THE EFFECT OF DIVIDEND PAY OUT RATIO ON THE FINANCIAL PERFORMANCE OF COMPANIES LISTED ON THE NAIROBI SECURITIES EXCHANGE

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DECLARATION

I hereby declare that this research project is my original work and has not presented in any other institution

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

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DEDICATION

This research is dedicated to my family members for their support and encouragement all through. They were such an inspiration and a pillar.

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I thank God for having enabled me to write this research project, for the guidance and strength all though my studies till completion of this research project. I would like to acknowledge my supervisor Dr kennedy Okiro for his guidance and support throughout the entire process. Finally special recognition goes to my husband and parents for their endless support and encouragements.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF ABBREVIATIONS

AAR	Average Abnormal Returns
CAAR	Cumulative Average Abnormal Returns
CMA	Capital Market Authority
DSE	Dhaka Stock Exchange
EMH	Efficient Market Hypothesis
IPO	Initial Public Offering
KNBS	Kenya National Bureau of Standards
NASI	NSE All Share Index
NSE	Nairobi Securities Exchange
NYSE	New York Stock Exchange
TAAR	Total Average Abnormal Returns
TCAA	Total Cumulative Average Abnormal Returns

ABSTRACT

Enhancing shareholders' wealth and profit making are among the major objectives of a firm. Shareholder's wealth is mainly influenced by growth in sales, improvement in profit margin, capital investment decisions and capital structure decisions. Studies have shown that there exists a relationship between the dividend payout ratio and firm's financial performance. The studies undertaken in Kenya on the relationship between dividends payout ratio and financial performance have not attempted to establish why different sectors of the stock exchange behave differently to dividends payout ratios. The purpose of this study therefore, was to establish the effects of dividend payout ratio on financial performance of companies listed in the NSE. A descriptive research design was applied in this study. The population of interest in this study consisted of all the 62 firms quoted in the Nairobi Securities Exchange. In this study emphasis was given to secondary data which was obtained from the financial statements covering the years 2011-2014 for firms that announce dividends. In order to test the relationship between the variables the inferential tests including the regression analysis was used to determine the effect of dividend payout ratio on financial performance. The study found that the three variables contribute to 68.4% of financial performance and that a unit increase in dividend payout ratio leads to a 0.153 increase in financial performance. From the study findings and discussion, the study concludes that dividend payout ratio affect the level of financial performance of companies listed in the NSE. The conclusion is that dividend payout ratio had a positive and significant affect financial performance of companies listed in the NSE for the period of this study. The study recommends that managers should reduce their total debts to increase financial performance of firms and shareholder value. The study also recommends that the management of various companies listed on the NSE take cognizance of the findings in this study as a starting point to understanding how industry factors influence the dividend payout ratios of firm performance. The study further recommends that the companies listed in the NSE should pay more attention to leverage and firm size which influence the financial performance of a firm positively.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

A dividend is a distribution from a firm to its investors (Welch, 2009). Dividend payout ratio is the fraction of net income a firm pays to its stockholders in dividends. The part of the earnings not paid to investors is left for investment to provide for future earnings growth .Dividends are the distribution of a company's gains over a fixed period of time to shareholders (Brigham and Houston, 2009).A Company can retain its profit for the purpose of reinvestment in the business operations (Known as retained earnings) or it can distribute the profit among its shareholders in the form of dividends. Dividends usually in the form of cash or stocks are usually issued regularly at the same time each year. Financial managers must decide how much of a firm's profit should be paid off as dividends and must determine the size of dividends per share .This is called the dividend policy (Silbiger, 1999).There is no obligation to pay dividends, but most companies will offer shareholders a return on their investments as long as the company is not experiencing financial problems .Dividends are extremely important because they show clearly the cash generating ability of the firm (Silbiger, 1999)

Enhancing shareholders' wealth and profit making are among the major objectives of a firm (Pandey, 2003). Shareholder's wealth is mainly influenced by growth in sales, improvement in profit margin, capital investment decisions and capital structure decisions. Firm performance in this case can be viewed as how well a firm enhances its shareholders' wealth and the capability of a firm to generate earnings from the capital invested by shareholders. Dividend policy can affect the value of the firm and in turn, the

wealth of shareholders (Baker et al., 2001). Among the requirements that companies that want to be listed in the Nairobi Securities Exchange must fulfill, is that they should have a clear future dividend policy (Kenya Gazette Legal Notice No 60 May, 2002). This makes dividend policy worthy of serious management attention

There are many theories of dividend and investment which explain effects of shareholders value; Rational Expectations theory states that players in an economy will act in a way that conform to what can logically be expected in the future. That is, a person will invest and spend according to what he or she rationally believes will happen in the future. There is also the tax preference theory where Litzenberger and Ramaswamy (1986) based the tax preference theory on observation of the American stock market. They presented two reasons why an investor may prefer a low dividend payout ratio to a higher one. First, long term capital gains are taxed at lower interest rates or none at all like the case in Kenya whereas dividends are taxed at marginal rates. Secondly, taxes are not paid on capital gains until stock is sold. The required rate of return is therefore lower for a security with lower payout ratio. The relationship between dividend payouts and earnings of firms quoted in the stock exchange are expected to follow the efficient-market hypothesis (EMH), or the Joint Hypothesis Problem, which asserts that financial markets are information efficient (Fama, 1991).

1.1.1Dividend Payout Ratio

The dividend payout ratio measures the percentage of net income that is distributed to shareholders in the form of dividends during the year. In other words, this ratio shows the portion of profits the company decides to keep funding operations and the portion of profits that is given to its shareholders. Investors are particularly interested in the

dividend payout ratio because they want to know if companies are paying out a reasonable portion of net income to investors. For instance, most startup companies and tech companies rarely give dividends at all (Benartzi, 1997).

Dividend policies are regulations and guidelines that a firm develops and implement as a means of splitting their earnings between distributing to their shareholders and retained earnings. The main aim of dividend policy is to maximize the shareholders wealth. Dividend policy remains a source of controversy despite years of theoretical and empirical research, including one aspect of dividend policy: the linkage between dividend policy and stock price Nissim et al 2001). Paying large dividends reduces risk and thus influence stock price (Gordon 1963) and a proxy for the future earnings (Baskin 1989).Dividends are relevant because they have informational value. Financial signaling theory implies that dividends maybe used to convey information. Information, rather than dividend itself, affects share prices (Brigham and Gapenski, 1994.)

Public companies usually pay dividends on a fixed schedule, but may declare a dividend at any time, sometimes called a special dividend to distinguish it from the fixed schedule dividends. Cooperatives, on the other hand, maintain a given dividend payout ratio according to members' activity, so their dividends are often considered to be a pre-tax expense (Brigham and Gapenski, 1994).

1.1.2 Financial Performance

A firm’s financial performance, in the view of the shareholder, is measured by how better off the shareholder is at the end of a period, than he was at the beginning and this can be determined using ratios derived from financial statements; mainly the balance sheet and

income statement, or using data on stock market prices (Berger et al, 2002). These ratios give an indication of whether the firm is achieving the owners' objectives of making them wealthier, and can be used to compare a firm's ratios with other firms or to find trends of performance over time (Berger et al, 2002).

Ross et al (1977) states that an adequate performance measure ought to give an account of all the consequences of investments, on the wealth of shareholders. The main objective of shareholders in investing in a business is to increase their wealth. Thus the measurement of performance of the business must give an indication of how wealthier the shareholder, has become as a result of the investment over a specific time.

1.1.3 Dividends payout ratio and financial performance

The relationship between dividends payout ratio and financial performance remains an unresolved issue. According to some studies in the finance literature, dividend payout ratio can predict future earnings and hence be used to determine financial performance. Miller and Modigliani (1961) used logical analysis to explain firms' dividend policy. They asserted that in a perfect market, the value of a firm would be independent of its dividend policy and that a change in dividend policy would indicate a change in the management's view of future earnings hence impact on a firm's financial performance. Benartzi, et al (1997) found limited support for the view that dividend changes have information content about future earnings of a firm. They stated that, while there is a strong past and concurrent link between earnings and dividend changes, the predictive value of changes in dividends seems minimal.

