrease after the dividend announcement date leading to a downward sloping curve.

A t- test done to test the level of significance showed that dividend announcement has significant effect on stock returns of firms listed at the Nairobi Securities Exchange.

5.3 Conclusions

Academic literature suggested that dividend payments have no impact on share prices (Miller and Modigliani, 1961) in the absence of taxes and other market imperfections. However, Walter (1956) and Gordon (1959 and 1962) showed that valuation of stock depends on expected future dividends.

This study concludes that dividend announcement has an effect on stock returns of firms listed at the Nairobi Securities Exchange as it is evidence by the findings. The study also concludes that dividend announcements are significant in determining firms' value and that most information implicitly in the announcement is reflected in the securities prices as of the announcement period with the largest change in most categories occurring in the announcement period.

This means that the information contained in dividend announcements has influence on a firm's future value. The findings also lead to the conclusion that the Nairobi Securities Exchange is not semi strong form efficient as some investors can earn abnormal returns by having unequal access to public information.

5.4 Limitations of the Study

This study covered a period of five years and considered an event window of sixty days which is a fairly short period to study changes in variables over time. The study was also limited to a sample of the NSE 20 share firms which is too small considering the population of 63 firms listed as at 31 December 2014 and many other firms that are not listed in the Nairobi Securities Exchange.

5.5 Recommendations for Further Studies

The Nairobi Stock Exchange plays a critical role in the economic development of this country. In view of this fact, it is important that sufficient information on the Exchange be available to all stakeholders including investors, students and the general public. This study covered a period of five years and considered an event window of sixty days. It is recommended that a longer period of time be considered in order to obtain more reliable findings. Further studies can be carried out to establish the effects of other corporate actions including profit warning on the stock prices of firms listed on the stock exchange. In addition, in view of the fact that the Nairobi Securities Exchange recently adopted the electronic trading system, studies can be undertaken to establish whether the electronic system has had an impact on way the exchange impounds new information.

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Appendix 1 FIRMS LISTED AT THE NSE AS AT DECEMBER 2014

SECTOR	COMPANY
Agruculture	Eaagads Limited
	Kakuzi Limited
	Kapchorua Tea
	The Limuru Tea Company Limited
	Rea Vipingo Plantations Limited
	Sasini Limited
	Williamson Tea Kenya
Automobile & Accessories	Car & General Kenya Limited
	Marshalls (EA) Limited
	Sameer Africa Limited
Banking	Barclays Bank of Kenya
	CFC Stanbic of Kenya Holdings
	Diamond Trust Bank Kenya Limited
	Equity Group Holdings Limited
	Housing Finance Company Kenya Limited
	I&M Holdings Limited
	Kenya Commercial Bank Limited
	National Bank of Kenya Limited
	NIC Bank Limited
	Standard Bank of Kenya Limited
	The Cooperative Bank of Kenya
Commercial & Services	Atlas Development & Support Services Limited
	Express Kenya Limited
	Hutchings Biemer Limited
	Kenya Airways Limited
	Longhorn Publishers Limited
	Nation Media Group Limited
	Standard Group Limited
	TPS Eastern Africa Limited
	Uchumi Supermarket Limited
	WPP Scangroup Limited
	Construction & Allied
Bamburi Cement Limited	
Crown Paints Kenya Limited	
EA Cables Limited	
EA Portland Cement Company	
Energy & Petroleum	KenGen Company Limited
	KenoKobil Limited
	Kenya Power & Lighting Company

	Total Kenya Limited
	Umeme Limited
Insurance	British American Investment Company (K) Limited
	CIC Insurance Group Limited
	Jubilee Holdings Limited
	Kenya Re Insurance Corporation Limited
	Liberty Kenya Holding Limited
	Pan Africa Insurance Holdings Limited
Investment	Centum Investment Company Limited
	Home Africa Limited
	Kurwitu Ventures Limited
	Olympia Capital Holdings Limited
	Trans Century Limited
Investment Services	Nairobi Securities Limited
Manufacturing & Allied	A Baumann & Co Limited
	BOC Kenya Limited
	BAT Kenya Limited
	Carbicid Investment Limited
	East African Breweries
	Eveready East Africa
	Flame Tree Group Holdings Limited
	Kenya Orchards Limited
	Mumias Sugar Company Limited
	Unga Group Limited
Telecommunication Technology	& Safaricom Limited

NSE 20 FIRMS

1. ICDC Investment Company
2. Kenya Electricity Generating Company
3. Mumias Sugar Company
4. Rea Vipingo Plantations Ltd.
5. CMC Holdings
6. Express Ltd.