Since investors want to see a steady stream of sustainable dividends from a company, the dividend payout ratio analysis is important. A consistent trend in this ratio is usually more important than a high or low ratio. Since it is for companies to declare dividends and increase their ratio for one year, a single high ratio does not mean that much. Investors are mainly concerned with sustainable trends. For instance, investors can assume that a company that has a payout ratio of 20 percent for the last ten years will continue giving 20 percent of its profit to the shareholders .Conversely, a company that has a downward trend of payouts is alarming to investors. For example, if a company's ratio has fallen a percentage each year for the last five years might indicate that the company can no longer afford to pay such high dividends. This could be an indication of poor operating performance. Generally, more mature and stable companies tend to have a higher ratio than newer startup companies (Nissim et al 2001).

Mozes and Rapaccioli (1998) examined the relationship between dividends and corporate earnings. They provided evidence that large dividend payout ratios lead to a decline in future earnings and small dividend increases lead to an increase in future earnings. They further argued that if a firm reported a loss, a decrease in dividends would have to reach a certain amount before it provided enough information that the firm would continue to report a loss. Mozes and Rapaccioli suggested that the relationship between the dividend decrease and future earnings would not be positive and linear.

1.1.4 Firms Listed at the Nairobi Securities Exchange

Securities market is a public market for trading of company securities and derivatives at an agreed price. These securities are listed on a stock exchange as well as those only traded privately (Hamilton, 1922). Stock market is one of the most important sources for

companies to raise money as it allows business to be traded publicly. Participants range from small individual stock investors to large hedge fund traders, who can be based anywhere (Jaswani, 2008).

The NSE, which was formed in 1954 as a voluntary organization of brokers, is now one of the most active markets in Africa. The NSE has played a role in increasing investor confidence by modernizing its infrastructure. At the dawn of independence, stock market activity slumped due to uncertainty about the future of independence in Kenya. However, after three years of calm and financial performance, confidence in the market was rekindled and the exchange handled a number of highly over-subscribed public issues (NSE 2013).

Companies listed in the NSE are categorized in ten sectors that describe the nature of their business. They are; agricultural, commercial and services, telefirm ownership and technology, automobiles and accessories, banking, insurance, investment, manufacturing and allied and construction and allied. Currently there are sixty two firms listed in the Nairobi securities exchange market. They all have to comply with the regulations of the NSE (NSE, 2013).

1.2 Research Problem

A great deal of theoretical and empirical research on dividend payout ratio effects has been done over the last several decades. Theoretically, cash dividend means giving reward to the shareholders that is something they already own in the company; hence this will be offset by the decline in stock value. Higher Earnings per Share means that there is more value that has been retained for the shareholders which is reflected by appreciation

in the stock value. Studies have shown that there exists a relationship between the dividend payout ratio and share prices. The studies undertaken in Kenya on the relationship between dividends payout ratio and financial performance have not attempted to establish why different sectors of the stock exchange behave differently to dividends payout ratios (Calitus 2013).

Legally firms are not required to adopt a specific dividend payout ratio, however dividend distribution do face legal restrictions. For instance, the dividend should not be paid out of capital unless during liquidation. Financial signaling theory affirms that the dividend payout ratio may be used to convey information. Information, rather than dividends itself, affects share prices. The payment of dividend and the payout ratio conveys to shareholders how that the company is profitable and financially strong. This in turn causes upsurge in demand for the firm's shares causing a rise in their prices. When a firm changes its dividends payout ratio, investors assume that it is in response to an expected change in the firm profitability which will last long. An increase in payout ratio signals to shareholder a long term increase in firm's expected earnings. Accordingly, the prices of shares are affected by changes in dividends (Bhattacharya 1979).

Karanja (1987) studied dividend practices of publicly quoted companies and found out that there were many reasons why many firms paid dividends and observed different dividend payout ratios. One reason was lack of investment opportunities which promises adequate returns, firms cash position will be the most important consideration of timing of dividends after bonus issue. Njoroge (2001) examined the relationship between

dividends payout and some financial ratio such as return on assets. The results obtained were that the most significant variable in making dividends decision is return on assets.

A number of studies (Arnott & Asness 2003; Farsio et al 2004 and Nissim & Ziv 2001) have been done with regard to dividend policy and firm performance, especially in developed economies. Can the findings of those studies be replicated in emerging economies or infant capital markets? In Kenya, few empirical studies have been done to establish the relationship between dividend payout and firm performance. This study therefore comes in to fill the void by establishing indeed what is the effect of dividend payout ratio on the financial performance of listed companies in Kenya.

1.3 Research Objective

The general objective of the research was to establish the effect of dividend payout ratio on the financial performance of listed companies in Kenya.

1.4 Value of the Study

The study would be of importance to various parties and stakeholders in the Nairobi Securities Exchange. The findings of this study would be of interest to the management of publicly listed companies who will be able to determine the effect of dividend payout ratio on the financial performance of their companies so that they can make prudent dividend decisions. The Kenyan government too will be enlightened in a bid to make policies relating to dividends and taxes. Knowledge of the effect of dividend payout ratio on the shareholders' value will help in ascertaining the appropriate amount of tax to pay out and their effects on the financial performance of the firm. Knowledge of the impact of dividend payout ratio on the shareholder's value by Capital Market Authority and other

regulatory bodies will facilitate the release of information to the shareholders accurately and on timely basis.

The findings of the study would also enable financial consultants to offer proper services to their clients. This relates to optimal dividend policy where the values for their firms can be maximized. It is important for corporate manager to understand the informational impact of dividend payout ratio on the share prices. This will help them in making disclosure policies regarding any information that is released to the stock market. Lastly investors who may need to have an indication between dividends and dividends payout ratio may use this to identify the best firm to invest their funds in.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presented the literature in the field of dividends and dividends payout ratio. First various dividend theories were discussed followed by the discussion on the dividend policy. Related studies on dividends and earnings announcement were then reviewed at the end of the chapter.

2.2 Theoretical Literature Review

Under theoretical literature review various theories by different researchers are reviewed. This section discusses the key theoretical considerations from previous studies to inform the general and specific objectives developed for this study, that is, dividend policy and firm performance; extent of their relationship; factors that affect dividend policy and forms of dividend policy used by listed firms.

The theories include; pecking order theory, the trade off theory, the signaling theory and Modigliani and miller dividend theory which give the findings that different researchers came up with on dividend payout ratio in relation to financial performance of companies. Some agree that the dividend payout ratio affects the financial performance of companies while others maintain that a company's dividend policy is irrelevant to its financial performance.

2.2.1 Pecking Order Theory

Myers (2001), argue that the standard pecking order is a special case of adverse selection. When there is adverse selection about firm value, firms prefer to issue debt over outside equity and standard pecking order models apply. However, when there is asymmetric information about risk, adverse selection arguments for debt apply and firms prefer to issue external equity over debt. Thus, adverse selection can lead to a preference for external debt or external equity depending on whether asymmetric information problems concern value or risk. The main conclusion is that adverse selection models can be a bit delicate. It is possible to construct equilibrium with a pecking order flavor. But adverse selection does not imply that pecking order as the general situation.

The pecking order theory put forth presents the idea that firms will initially rely on internally generated funds, i.e. undistributed earnings, where there is no existence of information asymmetry, and then they will turn to debt if additional funds are needed and finally they will issue equity, only as a last resort, to cover any remaining capital requirements. The order of preferences reflects the relative costs of the various financing options (Abor, 2005). Asymmetries of information between insiders and outsiders will force the company to prefer financing by internal resources, then by debt and finally by stockholders' equity. SMEs are often opaque and have important adverse selection problems that are explained by credit rationing and therefore bear high information costs (Abor 2005).

These costs can be considered null for internal funds but are very high when issuing new capital. SMEs prefer debt to new equity mainly because debt means lower level of intrusion and lower risk of losing control and decision-making power than new equity.

The pecking order theory suggests that firms follow a certain hierarchical fashion in financing their operations. They initially use internally generated funds in the form of retained earnings, followed by debt, and finally external funding. The preference is a reflection of the relative cost of the available sources of funds, due to the problem of information asymmetries between the firm and potential finance providers (Myers 2001).

2.2.2 Trade-off Theory

Says that the firm will borrow up to the point where the marginal value of tax shields on additional debt is just offset by the increase in the present value of possible cost of financial distress. The value of the firm will decrease because of financial distress (Myers, 2001). According to the study, financial distress refers to the costs of bankruptcy or reorganization, and also to the agency costs that arise when the firm's creditworthiness is in doubt.

The trade-off theory weights the benefits of debt that result from shielding cash flows from taxes against the costs of financial distress associated with leverage. According to this theory, the total value of a levered firm equals the value of the firm without leverage plus present value tax savings from debt, less the present value of financial distress costs (Myers, 2001).

2.2.3 Signaling Theory

The signaling theory was introduced by Ross (1977) and Bhattacharya (1979). Ross (1977) argued that in an inefficient market, management can use dividend payment to signal important information to the market which is only known to them. If management increases dividend, it signals expected high profit and therefore stock prices will increase.

They argued that investors can also infer information about a firm's future earnings through the signal coming from dividend announcements.

According to Miller and Modigliani (1961), if a company's stock price increases with an increase in dividend value, then the investor preference might not be the dividend but hope of future earnings as high returns. Equally, reduction in a dividend value may signal the investor that the management of the company is forecasting less or poor earnings in future. The prediction made by dividend signaling hypothesis is that dividend changes are optimistically associated with future changes in earnings and profitability. Therefore dividend decisions are relevant and a firm that pays higher dividend will have a higher value.

2.2.4. Modigliani and Miller's Theory

According to Modigliani and Miller (M-M), dividend policy of a firm is irrelevant as it does not affect the wealth of the shareholders. They argue that the value of the firm depends on the firm's earnings which result from its investment policy. Thus, when investment decision of the firm is given, dividend decision the split of earnings between dividends and retained earnings is of no significance in determining the value of the firm.

Modigliani and Miller say that the price of each share must adjust so that the rate of return, which is composed of the rate of dividends and capital gains, on every share will be equal to the discount rate and be identical for all shares. They showed that investors can affect the return on their shares regardless of the share's dividend which they maintain that they are irrelevant to investors.

2.2.5 Agency Theory

Berle and Means (1932) initially developed the agency theory and they argued that there is an increase in the gap between ownership and control of large organizations arising from a decrease in equity ownership. This particular situation provides a platform for managers to pursue their own interest instead of maximizing returns to the shareholders. In theory, shareholders of a company are the only owners, and the duty of top management should be solely to ensure that shareholders interests' are met. In other words, the duty of top managers is to manage the company in such a way that returns to shareholders are maximized thereby increasing the pro fit figures and cash flows (Elliot, 2002).

However, Jensen and Meckling (2006) explained that managers do not always run the firm to maximize returns to the shareholders. Their agency theory was developed from this explanation and the principal-agent problem was taken into consideration as a key factor to determine the performance of the firm. Jensen and Meckling (2006,) states that; an agency relationship is a contract under which one or more persons engage one another to perform some service on their behalf which involves delegating some decision-making authority to the agent.

The problem is that the interest of managers and shareholders is not always the same and in this case, the manager who is responsible of running the firm tends to achieve his personal goals rather than maximizing returns to the shareholders i.e. if both parties to the relationship are utility maximizers, there is good reason to believe that the agent will not always act in the best interests of the principal. This means that managers used the excess

free cash flow available to fulfill his personal interests instead of increasing returns to the shareholders (Jensen and Ruback, 2003).

2.3 Determinants of Financial performance

The share price of a company as at a particular day of trading is dependent on both microeconomic and macroeconomic factors, financial and non-financial factors. Several studies have been done and some of the determinants of share prices identified include:

2.3.1 Leverage

Leverage, measured as debt-equity ratio (DE), indicates the relative proportion of equity and debt that a firm is using to finance its assets. It is a measure of how much a firm is relying on debt. Since raising capital via debt involves periodic interest payments on part of firms, increased use of debt by firm would result in higher interest payments by the firm. This would in turn lower the earnings that are available to the equity shareholders of the firm and hence, investors generally prefer firms that have lower debt content in their capital structure. This way a negative relation between share price and leverage is hypothesized. (Divecha, 1983)

Van Horne (2002) argues that the advantage of debt in a world of corporate taxes is that interest payments are deductible as an expense. He went further in comparison to say that this will not be the case with dividends or retained earnings associated with stock which are not deductible by the corporation for tax purposes. Haim and Marshal (1988) argue that,debt magnifies the earnings available to shareholders. However, this assertion will only be valid if the return on assets (ROA) is higher than the cost of debt. In this case, the more the debt, the higher the return on equity (ROE). The implication of this is that

Earnings Per Share and of course, Net Assets Per Share will fall if the company obtains debt at a cost higher than the rate of return on the company's assets.

2.3.2 Size of the Firm

The size of a firm has been determined to have an effect on the valuation of the firm's assets. Smaller stocks have higher average returns. The size of the firm is expected to influence the stock returns positively as large firms are better diversified than smaller ones and thus are less risky (Benishy, 1961). Atiase (1985) showed that as the size of the firm increases, their stock price volatility declines. Azhagaiah Ramachandran (2007) states that the size of the firm does not dictate the dividend payout ratio.

The size of a firm is the amount and variety of production capacity and ability a firm possesses or the amount and variety of services a firm can provide concurrently to its customers. The size of a firm is a primary factor in determining the profitability of a firm due to the concept known as economies of scale which can be found in the traditional neo classical view of the firm. It reveals that contradictory to smaller firms, items can be produced on much lower costs by bigger firms. In accordance with this concept, a positive relationship between firm size and profitability is expected. Contrary to this, alternative theories of the firms advise that larger firms come under the control of managers pursuing self-interested goals and therefore managerial utility maximization function may substitute profit maximization of the firms' objective function. (J Alloy et al 2014)

2.3.3 Interest Rates

Stock returns react to interest rates such that if a company borrows money to expand and improve its business, higher interest rates will affect the cost of its debt. This can reduce company profits and the dividends it pays shareholders. As a result, its share price may drop. In times of higher interest rates, investments that pay interest tend to be more attractive to investors than stocks. (Bajaj and Vijh 1995)

Al-Qenae, Li & Wearing (2002) in their study of the effects of earning (micro-economic factor), leverage and interest rate (macro-economic factors) on the stock prices on the Kuwait Stock Exchange, discovered that the macro-economic factors significantly impact stock prices negatively . A rise in the interest rate differential was found to reduce the net interest margin.

2.3.4 Leverage

Udegbunam and Eriki (2001) while studying the Nigerian capital market also showed that leverage is inversely correlated to stock market price behavior. Technically, leverage means higher consumer prices. This often slows sales and reduces profits. Higher prices will also often lead to higher interest rates. In some cases, once the rate of leverage exceeds the critical level, perfect foresight dynamics do not allow an economy to converge to a steady state displaying either an active financial system or a high level of real activity.

When interest rates go up, the price of stocks tend to go down. Falling prices tend to mean lower profits for companies and decreased economic activity in a case of deflation.

Stock prices may go down, and investors may start selling their shares. Interest rates may be lowered to encourage people to borrow more (Udegbunam and Eriki 2001).