7. Nation Media Group
8. Sasini Ltd.
9. Kenya Airways
10. [Safaricom](#) Ltd.
11. [Barclays Bank](#) (K) Ltd.
12. Equity Bank
13. Kenya Commercial Bank
14. [Standard Chartered Bank](#) (K) Ltd.
15. Bamburi Cement Ltd.
16. British American Tobacco Ltd.
17. East African Breweries Ltd.
18. East African Cables
19. Kenya Power & Lighting Company
20. Athi River Mining

Appendix 11 DATA FOR AAR AND CAAR FOR 2010 -2014

Day	2010		2011		2012		2013		2014	
	AAR	CAAR	AAR	CAAR	AAR	CAAR	AAR	CAAR	AAR	CAAR
1	0.01	0.01	0.04	0.04	0.02	0.02	0.06	0.06	0.05	0.05
2	0.02	0.03	0.00	0.04	-0.04	-0.02	0.01	0.07	0.00	0.06
3	0.00	0.03	0.00	0.04	0.07	0.05	-0.01	0.06	-0.02	0.03
4	0.00	0.03	-0.01	0.04	-0.01	0.04	0.02	0.02	-0.04	-0.04
5	0.00	0.02	0.00	0.04	0.02	0.05	0.02	0.04	-0.02	-0.05
6	0.01	0.03	-0.01	0.03	0.00	0.05	0.01	0.05	0.02	-0.03
7	0.09	0.13	-0.01	0.02	0.00	0.05	0.01	0.01	0.01	0.01
8	0.04	0.17	0.00	0.02	-0.01	0.04	0.00	0.01	0.02	0.02
9	0.04	0.20	0.00	0.02	-0.01	0.04	0.01	0.03	0.02	0.05
10	0.01	0.21	0.00	0.02	-0.01	0.02	0.03	0.03	-0.01	-0.01
11	-0.03	0.18	-0.01	0.01	0.01	0.03	0.02	0.05	-0.01	-0.02
12	0.00	0.18	-0.01	0.00	-0.01	0.03	0.01	0.06	-0.01	-0.03
13	-0.01	0.17	-0.02	-0.02	0.01	0.03	0.01	0.01	-0.01	-0.01
14	-0.01	0.16	0.00	-0.02	0.02	0.05	-0.01	0.00	-0.01	-0.02
15	-0.04	0.12	0.02	0.01	0.02	0.08	0.02	0.02	0.01	-0.01
16	-0.01	0.11	0.01	0.01	0.00	0.07	0.01	0.01	0.00	0.00
17	-0.02	0.09	0.00	0.02	0.01	0.08	0.01	0.03	-0.01	-0.01
18	0.00	0.09	0.00	0.02	0.00	0.08	-0.01	0.02	-0.02	-0.02
19	0.01	0.11	0.00	0.02	0.01	0.09	0.02	0.02	0.01	0.01
20	0.02	0.12	0.00	0.01	-0.01	0.08	0.01	0.04	0.00	0.00

21	0.01	0.13	0.01	0.02	0.00	0.08	0.02	0.06	0.00	0.00
22	-0.02	0.11	0.00	0.02	0.01	0.09	0.06	0.06	-0.01	-0.01
23	-0.02	0.09	0.00	0.02	0.00	0.08	0.07	0.13	0.00	-0.01
24	0.00	0.09	0.00	0.02	0.02	0.11	0.01	0.14	0.00	-0.01
25	0.00	0.09	-0.01	0.01	0.02	0.13	-0.03	-0.03	0.00	0.00
26	0.00	0.09	-0.01	0.00	-0.01	0.12	0.00	-0.02	0.01	0.00
27	0.00	0.09	0.02	0.02	0.00	0.12	-0.01	-0.03	-0.01	0.00
28	-0.01	0.08	0.01	0.03	0.02	0.14	0.00	0.00	-0.01	-0.01
29	-0.03	0.05	0.01	0.04	-0.01	0.13	0.02	0.02	0.01	0.00
30	0.01	0.06	-0.01	0.03	-0.07	0.06	0.01	0.03	0.01	0.01
31	-0.01	0.05	-0.01	0.02	0.01	0.07	-0.78	-0.78	-0.02	-0.02
32	-0.01	0.04	-0.02	0.00	0.01	0.09	0.01	-0.77	-0.01	-0.02
33	0.00	0.04	-0.01	-0.01	-0.01	0.08	0.00	-0.77	0.00	-0.02
34	0.02	0.06	0.01	0.00	0.01	0.09	0.04	0.04	-0.01	-0.01
35	0.00	0.06	-0.02	-0.02	0.00	0.09	0.04	0.08	0.00	-0.01
36	-0.01	0.05	-0.02	-0.04	-0.01	0.08	0.03	0.12	-0.01	-0.02
37	0.00	0.05	-0.04	-0.08	0.00	0.09	0.05	0.05	0.00	0.00
38	0.01	0.05	-0.03	-0.12	0.01	0.09	0.03	0.08	0.00	0.00
39	0.00	0.06	0.03	-0.09	0.00	0.10	0.04	0.11	0.00	0.00
40	-0.01	0.04	0.00	-0.09	0.01	0.10	0.04	0.04	0.00	0.00
41	0.00	0.04	0.00	-0.09	-0.02	0.08	-0.01	0.03	-0.01	-0.02
42	0.00	0.04	0.01	-0.07	0.00	0.09	0.03	0.05	0.01	-0.01
43	0.00	0.04	0.04	-0.04	0.01	0.10	0.02	0.02	0.01	0.01
44	0.00	0.04	-0.01	-0.04	-0.01	0.09	0.02	0.05	0.01	0.02

45	0.00	0.04	-0.03	-0.07	-0.02	0.07	-0.01	0.03	-0.02	0.00
46	-0.01	0.03	0.01	-0.07	0.01	0.08	0.06	0.06	0.02	0.02
47	0.00	0.03	0.02	-0.05	-0.01	0.07	0.07	0.13	-0.02	0.00
48	0.00	0.03	-0.01	-0.06	-0.02	0.04	0.07	0.21	0.01	0.00
49	0.01	0.04	0.01	-0.05	0.02	0.06	0.12	0.12	0.00	0.00
50	0.01	0.04	0.00	-0.05	-0.01	0.05	0.06	0.18	0.00	0.00
51	0.00	0.04	0.01	-0.04	0.00	0.05	0.07	0.24	0.00	-0.01
52	0.00	0.04	0.01	-0.04	-0.02	0.03	0.02	0.02	0.00	0.00
53	-0.01	0.03	0.01	-0.03	0.00	0.03	0.02	0.04	0.00	0.00
54	-0.01	0.03	0.01	-0.02	0.01	0.04	0.04	0.08	-0.01	-0.01
55	0.00	0.03	0.01	-0.01	0.00	0.05	0.04	0.04	0.00	0.00
56	-0.02	0.02	0.00	-0.01	-0.01	0.03	0.03	0.07	0.00	0.01
57	0.00	0.01	-0.01	-0.01	0.01	0.04	0.06	0.13	0.00	0.01
58	0.00	0.02	0.00	-0.02	-0.03	0.01	0.04	0.04	0.00	0.00
59	0.00	0.02	0.02	0.01	0.00	0.01	0.02	0.06	0.02	0.02
60	0.01	0.03	0.01	0.01	0.00	0.02	0.03	0.09	0.11	0.13