2.4 Empirical Review

Internationally studies have been done determine the effects of dividend payout ratio on stock returns in different scenarios. Miller and Modigliani (1958) argue that, in a perfect world, the value of the firm is unaffected by its dividend decision, so there should not be any wealth effect upon the announcement of a change in dividend payout policy. Modigliani and Miller also argued that changes in dividend policy do not affect the value of the firm because only clienteles change but not the value of the firm (clientele hypothesis). This clientele will prevent any corporation from affecting the market price of shares through the manipulation of the dividend yield. Miller and Scholes (1978) have also demonstrated that vehicles exist to compensate for different t tax rates on dividends and capital gains. Thus the irrelevancy of dividends in valuation may even hold in a world with taxes. His clientele will prevent any corporation from affecting the market price of shares through the manipulation of the dividend yield. Miller and Scholes (1978) have also demonstrated that vehicles exist to compensate for different t tax rates on dividends and capital gains. Thus the irrelevancy of dividends in valuation may even hold in a world with taxes.

Modigliani and Miller (1961) stated that company managers use dividends announcement to signal their beliefs in the future growth of the firm. After a dividend announcement, the shareholders belief of improved future returns increases hence increasing the demand for the stock in the market. The increased demand in turn leads to increased share prices. Litzenberger and Ramaswamy (1979 argued that tax rate on dividends is higher than tax

rate on capital gains. Therefore, a firm that pays high dividends will have a lower value since shareholder pay more on dividends. However, it was observed that there was a weak positive relationship between the dividend policy and the value of the firm's different sectors (Copeland and Weston, 1998).

The signaling effect theory advanced by Ross (1977) argued that in an inefficient market, management could use dividend policy to signal important information to the market, which is only known to them, for example, if management pays high dividends, it signals high expected profits in future to maintain the high dividend level. However, dividend announcements may not possibly reflect in the value of the firm because of weak form efficiency (efficient market hypothesis) in the developing markets. The relation between share price and dividends announcements depends on how much information is contained 16 in the announcements and how the information influences the investor's expectations (Black, 1995). Most inventors always prefer dividends over retained earnings because they fear that retained earnings might be used by insiders for their own benefits against the interest of outsiders. For the vast majority of public companies, cash dividend announcement is an important factor to maximize the value of shareholders wealth (Escherich, 2000).

Bajaj and Vijh (1995) in their study on price reactions to dividend changes are larger for low-priced stocks. They suggested this relationship is due to low price shares having larger transaction costs, which leads to less information production activities by investors and thus to relatively more information being conveyed by dividend change announcements. Lonie (1996) studied the sensitivity of investors to the increase or decrease of dividend using 620 UK companies from January to June 199. He used event

study and interaction tests. He concluded that on the average, abnormal returns of companies even one day before the announcement of dividend were significantly different from zero even for those companies in which there was no change in dividend.

Ebrahimi and Chadigani (2011) studied about the relationship between earnings, dividends and stock prices. The population included all the Iranian companies. They used cross- sectional, pooled and panel data regression models for testing the effects caused by the selected variables. The results show that in some years, the shareholders pay special attention to dividends and also price. Aamir and Shah (2011) studied about dividend announcements and the abnormal stock returns for the event firm and its rivals. They used the event study methodology to carry out their study. The population consisted of 26 announcements made by the cement, oil and gas sectors in Pakistan.

Locally some studies have also been done, Bitok (2004) in his study about the effect of dividend policy on the value of the firm conducted his research with a population of all the firms quoted at the NSE. The sample consisted of all the firms quoted consistently at NSE for a period of six years from 1998 – 2003. He used secondary data and using regression and trend analysis he found on average that there was a significant relationship between the dividend payout ratio and the value of the firm.

However, Farsio et al. (2004) argue that no significant relationship between dividends and earnings hold in the long run and studies that support this relationship are based on short periods and therefore misleading to investors. They proposed three scenarios that would render the long-term relationship of dividends and future earnings insignificant. First, they point out that an increase in dividends may lead to a decline in funds that are

to be reinvested by the firm. Firms that pay high dividends without considering investment needs may therefore experience lower future earnings (Farsio et al., 2004). There is thus a negative relationship between dividend payout and future earnings.

Njuru (2007) conducted a research on the existence of under reaction anomaly at the NSE using self-selected event, stock dividend. The study covered seven years from 1st January 1999 to 31st December 2005. He used the comparison period return approach. He observed a continuation of positive returns in the days following stock dividend announcement. He concluded that there is existence of under reaction of stock dividend announcement at NSE.

Thiga (2011) conducted a research on the relationship between dividend changes and subsequent period earning changes of Saccos in Kenya. She used descriptive survey to conduct the research. The population included 4233 Saccos registered under the societies act in Kenya. The selection criteria used was the systematic random sampling. She used Nairobi based on the fact that it is the center of Sacco activities. Secondary data over a period of five years was used. She concluded that there is a positive relationship.

Muigai (2012) examined the effects of dividend declaration on share prices of commercial banks listed at the NSE. He used a period of five years from 2007 to 2011. He used nine banks from the period 2007 to 2008 since Co-operative bank was not listed then. From 2008 to 2011 he used ten banks. He made use of the event study methodology and an event window of 91 days. 60 days were used as the estimation window. He concluded that there was no pattern observed during the event window.

Calitus (2013) analyzed determinants of dividend payout by agricultural firms listed at the NSE. The study covered the period between 2005 and 2010. The design used was non-experimental and quantitative. The data used was panel data. He observed a positive relationship between dividend payout and liquidity and profitability. He found a negative relationship on firm's growth, size and leverage.

2.5 Summary of Literature Review

From the empirical review one can draw that, different scholars got different stands. While as Modigliani and miller maintain that a dividend payout ratio is irrelevant to the financial performance of a company others like Calitus believe there is a relationship between the two. Thiga in 2011 also found out from his research that there was a positive relationship between company financial performance and dividend payout ratio of which in 2007 Njuru found out there could be a relationship. The research is therefore get the real effect today of dividend payout ratio on company financial performance. Therefore, a firm that pays high dividends should not have a lower value since its investors like dividends. This argument assumes that there are enough investors in each dividend clientele to allow firms to be fairly valued, no matter what their dividend policy is. The above studies were done in different business environments that are not reflective of the current Kenyan setting. This study therefore wishes to investigate the existing relationship between dividend payout ratio and financial performance of companies in a Kenyan setting at present.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the general methodology employed in conducting the study. The chapter presents the entire methodological approach employed in the study in order to meet the objectives of the study as set out in the introduction of the study. The chapter is divided into research design, population, sample design, data collection and data analysis.

3.2 Research Design

This study used a descriptive design to examine the effect of dividend payout ratio on the financial performance of companies listed at NSE. This was because the study aimed at establishing the relationship between two variables. A descriptive survey was undertaken in the study. The research is quantitative in nature and relied on secondary data obtained from NSE and firms' financial reports (Mugenda & Mugenda, 2003).

3.3 Population

The population of interest in this study consisted of all the firms i.e. 62 firms quoted in the Nairobi Securities Exchange (Appendix I). The study will be limited to companies that announce their dividends constantly within the period and used the 20 market index. The companies are listed in various sectors comprised of; agricultural, automobile and accessories, banking, commercial and services, construction and allied energy and petroleum, insurance, investment, manufacturing and allied, telecommunications and technology. Quoted companies in this scenario are the companies whose share can be freely transferred from one individual to another in the NSE. These companies are listed

since they have floated some of their share capital to the public and their share capital can be sold in the Nairobi security Exchange.

3.4 Sample

The study will employ a stratified simple random sampling technique on the companies that are listed at the NSE. According to Mugenda and Mugenda (2003), 10% of accessible population is sufficient to represent the total population if properly randomized. The study will consider 33 companies out of the 62 listed companies randomly sampled from each strata.

3.5 Data Collection

The study used secondary data. This was majorly gotten from the NSE share price schedules. The Nairobi Securities exchange keeps copies of financial statements of quoted companies from the time they were listed. Share prices were obtained from the daily price list schedules circulated by the Nairobi Security Exchange handbooks. Final dividend payment of each company was used for the purpose of this study. Financial performance data was also gotten from the NSE. The data will be collected for four years covering the years 2011-2014 for firms that announce dividends.

3.6 Data Analysis

Multiple regression analysis was used in this case to determine the relationship between dividend payout ratio and a firm's performance. The information gathered from secondary sources were sorted, coded and input into the statistical package for social sciences (SPSS) for production of descriptive statistics and inferential statistics. The

information generated by the SPSS were used to make generalizations and conclusions of the study.

3.6.1 Analytical Model

The multiple regression model used was as laid below. Included in the study there were also control variables that affect the performance of the firm not captured by the dividend payout.

$$\mathbf{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Where;

Y = Financial performance measured by ROA – ratio of Net income to total assets

X_1 = Dividend Payout ratio – Dividend per share/ Earnings per share.

X_2 = Firm size - The Log of total assets for a firm

X_3 = Leverage – ratio of total debt to total capital of a firm

α = the constant term

β_i = coefficient used to measure the sensitivity of the dependent variable to unit change in the predictor variables.

ε = is the error term to capture unexplained variations in the model and which is assumed to be normally distributed with mean zero and constant variance

3.6.2 Test of Significance

The inferential statistics was used to test the significance of the relationship between the dependent variable and independent variables .The technique included analysis of Variance (ANOVA) which tested the significance of the overall model at 95% level of significance. Co-efficient (R) was used to determine the magnitude of the relationship between the dependent and independent variables. Co-efficient of determination (R

squared) was used to show the percentage for which each independent variable and all independent variables combined explain the change in the dependent variable.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the information processed from the data collected during the study on the relationship between dividend payout ratio and financial performance of companies listed in the NSE.

4.2 Descriptive Statistics

Table 4. 1: Descriptive Statistics of the Study Variables

	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Dividend Payout ratio	.08	1.25	.3033	.01793	.19061	1.712	.227	4.816
Firm size	5.22	8.69	7.08	0.92	-0.16	0.21	-0.90	0.42
Leverage	0.23	21.62	3.44	2.75	3.64	0.21	19.25	0.42
Financial performance	-0.30	0.32	0.06	0.09	-0.85	0.21	4.40	0.42

Source: Author (2015)

The results in Table 4.1 showed that dividend payout ratio had a mean score of 0.3033, firm size had a mean score of 7.08, while leverage had a mean score of 3.44. Analysis of skewness shows that dividend payout ratio and leverage are asymmetrical to the right around their mean while financial performance and firm size are skewed to the left.

4.3 Regression Analysis

The study conducted a multiple regression to establish the relationship between the study variables. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (financial performance) that is explained by all the four independent variables (dividend payout ratio, firm size and leverage).

Table 4.2: Results of multiple regressions between financial performance and the combined effect of the selected predictors

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.837	0.700	0.684	0.197

Source: Author (2015)

The three independent variables that were studied explain 68.4% of the financial performance as represented by the adjusted R^2. This therefore means the four variables contribute to 68.4% of financial performance, while other factors not studied in this

research contributes 31.6% of financial performance. Therefore, further research should be conducted to investigate the other (31.6%) factors influencing financial performance of companies listed in the NSE.

Table 4.3: Summary of One-Way ANOVA results of the regression analysis between financial performance and predictor variables

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.262	3	1.754	43.520	.00265[a]
	Residual	2.257	56	0.040		
	Total	7.519	59			

Source: Author (2015)

From the ANOVA statistics in table 4.3, the processed data, which are the population parameters, had a significance level of 0.00265 which shows that the data is ideal for making a conclusion on the population's parameter. The F calculated at 5% Level of significance was 43.520. Since F calculated is greater than the F critical (value = 2.758), this shows that the overall model was significant i.e. there is a significant relationship between dividend payout ratio and financial performance.

Table 4.4: Regression coefficients of the relationship between financial performance and the three predictive variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.668	6.023		2.103	0.029
	Dividend payout ratio	0.153	0.467	0.013	0.328	0.035
	Firm size	0.455	0.421	0.204	1.081	0.027
	Leverage	0.132	0.053	0.428	2.491	0.020

Source: Author (2015)

The coefficient of regression in table 4.4 above was used in coming up with the model below:

$Y = 12.668 + 0.153\ X_1 + 0.455\ X_2 + 0.132\ X_3$

From the model, taking all factors (dividend payout ratio, firm size and leverage) constant at zero, financial performance was 12.668. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in dividend payout ratio lead to a 0.153 increase in financial performance; unit increase in firm size

will lead to a 0.455 increase in financial performance; a unit increase in leverage will lead to a 0.132 increase in financial performance. According to the model, all the variables were significant as their P- value was less than 0.05. All the variables were positively correlated with financial performance.

4.4 Summary and Interpretation of Findings

From the above regression model, the study found out that dividend payout ratio, firm size and leverage had a positive effect on financial performance. The study found out that the intercept was 12.668 for all years.

The four independent variables that were studied (dividend payout ratio, firm size and leverage) explain a substantial 68.4% of financial performance of companies listed in the NSE as represented by adjusted R^2 (0.684). This therefore means the four variables contribute to 68.4% of financial performance, while other factors not studied in this research contributes 31.6% of financial performance. The findings of this study agree with Miller and Modigliani (1961) who used logical analysis to explain firms' dividend policy. They asserted that in a perfect market, the value of a firm would be independent of its dividend policy and that a change in dividend policy would indicate a change in the management's view of future earnings hence impact on a firm's financial performance.

The study established that the coefficient for dividend payout ratio was 0.153, meaning that dividend payout ratio positively and significantly influenced the financial performance of companies listed in the NSE. This correlates to Mozes and Rapaccioli (1998) who examined the relationship between dividends and corporate earnings. They provided evidence that large dividend payout ratios lead to a decline in future earnings

and small dividend increases lead to an increase in future earnings. Mozes and Rapaccioli suggested that the relationship between the dividend decrease and future earnings would not be positive and linear. The findings however contradicts with Benartzi, et al (1997) who found limited support for the view that dividend changes have information content about future earnings of a firm. They stated that, while there is a strong past and concurrent link between earnings and dividend changes, the predictive value of changes in dividends seems minimal.

The study also established that the coefficient for firm size was 0.455, meaning that firm size positively and significantly influenced the financial performance of companies listed in the NSE. This is in line with Azhagaiah Ramachandran (2007) who indicated that the size of a firm is a primary factor in determining the profitability of a firm due to the concept known as economies of scale which can be found in the traditional neo classical view of the firm. It reveals that contradictory to smaller firms, items can be produced on much lower costs by bigger firms. In accordance with this concept, a positive relationship between firm size and profitability is expected.

The study also established that the coefficient for leverage was 0.132, meaning that leverage positively and significantly influenced the financial performance of companies listed in the NSE. This agrees with Haim and Marshal (1988) who argue that,debt magnifies the earnings available to shareholders. However, this assertion will only be valid if the return on assets (ROA) is higher than the cost of debt. In this case, the more the debt, the higher the return on equity (ROE).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary, conclusion and recommendations of the main findings on the effect of dividend payout ratio on the financial performance of companies listed on the Nairobi Securities Exchange.

5.2 Summary of Findings

Studies have shown that there exists a relationship between the dividend payout ratio and share prices. The studies undertaken in Kenya on the relationship between dividends payout ratio and financial performance have not attempted to establish why different sectors of the stock exchange behave differently to dividends payout ratios (Calitus 2013). The purpose of this study is to establish the effects of dividend payout ratio on financial performance of companies listed in the NSE. A descriptive research design was applied in this study. The population of interest in this study will consist of all the firms i.e. 62 firms quoted in the Nairobi Securities Exchange. In this study emphasis was given to secondary data which was obtained from the financial statements covering the years 2011-2014 for firms that announce dividends. In order to test the relationship between the variables the inferential tests including the regression analysis was used to determine the effect of dividend payout ratio on financial performance. The study found that the three variables contribute to 68.4% of financial performance and that a unit increase in

dividend payout ratio leads to a 0.153 increase in financial performance. From the study findings and discussion, the study concludes that dividend payout ratio affect the level of financial performance of companies listed in the NSE. The conclusion is that dividend payout ratio had a positive and significant affect financial performance of companies listed in the NSE for the period of this study. The study recommends that adequate funding should be directed towards dividend payout ratio projects preparation, implementation and maintenance. The study recommend expanding and diversifying existing modern energy use and creating sufficient awareness and supplying better technologies at affordable prices so as to sustain the financial performance with better living standards.