Appendix 111 DECLARED DIVIDEND ANNOUNCEMENT AT THE NSE

COMPANY	DECLARED	RATE	ANN'CED	CLOSURE
CMC Holdings	FINAL	0.35	12-Jan-10	18-FEB-2010
EA BREWERIES	INTERIM	2.50	17-Feb-10	25-Feb-2010
BARCLAYS	FINAL	2.00	18-Feb-10	18-MAR-10
EQUITY BANK	FINAL	0.40	18-Feb-10	11-MAR-10
NIC BANK	FINAL	0.25	24-Feb-10	30-APR-10
NIC BANK	BONUS	1:10	February 24, 2010	25-MAR-2010
KCB	1ST & FINAL	1.00	25-Feb-10	25-MAR-10
kplc	INTERIM	3.00	26-Feb-10	10-MAY-10
EA CABLES	FINAL	0.50	26-Feb-10	29-MAR-10
BAMBURI	SPECIAL.DIV	4.00	February 26, 2010	26-MAR-10
BAMBURI	FINAL	5.50	26-Feb-10	26-Mar-10
SAMEER AFRICA	1ST & FINAL	0.50	26-Feb-10	26-Mar-10
DIAMOND TRUST	1st & final	1.55	18-Mar-10	25-MAY-10
NATION MEDIA GROUP	FINAL	4.00	22-Mar-10	27-MAY-10
NATION MEDIA GROUP	BONUS	1:10	22-Mar-10	07-MAY-10
ACCESSKENYA	FINAL	0.30	22-Mar-10	07/MAY/10
SStandard Group	SCRIP DIVIDEND	0.50	24-Mar-10	05-MAY-10
Kenya Oil	FINAL	3.25	April 7, 2010	21-APR-10
SCANGROUP	1st & final	0.50	April 29, 2010	21-MAY-10
kenya re	1st & final	0.50	April 29, 2010	29-Jun-10
KENOLKOBIL	SHARE SPLIT	10:1	May 20, 2010	07-Jun-10
SAFARICOM	FINAL	0.20	May 25, 2010	01-Jun-2010
SCBK	Rights Issue		2-Jun-10	02-Sep-10
KCB	Rights Issue	2:5 @ 17/-	3-Jun-10	SUBJECT TO APPROVAL
KENYA AIRWAYS	1st & final	1.00	June 4, 2010	18-Jun-10
NATION MEDIA GROUP	INTERIM	1.50	August 2, 2010	29-OCT-10

BAMBURI	INTERIM	1.50	August 6, 2010	27-AUG-10
BARCLAYS	INTERIM	0.75	August 11, 2010	3-SEP-10
JUBILEE Holdings	INTERIM	1.00	August 16, 2010	02-SEP-10
NIC BANK	INTERIM	0.25	August 19, 2010	20-SEP-10
MUMIAS Sugar	1ST & FINAL	0.40	August 27, 2010	29-SEP-10
SASINI	FINAL	0.30	December 8, 2010	31-DEC-201
BAMBURI	FINAL	7.00	February 28, 2011	31-MAR-2011
EQUITY BANK	1ST & FINAL	0.80	February 28, 2011	28-MAR-11
JUBILEE HOLDINGS	BONUS	1:10	April 4, 2011	26-MAY-2011
SAFARICOM	DIVIDEND	0.20	May 19, 2011	15-JUN-2011
SASINI	INTERIM	0.50	May 23, 2011	08-SEP-2011
KENYA AIRWAYS	1ST & FINAL	1.50	June 2, 2011	13-JUN-2011
EA BREWERIES	FINAL	6.25	August 26, 2011	28-OCT-2011
MUMIAS Sugar	1ST & FINAL	0.50	August 26, 2011	30-SEP-2011
KPLC	BONUS	1:8	October 19, 2011	29-DEC-2011
KPLC	FINAL	0.10	October 19, 2011	28-FEB-2012
CARBACID	FINAL	3.00	October 24, 2011	16-DEC-2011
KENGEN	FINAL	0.5	October 26, 2011	15-NOV-2011
EA PORTLAND	1ST & FINAL	0.50	October 28, 2011	09-DEC-2011
SASINI	FINAL	0.50	December 13, 2011	15-DEC-2011
REA VIPINGO	1ST & FINAL	1.10	January 16, 2012	03-FEB-2012
CAR & GENERAL	FINAL	0.55	January 30, 2012	30-MAR-2012
BAMBURI	FINAL	8.00	February 24, 2012	23-MARCH-2012