5.3 Conclusions

The payment of dividend and the payout ratio conveys to shareholders how that the company is profitable and financially strong. Dividend policy can affect the value of the firm and in turn, the wealth of shareholders. Dividend payout ratio can predict future earnings and hence be used to determine financial performance. From the study findings and discussion, the study concludes that dividend payout ratio affect the level of financial performance of companies listed in the NSE. The conclusion is that dividend payout ratio had a positive and significant affect financial performance of companies listed in the NSE for the period of this study. When a firm changes its dividends payout ratio, investors assume that it is in response to an expected change in the firm profitability which will last long. An increase in payout ratio signals to shareholder a long term increase in firm's expected earnings. Accordingly, the prices of shares are affected by changes in dividends (Bhattacharya 1979). The study findings are similar to those of Njoroge (2001) who did a

study on determinants of dividend pay-out ratio in Ghana and found a positive relationship between profitability and dividend pay-out ratio. Bitok (2004) also examined the relationship between dividends payout and some financial ratio such as return on assets and found that the most significant variable in making dividends decision is return on assets. The findings however contradicts with Benartzi, et al (1997) who found limited support for the view that dividend changes have information content about future earnings of a firm. They stated that, while there is a strong past and concurrent link between earnings and dividend changes, the predictive value of changes in dividends seems minimal.

The study also established that firm size positively but significantly influenced the financial performance of companies listed in the NSE. This is in line with Azhagaiah Ramachandran (2007) who indicated that the size of a firm is a primary factor in determining the profitability of a firm due to the concept known as economies of scale which can be found in the traditional neo classical view of the firm. It reveals that contradictory to smaller firms, items can be produced on much lower costs by bigger firms.

The study further concludes that leverage positively and significantly influences the financial performance of companies listed in the NSE. This correlates with Haim and Marshal (1988) who argue that, debt magnifies the earnings available to shareholders. However, this assertion will only be valid if the return on assets (ROA) is higher than the cost of debt. In this case; the more the debt, the higher the return on equity (ROE).

5.4 Limitations of the Study

The main limitations of this study with regard to data availability, the data for most companies can only be traced back only for the past four years, possibly not long enough to capture the market cycle. Further, the data was tedious to collect and compute as it was in its very raw form. The short time span of the data used in this research posed serious drawbacks in drawing clear cut conclusion from the results since it limits the number of lags that can be used.

Second, time and resources allocated to this study could not allow the study to be conducted as deeply as possible in terms of other predictor variables for financial performance of companies listed in the NSE. Another challenge is limited data availability and the uncertain quality of the data used. The quality of the data may be a weakness of this study. It is not possible to tell from this research whether the results are simply due to the nature and quality of data used or whether it is the true picture of the situation. Actually the use of the data from the various sources like the KNBS is based on the assumption that the data are accurately captured.

On the other hand, the study considered the period between 2011 and 2014, a period of 4 years. Within this period many changes occurred in the stock market that the study did not account for such as share splits for some of the companies considered in the study. These unaccounted for issues may have in one way or another affected the outcomes of the study. However, this effect was not expected for the study since the occurrence of such cases is rare and none was recorded within the study period for the firms involved in the study, though one share split was observed in the market for a firm not involved in the study. Therefore, the study was limited to the study factors only.

Another limitation is developing a model which would enable a researcher to study the relationship between the various variables. Further, the model may not be reliable due to some shortcoming of the regression models. Due to the shortcomings of regression models, other models can be used to explain the various relationships between the variables. When developing this model, there was a great need to define the dependent variables and independent variables. If the model is not correct, the process of analysis may not give the right results. In this case, multiple linear regressions was used since there were multiple variables which required to be studied.

5.5 Recommendations for Policy and Practice

The study recommends that managers design a dividend policy that will enhance financial performance and therefore shareholders value. Managers should also reduce their total debts to increase financial performance of firms and shareholder value. It can be recommended, based on the findings of this research that dividend policy is relevant and that managers should devote adequate time in designing a dividend policy that will enhance financial performance and therefore shareholder value.

The study also recommends that the companies listed in the NSE should pay more attention to leverage and profitability ratio which influence dividend payout positively.

The study recommends that the management of various companies listed on the NSE take cognizance of the findings in this study as a starting point to understanding how industry factors influence the dividend payout ratios of their firms. The study also recommends that investors use this information to make better decisions in where to invest their funds after evaluating what their interests are. These results should aid them in making

decisions on which industries to invest in so as to reap better benefits in terms of dividends.

The study also confirmed a relationship between dividend payout ratio and financial performance of firms operating in NSE. This study therefore recommends diligence in the handling of dividend payout information among the sector players in a bid to ensure that there is inclusivity of the stock market stakeholders. Therefore, policies guiding the sharing of this information should be availed to enhance market control.

5.6 Suggestions for Further Studies

For further studies, it will be interesting to investigate the effect of private sector investment in dividend payout ratio on the level of financial performance of companies listed in the NSE since the private developers operate from a different strategic and financial footing from the government. Also, comparing the effect of government and private sector investment in dividend payout ratio on the level of financial performance of companies listed in the NSE could be another line of study that would be interesting to engage in.

There is need for further studies to carry out similar study for a longer time period. This study only took into consideration of four years from 2011 – 2014. A study of 10 – 15 years would be recommended.

A similar study to be done in other firms not listed in NSE. The same study can be done on Banking and Insurance Companies. It can also be done in other Companies with different economies level. The study can be done in other countries.

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APPENDICES

Appendix 1: Listed Companies on the Nairobi Securities Exchange

AGRICULTURAL
Eaagads
Kakuzi
Kapchorua Tea
Limuru Tea
Rea Vipingo
Sasini Ltd
Williamson Tea
COMMERCIAL AND SERVICES
Car & General
CMC Holdings
Marshalls E.A
Sameer Africa
BANKING
Barclays Bank
CFC Stanbic
Cooperative Bank
Diamond Trust Bank
Equity Bank
Housing Finance

I & M Holdings
KCB Bank
National Bank
NIC Bank
Standard Chartered
COMMERCIAL AND SERVICES
Express Kenya
Hutchings Biemer
Kenya Airways
Longhorn Kenya
Nation Media Group
Scangroup
Standard Group
TPS EA Serena
Uchumi Supermarket
CONSTRUCTION AND ALLIED
Athi River Mining
Bamburi Cement
Crown Paints Kenya
E.A Cables
E.A Portland Cement
ENERGY AND PETROLEUM
KenGen

KenolKobil
Kenya Power – KPLC
Total Kenya
Umeme Ltd
60
INSURANCE
British American Inv
CIC Insurance
Jubilee Holdings
Kenya Re
Liberty Kenya Holdings
Pan Africa Ins.
Centum Investments
INVESTMENT
Olympia Capital
Trans-Century
A.Baumann & Co.
Nairobi Securities Exchange
MANUFACTURING AND ALLIED
B.O.C Kenya
BAT Kenya
Carbacid Inv.
East Africa Breweries

Eveready E.A
Kenya Orchards
Mumias Sugar
Unga Group
TELECOMMUNICATION AND TECHNOLOGY
Safaricom Ltd
GROWTH ENTERPRISE MARKET SECTOR
Home Afrika

Appendix 1I: Research Data

EAAGADS LIMITED	**total assets**	**Size**	**net income**	**Dividend Payout ratio**	**total capital**	**Debts**	**Leverage**
2011	359922	5.555621	71,784.00	0.140	727875	2432737.307	3.342
2012	573356	5.758442	21,805.00	0.522	546669000	2944883490	5.387
2013	499561	5.698559	-59,215.00		820003500	1454246687	1.773
2014	445793	5.649113	-41,684.00		932,553,000	1995648499	2.14
KAKUZI LTD							
2014	3857454	6.586330	160,205.00	0.459	2,685,200.00	58053084.18	21.62
2013	3717543	6.570226	165,028.00		2,450,000.00	17908990.4	7.31
2012	3571700	6.552887	408,656.00		1,862,000.00	17409413.25	9.35
2011	3817320	6.581776	644,397.00	0.114	1,362,200.00	8604595.118	6.317
KAPCHORUA TEA LTD							
2014	1,929,161.00	6.285337	-22,785.00	0.123	535,944,000.00	813498142.8	1.518
2013	2,078,475.00	6.317774	125,991.00	0.233	567,240,000.00	132589 2869	2.337
2012	1,962,897.00	6.292990	78,392.00	0.374	473,352,000.00	131391 0601	2.776
2011	1,570,203.00	6.1959	187,005.00	0.262	535,944,000.00	2435524620	4.544

		6					
Limuru Tea Ltd							
2014	338,600.00	5.529699	-331.00	0.883	12,396,523,500.00	76070671425	6.136
2013	343,007.00	5.5353530	28,513.00	0.705	8,039,250,000.00	1.22E+11	15.177
2012	320,023.00	5.5051518	101,834.00	0.099	3,456,877,500.00	7975548752	2.307
2011	191,242.00	5.2815158	40,484.00	0.222	402,000,000.00	2079522282	5.173
REA VIPINGO							
2014	3,203,131.00	6.505557	351,055.00		1,650,000,000.00	8168186087	4.95
2013	2,834,011.00	6.4524240	444,811.00		1,650,000,000.00	8030849250	4.867
2012	2376618	6.3759596	380,433.00	0.174	1,020,000,000.00	4879625856	4.784
2011	2288740	6.3596960	467,196.00	0.141	885,000,000.00	4160130537	4.701
SASINI TEA LTD							
2014	14929577	7.1740405	45,421.00	1.255	3,204,179,775.00	14528531566	4.534
2013	9054366	6.9568686	91,689.00	0.622	3,033,138,150.00	13500525601	4.451
2012	8922980	6.9505051	-124,113.00	0.378	2,497,207,725.00	10907240682	4.368
2011	9462027	6.9759598	450,347.00	0.131	2,748,068,775.00	11774211242	4.285
CAR AND GENERAL COMPANY LTD							
2014	3857392	6.5862	-66,929	0.125	1,670,054,358.00	6877402995	4.118

		9	.00				
2013	3668487	6.56449	401,189.00	0.173	1,433,463,323.95	5783790711	4.035
2012	3399651	6.53143	186,454.00	0.574	1,182,955,200.00	4674568668	3.952
2011	3125040	6.49486	96,948.00	0.514	1,224,706,560.00	4737615672	3.868
Marshalls (E.A)Ltd							
2014	603935	5.78099	-2,481.00		143,931,060.00	532818263.1	3.702
2013	515116	5.71191	-110,029.00		178,474,514.40	645839418.8	3.619
2012	567095	5.75366	-165,527.00		172,717,272.00	610629862.6	3.535
2011	1076865	6.03216	181,501.00			6742440781	
SAMEER AFRICA LTD							
2014	3,857,392.00	6.58629	-66,929.00	0.321	1,670,054,358.00	5487342492	3.286
2013	3,668,487.00	6.56449	401,189.00	0.173	1,433,463,323.95	4590655446	3.202
2012	3,399,651.00	6.53143	186,454.00	0.399	1,182,955,200.00	3689942453	3.119
2011	3,125,040.00	6.49486	96,948.00	0.274	1,224,706,560.00	3718237944	3.036
Barclays BANK Kenya Limited							
2014	225,844.00	5.35381	8,387.00	0.448	90,180,097,600.00	2.59E+11	2.87
2013	206,739.00	5.31542	7,623.00	0.299	95,612,633,600.00	2.66E+11	2.786

2012	184,826.00	5.26676	8,741.00	0.222	85,290,815,200.00	2.31E+11	2.703
2011	167,029.00	5.22279	8,073.00	0.101	70,881,544,800.00	1.86E+11	2.62
CFC STANBIC HOLDINGS LIMITED							
2014	180,998,985.00	8.25768	5,686,661.00	0.362	49,415,204,750.00	1.21E+11	2.453
2013	180,511,797.00	8.25651	5,127,156.00	0.166	35,183,625,782.00	83390399063	2.37
2012	143,212,155.00	8.15598	2,979,891.00	0.574	16,405,847,977.00	37518755526	2.287
2011	150,171,015.00	8.17659	1,639,157.00		10,947,368,440.00	24124486727	2.204
Diamond Trust Bank							
2014	211,539,412.00	8.32539	5,708,430.00	0.093	51,723,500,000.00	1.05E+11	2.037
2013	166,520,351	8.22147	5,230,754.00	0.597	42,259,218,432.00	82573487283	1.954
2012	135,461,412	8.13182	4,067,978.00	0.115	25,311,511,040.00	47351288706	1.871
2011	107,765,064	8.03248	2,996,726.00	0.125	17,705,829,965.00	31649292154	1.788
EQUITY BANK				0.000			
2014	344,572,000.00	8.53728	17,151,000.00	0.389	185,138,851,000.00	8.47E+11	4.577
2013	277,728,818.00	8.44362	13,278,000.00	0.218	113,860,393,365.00	3.17E+11	2.782
2012	243,170,458.00	8.38591	12,080,255.00	0.383	87,940,954,225.00	94766579328	1.078

2011	196,293,896.00	8.292291	10,325,000.00	0.287	60,725,543,128.00	1.34E+11	2.209
KENYA COMMERCIAL BANK							
	490,338,324.00	8.690500	15,878,978.00	0.381	172,437,140,544.00	2.75E+11	1.594
	390,851,579.00	8.592001	12,426,674.00	0.423	141,004,758,447.00	3.59E+11	2.546
	367,379,285.00	8.565111	12,203,531.00	0.463	88,367,625,591.00	1.27E+11	1.44
	330,716,159.00	8.519466	10,981,046.00	0.500	50,023,372,728.60	1.02E+11	2.036
STANDARD CHARTERED BANK							
2014	222,495,824.00	8.347332	10,436,180.00	0.212	103,259,277,676.00	1.11E+11	1.079
2013	220,391,180.00	8.343119	9,262,921.00	0.293	93,984,492,256.00	3.83E+11	4.076
2012	195,352,756.00	8.290882	8,069,533.00	0.270	72,652,485,790.00	1.91E+11	2.632
2011	164,046,624.00	8.214997	5,836,821.00	0.271	45,932,341,280.00	1.65E+11	3.581
Express Kenya Ltd							
2014	477,922.00	5.679336	-77,352.00		230,124,635.00	1481573237	6.438
2013	480,525.00	5.681772	229		138,074,781.00	252957141	1.832
2012	495,609.00	5.695514	13,028.00		123,913,265.00	674331279.4	5.442
2011	769,296.00	5.8860	-229,08		138,074,781.00	261066272.9	1.891