KPLC	INTERIM	0.20	February 27, 2012	23-MARCH-2012
ACCESSKENYA	BONUS	1:20	March 14, 2012	13-APRIL-2012
NATION MEDIA GROUP	FINAL	6.50	March 15, 2012	13-JUNE-12
TPS EASTERN AFRICA	FINAL	1.30	March 15, 2012	13-APRIL-12
KENYA AIRWAYS	Rights Issue	16:5	March 19, 2012	29-MAY-12
LIMURU TEA	FINAL	7.50	March 27, 2012	12-APR-12
KAKUZI	1ST & FINAL	3.75	April 2, 2012	23-MAY-12
STANDARD GROUP	BONUS	1:10	April 4, 2012	31-MAY-12
SAMEER AFRICA	1ST & FINAL	0.20	April 20, 2012	23-APR-12
KENYA REINSURANCE	1ST & FIANL	0.35	April 24, 2012	
KENYA REINSURANCE	BONUS	1:6	April 24, 2012	08-JUN-12
SAFARICOM	DIVIDEND	0.22	May 10, 2012	22-JUN-12
SCANGROUP	1ST & FINAL	0.70	April 18, 2012	13-SEP-12
Athi River Mining	SHARE SPLIT	5:1	May 14, 2012	31-MAY-12
KENYA AIRWAYS	1ST & FINAL	0.25	June 14, 2012	ELECTRONIC CREDITING 07-JAN-2013
NATION MEDIA GROUP	INTERIM	2.50	August 8, 2012	04-SEP-12
MUMIAS Sugar	1ST & FINAL	0.50	August 31, 2012	21-SEP-12
UCHUMI	1ST & FINAL	0.30	October 17, 2012	05-DEC-12
CARBACID	FINAL	3.00	October 23, 2012	07-JAN-2013
KENYA POWER	FINAL	0.30	October 27, 2012	14-NOV-2012
SAMEER AFRICA	INTERIM	0.25	November 26, 2012	19-DEC-2012
EA CABLES	INTERIM	0.40	November 26, 2012	05-FEB-2013
SASINI	FINAL	0.25	December 20, 2012	27-DEC-2012

BARCLAYS	FINAL	0.70	February 12, 2013	28-MAY-2013
EABL	INTERIM	1.50	February 15, 2013	13-MAR-13
SAFARICOM	FINAL	0.31	May 14, 2013	06-JUNE-2013
SASINI	INTERIM	0.25	May 24, 2013	12-SEPTEMBER-2013
BARCLAYS	INTERIM	0.2	August 6, 2013	02-Aug-2013
BAMBURI	INTERIM	2	August 8, 2013	06-SEP-2013
CFC STANBIC HOLDINGS	INTERIM	0.63	August 12, 2013	06-SEP-2013
BOC GASES	INTERIM	2.6	August 13, 2013	30-AUG-2013
JUBILEE HOLDINGS	INTERIM	1	August 15, 2013	06-SEP-2013
NIC BANK	INTERIM	0.25	August 22, 2013	13-SEPT-2013
KPLC	INTERIM	0.20	February 27, 2014	09-MAY-2014
KCB	1ST & FINAL	2.00	February 27, 2014	31-MAR-2014
EQUITY BANK	1ST & FINAL	1.50	February 28, 2014	12-MAY-2014
BAT	FINAL	33.50	February 28, 2014	14-MAR-2014
NIC BANK	BONUS	1:10	3/Mar/14	28-MAR-2014
NIC BANK	FINAL	0.75	March 3, 2014	SUBJECT TO APPROVAL
UCHUMI	1ST& FINAL	0.30	August 29, 2014	17-Oct-2014
UCHUMI	Rights Issue	3:8 @ 9.00	October 14,2014	02-DEC-2014
EA CABLES	INTERIM	0.50	October 15,2014	October 22,2014
CARBACID	FINAL	0.30	October 17,2014	17-NOV-2014