		9	8.00				
NATION MEDIA GROUP LTD							
2014	11,944,300.00	7.07716	2,460,500.00	0.192	49,575,500,000.00	1.62E+11	3.273
2013	11,444,200.00	7.05859	2,533,200.00	0.120	49,335,231,608.00	1.64E+11	3.323
2012	10,677,400.00	7.02847	2,510,300.00	0.126	41,322,184,436.00	1.39E+11	3.374
2011	7,975,200.00	6.90174	1,203,300.00	0.504	21,996,600,080.00	75328796345	3.425
SCANGROUP LTD							3.475
2014	13,284,104.00	7.12333	625,476.00	0.303	17,333,078,416.50	61111997176	3.526
2013	12,744,583.00	7.10533	831,327.00	0.482	18,280,241,171.50	65376234821	3.576
2012	8,353,595.00	6.92187	752,009.00	0.266	25,951,642,987.00	94124599364	3.627
2011	8,489,938.00	6.92890	911,116.00	0.219	11,818,748,812.00	43463588671	3.678
TPS EASTERN AFRICA LIMITED							
2014	15,939,177.00	7.20247	108,636.00	0.180	6,558,264,000.00	24781649213	3.779
2013	16,136,097.00	7.20780	451,011.00	0.545	8,288,917,000.00	31740581435	3.829
2012	13,357,694.00	7.12573	493,588.00	0.390	5,928,425,600.00	23001514468	3.88
2011	13,131,840.00	7.11833	615,891.00	0.313	8,151,585,200.00	32039465223	3.93
Athi-River Mining Limited							

2014	36,912,580.00	7.567177	1,493,393.00	0.499	40,860,187,500.00	1.65E+11	4.032
2013	29,715,254.00	7.472988	1,348,803.00	0.220	44,574,750,000.00	1.82E+11	4.082
2012	26,953,100.00	7.430661	1,245,638.00	0.199	22,039,737,500.00	91086165723	4.133
2011	20,515,940.00	7.312009	1,150,498.00	0.172	15,650,690,000.00	65473169210	4.183
BAMBURI CEMENT LIMITED							
2014	40,991,000.00	7.612669	3,903,000.00	0.158	50,451,339,225.00	2.16E+11	4.285
2013	43,016,000.00	7.633663	3,673,000.00	0.198	76,221,447,750.00	3.30E+11	4.335
2012	43038000	7.633885	4,882,000.00	0.081	67,147,465,875.00	2.94E+11	4.386
2011	33502000	7.525007	5,859,000.00	0.226	45,369,909,375.00	2.01E+11	4.436
Crown Berger Limited							
2014	3852814	6.585778	19,715.00	0.216	2,633,697,000.00	11950478111	4.538
2013	2945434	6.469115	213,843.00	0.194	1,779,525,000.00	8164672261	4.588
2012	2258263	6.353777	133,543.00	0.222	1,008,397,500.00	4677661719	4.639
2011	2215352	6.345444	129,002.00	0.230	486,403,500.00	2280890691	4.689
EAST AFRICAN CABLES LTD							
2014	7889496	6.897005	341,149.00	0.371	4,100,625,000.00	19643945681	4.79

2013	6840055	6.8350 6	398,202.00	0.236	4,239,843,750.00	20525360408	4.841
2012	5749429	6.7596 2	527,060.00	0.480	2,961,562,500.00	14486940735	4.892
2011	4993032	6.6983 6	314,730.00	0.443	2,670,468,750.00	13198107755	4.942
Kenol Kobil Ltd							
2014	23915166	7.3786 7	1,091,284.00	0.270	12,951,498,560.00	65319878087	5.043
2013	28121673	7.4490 4	558,419.00	0.264	13,908,143,340.00	70848244774	5.094
2012	32684166	7.5143 4	-6,284,575.00		19,868,776,200.00	1.02E+11	5.145
2011	38622619	7.5868 4	3,273,831.00	0.450	14,644,023,940.00	76078490421	5.195
KENGEN							
2014	250205524	8.3983 0	2,826,323.00	0.511	23,962,139,870.40	49213993995	2.054
2013	188673282	8.2757 1	5,224,704.00	0.251	33,305,176,058.40	58891711039	1.768
2012	163144873	8.2125 7	2,822,600.00	0.469	18,905,908,521.60	20946101828	1.108
2011	160993290	8.2068 1	2,080,121.00	0.228	29,787,797,728.80	1.03E+11	3.449
Kenya Power &Lighting Company							
2014	220109352	8.3426 4	6,456,234.00		26,052,085,050.75	4.31E+11	16.539
2013	183712535	8.2641 4	4,352,165.00		28,296,272,152.50	30380490670	1.074
2012	134131983	8.1275	4,617,136.00	0.211	29,662,299,084.00	51383704080	1.732

		3					
2011	119878993	8.07874	4,219,566.00	0.185	37,294,703,541.00	50528318851	1.355
Jubilee Holdings Ltd							
2014	74,505,374.00	7.87219	3,103,653.00	0.135	26,952,750,000.00	44553380900	1.653
2013	61,159,185.00	7.78646	2,502,817.00	0.168	19,344,094,750.00	55547844785	2.872
2012	47,257,540.00	7.67447	2,284,501.00	0.184	10,352,629,910.00	6225098481	0.601
2011	38,039,832.00	7.58024	1,910,390.00	0.157	8,439,750,000.00	19861466229	2.353
PAN AFRICA INSURANCE HOLDINGS LIMITED							
2014	32,174,251.00	7.50751	3,137,172.00	0.679	12,039,122,800.00	26004035722	2.16
2013	27,628,311.00	7.44135	2,792,466.00	0.150	9,659,296,200.00	14964007806	1.549
2012	23,173,248.00	7.36499	2,801,892.00	0.100	7,594,446,650.00	37799626667	4.977
2011	19,096,441.00	7.28095	1,914,584.00	0.110	4,380,000,000.00	7662796860	1.749
Liberty Kenya Holdings Ltd							
2014	72,450,354.00	7.86004	2,497,878.00	0.233	58,152,480,000.00	1.10E+11	1.89
2013	31,452,190.00	7.49765	1,105,920.00	0.565	7,754,818,978.20	14094314137	1.817
2012	27,372,100.00	7.43731	857,849.00	0.240	3,375,020,884.20	5890100594	1.745
2011	23,895,777.00	7.3783	950,418.00		3,375,020,884.20	5646130916	1.673

		2					
BOC KENYA LIMITED							
2014	2,308,320.00	6.336330	229,625.00	0.142	2,440,680,750.00	3730198798	1.528
2013	2,633,093.00	6.4204 7	202,636.00	0.501	2,440,625,000.00	3553688464	1.456
2012	1,989,541.00	6.298 75	197,374.00	0.200	1,942,737,500.00	2688301615	1.384
2011	1,816,803.00	6.259 31	150,604.00	0.082	1,952,500,000.00	2560670565	1.311
Unga Group Ltd							
2014	8,026,578.00	6.904 53	382,767.00	0.148	3,009,352,693.50	3511641568	1.167
2013	8,108,379.00	6.908 93	264,773.00	0.291	2,574,037,524.00	2817599157	1.095
2012	6,399,829.00	6.806 17	348,195.00	0.163	5,261,635,527.00	5379157025	1.022
2011	5,708,897.00	6.756 55	441,043.00	0.629	681,362,874.00	647327899.4	0.95
Safaricom Limited							
2014	134,600,946.00	8.129 05	23,017,540.00	0.318	492,804,764,400.00	3.97E+11	0.805
2013	128,856,157.00	8.110 11	17,539,810.00	0.707	240,000,000,000.00	1.76E+11	0.733
2012	121,899,677.00	8.086 00	12,627,607.00	0.097	128,000,000,000.00	8459535 6391	0.661
2011	113,854,762.00	8.056 35	13,158,973.00	0.208	152,000,000,000.00	8946938 2286	0.589
BRITISH AMERICAN TOBACCO LTD							
2014	18,253,510.00	7.2 613	4,225,314.00	0.123	90,000,000,000.00	3996365 6504	0.444

		5					
2013	16,985,923.00	7.23009	3,723,691.00	0.394	59,500,000,000.00	22119348908	0.372
2012	15176495	7.18117	3,270,852.00	0.154	49,300,000,000.00	14763718096	0.299
2011	13750545	7.13832	3,097,755.00	0.185	24,600,000,000.00	5588628832	0.227